ASX MEDIA STATEMENT

Incitec Pivot Limited

INNOVATION ON THE GROUND

Challenging year impacted by one-off events, good progress on strategic agenda

12 November 2019

Incitec Pivot Limited (ASX: IPL) today reported Net Profit After Tax (NPAT) of $152m for the year ended 30 September 2019, after $140m of non-recurring items (net of tax), mainly due to the impact of the one in one-hundred-year flood event in north Queensland. This compared to NPAT of $208m in FY18, or $347m excluding Individual Material Items (IMI).

Summary of results and strategic priorities

- **Zero Harm:** TRIFR of 0.80 (FY18: 0.94), progressing towards our FY21 target of 0.70.
- **Earnings Before Interest and Tax** (**EBIT**) **ex IMIs:** $303.7m, after $197m of non-recurring items (FY18: $556.7m).
- **NPAT ex IMIs:** down to $152.4m, after $140m of non-recurring items (FY18: $347.4m).
- **Earnings Per Share** (**EPS**) **ex IMIs:** down to 9.5 cents per share (FY18: 20.9 cents per share).
- **Dyno Nobel Americas:** EBIT of $234.0m, after $49m of non-recurring items, down from $278.6m in FY18. Explosives EBIT was up 13% to $194.3m, despite market constraints from prolonged wet weather and flooding. Our Quarrying & Construction business, which accounts for 40% of DNA revenues, continues to grow market share, underpinned by our premium blasting technology. Waggaman EBIT of $27.4m was down from $100.3m in FY18, impacted by manufacturing interruptions and lower ammonia prices.
- **Dyno Nobel Asia Pacific:** EBIT ex IMIs down to $179.2m from $205.4m in FY18, largely due to the $20m impact from previously announced re-basing of customer and supply contracts. The fundamentals underpinning the Australian explosives market remain strong, with accelerating adoption of technology by the mining industry driving strong demand for electronic detonation and delivery systems. The Moranbah plant performed strongly with 2H19 production a record result.
- **Continued growth in premium explosives technology:** 31% increase in volumes of Electronic Detonators in the US and 54% volume growth in Asia Pacific.
- **Fertilisers Asia Pacific:** EBIT loss of $79.7m (FY18: profit $104.6m), after $148m of non-recurring items mainly from the Queensland rail outage, following the one in one-hundred-year flood in north Queensland. EBIT was also impacted by the severe and prolonged drought on the Australian east coast.
- **Australian gas cost:** $43m net adverse movement affecting FY19 Fertilisers earnings due to the impact of higher cost Australian East Coast gas.
- **Manufacturing Excellence strategy** progressing, with $40m-$50m per annum uplift anticipated by FY22 from improved plant reliability across the Group.
- **Strategic review of Fertilisers business** initiated and progressing, with decision to sell, demerge or retain and invest, to be made in FY20.
- **Balance Sheet and Share Buy Back:** Net Debt/EBITDA ratio of 2.8x (pcp 1.6x), with completion of previously announced $300 million share buy-back in December 2018.
- **Dividend:** Final dividend of 3.4 cents per share, 30% franked. Total dividends for FY19 are 4.7 cents per share, down from 10.7 cents per share in FY18. This represents a 50% payout ratio of NPAT.

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Incitec Pivot Limited Managing Director & Chief Executive Officer Jeanne Johns said:

"While FY19 has been a challenging year with a number of non-recurring items impacting our result, the fundamentals underpinning our Explosives businesses in the Americas and Asia Pacific remain strong.

"The accelerating adoption of technology by the mining industry is driving significant demand for electronic detonation and our unique delivery systems. Our advanced Delta E emulsion system and market-leading detonators are premium technologies that are positioning us for growth.

"While growth in the US was constrained by weather, we continue to gain profitable share, reflecting the strength of our premium technology offering, as well as the strategic footprint of our assets.

"We are pleased with the progress we have made on our strategic agenda, including the roll-out of our manufacturing excellence strategy to deliver top quartile reliability across our four major plants by 2022.

"We have a clear focus on our underlying performance and driving improvements in what we can control in our Fertilisers business moving into FY20, ensuring we are well-placed to benefit when weather conditions and global commodity prices improve.

"The fundamentals underpinning our Dyno Nobel business are strong, with significant upside from our Manufacturing Excellence program and the continued rollout of premium technology."

For more information:

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