

# Incitec Pivot Limited

## MEDIA STATEMENT

### IPL 2018 HALF YEAR RESULTS

#### *Solid performance in mixed market conditions*

9 May 2018

*Incitec Pivot Limited (IPL) reported Net Profit After Tax (NPAT) of \$7.6m. NPAT excluding Individually Material Items (ex IMIs) was \$147.1m, down 3% compared to HY17.*

#### 2018 HY Summary:

- **Zero Harm:** Total Recordable Injury Frequency Rate (**TRIFR**) of 1.02 was a 7% increase during the six-month period ended 31 March 2018, while process safety incidents decreased 54% compared to the previous corresponding period (**pcp**).
- **Earnings Before Interest and Tax (EBIT) ex IMIs:** \$240.3m versus \$242.8m, down 1.0% compared to HY17.
- **NPAT ex IMIs:** \$147.1m versus \$152.1m, down 3.3% compared to HY17.
- **Earnings per Share (EPS) ex IMIs:** Down 2.2% to 8.8 cents per share, versus 9.0 cents at HY17.
- **IMIs:** Net \$139.5m of one off individually material items during the 6 months ended 31 March 2018, in relation to the goodwill write off in Dyno Nobel Asia Pacific, offset in part by the tax benefit from the restatement of US deferred tax balances.
- **Dyno Nobel Americas:** EBIT of US\$101.7m up 0.9% compared to pcp, made up as follows:
  - Explosives** – Earnings up 2.7% to US\$54.0m versus pcp, underpinned by higher volumes from sustained Quarry and Construction growth, Base & Precious Metals activity and Coal market share growth, partially offset by lower production at Cheyenne.
  - Waggaman** – Earnings up 4.6% to US\$48.0m versus pcp, reflecting the ramp up of the Waggaman, Louisiana plant (WALA) and absence of the 1H17 construction delay compensation payment of US\$35.1m.
  - Agriculture and Industrial Chemicals** – Earnings were down to a (US\$0.3m) loss due to a turnaround at St Helens.
- **Dyno Nobel Asia Pacific:** EBIT of \$100.1m up 9.3% versus pcp underpinned by robust demand in Coal and Base & Precious Metals, and strong operational performance at Moranbah.
- **Fertilisers Asia Pacific:** EBIT of \$23.3m down by 11.7% versus pcp reflecting delayed sales of ammonium phosphates into the winter crop due to dry weather across the east coast of Australia and the higher A\$:US\$ exchange rate. These factors were partially offset by higher global fertiliser prices.
- **Balance Sheet:** Net Debt of \$1.7Bn, largely unchanged versus HY17.
- **Dividend:** Interim unfranked dividend of 4.5 cents per share, representing a 51% payout ratio of NPAT ex IMIs.
- **Capital management:** The Group commenced its previously announced \$300m share buy-back and has bought back 26.1 million shares for a total consideration of \$95.4m as at 31 March 2018.

## Company Overview:

The 2018 first half result was a solid performance against a backdrop of mixed market conditions. The result was driven by a strong underlying US Explosives result, robust demand for explosives in Australia, and excellent performance from Waggaman and Moranbah. Fertilisers earnings were impacted by dry weather conditions across eastern Australia. BEx continues to deliver at a sustainable level and contributed \$11.5m in net productivity benefits in HY18.

Jeanne Johns, Managing Director & Chief Executive Officer said, "The first half EBIT before IMIs is broadly flat on last year with higher explosives volumes being offset by manufacturing downtime across several plants.

"Our Dyno Nobel Americas explosives business is well positioned in the US with all segments showing significant growth in the last half. Our compelling customer offering of advanced technology solutions and practical innovation has been rewarded with market share growth.

"The Dyno Nobel Asia Pacific explosives business has performed well underpinned by strong customer demand and operations at Moranbah. However, Western Australia has been challenged with the market oversupply of Ammonium Nitrate. We are actively working to mitigate, where possible, the impact of our volume commitments with our third-party supplier in the West and maintain our current levels of initiating systems and services. We are progressing well against these goals with the adoption of Dyno Nobel's fourth generation DigiShot® Nonel detonators by one of the largest iron ore miners.

"The performance of our Fertiliser business in the first half was impacted by low rainfall and the continued strength of the Australian dollar during the period. With the expectation of normal weather conditions in the second half, volumes are expected to be roughly in line with last year.

"In March this year, the Queensland Government selected Central Petroleum as the preferred bidder for the gas tender, dedicated to the domestic market. Our partnership with Central Petroleum and the expected successful conclusion of a Joint Venture agreement provides a foundation for a sustainable future for Gibson Island.

"Progress on interim gas for the Gibson Island Plant for the calendar year 2019 is well advanced. If an interim gas agreement was finalised, Gibson Island is likely to operate through 2019, albeit at a higher gas cost. Even though FY19 earnings will be adversely impacted, these arrangements will form a bridge to a potential long-term solution for the plant and its employees.

"The safety of our people and all our stakeholders remains our core value. Our commitment to safety is demonstrated through a 54% fall in process safety incidents for the half compared to pcp and our goal of a 30% reduction in TRIFR by end FY21. However, we will not be satisfied until we reach Zero Harm.

## Leadership and Organisation Capability:

"In January, key leadership changes were made to strengthen the Executive and provide focus on some core strategic skills. In separating the leadership of our Dyno Nobel Asia Pacific and Incitec Pivot Fertilisers businesses, additional focus was created to address the strategic challenges and opportunities of these two very different businesses.

"Technology Development has been elevated to the Executive to ensure faster technology adoption, sharing across geographies and a more robust future technology pipeline. Extra commercial focus has been added at the Executive to provide Group commercial contract governance and enhance organisational commercial capability."

## Explosives Product Technology – launch of Delta E to Asia Pacific:

Dyno Nobel Asia Pacific is set to launch a new product “Differential Energy” (**Delta E**) into the Australian and Asia Pacific explosives market. The Delta E mobile processing unit (**MPU**) has been extensively used in the Dyno Nobel Americas business and created strong customer demand for this technology.

Ms Johns said, “The ability of our practical innovation to add real value to our customers is well demonstrated with Delta E. Delta E allows for more effective “designer blasts” to provide a customized blast perfectly suited for the geology and equipment of a mine or quarry.

“The first of our Delta E MPUs, using Dyno Nobel patented technology, will be deployed shortly to the West Australian hard rock market.

“We have strong market positions in explosives and the technologies our customers need and want. We will continue to collaborate with our customers and further leverage our technology to exceed their expectations”, Ms Johns said.

### For more information:

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