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# Nufarm Investor Day – European Acquisitions

## Update

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Thank you, Mark, thank you, Greg (Hunt, Managing director and CEO) and welcome also from my side to everybody here. I am very pleased to be with you this morning to talk through really some exciting developments Nufarm has made in the last weeks and months. Because, the deal that I am talking about, the Century deal, the Adama Syngenta part only closed recently, on 15 March. Before talking about this exciting acquisition, I would like to start by giving you an insight into the European market and how Nufarm is developing in that market.

The European crop protection market is a very solid market. You can see here in the last years it's about A\$15 billion and we assume that for the next 2020-2021 forecast we go up to A\$16 billion, so it is approximately a 1.5 to 1.6 percentage increase per year. It is a very stable market, and even this year, as an example, the spring season which is 60% to 65% of the total market is running late. It was delayed by about six to seven weeks due to really a harsh winter, a lot of rain and wet fields, farmers couldn't get into the field, but I believe we will see later that it is again at \$15 billion, so the market is fairly stable.

The European market is also a very challenging market. There is a tight regulatory regime in place in Europe, at the European level and also in each of the countries, we have to register our products and we have to get what we call permission to sell. This is important when you are developing a business in Europe that you have the quality in your organisation, the capabilities so that you can really work within the requirements of the European regulators. On the other side, once you have regulatory approval you have good protection, because it's hard for others to do the same. The investment you have to make at the start to manage regulatory requirements means there is a high barrier to entry.

What is also very different is that the European market is not dominated by one big crop like soy in Latin America. Here we have a more diversified range of crops and we have high value niche crops, including for example, pasture. The dairy business is very important in Europe, as well as vegetables, pome and stone fruits. This gives a strong, consistent cash flow for the farmers, which is important because it means that our net working capital requirements are lower as there is not the need for the payment terms required in other places where farmers are waiting to sell their harvest.

Coming back to the regulatory issues if for a moment, we have to talk about one issue that most of you have probably heard about which is the neonicotinoids situation in Europe. Five years ago, in 2013, the European Commission restricted the application of the neonicotinoids in the so-called bee-attractive crops like sunflower, oilseed rape, potatoes and others.

There was a study run by the European Commission which looked further at the effects of neonicotinoids on bees. We as a company believe, and like all the other big companies, Bayer, Syngenta, Sumitomo, that there is no evidence that there is an issue with applying neonicotinoids when following guidelines. However, the European standing committee voted on 27 April this year to restrict the use of neonicotinoids to permanent greenhouses (indoor use), in order to avoid any physical contact between bees and neonicotinoids. In reality there is not a full ban on all neonicotinoids. The ban covers three neonicotinoids, imidacloprid, thiamethoxam and clothianidin for outdoor use. Nevertheless, Imidacloprid for example is still registered until July 2022, and we believe even after that date these three neonicotinoids may continue to be used. However, following the decision on 27 April, outdoor use of this group of products will not be allowed in the European

area after end of December 2018. We can sell up to the end of September 2018 and farmers can use them until the end of the year.

What does this mean for us as a company in the neonicotinoids segment? There are two segments in that area: a foliar application and there is a seed treatment application. Foliar application will not be allowed after 2018 and therefore, we have to look at alternatives to see how we can manage this.

In the seed treatment segment, we are already two years into what we call the derogation process. Derogation means that although the European Commission has decided not to allow outdoor use, countries in Europe can decide to allow use for a limited time exceptional application in the case that there is a need from farmers. This is a very important registration for normally between two to three months of the year. We have had it, for two years in eastern Europe, in Hungary and Romania, so we believe that in this area exceptional application will continue for seed treatment in countries in EU28.

What Nufarm has also done, and we are the only company to do this, is to launch a derogation registration process for Imidacloprid in France, which is a major market. We are still working to get that registration through by June/July 2018. The impact of the restriction of some neonicotinoids on our business in 2018 we expect to be very limited because we are still selling until the end of September. In the future from 2019 onwards, I believe we have excellent alternative solutions because we have bought through the acquisition of Century, a new neonicotinoid, Acetamiprid, which is not restricted.

We already have registrations for this new product in Italy and Portugal, and we are sure we will get registrations by the end of the year for all the southern European zone, including Greece and Spain, which is a major market for the foliar segment so we can offset the loss by using Acetamiprid. In case we would not have Imidacloprid for seed treatment, our solution is more foliar applications with Keiso (Lambda Cyhalothrin).

In summary, we believe at the moment we are in a good position to benefit from these changes resulting from the restrictions on neonicotinoids.

Let me now provide some insight into the history of Nufarm in Europe established about 20 years ago. It was built up by acquisition. The first acquisition was done in 1995 in Austria an ex-Agrolinz site was acquired, producing mainly phenoxyes but also some other active ingredients. Then we acquired a company and a site in the Netherlands, Botlek which was an ex-Akzo Nobel site.

Further acquisitions came through, all focusing first on the phenoxyes, the Rhone Poulenc phenoxy business was taken over, including Belvedere site. Then CFPI in France followed. So, a lot of acquisitions were building the foundation for Nufarm in Europe, including as well the phenoxy herbicide business from BASF at the same time we acquired as well as Flamenco and Sportak, a starting point for our fungicide business

Lastly, AH Marks in the UK was acquired in 2008. A lot of foundations were on the phenoxy business. Since then, Nufarm in Europe has successfully developed new products like Kyleo, a glyphosate plus 2,4-D mix and Cirran and Nagano, a very interesting product for corn, bromoxynil plus Mesotrione.

Today, we are proud that we can say 15% of our turnover are coming from new products and differentiated products which are less than three years old. The company has the foundation products which are mainly phenoxyes, which are the core of our revenue stream, but we are also developing differentiated product portfolios and they are getting very good market acceptance. That is why you can see that the company in 2017 achieved A\$540 million sales with an EBIT of A\$85 million.

When Greg, our new CEO, came on board in 2015, he launched an improvement program, which was essential to bring a One Nufarm structure together. A One Nufarm structure means we are working on more consistent processes, and focused on the important things we had to do to build a better business. The major one for me was a business transformation project to optimise our back-office structure.

The project called Novus is from my point of view the foundation for growth because we now have standardised processes, including procure-to-pay, order-to-cash etc. in place. That's the reason why we can work on a global scale with local customers. We are starting to implement Novus and other projects in waves in all European countries and we are seeing improvements – it takes time for this new process to really get embedded and we should not be too eager - but by the end of 2018 it will be implemented in all European countries and we have also built a new shared service centre for us in Krakow Poland, which is doing all the transactional, financial and commercial work, so we are now able really to focus on growth for our business.

As Greg already pointed out, we have in the strategic review organised the European market around three hubs. The French Hub is covering the southern European markets including Italy, Spain and Portugal. The German hub is running the UK, Ireland, the Benelux and recently the Nordics. The Eastern European hub is based in Poland with Hungary, Romania, Ukraine and recently as well Czech Republic, Slovakia and the Baltics. We have seen strong growth in the last years mainly in the German and Polish hub, but it doesn't mean that our colleagues in France are not also doing well. The French market has in the last years decreased by more than 20%. It was a market which in euros was above €2.1 billion and it's now at €1.8 billion. Nufarm has grown in a declining market, so I think it's important to note this here. As a result, with this structure, we can cover all the major markets including our newly acquired portfolio in new segments.

Niels (Pörksen, Group Executive, Portfolio) has already talked about this slide (customer value proposition), which I think is important. I would like to tell the story from the market side here. This is Nufarm's value proposition to our customers and this is the basis for our engagement with our European channel partners. Quality products, reliable supply and competitive price positioning, is for me the must-haves, and we have worked to set up a very good supply chain organisation, which is helping us to gain confidence with our customers. What we are now adding is this middle part; that is being easy to do business with. This is what we are doing through the new processes, Novus, standardised systems, getting faster interaction with customers.

What we are adding now in this bucket is the technical support and advice. Due to the recent acquisitions, we now have a Nufarm brand which is changing and developing fast. Nufarm in Europe is able to make the pull-through throughout the whole channel. Pull-through means need to know what is going on in the market, what is going on on-farm. Nufarm is more connected to the needs of our customers -understanding the diseases and issues that the customers have so that we can give good technical support anytime with our newly extended product portfolio.

The result of this is that Nufarm is a partner for growth. In a consolidated industry and a consolidated market in Europe, our customers are looking for partners with whom they can grow without being under the pressure or scrutiny of one of the big players. We are really well positioned for growth.

Let me now come to the rationale for the acquisition. We started on 24 October 2017, it was a memorable day when we announced that Nufarm was ready to acquire the portfolio we call Century from Adama and Syngenta. It has taken us almost half a year to close the acquisition, because of all the antitrust processes in Europe that had to be fulfilled a lot of discussions and interactions with the regulators were required. It gives me, and I hope you, a lot of confidence that there were no

remedies required during that process. What we have acquired is complementary to our portfolio and does not overlap with existing products. This is a huge advantage when we go to our customers.

This slide shows that what we have acquired are mainly products for cereals, pome and stone fruits, vegetables and corn, and also a new entry into an important market in Europe, which is oilseed rape. The portfolio fits very well into our core crop strategy and you see here, Germany, Spain, France, Italy, Poland, Romania, Hungary, are all countries in our hubs and territory structure, so it fits again very nicely.

Another opportunity came up when FMC acquired parts of the Dupont R&D and businesses business mainly sulfonylureas and insecticides. They had to divest an important part which was already in FMC after the Cheminova acquisition. This company was bought a year ago, so they had to divest four molecules which were mainly the sulfonylureas and florasulam. This is a fantastic gain for us because it fits very well with our phenoxy range of products. Niels was talking about resistance management; now with the sulfonylureas and the phenoxyes, we have the best-in-class product range on broadleaf weed control in cereals.

Even bigger companies are coming to us looking into our herbicide range in Europe. This acquisition is defending and increasing our phenoxy business and is very synergistic for the business. It is focused on cereals, again in France, Germany, Spain, UK, and here you see the Nordics are coming into play. The Nordics are very important mainly for spring cereals, and there the sulfonylureas are fitting very nicely. We have now included the Nordics and Baltics into our hub structure as we are sure that we can supply these markets very effectively in future.

Overall, “to recap” we acquired 15 active ingredients, 11 out of Century and four out of FMC. In total 260 product registrations with very well-known brands.

I would like to show an example: this is Nufarm's range of products in cereals already in the market in 2018. These are all the Nufarm products we had in the past, herbicides, insecticides, fungicides, PGRs and seed treatment. These ones in the coloured box, are now the new ones which have been added. You see a very, very strong pipeline on herbicides, a strong increase on insecticides, fantastic synergies on fungicides, early and late application solutions and we now have a full range of plant growth regulators including Calma trinexapac. We have a big increase in the seed treatment business as well with a new fungicide seed treatment product called Orius Universal.

This full range of very well-known product brands makes the Nufarm brand much better known to our customers and the interaction with our customers is really spot on. We had our top 10 customers in Europe, from all the major countries I just showed you, together on 15th March, which I said earlier that was the closing day for Century, and on the same day we had them together which was an eye-opener for them.

How are we progressing with the integration program? I would like to go through these four areas. Portfolio solutions first. We have brought all the registrations into Nufarm, 260 registrations in the different countries. We see a lot of cross-selling opportunities with the existing portfolio. One which is outstanding is the MCPA 2,4-D range of phenoxyes in combination with the FMC product range. Very important, and a molecule I have already mentioned, is the future pipeline of products coming through from Acetamiprid.

Acetamiprid insecticide is a possible replacement for the neonicotinoids that have been restricted and is one of the products we will launch in all of Europe. There are also new herbicides, new fungicides, a range of more than 20 products coming through in the next three to four years. We have recognised the need for increased technical expertise in our teams. We are hiring up to 60 people in the front office part of our business to further strengthen our footprint in the chosen markets. We will do this not only in the countries, but also at the European level, with well-equipped

customer service teams and excellent launch plans available for this new product pipeline coming through.

The customer interaction has strengthened considerably and therefore we expect already next year to grow our business by A\$280 million. In the European market this will see us go from 3.5 to 4 per cent market share today up to 6 per cent, maybe even 7 per cent market share in the future. That is a game-changer for us because the recognition of a company of that size is considerably different. You get a much better interaction with core customers, more reliable planning, not only push but really getting a cycle management together with these important customers. I have already talked about the new structure, having more people in sales, customer marketing, customer service, regulatory and technical support.

I will now talk about supply chain preparation. We have the so-called TSA, the transfer service agreements, in place for one to two years with the sellers, so we can do replenishment. We need that time in order to prepare our internal manufacturing strategy and we have made a strategic decision to manufacture in Gaillon, France, which is a non-phenoxo site where we have a lot of capability and space to make a solid investment.

I think, Elbert (Prado, Group Executive, Supply Chain), we can say we are spending about AUD\$2 million of CapEx there. We are also working with one major toller supplier who will support us for the next few years in order to get the supply chain, security and reliability in place.

As a result of a bigger business, we are sure we will be able to lower our net working capital requirements as well.

What do the acquisitions mean for Nufarm as a whole? In 2017, The sales share of the Nufarm's European business was 18% of the total, and after the acquisitions we are back above 20% and all the other major regions, Australia, North America, South America are now above 20%. You see as well on the pro forma EBITDA development that we will increase the EBITDA quite strongly, having a better gross margin position for the acquired portfolio, using less networking capital which will help us to come to an EBITDA margin in European of around 28%, which will then help the Group EBITDA to grow from 12% to roughly 15%.

Our channel partners in the market are very positive about the developments in Nufarm, seeing a professional team in front of them and having important brands in our range. I think Greg pointed it out already, this increase of relevance is very important because we have, as I said, up to 20 new products to launch in the next three years.

Relevance means you need to be sure that your people are preparing at the right time for these launches, but it also means getting the new, differentiated product portfolio into the market in a consistent manner. We have some interesting new products from third parties. The relationship we have with Sumitomo in Europe is very important for us, because we are now building a base to launch new products that Sumitomo is launching with Nufarm in the European market after 2022.

That will bring a big jump in revenues again for both companies. Nufarm and Sumitomo will concentrate mainly in the fungicide segment. I think it's fantastic to see the results of this new products with a new mode of action in the field. To give you confidence, next year in the northern hemisphere autumn 2018 – in our next financial year, we will launch a product called Mandestrobin. This is a new fungicide from Sumitomo for oilseed rape.

From my point of view, I hope I have given you an overview on what we have developed for Nufarm in Europe and how excited we are about the new acquisition. To summarise, we are working in a One Nufarm structure, standardising our processes, delivering in a reliable manner to our customer as promised. We are taking advantage of the industry consolidation, because, as I pointed out,

customers are looking for a reliable alternative supplier and I think we are just that. This helps us develop a brand that is recognised in the market with the support of the acquired strong brands that are now in our portfolio. Positioning Nufarm to become a sustainable alternative supplier in the market is what we want to achieve.

Finally, further innovations are coming through, as I just explained, with Sumitomo, and to refresh the numbers again, we are aiming for A\$280 million already next year, which is I would say something I have not experienced to date but I am confident we can get there. Thank you.