

Incitec Pivot Limited

INNOVATION ON THE GROUND

IPL announces completion of regulatory review process for the sale of the Waggaman facility

16 November 2023

Transaction highlights

- US anti-trust regulatory review period has concluded
- Transaction completion targeted for 1 December 2023
- IPL confirms ~A\$1 billion of cash proceeds from the transaction to be returned to shareholders (subject to IPL shareholder approvals at the 2023 Annual General Meeting)

Incitec Pivot Limited (ASX:IPL) today announced that the US anti-trust regulatory review process in relation to the sale of IPL's ammonia manufacturing facility located in Waggaman, Louisiana, USA (**Waggaman**) to CF Industries Holdings, Inc. (**CF**) has now concluded.¹ IPL and CF expect to complete the transaction on 1 December 2023 (US time), subject to the satisfaction of other customary closing conditions.

IPL's Interim CEO, Paul Victor said: *"The Waggaman sale delivers three key strategic objectives for our Company – achieving security of ammonia supply for Dyno Nobel's US operations, delivering significant returns to our shareholders, and rebalancing our portfolio towards more reliable, recurring earnings. Our historic investment in Waggaman has been a successful initiative and its sale marks a major milestone in IPL's business transition."*

"Further, through securing the long-term ammonia supply agreement with CF, our US explosives business is well positioned to continue to deliver the high-value technical and service needs of our customers."

As previously announced², the gross proceeds from the sale are US\$1.675bn, with cash proceeds (before tax, transaction costs and purchase price adjustments) of US\$1.25bn³. After transaction completion, IPL will commence the previously announced 25-year ammonia supply agreement with CF. The offtake agreement secures ammonia at producer cost⁴ and provides for the supply of up to 200,000 short tonnes of ammonia per annum to support the Dyno Nobel Americas business. After accounting for transaction costs, purchase price adjustments and tax (~US\$400m), the net cash proceeds from the sale are expected to be approximately US\$850m⁵. The tax is expected to be paid in January 2025.

¹ The US Federal Trade Commission has not objected to the Waggaman sale transaction proceeding. The waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (HSR Act) in connection with the sale of the Waggaman facility, during which the Federal Trade Commission may object to the transaction, expired on 15 November 2023 (US time). The expiration of the HSR Act waiting period was a condition to completion of the transaction.

² Refer IPL's ASX release dated 20 March 2023.

³ Excluding the value allocated to the ammonia supply agreement of US\$425m at the time that the agreement was reached. This value is different to the amount expected to be recognised as an intangible asset for accounting purposes on transaction completion date which is currently estimated at approximately US\$300m, based on the current forward looking ammonia prices.

⁴ The pricing under the offtake agreement is linked to gas based pricing at a level commensurate with Waggaman's cost of production. Refer to IPL's ASX release dated 20 March 2023.

⁵ Net cash proceeds will be subject to final purchase price adjustments and dependent on the net working capital position at date of completion.

Capital management initiatives

With the sale now expected to complete in early December 2023, IPL confirmed that it intends to return up to A\$1bn of the proceeds of the Waggaman sale to shareholders, through a combination of an on-market share buyback of up to A\$500m (in addition to the previously announced A\$400m buyback)⁶ and a distribution of up to A\$500m that will be allocated between a pro-rata capital return and special unfranked dividend.⁷ The allocation of the proposed distribution of up to \$500m between a pro-rata capital return and special unfranked dividend has to be confirmed by the Australian Tax Office via a Class Ruling for Australian income tax purposes.

IPL intends to put ordinary resolutions to shareholders at the upcoming Annual General Meeting on 20 December 2023 to seek approval for:

- the Company to buy back up to a maximum of 20% of its share capital within a 12-month period; and
- the Company to undertake a pro-rata capital reduction.

These resolutions and further details will be included in the Notice of Annual General Meeting 2023 which will be provided to shareholders on 20 November 2023.⁸

For more information:

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This document has been authorised for release by Richa Puri, Company Secretary.

⁶ The timing and value of shares purchased and other matters relating to the conduct of the buyback will depend on prevailing market conditions, and IPL reserves the right to vary, suspend or terminate the buyback at any time.

⁷ Shareholder approval is required for the on-market buy back to exceed the 10/12 limit set out in the Corporations Act. Similarly, shareholder approval is required to give effect to an equal capital reduction. It is proposed that IPL shareholder approval will be sought at IPL's 2023 AGM.

⁸ Shareholders do not need to take any action at this stage.