Start of Transcript

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Nufarm annual results conference call. At this time, all participants are in listen-only mode. After the speaker's presentation there will be a question and answer session. To ask a question during the session you need to press star-one on your telephone. Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to your speaker today, to Mr Greg Hunt. Thank you, please go ahead.

Greg Hunt: Thank you, Kevin. Good morning, everyone. Welcome and thank you for joining us today. This is the second set of results that we've delivered since the strategy and I guess the disruption from COVID began. It's hard to believe that six months has passed us by and I certainly hope that you're all healthy and like us, coping with the daily disruption to your lives.

Before we start today's presentation, I'd just like to draw your attention to the disclaimer, particularly the section on forward-looking statements.

Today we really want to cover three topics that are fundamental to Nufarm's value and our path to improved returns. Firstly, Paul Binfield and I will provide an overview of the financial performance for 2020 and the steps that we've taken to refocus the portfolio, strengthen the balance sheet and drive value from our operations.

Our Regional General Manager for Europe, Hildo Brilleman is joining us and he'll take us through the European results of financial year 2020, but importantly the performance improvement program that he is leading for the European region.

And Brent Zacharias, who many of you would know, is our Group Executive for Nuseed and he'll provide an update on the transformational growth opportunities within our seeds portfolio. And we'll finish up with the outlook and priorities for 2021, before taking any questions that you may have.

Before I turn to the results, I want to start with our safety performance and some comments on the impacts of COVID for Nufarm. Safety is our most important priority and I'm pleased to announce that we achieved Nufarm's best ever safety performance in 2020. This hasn't come by chance or by good luck; it takes the combined effort and the focus of the entire organisation to improve safety outcomes.

Our challenge now is to lock in the improvements and maintain the vigilance that keeps safety top of mind for every employee and that will continue to be our number 1 priority. Our record safety performance was achieved in the context of the global pandemic and in relation to COVID, we are very fortunate that the agricultural industry is considered essential by governments in the markets in which we operate.

Crop protection products are an essential input into the food value chain and demand for our products has continued to be driven primarily by seasonal conditions. The impact of COVID-19 for Nufarm has mostly been limited to the turf and ornamental market in North America and the horticulture and ornamental markets in Europe.

Our manufacturing and supply chain teams have done a tremendous job to continue to supply our customers across the globe. All of our manufacturing sites have remained open and although we have had some interruptions to raw material supply and some logistics delays, there has been no material financial impact from supply chains caused by COVID-19.

The extra costs that we've incurred in manufacturing and logistics to maintain supply and ensure the safety of our people have largely been offset by reductions in discretionary spending. And the major impact on our financial performance is related to foreign exchange losses, which Paul will speak to later.

Turning to commercial performance, 2020 certainly wasn't the year anyone would have planned. Whilst we have been relatively resilient in the face of the pandemic, headwinds from droughts and floods and industry-wide supply chain issues impacted performance, particularly in the first half. We reported a loss of $456 million for the year, this includes $389 million of material items post-tax, including the impact of the sale of the South American business and the impairment to the European assets that we announced earlier this month.

When we look at the underlying performance of our continuing businesses, EBITDA was down 21% to $236 million and this was primarily driven by a decline in European earnings and reduced earnings in North America in the first half, as it recovered from last year's floods. Whilst it's a disappointing result, we have seen improved momentum in the second half and I'll speak more to that shortly.

Improving cash generation is a major focus and we made good progress on this front. Underlying cash from operating activities was up $137 million on the prior year, with better control of working capital more than offsetting the decline in earnings.

The sale of our South American business in April of 2020 was a very significant milestone. It delivered upfront value for shareholders and has reshaped our portfolio. Our continuing businesses are now focused in the regions and businesses where we believe that we can drive higher margins and better cash flow.

The divestment also transformed our balance sheet. We've reduced net debt by more than $800 million and our leverage has reduced from 3x to 1.9x, or 1.5x excluding the AASB 16 adjustment. This provides us with the financial strength to manage the inherent volatility in our industry.

From an operational perspective, our Australian, our North American and our Asian businesses returned to growth in the second half of the year. Our major focus now is driving value from the investments that we've made in Europe. We've had another difficult year in this region, with very poor seasonal conditions and elevated raw material costs impacting margins. However, we believe that Europe has reached an earnings trough and we can deliver a significant turnaround in performance in the coming year.

The improvement program that we launched in Australia in 2019 has been expanded to Europe and the rest of the Company. We are targeting $35 million to $40 million in benefits from this program over the next two years. Just under half of this is expected to come from the changes to our manufacturing footprint that we've already announced.

The balance comes from an additional $10 million to $15 million that we are targeting in Europe and a combined $10 million from our corporate and North American operations. The program kicked off earlier this year and the changes that we've made to our functional structures and our discretionary costs have achieved a run rate benefit of approximately $5 million coming into the 2021 financial year in Europe and another $5 million in corporate and North America.

We also made excellent progress in our Nuseed business. The first commercial sales of omega-3 canola oil were made in September this year. This is a very significant milestone and marks a shift into the next phase of commercial development, as we ramp up production and sales. Nuseed also acquired a new technology platform, carinata, during the year and Brent will talk to this later in his presentation.

I mentioned earlier the positive earnings momentum in the second half of the year. You can see this here on slide 7, which shows the improvement by region and it also demonstrates the resilience of the business to COVID-19 over the past six months.

In Australia, drought breaking rains on the East Coast in late January and good follow-up rain generated strong demand in the second half and we delivered underlying EBITDA growth of 125% on the prior year. Our business in Asia also recovered from poor seasonal conditions in the first half and also contributed to second half growth.

In North America, a return to more normal seasonal conditions increased crop plantings in the second half, generating increased demand and more than offsetting the impact of lower demand in the turf and ornamental segment due to COVID-19 restrictions.

EBITDA for the European business declined significantly in the second half, with very weak demand in the final quarter. We have continued to be impacted by higher raw material costs in this business; however, one pleasing aspect of the second half result was a reduction in the SG&A cost that we can control and Hildo will elaborate on this again in his presentation.

The seed technology segment had a mixed second half. Revenues were up with increased Nuseed sales. However, earnings were down due to a bad debt and increased commercialisation costs for omega-3 and carinata and Brent will speak to that in a minute.

Before I hand over to Paul to discuss the financial details, I want to take this opportunity to acknowledge that after nine years as CFO for Nufarm, Paul has advised us that he is leaving to pursue new opportunities. He's not escaping just yet because he's got another set of accounts to prepare for our next financial year, which ends in about a week's time. And he'll stay on with us beyond that until the end of the calendar year.

However, I'd like to take a moment to pay tribute to Paul's contribution to Nufarm. He has been an integral part of our leadership team through a period of significant change. He has played a pivotal role in many of the projects and events that have and continue to shape our company.

Paul has shouldered a tremendous workload with proficiency, agility and always with a touch of good humour. He embodies our Nufarm values and has been instrumental in helping to shape our culture. He's also been a colleague and a friend and he will be missed. I know you'll all join me in wishing Paul all the very best for his future. Paul?

Paul Binfield: Thank you, Greg. This is a complex set of financial statements due to the divestment of the South American businesses and FY20 being the first full year of adopting the new lease accounting standard AASB 16. We focus our commentary today on the continuing business and where material, we will highlight the impact of the new leasing standard.

I shall also draw your attention too to the fact that we have made sales of $85 million at zero margin to Sumitomo Latin America under the transitional supply agreement. Where appropriate we've excluded the impact of these sales in our commentary and our figures.

With a change in our year-end to 30 September, we've also provided information in the appendices to the presentation, restating prior year figures to reflect the 30 September period.

As Greg outlined, whilst FY20 was a disappointing year in terms of our results, we end this financial year in far better shape than when we started it. The balance sheet is much stronger, thanks to the proceeds from the sale of the South American businesses. Furthermore, better cash flow from improvements in working capital management have also strengthened the balance sheet.

Momentum from the business in the second half was good across most regions and has continued since year-end. We're already starting to see early benefits from the performance improvement program and we continue to meet the all important milestones in omega-3.

In constant currency and excluding the zero margin sale to Sumitomo, revenue was down 0.5%, reflecting a weak first half in Australia and North America and also difficult trading conditions in Europe. Underlying EBITDA was $236 million. The gross profit percentage was down about 130 basis points, reflecting margin pressure in North America, but particularly Europe and Hildo will take you through the drivers of this later in the presentation.

Expenses were adversely impacted by the weaker Australian dollar. They were largely well controlled in North America, ANZ and Asia. In seed technologies, expenses were higher, as we built capability to fully commercialise omega-3 and we took on board carinata for the last eight months of the year. European cost increases include a full year of additional supply chain cost incurred in transitioning the acquired portfolios.

The increase in depreciation and amortisation from $165 million in the prior year to $201 million in FY20 is largely the impact of the AASB 16 adjustment, recognising additional depreciation on right-of-use assets at $24 million. The balance relates to amortisation on recently launched products.

Financing costs, comprising net external foreign exchange gains and losses and lease amortisation increased $32 million. Net external financing costs reduced by $2 million to $65 million. Foreign exchange losses increased $28 million to a loss of $24 million for the year, due primarily to pandemic related exchange rate volatility, particularly in that March/April period. Finance charges on leases increased $6 million due to adoption of AASB 16.

The tax expense was adversely impacted by the non-recognition of tax benefits on trading losses. These tax losses remain available for use in future periods, they're simply not recognised on the balance sheet. The dividend remains suspended.

So turning specifically to material items, material items total $389 million post-tax. We took a non-cash impairment of intangible assets in the European business of $180 million [sic - see slide 10 $188 million) after tax, to recognise a moderated outlook of future earnings based largely on an expectation of continuing margin pressure on the base product portfolio.

The profit on the disposal of the South American businesses, less the tax expenses and transaction costs, resulted in a net after tax loss of $116 million. Partially offsetting this is a recognition of a tax asset in Brazil of $9 million in January 2020.

We've booked a charge for asset rationalisation costs relating to the announced closure of manufacturing facilities in Australia and Austria, each were about $20 million and the balance being restructuring costs relating to the implementation of a comprehensive performance improvement program. Net tax assets of $33 million have been derecognised and booked as a material item.

Whilst FY20 has been a very challenging year for Nufarm, some important highlights in the year have been improved cash flow generation, which in turn has contributed to a stronger balance sheet. Nufarm operates in a working capital intense industry and hence active and successful management of net working capital is a very important element in being able to deliver acceptable returns to shareholders.

The unprecedented weather events in Australia and the US over the last couple of years have placed greater pressure on our working capital management processes. However, in the second half of FY20 we saw very encouraging signs that the focus on our working capital management processes were starting to bear fruit.

Net working capital at 31 July, which is the trough in our cycle, was $143 million lower than the prior year and average net working capital over sales stood at 46%, trending towards our target range of 35% to 40%.

Even hitting the top of our target range results in a further release of cash from the balance sheet of over $150 million. The improved net working capital management has flowed through to stronger cash flow from underlying cash flow from operations, improving on the prior year by $137 million.

Capital expenditure has also been well managed in the period and underlying cash flows from the investing activities is down $5 million on the prior year. The major investment in FY20 was the majority of the spend on our new Greenville plant that we commissioned in September 2019.

We expect capital expenditure for FY21 to be approximately $180 million. The major new projects for the coming year include some modest CapEx at our plant in Wyke in the UK to expand and further fortress our position in important profitable phenoxy herbicides, that are developed and manufactured there. We will also incur further development spend on our omega-3 canola oil, as we develop the product for entry into segments outside of agriculture.

So turning to the balance sheet, our financial position has been significantly strengthened following the divestment of the South American businesses. Net proceeds from the sale were applied to reduce debt. Leverage at year-end was 1.9x, within the target leverage range of 1.5x to 2x core net debt to EBITDA.

We define core net debt as net debt at the trough of the working capital cycle. That typically occurs in July or August and including a AASB 16 adjustment for lease liabilities as well. This target range enables us to better manage inherent volatility in our industry.

The Company has excellent liquidity also, with undrawn facilities at year-end of $648 million, plus scope to further utilise working capital facilities. Cash on the balance sheet totalled $687 million. This places the business in a very robust position going forward.

I'll hand you back to Greg, who'll provide you with some further colour on the performance in the regions.

Greg Hunt: Thanks, Paul. As I said earlier, I was very pleased with the positive momentum that we've generated in most regions in the second half of the years as headwinds eased.

And I think the best example here is Australia, where it really was a story of two halves. Calendar year 2019 was the hottest and driest on record in Australia and sales into the

2020 summer season were very low. In late January, we received drought-breaking rains which stimulated very strong demand on the East Coast and our manufacturing plants basically shifted gear from being idle to full capacity. This provided strong momentum for second half earnings with, as I said earlier, underlying EBITDA up 125% on prior year.

In addition, we estimate that around $10 million of the full-year earnings improvement came from the performance improvement program that we started last year. The program has improved our cost base through a mix of SG&A and supply chain improvements and it really does provide us with a more competitive position.

The next phase for the Australian business will be the closure of the insecticide and fungicide manufacturing facility that we have here in Laverton. This will provide us with supply chain benefits of around $5 million per annum from the end of calendar year 2021.

We also achieved a very significant reduction in working capital, as a result of the strong demand and we will be looking to retain these improvements. From a weather perspective, the early indications suggest an improved outlook for the summer season 2021. It is still, however, early days but we're in a much better position than we were at this time last year.

A number of product launches planned in financial year 2021 will further support earnings growth. These launches include a new insecticide and a new preplant herbicide that has promising activity to combat growing ryegrass resistance, which is a real issue here in Australia.

Turning to Asia, which has had another very good year despite the impact of the Indonesian drought in the first half. EBITDA is up 13% on the prior year, driven by stronger margins from a change in geographic and product mix and continued cost control.

Asia has been a steady contributor to earnings for a long period of time now and from 1 October we will be combining it with our Australia New Zealand business, to create a new Asia Pacific region. By combining these businesses we will be able to pursue further efficiencies across our manufacturing and supply chain assets and create opportunities to leverage our portfolio more effectively.

In North America we had a difficult first half. However, we clawed back some of that gap in the second half, with stronger sales into the crop segment, particularly in Canada, more than offsetting the impact of COVID-19 on the turf and ornamental segment. We have positive underlying momentum in this business. We will have a full-year benefit of our

Greenville facility in financial year 2021.

This was commissioned last September and it provides us with logistics benefits and it allows us to respond more quickly to surge in demand. And this investment builds on the investments that we made in the new insecticide and fungicide facility in Alsip and the significant upgrades at Chicago Heights that we've made in recent years.

We now have a streamlined, modern and efficient manufacturing footprint in North America from which to service our customers. And again we have an expanded portfolio for financial year 2021, with a number of product launches in the US and Canada, to build on the new Goal distribution agreement that also kicks off in financial year 2021.

Turning to Europe, the last couple of years has presented challenges. However, this is a valuable business with a quality portfolio and we expect to see a strong earnings rebound as headwinds ease and we strengthen our supply chain and reduce our cost base.

I'm going to hand over now to Hildo Brilleman. Hildo joined Nufarm in October of last year and he was appointed to the role of Regional General Manager on 1 January this year. Hildo has more than 20 years of experience in the industry and he is bringing that experience with a fresh set of eyes and new energy to our European business. He will take you through his thoughts on the Nufarm business in Europe and how we see the earnings rebound unfolding. Over to you, Hildo.

Hildo Brilleman: Thanks, Greg and thanks for the introduction and thanks to those joining the call today. I would like to start today by sharing some of my first impressions on joining Nufarm and the roadmap for the European business.

As said, Nufarm has a strong and valuable business in Europe, with a well-established customer base. The business has been built around a strong phenoxy, PGR, plant growth regulators and copper fungicide portfolio. This is traditional chemistry but still in strong demand and Nufarm has a double-digit market share in each of these market segments.

And the acquisitions in 2018 expanded and diversified our portfolio and the bulk of earnings in the current year were actually generated from these portfolios. And these are good products, strong products that customers want to buy. They are well aligned to the crops Nufarm is targeting in Europe and I mention cereals, oilseed rape pastures and also the combination of trees, nuts, vines and vegetables and we call those the TNVV crops.

The registrations are also weighted into the countries where Nufarm has a strong presence, Germany, France, Spain, the UK and Poland. There has also been significant investment in people, processes and systems, with a new pan-European ERP system and for the first time connects the entire European business. So we already have a good base and the next steps on the roadmap for Europe is to improve the competitiveness of the supply chain and our cost base and this is the work that is now underway.

Before we go through the detail of the roadmap, I want to talk through the drivers of the fiscal year 2020 results and provide some colour for that I've included the map that shows the seasonal conditions for the main growing season in Europe in 2020. And I'm sure that you know this kind of drought map, as it is quite similar to what you have seen in Australia.

However, I have to say that after 20 years in this industry, this has been one of the more difficult years I have known. Hot, dry conditions in Northern and Eastern Europe, all the way up to Romania and Ukraine, have reduced demand for crop protection and Nufarm revenue in 2020. And the sales are down by around 3% in Australian dollar and more in constant currency.

Competitors have also seen this pressure, and this has resulted in a very competitive market environment again this year. The main countries impacted from a Nufarm perspective have been the UK, Germany and France. We've held ground quite well in other markets, considering the conditions, including the impact of COVID-19, especially on horticulture and ornamental markets.

Looking at the results on slide 20, you can see the decline in revenues was in the second half, in particular the fourth quarter was much lower as we scaled back our autumn sales campaign. This was driven by channel partner caution on building stocks and also partly due to a decision on our part to hold back sales to optimise margins.

This is a shift in our approach from prior years. What we are trying to do is optimise margins and achieve an appropriate level of Nufarm inventory within the channel, so we can continue to stimulate sales closer to the end user demand.

On the next slide I've provided an overview of the various drivers of the results. So starting with the largest movement first, volume and mix, this is largely due to the seasonal conditions we just discussed and the shift in sales for the autumn campaign. COVID-19 also had an impact and we would expect most of this demand to come back as we return to more normal conditions.

I think it's important for me to stress here that I'm confident we have not lost market share in our key markets and this is confirmed by second quarter industry black box data.

Looking at the price driver of AUD$14 million, this reflects to some extent the competitive conditions due to the weaker demand. However, there is also an element that represents pricing pressure from generic products, so we believe a portion of this element is more systemic. And it is this pricing pressure in our base portfolio that was the catalyst for us to take an impairment of certain intangible assets and Paul will comment on that later.

On cost of goods sold, the impact of sustained higher raw material prices was around $12 million and another $5 million for increased conversion costs at our manufacturing facilities. And I'll speak to those factors later, as we do see some easing in the coming 12 to 18 months.

SG&A costs also increased and this included some one-off costs and also a full-year of supply costs to transition the acquired portfolios. On the positive side of the ledger, we increased sales of products from our manufacturing plants to other industry participants and we also expanded sales into non-agricultural markets.

In total, it's a disappointing result, however, we believe fiscal year 2020 is the earnings trough. We have a clear plan to address the issues that are within our control and we see some early indications that the headwinds of fiscal year 2020 may be easing.

So turning to slide 22 for the outlook for fiscal year 2021 and why we are confident we will see this improvement. I'll start first with the two columns on the left-hand side that are under our control and these relate back to the roadmap I addressed earlier.

Firstly, building a fit and an efficient cost base. European business has undergone a significant transition in the past few years and to my mind, that has contributed to an inefficient cost base and one-off costs. The acquisitions of the portfolios almost doubled the size of the European business.

At the same time as the portfolios were being integrated, a new ERP system was introduced, along with a new shared services centre and new ways of working. This upheaval is at an end. We now have a clear opportunity to shape the organisation to be close to our customer, to be agile and efficient. And there is significant scope to reduce our cost base as we go through this process.

The improvement program in Europe kicked off at the start of this calendar when I started as the Regional General Manager. I have to acknowledge that we were slowed somewhat by the onset of COVID-19 and the need to redirect resources to address the initial phases of the pandemic, but we have made good progress, nonetheless.

The program to date has focused primarily on our back office and a small part on our supply chain. More than 20 colleagues have left the business so far and we have made other cuts to our discretionary spending, to bring the run rate benefits of the program so far to around $5 million.

We have many more opportunities to address and the next phase of the program will expand further into supply chain improvement and logistics optimisation. As said, we are targeting $15 million to $20 million run rate savings by the end of fiscal year 2022 and I believe this is a realistic target.

The next phase of the program is about improving the competitiveness of our supply chain and reducing conversion costs. We conducted a review of our manufacturing footprint earlier this year.

That analysis has shown that while our MCPA synthesis and herbicide formulation operations remain competitive, gaps have emerged in the competitive position of our 2,4-D synthesis and insecticide and fungicide formulation. And we have already announced that our 2,4-D synthesis at Linz will close early in the next calendar year and this will allow us to procure products at a cost that is much more competitive than our own operations.

It will allow us to improve our market offer and increase margins on this important molecule. The estimated annual run rate benefit of this initiative is up to $10 million. And we are still working through options for other aspects of the manufacturing footprint and there may be further opportunities to improve margins coming from this analysis.

The third pillar is raw material costs. It has been our view for some time that raw material costs will decline as additional environmentally compliant capacity is brought online in China. However, this was delayed by the devastating explosion in the Jiangsu province in March last year.

As the Chinese economy has reopened after the COVID-19 lockdown earlier this year, we're now finally seeing some improved product supply and lower pricing that suggests this capacity is finally reaching the market. And you can see from this price chart here for the active ingredients for tebuconazole and prochloraz, that pricing for these products has improved significantly since March.

It's very early to say that the headwinds are behind us and of course, we do need to first utilise any higher cost inventory we have on hand before we would realise any benefit.

But this does have the potential to improve margins significantly if it is a shift seen consistently across a broad range of our active ingredients.

And the final element of the drivers for fiscal year 2021 is weather. This one is obviously outside of our control; however, I think the grid we provided earlier shows the significant impact this could have on our performance. I know my colleague in Australia, Peter O'Keefe, had a very difficult two years and is now starting to see some of the benefits from the swing in conditions. And I can reassure you the team in Europe is looking forward to also enjoying that.

So at this point I'm going to hand over to Brent Zacharias, who will take you through the seed technology segment. But I'm staying on the call for the Q&A and I will be very pleased to take any of your questions. Thank you, Brent.

Brent Zacharias: Thanks, Hildo. Nuseed has achieved a number of important milestones during the course of FY20, in particular in relation to our omega-3 canola and carinata platforms. The seed technology segment result includes both the Nuseed business and the seed treatment business.

Despite some significant headwinds, particularly in relation to drought impacts in Australia, segment revenues increased by 8% to $198.8 million. Gross margin also improved, reflecting higher sales of regionally launched products in the seeds portfolios.

While revenues and margin were higher, a combination of lower endpoint royalty payments on 2019 canola crops in Australia, higher investment in our growth platforms and a one-off bad debt write-down contributed to lower EBITDA and EBIT performance. The segment generated an EBITDA of $31.5 million, compared to $38.5 million in financial year 2019.

Turning to the next slide, we are very pleased that Nuseed achieved sales growth in all regions and across all of its core crops. While overall canola contributions in Australia were down, a significant swing to Nuseed hybrids will result in strong royalties that fall due in this new financial year.

In Latin America, the period saw higher sales of sunflower, canola and sorghum, with Nuseed now the leading sorghum supplier in Brazil. Following new product launches, Nuseed also grew market share in margins in the North American sorghum market and grew volumes and share in the sunflower segment.

Importantly, first sales of Nuseed's hybrid canola were secured in the large Canadian market and in the United States. New products were also successfully launched from

Nuseed's strong European sunflower pipeline, helping drive volume in share growth in that region.

Moving to the next slide, I'm excited to share some updates of our omega-3 program today. Our value beyond yield strategy focuses on building proprietary positions that deliver downstream benefits to customers and consumers. During financial year 2020 we made significant progress on key strategic objectives.

In relation to our omega-3 canola platform, we collaborated with key aquaculture industry to complete commercial scale fish feeding trials involving more than 1.5 million salmon. These trials demonstrated key benefits of Nuseed's Aquaterra omega-3 oil, including improved fish health, resulting in improved survivability and improved sustainability outcomes.

Our initial commercial 2019 crop was successfully harvested and processed. Just prior to year-end Health Canada and the Canadian Food Inspection Agency confirmed regulatory approvals for Nuseed omega-3 canola in relation to cultivation, use in aquafeed and livestock feed and for human consumption. Canada, by the way, is the world's largest producer of canola and a major producer of salmon.

In September of 2020 we finalised the first commercial sales and forward orders of our proprietary omega-3 canola oil, Aquaterra. This follows more than a decade of development and significantly marks the beginning of a new phase in the delivery of shareholder value from Nuseed's value beyond yield growth platform.

We are very pleased to have a broad set of leading global aquaculture companies engaged in commercial discussions and recognising the benefits of Aquaterra in the areas of survivability and sustainability. Plans to scale production and expand sales of omega-3 canola are now advancing.

The 2020 crop has been mostly harvested and is on track to double oil production for 2021 sales. Canadian regulatory approvals received in July 2020 are an important element supporting our future expansion.

Branded as Nutriterra, omega-3 canola is also being developed for the human nutrition market and completed the patient testing phase of an important human clinical trial during the year. This is the first human clinical trial undertaken to assess the safety and efficacy parameters related to a plant-based source of omega-3. Analysis phase of the trial is now underway.

Turning to carinata, Nuseed secured a second value beyond yield technology platform last November with the acquisition of key assets relating to the carinata crop. Carinata is being developed as a feedstock for renewable fuels and high protein non-GM meal for livestock feed.

During financial year 2020 a third-party certifier confirmed Nuseed's carinata cropping system and resulting oil as best in class for greenhouse gas reduction from an agricultural feedstock crop. This drives significant premiums for the carinata oil.

We executed a multiyear offtake agreement with Saipol, Europe's largest oilseed crusher and biodiesel producer and completed a first commercial sale and shipment of a crop from Argentina to Europe. Nuseed's proprietary carinata platform includes a closed loop contracting system with growers. With the commercial certainty attached to our Saipol agreement along with confirmed sales into downstream fuel brands, we have substantially expanded grower contracting for the 2020 crop.

Before handing back to Greg, I'll just make a few other comments. Looking ahead, I am confident that we have crossed an important threshold that positions Nuseed for strong earnings and growth over coming years. In this current financial year an improvement in seasonal conditions in Australia augers well for improved canola harvest and plantings. We will also book endpoint royalties on strong financial year 2020 sales of hybrid canola.

With additional new products scheduled for launch across all regions, we expect to grow share in sunflower and sorghum in North and South America and in Europe. Financial year 2021 is also expected to see a step-up in crop production, commercial activity and in related sales associated with both our omega-3 canola and our carinata value beyond yield platforms.

Having secured initial commercial arrangements in relation to both Aquaterra and carinata, FY21 is expected to see positive EBITDA contributions from both of these programs. Beyond FY21, a continued ramp up in Aquaterra and carinata oil production will drive cost efficiencies and margin improvement with both greater scale and better performing seed rise.

Together with our exciting Nutriterra omega-3 opportunity in human nutrition and continued growth in seeds contribution, I believe we'll see a progressive step change in value revenues and earnings from the Nuseed platform over the next four years. I'll now hand it back to Greg.

Greg Hunt: Thanks, Brent. So to summarise, although 2020 was a very difficult year, we have made good progress on a range of initiatives that have strengthened the business and we believe that will improve returns. Our balance sheet is much stronger and our portfolio has been refocused on regions with higher margins and stronger cash flows.

After safety, our number 1 priority in 2021 is improving returns to our European business. The turnaround in this region and the benefits from the broader performance improvement program can deliver a very meaningful lift to earnings in 2021. Our cash generation is improving and as Paul outlined, there is opportunity to further improve.

The Nuseed business continues to hit major milestones and as Brent just took us through, the first commercial sale of omega-3 really does mark a shift into the next phase of commercialisation. And we genuinely believe that this is a very valuable business and we're excited about what it can deliver in the coming years. We ended the 2020 year with positive momentum and this has continued into August and September.

And with that, I'll hand back to the operator to take your questions.

Operator: Thank you. Ladies and gentlemen, we'll now begin the question and answer session. If you wish to ask a question, please press star-one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key. Once again, it's star-one and wait for your name to be announced, thank you. We have multiple questions in the queue. Our first question comes from Mr Grant Saligari from Credit Suisse. Please ask your question, Grant.

Grant Saligari: (Credit Suisse, Analyst) Good morning, thank you. A couple of questions on Europe, if I could please. One, I guess I'd just be interested in your view on sustaining competitiveness in your phenoxy manufacture over the longer term. And I guess maybe related to that, I'm just interested in where you think or how well you think your product portfolio is positioned as your European green deal continues to develop? Because as you acknowledge yourself, you've got a very traditional chemistry skill with Europe, so interested in your views on both of those please.

Greg Hunt: Thanks Grant. I might take the first one and then Hildo can talk to the product portfolio and the potential impacts on farm to fork. So in relation to phenoxies, so we're really talking about our MCPA and especially phenoxies business in Wyke, we are a global leader and the production from that operation is globally competitive. We have planned to invest modest capital to debottleneck the production and reduce our operating costs in FY21, but we believe that that is a sustainable operation.

Hildo, would you like to just make some comments in relation to the portfolio?

Hildo Brilleman: Yes, so looking at the phenoxies, MCPA and derived products, yes, this is a chemistry that has been around for quite some time. With regard to the regulatory status of these products, they're actually pretty secure. And what is also good to mention is that with other products leaving the market, these products take a more prominent position in the weed control program of our farmers, especially when we look at weed resistance. So the reason why we invest is to maintain that competitiveness, but also to continue to grow the business.

Grant Saligari: (Credit Suisse, Analyst) Which other products are leaving the market, Hildo?

Hildo Brilleman: On the herbicide, of course, you hear about the pressure on glyphosate, but there is a wide range of products that are going through [NX1] renewal and this is independent of the European green deal. What deserves to be mentioned here is that this will create new opportunities as well, as products leave the market, but of course there are some impacts on our business as well. But that has been planned for and that has been taken into account moving forward.

Grant Saligari: (Credit Suisse, Analyst) So I guess what I'm just trying to understand is whether you think you need further product development or to change the mix of your product range as green deal continues to develop, because it seems to be only heading in one direction.

Hildo Brilleman: Yes, it's an interesting question, but if I look at one of the key development pipeline products that we have, it's actually combining Century and Surf chemistry with our phenoxy chemistry, leading to a new different shade of mixture. And this is exactly the type of innovation that we can do now with this expanded product range. And our regulatory assessment is that that product will be registered and actually can take more space in the market. So that relates to the phenoxy range.

Grant Saligari: (Credit Suisse, Analyst) Okay, if I could just sneak in one extra question, just on the expense lines, I just noticed the R&D expense was probably the only expense line to decrease. So I'm just wondering whether there's any [unclear] the impact on R&D programs there, or what the reason for that decline might be please.

Paul Binfield: Yes, Grant, the R&D spend tends to be fairly lumpy in nature. Certainly in terms of our R&D activity it's fair to say that we're probably more focused in that space and as you can probably expect to see a step-up in R&D expenditure going through to 2021. So whilst we have gone through difficult times, cash has been tight and very well controlled over the last couple of years. We absolutely have not wound back R&D programs and what you see there simply is a phasing issue. So expect to see a step-up in terms of next year.

Grant Saligari: (Credit Suisse, Analyst) Will you be able to mitigate that with other cost offsets in addition to the $35 million to $40 million? Or should we consider that as going to be a partial offset to that $25 million to $40 million as it comes through?

Paul Binfield: I think you should view that as being a bit of a partial offset because, as I say, we are focused on making sure that we have a nice pipeline of products coming through and continue to invest in that space. So there will be a step-up from what you see in terms of the current year expense and that will be a partial offset to the cost improvement program that we outlined.

Grant Saligari: (Credit Suisse, Analyst) All right, that's helpful. All right, thank you very much.

Operator: Our next telephone question is from Alex Karpos from Goldman Sachs. Please ask your question, Alex.

Alex Karpos: (Goldman Sachs, Analyst) Good morning, team, thanks for the time. First, a quick one on my end. Can you search on channel inventories maybe at the group level, then any regions that stand out for being particularly full or particularly a good setup into FY21?

Greg Hunt: Alex, maybe the best way to handle that is if we just quickly go around the regions. In North America, as we reported at the half, there were higher channel inventories because of the carryover from the previous period. We're now seeing channel inventories in North America, certainly in relation to herbicides, at more typical levels.

Our intelligence is that there is probably still some insecticides and fungicides at that higher level, but certainly from herbicides a reduction. And we would be well positioned for any increase in demand in herbicides.

Here in Australia, again we've had a very strong sales program over the last six months and that's continued into August to September. So certainly when you consider the last two years, we're in a lot better position than we have been.

And I think in Europe - and Hildo may want to comment more, I think he did touch on the fact that we do have some inventory in Europe because of the very low demand in the last quarter. So we're going to go into this period with higher inventories than we would like, but we are starting to see increased demand in Europe over the last couple of months. So apart from that, I think from an inventory point of view we are positioned very well.

Did you want to make any comments, Hildo, in relation to Europe?

Hildo Brilleman: No, I agree with what you say and yes, the channel inventories for cereal fungicides and PGRs is higher than normal. But we have good visibility on that and we have taken that into account in our planning forward.

Alex Karpos: (Goldman Sachs, Analyst) Great, thanks for that and onto, I guess, the more COVID impacted segments in terms of the US turf and ornamental and your horticulture, have you seen those start to rebound in recent months, or are they still pretty depressed?

Greg Hunt: I think certainly strong growth here in Australia, good momentum in Europe. In North America it's a little more subdued and I think in the crop segments we are starting to see some activity, but in the T&O segment I would be cautiously optimistic. We're still seeing demand there a little certainly flatter than you would normally see at this time of the year.

Alex Karpos: (Goldman Sachs, Analyst) Got it and one more question, if I may. Sorry, go ahead.

Hildo Brilleman: Just to add on ornamentals in Europe, it is bouncing back. It took a 70% hit in the thick of the pandemic, but we see growers going back, planting new crops and so the bounce back is fairly rapid.

Alex Karpos: (Goldman Sachs, Analyst) Thanks for that and one more quick one, if I may. I appreciate the incremental colour you have given on the European earnings bridge, very helpful. But if I look into next year, you call it a $12 million raw material cost headwind in FY20. If those raw material costs stayed at spot, as in you outlined with the chart on slide 22, I believe, would that $12 million completely reverse, would it partially reverse? How do we think about the current pricing backdrop and I guess more number terms?

Greg Hunt: Do you want to have a crack at that, Hildo?

Hildo Brilleman: Yes, so a number of factors at play here. Of course, we have some inventory that we have to work through. We see considerable AI price decreases moving forward, so we see that benefit coming through in the second half of the next fiscal year. So I would say that with inventories that we have on hand, not all of those headwinds will be turned around but we'll make good progress on that in the second half of fiscal year 2021. Together with also our cost containment and reduction program on conversion cost, we'll see benefits of an overall cost of goods sold reduction in the second half next year.

Alex Karpos: (Goldman Sachs, Analyst) Great, thanks. That's it from me.

Operator: The next telephone question is from Richard Johnson from Jefferies. Please ask your question, Richard.

Richard Johnson: (Jefferies, Analyst) Thank you very much, Greg. Can I just start with the manufacturing closures and I was wondering if you could just run through the thinking and the strategy behind that again? And I'm thinking about that particularly in light of the time or the long-dated nature of the program in the context of your comments about momentum in the business and demand seemingly improving in a lot of the key areas. And presumably that's not making any difference to your decision, one can see that, but I'm just trying to really understand what the thinking is.

Greg Hunt: So in terms of the long dated, it really centres around the registrations. When you close factories you need to know that the alternative source that you have, that you have a registration. As an example, with the operation in Linz we supply product from there into Brazil and as part of the agreement that we have with Sumitomo, we will continue to supply product from that factory until the registrations for the alternative source are gained.

And we would expect that to happen within the transition period. And here in Australia with the insecticides and fungicides operations, again we will look to source some of that from China, some of that from the US and some of that production from Malaysia, which is part of the reason that we're looking to create the Asia Pac region. So that all takes time.

Richard Johnson: (Jefferies, Analyst) Got it, thank you and then just returning to the previous question on price and raw materials in Europe, is there a risk that as raw materials drop away, given the competitive backdrop that you're seeing - and presumably that's not going to change a great deal - that actually that accelerates price declines and therefore, removes any margin improvement you might otherwise get?

Greg Hunt: I think it's fair to say that it may be difficult to capture all of that margin, but frankly prices have held up reasonably well. If we look at the Century and Surf portfolio, we've probably had sales this year of somewhere between $220 million to $230 million.

So we're not at the levels that we hoped that we would be, but as those raw material prices come down, we'll probably - because they come down for everybody, they're not just coming down for Nufarm. I think we'll capture as much of that benefit as we possibly can. It's difficult to say and probably unrealistic, that we would capture 100% of it, but I would be disappointed if we couldn't capture 60% or 70% of that margin.

Richard Johnson: (Jefferies, Analyst) Great, thanks, that's really helpful. And then just a couple of quick ones, one for Brent. I was wondering if you could just update us on where the fish oil price is and what his expectations are for that going forward.

Brent Zacharias: Thanks, Richard. Fish oil prices have actually held really quite constant. I think coming into the COVID pandemic there was initially some question as to whether Peru was going to capture their whole quota and we saw a little bit of movement in fish oil prices at that time. But they did go out and secure I think 95% of a very large quota this year. So it's been interesting in that despite that, there's actually quite a significant supply of fish oil in the market versus what people originally thought.

The market prices have been holding quite steadily at that $1900, $2000 a tonne range for the Peruvian catch. So we've seen some interesting volatility of fish oil prices over the last three years, but I would say that it's showing that even with the COVID impact that fish oil prices are staying relatively high and quite constant.

Richard Johnson: (Jefferies, Analyst) Great, thank you. I don't think I can let Paul get away with not answering a question, so just a couple of easy ones presumably. I think I'm right in saying you took an onerous contract below the line, you might have talked about this before and if you have I apologise, but I was wondering if you could give any details on that.

Paul Binfield: Yes, sure. The onerous contract provision relates to the supply of 2,4-D out of our phenoxy plant to Sumitomo LatAm off the back of the transition supply agreements. It was tied up in that particular transaction. So essentially what we have seen is that the China price, or the price of 2,4-D out of China has basically fallen below our cost of production at Linz.

As Greg mentioned, a number of those products have registrations tied to Nufarm related manufacturing sites. There are no alternatives and therefore, we basically have an onerous contract in terms of we'll be supplying Sumitomo below our cost of goods.

Richard Johnson: (Jefferies, Analyst) Okay, so that's just zero margin going forward then?

Paul Binfield: Well, essentially, it's negative margin, but obviously the release of the provision will zero out any loss.

Richard Johnson: (Jefferies, Analyst) Got it and then can you remind me what the royalty income that you used to book in Europe to Latin America was? I know it's not a huge number, but just out of interest.

Paul Binfield: Top of head, Richard, it was around that $4 million to $5 million mark, that sort of level. Obviously again that has disappeared and that is, I guess, part of the stranded cost, for want of a better term, that we need to pull out of the business post-LatAm.

Richard Johnson: (Jefferies, Analyst) Got it, thanks and very good luck and thanks very much for all your help over the years.

Paul Binfield: Thank you, Richard. Thank you for your support.

Operator: Our next telephone question is from John Purtell from Macquarie. Please ask your question, John.

John Purtell: (Macquarie Group, Analyst) Good morning, everyone, and Paul, wish you all the best as well going forward.

Paul Binfield: Thank you, John.

John Purtell: (Macquarie Group, Analyst) Just Paul, just to follow on, on the interest guidance that you've given for the year, just in terms of what are the major drivers within that, I think it's fair to say it's a bit higher than was expected given the de-gearing post-Latin American sale.

Paul Binfield: Yes, sure, John. So a chunk of that interest is coming off the high yield bonds which obviously are USD denominated. So if exchange rates remain at their current level, then we'll see some reduction in that going forward. I think the other real plus too that we've seen and again the figure that we've given you basically pretty much pulling off our budget.

So the other real benefit that we see from budgeting times is average net working capital has come in substantially better in the fourth quarter. So again that's obviously a key driver in terms of net debt. So again, there's a chance that we can possibly meet that interest target we put out there along those lines as well.

John Purtell: (Macquarie Group, Analyst) But in terms of, Paul, the aspect as to why the number's not lower, obviously there is much lower debt so I would have thought that would have had a bigger flowthrough to the interest line.

Paul Binfield: Yes, there is lower debt. I guess what we were seeing during the year though, John, was working capital was staying stubbornly high in certain regions. Obviously, that's feeding straight through to net debt and what we have seen in the last quarters is a substantial improvement in that and therefore, the net debt coming down quite materially.

So I think what I'm saying is that if we can actually continue that positive trend, my expectation would be that the actual interest that we can deliver in 2021 is below that target that we put out there.

John Purtell: (Macquarie Group, Analyst) Okay, thank you. Just a broader question for Greg and Hildo, again focused on Europe. We've spoken a fair bit on phenoxies, but just in terms of the outlook of fungicide and insecticide, how you see that. And whether the competing pressures that are out there, are they much more manifest for phenoxies and less so for fungicide and insecticide?

Greg Hunt: I think, John, there certainly continues to be pricing pressure in the commodity products and the acquired portfolio is more protected from that pressure and it does provide us, as Hildo was saying before, to improve the mix and hence improve margins. Hildo, do you want to add anything more to that?

Hildo Brilleman: When you have single AI products, the competitive pressure also from generic entries. Where we have the differentiated mixtures, that's where you can retain more of the value. And the other thing I want to mention is with the Acetamiprid coming from the Century and Surf portfolio, we have a real gem in our hands. Because there are lots of competitive exits and Acetamiprid has been able to fill part of that gap. And on the back of label and geographical expansion for that product, we'll continue to grow the margin from that insecticide.

John Purtell: (Macquarie Group, Analyst) Thank you and just the last one continuing on, can you talk broadly about any new material product registrations coming through? And in the past, you've spoken a lot about pipeline and presumably they're going to be more focused on that fungicide and insecticide. Just around if you can provide some sort of colour around the degree or extent of product registrations coming through, are there more or less than normal coming through the pipe?

Greg Hunt: Hildo?

Hildo Brilleman: As I said, on the Century and Surf portfolio, where we can and have a good opportunity, this geographical and label expansion also bringing on more crops is a key plan to our product development strategy. And this is coming through the coming fiscal year and the years to come.

What I would also like to emphasise is that with the Surf acquisition, we got a very good range of sulfonylurea herbicide chemistry and we have launched that, are in the process of launching some differentiated mixtures there. And we're seeing increased uptake and momentum behind these new production introductions. So it's a good example that we're starting to unleash the potential of the Century and Surf portfolio more and more now we have integrated these portfolios.

Greg Hunt: John, if I can probably just add another comment to that, whilst we have some exit from our portfolio, there's also upsides for us from the removal of competitor products from the market. As an example, chlorothalonil and epoxiconazole won't be available on the market next year and these products, or products containing those compounds, the market value's about €400 million.

So we would expect tebuconazole and prochloraz products to be a strong beneficiary of these exits and they really are viable substitutes for farmers at equivalent price points. So we still think that acquisition, given what is happening in the market, it's disappointed to now. But as we've said, I think, many times before, these are quality products, they're recognised brands. They have a place to play in the market and as we see some other products fall out, the opportunity for these products is just so much greater.

John Purtell: (Macquarie Group, Analyst) Many thanks.

Operator: The next telephone question is from Evan Karatzas from UBS. Please ask your question, Evan.

Evan Karatzas: (UBS, Analyst) Morning, thanks for taking my questions. I appreciate all the detail around that European recovery, that's actually pretty helpful. Can I just move to North America? Can you just talk to what the T&O EBITDA impact was there, I guess from COVID and all that? Just trying to get a sense of, I guess, what the recovery could be going forward.

Greg Hunt: I think probably about $10 million in revenue, $4 million or $5 million in EBITDA.

Evan Karatzas: (UBS, Analyst) Okay, thanks and then just the last one on North America, that redistribution agreement that you've won or received, can you give any more colour on that [unclear] a few of them over the last couple of years, just some more colour would be great.

Greg Hunt: In terms of sales, probably $30 million-odd. So in terms of revenue, it's about $30 million.

Evan Karatzas: (UBS, Analyst) All right and then just a final one, just going onto omega-3 [inaudible], can you just give a bit more colour and detail around the regions that you've won sales in, or how many customers are signed up? Any areas that you're focusing on now, Chile or Canada or Norway, I guess?

Brent Zacharias: Sure, thanks Evan. I think we've been signalling for a while there our focus for initial launch has been in Chile and that's the location we did a lot of our work. So I can confirm that our very first sales are to a global leading player that happens to have locations in Chile.

But I would also characterise the [status] is much broader than that. We're in very advanced discussions with multiple players in the industry and getting a lot of support. So we're being a little bit careful in how much detail we provide around that right at this time, because it's still a fairly sensitive time for us, there's a lot of discussions going on.

But to your question, Chile is a really critical first market for us, but as we look out across other geographies, obviously locations like North America, specifically Canada, and Europe being Norway, UK over time, are certainly targets for us as we look at the advantages that we've now been able to demonstrate, particularly in salmon production.

Evan Karatzas: (UBS, Analyst) Thank you guys, appreciate it.

Operator: The final question in the queue today is from Anna Guan from Wilsons. Please ask your question, Anna.

Anna Guan: (Wilsons, Analyst) Thanks, guys, for taking my questions. Most of my questions have been answered previously, but just one final one on the cash flow. Paul, can you talk us through how the normalisation worked, particularly around the sale of LatAm, that $417 million?

Paul Binfield: Yes, sure. So essentially it sounds like you found that Note 6 and I'm just going to help take you from the underlying operating cash flow through to reported. You've got to remember that we sold the LatAm business at the peak of their working capital cycle. So that significant $400 million cash outflow that you're seeing there essentially is the sale of the LatAm net working capital as at 31 March.

If you look down a couple of lines to the net investing bit, you'll see that the cash that we received from Sumitomo wasn't the $1188 million purchase price; it was something over $100 million higher than that, because that's essentially the working capital adjustment that we got Sumitomo to make, reflecting the fact that working capital was at a higher level. Does that help you?

Anna Guan: (Wilsons, Analyst) Yes, that helps us. I suppose a follow-up, I was looking at note 12 in the accounts. So we can see the FY20 working capital there, what was the drag versus the PCP?

Paul Binfield: In terms of net working capital, where are you talking specifically, Anna?

Anna Guan: (Wilsons, Analyst) I'm looking at page - Note 12 on page 74 of the accounts.

Paul Binfield: In particular, what's your issue? So we've detailed there obviously the assets that have been sold and you'll see there that the assets to working capital at that particular point in the cycle of the business is pretty much at its high point. I'm not sure I understand your question, I'm happy to pick it up offline if you want me to take you through the detail.

Anna Guan: (Wilsons, Analyst) No, I see what you mean now. Thanks, Paul.

Operator: That's all for questions for today, I'd like to hand the call back to the speakers for closing remarks. Please continue.

Greg Hunt: Okay, well…

Unidentified Female: Actually I think we have got a couple more questions there, Kevin, if we can take one or two more.

Operator: Sure, our next telephone question is from Belinda Moore from Morgans, please go ahead.

Belinda Moore: (Morgans, Analyst) Good morning, everyone. Paul, can I just double check page 6 of your accounts, where you've given that guidance for 30 September, the new financial year? Can I check, is that including the two-month stub period, so it's effectively 14 months' worth? Or is it 12 months?

Paul Binfield: It's 12 months, Belinda, 12 months commencing 1 October.

Belinda Moore: (Morgans, Analyst) Okay, also can I just check, what does the Greenville facility in 2021 add for the annualised EBITDA impact please?

Paul Binfield: You mean the actual D&A, the depreciation impact?

Belinda Moore: (Morgans, Analyst) No, I'm sorry, what earnings are you targeting for that facility? What's the uplift in 2021?

Paul Binfield: It's hard to pin it down in a sense. The benefits of Greenville really come in in reduced costs. So in terms of the business case that we put out to support that investment, the cost improvements are in the region of US$3 million to US$5 million. we've clearly got some of that benefit in the current year, because the plant was commissioned in October and started hitting more commercial volumes in the second half. So certainly a portion of that will come through in the second half. There will be a further increment to come through in FY21.

Belinda Moore: (Morgans, Analyst) Sure and then post the sale of the South American operations, you said you're always going to target reducing your corporate costs. They were an outflow today of just under $57 million. How do we think about that going forward?

Paul Binfield: I think again, what we've put on one of the slides to the expectation of the benefits coming through from the costs out program that we've got underway and corporate is well and truly in the gun there. So essentially you could expect to see corporate costs coming off a further $5 million.

Belinda Moore: (Morgans, Analyst) In 2021?

Paul Binfield: Correct.

Belinda Moore: (Morgans, Analyst) Okay and then just lastly, is it fair to say that you can get that 40% working capital target in 2021?

Paul Binfield: I think hitting 40% in 2021 is going to be tough. I expect to see us below the current year level of 46%, but I do think hitting 40% is absolutely achievable in 2022.

Belinda Moore: (Morgans, Analyst) Okay, thank you for your time.

Operator: Our next telephone question is from Jonathan Snape from Bell Potter. Please ask your question, Jonathan.

Jonathan Snape: (Bell Potter, Analyst) Thanks, just some questions around that page 6 guidance numbers again put out there and appreciate you've already commented on the interest level. But the step-up in depreciation and amortisation of about $20 million relative to what you've just put out, can you tell me what's driving that?

Paul Binfield: I think there'll be an element there of additional depreciation coming through from a full year of Greenville. We're also in a position too whereby omega-3 commercialisation obviously is well underway and therefore, we'll start the amortisation of that amount. We've got a full 12 months of carinata and of course again, carinata commercialisation commencing in the current year.

And again, launch of some new products coming through the pipeline, so especially we talked about, the Goal product in North America and a number of new products coming through in the ANZ business as well. So there's actually quite a lot of activity in terms of commercialisation of new portfolio coming through, Jonathan, that's what the catalyst is to drive higher D&A.

Jonathan Snape: (Bell Potter, Analyst) Okay, so if I look at it, you've got [3580] of interest, $220 million of D&A and then FX, I think in the past you've said it's $1 million a month just to keep that stuff going, so call it $10 million. So you're going to have somewhere around about $310 million of costs below D&A, before we get to tax. I'm just trying to do the bridge here, because if I have a look at, I guess, what you've just reported on EBITDA this year, look at that chart you did for Europe, you've probably had let's call it $25 million of seasonal stuff you should get back just if it's normal when you open your door.

If I look at the summer crop vis-à-vis what you would have done two or three years ago, you should have $20 million there. I think you've called out a couple of things in the US [T&O] you mentioned earlier about $5 million, you got about a third of those savings probably come through. I guess what I'm trying to figure out is do you guys actually expect to report a net profit after tax in 2021?

Paul Binfield: We do.

Jonathan Snape: (Bell Potter, Analyst) Anything material? because the waterfall, it's kind of hard to get there.

Paul Binfield: In the current environment, Jonathan, you'd be pretty - you wouldn't expect us to be giving guidance out there and clearly the rules around this are pretty tough at the moment, so I can't really answer that.

Jonathan Snape: (Bell Potter, Analyst) Okay, thank you.

Paul Binfield: Thanks, Jonathan.

Operator: Ladies and gentlemen, there are no further questions at this time. That does conclude the meeting for today. Thank you for all participating, you may all disconnect. Have a great day.

Greg Hunt: Thank you.

End of Transcript