

# Incitec Pivot Limited

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

## MEDIA STATEMENT

### IPL RELEASES RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2017

*Results Show Benefit of Transformation to Global Diversified Industrial Chemicals Company*

9 May 2017

IPL today reported NPAT of \$152.1m for the half year ended 31 March 2017, an increase of 11% as compared to 1H16 excluding individually material items (IMIs). Key metrics follow:

#### 2017 Half Year Summary:

- **EBIT:** \$242.8m, up 23% as compared to 1H16 excluding IMIs.
- **Zero Harm:** Step change in Employee Lost Day Severity Rate with 69 days lost to injury in the half as compared to 319 days in 1H16. Process safety incidents reduced by 64% for the 12-month period ended 31 March 2017.
- **Explosives:** Earnings up 10%. Americas US\$ EBIT up 24% driven by sustained Quarry & Construction growth and BEx initiatives; Asia Pacific up 4% underpinned by resilient Coal and Base & Precious metals demand and BEx initiatives.
- **Industrial Chemicals:** Earnings up \$60.0m, which included initial Waggaman, Louisiana operational earnings of US\$10.8m and delay damages of US\$35.1m. 83% Waggaman uptime achieved since handover on 19 October 2016.
- **Fertilisers:** Earnings down 67% in concert with global fertiliser prices which were well below long-term trend.
- **Business Excellence (BEx):** \$63.9m of net productivity benefits delivered in the half. \$225.9m of net benefits delivered since program inception in 2012.
- **Balance Sheet:** Robust balance sheet maintained; net debt unchanged period on period.
- **Dividend:** Interim unfranked dividend of 4.5 cents per share, maintaining 50% NPAT payout ratio.

#### Safety

In discussing the result, Managing Director & CEO James Fazzino first commented on safety: "IPL's safety performance continues to improve, with our focus on reducing the severity of injuries and preventing process safety incidents showing results. Though we are pleased with our progress, our Company-wide focus remains on further improving IPL's safety outcomes."

#### Transformation

Mr. Fazzino commented on IPL's transformation: "The handover of the world scale Waggaman ammonia plant in the half completed IPL's transformation from an Australian fertiliser cooperative to a Global Diversified Industrial Chemicals company. Initial earnings from Waggaman helped move Americas contribution to Group EBIT from 35% in FY16 to 53% in 1H17 (excluding corporate elimination), and Waggaman is expected to continue to influence earnings as the plant moves to full production." The plant remains on track to deliver approximately 80% uptime in FY17.

Mr. Fazzino also noted: “We have achieved the rare outcome of growing IPL through two major strategic, shareholder value-adding projects, Waggaman in the US and Moranbah in Australia, while at the same time achieving year-on-year productivity benefits through BEx, which has delivered \$225.9m of post-inflation benefits to date. During this period, strong financial discipline ensured IPL maintained its investment grade balance sheet.”

### **1H17 Performance**

Mr. Fazzino said that the 11% NPAT growth achieved in the half was largely a result of IPL’s transformation and its ability to address the cyclical and structural changes in the resources and fertiliser markets, demonstrating strategic management control.

“Cyclical lows in global commodity prices were a \$48.5m negative in terms of EBIT as compared to 1H16, but were offset by \$63.9m in productivity savings achieved through BEx. In our Explosives end market, structural changes in the US coal sector have been managed through a strategic pivot to the Quarry & Construction segment which grew 5% in terms of volume versus 1H16 and comprised 39% of Americas revenue. Going forward, our Quarry & Construction business is well positioned to benefit from US Government infrastructure programs.”

Mr. Fazzino said that “IPL has established a solid platform for the future with a focus on business improvement under BEx, financial discipline, capital management and increased returns from IPL’s existing asset base.”

“In particular, BEx has created a unique culture within IPL, with safety and continuous improvement at its core. BEx has changed the way work is conducted and changed the way leaders take up their role in IPL. Diversity is also a key focus. In relation to gender diversity, women now comprise 33% of IPL’s Executive Team and 27% of senior management (up from 13% and 16% respectively in 2012).”

### **Australian Gas Supply**

Mr. Fazzino commented that IPL applied strategic foresight to securing gas for its domestic manufacturing plants.

“We identified – and warned – six years ago about the looming Australian energy crisis. In November 2015 we took action to secure new gas supply from a new gas supplier for our Phosphate Hill plant. The 10-year contract, which will commence on completion of the Northern Gas Pipeline (expected in late 2018), will result in a \$55m per annum reduction in gas costs as compared to gas costs at the time of announcement.”

“We continue to look at options for the Gibson Island plant, and are participating in the Queensland Government’s innovative tender process. This tender is subject to a condition that the gas extracted from the tenements be supplied exclusively to the domestic market. With this condition, the Queensland Government has developed an initiative that has the potential to bring new sources of gas, new gas producers and economic gas to sustain Queensland gas users in a timely manner, albeit the process is in its nascent stages.”

In addition, Federal Government action to ‘put Australian gas customers first’ has the potential to provide a bridge between current contracts and new gas supply.

### **Outlook**

Mr. Fazzino described the outlook as positive. “In the near term, IPL is well positioned as Waggaman moves to full production, Quarry & Construction potentially gains further momentum and the benefits of recent Coal sector market share gains in the Americas are realised. With respect to Fertilisers, well-above average demand experienced in Australia in 1H17 is expected to continue into the second half, underpinned by encouraging agronomic conditions and improved water storage levels. It should be noted that spot prices on 31 March 2017 were above IPL’s average realised 2H16 prices.

IPL Chairman Paul Brasher endorsed Mr. Fazzino’s comments and said “James and his team have continued to do an excellent job in producing the result we have released today. The strategy we announced previously remains intact, namely a period of consolidation, with a combination of balance sheet de-levering and increasing returns to shareholders.”

Mr. Brasher also provided an update on CEO succession: “The CEO succession process is progressing, with a successor to Mr. Fazzino expected to be in place by the end of 2017. In addition, as evidenced by the results announced today, our US operations continue to grow in significance, supporting our intention to add US based experience to the Board during the year.”

**For more information:**

A link to IPL's 1H17 Results Presentation webcast can be found on IPL's website: [www.incitecpivot.com.au](http://www.incitecpivot.com.au).

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