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## ASX Release – Company Announcement

### Sale of Nufarm South America to Sumitomo for \$1,188 million

Nufarm Limited ("Nufarm") today announced it had entered into an agreement to sell its South American crop protection and seed treatment operations in Brazil, Argentina, Colombia and Chile ("Nufarm South America") to Sumitomo Chemical Company Limited ("Sumitomo") for \$1,188 million cash (on a cash-free, debt-free basis and subject to customary net working capital adjustments on completion) ("Transaction").

Nufarm has also extended its existing commercial agreements and entered into new commercial arrangements with Sumitomo.

#### Transaction highlights

- Sale of Nufarm South America to Sumitomo for \$1,188 million cash (on a cash-free, debt-free basis and subject to customary net working capital adjustments on completion). Nuseed assets are not included in the sale
- Price represents a multiple of c.10x FY19 Underlying EBITDA<sup>1</sup> and a multiple of c.12.3x FY19 Underlying EBITDA<sup>2</sup> after adjusting for the net costs associated with working capital management and operational FX hedging
- Nufarm confirmed as the preferred commercialisation partner for Sumitomo's proprietary fungicides Pavecto and Indiflin in Germany, Poland and the United Kingdom
- Nufarm and Sumitomo will enter into a two year supply agreement and transitional services agreement under which Nufarm will provide procurement services and continued supply of certain products to the South American businesses
- Existing Master Agreements between Nufarm and Sumitomo for product development and commercialisation extended to 2025, with a mechanism to further extend the term
- The Transaction is unanimously recommended by the Board of Nufarm<sup>3</sup> (subject to there being no superior proposal for Nufarm South America or Nufarm and, subject to an Independent Expert concluding that the Transaction is fair and reasonable to Nufarm shareholders other than Sumitomo)
- Nufarm will purchase the \$97.5m preference securities issued to Sumitomo in August 2019 at completion of the Transaction
- Completion of the Transaction targeted for 1H FY20, subject to Nufarm shareholder approval as well as competition approval by the relevant South American regulatory bodies

Further details of the Transaction are set out in the Appendix to this announcement.

Nufarm Managing Director and CEO, Greg Hunt, said, "We have a very capable management and commercial team in South America who have built a strong distribution network and loyal customer base. This is reflected in the growth and stabilisation of earnings in the business over the past five years.

<sup>1</sup> FY19 Underlying EBITDA of c.\$120 million

<sup>2</sup> FY19 Underlying EBITDA adjusted for the net costs associated with working capital management and operational FX hedging of c.\$24 million

<sup>3</sup> Sumitomo's nominee Director, Toshikazu Takasaki, did not participate in this decision

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“This Transaction represents compelling value for Nufarm shareholders and will provide an opportunity to refocus on other parts of the business where we can generate higher margins and stronger cash flow.

“The significant reinvestment we have made in our European, Nuseed and North American businesses in recent years, along with the next phase of transformation in our Australian business, is expected to deliver earnings growth and improved returns for shareholders in the coming years”.

Mr Hunt confirmed Nufarm’s relationship with Sumitomo would be further strengthened by the proposed agreement.

“Our commercial relationship with Sumitomo provides access to an attractive portfolio of proprietary products and will continue to be an important contributor to our growth. Today’s agreement extends the term of our existing relationship and provides new opportunities to build on our expanding product portfolio in Europe”.

Sumitomo Chemical Executive Vice President, Ray Nishimoto, commented, “Nufarm has built a strong distribution network in South America and this Transaction will realise value for shareholders in both companies. We look forward to continuing our long-term relationship with Nufarm as a strategic partner and major shareholder”.

Mr. Nishimoto also confirmed Sumitomo’s intention to nominate Mr. Toshikazu Takasaki for re-election to the Nufarm Board to continue to represent the interests of Sumitomo Chemical Company as a substantial shareholder in Nufarm.

Proceeds from the Transaction will be used to pay down debt, reducing leverage (net debt / Underlying EBITDA) from c.3.0x to c.0.7x, and reduce Group financing costs by c.\$60-70 million (including FX hedging costs), on a FY19 pro forma basis.

Nufarm will also undertake a review of corporate costs following completion of the Transaction to generate future savings.

### **Nufarm post the Transaction**

Following the Transaction, Nufarm will operate a diversified global crop protection business and a fast growing, proprietary seed technology business with an attractive omega-3 canola commercialisation opportunity.

The crop protection business will focus on the major agricultural markets of Europe, North America and Asia Pacific with a diverse portfolio of herbicide, insecticide and fungicide products to address growers’ needs across the crop lifecycle.

Nufarm has a growing market share in high-margin crop protection markets in Europe. The acquisition of new product portfolios in 2018 significantly expanded Nufarm’s customer offer and the opportunity to be Sumitomo’s preferred partner for the distribution of new proprietary fungicide products will further enhance Nufarm’s future European market position and earnings. Recent investments in technology systems and regional sales and management teams, combined with the transition of supply arrangements for the acquired portfolios to Nufarm control, are expected to support improved returns for Europe in the coming years.

Nufarm has a leading market position in the US turf and ornamental market and is increasing its share in the crop protection markets across the US and Canada. This is supported by a strong pipeline of new product development and recent investment in a new formulation facility in Greenville, Mississippi, that will support growth into important cropping regions in the south-eastern US states.

The Asia Pacific business includes the Australian business in which Nufarm has a longstanding number one market position. This market provides significant earnings upside exposure when the industry recovers from the impact of two years of extreme drought conditions. Nufarm expects to generate additional benefits as the next phase of its performance improvement program are realised. In addition, the Indonesian business is a strong base for the Asian operations, which are increasingly diversified with growth into new countries and crops.

Nufarm's seed technology business combines the seed treatment portfolio and the Nuseed business. Seed treatment is sold in all regions and sales relating to the South American businesses will be transferred to Sumitomo as part of the Transaction. The acquisition of the nematicide, Trunemco™, in 2019 is expected to support sales and earnings growth in North America in coming years and Australian sales are expected to increase as weather conditions improve.

With customers in more than 30 countries, Nuseed is a fast growing, high margin seeds business with growing market positions in canola, sunflower and sorghum. Nuseed applies its leading molecular capability, global genetics and industry collaboration to develop unique plant output traits with consumer benefits, such as omega-3 canola. First sales of Nuseed's proprietary omega-3 canola product, Aquaterra, are on track for the 2020 financial year and this product is expected to contribute positively to earnings from the 2021 financial year.

Nufarm will have a strong balance sheet and simplified financing arrangements, including a net debt level that addresses inherent industry volatility and supports the continued growth of the business.

### Approvals

The Transaction is subject to shareholder approval under Chapter 10 of the ASX Listing Rules, regulatory approvals and satisfaction of other conditions precedent.

Nufarm intends to propose the shareholder resolutions relevant to the Transaction at its Annual General Meeting (AGM) in December 2019. An Explanatory Memorandum, including an Independent Expert's Report, will be posted to shareholders ahead of the AGM.

Target completion is targeted for 1H FY20.

UBS AG, Australia Branch is acting as financial adviser and Arnold Bloch Leibler as legal adviser to Nufarm in relation to the Transaction. PricewaterhouseCoopers has been appointed as the Independent Expert.

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Appendix

SUMMARY OF NUFARM LATAM BUSINESS SHARE SALE AND PURCHASE AGREEMENT (“SPA”)

<p><b>Parties</b></p>	<p>Nufarm Limited</p> <p>Sumitomo Chemical Company Limited</p> <p>Other Nufarm seller entities and other Sumitomo purchaser entities</p>
<p><b>Sale Shares</b></p>	<p>All the issued shares in Nufarm Brazil, Nufarm Argentina, Nufarm Chile and Nufarm Colombia (the “<b>South American Businesses</b>”)</p>
<p><b>Purchase Price</b></p>	<p>AUD\$1,188m with a working capital and net debt adjustment at Completion</p>
<p><b>Conditions Precedent</b></p>	<ul style="list-style-type: none"> <li>• Competition approvals</li> <li>• All other regulatory and government agency approvals necessary to complete the transaction have been obtained on terms reasonably acceptable to Nufarm and Sumitomo</li> <li>• The Independent Expert concludes in their report that the transaction is fair and reasonable to the shareholders of Nufarm</li> <li>• The shareholders of Nufarm have passed all shareholder resolutions relating to the transaction that are required by the ASX and under the Corporations Act 2001 (Cth)</li> <li>• There has been no Material Adverse Change event. Material Adverse Change is defined in summary, as:             <ul style="list-style-type: none"> <li>• a change which has or is reasonably expected to have the effect of:                 <ul style="list-style-type: none"> <li>• a reduction of 15 per cent or more of assets; or</li> <li>• a reduction of 25 per cent or more of revenues (“a “<b>Material Adverse Effect</b>”); or</li> </ul> </li> <li>• the removal or suspension of Product Registration (as defined in the SPA) that would have a Material Adverse Effect;</li> <li>• the termination of any one of more of the Key Material Contracts (as defined in the SPA) that would have a Material Adverse Effect; or</li> <li>• destruction of all or a substantial part of the Nufarm Maracanaú manufacturing facilities</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• Completion of Nufarm’s pre-completion corporate restructure, which includes a transfer of relevant IP from the South American businesses to Nufarm and finalisation of licensing agreements</li> <li>• Nufarm lender consents</li> <li>• Removal of certain specified encumbrances and other pledges</li> </ul>
<p><b>Exclusivity</b></p>	<p>An extract of the exclusivity clause from the SPA is below, including relevant definitions:</p> <p><b>Definitions</b></p> <p>(1) <b>Competing Proposal</b> means any bona fide written expression of interest, proposal, offer by any third party that is not a LATAM Proposal and that involves:</p> <ul style="list-style-type: none"> <li>(a) a Control Transaction in respect of Nufarm; or</li> <li>(b) a sale or purchase of all or substantially all of Nufarm’s business and assets;</li> </ul> <p>(2) <b>Control Transaction</b> means in relation to any entity, any transaction that, if completed substantially in accordance with its terms, would result in a person other than the Purchaser and its associates (as defined in section 12 of the Corporations Act) acquiring a Relevant Interest in 50 per cent or more of the fully paid ordinary shares in the capital of Nufarm;</p> <p>(3) <b>LATAM Proposal</b> means any bona fide written proposal or offer by a third party in relation to a transaction that:</p> <ul style="list-style-type: none"> <li>(a) is the same or substantially the same as the Transaction; or</li> <li>(b) would have the same or substantially the same economic effect as the Transaction;</li> </ul> <p>(4) <b>Exclusivity Period</b> means the period commencing on the date of this Agreement and, unless otherwise agreed by the parties in writing, ending on the last to occur of:</p> <ul style="list-style-type: none"> <li>(a) the date of termination of this Agreement in accordance with the terms of this Agreement; and</li> <li>(b) Completion;</li> </ul>

## Exclusivity

### 26.1 Existing discussion

Nufarm represents and warrants that, as at the date of this Agreement, it is not engaged in any discussions or negotiations with any person about a Competing Proposal or LATAM Proposal nor has it received any approach, inquiry or expression of interest which would reasonably be expected to lead to a Competing Proposal or a LATAM Proposal.

### 26.2 No solicit

Subject to clause 26.4, during the Exclusivity Period, Nufarm shall not, and shall ensure that the Sellers, and each of Nufarm's and the Sellers' Personnel do not, directly or indirectly:

- (1) solicit, invite, encourage or initiate any enquiries, negotiations or discussions with any person in relation to a LATAM Proposal or Competing Proposal which could reasonably be expected to lead to a LATAM Proposal or Competing Proposal being made, enquired about, negotiated or discussed; or
- (2) communicate any intention to do any of the things referred to in clause 26.2(1);
- (3) approve, recommend, continue or participate in negotiations or discussions with any person regarding, or that could reasonably be expected to lead to, a LATAM Proposal or Competing Proposal being made, enquired about, negotiated or discussed, even if:
  - (a) those negotiations or discussions were not directly or indirectly encouraged, solicited, invited or initiated by a member of the Seller Group or any of its Personnel; or
  - (b) that person has publicly announced their LATAM Proposal or Competing Proposal;
- (4) enter into any agreement, arrangement or understanding of any kind (whether written or verbal, binding or non-binding, express or implied or enforceable or unenforceable) in relation to or otherwise in connection with a LATAM Proposal or Competing Proposal (whether or not a LATAM Proposal or Competing Proposal (as the case may be) has actually been made);
- (5) communicate to any person any intention to do any of the things referred to in clauses (2) and (4); or

- (6) make available to any other person or permit any other person to receive any non-public information relating to the Seller Group or any of its businesses, assets or operations, in connection with a LATAM Proposal or Competing Proposal or otherwise assist any person to formulate, develop or finalise, or assist in the formulation, development or finalisation of, a LATAM Proposal or Competing Proposal.

### **26.3 Notification of Superior Proposal**

During the Exclusivity Period, Nufarm shall promptly (and in any case, within 24 hours) notify the Purchasers in writing if any member of the Seller Group or any of its Personnel receives a Superior Proposal. A notice given under this clause need only notify the Purchasers that a Superior Proposal has been received and whether it is a LATAM Proposal or a Competing Proposal, provided that the Board certifies in writing that it has received advice from its legal and financial advisors that the criteria for a Superior Proposal are satisfied.

### **26.4 Cessation of non-solicit**

With effect on and from notification by Nufarm (in relation to a Superior Proposal), the obligations of Nufarm, the Sellers and the Sellers' Personnel cease to have any force or effect in relation to dealings with the counterparty to the notified Superior Proposal and its representatives but only to the extent such dealings relate directly to the advancement of the Superior Proposal.

### **26.5 Matching Right**

- (1) The Nufarm Board may only approve entry into binding documentation in respect of a Superior Proposal that is a LATAM Proposal if such approval is given subject to first complying with the matching right provisions set out in this clause.
- (2) Without limiting Nufarm's obligations, if the Nufarm Board proposes to resolve to enter into binding transaction documents relating to, or proposes to recommend that shareholders vote in favour of, the Superior Proposal that is a LATAM Proposal notified by Nufarm (**Rival Transaction**) subject to this clause, Nufarm shall give the Purchasers written notice (**Relevant Notice**).
- (3) A Relevant Notice shall include all the material terms and conditions (including price) of the Rival Transaction.
- (4) The Purchasers shall have the right, but not the obligation, at any time during the period of 5 Business Days after receipt of a Relevant Notice

**(Matching Right Period)**, to amend the terms of the Transaction (including by increasing the amount of consideration under, or changing the structure of, the Transaction) **(Counter Proposal)**.

- (5) If the Purchasers elect to provide a Counter Proposal under clause 26.5(4), the Directors shall review the Counter Proposal in good faith.
- (6) Where a majority of the Directors (excluding the Excluded Directors) determine that the Counter Proposal would be more favourable to Nufarm's shareholders than the Rival Transaction:
  - (a) Nufarm must immediately notify the Purchasers of this;
  - (b) the parties must use their best endeavours to, as soon as practicable, enter into the necessary documentation to give effect to the Counter Proposal; and
  - (c) Nufarm must:
    - (i) ensure that each of the Directors recommends the Counter Proposal to Nufarm's shareholders and does not recommend the Rival Transaction;
    - (ii) not enter into any agreement, arrangement or understanding that progresses the Rival Transaction; and
    - (iii) continue to comply with its obligations under this Agreement.
- (7) During the Matching Right Period, Nufarm must:
  - (a) procure that no Director (excluding the Excluded Director) changes his or her recommendation of the Transaction or (except to the extent the Director bona fide and reasonably considers the change is required by that Director's fiduciary duties) makes any public statement to the effect that he or she proposes to do so upon expiration of the Matching Right Period; and
  - (b) not enter into any agreement in relation to the Rival Transaction.



<b>Shareholder Approval</b>	<p>Nufarm is required to put shareholders resolutions to approve the Transaction at its AGM.</p> <p>Nufarm has the right to delay putting the resolutions to shareholders at the AGM if it receives a Superior Proposal prior to that time, but Nufarm would then be required to make its decision within 45 Business Days, and, if necessary call a further meeting as soon as practicable thereafter.</p>
<b>Interim Period</b>	<p>Nufarm is required to run the South American business in the ordinary course with specified restrictions on making material business decisions without prior Sumitomo consent.</p>
<b>Specific Indemnities</b>	<p>Nufarm has agreed to provide specific indemnities for:</p> <ul style="list-style-type: none"> <li>• the pre-completion restructure</li> <li>• release of inter-company agreements</li> <li>• certain environmental litigation and proceedings</li> <li>• any contamination at the Colombia property</li> <li>• ongoing tax litigation in Brazil, under the arrangements the parties will share in the risk and there is an agreed process for the management of the claims after Completion</li> </ul>
<b>Restraint</b>	<p>Nufarm is restrained for three years from engaging in any activity which is the same as or similar to, any activity engaged in by the South American Businesses (“<b>Restrained Business</b>”) within the restraint area of Brazil, Argentina, Chile and Colombia (“<b>Target Jurisdictions</b>”).</p> <p>Nufarm has undertaken that it will not, and will not procure its associates to:</p> <ul style="list-style-type: none"> <li>• operate, participate in, or promote a Restrained Business in any capacity or manner</li> <li>• make any application to register potential future Agricultural Chemicals (as defined in the SPA) or the creation or development of data for Agricultural Chemicals within the Target Jurisdictions</li> <li>• have any kind of interest in or with the Restrained Business</li> <li>• provide any goods or services to any customer of the South American businesses</li> <li>• solicit, seek or gain the custom of any person who was or is a customer of the South American business within the past 24 months</li> <li>• approach a contractor or supplier of the South American Business to encourage them to cease providing goods or services</li> <li>• represent itself as being connected in any way with the South American business</li> <li>• use a logo, mark or name that is substantially the same or deceptively similar to any intellectual property rights</li> </ul>

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	<p>owned by the South American businesses except to the extent that it is necessary to perform its obligations, or if it is a Nufarm global brand</p> <ul style="list-style-type: none"> <li>• disclose the name of any customer of the South American businesses</li> <li>• knowingly do anything that adversely affects the South American Business, or the goodwill</li> <li>• procure any person to do any of the above restrained acts</li> </ul> <p>Additionally, Nufarm is restrained from hiring any staff currently employed by the South American businesses.</p> <p>Nufarm is able to undertake future acquisitions where the business to be acquired operates in the Target Jurisdictions, provided that the portion of the acquired business in the Target Jurisdictions would account for less than 20 per cent of overall revenue of the acquired business.</p> <p>Under the restraint development activity in LATAM in relation to new global products is permitted, subject to a first right process for Sumitomo.</p> <p>The restraint no longer applies following completion of a Control Transaction.</p>
<p><b>Break Fee &amp; Reverse Break Fee</b></p>	<p>Break Fee of one per cent of the enterprise value of the South American business payable by Nufarm for:</p> <ul style="list-style-type: none"> <li>• Nufarm breach of obligations to pursue the satisfaction of the Conditions Precedent</li> <li>• Nufarm commits a material breach of the Agreement;</li> <li>• A majority of Nufarm Directors changing their recommendation</li> <li>• Nufarm accepting a Superior Proposal</li> </ul> <p>No break fee payable if the change of recommendation by Nufarm Directors results from the Independent Expert not reaching the conclusion that the transaction is fair and reasonable (unless the reason for that failure is due to a Superior Proposal).</p> <p>Reverse Break Fee of one per cent of the enterprise value of the South American business payable by Sumitomo for:</p> <ul style="list-style-type: none"> <li>• Sumitomo breaches its obligations to pursue satisfaction of conditions precedent</li> <li>• Any warranty from Sumitomo becomes untrue or incorrect in any material respect</li> <li>• Sumitomo commits a material breach of the Agreement.</li> </ul>

<b>Guarantee</b>	<p>Sumitomo has guaranteed its subsidiaries' obligations.</p> <p>Nufarm has guaranteed its subsidiaries' obligations.</p>
<b>Warranties and Indemnity</b>	<p>Nufarm has agreed to provide a package of warranties and indemnities, with associated limitations, suitable for a transaction of this nature.</p> <p>Sumitomo has taken out a W&amp;I insurance policy with a coverage limit of approximately A\$155 million.</p>
<b>Dispute Resolution</b>	<p>The governing law is Victoria and any disputes are to be determined in private arbitration in Singapore.</p>

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