

Solid first half earnings with resilient mining volumes underpinned by premium technology

11 May 2020

Incitec Pivot Limited (ASX: IPL) today announced results for the half year ended 31 March 2020.

Key safety and financial metrics

- Zero Harm: Total Recordable Injury Frequency Rate (TRIFR) of 0.65, an improvement from 0.80 at 30 September 2019 and ahead of the FY21 target of 0.70.
- Statutory NPAT: A\$65m, up 22% from A\$42m in HY19.
- Earnings Before Interest and Tax (EBIT): A\$159m, up 34% from A\$118.7m in HY19*
- Earnings Per Share (EPS): 4.0 cents per share, up from 2.6 cents per share in HY19.
- Operating Cash Flow: A\$152m, up from a cash outflow of A\$35m in HY19.

* HY20 EBIT was impacted by \$104m of adverse commodity pricing, partially offset by \$32m of foreign exchange rate fluctuations. HY19 EBIT included \$141m impact from non-recurring items associated with third party disruptions and manufacturing outages.

Balance Sheet

- Net Debt of A\$1.88bn, Net Debt / EBITDA ratio of 2.8x at 31 March 2020.
- Capital raising announced today will reduce pro forma Net Debt to A\$1,276m and Net Debt/EBITDA to 1.9x.
- Capital raising will strengthen balance sheet to make our business more resilient in the current uncertain environment and support financial flexibility to pursue disciplined organic growth opportunities.
- IPL has determined not to pay an Interim Dividend for the half year.

COVID-19 Response

- Early response focused on the safety of our people and customers, and new control measures implemented to support continuity of operations.
- COVID-19 Response Plan in place, with ~A\$60m cash savings to be delivered through cost discipline initiatives, and reductions and deferrals in capital expenditure.

Dyno Nobel Americas

- A\$EBIT increased 29% to A\$113.4m.
- Market share growth in Quarry and Construction mitigated impact of 16% decline in Coal sector.
- Quarry & Construction sector volumes grew 4% as customers continue to value premium technology solutions.
- Base & Precious Metals volumes were down 9% in 1H20 mainly due to lower sales volumes to international customers and timing of demand from Arctic customers, with EBIT impact offset by higher sales of technology.
- Waggaman delivered a significantly improved performance reflecting a 26% increase in production volumes following the outage in the first half last year.

Dyno Nobel Asia Pacific

- EBIT decreased 7% to A\$71.1m, reflecting lower ammonium nitrate pricing on previously disclosed contract renewals.
- Continued growth in premium technology with strong ammonium nitrate emulsion sales and uplifts in electronic initiating systems sales, primarily to Base & Precious Metals customers in Australia and Indonesia.
- Manufacturing performance improvement from higher production and plant efficiencies at Moranbah.

Fertilisers Asia Pacific

- EBIT loss of A\$9.9m, an improvement from a loss of A\$32.5m in HY19.
- Weak fertilisers volumes in the first four months due to drought conditions as well as historic low commodity prices weighed on performance.
- Very strong demand over February, March and April reflecting improved weather conditions.

Premium Technology

- Customer demand for Delta E technology, our premium offering in the mining sector, continued through HY20.
- Premium Emulsion volume across our explosives businesses increased by over 30% and Electronic Detonator (EDS) Systems sales volumes increased 7%.

Manufacturing Excellence

- Production rates at Waggaman and Phosphate Hill plants are largely in line with expectations.
- Clear focus on delivering sustained earnings upside across the portfolio of A\$40m - A\$50m per annum by FY22, compared with FY18.

IPL's Managing Director and CEO, Jeanne Johns, said:

"Our first half reflects the good progress we have made on our premium explosives technology for our customers and manufacturing reliability, and reflects our ability to continue to safely operate through the unprecedented COVID-19 pandemic. We have implemented safety and health guidelines for our people, customers and communities in keeping our operations running, and ensuring our ongoing support for the essential mining and agriculture industries.

"The business demonstrated strong resilience in the first half as our overall mining volumes continue to be supported by our premium technology offering. We were pleased with our manufacturing performance as we work towards our improved reliability target by 2022.

"The fertilisers business was weighed down by record low commodity prices, as well as drought conditions in the first four months. Improved weather conditions have driven record demand over the last three months and we are well placed to benefit from any future improvement in global fertiliser prices.

"Our explosives business operates in two of the most attractive mining markets in the world - Australia and the US. Our fertilisers business continues to have a prominent market position in Eastern Australia.

"The explosives and fertiliser businesses are well positioned for long term customers trends across the essential mining and agricultural industries.

"COVID-19 pandemic brings future economic uncertainty on commodity pricing and demand, and this will inevitably present challenges for every business. However, we are well placed to manage short term risks and continue to leverage our strategically located assets to support our customers.

"The capital raising we announced today will strengthen our balance sheet to make us more resilient in the current environment, as well as keeping the business strong and support the flexibility to pursue disciplined organic growth opportunities to deliver long term shareholder value."

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This document has been authorised for release by Richa Puri, Company Secretary