

2019 Interim Results

Six months to 31 January 2019

20 March, 2019

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2019 Interim Results

Overview

Greg Hunt
Managing Director / CEO



Key messages – 1H19

- Revenue growth of 8% in the period
- Strong performance in North America (+19%), continued growth in Latin America (+18%) and seed technologies (+12%)
- Europe delivers sales growth (+15%), but was negatively impacted by slow start to the season and supply challenges in acquired portfolios
- Challenging climatic conditions in Australia expected to continue and impact 2H19
- Increased working capital (+\$449m over July18), reflective of sales growth in North America and Latin America, and dry conditions in ANZ and Europe. This has negatively impacted net debt at Jan19 (+\$499m over July18, excluding the equity raise)

(A\$ millions)

	HY19	HY18	Change	
Revenue	1,576	1,460	↑	8%
Underlying EBITDA ¹	120.9	123.2	↓	2%
Underlying EBIT ¹	38.9	75.0	↓	48%
Underlying NPAT ¹	(11.5)	10.7	↓	208%
Reported NPAT	(13.6)	12.0	↓	214%
Underlying NPATA ¹	7.3	10.7	↓	31.5%
Net working capital	1,774	1,224	↑	45%
ANWC/sales	45.3%	37.8%		750 bps
Half year dividend	Temporarily suspended	5 cents		

1. Excludes material items

Half year EBITDA in line with prior period; challenges ahead in second half

Second half initiatives

- Accelerating supply transition to bring supply chain for acquired European portfolios under Nufarm control prior to the autumn selling season
- Performance improvement program initiated in Australia, targeting \$10 to 15 million cost out/productivity initiatives to:
 - Reduce earnings volatility
 - Improve the competitiveness of the business
- Cash generation
 - Drive net working capital unwind in 2H through receivable collections and sell-through of inventories
 - Focus on inventory reduction in the Australian business, mainly through reduced plant operating rates
 - Temporary suspension of half year dividend
 - Continue to review the portfolio for non-core assets

Long term strategy – core crops and geographies – remains intact

2019 Interim Results

Financials

Paul Binfield
Chief Financial Officer



2019 Interim results

- Revenue growth in most of our strategic focus markets
- Gross profit margin below prior year, with competitive pressure in Brazil and drought impact in Australia
- EBIT impacted by increased D&A of \$33.8m, largely amortization related to EU acquisitions (straight-lined)
- Net working capital increase driven by receivables in North America and Latin America, and inventories in North America and Europe
- NWC unwinds in 2H reducing net debt and leverage
- Underlying operating cash outflow increased due to the higher net working capital at half year

(A\$ millions)

	HY19	HY18	Change
Revenue	1,576	1,460	↑ 8%
Underlying gross profit ¹	423.0	412.2	↑ 3%
<i>Gross profit margin</i>	26.8%	28.2%	↓ 140bps
Underlying EBITDA ¹	120.9	123.2	↓ 2%
<i>EBITDA margin</i>	7.7%	8.4%	↓ 70bps
Underlying EBIT ¹	38.9	75.0	↓ 48%
Underlying NPAT ¹	(11.5)	10.7	↓ 208%
Underlying NPATA ¹	7.3	10.7	↓ 31.5%
Net working capital	1,774	1,224	↑ 45%
Net debt ²	1,577	981	↑ 61%
Underlying operating cash flow ¹	(385.9)	(189.8)	103%

1. Excludes material items

2. Net debt at HY18 excludes acquisition equity proceeds

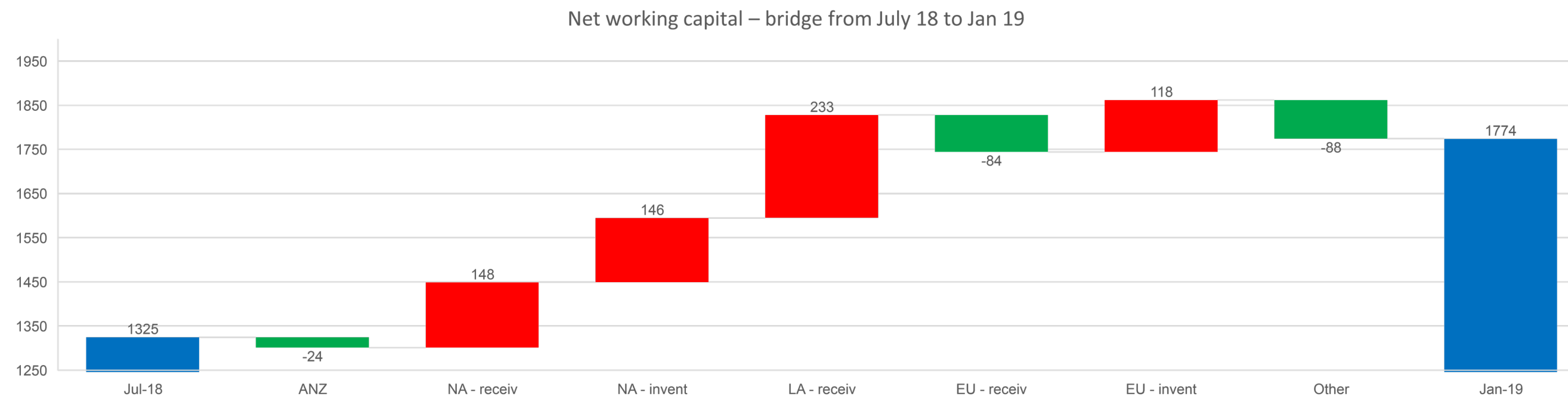
Higher first half net working capital will unwind in second half, driving reduction in debt and leverage

Working capital

(A\$ millions)

	HY19	FY18	HY18
Receivables	1,590	1,276	1,295
Inventories	1,522	1,180	1,085
Payables	(1,338)	(1,131)	(1,156)
Net working capital	1,774	1,325	1,224
ANWC/sales	45.3%	40.3%	37.8%

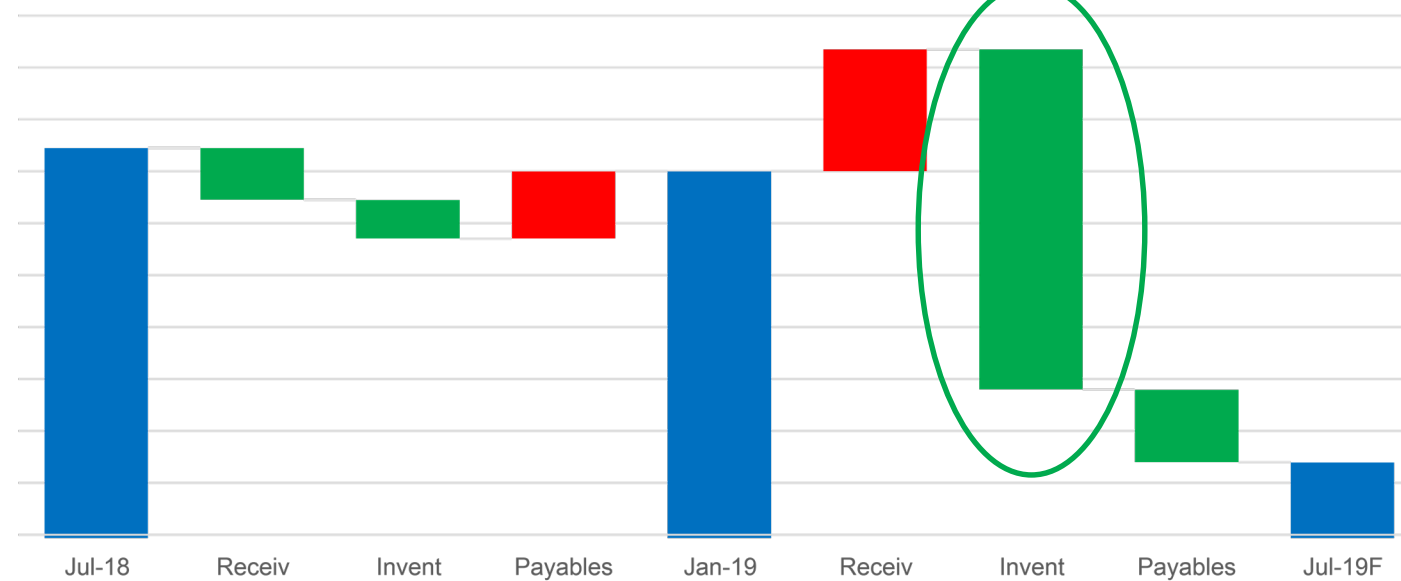
- Increased net working capital from July 18 (+\$449m), driven by LATAM receivables +\$233m, North American receivables +\$148m, North American inventories \$146m and Europe inventories +\$118m
- Expect LATAM and North American receivables to be collected in 2H. Exploring early cash collections in key markets and securitization program for Brazil in 2H
- Higher North American and Europe inventories off the back of higher 2H sales expectations. North America also built inventories in anticipation of tariff increases. Focus on inventory reduction in the Australian business



Expecting NWC at July 2019 to be in a range of \$1.3 to \$1.4 billion

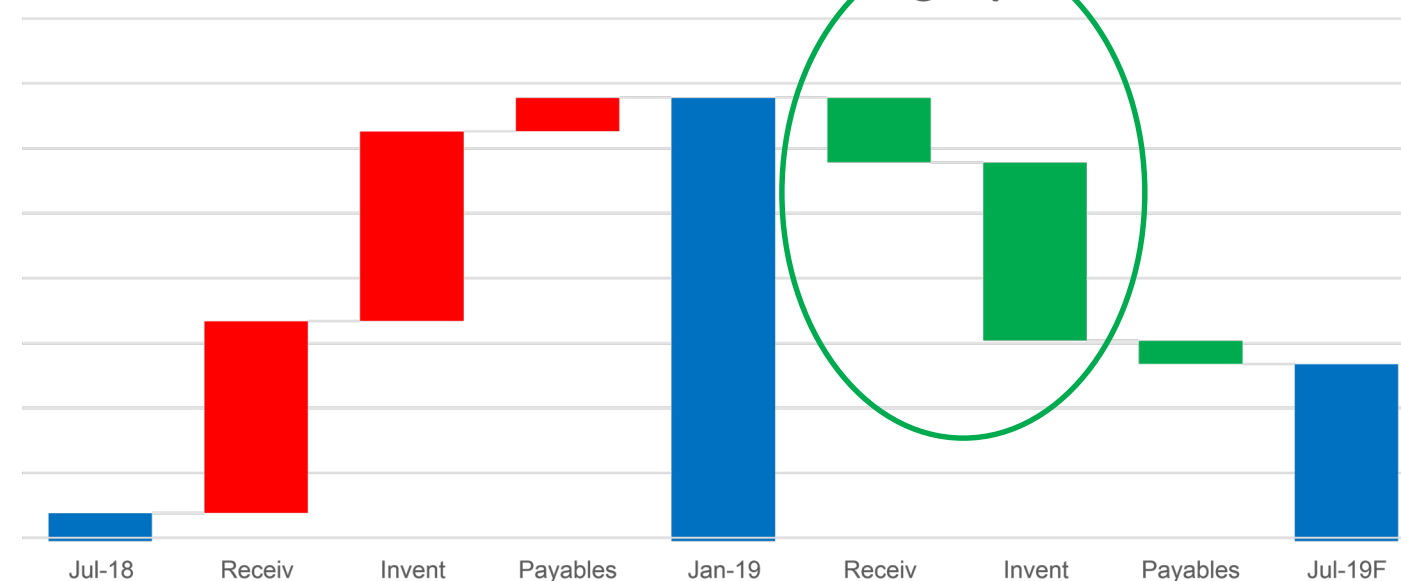
Working capital – region bridge to July estimate

ANZ - net working capital



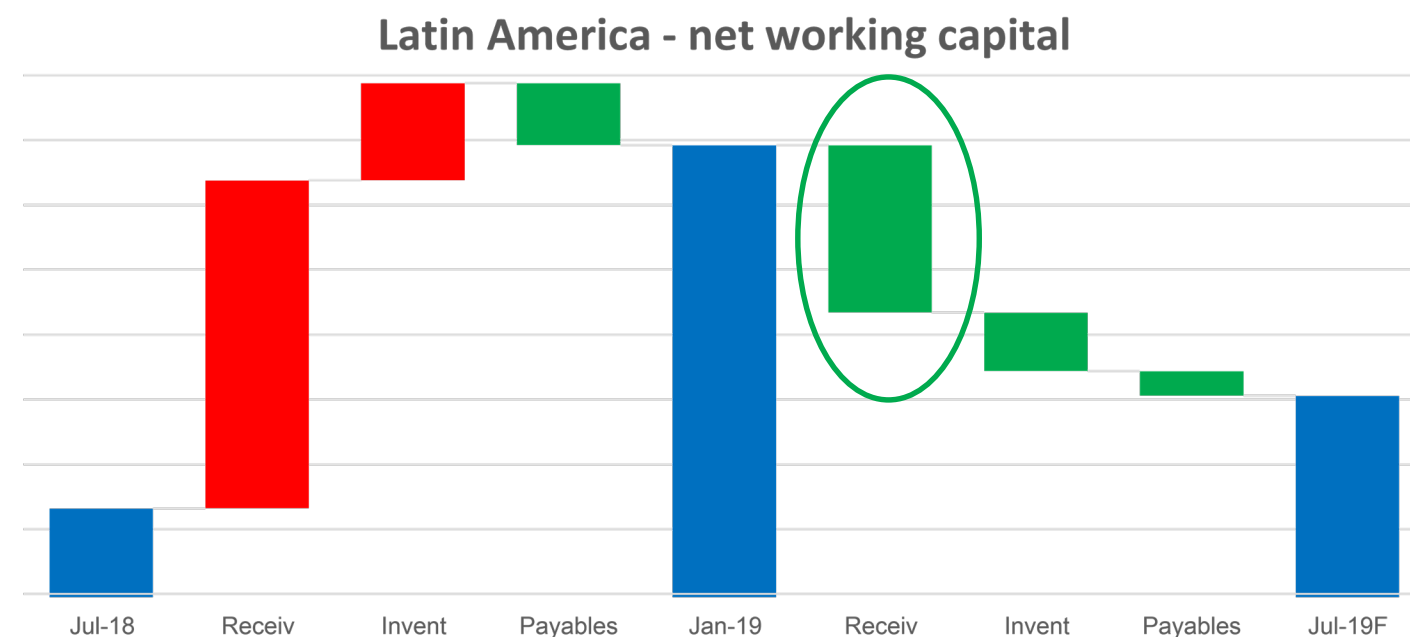
- Summer cropping down 33% on prior year
- Very dry Dec through March period, with low sub soil moisture levels heading into winter cropping
- Focus on inventory reduction with low 2H production levels
- Expecting some relief from the drought leading to an improvement in sales in 4Q on last year, leading to some increase in receivables
- Limited winter rainfall would increase inventories

North America - net working capital

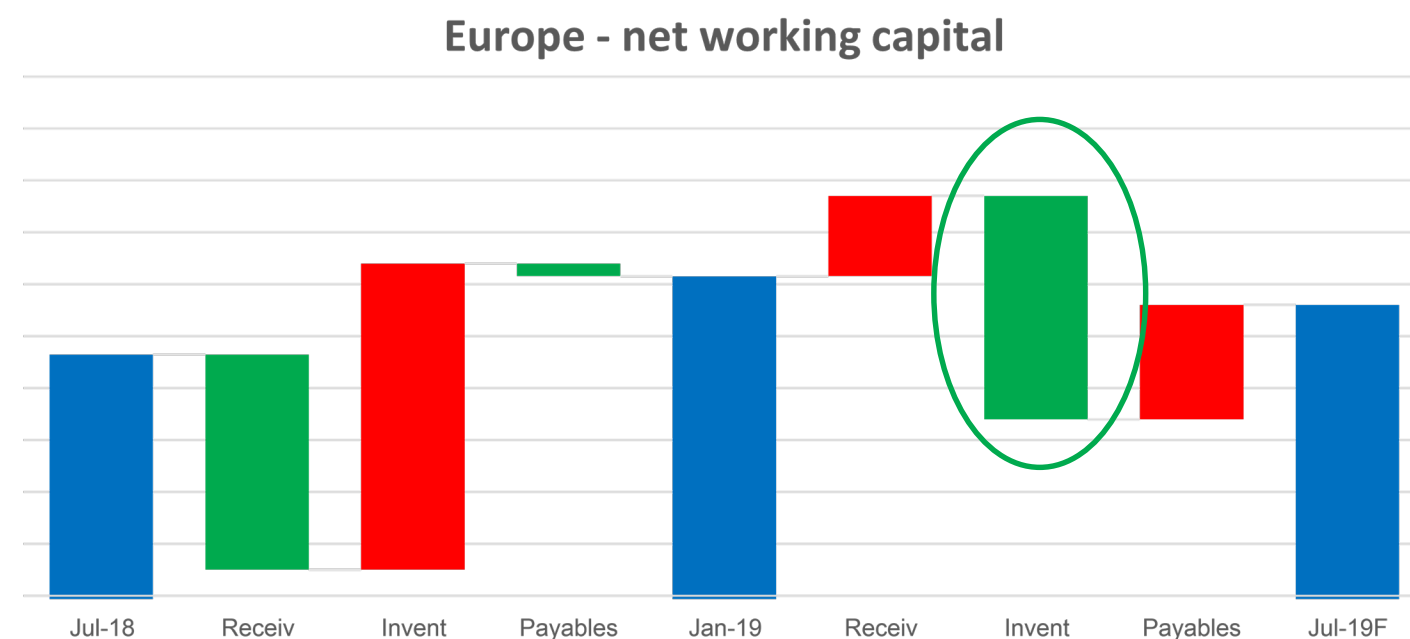


- Inventory build in 1H on higher sales expectations and in anticipation of tariff increases
- Higher 1H receivables from early order T&O program
- January inventory will be sold into main planting season which runs from March through May
- Normal customer terms 60 to 90 days, with good collections expected in June/July months
- A late start to the season would see higher receivables at year end

Working capital – region bridge to July estimate



- Main soybean selling season June through November, with plantings in Sept/October and collection period April to June
- Higher first half sales will be collected in second half, with 2018 being an improved year for customer liquidity with favourable weather and crop pricing
- Receivables increase in June /July as selling season begins again for next season
- Exploring receivable securitisation options for 2H



- Good collections in first half from 4Q FY18 sales
- Inventory build in 1H due dry conditions slowing branded sales and in anticipation of strong 2H sales
- Inventory reduction in second half as planting season starts in March
- Normal customer terms 60 to 90 days, with good collections in June/July months in the key hub countries
- Continued supply disruptions would present risk to NWC

Operating expenses

(A\$ millions)

	HY19		HY18	
	A\$m	%/sales	A\$m	%/sales
Underlying cash SG&AR ¹	323.0	20.5%	309.0	21.1%
Depreciation and amortization	66.7	4.2%	32.1	2.2%
Total underlying SG&AR ¹	389.7	24.7%	341.1	23.3%
Corporate costs ²	28.0		28.6	

- Effective expense control, with underlying cash selling, general & administrative, and research expenses (SG&AR) at 20.5% of sales compared to 21.1% in prior period
- Increased depreciation & amortization of \$34.6m, mostly driven by the EU acquisitions
- Further initiatives underway to improve the efficiency of back office operations
- We expect the underlying effective tax rate to be 32% in FY19

1. Excludes material items

2. Included with underlying general and administrative expenses above. Represents corporate segment EBIT.

Control of operating expenses remains a key objective

Interest and net debt

(A\$ millions)

	HY19	HY18
Net interest expense	44.3	42.1
Net fx (gains)/losses ¹	5.7	14.2
Total financing costs ¹	50.0	56.3
Net debt at period end ²	1,577	981
Average net debt ³	1,508	827
Leverage at balance date ⁴	3.65x	1.41x
Average leverage ⁵	3.49x	2.15x

1. Excludes material items

2. Net debt at HY18 excludes the acquisition equity proceeds

3. Average net debt is the average of the month end net debt over the preceding 12 months

4. Leverage is net debt at period end divided by underlying EBITDA, calculated on a pro-forma basis to account for acquisitions

5. Average leverage is average net debt over the preceding 12 months divided by underlying EBITDA, calculated on a pro-forma basis to account for acquisitions

- Delivering a July 2019 net working capital in a \$1.3 to \$1.4 billion range would and give a leverage ratio well below 3x at July 2019. Medium term target remains an average 2x leverage ratio
- Net debt higher due to increased net working capital of \$550m at January 2019; debt associated with acquisitions of \$335m; less equity raised in October 2018 of \$296m; and a translation impact on net debt of \$84m due weaker AUD
- Net interest expense increase \$2.2m due to increased funding for net working capital less impact of the equity proceeds, and lower bank base rates in Brazil
- Net foreign exchange loss of \$5.7m. LATAM hedging costs reduced due lower BRL volatility
- Expect net interest expense to be around \$105m in FY19, accounting for full year acquisition debt funding and higher working capital coming into the year

Net interest expense moderately higher, with good management of currency exposures

Operating cash flow

- Operating cash outflow of \$386m in first half due to the higher net working capital at January
- Against July 2018, receivables are \$314m and inventories \$342m higher
- Receivables should be largely collected and inventories sold through in the second half
- Expect net working capital to be in a \$1.3 to \$1.4 billion range at July 2019
- Expect FY19 PPE and intangibles capex to be approximately \$200m, including the Greenville site (\$30m) and Trunemco (\$10m) purchased intangible (FY18: \$193m)
- Expect FY19 depreciation and amortization to be \$165m to \$175m (FY18: \$121m)
- Future cash flow improvements will be driven by:
 - Higher EBITDA
 - Improvements in working capital management from global supply chain system and integrated business planning process
 - Portfolio mix that features stronger cash flow conversion e.g. Europe acquisitions

Future cash flow improvement will be driven by higher earnings and reductions in working capital

2019 Interim Results

Segment Results

Greg Hunt
Managing Director / CEO



Region – Latin America

- Brazil sales growth 18%, driven by market share gains for key products and higher soy plantings
- Return to normal climatic conditions in Argentina
- EBITDA and EBIT growth delivered despite competitive pricing in glyphosate segment, and cost increases for active ingredients
- Expect to secure strong collections in Q3/Q4. Good management of net financing expense
- Brazil regulator, Anvisa, has found that glyphosate is not to be classified as carcinogenic and is safe when used as directed
- Commercial agreement with Sumitomo for access to new pipeline fungicide mixture, which addresses Asian Soybean Rust market in Brazil. We are building a platform for new product launches in the next 2-3 years

A\$(m)	HY19	HY18	%
Sales	534.2	450.9	18%
Underlying EBIT	55.2	52.7	5%
Underlying EBITDA	58.6	55.9	5%
Underlying EBITDA Margin	11.0%	12.4%	

Continued market share and earnings growth

Region – North America

- Strong sales growth of 19%, driven by early-order program for turf and ornamental, slightly offset by lower burndown sales caused by wet fall season. Higher mix of T&O sales drives improved margins
- Investment in new Greenville production facility on track to support further growth and logistics efficiencies in FY20
- Portfolio pipeline strengthened with Trunemco nematicide acquisition
- Health Canada confirms registration of glyphosate after reviewing objections – ‘the objections raised did not create doubt or concern regarding the scientific basis for the 2017 re-evaluation decision for glyphosate’
- Positive outlook for 2H with high moisture levels across most cropping areas

A\$(m)	HY19	HY18	%
Sales	442.5	371.7	19%
Underlying EBIT	28.4	22.4	27%
Underlying EBITDA	40.7	32.2	27%
Underlying EBITDA Margin	9.2%	8.7%	

Good momentum heading into second half

Region – Europe

- Slow start to the season with dry weather in central and northern Europe and high channel inventories delaying purchases
- Supply challenges and COGS increases from acquired portfolios
- Plant recoveries \$5m behind at the half due to scheduled plant maintenance shutdowns
- EBIT at the half includes impact of \$27m acquisition amortization
- Rains late in first half favorable for increased cereals plantings

A\$(m)	HY19	HY18	%
Sales	199.6	173.1	15%
Underlying EBIT	(36.4)	2.5	-
Underlying EBITDA	15.1	23.0	(35%)
Underlying EBITDA Margin	7.5%	13.3%	

Weaker first half and ongoing supply challenges impacting full year earnings outlook

Europe acquisitions – short term supply issues

Supply issues

- Product supplied to Nufarm by the portfolio vendors is at cost under the transitional supply agreements
- There have been supply disruptions triggered by Chinese environmental audits, resulting in lost sales opportunities. The financial impact may worsen as the main summer season develops
- Cost increases, due to these supply constraints, have not been able to be fully passed onto customers
- Coordinated and comprehensive program initiated to manage all dimensions of the supply issues

Actions

- Transfer of the product registrations has been expedited and will be completed in April 2019
- Supply will largely be under Nufarm control before the autumn selling season, nearly one year ahead of schedule
- Future supply of active ingredients transferred to known Nufarm suppliers
- Use of trusted toll manufacturers to avoid capex for non-strategic products
- Measures to overcome supply delays have impacted cost

Given the supply constraints and cost increases, there will be a reduced EBITDA contribution from the acquired portfolios in FY19

Europe acquisitions - rationale

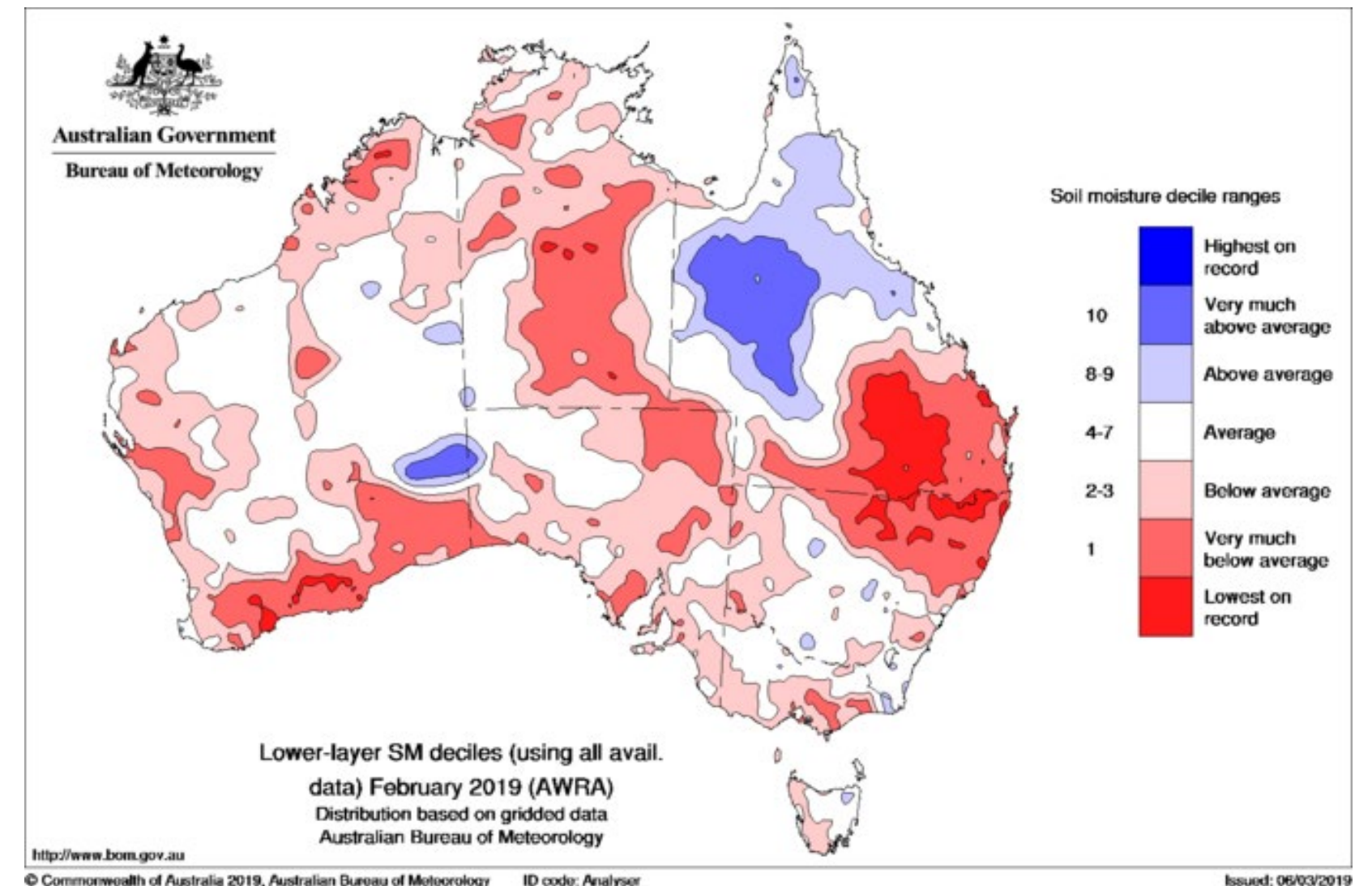
- ✓ Strategic rationale behind acquisitions remains unchanged
- ✓ Acquired portfolios are complimentary to Nufarm's European business and align with the strategy
- ✓ Customer demand for the portfolio is strong. Customers want to deal with Nufarm
- ✓ Portfolio includes well-known brands. Brand loyalty amongst customers is strong
- ✓ Regulatory risk is as expected. Registrations received for Acetamiprid providing opportunities

Acquired portfolios include recognised brands and customer loyalty remains strong

Region – Australia/New Zealand

A\$(m)	HY19	HY18	%
Sales	222.2	300.5	(26%)
Underlying EBIT	(1.4)	6.5	(122%)
Underlying EBITDA	4.0	13.5	(70%)
Underlying EBITDA Margin	1.8%	4.5%	

- High channel inventories impacted first half sales and margins, with continued dry conditions effecting sales into the summer crop markets
- Lower manufacturing production levels resulted in lower plant recoveries
- Slow start to 2H with extremely dry conditions in Feb/Mar and poor sub-soil moisture levels. With 2H rainfall below average to date and lower production levels, expect EBITDA in 2H to be below the prior period
- Next phase of performance improvement underway – right size cost base for current conditions and re-align business to market conditions



Second half earnings below prior period, as dry conditions persist into Feb/March, and sub-soil moisture at very low levels

Australian performance improvement program

- Next phase of performance improvement program for Australia
- Business recovery will come from reduction to cost base and return to an average season
- Targeting \$10 to \$15 million reduction in cost base, to come from SG&A expense, supply chain, logistics and procurement savings
- Reduction of more than 50 roles across the business
- Program announced March 2019 and will take up to two years to implement
- Cost to implement will be no more than \$10 million
- Delivers a more efficient business to meet the industry challenges of an Australian crop protection market with no growth, an open regulatory regime, more competitors, proximity to China encouraging imports of formulated products and tough climatic conditions

Next phase performance improvement initiatives provide roadmap to \$50m EBIT



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Seed technologies

Brent Zacharias
Group Executive, Nuseed

Region – Seed technologies

- Strong contribution from European sunflowers with new products providing greater market access to higher value segments
- Good performance in LATAM, leveraging our new leading products in sorghum, sunflower and canola
- Despite dry conditions in Australia, canola end-point-royalties from grain deliveries increased on 1H last year. Good demand for canola hybrids but will depend on adequate planting rains
- Continued growth in seed treatment business with new products launched in Brazil and addition of seed treatment products in the Century portfolio

A\$(m)	HY19	HY18	%
Sales	76.8	68.7	12%
Underlying EBIT	8.2	4.5	81%
Underlying EBITDA	15.0	10.2	47%
Underlying EBITDA Margin	19.5%	14.9%	

Expanded seed treatment portfolio and omega-3 canola commercialization on track

Omega-3 canola update

First commercial crop to be planted in upcoming US season

Each 1% share of the fish oil deficit projected to generate ~\$8.5M EBITDA in 2028

Regulatory status

- Regulatory approval in Australia (food, feed and cultivation)
- Regulatory approval in USA (cultivation)
- Anticipate USA food and feed approval prior to harvesting of US crop
- Anticipate Canada cultivation, food and feed approvals in 2019
- Filing completed in China, Japan with additional filings including Mexico, EU and Korea imminent

Pre-commercialisation plans well advanced

- 2018 crop (15,000 acres) successfully harvested and crushed, helping to refine supply chain
- Positive initial feedback from feeding trials underway with multiple aquaculture firms
- Strong expressions of interest from aquaculture industry
- US growers contracted for first commercial crop – stewardship training well advanced

Strong intellectual property position

- Intellectual property position further strengthened with >20 additional patents granted in FY18
- Nuseed and partners are now asserting their patent estate against others for infringement in the USA. Court actions regarding the infringements and validity will be heard in the US Federal court in October 2019
- Continued clear pathway to commercialization of our omega-3 canola

Commercialization target and timing of earnings contribution

- Nuseed will initially cultivate omega-3 canola in USA under strict stewardship protocols
- Pending regulatory approvals, first commercial contract commitments anticipated by end of FY19
- Positive EBITDA contribution expected in FY21

Nuseed will be first to market with a sustainable and scalable alternative source of long chain omega-3

2019 Interim Results

Outlook

Greg Hunt
Managing Director, CEO



Group outlook

Full year

- EBITDA expected to be in a range of \$440 to \$470 million
- Assumptions in EBITDA range
 - Continued deterioration of conditions in Australia, with slow 2H sales and sub-soil moisture levels very low in key eastern state cropping areas. A focus on inventory reduction in Australia leads to lower production levels. The net impact of lower sales and lower production levels results in a reduction of approximately \$30 million against the previous guidance
 - The Europe business is expected to be down approximately \$30 million against previous guidance, mainly driven by uncertainty around supply on the acquired European portfolios
 - Timely seasonal breaks in Europe and North America
- Expect net working capital at July 2019 to be in a range of \$1.3 billion to \$1.4 billion. Average net working capital to sales for the full year to be in the 43% to 44% range. Expect year end leverage ratio to be well below 3x. Medium term leverage target remains an average of 2x

Addressing the priorities that will deliver stronger shareholder returns in the near term

- Implementing supply chain improvements that will deliver sustainable reductions in working capital
 - global supply chain system
 - integrated business planning
- Addressing supply constraints by accelerating product registration transfers and entering into direct sourcing arrangements that allows an exit from existing TSAs prior to autumn season
- Driving down operating expenses
- ‘Right-sizing’ the Australian business to enhance its competitiveness and reduce volatility of earnings
- Transition to higher margin product portfolio that will improve cash conversion
 - European acquisitions
 - Trunemco seed treatment
 - Aquaterra / Nutriterra
 - New Sumitomo products

Strategy remains on track, with good growth prospects ahead



2019 Interim Results

Supplementary
information



Constant currency results

(A\$ millions)

	HY19 Reported currency	HY19 Constant currency ¹	HY18 Reported currency	Constant currency %
Revenue	1576.1	1592.4	1460.1	9.1%
Underlying SG&A expenses excluding depn & amortisation ²	308.5	309.8	289.9	6.9%
Underlying EBITDA ²	120.9	120.5	123.2	(2.2%)
Underlying EBIT ²	38.9	41.7	75.0	(44.4%)

Average exchange rates HY19 v HY18			
A\$1 =	HY19	HY18	%
BRL	2.788	2.507	11.2%
USD	0.723	0.780	(7.3%)
EUR	0.628	0.659	(4.6%)
GBP	0.558	0.587	(4.9%)

Translation impact:

- Sales growth 9.1% on constant currency basis
- Underlying EBITDA in line with last year on constant currency basis
- Stronger USD, Euro and GBP benefits results, offset by weaker BRL

1. HY19 reported results converted at 2018 foreign currency exchange rates
 2. Excludes material items

Non IFRS information reconciliation

	6 months ended 31 January 2019			6 months ended 31 January 2018		
	Underlying \$000	Material items \$000	Total \$000	Underlying \$000	Material items \$000	Total \$000
Revenue	1,576,108	-	1,576,108	1,460,130	-	1,460,130
Cost of sales	(1,153,099)	-	(1,153,099)	(1,047,905)	-	(1,047,905)
Gross Profit	423,009	-	423,009	412,225	-	412,225
Other income	5,706	-	5,706	3,874	-	3,874
Sales, marketing and distribution expenses	(267,341)	-	(267,341)	(226,572)	-	(226,572)
General and administrative expenses	(107,487)	2,093	(109,580)	(95,001)	(50)	(94,951)
Research and development expenses	(14,833)	-	(14,833)	(19,564)	-	(19,564)
Share of net profits/(losses) of associates	(130)	-	(130)	-	-	-
Operating profit	38,924	2,093	36,831	74,962	(50)	75,012
Financial income	4,358	-	4,358	4,924	-	4,924
Financial expense	(48,666)	-	(48,666)	(46,995)	735	(47,730)
Net foreign exchange gains/(losses)	(5,731)	-	(5,731)	(14,277)	20,069	(34,346)
Net financing costs	(50,039)	-	(50,039)	(56,348)	20,804	(77,152)
Profit before tax	(11,115)	2,093	(13,208)	18,614	20,754	(2,140)
Income tax benefit/(expense)	(412)	(35)	(377)	(8,362)	(22,042)	13,680
Profit for the period(11	(11,527)	(2,058)	(13,585)	10,252	(1,288)	11,540
Attributable to:						
Equity holders of the parent	(11,527)	(2,058)	(13,585)	10,671	(1,288)	11,959
Non-controlling interest	-	-	-	(419)	-	(419)
Profit for the period	(11,527)	(2,058)	(13,585)	10,252	(1,288)	11,540

Non IFRS information reconciliation

Six months ended 31 January Underlying NPATA	2019 \$000	2018 \$000
Underlying EBIT	38,924	74,962
Material items impacting operating profit	2,093	50
Operating profit	36,831	75,012
Underlying EBIT	38,924	74,962
add Depreciation and amortisation excluding material items	82,022	48,224
Underlying EBITDA	120,946	123,186
Underlying NPAT	(11,527)	10,671
Amortization related to European portfolio acquisitions(tax effected @ 30%)	18,842	-
Underlying NPATA	7,315	10,671

Non IFRS disclosures and definitions

Term	Definition
Underlying NPAT	Profit / (loss) for the period attributable to the equity holders of Nufarm Limited less material items
Underlying EBIT	Earnings before net finance costs, taxation and material items
Underlying EBITDA	Earnings before net finance costs, taxation, depreciation and amortisation and material items
Gross profit margin	Gross profit as a percentage of revenue
Average gross profit	Revenue less a standardised estimate of production costs excluding material items and non-product specific rebates and other pricing adjustments
Average gross margin	Average gross profit as a percentage of revenue
Net debt	Total debt less cash and cash equivalents
Average net debt	Net debt measured at each month end as an average
Net working capital	Current trade and other receivables, non-current trade receivables and inventories less current trade and other payables
Average net working capital	Net working capital measured at each month end as an average
ANWC/sales (%)	Average net working capital as a percentage of last twelve months revenue
Net external interest expense	Net external interest expense – comprises Interest income – external, Interest expense – external/debt establishment transaction costs and Lease amortization - finance charges as described in the Nufarm Limited financial report
Gearing	Net debt / (net debt plus equity)
Constant currency	Comparison removing the impact from the fluctuation in exchange rates between all foreign currency denominated amounts and the Australian dollar
Return on funds employed	Underlying EBIT divided by the average of opening and closing funds employed (total equity + net debt)

Material items

(A\$ millions)

NPAT reconciliation	HY19	HY18
Underlying NPAT	(11.5)	10.7
<i>Material items</i>		
Asset rationalization and restructure	0.0	(4.2)
Business acquisition costs	0.0	25.0
Legal costs – omega 3	(2.1)	0.0
Total material items – pre tax	(2.1)	20.8
(-) Tax on material items	0.0	(6.5)
Impact of tax rate changes	0.0	(15.6)
Total material items – after tax	(2.1)	(1.3)
Reported NPAT	(13.6)	12.0

Material items relate to:

- Legal costs associated with the enforcement of the omega-3 trademark and patent matters for \$2.1m
- The prior year material items largely relate to costs associated with the European portfolio acquisitions of \$24.1m
- Change in corporate tax rates in USA, France and Argentina led to re-measurement of the group's deferred tax position resulting in a credit of \$12.2m
- Cash outflow related to material items is \$6.3m

Thank you

