



# UBS Emerging Companies Conference Food and Agribusiness

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## Balancing the needs and opportunities of a growing business

- Capitalising on the growth opportunity in overseas markets and in our seeds business
- Lowering the cost base and improving efficiencies in Australia
- Executing on plans to permanently lower working capital
- Reducing debt

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## Capitalising on the growth opportunity

- **South America**

- Continued market growth, fueled by additional cropping acres and more investment in technology inputs
- An expanded presence in Brazil and Argentina supported by a strong product pipeline
- Moving into other regional markets
- Carefully managing risks

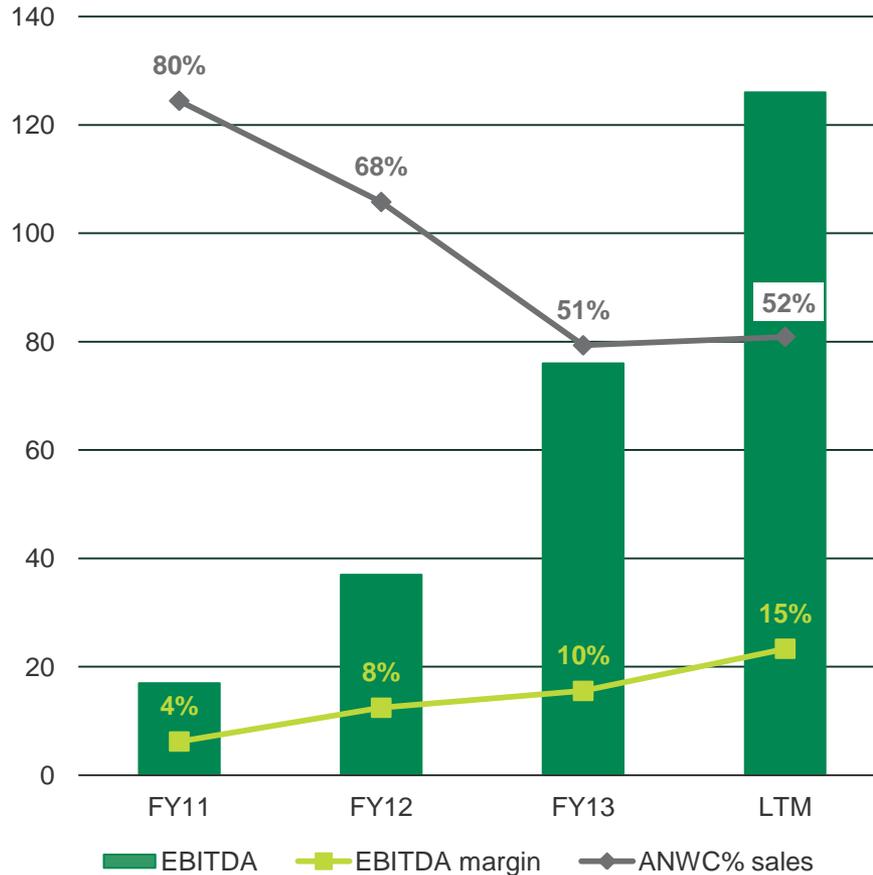
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## Brazil turn-around



### Brazil key metrics in local FX

(BRL in millions)



- **EBITDA margin expanding rapidly**

- Strategic focus on higher value segments of the market has lifted the gross profit margin (>100bps from FY11 to HY14)
- Expense to sales ratio benefits from leveraging the fixed cost base especially due to the rapid growth

- **Net working capital being actively managed during this period of rapid growth**

- ANWC/sales down from 80% in FY11 to 52% in HY14 and is expected to fall further at FY14
- Strategic focus on sales into pasture and direct to grower help to reduce terms
- DSO down from 279 days in FY11 to 205 days at HY14
- Sales & Operations Planning (S&OP) process assisting in better management of inventory levels

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## Capitalising on the growth opportunity

- **Europe**

- Key crop focus (cereals; corn; TNVV; grassland & potatoes)
- Leverage leadership position in 'espace vert' segment in France
- Differentiating our product portfolio

- **Asia**

- Adding rice and vegetable segments to existing strength in plantation crops
- Expanding our footprint into additional regional markets
- Leveraging our regional manufacturing base

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## Capitalising on the growth opportunity

- **North America**

- Clear focus on specific growth segments in US Ag (burn-down; resistance; cotton; horticulture)
- Consolidating/growing top three position in high value US turf and specialty segment
- Leveraging strong position in Canada

- **Seed technologies**

- New varieties to support growth in existing crops (canola; sorghum; sunflower)
- Rich pipeline of valuable downstream technologies/products (Omega 3; Wholis)
- Major opportunity in growing, high value seed treatment segment



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## Changes that secure our leadership position in Australia

- A lower, more flexible cost base
- Higher utilisation of manufacturing assets
- A flatter, more focused management structure
- Increased responsiveness to customer needs
- More investment and a higher priority afforded to new product development

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## An unrelenting focus on working capital management

- All management have incentives tied to NWC performance
- Extensive S&OP projects in US, EU and Australia
- Reduction in stocking points across Australia
- Output through plants reduced to manage NWC at the expense of recoveries
- Review of supplier lead times, lot sizes and safety stock levels
- SKU rationalisation and strengthened product approval process
- Brazil cash collections progressing well given the strength of the season
- Extension of trading terms via supplier financing for purchases out of China

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## Progress towards meeting July NWC target

- Cash collections strong in South America
- Expectations high for another good season in Brazil, will drive inventory build
- Manufacturing facilities are being managed to support working capital objectives – with some trade off in overhead recoveries
- Early season in EU and east coast of Aus will help with both inventory and receivables
- Extended winter conditions in the US will adversely impact both inventory and receivables
- Financing initiatives have been put in place to help extend payables



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## Clear balance sheet objectives

- **Robust capital structure designed to cope with inherent seasonality of agribusiness:**
  - Longer term capital – hybrids and high yield bond
  - Working capital needs – debtors securitisation and revolver
- **On track to deliver against:**
  - Short term target to reduce NWC at 31 July 2014 to < \$1bn
  - Medium target of reducing ANWC/sales to < 40%
  - Debt reduction

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## Current trading conditions

- **After a long period of dry conditions, good rainfall in key cropping regions is driving strong demand in Australia**
  - Pricing remains competitive, but channel inventories are normalising
  - Limited impact in current year, but providing a much better platform for margin recovery in FY15
- **Adverse weather impacts in USA are significantly impacting sales**
  - Fewer pre-plant applications
  - Lower and delayed demand for turf & specialty products
  - Reduced demand for seed treatment

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## Current trading conditions

- **European conditions are generally positive**
  - Early spring in some markets
  - Lower plant recoveries due to production variances
- **Key period for collections in South America; demand building for next season**
  - Receivables at half year now being converted into cash
  - Strong early orders for next season (sales in September – December)
  - Measures in place to more efficiently manage working capital load associated with inventory build

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