

First half impacted by significant non-recurring events

Improved second half outlook

20 May 2019

Incitec Pivot Limited (ASX: IPL) today announced results for the half year ended 31 March 2019.

- **Zero Harm:** Total Recordable Injury Frequency Rate (TRIFR) of 0.78, an improvement from 0.93 at 30 September 2018.
- **Statutory NPAT:** \$42m compared to \$8m in HY18 (HY18 included IMIs of \$139m).
- **Earnings Before Interest and Tax (EBIT) ex IMIs:** of \$119m, after \$141m of non-recurring events, compared to \$240m in HY18. Non-recurring events include:
 - \$60m associated with third party Queensland rail outage following major flooding, impacting production at Phosphate Hill (second half impact will be approximately \$55m)
 - \$16m from third party gas pipeline rupture in US North West, impacting gas costs and production rates at St Helens
 - \$65m from unplanned outages at Waggaman and Phosphate Hill (\$45m and \$20m respectively)
- **Earnings Per Share (EPS) ex IMIs:** of 2.6 cents per share compared to 8.8 cents per share in HY18.
- **Dyno Nobel Americas (DNA):** EBIT of \$88m, after \$61m of non-recurring events, down from \$131m in HY18. Business earnings before non-recurring events grew 14% vs HY18, reflecting currency benefits, continued market share growth and improvement in margins per tonne despite a weather impacted market.
- **Dyno Nobel Asia Pacific:** EBIT of \$77m, down from \$100m in HY18, impacted by a range of factors including weather impacts on customers, abatement equipment issue at Moranbah, contract renewals and the impact of the WA contracts announced in FY18. Renewal of long-term foundation customer contracts progressing well, and strong momentum in technology with sales from new electronic initiating systems increasing 98% compared to HY18.
- **Fertilisers Asia Pacific:** EBIT loss of \$33m, after \$80m of non-recurring events, down from \$23m profit in HY18. Business earnings before non-recurring events up \$24m vs HY18, reflecting a weaker A\$, higher commodity prices and value chain optimisation, which more than offset impact of the drought on the East Coast of Australia. Good progress with strategic agenda, with consolidation of SSP manufacturing and acquisition of 100% of the Quantum Fertilisers trading business.
- **Gibson Island:** Discussions with third parties are continuing, with the aim of securing affordable gas for the Gibson Island plant through 2022. As previously stated, if IPL is unable to secure affordable gas, manufacturing operations will cease at the end of December 2019. A decision on the outcome is expected in the near term.
- **Manufacturing:** Implementing new Global Manufacturing Strategy to deliver a step change in manufacturing reliability performance with an opportunity for earnings upside across the portfolio of \$40m - \$50m per annum by FY22, compared with FY18.
- **Technology:** Strong momentum in technology with Electronic Initiating Systems sales volumes up over 49% in the US and 98% in Asia Pacific compared to HY18. Good progress with technology pipeline, including launch of EZshot detonators in Australia and further enhanced digital applications for customers progressing to plan.
- **Balance Sheet and Share Buy Back:** Net Debt of \$1.9bn (HY18 \$1.7bn), \$551m debt refinanced in first half, \$300 million share buy-back completed in December 2018.
- **Dividend:** Interim dividend declared of 1.3 cents per share, unfranked, representing payout ratio of 50% of NPAT.

- **Outlook:** Improved outlook for 2H19. Full period FY19 EBIT expected to be between \$370m and \$415m (after \$209m impact from non-recurring events)

Commenting on the results, Jeanne Johns, Incitec Pivot Limited's Managing Director & Chief Executive Officer said: "While the first half result was impacted by some significant non-recurring events, we are making good progress with our strategic agenda. The underlying market fundamentals remain strong and we have an improved outlook for the second half and beyond.

"In the US business, we are continuing to grow market share in Explosives, supported by our strategically located assets, quality client base and premium technology offering. We delivered significant volume growth in Delta E and 4G Electronics, with technology underpinning continued market share growth in the Q&C sector.

"I am pleased with the progress we have made re-contracting our Explosives business in Australia, with our premium blasting technology playing an important role. Sales volumes of our electronic initiating systems grew 98% in Asia Pacific, with customers recognising the value we can add to their mining operations through our premium technology solutions.

"To further enhance our technology capability, Margot Sharapova has joined our Executive Team as Chief Information Officer. Margot will be responsible for enterprise technology, working closely with Rob Rounsley's Technology Development Group to advance our technology offer and pipeline by bringing digitised solutions with more automation to our customers.

"Tim Wall, our President of Manufacturing who commenced in November 2018, is implementing a new Global Manufacturing Strategy to deliver a step change in manufacturing performance over the next three years. There is clear upside potential from an improvement in manufacturing performance as well as from our premium technology offering."

For more information:

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