

## ASX Announcement

18 May 2023

# Nufarm delivers strong half year profit with uNPAT up 7% Growth outlook affirmed

## Highlights

- **Underlying net profit after tax** up 7%<sup>1</sup> to \$142 million on revenue<sup>2</sup> of \$2.0 billion
- **Statutory net profit after tax** of \$149 million, up 51%
- **Underlying EBIT** of \$228 million up 3%
- **Underlying EBITDA** of \$316 million, down 4%
- Unfranked **interim dividend** of 5 cents per share, up 25%
- Global footprint & portfolio diversity provides resilience
- Innovation and technology delivering improved product mix
- Continued progress on all key strategic growth milestones
- Seed Technologies delivers strong double-digit growth
- Earnings outlook for FY23 affirmed

Nufarm Managing Director and CEO, Greg Hunt, said “This is an excellent result, that has been driven by Nufarm’s transformed structure and increasing shift to innovative and differentiated solutions.

“Our diverse portfolio and geographic footprint provide earnings stability and resilience, while our omega 3 and bioenergy platforms provide significant growth potential.

“Global conditions remain positive, with agricultural commodity prices at or above five-year averages.

“We have made excellent progress on our key growth initiatives; we are hitting our key milestones and remain on track to meet or exceed our growth aspirations.”

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<sup>1</sup> References are to the prior comparative period (pcp) unless specified otherwise

<sup>2</sup> Revenue excluding corporate revenue of which corporate revenue is defined as sales to Sumitomo under the Transitional Services Agreement at zero margin

## **Group performance**

Underlying net profit after tax (uNPAT), increased 7% on the prior comparative period (pcp) to \$142 million, for the six months ended 31 March 2023.

Underlying gross profit was \$609 million, up 3%, with the underlying gross profit margin improving over 120 basis points to 31%.

Underlying earnings before interest, tax, depreciation and amortisation (uEBITDA) was \$316 million, a 4% decrease, on revenue of \$2.0 billion.

The Board declared an unfranked interim dividend of 5 cents per share, up 25% compared to the dividend declared in the pcp.

## **Crop Protection**

Europe performed well in a challenging environment, delivering uEBITDA of €81million, up 7%, on revenue which was slightly up by 1% to €320 million, with new product introductions and a favourable product mix contributing to the result.

APAC's uEBITDA of \$71 million was down 28% from a record high in 1H22, on revenue of \$546 million, down 6%. Continued favourable seasonal conditions and relatively higher grain prices resulted in strong demand for seed and crop protection products.

North America's uEBITDA decreased 16% to US\$57 million on revenue of US\$454 million, down 12%. The volume decrease was offset by growth in higher margin products resulting in improved gross profit margin. Re-stocking post COVID supply chain disruptions and phasing of sales drove an increase in inventory as customers shifted to a more traditional in-season buying strategy.

## **Seed Technologies**

Seed Technologies delivered an excellent result, with revenue up 25% to \$231 million and uEBITDA up 34% to \$62 million. Key milestones have been met in each of Nufarm's core seeds, omega-3 and bioenergy growth platforms.

The core seeds portfolio experienced strong demand for hybrid canola, sorghum and sunflower seeds delivering an increase in volume and expansion into several markets.

The omega-3 platform is on track to deliver targeted growth of omega-3 canola oil from crops planted in CY23. Revenue for Aquaterra<sup>®</sup> increased as the industry continues to scale adoption of our technology for its sustainability and fish health benefits. We also progressed the commercialisation of Nutriterra<sup>®</sup> for human nutrition.

Key milestones in bioenergy are being achieved with the first shipment of carinata grain delivered to Saipol for processing under the 10-year offtake and market development agreement with bp.

## Outlook

Mr Hunt said the outlook for Nufarm was positive.

“We continue to expect to deliver modest underlying EBITDA growth in FY23<sup>3</sup>, on a constant currency basis<sup>4</sup> and assuming normal seasonal conditions.

“Our net debt and leverage have increased driven by net working capital movements reflecting seasonal build and increased inventory, particularly in the North America, however inventory is expected to reduce in the second half as growers take delivery to meet seasonal deadlines and stocks are consumed closer to use periods.

“Accordingly, leverage is anticipated to return to within or below the targeted range of 1.5 to 2.0 times net debt to underlying EBITDA by 30 September 2023.

“Favourable seasonal conditions are being experienced in most key agriculture markets and we are seeing good demand for our seed and crop protection products in early 2H23 trading.

“Nufarm has a clear strategy for growth which is based on operational excellence and increasing the proportion of our business contributed by higher margin products driven by our innovations in seeds and crop protection. We are seeing the benefits of our strategy in 1H23. Industry fundamentals remain strong, with agriculture ‘mega trends’ supporting the growth of crop protection, seeds and sustainable agricultural technologies.

“Against this backdrop, Nufarm’s evolution as an agricultural innovator leaves us well placed for future growth.”

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<sup>3</sup> Nufarm’s plans reflect its expectations at the date of this release and are based on information and assumptions known to date. They are subject to risks and uncertainties, including changes in product demand, the timing and success of new product launches, decisions by regulatory authorities regarding approval and ongoing registration of our products, operational changes, difficulties or delays in manufacturing, third party supply interruptions, weather volatility, cyberattack/unauthorised access, the loss of key personnel, safety incidents, environmental damage, product contamination and quality, compliance breaches, litigation or government investigations, global economic & geo-political uncertainty and conflict including in Russia and the Ukraine, energy security and inflation including increases in costs of goods, and the effect of economic conditions generally. Actual results may be significantly different to those expressed.

<sup>4</sup> Constant currency financial information seeks to remove the impact of movements in monthly exchange rates that impact on the translation of foreign currency earnings and balances into Australian Dollars to facilitate the comparability of operational performance. The current financial reporting period EBITDA has been translated from subsidiary functional currency into Australian Dollars, at the corresponding monthly exchange rates from the prior comparable financial reporting period.