

FMC Corporation
1Q21 Earnings Webcast

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As Prepared for Delivery

Introduction – Zack Zaki

Thank you, Seb, and good morning everyone. Welcome to FMC Corporation's first quarter earnings call. Joining me today are Mark Douglas, President and Chief Executive Officer and Andrew Sandifer, Executive Vice President and Chief Financial Officer. Mark will review our first quarter performance as well as provide an outlook for the second quarter and implied first half expectations. He will also provide an update to our full year outlook and implied second half expectations. Andrew will provide an overview of select financial results. Following the prepared remarks, we will take questions.

Our earnings release and today's slide presentation are available on our website, and the prepared remarks from today's discussion will be made available after the call.

Let me remind you that today's presentation and discussion will include forward-looking statements that are subject to various risks and uncertainties concerning specific factors, including but not limited to those factors identified in our earnings release and in our filings with the Securities and Exchange Commission. Information presented represents our best judgment based on today's understanding. Actual results may vary based upon these risks and uncertainties.

Today's discussion and the supporting materials will include references to adjusted EPS, adjusted EBITDA, adjusted cash from operations, free cash flow and organic revenue growth – all of which are non-GAAP financial measures. Please note that as used in today's discussion, "earnings" means "adjusted earnings" and "EBITDA" means "adjusted EBITDA". A reconciliation and definition of these terms, as well as other non-GAAP financial terms to which we may refer during today's conference call, are provided on our website.

With that, I will now turn the call over to Mark.

Business Review – Mark Douglas

Thank you, Zack, and good morning everyone.

Before I move into details on our results, I would like to take a moment to provide an update on FMC's position related to the war in Ukraine. In mid-April, we announced the decision to discontinue our operations in Russia and exit the country completely, making FMC the first crop input provider to exit Russia. We could not ignore increasing reports of potential war crimes, human rights abuses and other atrocities committed in Ukraine. Our values as a company do not allow FMC to operate and grow our business in Russia. Furthermore, as the war continued and new sanctions and counter sanctions were levied, FMC's ability to conduct business in Russia had become unsustainable. A cross-functional team continues to navigate the extraordinary logistics and supply chain challenges in Ukraine and other parts of Eastern Europe.

FMC and our employees raised nearly \$300,000 for charities supporting Ukrainian people and families in need. Our hearts and thoughts remain with all Ukrainians, and especially our FMC colleagues and their families.

Turning to FMC's performance in Q1, we delivered strong results driven by robust volumes and solid pricing actions across all regions. We grew our revenue by 16% organically, EBITDA by 16%, EPS by 23%, and importantly, expanded our EBITDA margins by approximately 60 basis points while confronting a variety of supply and cost challenges as well as increasing currency headwinds. With disruptions impacting several agricultural inputs, we believe some of our Q1 sales were accelerated from Q2 as customers looked to secure supply in advance. Given this context, our guidance for Q2 combined with Q1 actuals implies 11% revenue growth and 8% EBITDA growth for the first half of the year compared to the first half of 2021, which is much more front loaded than prior years.

Latin America and North America contributed greatly to our success in the quarter, supported by elevated commodity prices, acreage increases and historically low stock-to-use ratios for several crops. Sales from products launched in the past five years increased by more than 50% in the quarter compared to the same period last year, demonstrating the strength of our technology pipeline and product portfolio. The global Plant Health business also continued its growth trajectory with biologicals growing 15% year-over-year.

Last year we announced our goal to achieve net-zero greenhouse gas emissions by 2035. We recently achieved the first milestone towards that goal by submitting 2030 emissions reduction targets to the Science Based Targets initiative. These targets include 42% absolute reduction in direct emissions from FMC owned sources and indirect emissions from purchased electricity, steam, heating and cooling, also known as Scopes 1 and 2; as well as 25% absolute reduction in all indirect emissions that occur in the value chain, otherwise

known as Scope 3 emissions. An incredible amount of rigor went into developing these targets with our sustainability team conducting an exhaustive review of all factors contributing to FMC's greenhouse gas emissions and quantifying those emissions across the entire value chain. We will publish our eleventh annual Sustainability Report in the coming weeks and look forward to speaking more on this topic in upcoming calls.

Strong Q1 2022 Results (Slide 3)

Turning to slide 3 for our Q1 results and keeping in mind my earlier comment about shifts within the first half; we reported \$1.35 billion in first-quarter revenue, which reflects a 13% increase on a reported basis and 16% organic growth. We had double-digit growth in all product categories with fungicides showing the greatest growth year-over-year at 20%. Biologicals grew 15%, continuing the momentum in our Plant Health business. Regional growth was driven by strong volume gains in North America and Latin America as well as high-single digit

price increases in all four regions. FX was a headwind to topline growth in EMEA.

Adjusted EBITDA was \$355 million, an increase of 16% compared to the prior-year period and \$30 million above the midpoint of our guidance range. EBITDA margins were 26.3%, an increase of 60 basis points compared to the prior-year period. Cost inflation continued to be a challenge, and at a higher rate than anticipated, so we moved price more aggressively in all regions to offset these increasing headwinds. We have also been actively managing our SG&A costs, some of which shifted from Q1 into Q2. FX was a headwind to EBITDA.

Adjusted earnings were \$1.88 per diluted share in the quarter, an increase of 23% versus Q1 2021, and \$0.18 above the midpoint of our guidance range. The year-over-year increase was primarily driven by an increase in EBITDA, with the benefit from lower share count and lower interest expenses largely offset by higher minority interest and taxes.

Q1 2022 Regional Revenue Drivers (Slide 4)

Moving now to slide 4. Q1 revenue increased by 13% versus prior year, driven by an 8% volume increase and an 8% pricing gain. Foreign currencies were a headwind of 3% in the quarter on the top line.

In North America, strong commodity prices supported robust demand for inputs. Sales increased 30% year-over-year with broad-based growth across all indications and for a variety of crops such as tree fruits, nuts, vines, corn and soy. In the U.S., we grew with Rynaxypyr[™] insecticide brands such as Vantacor[®] insect control and Altacor[®] insect control in fruits and vegetables. Xyway[®] fungicide, our unique in-furrow fungicide, continues to gain momentum while providing season long protection for corn from foliar diseases. Sales of biologicals almost doubled in the U.S. led by Ethos[®] XB insecticide/fungicide for corn and soybean. Ethos[®] XB is a unique combination of a synthetic insecticide, for seedling insect protection, with biological microorganisms that have fungicidal properties.

Our Canadian business had a record quarter driven by low channel inventory of insecticides and strength in cereal herbicides. We also successfully launched Coragen[®] MaX insecticide, which is the new higher concentration formulation of Rynaxypyr[™] active targeting pests on corn, dry beans and several other crops. Over 30% of FMC's branded sales in North America this quarter came from products which were launched in the last five years.

Moving now to Latin America. Sales increased 31% year-over-year led by Brazil and Argentina, driven by volume and price increases, as well as a 6% FX tailwind driven by the Brazilian real. Colombia, Peru and Ecuador also grew double-digit in the quarter. In Brazil, we grew our herbicides brands Aurora[®] and Gamit[®] on soy, corn, sugarcane and coffee. We also grew our insecticide brands Talisman[®], Hero[®] and Coragen[®] on soy, corn and cotton. FMC continues to reap the benefits of our strategy to improve market access and increase penetration of our technologies in the Brazilian soybean market.

Sales in EMEA grew 11% versus prior year, excluding currency headwinds. Results were driven by strong price increases across the region as well as demand for Rynaxypyr[™]-based brands, Coragen[®] and Altacor[®], for corn, and herbicide brands, Express[®] and Pointer[®], for sunflowers. Registration losses and product rationalizations were largely offset by new product launches in the quarter. Over 10% of branded sales in the quarter came from products launched in the last five years. FX was a significant headwind in the quarter, resulting in flat year-over-year revenue growth.

Sales in Asia were up 2% versus first quarter last year, and up 5% organically. The increase was driven by pricing actions and strong performance in Australia and ASEAN countries, offset mainly by a reduction in Indian rice acres. Approximately 15% of branded sales in the quarter came from products launched in the last five years.

Q1 2022 Adj. EBITDA Drivers (Slide 5)

Turning now to the first quarter EBITDA on slide 5.

EBITDA was up 16% year-over-year driven by pricing and volume gains, which were partially offset by cost and FX headwinds. Price was up \$94 million in the quarter with high-single digit increases implemented in all four regions. It is important to note that our pricing actions were taken to offset the sustained cost inflation we are experiencing across our supply chain. Raw material, energy, logistics, packaging and labor costs remained elevated and contributed to the \$62 million cost headwind in the quarter. FX was a \$16 million headwind in the quarter with weakening European currencies. Overall, EBITDA margins expanded 60 basis points in the quarter.

Market Outlook for 2022

Before I review FMC's full year 2022 and Q2 earnings outlook, let me share our view of the overall market conditions.

We continue to expect the global crop protection market will be up low-to-mid single digit percent – on a U.S. dollar basis. Breaking this down by region, we expect Latin America, North America and Asia to be up mid-single digit while EMEA is now expected to be down low-single digit. The war in Ukraine may further reduce market growth in the EMEA region. Commodity prices for many of the major crops remain elevated and stock-to-use ratios are near historical lows, creating a favorable backdrop for crop protection products. FX is projected to be a headwind for EMEA and Asia markets on a U.S. dollar basis.

FY 2022 and Q2 Financial Outlook (Slide 6)

Turning to slide 6 and the review of FMC's full-year 2022 and Q2 earnings outlook.

Despite the volatile supply and geopolitical environment, we remain confident in our ability to deliver solid growth in 2022. FMC's full-year revenue is forecasted to be in the range of \$5.25 billion to \$5.55 billion, representing an increase of 7% at the midpoint versus 2021 driven by

volume and price growth in all regions partially offset by currency headwinds.

Full-year adjusted EBITDA is expected to be in the range of \$1.32 billion to \$1.48 billion, representing 6% year-over-year growth at the midpoint. This will be achieved through pricing actions and strong volumes; however, rising costs and supply disruptions will continue to be significant headwinds to EBITDA.

2022 adjusted earnings per share are expected to be in the range of \$6.70 to \$8.00 per diluted share, representing an increase of 6% year-over-year at the midpoint.

Consistent with past practice, we do not factor in any benefit from future share repurchases in our EPS guidance.

Discontinuing our Russia business does not change our full-year earnings expectations at this time, and it will take some time for us to assess the full financial implications of

our exit. For reference, however, our Russia operations made up approximately 1.5% of our global sales in 2021.

Guidance for Q2 takes into account the shift of some sales from Q2 into Q1 as customers across many countries placed orders in advance to secure supplies during these uncertain times. Given the current industry dynamics, it is possible we will see the same phenomenon occur with future orders moving into Q2.

Q2 guidance implies sales growth of 9% at the midpoint, EBITDA growth of 1% at the midpoint and EPS growth of 2% at the midpoint year-over-year.

Updated Drivers of Outcomes for 2022 Adj. EBITDA

(Slide 7)

Turning to slide 7 and the updated range of 2022 EBITDA outcomes.

The market backdrop is supportive with FX limiting crop protection growth to low-to-mid single digit. Pricing

actions and strong market demand have offset quickly rising costs so far. However, volatility persists due to renewed COVID-related shutdowns in China, energy cost inflation in Europe and ongoing disruption of global supply chains and logistics. FMC continues to deliver products to our customers in a timely manner despite these disruptions, but reliable supply is coming at an increased cost. We do not expect to see any cost relief through the remainder of 2022. EMEA and Asia have experienced FX headwinds, only partially offset by the positive currency impact in Brazil. In addition, our decision to exit the Russian market and the impact of the war in Ukraine are new considerations.

Projected FY 2022 Revenue & Adj. EBITDA Drivers

(Slide 8)

Turning to slide 8, and full-year revenue and EBITDA drivers. Strong volume expansion and price increases across all regions will drive revenue growth. FX volatility is expected to be a negative factor on our full-year revenue outlook.

In terms of crop mix, we expect roughly half our sales to come from specialty crops such as fruit and vegetables, sugar, rice and cotton. Almost 40% of our sales are expected to come from corn, soy and cereals such as wheat. FMC's crop diversity is a long-term competitive advantage since we are not over-indexed to any single commodity.

Our EBITDA guidance reflects strong demand for our existing portfolio and new products, as well as mid-single digit price increases. These benefits to EBITDA are partially offset by substantial cost headwinds as well as investments in SG&A and R&D.

Projected Q2 2022 Revenue & Adj. EBITDA Drivers

(Slide 9)

Moving to slide 9 and Q2 drivers. On the revenue line, volume growth is expected to continue along with price increases in all regions that will start to lap some increases taken last year. We are anticipating FX

headwinds to continue, principally from European and Asian currencies. We also expect to see impacts from our decision to exit Russia beginning in the second quarter.

For EBITDA, positive drivers include volume, especially for new products, and pricing actions. The benefit from these drivers will be largely offset by elevated raw material, packaging and logistics costs, as well as some SG&A costs that shifted from Q1 into Q2. FX-related headwinds are also expected to persist, especially in EMEA.

Adj. EBITDA Growth for Full Year is First-Half Weighted (Slide 10)

Turning to slide 10, with the guidance for Q2 and the full year on record, we would like to also show the implied forecast for the two halves.

Revenue forecast for the first half of 2022 indicates 11% growth over first half 2021. Implied revenue forecast for the second half of 2022 indicates 4% growth over the prior-year period. This is consistent with the stronger

pricing actions and significant volume gains achieved in the second half of last year, especially in the fourth quarter of 2021.

EBITDA forecast for the first half of 2022 indicates 8% growth over prior-year period driven by strong demand and pricing actions offset by cost and FX headwinds. Our guidance also implies 4% year-over-year EBITDA growth in the second half of the year. This results in a more front-half weighted outlook for EBITDA growth compared to last year.

I will now turn it over to Andrew.

Selected Financial Results – Andrew Sandifer

Thanks, Mark.

I'll start this morning with a review of some key income statement items.

FX was a headwind to revenue growth in the first quarter, as expected, driven by weakness in European currencies, particularly the Turkish lira and euro. The Brazilian real was a tailwind in the quarter, offsetting modest weakness in several Asian currencies. We continue to anticipate FX headwinds for the remainder of 2022, as the US dollar is expected to appreciate against most currencies of importance to FMC.

Interest expense for the first quarter was \$29.9 million, down \$2.5 million versus the prior year period, primarily due to the refinancing activity completed in the fourth quarter of last year.

For full year 2022, we now expect interest expense to be in the range of \$125 to \$145 million, an increase of \$10 million at the midpoint compared to our prior guidance, driven by more rapid increases in US interest rates than previously anticipated.

Our effective tax rate on adjusted earnings for the first quarter was 14%, in-line with our continued expectation for a full-year tax rate in the range of 13% to 15%.

Moving next to the balance sheet and liquidity.

Gross debt at quarter end was \$3.8 billion, up roughly \$600 million from year end. Gross debt to trailing twelve month EBITDA was 2.7 times at the end of the first quarter, while net debt to EBITDA was 2.5 times. Both metrics are slightly above our targeted full-year average leverage levels, as expected given the seasonal build of our working capital. We continue to expect to maintain full-year average leverage in our targeted 2.4 – 2.5 times gross or 2.3 – 2.4 times net ranges.

Q1 & FY 2022 Cash Flow (Slide 11)

Moving on to cash flow and slide 11.

First quarter free cash flow of negative \$664 million was in-line with our expectations for this point in the year and

reflects the strong seasonality of our working capital. Adjusted cash from operations was down more than \$300 million compared to the prior year, driven by higher working capital partially offset by improvement in non-working capital items. Strong sales growth, higher application of customer prepayments, and lower payables were key drivers of increased cash consumption from working capital.

Capital additions and other investing activities of \$55 million were up \$16 million compared with the prior year, as we continue to increase spending to catch up on deferred projects and to invest in our continued growth. Legacy and transformation spending was down, primarily due to the absence of spend on our SAP program, which was completed last year.

For full year 2022, we continue to forecast free cash flow of \$515 to \$735 million. Adjusted cash from operations is flat to the prior year at the high end of our guidance range, limited by working capital growth. Capacity

additions, especially to support our new products that are seeing rapid growth, will drive higher capital additions.

We continue to expect legacy and transformation to be a tailwind with somewhat lower legacy spending and minimal transformation expense expected in 2022.

With this guidance, we anticipate free cash flow conversion of 67% at the mid-point.

Our capital allocation priorities remain first, fully funding organic growth and pursuing inorganic growth through technology and market access M&A. Then, returning excess cash to shareholders through a growing dividend and share repurchases. We continue to anticipate strongly rewarding shareholders in 2022, with dividends of around \$270 million and share repurchases of \$500 to \$600 million. We paid dividends of \$67 million during the quarter. Given our cash flow and leverage, we did not repurchase any shares in the first quarter.

And with that, I will hand the call back to Mark.

Concluding Remarks – Mark Douglas

Thank you, Andrew.

Our first quarter performance in combination with the guidance for Q2, reflects FMC's ability to mitigate cost increases through pricing actions and to fulfill robust demand under challenging supply conditions. Our new product introductions continue to gain momentum with over 30% of expected full-year revenue growth coming from products introduced within the last five years. Our global Plant Health business continues its impressive growth trajectory led by Biologicals.

2022 is proving to be the one of the most challenging years even considering all we have had to manage since 2019. Our continued success stems from our strong customer focus, the way FMC's cross functional teams are overcoming headwinds and finally, the strength of our robust technology and new product pipeline. All these

attributes will serve us well through the remainder of the year.

I will now turn the call back to the operator for questions.

[After last question]

Closing – Zack Zaki

That is all the time that we have for the call today. Thank you and have a good day.