

# Incitec Pivot Limited

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6 March 2015

The Manager  
Company Announcements Office  
Australian Securities Exchange  
Level 45, South Tower  
Rialto  
525 Collins Street  
MELBOURNE VIC 3000

Dear Sir or Madam

### Electronic Lodgement

### IPL Investor Presentation – Citi 12<sup>th</sup> Annual Australian and New Zealand Investment Conference

In accordance with the listing rules, I attach for release to the market an investor presentation for the Citi 12<sup>th</sup> Annual Australian and New Zealand Investment Conference to be held in London on 9 and 10 March 2015.

Yours faithfully



**Daniella Pereira**  
Company Secretary

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***Citi's 12<sup>th</sup> Annual  
Australian & New  
Zealand Conference  
London, March 2015***

**Incitec Pivot Limited**





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INCITEC PIVOT LIMITED ABN 42 004 080 264

# Incitec Pivot Limited



Picture: Sorghum crop, Australia

## *Introduction*



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# Incitec Pivot at a glance

- Incitec Pivot Limited (“IPL”) is an industrial chemicals company with market leading positions in:
  - **Industrial Explosives:** #1 manufacturer (by tonnes) in the US and #2 distributor and manufacturer (by tonnes) in Australia
  - **Fertilisers:** #1 manufacturer in Australia (by volume and by revenue) and #1 distributor in eastern Australia (by volume and by revenue)
- S&P/ASX listed company, with a market capitalisation of approx. A\$6 billion<sup>(1)</sup>
- Leveraged to:
  - the industrialisation and urbanisation of developing economies, linking to demand for hard and soft commodities
  - the re-industrialisation of the U.S., driven by the shale gas revolution in the U.S.
  - the recovery of the U.S. economy

With the majority of Australian AN volume under medium to long term contracts
- Strong financial discipline with conservative management of financial risk
- Experienced management team with an average of 15 years experience in the industrial explosives and fertiliser industries

(1) As at 4 February 2015

# Incitec Pivot's No.1 objective: Safety

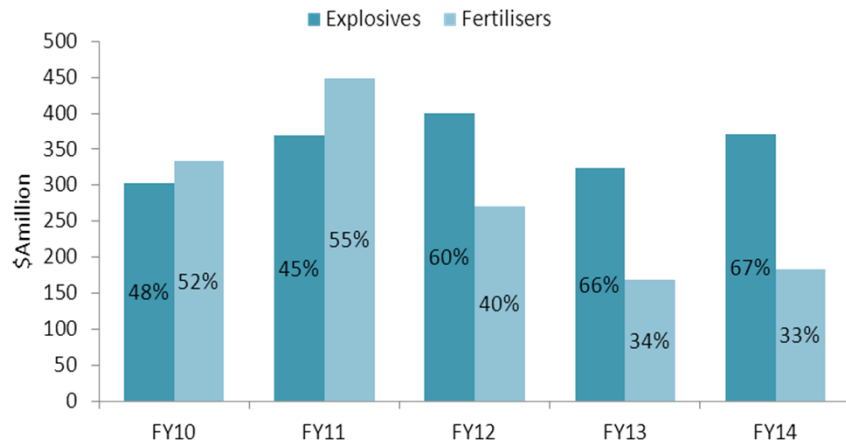
Incitec Pivot Group TRIFR – Oct 2009 to Oct 2014



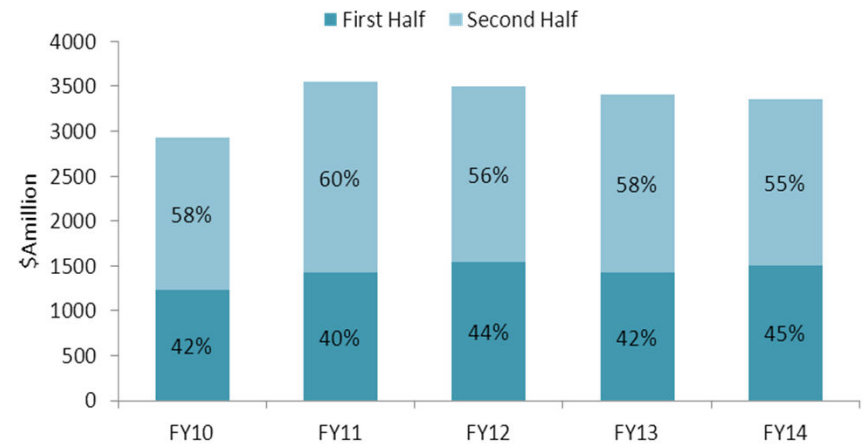
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# Business earnings profile

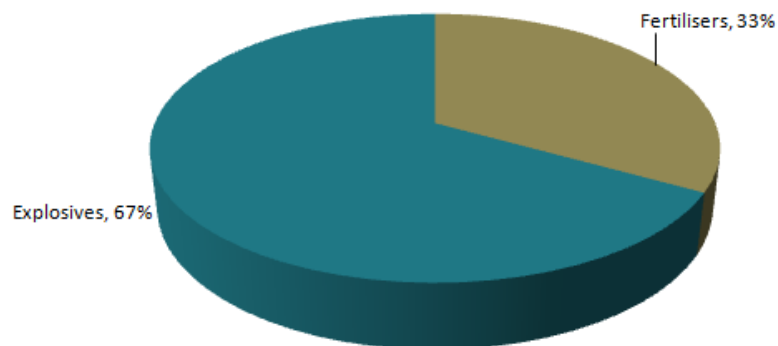
## EBIT by Business (1)(2)



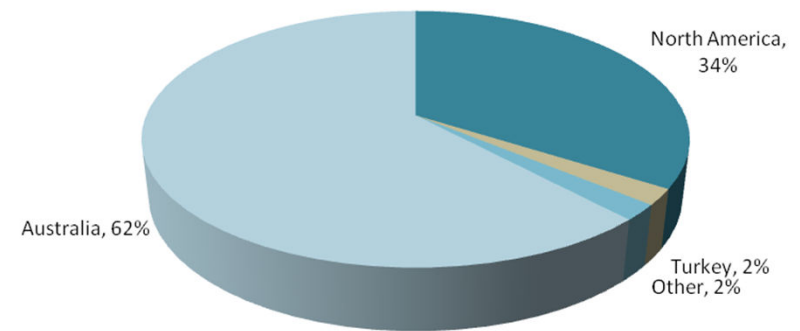
## Revenue by Half



## EBIT by Business – FY14(1)(2)



## Revenue by Geographic Segment – FY14(3)



(1) Includes intercompany eliminations

(2) Fertiliser Businesses comprise: Incitec Pivot Fertilisers and Southern Cross International. Explosives businesses comprise: Dyno Nobel Americas and Dyno Nobel Asia Pacific

(3) Geographical segment revenue is based on geographical location of the entity making the sale

# Investment thesis

## Favourable Industry Fundamentals

- Fertiliser & explosives remain an attractive investment
- Fundamentals support growth outlook
- Historical long term ammonia demand growth of 2.2%

## Strong base business

- No. 1 fertiliser business in Australia<sup>(1)</sup>
- No. 1 explosives manufacturer in USA<sup>(1)</sup>
- No. 2 explosives business in Australia<sup>(1)</sup>

## Short & medium term growth

- Phosphate Hill volume & efficiency improvement
- Louisiana ammonia plant start-up 3Q 2016
- Strong free cashflow outlook

## Improving conditions

- \$A depreciation
- Q&C growth in USA
- Powder River Basin coal growth

(1) Based on industry publications and IPL estimates of manufactured volume in 2014



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Picture: Moranbah manufacturing facility, Qld, Australia

## Strategy Overview



# Strategy on a page

**Industrialisation  
of China**



**Shale gas  
revolution**

**Core nitrogen  
manufacturing**

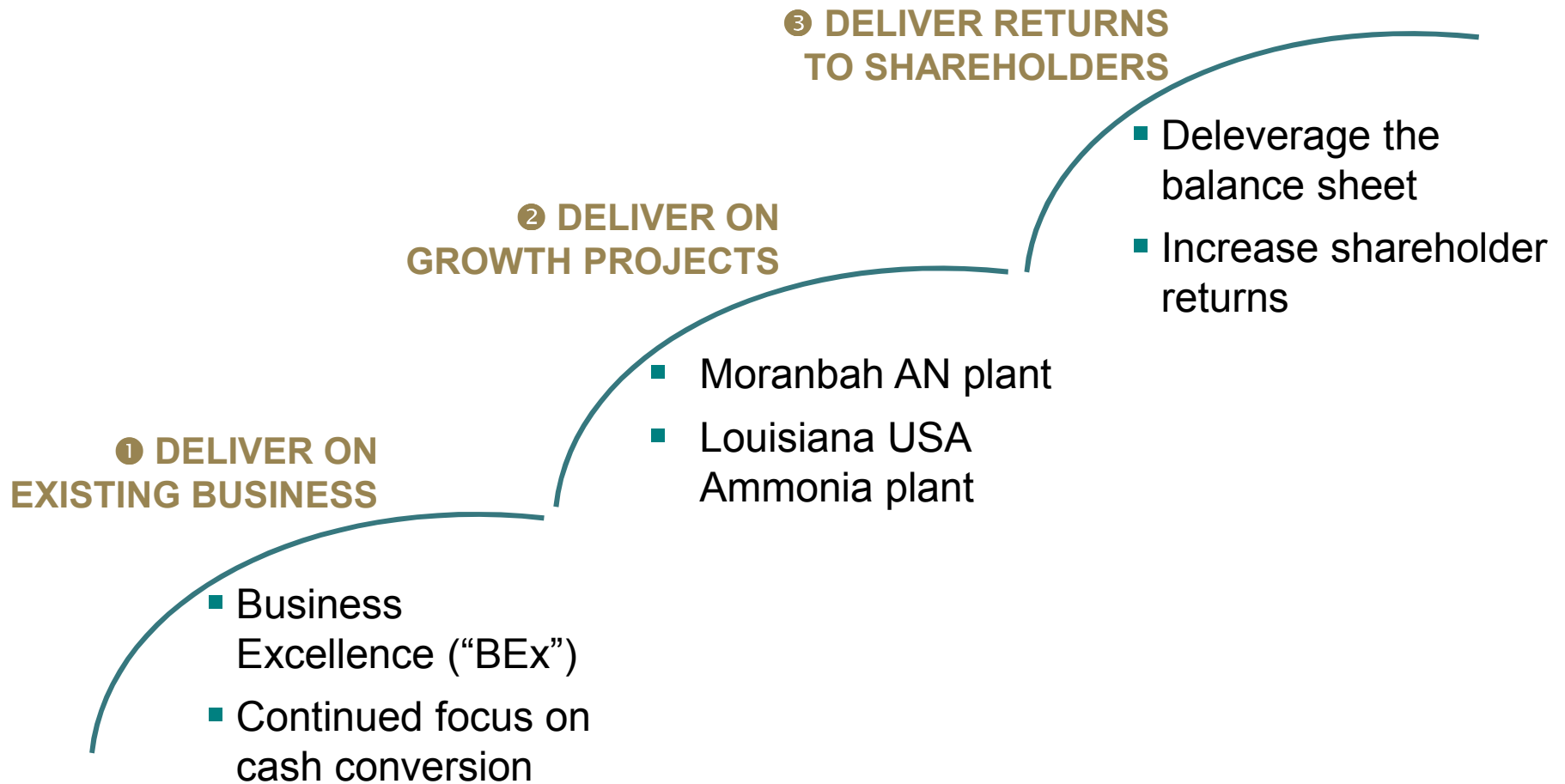
**Input side of  
value chain**

**Customer aligned  
downstream  
businesses**





# Strategy execution



*Focus on execution and delivery*



# Medium term growth and value drivers

**IPL's growth is linked to two global economic engines:**

- **USA: the recovery and re-industrialisation of the United States:**
  - The Louisiana ammonia investment is capitalising on the shale gas boom which is revitalising the North American economy
  - Leveraged to the economic recovery through the Dyno Nobel Americas (DNA) business
  - Leveraged to the depreciation of the AUD against the USD through the Fertiliser and DNA businesses
- **Asia: the industrialisation of Asia, in particular China:**
  - Moranbah ammonium nitrate plant produces explosives for Bowen Basin metallurgical coal mines which feed blast furnaces in China and other parts of Asia

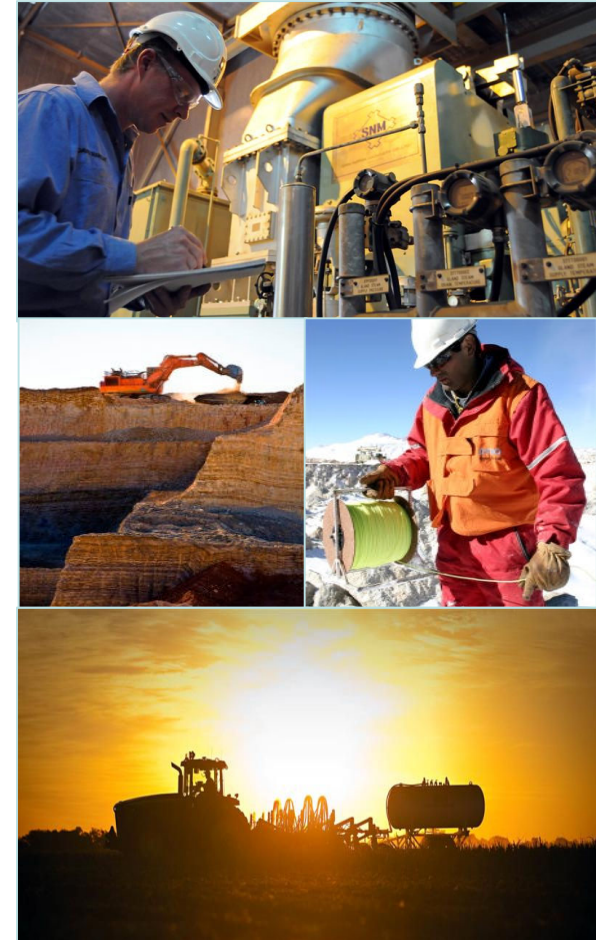
# Introduction to Business Excellence (BEx)



BEx at IPL is all about leadership, standards and continuous improvement rigour:

- 1) Defining what's important and ensuring alignment throughout the business
- 2) A planned, disciplined approach to each day, supported by visual management tools
- 3) Documented and standardised work
- 4) Rigour and compliance is achieved via a cycle of 'Plan, Do, Check, Act'
- 5) Real leadership: Significant time is invested in coaching, providing clarity and alignment to goals and driving the right culture via leading by example
- 6) A culture where continuous business improvement becomes the standard modus operandi

BEx is the system we use to continuously improve the way we work and enables us to realise our shared Company Goals and Values



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Picture: Louisiana facility under construction, Louisiana USA

## Louisiana Ammonia Plant

**DYNO**  
Dyno Nobel





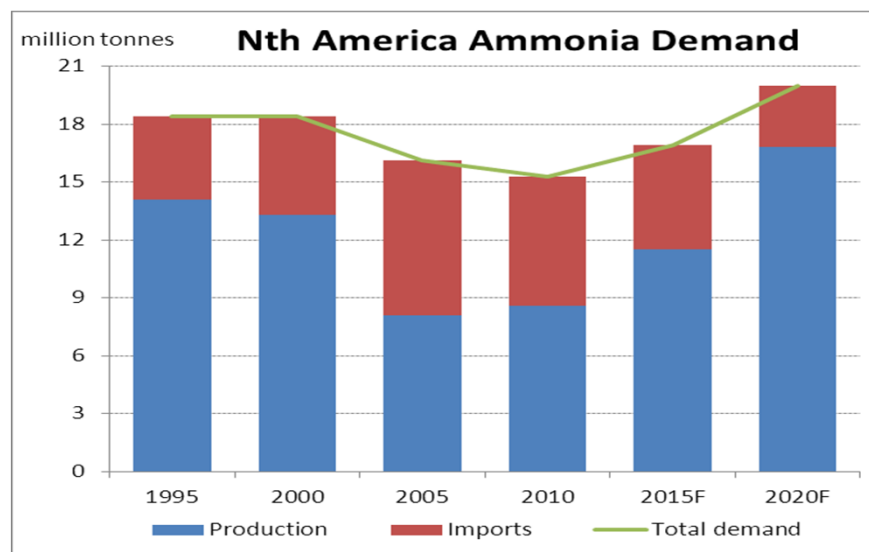
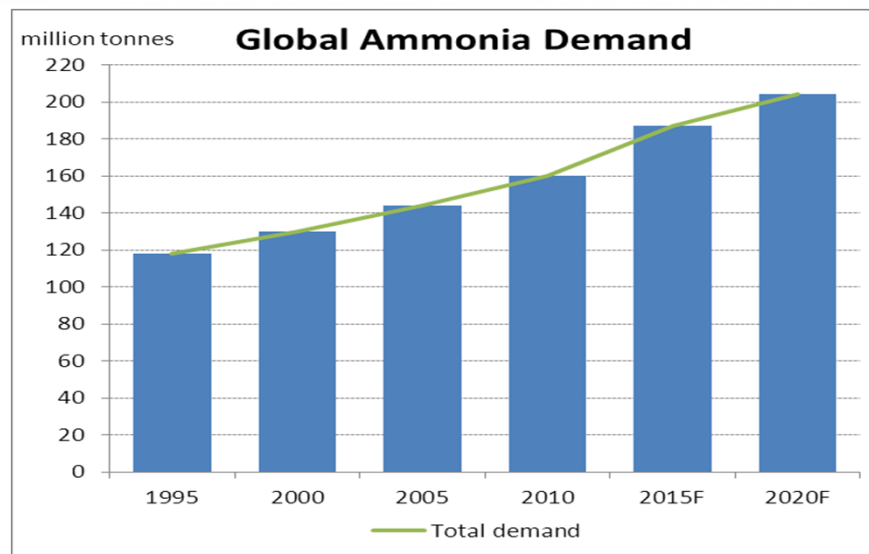
# Global ammonia demand

## Global demand:

- Historical growth rate of 2.2% per annum (last 20 years)
- Fundamentals support growth outlook
- Historical growth rate is equivalent to approximately five new world scale plants per annum

## North America:

- Recovering ammonia demand post GFC
- Production capacity has increased due to low cost gas
- Even with production growth, USA is expected to remain a net importer of ammonia annually beyond 2020

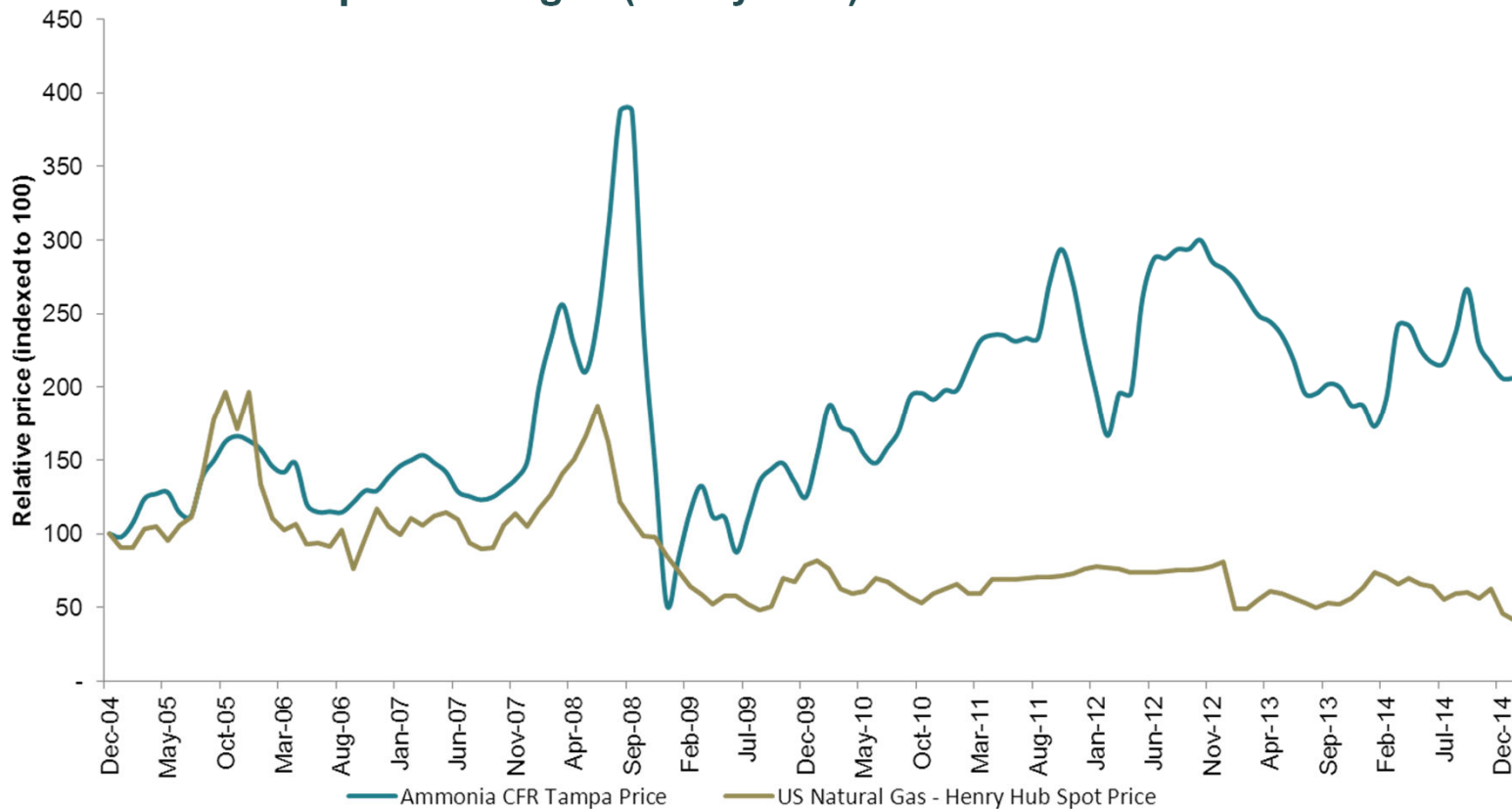


Data sources: IPL estimates, Fertecon and other industry publications

# US ammonia and gas spread

- Global ammonia price has historically trended closely with cash costs of marginal production, currently from European producers
- US has a deep, low-cost supply curve for gas with multiple suppliers

## Ammonia CFR Tampa vs. US gas (Henry Hub):



Source: U.S. Energy Information Administration ("EIA") and Fertecon

# Louisiana investment overview

- **Construction of a world scale ammonia plant (800kt p.a.) for a capital cost of US\$850m**
  - Fully funded by debt and internally generated cash flow
  - Hedged at A\$0.96
- **Investment thesis**
  - Gas market dislocation
  - Access to US ammonia market
  - Capital advantage
- **KBR is Engineering Procurement and Construction contractor under a Lump Sum Turn Key arrangement**
- **Plant sold out**
  - Dyno Nobel = 300kt per annum
  - Cornerstone Chemicals = 200kt per annum
  - Transammonia = 300kt per annum
- **Financial returns at sanction**
  - 15% IRR
  - Simple payback ~ 5 years



# Louisiana ammonia plant update

## ■ As at 28 February 2015

- Project is 71% complete and on track
- Safety = TRIFR of less than 0.4 to date
- Project cost = \$US850m;  
\$US476m spent to end Feb 2015
- First production 3Q calendar 2016

## ■ Construction

- Piling, underground piping & cooling tower completed. Ammonia tank nearing completion
- Electrical and structural steel works progressing well
- Mechanical equipment erection underway
- Above-ground piping is a key focus area

## ■ Operating metrics

- Gas: 32 mmbtu per metric tonne
- Cash cost (excl gas): US\$45/tonne
- Average sustenance capex per annum US\$10m

## ■ Outlook

- Fundamentals underpinning the project remain positive



*Overall construction view looking North*



*Secondary reformer crane pad being prepared*



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Picture: Louisiana facility under construction, Louisiana USA

## *Headwinds and Tailwinds*

**DYNO**  
Dyno Nobel

# Changing external environment

External Item	Impact
Falling A\$ (EBIT Sensitivity: 1c = +/- A\$9.1m)	✓ Positive earnings impact for Fertiliser and DNA businesses
US economic recovery continues	✓ Moderate Q&C growth expectations over a sustained period
Lower US gas price	✓ Positive for Louisiana ammonia ✓ IPL begin gradual hedge book build ✗ Challenge to Appalachian coal volumes
Australian mining market	✗ AN oversupply: Pressure when recontracting ✗ Services insourcing



# Changing internal environment

Internal Item	Impact
Phosphate Hill & Mt Isa	<ul style="list-style-type: none"><li>✓ Eight months of reliable production post shut</li><li>✓ Mt Isa metgas supply might continue beyond 2016 <sup>(1)</sup></li></ul>
BEx	<ul style="list-style-type: none"><li>✓ 4<sup>th</sup> year of implementation</li><li>✓ Benefits continue</li></ul>
Moranbah	<ul style="list-style-type: none"><li>✓ Reliable production for nearly 12 months</li><li>✗ Low coal prices continue to challenge customers</li></ul>
DNA Recontracting	<ul style="list-style-type: none"><li>✓ Stronger ammonia margin-capture opportunities</li><li>✗ Interim ammonia cost increase</li></ul>

(1) Qld political parties announced intention to amend environmental law, thereby allowing Glencore to continue their smelting operations beyond 2016. The Queensland Labor government confirmed this commitment late February 2015.

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Picture: Wheat crop, Australia

## 2015 Outlook



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# 2015 Outlook\*

## Positives

- Moranbah EBIT to \$140m (full production)
- Lower \$A (for at least the first half)
- US Quarry & construction growth
- Benefit of renegotiated contracts in North America
- Increased production at Phosphate Hill
- Full benefit of 2014 corporate restructuring
- Louisiana ammonia plant is on track: first production expected in 3Q 2016

## Negatives

- Soft global mining markets
- US interim ammonia costs
- Gas cost increase at Phosphate Hill
- Drought in northern Australia

\*as per 2014 full year results announcement in Nov 2014



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Picture: Louisiana facility under construction, Louisiana USA

## Appendices



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Picture: Site mixed explosive mobile processing unit "SME MPU", Florida, USA

*Explosives*

**DYNO**  
Dyno Nobel

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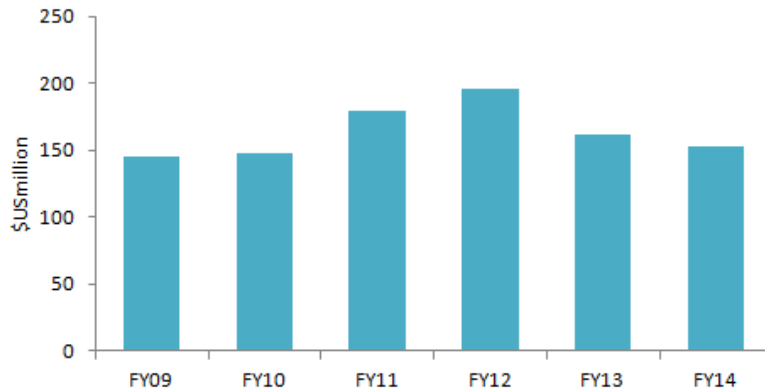
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# Explosives – Dyno Nobel America

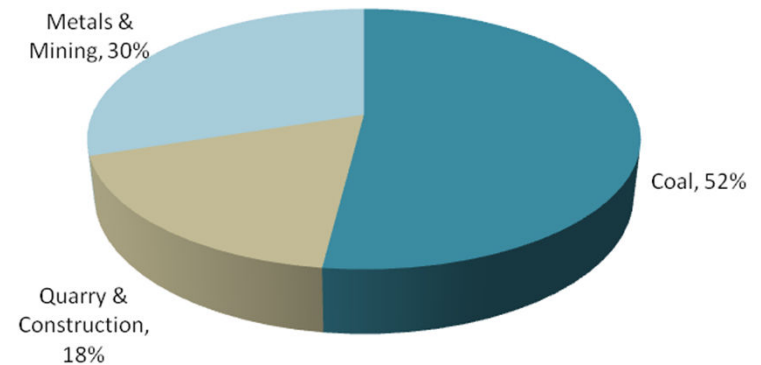


- Dyno Nobel Americas (“DNA”) is a leading supplier of industrial explosives and blasting services across the following sectors:
  - Coal
  - Quarries & Construction
  - Metals & Mining
- #1 manufacturer in the US (by tonnes) – the largest explosives market in the world

DNA EBIT (1)



DNA – AN Volumes by end-market (2)



*Leveraged to the US economic recovery*

(1) Excludes intercompany eliminations

(2) Based on 2014 financial year

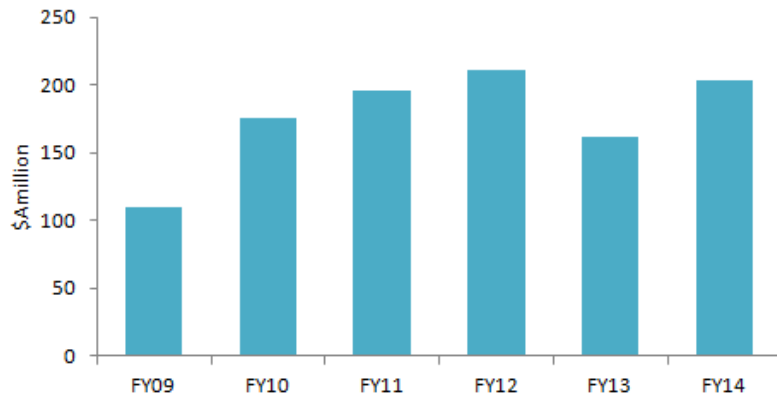


# Explosives – Dyno Nobel Asia Pacific

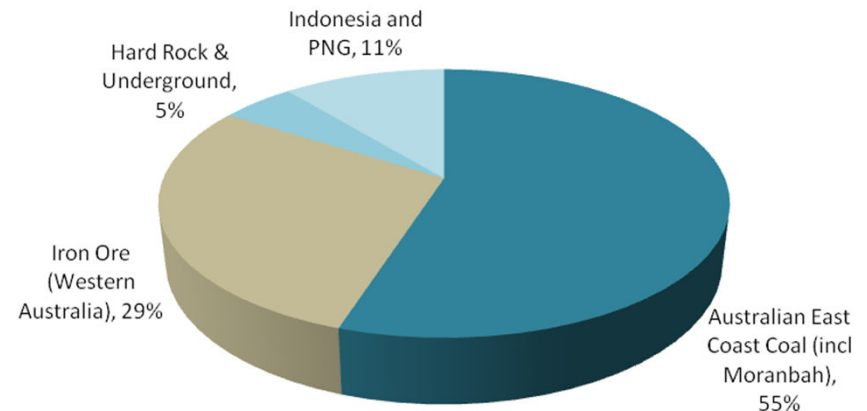


- Dyno Nobel Asia Pacific (“DNAP”) is a leading supplier of industrial explosives and blasting services to the mining industry across Australia, Indonesia and Papua New Guinea:
  - Australian Metallurgical Coal – Bowen Basin
  - Australian Iron Ore - Pilbara
  - Base Metals & Other
  - Indonesia & PNG
- #2 Explosives company in Australia (by tonnes) – the world’s third largest explosives market

**DNAP EBIT (1)**



**DNAP – AN Volumes by end-market(2)**



*Long term contracts with large, high quality miners*

(1) Excludes intercompany eliminations

(2) Based on 2014 financial year

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Picture: Phosphate Hill manufacturing facility, Qld, Australia

## *Fertilisers*



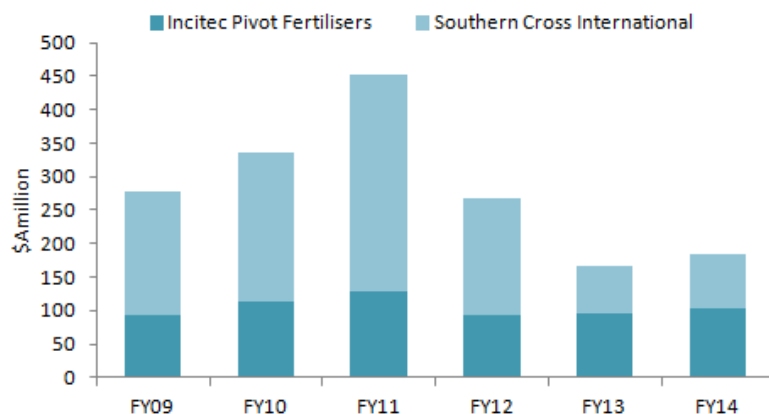
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# Fertilisers



- Incitec Pivot Fertilisers (“IPF”) is Australia’s largest manufacturer of fertilisers <sup>(2)</sup> and largest distributor of fertilisers <sup>(2)</sup> in Eastern Australia, and consists of:
  - Australian Distribution – East Coast
  - Gibson Island manufacturing – Ammonia, Urea and Sulphate of Ammonia (SOA)
  - Phosphate Hill, Mt Isa – Ammonium Phosphates (DAP / MAP)
  - Geelong & Portland – Single Superphosphate (SSP)
- IPF sells manufactured fertiliser and industrial chemicals products in Australia and sells into offshore markets such as South East Asia and Latin America, via Quantum Fertilisers

**Fertilisers EBIT (1)**



**Fertiliser Manufacturing Plants**

Facility	Products	Nameplate Capacity <sup>(2)</sup>	Key Inputs
Phosphate Hill, Qld	MAP / DAP	950,000	Phosphate Rock; Natural gas; Sulphuric acid
Mt Isa, Qld	Sulphuric acid	950,000	Sulphur dioxide; Sulphur
Gibson Island, Qld	Urea Ammonia SOA	270,000 300,000 200,000	Natural Gas; Coal seam methane gas; Ammonia
Portland, Vic	SSP	180,000	Phosphate rock; Sulphuric acid
Geelong, Vic	SSP	350,000	Phosphate rock; Sulphuric acid

(1) Excludes intercompany eliminations

(2) By volume

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Picture: Control room, Phosphate Hill facility, Qld, Australia

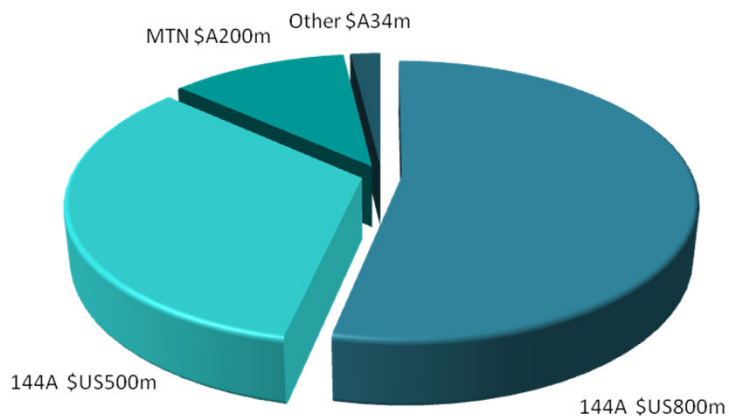
## ***Balance Sheet & EBIT Sensitivities***



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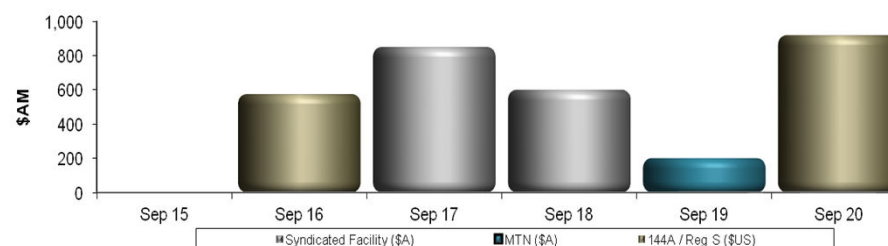
# Solid debt structure

## Drawn Funds (1)



## Limits & Tenor(1)

Debt maturity profile per reporting period



- ✓ 3.7 years average tenor of drawn funds & \$1.5bn of headroom<sup>(1)</sup>
- ✓ Louisiana construction fully funded
- ✓ Mix of \$A and \$US debt to mirror earnings and cash flows

***Diverse sources & surplus headroom***

(1) As at 30 September 2014

# EBIT sensitivities

IPF: Urea - Middle East Granular Urea (FOB) <sup>(1)</sup>	+/- US\$10/t = +/- A\$4.4m
SCI: DAP - Di-Ammonium Phosphate Tampa (FOB) <sup>(2)</sup>	+/- US\$10/t = +/- A\$10.3m
Forex - transactional (DAP & Urea) <sup>(3)</sup>	+/- 1 cent = +/- A\$6.7m
DNA: Urea (NOLA FOB) <sup>(4)</sup>	+/- US\$10/t = +/- US\$1.8m
DNA: Forex - translation of Explosives earnings <sup>(5)</sup>	+/- 1 cent = +/- A\$2.4m

## Assumptions:

- (1) 405kt (Gibson Island Fertiliser name plate production capacity) urea equivalent sales at 2014 realised price of US\$323/t and the 2014 realised exchange rate of \$A/\$US0.9132
- (2) 950kt (Phosphate Hill Fertiliser name plate production capacity) DAP sales at 2014 realised price of US\$450/t and the 2014 realised exchange rate of \$A/\$US0.9132
- (3) DAP and Urea volumes, as well as FOB price based on assumptions (1) and (2) (excludes the impact of hedging)
- (4) 180kt (St Helens Fertiliser name plate production capacity - short tonnes) urea equivalent sales 2014 NOLA Urea average price of \$US349
- (5) For each \$US200M EBIT