Nufarm Interim Results

6 months to January 31, 2018

March 21, 2018

Nufarm Grow a better tomorrow.

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Non-IFRS information

Nufarm Limited results are reported under International Financial Reporting Standards (IFRS) including Underlying EBIT and Underlying EBITDA which are used to measure segment performance. This presentation also includes certain non-IFRS measures including Underlying net profit after tax and Gross profit margin. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review. Certain figures may be subject to rounding differences. Refer to “Supplementary information” for the definition and calculation of non-IFRS information. All market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated. All amounts are in Australian Dollars unless otherwise stated.

2018 Interim Results
Overview

Greg Hunt
Managing Director / CEO

Key highlights

- Strong revenue growth despite challenging market conditions
- EBIT in line with guidance, however, lower than last year, driven by scheduled plant upgrade in ANZ and challenging conditions in LATAM
- European Century and FMC product acquisitions completed
- Omega-3 canola approval received in Australia
- Performance improvement program to deliver targeted $116m savings by end of FY18
- Continued focus on working capital management

Strong momentum heading into major selling seasons in second half

- Revenue up 7% on first half last year (up 10% in constant currency)
- Underlying EBIT down 12%, mainly due to ANZ plant upgrade and softer Brazil market
- Underlying NPAT down, driven by lower EBIT and higher net financing costs
- Net working capital continues to be managed efficiently
- Operating cash flow in line with last year

(A$ millions)	1H18	1H17	Change
Revenue	1,460	1,360	▲ 7%
Underlying EBIT	75.0	85.0	▼ 12%
Underlying NPAT	10.7	19.8	▼ 46%
Reported NPAT	12.0	20.0	▼ 40%
Average net working capital/sales	37.8%	37.1%	▲ 70bps
Underlying operating cash flow	(189.8)	(187.6)	▲ 1%
Half Year dividend	5 cents	5 cents	

On track for 5 to 10% underlying EBIT growth for full year

Regional review

Latin America

Market drivers

- Market share growth in Brazil, when total market down 7% in CY2017
- Competition-related pricing pressure impacting margins
- Brazil seasonal conditions average with delayed soybean plantings impacting Safrinha corn plantings. Argentina had early rains but very dry in Dec through Feb

A$(m)	HY18	HY17	%
Sales	**450.9**	**466.9**	-3%
Underlying EBIT	**52.7**	**55.8**	-6%
Underlying EBITDA	**55.9**	**58.9**	-5%
Underlying EBITDA Margin	**12.4%**	**12.6%**	

- Nufarm ‘product on ground’ use in line with sales. Industry channel inventories coming back to normal levels
- Interest expense and exchange losses in line. Managed working capital well. Marginal improvement in credit conditions
- Expect second half underlying EBIT to be broadly in line with second half last year

Regional review

Australia/New Zealand

A$(m)	HY18	HY17	%
Sales	300.5	306.3	-2%
Underlying EBIT	6.5	13.3	-51%
Underlying EBITDA	13.5	19.6	-31%
Underlying EBITDA Margin	4.5%	6.4%	

Market drivers

- Plant upgrade, including replacement of 2,4-D reactors, necessitated plant shutdown, with an impact of $7.6m in the first half. Upgrade will result in long-term efficiency improvements
- Market down in second half of 2017, due to weak spring fungicide and summer herbicide markets
- Continued focus on volume and share recovery
- Merger of Nufarm and Crop Care brands bedded down in first half
- Winter cropping looking solid – forecasting full year underlying EBIT broadly in line with last year

North America

A$(m)	HY18	HY17	%
Sales	371.7	291.1	28%
Underlying EBIT	22.4	17.7	27%
Underlying EBITDA	32.2	27.1	19%
Underlying EBITDA Margin	8.7%	9.3%	

Market drivers

- Positive revenue momentum, with commodity product growth pulling through sales of differentiated products
- Building strong customer relationships, and positive reaction to early sales programs
- Seasonal conditions average, with hurricanes challenging T&O, and driving logistics cost higher
- Outlook for second half positive (in US dollars)

Regional review

Europe

A$(m)	HY18	HY17	%
Sales	**173.1**	**150.9**	15%
Underlying EBIT	**2.5**	**8.8**	-72%
Underlying EBITDA	**23.0**	**26.8**	-14%
Underlying EBITDA Margin	**13.3%**	**17.8%**	

Market drivers

- Acquisitions completed and integration underway
- Industrial business (third party technical sales) - predominantly a first half business - suffered from production outages and currency impacts
- Branded sales growth in hub countries (+14%), with pricing discipline and focus on high value products maintained
- Back-office harmonization cost-out project on track
- Expect underlying EBIT growth across the full year

Asia

A$(m)	HY18	HY17	%
Sales	**95.3**	**94.3**	1%
Underlying EBIT	**14.9**	**14.5**	3%
Underlying EBITDA	**16.4**	**16.5**	-1%
Underlying EBITDA Margin	**17.2%**	**17.5%**	

Market drivers

- Indonesian sales up 2% on last year, with good weather conditions, stable Glyphosate sales and good Phenoxy sales
- Product portfolio diversification strategy led to new product launches and improved margins
- Competitive glyphosate market in Japan will impact second half
- Expect full-year underlying EBIT slightly down on prior year

2018 Interim Results

Seed Technologies

Brent Zacharias
Group executive - Nuseed

Seed technologies

A$(m)	HY18	HY17	%
Sales	**68.7**	**50.6**	36%
Underlying EBIT	**4.5**	**-0.2**	n/a
Underlying EBITDA	**10.2**	**4.5**	129%
Underlying EBITDA Margin	**14.9%**	**8.9%**	

Market drivers

- Achieved first regulatory approval in Australia for omega-3 canola. USA and Canada approval process proceeding to plan
- Strong first half seed sales in LATAM
- Good seed treatment sales growth in ANZ, LATAM and North America
- Completed acquisition of minority stake in Atlantica business (Brazil)
- Expecting solid underlying EBIT growth for the full year

Omega-3 canola update

Regulatory approval secured in Australia; on track for 2019 commercialisation

Regulatory status

- Regulatory approval secured in Australia; approvals pending in the United States and Canada
  - Australian approval is for commercial cultivation and uses in food and feed
  - Australian approval facilitates submissions in other markets; Asia prioritised;
- North American approvals expected for 2019 production season

Pre-commercialisation plans well advanced

- First large scale crop (3,000 acres) cultivated in Washington State under USDA notification process; oil processed and being used in downstream industry development trials
- Approval received for significantly scaled up pre commercialisation crop in 2018
- Supply chain and stewardship platforms progressing strongly
- Independent fish feed and nutrition studies generating excellent results
- Strong interest from customer base

Strong intellectual property position

- Nuseed, together with collaboration partners CSIRO and GRDC, have secured a strong intellectual property position on the technology, with a clear path to commercialisation (50+ granted patents, 100+ pending patents)
- Nuseed is exploring options to create further value through cross-licencing of IP

Commercialisation target and timing of earnings contribution

- Nuseed will initially cultivate omega-3 canola in North America where supply chain and stewardship platforms are further developed
- Pending regulatory approvals, first revenues anticipated in FY18/19, with positive EBIT contribution expected in FY20/21 after scale-up phase is completed

Nuseed is well positioned to be the first to market with a sustainable and scalable alternative source of long chain omega-3

2018 Interim Results

Financials

Paul Binfield
Chief Financial Officer

2018 Interim results

Strong revenue growth, but EBIT down 12%

- Strong revenue growth, however, gross profit margin impacted by scheduled plant upgrade in ANZ and tougher Brazil market
- Underlying EBITDA down 4% (up 1% in constant currency), and underlying EBIT down 12% (down 4% in constant currency)
- Underlying NPAT down 46%, due to lower EBIT and higher net financing costs

(A$ millions)	Half year ended 31 January			
	2018	2017	Change	
Revenue	1,460.1	1,360.1	7%	▲
Underlying gross profit[1]	412.2	395.3	4%	▲
Gross profit margin	*28.2%*	*29.1%*	*83bps*	▼
Underlying EBITDA[1]	123.2	128.7	4%	▼
EBITDA margin	*8.4%*	*9.5%*	*102bps*	▼
Underlying EBIT[1]	75.0	85.0	12%	▼
EBIT margin	*5.1%*	*6.2%*	*110bps*	▼
Underlying NPAT[1]	10.7	19.8	46%	▼
Underlying net operating cash flow [2]	(189.8)	(187.6)	1%	▼

1. Excludes material items.
2. Underlying net operating cash flow is the operating cash flow before material items.

Material items

Largely related to acquisitions

NPAT reconciliation

(A$ millions)	Half year ended 31 January	
	2018	2017
Underlying NPAT	$10.7	$19.8
<u>Less</u> Material items		
Acquisition costs	$4.9	-
Acquisition costs – hedging loss	$20.1	-
Asset rationalisation and restructure	($4.2)	($0.2)
Total material items, pre-tax	**$20.8**	**($0.2)**
Tax on material items	($6.5)	-
US corporate tax rate adjustment	($15.6)	-
Total material items after tax	**($1.3)**	**($0.2)**
Reported NPAT	**$12.0**	**$20.0**

- Material items in 1H18 relate to acquisition costs of $4.9m and the hedging cost of the acquisition of $20.1m. There will be further acquisition costs in the second half of up to $20m pre-tax, upon the closing of the transactions.
- Unrealised hedge loss of $20.1m at 31 January was reversed by deal close, with a realised loss of $1.8m in second half.
- Profit on sale of NZ site of $4.2m.
- The one-off income tax credit of $15.6m relates to the reduced US corporate income tax rate, which resulted in the re-measurement of the US entity's deferred tax position.

Operating expenses remain well controlled

Control of operating expenses remains an important management objective

(A$ millions)	Half year ended 31 January	
	2018	2017
Underlying sales, marketing & distribution expenses[(1)]	226.6	201.7
Underlying general & administrative expenses [(1)]	95.0	90.3
Total underlying SG&A	321.6	292.0
SG&A/revenue	22.0%	21.5%
Corporate costs[(2)]	28.6	24.9
Underlying effective tax rate	44.9%	38.4%

(1) Excludes material items
(2) Included within underlying general and administrative expenses above. Represents corporate segment EBIT

- SG&A spend largely in line with revenue growth. Increased expense largely freight cost in USA and higher amortisation
- Further initiatives underway to improve the efficiency of back office operations
  - EU ERP roll-out commenced
  - Shared service centre established
- Corporate costs up $3.7m, mainly due one-off expenses related to strategic projects ($2m)
- Tax rate at the half reflects mix of profits in the period. Expect effective tax rate (ETR) in FY18 to be approximately 30%. US corporate tax rate reduction should lead to a 1% fall in ETR in the near term

Net financing expense

Lower net interest expense at half, but higher exchange loss

(A$ million)	Half year ended 31 January	
	2018	2017
Net interest expense	42.1	46.3
Net FX (gains)/losses	14.2	6.2
Total underlying financing costs	56.3	52.5
Net debt at period end	544	856
Net debt (excl equity proceeds)	*981*	*856*
Average net debt for period(1)	827	886
Leverage at balance date	1.41x	2.21x
Average leverage for period(2)	2.15x	2.28x

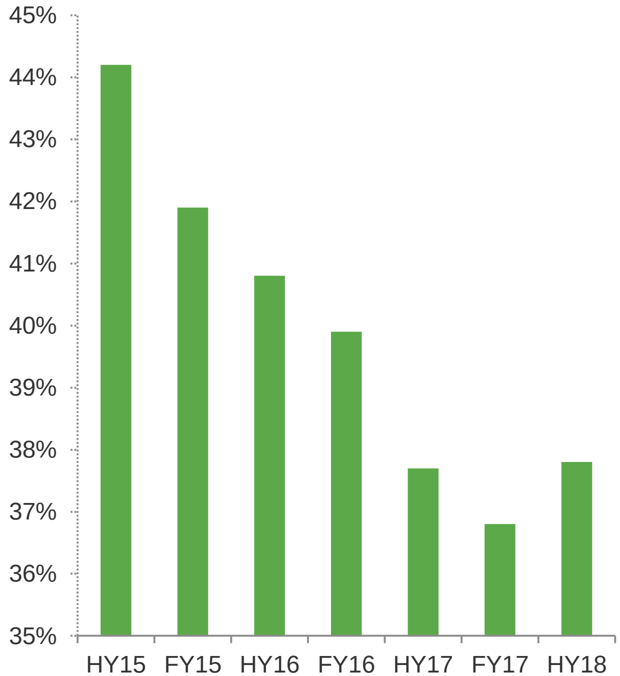
- Net interest expense decrease due to lower base rates in Brazil and receipt of equity raise proceeds
- Net interest expense expected to be in range of $95m to $100m for FY18, including the acquisition debt funding
- Net exchange loss of $14.2m attributable to LATAM $5.4m, UK $2.6m and emerging markets. LATAM hedging cost continues to be $1m to $1.5m per month
- Net debt increase ($125m), excluding equity raise proceeds, mainly due higher net working capital ($119m)

(1) Average net debt is the average of the month end net debt over the preceding twelve months.
(2) Average leverage for the period is average net debt over the preceding twelve months divided by underlying EBITDA.

Continued focus on net working capital

ANWC/Sales at 37.8%

ANWC / Sales(3)



(1) Net working capital (NWC) is current trade receivables plus inventories less current trade payables plus non-current trade receivables
(2) ANWC is the average net working capital balance calculated over each of the last 12 months
(3) ANWC/sales is ANWC divided by the last 12 months sales revenue
(4) Underlying net operating cash flow is operating cash flow before material items

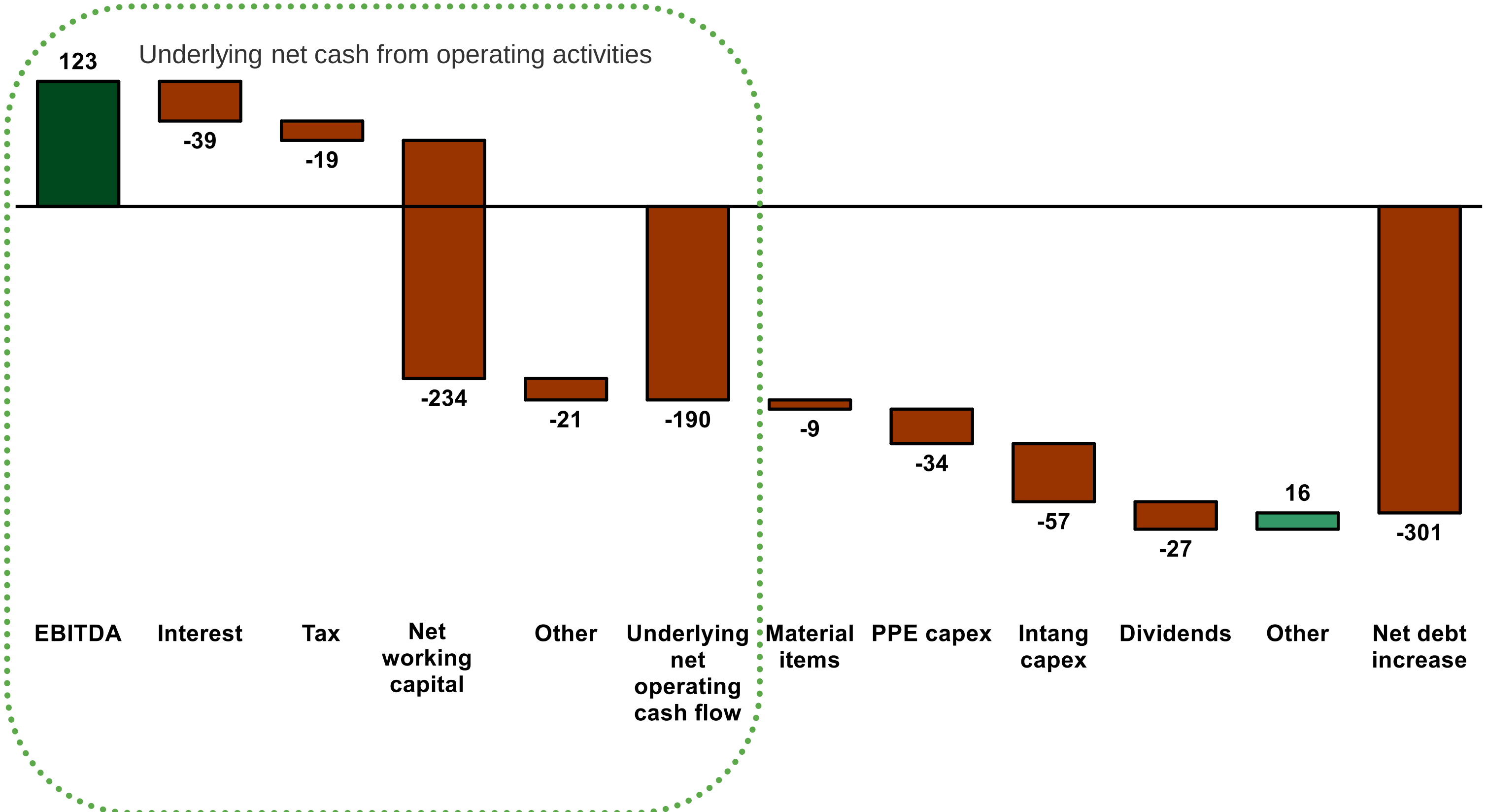
- Net working capital management remains an important focus of management and a key driver in the business. Targeting 37% ANWC/sales by year end
- Average NWC higher by $112m, with primary drivers being higher receivables and inventories
- Investment in improved processes and systems across supply chain well progressed, with benefits starting to be realised
- Seasonality drives net cash outflow in the first half. Cash outflow in line with last year, despite revenue growth

Net working capital

(A$ millions)	Half year ended 31 January			
	2018	2017	Change	
Net working capital	1,224	1,105	11%	▲
ANWC(2)	1,213	1,101	10%	▲
ANWC/sales(3)	37.8%	37.1%	70bps	▲
Underlying net operating cash flow (4)	(189.8)	(187.6)	1%	▲

Cash flow

- Seasonal build in net working capital increase +$234m in line with prior year (1H17: +$237m)
- Expect PPE and intangibles capex of approximately $180m for FY18, with increased IT and Omega 3 investment. Expect total capex (PPE and intangibles) to be approximately $140m for FY19, and $120m thereafter
- Expected depreciation and amortization in FY18 of approximately $120m (including acquisition amortization of $22m, $4m for FMC and $18m for Century)



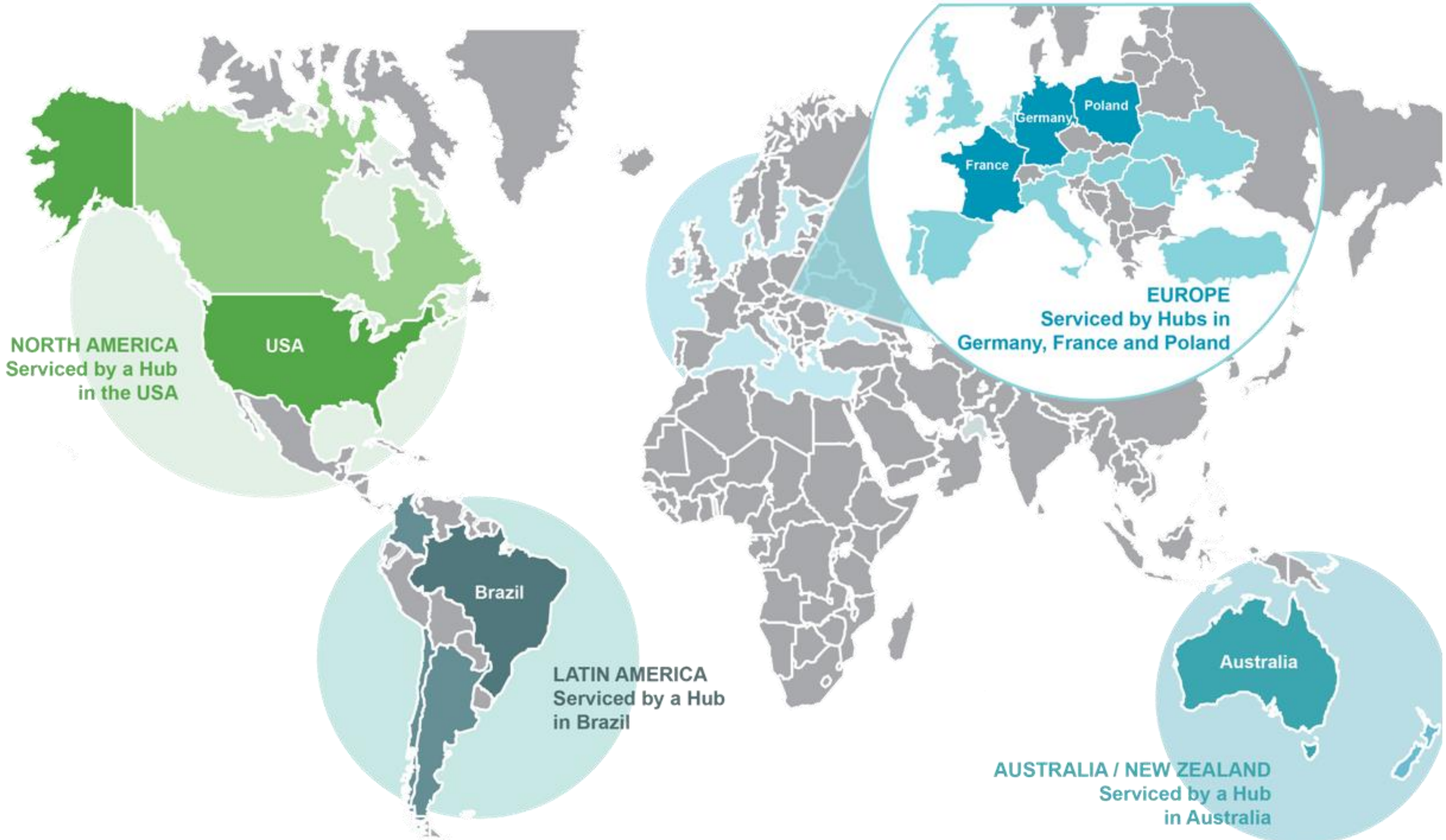
Net debt excludes equity proceeds $437m

2018 Interim Results

Strategy and outlook

Greg Hunt
Managing Director / CEO

Focus on core geographies & crops



PASTURE, TURF & ORNAMENTALS

SOYBEAN

TREES, NUTS, VINES & VEGETABLES

CORN

CEREAL

Acquisitions completed - integration underway

- Acquisitions completed – FMC 1 February and Century on 16 March
- Integration well planned; execution underway
- Recruitment of new sales/marketing resources on track
- Transitional sourcing (TSA) in place for 1-2 years, whilst alternative sourcing arrangements are being established
- Status of channel inventories now being determined

	Century	FMC
Purchase price	US$490m	US$85m
Expected FY19 sales	A$250m	A$30m
Expected FY19 EBITDA	A$95-100m	A$15m
Expected D&A FY19	$47m	$7m
Headcount – FTE (FY19)	40	8
Funded	Debt and equity	Debt

Strategy continues to generate solid growth

- Our **strategic focus** on markets and segments where we can be most successful is delivering impressive growth in a competitive global market
- Better execution on **pipeline projects** and well resourced new product launches are helping drive margin expansion
- Securing additional value from our strategic **alliances**, including that with Sumitomo Chemical Company. Collaboration and distribution agreements with Sumitomo extended for five years.
- Remaining alert to further value-accretive **acquisition** opportunities
- Continue down commercialisation path for **Omega 3**

Group outlook

- Positive second half performances expected in Australia, North America and Europe
- Latin America impacted by competitive market conditions in Brazil and drought in Argentina
- Positive outlook for Australian canola and the seed technologies segment
- Minimal EBIT contribution from the European acquisitions for FY18, with the spring season largely complete, but reaffirm guidance for FY19
- Interest costs in \$95-\$100 million range, including acquisition funding costs. Net foreign exchange impacts expected to be \$20-\$25 million for the full year
- Balance sheet and cash flow management will remain a key focus

Assuming average seasonal conditions in major markets, we expect underlying EBIT growth of 5 to 10% in FY18

Nufarm Grow a better tomorrow.

Supplementary information

Constant currency

(A$ millions)	Half year ended 31 January			
	2018 Reported currency	2018 Constant currency(1)	2017 Reported currency	Constant currency %
Revenue	1,460.1	1495.0	1,360.1	9.9%
Underlying EBITDA(2)	123.2	129.9	128.7	0.9%
Underlying EBIT(2)	75.0	81.4	85.0	-4.2%

	Average exchange rates 1H18 v 1H17		
A$1 =	1H18	1H17	%
USD	0.780	0.751	3.9%
EUR	0.659	0.686	-4.0%
GBP	0.587	0.590	-0.5%
BRL	2.507	2.447	2.5%
ARS	13.822	11.512	20.1%

(1) 2018 reported results converted at 2017 foreign currency exchange rates
(2) Excludes material items

- Impact of FX on revenue and underlying EBIT
  - Stronger AUD against the USD and BRL, offset by weakness against the Euro
  - FX loss of $14.3 million in 1H18, driven by hedging costs in Latin America $5.4m, stronger GBP against the USD, Euro and CAD $2.6m, and Ukraine Hryvnia depreciation against USD and Euro $2.6m
  - Expect full year exchange loss to be in $20 to $25 million range, with further hedging costs for LATAM in second half

Non IFRS information reconciliation

	6 months ended 31 Jan 2018			6 months ended 31 Jan 2017		
	Underlying $000	Material items $000	Total $000	Underlying $000	Material items $000	Total $000
Revenue	**1,460,130**	**-**	**1,460,130**	**1,360,070**	**-**	**1,360,070**
Cost of sales	(1,047,905)	-	(1,047,905)	(964,773)	-	(964,773)
Gross Profit	**412,225**	-	**412,225**	**395,297**	-	**395,297**
Other income	3,874	-	3,874	3,918	(894)	4,812
Sales, marketing and distribution expenses	(226,572)	-	(226,572)	(201,726)	-	(201,726)
General and administrative expenses	(95,001)	(50)	(94,951)	(90,307)	630	(90,937)
Research and development expenses	(19,564)	-	(19,564)	(22,098)	-	(22,098)
Share of net profits/(losses) of associates	-	-	-	(84)	-	(84)
Operating profit	**74,962**	**(50)**	**75,012**	**85,000**	**(264)**	**85,264**
Financial income excluding fx	4,924	-	4,924	4,835	-	4,835
Net foreign exchange gains/(losses)	(14,277)	20,069	(34,346)	(6,210)	-	(6,210)
Net financial income	(9,353)	20,069	(29,422)	(1,375)	-	(1,375)
Financial expenses	(46,995)	735	(47,730)	(51,153)	-	(51,153)
Net financing costs	**(56,348)**	**20,804**	**(77,152)**	**(52,528)**	**-**	**(52,528)**
Profit before tax	**18,614**	**20,754**	**(2,140)**	**32,472**	**(264)**	**32,736**
Income tax benefit/(expense)	(8,362)	(22,042)	13,680	(12,481)	-	(12,481)
Profit for the period	**10,252**	**(1,288)**	**11,540**	**19,991**	**(264)**	**20,255**
Attributable to:						
Equity holders of the parent	10,671	(1,288)	11,959	19,771	(264)	20,035
Non-controlling interest	(419)	-	(419)	220	-	220
Profit for the period	**10,252**	**(1,288)**	**11,540**	**19,991**	**(264)**	**20,235**

Non IFRS information reconciliation

Six months ended 31 January	2018 $000	2017 $000
Underlying EBIT	74,962	85,000
Material items impacting operating profit	50	264
Operating profit	75,012	85,264
Underlying EBIT	74,962	85,000
add Depreciation and amortisation excluding material items	48,224	43,696
Underlying EBITDA	123,186	128,696

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	Comprises interest income – external, interest expense – external/debt establishment transaction costs and lease amortisation – 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)