<u>FMC Corporation</u>

<u>1Q23 Earnings Webcast</u>

May 2, 2023

As Prepared for Delivery

Introduction – Zack Zaki

Thank you 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.

Q1 2023 Results *(Slide 3),* Q1 2023 Regional Revenue Drivers *(Slide 4) and* Q1 2023 Adj. EBITDA Drivers *(Slide 5)*

Our Q1 results are detailed on slides 3, 4 and 5. In Q1 FMC delivered solid results with strong pricing actions, accelerated growth of new products, increased market access and cost discipline driving margin expansion of over 60 basis points versus the prior year period. We reported $1.34 billion in first-quarter revenue, which is flat on a reported basis and up 4% organically. Revenue was flat due to FX headwinds and lower volumes.

Adjusted EBITDA was $362 million, an increase of 2% compared to the prior-year period and $7 million above the midpoint of our guidance range. EBITDA margins were

26.9%, an increase of over 60 basis points compared to the prior-year period. This margin expansion was driven by pricing gains, strong mix and cost discipline.

Adjusted earnings were $1.77 per diluted share in the quarter, a decrease of 6% versus Q1 2022, but $0.04 above the midpoint of our guidance range.

North America had a record quarter with sales growth of 28%, or 30% excluding FX, versus first quarter 2022. You will recall we built inventory for the region at the end of last year in anticipation of another strong quarter, and, aided by our investments to increase market access, we were able to take advantage of the available supply to gain market share, especially in Canada. Canada achieved record first quarter revenue and effectively doubled in sales compared to the prior year period due to high customer demand, particularly for insecticides such as the recently launched Coragen Max. Low channel inventory for FMC products, price increases and product mix were also drivers for the strong performance in Canada.

Product mix across North America also benefited from higher sales of new products with 29% of branded revenue derived from products launched within the last five years, including a significant contribution from the successful launch of a new patented diamide formulation, Altacor eVo, for use on tree nuts and other crops. Branded diamides grew more than 20% in the quarter.

Sales in EMEA declined 4% year-over-year and were up 2% excluding FX. Robust pricing actions offset lower volumes of herbicides in core EU countries, anticipated registration losses and the impact of discontinued sales in Russia. FX continued to be a headwind in the region. Branded diamides grew mid-single digits in the quarter versus the prior year period. Switzerland, Turkey, Hungary, Romania and Ukraine all grew double-digits compared to the prior-year-period.

Moving now to Latin America, where revenue declined 12% versus the prior-year-period. As expected, drought conditions and missed applications in southern Brazil and

Argentina led to lower volumes in the quarter. Demand in Mexico and the Andean region remained stable.

In Asia, sales decreased 22% and were down 15% organically. Australia experienced a dry start to the growing season impacting sales in the area. In addition, we continue to actively manage India's elevated channel inventories to bring them down. Fungicides grew more than 20% in the quarter driven by Japan. And finally, new products contributed to 17% of the region's branded sales in the quarter.

Overall, Adjusted EBITDA for the first quarter was up 2% year-over-year driven by pricing gains partially offset by lower volumes, inflationary impacts on costs and FX headwinds. Price was up $96 million in the quarter. FX was a $32 million headwind, and once we saw volume slowing mid-quarter, we took deliberate action to control costs, especially in SG&A. Hence, the overall cost headwind was limited to $27 million for the quarter driven by higher input costs.

Market Outlook for 2023

Before I review FMC's full year 2023 and Q2 earnings outlook, let me share our updated view of the overall market conditions. Crop commodity prices remain elevated and growers continue to rely on advanced technologies to maximize yields. This was reflected in the success of our new products in the first quarter and the continued momentum is anticipated for our innovative technologies for the rest of the year. However, the price normalization that we highlighted last quarter in non-selective herbicides, a segment in which FMC does not participate, has accelerated, especially in Latin America. Droughts have impacted key geographies such as Brazil, Argentina and now, Australia. We have seen a trend where some distributors are delaying purchases to manage their working capital. We see this as a result of the higher interest rate environment. Taking these new factors into account, we are revising our view of the overall crop protection market, and now expect the global market to be down low single digits versus our prior forecast of up low single digits. Breaking this down by region, we now expect Latin America to be down high-single digits, EMEA is now projected to be up mid-single digits, North America is still expected to be up low-single digits and Asia is now expected to be down low-single digits. FX is still projected to be a headwind to market growth on a U.S. dollar basis. To be clear, the key driver to the changing market outlook is non-selective herbicides, and let me reiterate this is a segment in which FMC does not participate. Excluding non-selective herbicides, we expect the global crop protection market to be flat versus the prior year. We still expect to deliver revenue growth in this environment driven by pricing gains as well as volume growth through new products and expanded market access.

Q2 2023 Financial Outlook *(Slide 6)*, FY 2023 Financial Outlook Update *(Slide 7) and* Adj. EBITDA Growth Expected to be Weighted Toward Second Half *(Slide 8)*

Slide 6, 7 and 8 cover FMC's Q2, full-year, first and second half earnings outlook.

We anticipate revenue in the second quarter to be flat compared to prior year with further price increases, particularly in EMEA, growth of new products, as well as market access gains to be offset by lower overall volumes and FX headwinds. North America purchase patterns are expected to return to normal levels after two consecutive quarters of very strong demand. Channel inventory is anticipated to remain a focus in India, as it will for the rest of this year. Our diamides partners are lowering their inventory levels in light of working capital concerns, impacting volumes in Q2 and the rest of the year.

EBITDA guidance is flat compared to the prior year at $360 million and EPS is expected to decline by 9% year-over-year primarily due to higher interest rates.

FMC's full-year 2023 revenue forecast is unchanged in the range of $6.08 billion to $6.22 billion, representing an increase of 6% at the midpoint versus 2022 driven by pricing gains as well as volume benefits from higher new product sales and increasing market access. Our forecast for contributions from these new products has increased from approximately $720 million in our previous guidance to over $800 million now. FX will continue to be a headwind to revenue.

We are raising guidance for full-year adjusted EBITDA by $10 million based on the first quarter outperformance, continued pricing gains, positive mix and projected cost tailwinds. We now expect full-year EBITDA to be in the range of $1.5 billion to $1.56 billion, representing 9% year-over-year growth at the midpoint.

2023 adjusted earnings per share is raised by $0.04 at the midpoint, and it is now expected to be in the range of $7.34 to $7.94 per diluted share, representing an increase of 3% year-over-year at the midpoint reflecting higher EBITDA, the benefit of share repurchases completed in Q1 as well as somewhat higher interest expense. Consistent with past practice, we do not factor in any benefit from potential future share repurchases into our EPS guidance.

Looking at the implied guidance by halves, first half 2023 revenue is expected to be flat versus first half 2022 and second half 2023 revenue is expected to increase by 12% compared to the prior-year period. While drought conditions are expected to impact sales in the first half, revenue in the second half is anticipated to benefit from continued growth of higher margin new products, especially in North America and Latin America, as well as pricing gains and expanded market access.

EBITDA guidance for the first half of 2023 indicates 1% growth over prior-year period driven by pricing actions. Full-year guidance implies a 17% year-over-year EBITDA growth in the second half of the year. Compared to last year, our EBITDA growth outlook is second half weighted, with significant year-over-year gains projected in Q3 due to input cost tailwinds.

Updated Drivers of Outcomes for 2023 Adj. EBITDA *(Slide 9)*

Turning to slide 9 and the updated range of 2023 EBITDA outcomes.

The global crop protection market is now expected to be down low single digits versus the prior year, primarily driven by normalizing prices of non-selective herbicides. Input costs continue to decelerate and there is a lower likelihood of major supply disruptions. New products are growing at a faster pace than previously anticipated, resulting in better mix as well as significant share gains in selected markets. We continue to have strong pricing and FX is still expected to be a minor headwind to full-year EBITDA. Despite our tight internal cost controls, we are continuing to invest in commercial and agronomic resources to grow our market access. We have seen the very positive results from these investments in the U.S., Canada and Brazil, and we are now expanding the program to Middle East, Africa and parts of Asia.

As a result of all of the factors I’ve mentioned, we have narrowed our guidance range and raised the low end of the guidance by $20 million.

I will now turn the call over to Andrew to cover details on cash flow and other items.

Selected Financial Results

Thanks, Mark.

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

FX was a 4% headwind to revenue growth in the first quarter, with the most signficant impact coming from Turkish Lira, Canadian Dollar, Pakistani Rupee, Euro, and Chinese Remnimbi.

Looking ahead through the rest of 2023, we see continued modest FX headwinds in the second quarter, which diminish as we move through the rest of the year. For the second quarter of 2023, these headwinds stem primarily from Asian currencies, particularly the Indian Rupee and Pakistani Rupee.

Interest expense for the first quarter was $51.4 million, up $21.5 million versus the prior year period. Substantially higher US interest rates were the primary driver of higher interest expense in the quarter.

We now expect full year interest expense to be in the range of $205 to $215 million, an increase of $5 million at the midpoint, with the increase driven by somewhat higher short term borrowings to support working capital than previously assumed.

Our effective tax rate on adjusted earnings for the first quarter was 15%, in line with the midpoint of our full-year expectation for tax rate of 14% to 16%.

Moving next to the balance sheet and liquidity.

Gross debt was $4.2 billion at March 31st, up approximately $900 million from the prior quarter. Gross debt to trailing twelve month EBITDA was 3.0 times while net debt to EBITDA was 2.6 times as expected, given the normal seasonal working capital build.

Q1 & FY 2023 Cash Flow Generation and Deployment *(Slide 10)*

Moving on to cash flow generation and deployment on slide 10.

FMC generated Free Cash Flow of negative $915 million in the first quarter, down roughly $250 million versus the prior year, entirely due to lower adjusted cash from operations. The modest growth in EBITDA was more than offset by higher cash used for working capital, particularly receivables and inventory, growth of which was driven by price increases and cost inflation, as well as higher other non-working capital items.

Capital additions and other investing activities of $51 million were down slightly compared with the prior year. Legacy and transformation cash spending was essentially flat versus the prior year at $13 million.

We returned just under $100 million to shareholders in the quarter in a combination of $73 million in dividends and $25 million in share repurchases. The repurchase of approximately 194,000 FMC shares more than offset the dilution of share-based compensation, resulting in weighted average diluted shares outstanding of 126.1 million for the first quarter. We now expect share count to remain at this level through the rest of the year in the absence of any future share repurchases.

We are maintaining our free cash flow guidance of $530 to $720 million in 2023, up more than 20% year-on-year at the midpoint. We continue to expect adjusted cash from operations to be $800 to $920 million, up $200 million at the midpoint, with the increase in EBITDA guidance offset by minor changes in other items.

We continue to expect Capital Additions to be $140 to $180 million as we expand capacity to meet growing demand and to support new product introductions. Legacy and transformation cash spending is expected to remain essentially flat at the midpoint after adjusting for the benefit from the disposal of an inactive legacy site in 2022.

This guidance implies free cash flow conversion of 65% at the mid-point for 2023, with rolling 3-year average free cash flow conversion of approximately 67%.

Looking to cash deployment for the remainder of the year, free cash flow will first be used to fund the dividend. Cash will then be used to fund inorganic growth, should attractive opportunities become available. Free cash flow remaining after any such investments will be directed to share repurchases. At the midpoint of guidance for 2023, this would imply approximately a further $220 million returned to shareholders through dividends and up to $300 million in additional share repurchases.

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

Concluding Remarks – Mark Douglas

Thank you, Andrew.

Before I make my closing comments, I would like to invite you to FMC's Investor Day on November the 16th at our headquarters here in Philadelphia. Our agenda promises to be robust with dynamic showcases, multiple speakers from commercial and functional areas and a chance to interact with FMC's executive leadership team. We will share more about our short- and long-term strategies, outline long-range financial goals and provide an early look at 2024 expectations. Please visit our website to register your interest in attending.

I am also pleased to announce a new collaboration with The HALO Trust, a humanitarian non-governmental organization that restores livelihoods of people affected by conflict through demining activities. As you may recall, FMC was the first crop protection company to exit Russia one year ago and we continue to support Ukraine and its farmers through various initiatives. As part of the collaboration with The HALO Trust, FMC is donating 3% of its 2023 sales revenue in the Ukraine to support expansion of its demining efforts. With this funding, The HALO Trust will be able to significantly increase its capacity to remove landmines from Ukrainian farms. This project not only ensures Ukrainian farmers can safely return to their fields for planting and harvest, but it also contributes to improving food security around the globe.

Finally, I am proud to share that FMC is among just six companies in the world, and the first crop protection company globally, to have its Net Zero target by 2035 verified by the Science Based Targets Initiative organization. FMC has made substantial progress in recent years on its sustainability and net-zero goals. The company reduced Scope 1 and 2 greenhouse gas emissions at its operating sites by at least 2% in the last year, while at the same time delivering record growth and increased volume.

In closing, FMC continues to perform strongly in a volatile market. Our performance is a result of our innovative portfolio of products that addresses a variety of grower needs across diverse crops, applications and geographies. It is also a reflection of the power of our product pipeline, which continues to provide us with exciting new synthetic and biological technologies.

We have taken strong pricing actions to help recover from 24 months of unprecedented cost inflation and improved our product mix at the same time. Market access investments made over the past couple of years provide growth opportunities, especially for our new products. Input costs are receding, and we have good visibility into the year-over-year tailwinds in the second half of the year.

Finally, other costs will be managed prudently while maintaining investments in R&D and expanding market access. These factors give us confidence in our raised guidance and position us to deliver another year of earnings growth and increased cash flow.

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

[After last question]

<u>Closing – Zack Zaki</u>

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