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ASX Announcement

23 May 2024

Solid first half profit. Expect strong second half[1]

Highlights

- Revenue of $1.8 billion
- **Statutory net profit after tax** of $49 million
- Unfranked **interim dividend** of 4 cents per share
- **FY24 outlook** EBITDA $350 million to $390 million[1]
- Continued progress on key strategic growth milestones
- On track to meet FY26 revenue aspirations[2]

Nufarm Managing Director and CEO, Greg Hunt, said "Despite challenging conditions, Nufarm delivered a solid result for the first half of fiscal 24."

"For FY24 we expect EBITDA of between $350 million and $390 million. The mid-point of our guidance implies growth of 25% YoY in EBITDA in the second half of FY24."

"Our balance sheet position is strong. Our debt financing provides significant flexibility to meet movements in working capital, we have no near term refinancing requirements and we have minimal financial covenants associated with our facilities."

Group performance

For the period Nufarm reported underlying EBITDA of $217 million and statutory NPAT of $49 million. We declared an interim dividend of 4cps. Whilst revenue and margin in our Crop Protection business were impacted by challenging industry wide conditions, we delivered a solid result and achieved a number of important strategic milestones in the half.

We finished the period with net debt of $1.2 billion and net leverage of 3.6 times underlying EBITDA. Leverage was above our target range of 1.5 to 2.0 times underlying EBITDA due to the combined effects of seasonal working capital, lower earnings in 1H24 than in the pcp, and 2H23 representing a lower proportion of full year earnings than normally expected.

During the first half we made significant progress in reducing inventory. As of 31 March 2024, inventory was 20% lower than 31 March 2023. During the first half of the fiscal year we normally experience a cash outflow due to the seasonal build of working capital. The group's total net operating and investing cash flow for 1H24 was a cash outflow of $317 million. This outflow was considerably lower than the $663 million outflow experienced in 1H23 and resulted from a lower working capital build during the current period.

Crop Protection

Our Crop Protection business performed well during a challenging period for the industry. The industry has moved from a period of tight supply to more normal supply, which has resulted in a reduction in on-farm and distributor inventory. The destocking had a negative impact on product prices and margin. Despite these challenging conditions, we grew volume year on year in Crop Protection and we maintained a strong focus on reducing inventory.

In APAC, we reported revenue of $459 million and underlying EBITDA of $50 million. Favourable seasonal conditions on the east coast of Australia and growth in Asia resulted in strong demand and a normalisation of inventory levels. Declining global prices for key products resulted in a year-on-year reduction in net sales and margins with historically low 2,4-D prices the main contributor to reduced earnings. Our 2,4-D plant in Laverton is being brought back on-line following works to upgrade and expand manufacturing capacity. Final works as part of this upgrade are expected to be undertaken in the second half of the year.

In our North American segment, we reported revenue of $637 million and underlying EBITDA of $48 million. We achieved strong volume growth. Sales and margin were mainly impacted by lower prices for non-selective herbicides. Our Turf and Ornamental business performed solidly with revenue marginally down year on year. We grew revenue in Canada. Inventory reduced year on year.

In our European segment, we reported revenue of $406 million and underlying EBITDA of $71 million. Sales and margin were negatively impacted by lower volume and price largely due to unfavourable weather and distributor destocking. Wyke was negatively impacted by lower volume of sales to industrial customers which were affected by destocking in the agricultural segment and a prolonged downturn in the China property market. Whilst we made progress in reliability and asset integrity initiatives at Wyke these efforts were more than offset by lower volumes.

Seed Technologies

We achieved a strong result in Seed Technologies reporting revenue of $256 million and underlying EBITDA of $76 million.

Base seeds were driven primarily by year-over-year growth in Australia and South America. North America sunflower and Brazil sorghum revenue were softer due to the impact of lower crop prices on plantings. Revenue from seed treatment fell year on year due to customer destocking.

During the half we increased our sales of omega-3 products in the Americas markets including Chile, USA, and Canada. Following the approval of Aquaterra® for use in

Norway we moved forward with commercial negotiations for entry into that market. We also continued to progress discussions with potential partners for distribution and marketing within certain nutritional segments in the USA for expansion of our Nutriterra® products. Grower acceptance of omega-3 canola continues to build. During the period we expanded commercial contracts with growers to support expected sales growth in 2025.

We concluded the 2023 crop year with multiple audited and verified proof of sustainability certifications for carinata which can be applied to sustainable aviation fuel (SAF), renewable diesel, and sustainable maritime fuel. The 2023 Argentina crop harvest was successfully shipped to Europe and is in the process of crush and sales with our partners. Nufarm and bp held a large event showcasing the 2024 growing crop in Florida in March with major airlines, mining companies, transport companies, policymakers, and supply chain partners in attendance.

Supply expansion activities for the 2024 carinata crop are in progress with an expansion of farm contracts already in hand in Argentina and Uruguay. Our first year of farm contracting and geographic expansion in the Brazil market is also well advanced with confirmed contracts with farmers in hand. Initial launch activities have been conducted in Spain and France for small commercial scale planting in 2024.

Within the period, the European Union (EU) has further advanced biofuel implementation policy. ReFuel EU will implement a 2% SAF inclusion mandate in airline fuels starting in 2025. In addition, a significant advancement was made with the inclusion of cover crops into the Annex IX A category of the Renewable Energy Directive (RED II).[3] This is a very significant signal toward the future value and demand for carinata within EU SAF markets.

We continued to advance commercial development activities in Energy Cane and achieved further milestones during the half with additional agreements signed with commercial mills and the launch of next-generation hybrid products with increased biomass and sugar per hectare for resulting ethanol conversion.

Outlook[1]

Despite near term challenges, we believe that the industry has positive long-term fundamentals. Growing population and incomes create increasing global food needs, driving growth for seed & crop protection solutions. Omega-3, carinata and energy cane create additional growth platforms for Nufarm.

For FY24 we are expecting underlying EBITDA of between $350 million and $390 million. The midpoint implies a reduction of 16% from FY23 and 17% from the record underlying EBITDA reported in FY22. The mid-point also implies growth of 25% year on year in EBITDA in the second half of FY24. Whilst we are never satisfied with a decline in earnings, that would be a very solid outcome in the context of the conditions that have been faced by the industry.

In Crop Protection, we expect prices to remain subdued in the near term due to inventory imbalances at an industry level, primarily in Brazil and parts of Europe. We expect those imbalances to be resolved through the course of the second half and to deliver year on year earnings growth over this period. We expect the industry environment to improve over the course of the second half, and in the longer term that demand for food and feed will drive growth for our products.

For Seed Technologies, seed treatment and licensing revenues in FY24 are, at this stage, expected to be lower than the prior year, likely leading to a small year on year reduction in EBITDA. We have a strong growth outlook for our base seeds, omega-3 and biofuels platforms. We are reaffirming our omega-3 guidance for revenue of $50-70 million in FY24 and plantings of omega-3 canola in 2024 support our ambition to more than double revenue from omega-3 products in FY25.

Nufarm's debt facilities and available liquidity provides a flexible and durable, covenant light capital structure that accommodates its net working capital cycle with no near term refinancing requirements. The Group retains access to substantial amounts of cash & committed bank liquidity. Assuming a normal unwind of working capital in the second half of FY24, we expect net leverage to return to the top end of our target range of 1.5 to 2.0 times underlying EBITDA by the end of FY24.

Despite the current challenging conditions for Crop Protection, we continue to see a healthy backdrop for the industry over the medium and longer term. We remain on track and committed to achieving our FY26 revenue aspirations.[2]

Authorised by

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About Nufarm

Nufarm is a global agricultural innovator providing crop protection and seed technology solutions to help our customers grow a better tomorrow. Established over 100 years ago, it is listed on the Australian Securities Exchange (ASX:NUF) with its head office in Melbourne, Australia. Nufarm is the first company to develop and commercialise plant-based Omega-3 and has developed and commercialized advanced bioenergy feedstock technology.

1. All statements in relation to future revenue aspirations are based on management estimates & reflect management's internal goals & should not be taken as forecasts or guidance. Forward looking statements reflect Nufarm's 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 as outlined in more detail in our 2023 Annual Report. Actual results may be significantly different to those expressed.

2. For more details of our FY26 revenue aspirations refer to our Investor Presentation released today.

3. EU Commission delegated directive of 14 March 2024 amending Annex IX to Directive (EU) 2018/2001 of the European Parliament and of the Council as regards adding feedstock for the production of biofuels and biogas.