

24 September 2020

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

Nufarm Limited

Materials

Underperform

NUF A\$4.47

TARGET PRICE A\$3.43

Nufarm Limited (NUF) is a crop protection and specialist seeds companies. NUF product helps farmers to protect their crops against damage caused by weeds, pests and disease. Nufarm has manufacturing and marketing operations throughout Australia, New Zealand, Asia, the Americas and Europe and sells products in more than 100 countries. The company also operates a seeds business focused on canola, sorghum and sunflower seeds.

Company Data

Number of shares	397.7M
Market Capitalisation	\$1,580M
Free float (%)	70.3
12-month high/low	\$6.94/\$3.71
Average Daily Turnover (\$m)	1.411
% S&P/ASX200	N/A
DDM Ranking	N/A
% All Ordinaries	0.08%
GICS Industry Group	Materials

Source: FactSet, Barclay Pearce Capital

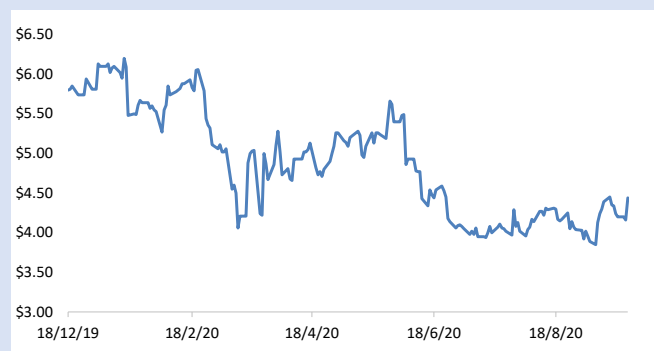
Earnings Summary (AUD)

Year end	2020A	2021F	2022F	2022F
Revenue (\$M)	2,847.4	2,953.3	3,090.4	3,114.2
EBITDA (\$M)	235.8	357.2	400.9	404.0
Reported NPAT (\$M)	-456.1	55.4	83.4	85.3
Adjusted NPAT (\$M)	-67.0	68.7	101.0	105.7
Reported EPS (c)	-24.8	11.4	19.2	22.6
Adjusted EPS (c - FD)	-3.6	17.2	25.4	22.7
Adjusted EPS growth (%)	-117.3	-571.7	48.2	-6.3
Adjusted P/E (x)	-114.3	24.2	16.3	18.3
Dividend (c/sh)	0.0	5.6	8.7	10.0
Gross yield (%)	0.0	1.9	3.0	3.4
Net yield (%)	0.0	1.4	2.1	2.4
ROIC (%)	-1.0	2.4	3.6	4.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

FY20 Results

On 23 September Nufarm Limited (NUF) announced their FY20 results with the following highlights:

- **Revenue and earnings improved momentum in 2H20 in most regions**, however there was a backdrop in EBITDA of 21% due to unfavourable seasonal conditions, foreign exchange losses and lower earnings in Seed Technologies.
- **NWC of \$143m** generated stronger cash flow despite decline and earnings
- ANZ saw strong second half and improved working capital management
 - **Higher volumes and anticipated \$10m contribution from the performance improvement program lifted revenue by 24% and underlying EBITDA by 88%;**
 - Average NWC reduced by \$190m on prior year;
- Asia projected robust performance for 2nd half
 - 1H20 impacted by drought condition in Indonesia, however revenue increased 10% with seasonal improvements;
 - Underlying EBITDA increased by 11%;
- NA also displayed strong 2H2020
 - High inventory levels in distribution channels in conjunction with improving seasonal conditions;
- Europe has reached an earnings trough
 - Decreased EBITDA by 14% due to elevated raw material costs; and
 - Revenue impacted by poor seasonal conditions in northern and eastern Europe. COVID hampered demand.

Outlook

- **Australia New Zealand:** Early indications suggest improved summer crop for 1H21, Insecticide and fungicide manufacturing facility close end CY21 to target improved sourcing costs for FY22
- **Asia:** Improved seasonal conditions in Indonesia;
- **North America:** COVID-19 uncertainty continues for Turf and Ornamental segment, New distribution agreement and product launches in USA and Canada; and
- **Europe:** Performance improvement program targeted to deliver AUD\$20-\$25m run rate by end FY22 including benefit of closure of 2,4-D synthesis in calendar year 2021.

Earnings changes

NUF's reported -24.8c EPS which compared to market expectations of -29.4c EPS. In addition, NUF provided a positive outlook regarding improved seasonal conditions. Hence, we expect to positive earnings revisions in the order of 5%

We are initiating cover on NUF with a 12-month price target of \$3.43 and with a UNDERPERFORM recommendation. The price target is underpinned by our DDM valuation.

This Research Report has been prepared by Russell Wright ("Mr Wright") in his capacity as a Corporate Authorised Representative (CAR: 422117) and issued (in Australia) by Barclay Pearce Capital Pty Ltd (ACN 634 843 735) (AFS Licence No. 503 261) ("Barclay Pearce Capital") and remains the property of Barclay Pearce Capital Pty Ltd. No material contained in this Research may be reproduced or distributed, except as allowed by the Copyright Act, without the prior written approval of Barclay Pearce Capital. This Research Report is subject to the disclosures and restrictions set out below.

Analyst Certification

The research analyst(s) identified on the cover of this report individually certify that in respect of each security or issuer that the research analyst covers that: this report accurately reflects his or her personal views about any and all of the subject issuer(s) or securities; and no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by the research analyst(s) in this report.

Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

General Disclosure

Barclay Pearce Capital and its associates (as defined in Chapter 1 of the Corporations Act 2001), officers, directors, employees and agents, from time to time, may own or have positions in securities of the company(ies) covered in this report and may trade in the securities mentioned either as principal or agent or may be materially interested in such securities.

Barclay Pearce Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Barclay Pearce Capital provides research on all ASX200 stocks as well as on other sectors (i.e. artificial intelligence, crypto currencies, food, healthcare, marijuana, mining, payment platforms and technologies) and/or entities which Barclay Pearce Capital considers to be of interest to both Barclay Pearce Capital's clients and the broader financial markets.

Disclaimer & Warning

This report may contain general advice or recommendations which, while believed to be accurate at the time of publication, are not appropriate for all persons or accounts. This report does not purport to contain all the information that a prospective investor may require. Before making an investment or trading decision, the recipient must consider market developments subsequent to the date of this document, and whether the advice is appropriate in light of his or her financial circumstances or seek further advice on its appropriateness or should form his/her own independent view given the person's investment objectives, financial situation and particular needs regarding any securities or Financial Products mentioned herein. Information in this document has been obtained from sources believed to be true but neither Barclay Pearce Capital nor its associates make any recommendation or warranty concerning the Financial Products or the accuracy, or reliability or completeness of the information or the performance of the companies referred to in this document. Past performance is not indicative of future performance. This document is not an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any Financial Product, and neither this document or anything in it shall form the basis of any contract or commitment. Although every attempt has been made to verify the accuracy of the information contained in the document, liability for any errors or omissions (except any statutory liability which cannot be excluded) is specifically excluded by Barclay Pearce Capital, its associates, officers, directors, employees and agents. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Analysts' Compensation: The research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of the analyst(s) research, client evaluation feedback, independent survey rankings and overall firm revenues, which include revenues from, among other business units and corporate finance.

Other International Investors: International investors outside the US, UK, UAE or Canada are encouraged to contact their local regulatory authorities to determine whether any restrictions apply to their ability to purchase this investment and should seek their own advice

Recipient Representations/Warranties: By accepting this report, the recipient represents and warrants that he or she is entitled to receive such report in accordance with the restrictions set out in this document and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

Meanings of Barclay Pearce Capital Stock Ratings

Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

24 September 2020

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

Valuation Methodology

Barclay Pearce Capital's methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

Conflicts of Interest

Barclay Pearce Capital does not have any material interests in the financial product discussed in this Research Report nor will it receive any benefits in relation to the publication of this Research Report. Barclay Pearce Capital manages all Conflicts of Interest in accordance with its Conflicts of Interest Policy. Please contact us if you require any further information.