FMC Corporation
3Q25 Earnings Webcast
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As Prepared for Delivery

Introduction – Curt Brooks

Good morning, everyone, and welcome to FMC Corporation's third quarter earnings call. Joining me are Pierre Brondeau, Chairman and Chief Executive Officer and Andrew Sandifer, Executive Vice President and Chief Financial Officer. Today, Pierre will provide an overview of our third quarter performance and an outlook for the fourth quarter. 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, organic revenue growth and revenue excluding India – 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 Pierre.

Q3 2025 Results (Slide 3), Q3 2025 Regional Revenue Drivers (Slide 4) and Q3 2025 Adj. EBITDA Drivers (Slide 5) - Pierre

Thanks, Curt and good morning everyone.

Before we get into the details of our third quarter results, I want to acknowledge that our sales this quarter were below our expectations. Two factors led to these results:

1. The first is constrained credit for our customers in Brazil and Argentina as a result of low liquidity.
2. The second is pricing pressure from generics, mainly in Latin America.

These issues became apparent as we neared the end of the quarter and as the planting season was getting underway in Latin America. We expect both dynamics to persist in the fourth quarter. Consequently, we are accelerating planned cost actions, similar to what we did with Rynaxypyr, in order to keep our less-differentiated core portfolio products competitive.

Our belief remains that being a pure play agricultural sciences company is the right focus, and we have a strong pipeline of innovative technologies to support that.

Slides 3 through 5 provide details on our third quarter performance. We reported third quarter GAAP net sales of $542 million which is 49% lower than prior year. The vast majority of the year-over-year decline is attributed to significant one-time actions taken in India to better position the commercial business for sale.

During our last earnings call, I shared that we are now operating our business in India differently, following the designation of that country's commercial business as "held for sale." We've also discussed elevated inventory in the India channel many times. Over the course of the third quarter, we made the decision to take back a substantial amount of channel inventory in the form of returns. To further clear inventory from the channel, we offered pricing credits to distributors, encouraging faster movement of products. These actions are intended to support the sale of our India commercial business. The process is moving forward smoothly, with strong interest and a high volume of inbound inquiries.

Excluding India from current and prior year sales, third quarter revenue was $961 million, down 4% year-on-year on a like-for-like basis. This was driven by a 6% price decline, half from adjustments in certain "cost-plus" contracts with specific diamide partners and half from intensified competition in the market. Despite increased competitiveness, volume grew 2%. The company's growth portfolio increased by mid-single digit percent, with sales of new active ingredients nearly doubling versus prior year. This is evidence of the strong demand for these technologies. We remain confident in reaching our target of $250 million of new active ingredient sales by the end of the year.

Overall, sales were below our expectations. Much of the shortfall was driven by Latin America where our sales lagged prior year by 8 percent. The market landscape in that region is more challenging than we expected due to the two factors I touched on earlier: low liquidity leading to constrained credit for our customers in Brazil and Argentina and pressure from generics.

About half of our sales shortfall in Latin America was driven by an unwillingness on our part to sell full volumes to customers with credit risk. The other half was due to lost sales, mainly to mega-farmers where we were not willing to lower price to levels offered by generics for off-patent products. Generics have always been active in this region, but their impact is increasing in large part because of the favorable registration environment. For example, product registrations in the EU or the U.S. can cost upwards of $1 million. Whereas, in Brazil, the cost of registration is approximately $70,000. This, in combination with recent regulatory legislation, make it faster and cheaper for generics to obtain registrations.

On a positive note, our decision to invest in an additional route to market in Brazil to serve large soybean and corn growers is proving to be worthwhile. Sales are still ramping up, but we're seeing good results, with over 300 new customers invoiced to-date.

The other regions performed more in-line with expectations. While not as intense as Latin America, we did observe generic pressure in Asia, and to a lesser extent North America and EMEA. Sales improved in North America and EMEA driven by higher volumes, including contributions from the recent launch of Isoflex active in Great Britain.

We reported Adjusted EBITDA of $236 million with EBITDA margin of approximately 25%. Adjusted EBITDA was 17% higher than the prior year on an as-reported basis, and 23% higher than prior year on a like-for-like basis adjusting for India. At $6 million above the midpoint of our guidance, our strong EBITDA performance reflects disciplined cost control and a focused approach to pricing that prioritized margins and credit quality. The year-over-year improvement was driven mainly by cost of goods sold, including lower raw materials, improved fixed cost absorption and restructuring benefits. EBITDA also benefited from higher volumes and a favorable product mix as our new products saw greater demand. This was partially offset by lower price and an FX headwind.

Adjusted earnings per share was $0.89, up 30% from prior year, and just above the midpoint of our guidance. The year-over-year improvement was driven by higher Adjusted EBITDA.

Q4 2025 Financial Outlook (Slide 6), FY 2025 Financial Outlook (Slide 7)

Slides 6 and 7 provide details on our outlook for the remainder of the year. We're anticipating the conditions we observed in the third quarter to continue in the fourth quarter.

We’re now expecting fourth quarter sales excluding India to be $1.12 billion to $1.22 billion. On a like-for-like basis that represents a 2% increase at the midpoint after adjusting for India. We are expecting higher volume to be driven by the growth portfolio. Fourth quarter price is expected to be a mid-to-high single digit headwind due to competitive pricing, as well as the impact of cost-plus contracts to diamide partners. FX is expected to be a low-single digit tailwind.

Fourth quarter Adjusted EBITDA is expected to be $265 million to $305 million, a decline of 16% at the midpoint on an as-reported basis, and a decline of 7% on a like-for-like basis. Lower costs, higher volume and a minor FX tailwind are expected to be more than offset by lower price. Adjusted EPS is forecasted to be $1.14 to $1.36, a decline of 30% at the midpoint due to lower EBITDA and abnormally low tax rate in the prior year.

We are adjusting our full year guidance to include third quarter results and updated fourth quarter guidance. Revenue is now expected to be between $3.92 billion and $4.02 billion. Full year Adjusted EBITDA is now expected to be $830 million dollars to $870 million with the reduction to prior guidance mainly due to lower sales. Adjusted EPS is now forecasted to be $2.92 to $3.14. As a reminder these guidance ranges include contributions from the India business for the first half only. Free cash flow guidance has been lowered to a range of negative $200 million to $0 driven by lower cash from operations.

The reduction in guidance reflects the increased pricing pressure we are facing in our core portfolio. To address this issue, we're taking cost actions to improve the competitiveness for our off-patent active ingredients.

Cost Actions

When I returned as CEO, my focus was on completing several transformation initiatives. These included correcting FMC inventory in the channel to align with customer target levels, implementing a post-patent strategy for Rynaxypyr, establishing an additional route to market in Brazil, ensuring the right resources were in place for our growth portfolio to deliver its full potential, and initiating the sale of the India business. With those initiatives now complete, we are continuing to evaluate the business to ensure alignment with our strategic priorities and long-term objectives.

Over the last two years we've removed about $250 million dollars in cost from the business to navigate the challenges of destocking and adjust Rynaxypyr costs to prepare for its off-patent lifecycle. We now need to apply that same discipline across our core portfolio – particularly for our non-differentiated products where we're competing directly on price. We're taking two key actions.

First, we have initiated a strategic review of our manufacturing footprint. Our intent is to exit active ingredient and formulation plants, as well as other sources that are too expensive to operate and transition that production to lower-cost sources. This is a major undertaking. We've already begun the work to identify and develop those alternative sources, and we expect the plan to be fully in place by the end of 2026. Earlier this month we moved production of two active ingredients from one of our facilities to other manufacturing locations, where lower costs will strengthen FMC's ability to compete in the post-patent market.

Second, we're implementing a broader cost reduction plan across Asia to account for the reduced size of the business following the India sale.

Our objective is straightforward: become a cost competitive company capable of competing with generics on less-differentiated products in every region, while also growing a portfolio of IP-protected products that command higher margins. By 2028 we expect to have four new active ingredients in commercialization alongside a growing family of biologicals products. Some are already launched in select markets, such as Isoflex active and fluindapyr which are tracking in-line with expectations.

We continue to strongly believe in the power of our new product pipeline. In a world with more generic products and increasing resistance, new active ingredients will become even more of a true differentiator for FMC.

I'll now turn the call over to Andrew to provide more detail on our India results for the quarter and our cash outlook.

Selected Financial Results

Thanks, Pierre.

Let me start with some additional details on the impact of the India held for sale business on this quarter's financial statements.

As Pierre noted earlier, we reported GAAP Revenue of $542 million for the third quarter. This reflects negative revenue of $419 million in our India held for sale business. The substantial channel inventory in the country was reflected in our financial statements primarily as receivables. During the quarter, we took several one-time actions to prepare the business for sale. These included physical product returns, taking provisions for additional product returns that will be completed in the fourth quarter, and granting price credits to customers on the remaining channel inventory to encourage faster clearing of the channel inventory. Each of these actions had the effect of reducing revenue as well as receivables. The net result was negative revenue for India for the quarter.

This will also result in a substantial reduction in inventory held in the channel to much more normalized levels, with excess inventory to be held directly on FMC India's books as FMC inventory. We are doing this as we believe it is much easier for a buyer to ascribe more certain value to physical inventory being purchased in a business sale than to receivables, which are subject to collection and other risks. Further, rapidly correcting channel inventory reduces risks associated with recent changes in the application of local indirect taxation rules. We intend to manage the India business with a heightened focus on liquidation of inventory in advance of completing the sale of the business.

Third Quarter GAAP Net Loss of $569 million reflects approximately $510 million of charges and write-downs for the India held for sale business. Of this, $282 million reflects the channel inventory actions I just described. The remaining $227 million represents an impairment charge to bring the carrying value of the business to its estimated fair market value. The combination of the channel inventory actions and the impairment charge led to a write-down of the net assets identified as ‘held for sale’ on our September 30th balance sheet to $450 million.

As a reminder, third quarter total company Adjusted EBITDA of $236 million <u>excludes</u> the results of the India held for sale business.

Moving now to some other specific income statement items:

Third Quarter Revenue excluding the India held for sale business was $961 million reflecting a 1% currency tailwind, with benefit primarily coming from strengthening of the Brazilian Real and the Euro.

We now expect the minor FX tailwinds to revenue experienced in the third quarter to continue in the fourth quarter, primarily driven by the Brazilian Real and to a lesser degree by the Euro and Mexican Peso. For the Full Year, FX remains a minor headwind to revenue due to the 2% headwind in the first half.

Third quarter interest expense of $64.1 million was up $5.4 million, with the impact of the higher rate on our recent subordinated debt offering only partially offset by lower short term domestic rates and balances.

We now expect full-year 2025 interest expense to be in the range of $230 million to $240 million, essentially in line with the prior year, but up from our prior guidance, reflecting slightly higher than previously expected interest expense in the third quarter.

We continue to expect depreciation and amortization for full year 2025 to be between $170 million and $180 million.

The effective tax rate on adjusted earnings in the third quarter was 12%, which brings our year-to-date effective tax rate in line with the midpoint of our updated expected full-year effective tax rate of 12% to 14%.

Moving next to the balance sheet and leverage.

We ended the third quarter with gross debt of approximately $4.5 billion, up $379 million from the prior quarter. Cash on hand increased $60 million to $498 million, resulting in Net Debt of approximately $4.0 billion, up $319 million from the prior quarter. Gross debt to trailing twelve-month EBITDA was 5.0 times at quarter end, while net debt to EBITDA was 4.5 times.

Relative to our leverage covenant, which includes adjustments to both the numerator and denominator, leverage was 4.94 times as compared to a covenant limit of 5.25 times.

Cash Flow Results and Outlook (Slide 8)

Moving on now to free cash flow and slide 8.

Free Cash Flow in the third quarter was negative $233 million,

$365 million lower than the prior year period. Cash from operations was down significantly, due to the absence of working capital release from payables seen in the prior year period, as well as delays in collections

Free Cash Flow year to date is negative $789 million, with the absence of the working capital improvement seen in the prior year being the key driver.

Relative to our internal expectations, Free Cash Flow in the third quarter was significantly impacted by collection delays. In Latin America, these delays are a result of both reduced liquidity in the channel as well as delays in growers monetizing the cotton crop. Elsewhere, collection delays are coming primarily from intensified competitive pressures going beyond price competition to include payment terms extensions as well.

In light of actual performance year-to-date, our reduced outlook for EBITDA, and our expectation of continued working capital pressures in the fourth quarter, we have reduced our outlook for full-year free cash flow to a range of negative $200 million to $0.

This updated free cash flow outlook, combined with the $291 million in dividends paid thus far this year, suggest an increase in net debt of roughly $400 million at year-end 2025. As such we are taking two immediate actions:

First, our Board of Directors has changed the company's dividend policy to establish a new quarterly dividend payout of $0.08 per share effective with the pending declaration of our next dividend payable in January of 2026. This is an over 85% reduction in quarterly dividend which will reduce the funding need for the dividend by $250 million in 2026. This will allow significantly more of the free cash flow we generate in 2026 to be directed to debt reduction.

Second, we have begun discussions with our bank group to further amend the financial covenants in our revolving credit facility agreement to provide us with additional flexibility as we navigate these challenges. We anticipate completing this amendment in the fourth quarter and will provide further updates at that time.

These actions are in addition to the cost reduction efforts Pierre described earlier in the call, which will also help increase future free cash flow generation, though they will require use of cash in the short term.

And to be abundantly clear, all free cash flow generated beyond the roughly $40 million required annually to fund the reduced dividend will be directed to debt repayment until we return leverage to healthier investment-grade levels.

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

<u>Closing Remarks – Pierre</u>

Thank you, Andrew.

Normally at this time of year we would provide some directional commentary for the upcoming year. However, as we look ahead to 2026, there are still a number of uncertainties, not the least of which are tariffs for China and India. On our February earnings call we will be in a better position to provide formal numerical guidance for 2026 as well as new multi-year outlook.

Taking a step back, FMC's second-half guidance is consistent with last year on a like-for-like basis excluding India, with sales down 1% and EBITDA up 4% at the midpoint of guidance. Despite a challenging market, volume is growing in the second half as the industry recovers. And while growth is below our initial expectations, performance remains solid, and we are taking decisive actions to strengthen our position.

We're adapting our strategy. We're redefining our manufacturing footprint. We're reducing costs. We're making the necessary capital allocation decisions. The growth engine of the company – our new active ingredients – is intact, and we're protecting our ability to invest in the innovation that differentiates us.

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