

FMC Corporation
1Q25 Earnings Webcast
May 1, 2025
As Prepared for Delivery

Introduction – Curt Brooks

Thanks you. Good morning, everyone, and welcome to FMC Corporation's first quarter earnings call. Joining me are Pierre Brondeau, Chairman and Chief Executive Officer, Andrew Sandifer, Executive Vice President and Chief Financial Officer, and Ronaldo Pereira, President. Today, Pierre will review our first quarter performance and provide an outlook for the second quarter. He will also comment on our full-year outlook for 2025. Andrew will provide an overview of select financial results. After our 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 on these risks and uncertainties.

Today's discussion and the supporting materials will include references to adjusted EPS, adjusted EBITDA, free cash flow and organic revenue growth – all of which are non-GAAP financial measures. Please note that as used in today's discussion, "CTPR" means chlorantraniliprole, "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 Pierre.

Business Review – Pierre Brondeau (Slide 3)

Thank you, Curt, and good morning, everyone.

I have stressed that 2025 will be a pivotal year for the company, highlighting four critical focus areas, including:

- Decreasing the amount of FMC products in the channel to align with customer target inventory levels
- Implementing our post-patent strategy for Rynaxypyr®
- Establishing an additional route to market in Brazil by selling directly to large corn and soybean growers
- And ensuring that our growth portfolio – consisting of Cyazypyr®, the four new active ingredients, and Plant Health – has appropriate resources in place to meet our targets

I would like to start by providing a brief update on the strong progress we made in these four areas during our first quarter.

Prudent selling in Q1, supported by a high focus on moving our products from the channel to the ground, has allowed the company to approach appropriate levels of channel inventory in all regions excluding Asia. While destocking is nearly complete in most countries, we will maintain the same deliberate sales strategy that we had in Q1 during Q2 for countries where we have not yet reached targeted levels. This will put us in a strong position for the second half of the year.

Our Rynaxypyr® strategy has been implemented and is gaining momentum. Simply put, our strategy is to offer basic solo

formulations of Rynaxypyr® under trusted FMC brand names at lower prices to compete with generics, while also providing higher-value versions of the molecule through new, often patented, formulations and mixtures.

Regarding our new products, we have already commercialized a new mixture for Rynaxypyr® and bifenthrin for pest spectrum enhancement, as well as a high load product for ease of use and lower cost for the grower. During the second half of this year, we will launch the large effervescent granule – a tablet for rice applications. This patented and innovative technology offers a concentrated, effervescent formulation that disperses upon contact with water, is lightweight, and can be applied through handheld dispensers. Sales of these new-generation products are expected to reach \$200 million to \$250 million in 2025. In addition, we are expecting three new mixtures in 2026 that will address resistance issues and broaden the spectrum of control.

It is also worth noting that a large part of FMC sales have a strong level of protection against generic products as these sales are tied to high-value crops where substitution is more difficult and riskier for growers. These include tree nuts, fruits and vegetables which represent about 35% of FMC's total branded Rynaxypyr®

sales and as much as 60% of branded Rynaxypyr® sales in North America.

Our low-cost diamide manufacturing is now fully in place. This will allow us to protect existing applications, expand our solo formulations into new markets and become competitive for all applications in a global CTPR market that we expect will grow exponentially.

The end result of our strategy is that we expect sales of Rynaxypyr® to grow from 2025 to 2027 as volume increases more than offset price erosion, with resulting gross profit dollars remaining flat to 2025 levels. Our company three-year plan is not reliant on bottom line growth from Rynaxypyr®.

Moving on, let me address our progress on establishing a new route to market in Brazil. We are capitalizing on our expanded product portfolio, including recently launched active ingredients, to sell directly to large corn and soybean growers that we could not supply in the past. Our new sales and tech service organization is in place and will be fully operational in Q2 in time for Brazil's next growing season in September.

Access to this new market is expected to provide a multi-hundred-million-dollar growth opportunity over time. To be very clear, nothing else will change in our business model for FMC Brazil. We will maintain our other current routes to market including selling to co-ops and retailers, as well as selling directly to large sugarcane and cotton farms as we have done in the past.

Finally, regarding our growth portfolio, the three growth platforms are well-positioned to deliver their full potential. Our new active ingredients are well on track. We expect strong growth of fluindapyr and Isoflex in 2025, and have recently received registration for fluindapyr in Argentina. In addition, we were recently granted our first registration globally for Dodhylex™ active under the brand name Keenali™ in Peru.

In the case of Cyazypyr®, while we expect data protection and registration processes to create barriers for generics to enter some markets until '28 or '29, we are already implementing our strategy for these products well in advance of potential generic entry.

As it relates to Plant Health, with our recent registration of Sofero™ Fall pheromone in Brazil, we have received our first

orders and anticipate initial sales of this product in Q3. While our three-year financial targets do not include any meaningful contribution from pheromones, these products could provide substantial sales and earnings in the future.

The progress we made in these four areas will put us in a much stronger position to deliver growth in the second half of 2025 and into '26 and '27. Before we turn to our guidance, I'll make a few more detailed comments on our first quarter results.

Q1 2025 Results (Slide 4), Q1 2025 Regional Revenue Drivers (Slide 5) and Q1 2025 Adj. EBITDA Drivers (Slide 6)

Our Q1 results are detailed on slides 4, 5 and 6.

The first quarter unfolded mostly as we expected. Overall, weather conditions were favorable, and application rates were strong for FMC products which advanced our channel destocking in most countries. Consistent with our Q1 guidance, retailers and growers in the U.S. were slower to place orders in response to lower commodity prices, the perception of ample supply, and uncertainty as a result of recent trade dynamics.

Company sales declined 14% versus the prior year. Pricing was down 9% with over half of the decline due to adjustments in certain “cost-plus” contracts for significant diamide partners to account for lower manufacturing costs. A strong U.S. dollar led to an FX headwind of 4%. Volume was down 1% versus a weak prior year comparison as prudent selling into the channel in many countries was mostly offset by volume growth in Latin America. Our Plant Health business out-performed the portfolio with sales up 1% versus prior year driven by biologicals.

Looking at regional results on slide 5, North America performed as expected with a sales decline of 28%, mainly from lower volume as cautious purchases from retailers and growers delayed restocking orders from our distributor customers.

Latin America grew 17% excluding FX headwinds. On the surface, it appears counterintuitive that we grew volume in a region where we were actively seeking to lower our channel inventory. Higher volume mostly came from increased direct sales to cotton growers in Brazil which do not impact the channel inventory. It’s also important to note that with our strong focus on grower consumption, “product-on-the-ground” or “P.O.G.” as we refer to it, far outpaced our sales into the channel.

Shifting to Asia, the region performed as expected with a sales decline of 21%, excluding currency impacts, driven by intentional prudent selling and lower price.

Finally, in EMEA, we reported 7% lower sales excluding currency impacts due to lower volumes largely from the expected loss of registration for triflusulfuron herbicide.

Turning to slide 6, our first quarter EBITDA declined 25% due to lower price, an FX headwind and reduced volume. Costs were a tailwind as favorability in COGS more than offset increased investment in SG&A and R&D. The increased spending in those areas helped establish the additional sales force in Brazil and further support for our new products.

Q2 2025 Financial Outlook (Slide 7), FY 2025 Financial Outlook Update (Slide 8), Tariff Impact (Slides 9,10), H2 Year-Over-Year Bridge (Slide 11),

Turning now to slide 7, we provide our expectations for the second quarter. We are guiding a revenue decline of 2% at the midpoint. Lower sales are expected to be driven by a low-to-mid single digit decline in price and low single digit FX headwind. We

are expecting only a limited volume increase as we intend to carry over our strategy from the first quarter of carefully managing sales into the channel in many countries while focusing on P.O.G. to set us up for solid growth in the second half of the year. EBITDA is expected to be lower by 6% at the midpoint with lower price and an FX headwind partially offset by favorable costs and higher volume. Adjusted earnings per share is expected to be lower by 5% at the midpoint.

On slide 8 we provide our updated full year guidance which is unchanged from our February call. Full year sales are expected to be flat to prior year at the midpoint as higher volume, mostly in the second half, offsets unfavorable price and FX. Adjusted EBITDA is expected to grow 1% at the midpoint as favorable costs and higher volume are mostly offset by lower price and an FX headwind. Adjusted earnings per share is expected to be flat to prior year at the midpoint.

Over the last few weeks there has been a lot of focus on recently announced tariffs and the potential impact to our business. Slide 9 gives a brief overview of the tariffs in place or announced as of yesterday. These include the Section 301 tariffs implemented during the first Trump administration and the new tariffs

announced under the International Emergency Economic Powers Act. Key to determining the magnitude of the impact of the recently announced tariffs is whether the products we import into the U.S. are eligible for exemption or duty drawback under the specific tariff in question. Exemptions allow companies like FMC to import, without paying tariffs, specified materials that are not readily available from alternate sources. Duty drawback is a refund of import duties that were paid on materials that are later exported from the U.S., either in the same form or as part of a finished product. Exemptions and duty drawbacks are product-specific and not company-specific.

Slide 10 lists the tariffs that are currently in place for FMC materials and whether there are opportunities for exemptions or duty drawback. It is important to avoid applying a blanket percentage to our total imported volume as the real impact is much lower. For example, most materials falling under reciprocal tariffs are either exempt or are eligible for duty drawback.

After a detailed review of the materials we import into the U.S. and applying the rules currently proposed or in place, we estimate an incremental cost headwind of \$15 million to \$20 million. This

was a rigorous, bottoms-up analysis, so we are confident in the estimated impact. We did these calculations applying the rules as we understand them today and which may evolve as trade negotiations between the United States and other countries progress. We will continue to monitor new developments and re-evaluate the potential impact on our business.

As we understand them today, we do not expect tariffs to be a significant obstacle to reaching our full 2025 goals. We have flexibility in sourcing depending on how the situation continues to unfold. Further, we have improved cost favorability and additional volume opportunities that will offset the impact we currently anticipate in 2025. Nevertheless, as we become more certain on the longer-term tariff impacts we will adjust our pricing to cover those costs.

Our guidance implies solid growth in the second half of the year. We expect revenue growth of 7% driven by higher volume from fluindapyr, Isoflex and biologicals as well as by the newly established additional route to market in Brazil. With these actions we have taken in the first half of the year, we expect to enter the next growing season in Latin America without the

destocking headwinds we faced over the last two seasons. However, we do expect headwinds from price and FX.

As you can see in slide 11, we expect second half EBITDA growth of 11% as lower costs and higher volume, primarily from new products and the new route to market in Brazil, are partially offset by lower price and FX headwinds. Lower costs are expected to be driven by COGS favorability including lower raw materials and improved fixed cost absorption.

We are highly confident in our path to second half growth as it is driven by cost favorability, a large portion of which is already locked in, as well as sales of new products and the additional route to market, neither of which have channel inventory concerns. Additionally, we will benefit from our prudent selling strategy and our focus on P.O.G. in the first half.

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

Selected Financial Results

Thanks, Pierre.

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, largely driven by the Brazilian Real and various European currencies, most significantly the Euro.

For full year 2025, we continue to expect a low-to-mid-single-digit FX headwind to revenue, again driven primarily by the Brazilian Real and various European currencies.

Interest expense for the first quarter was \$50.1 million, down over \$11 million compared to the prior year period, driven by lower debt balances. For full year 2025, we continue to expect interest expense to be in the range of \$210 million to \$230 million, down roughly \$15 million year-on-year at the midpoint reflecting the benefit of debt reduction in 2024 and modestly lower interest rates in 2025.

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

Moving next to the balance sheet and leverage.

Gross debt at March 31st was approximately \$4 billion, up roughly \$640 million from the prior quarter due to a normal seasonal working capital build. Cash on hand decreased \$42 million to \$315 million, resulting in Net Debt of approximately \$3.7 billion. Gross debt to trailing twelve-month EBITDA was 4.6 times at quarter end, while net debt to EBITDA was 4.3 times.

Relative to our leverage covenant, which includes adjustments to both the numerator and denominator, leverage was 4.77 times as compared to a covenant limit of 5.25 times. As a reminder, our covenant leverage limit will remain at 5.25 times through September 30th, then step down to 5.0 times at year-end. We expect covenant leverage to return to approximately 3.7 times by year end, essentially flat to the prior year.

Q1 & FY 2025 Cash Flow Generation (Slide 12)

Moving on to free cash flow and slide 12.

Free Cash Flow in the first quarter was negative \$596 million,

\$408 million lower than the prior year period. Cash from operations was down significantly, primarily due to lower inventory reduction as compared to the prior year, while capital additions were somewhat higher, as anticipated. The negative cash from operations in the first quarter reflects a return to a more normal cadence of working capital with a large build in the first part of the year followed by a release in the second half.

We continue to expect free cash flow of \$200 million to 400 million for 2025, a decrease of \$313 million at the midpoint. Cash from operations is the key driver of the decrease, with normalization of working capital after the pronounced correction in 2024. Capital additions are also expected to be up somewhat, with continued focus on only the most essential projects and capacity expansion for new products. Cash used by discontinued operations is also up slightly, but in line with our multi-year average.

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

Concluding Remarks – Pierre

Thank you, Andrew.

The first quarter unfolded as expected with all objectives reached. This first step of our company reset went as well as possible. We will need to do the same now in Q2. While the midpoint of our Q2 guidance does not show overall growth, the financial targets are stronger than the first quarter and we expect to see some volume improvement in the quarter. However, during the second quarter we will continue to carefully manage sales into the channel particularly in countries where FMC channel inventory remains elevated. By the end of the first half, we will have completed the most critical step of our reset which will allow us to enter the second half of the year in a strong position. We expect to see significant momentum building during Q3 at the financial, operational and strategic level with the new FMC organization fully up and running.

We expect to reach our financial objectives this year with growth in the second half built on a strong foundation. We plan to be in a position at the Q3 earnings call to give an outlook for 2026 as the strategic and operational reset should be well advanced and provide us with greater clarity on next year's potential.

With that, we're now ready to take your questions.