

30 June 2020

ASX Release – Company Announcement

Nufarm announces changes to global manufacturing footprint

Nufarm today announced its decision to cease manufacture of insecticides and fungicides at its Raymond Road site in Laverton, Australia and curtail herbicide manufacturing at its operations in Linz, Austria.

Nufarm Managing Director and CEO Greg Hunt explained the changes form part of the company-wide program launched in March 2020 to improve financial returns.

“These are difficult decisions for our colleagues, however they are another step in building a stronger and more resilient business.

“In March this year we expanded the performance improvement program we commenced in Australia to the rest of our business. While the program is ongoing, the analysis of our manufacturing footprint is well advanced. It shows that our MCPA synthesis and herbicide formulation operations remain competitive, however gaps have emerged in the competitive position of our 2,4-D synthesis and insecticide and fungicide formulation.

“Today’s decision follows careful consideration of both external market dynamics and the future needs of our business. We are confident it strikes the right balance between optimising sourcing cost and retaining flexibility within our global supply chain.

“The performance improvement program is continuing across each of our regions and the corporate centre. It is a broad ranging program to improve every aspect of our business. A further update on progress of the program will be provided when we announce full year results”.

Nufarm expects the combined initiatives announced today to deliver an annual improvement to earnings before interest, tax, depreciation and amortisation of up to AUD\$15 million per annum once fully implemented.

One-off cash costs relating to the restructuring of approximately AUD\$25 million will be partially offset by proceeds from the future sale of the Raymond Road property (proceeds from the future sale have not been incorporated in the estimate of cash costs).

Other non-cash costs related to the restructuring are expected to be approximately AUD\$25 million.

Closure and sale of Raymond Road manufacturing site at Laverton, Australia

Insecticide and fungicide manufacture currently undertaken at the Raymond Road site in Laverton, Australia will be progressively phased out with the site prepared for closure and sale over the next 18 months. This is expected to generate an annualised EBITDA benefit of approximately AUD\$5 million.

Nufarm Regional General Manager, Australia and New Zealand, Peter O’Keeffe, said the changes would allow the company to support customers with competitive offers, while generating improved returns for Nufarm. “We know our customers value the quality and reliability of local production and closing any component of our local manufacturing capacity is not a decision taken lightly. However, our analysis tells us this is what we need to do to continue to provide a competitive offer for insecticides and fungicides and generate sustainable returns in our business”.

Mr O’Keeffe confirmed there was no impact on Australian herbicide manufacture and formulation as a result of today’s announcement.

Cessation of 2,4-D synthesis at Linz, Austria

Nufarm will cease synthesis of the herbicide 2,4-D at the Linz site in Austria early in the 2021 calendar year. This is expected to generate an EBITDA benefit of up to AUD\$10 million per annum once the changes are fully implemented. Formulation of other products currently manufactured at the Linz site is not impacted as a result of today’s announcement.

Nufarm Europe Regional General Manager, Hildo Brilleman, commented, “We are working through a systematic program to reduce overhead costs and improve margins in our European business. While our 2,4-D synthesis team at Linz have made a tremendous effort to improve cost efficiencies, we have more financially viable sources of supply available within our global supply chain. Today’s decision is one of many steps we are taking toward improving returns from our European business”.

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