

Bowen Basin, Queensland  
Australia



# Financial Results

Half year ended 31 March 2017

**Incitec Pivot Limited**

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

ASX: IPL  
US ADR: INCZY

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Incitec Pivot Limited

ABN 42 004 080 264



# Incitec Pivot Limited

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

## Half Year in Review

Half year ended 31 March 2017

*James Fazzino Managing Director & CEO*

Waggaman, Louisiana  
USA



# Zero Harm

Zero Harm for Everyone, Everywhere is IPL's number one priority

Long term target to reduce TRIFR to less than 1.0 set in 2012<sup>1</sup>

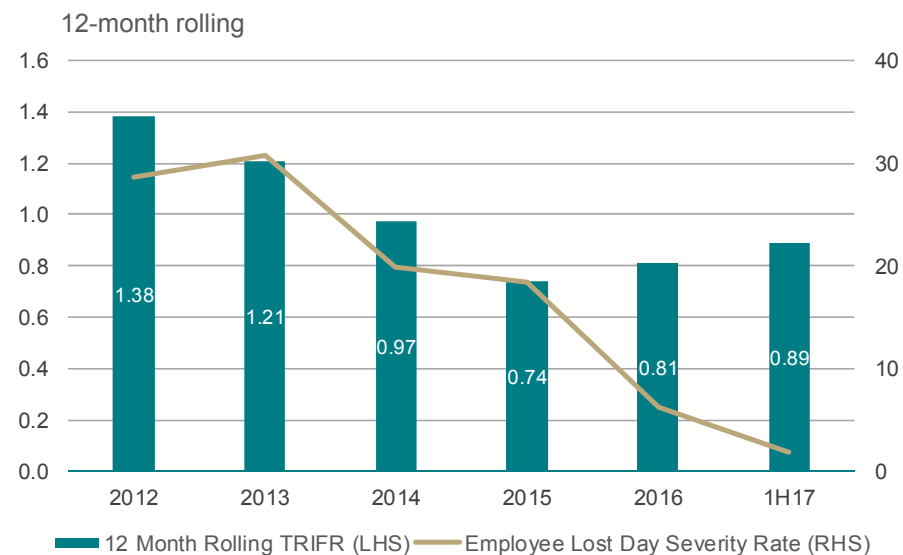
- 12-month rolling TRIFR as of 31 March 2017: 0.89<sup>2</sup>
- 36% reduction since setting target
- 93% reduction in Employee Lost Day Severity Rate over the same period<sup>3</sup>

Process Safety

- 64% reduction in process safety incidents in the 12-months ended 31 March 2017<sup>4</sup>

Notwithstanding progress, focus remains on further improving performance

### TRIFR and Employee Lost Day Severity Rate



**Focus on Severity of Injuries and Process Safety**

1. TRIFR calculated as the number of recordable injuries per 200,000 hours worked; includes contractors.

2. Subject to finalisation of the classification of any pending incidents.

3. Employee Lost Day Severity Rate calculated as the number of employee lost work days per 200,000 hours worked represented in days; does not include contractors.

4. Tier 1 and Tier 2 process safety events as defined by the Center for Chemical Process Safety. 12-month statistics shown, as dataset for longer periods is not available.

# 1H17 Overview

## NPAT of \$152.1m, up 11% versus 1H16 NPAT ex IMIs<sup>1</sup>

- EBIT of \$242.8m, up 23% versus 1H16 EBIT ex IMIs

## Strong performance across downstream businesses

- **Explosives:** Record earnings with Americas US\$ EBIT up 24% and Asia Pacific up 4%
- **Industrial Chemicals:** Earnings up \$60m with initial Waggaman contribution<sup>2</sup>
- **Fertilisers:** EBIT down 67% in line with global prices which were well below long-term trend

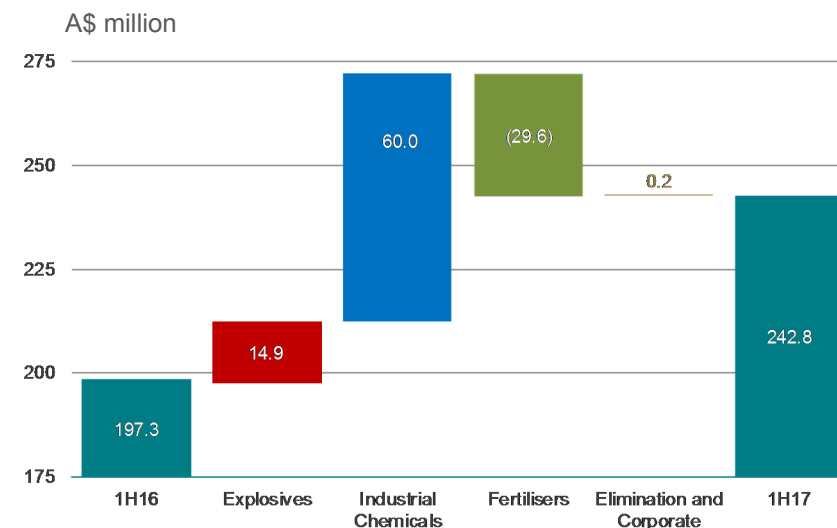
## Strong upstream manufacturing performance

- 83% Waggaman uptime; compares favourably to benchmarks of newly commissioned plants
- Cheyenne running at near record production rates in final year of a 4-year turnaround cycle<sup>3</sup>

## \$63.9m of BEx productivity benefits delivered<sup>4</sup>

- BEx OFI successful<sup>5</sup>
- Highlights growing momentum of IPL's continuous improvement system

## Group movements in EBIT



**Strong Performance Across Upstream and Downstream Businesses**

1. IMIs: Individually material items

2. Waggaman earnings include delay damages of US\$35.1m as disclosed on 18 January 2017.

3. First 4-year turnaround cycle for Cheyenne; ability to lengthen interval from three years underpinned by BEx (see footnote 3).

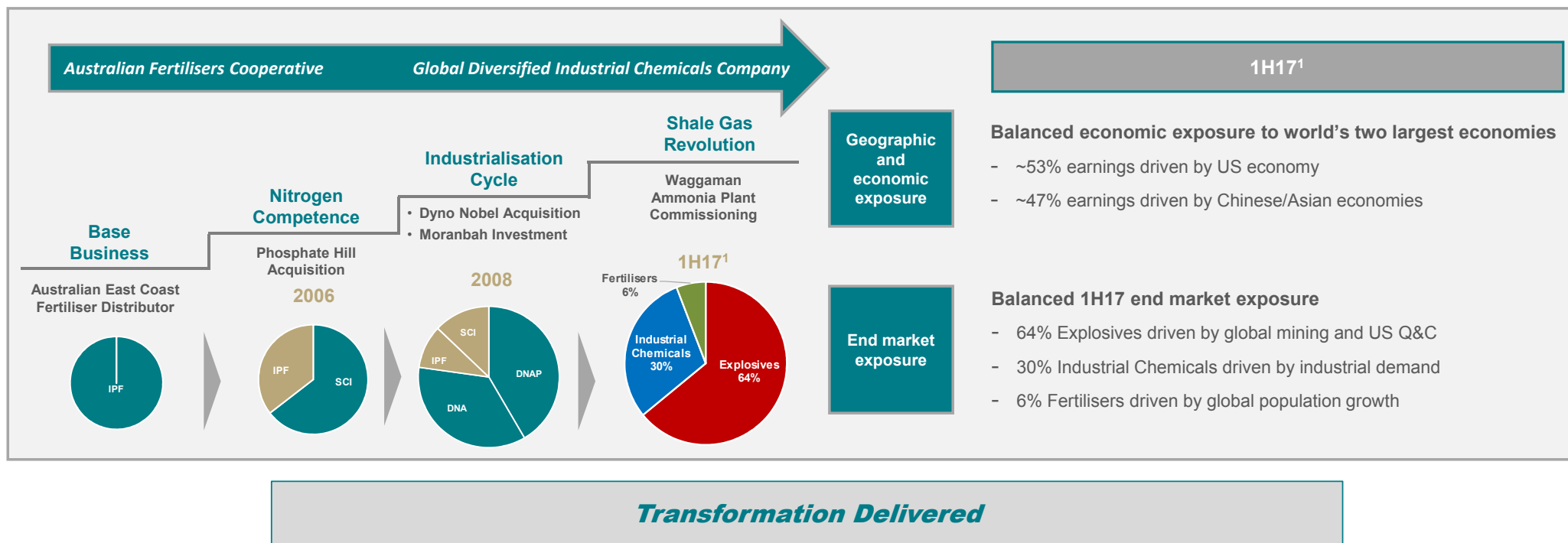
4. BEx: Business Excellence, IPL's continuous and focused improvement system based on Toyota Production System.

5. BEx OFI: BEx Organisation Focused Improvement program announced in 2016.

# Transformation

## Transformation to Global Diversified Industrial Chemicals company complete

- Initial Waggaman earnings helps move Americas contribution to 53% and Industrial Chemicals earnings to 30% of Group EBIT<sup>1</sup>



1. Refer Slide 21.

# Strategy and Near Term Priorities

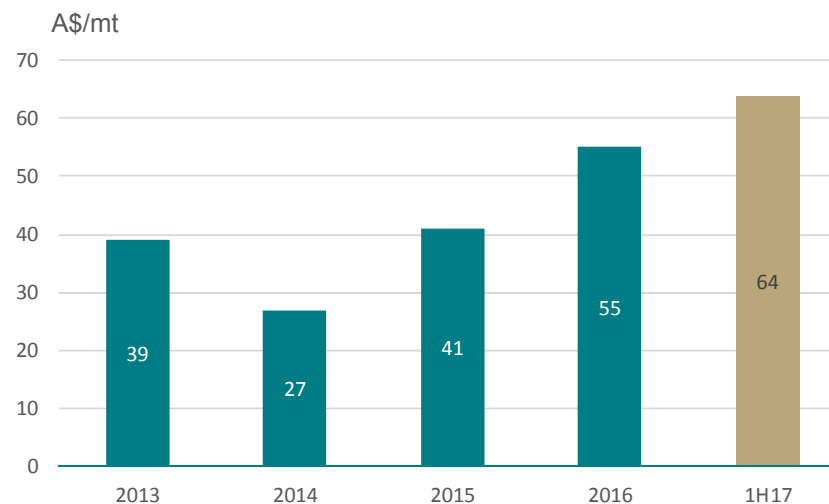
## 2017 priorities

- Commission Waggaman
- Deliver step change in efficiencies through BEx
- De-lever balance sheet

## 2018 and 2019 Priorities

- Take Waggaman uptime to 100%+ of nameplate capacity<sup>1</sup>
- Leverage US growth (particularly Q&C)
- Deliver next phase of efficiency through BEx
- Increase shareholder returns
- Earn right to grow

## Net BEx Productivity Benefits - \$226m since 2013<sup>2</sup>



***Strategy and Priorities Unchanged***

1. 800,000 metric tonne (mt) per annum (pa) nameplate capacity.

2. After annual cost escalation of ~\$45m per annum.

# ESG & Diversity

## ESG is a key management focus<sup>1</sup>

- 12% improvement in DJSI rating between 2015 and 2016
- 20% above Chemicals Sector average in 2016

## Gender diversity is also a key focus

- Executive Team 33% women from 13% in 2012
- Senior Management 27% women from 16% in 2012<sup>2</sup>
- Management 22% women from 14% in 2012<sup>3</sup>
- Global Workforce 16% women from 14% in 2012

1. ESG: Environmental, Social and Governance.

2. Executive Team +1.

3. Executive Team +1,2,3.

## Dow Jones Sustainability Index (DJSI)

Score out of 100; calendar year

IPL Group						
Dimension	2011	2012	2013	2014	2015	2016
Economic	61	59	70	65	67	74
Environmental	50	51	59	60	51	60
Social	45	63	68	67	63	65
<b>IPL</b>	<b>51</b>	<b>58</b>	<b>66</b>	<b>64</b>	<b>60</b>	<b>67</b>
<b>Chemicals Sector Average</b>	<b>57</b>	<b>55</b>	<b>52</b>	<b>55</b>	<b>58</b>	<b>56</b>



# Incitec Pivot Limited

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

## Financial Performance

Half year ended 31 March 2017

*Frank Micallef Chief Financial Officer*

Phosphate Hill  
Queensland, Australia



# Group Financial Performance

## Strong financial performance through cyclical low

- Group EBIT up \$45.5m or 23% versus 1H16 ex IMIs
- NPAT up \$15.0m or 11% versus 1H16 ex IMIs

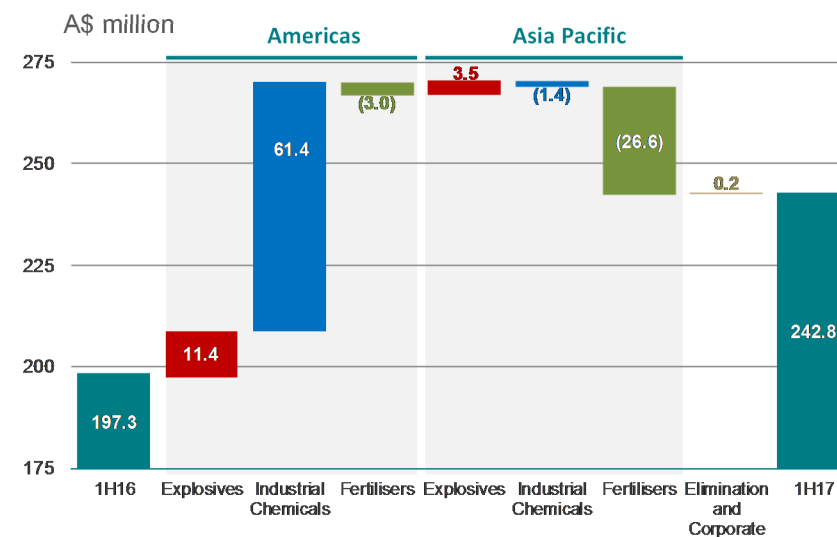
## Recovery across Explosives and Industrial Chemicals

- **Explosives:** EBIT up 10% with strong underlying dynamics
- **Industrial Chemicals:** EBIT up \$60m through initial Waggaman earnings including US\$35.1m of delay damages<sup>1</sup>

## Fertiliser prices weighed on earnings, but are also showing signs of recovery

- **Fertilisers:** EBIT down 67% versus 1H16; however 31 March 2017 spot prices were above 2H16 average

## Group EBIT movements



1. As disclosed on 18 January 2017.

# Americas

EBIT up US\$54.3m versus 1H16

**Explosives:** Strong performance, with EBIT up 24% versus 1H16

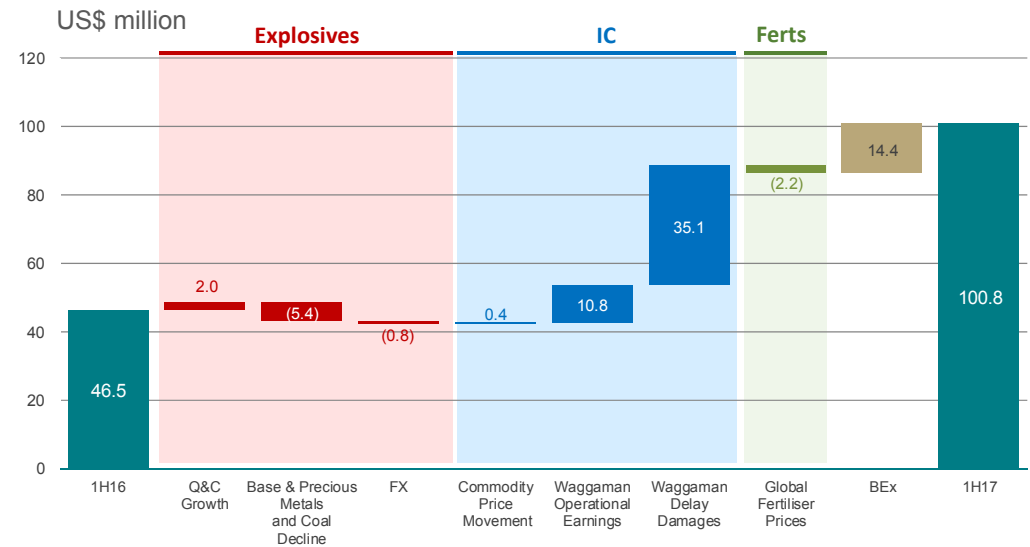
- Q&C remains primary growth driver, with volume up 5%
- Coal performance encouraging and will benefit from recent market share gains
- US\$14.4m delivered through BEx

**Industrial Chemicals:** EBIT up US\$46.3m

- Waggaman operational earnings of US\$10.8m
- Waggaman delay damages of US\$35.1m

**Fertiliser:** EBIT down US\$2.2m with prices major factor

Americas EBIT movements



# Waggaman Production

## 83% uptime achieved in 1H17<sup>1</sup>

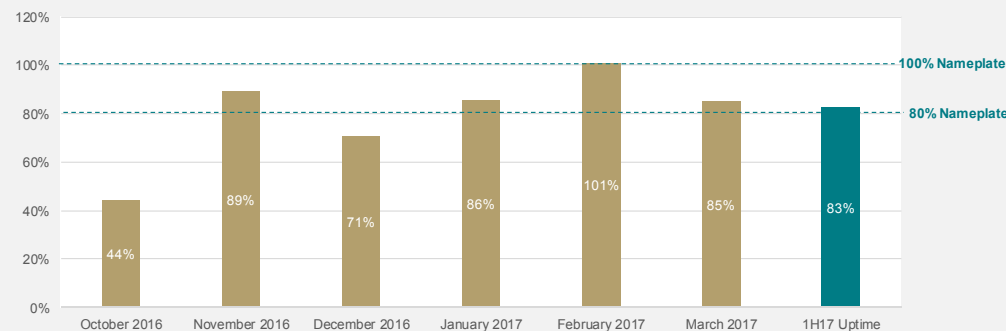
- Frequency and duration of outages improving as plant matures

## ~80% FY17 target unchanged

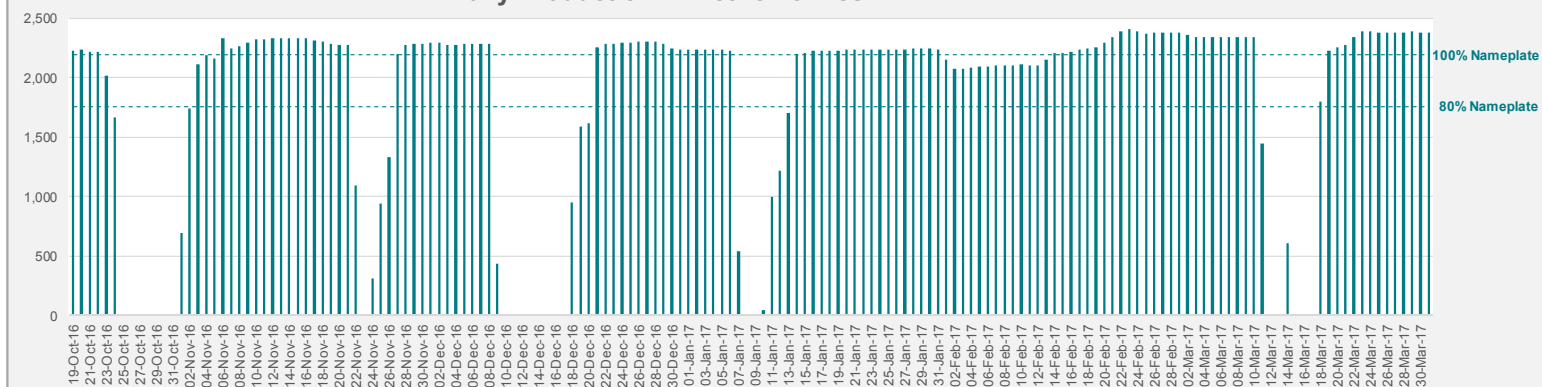
- "Pit Stop" planned for 2H17

WALA Production			
Month	Production (mt)	Nameplate (mt)	Uptime (%)
October 2016	12,591	28,493	44.2%
November 2016	58,515	65,753	89.0%
December 2016	47,954	67,945	70.6%
January 2017	58,118	67,945	85.5%
February 2017	62,052	61,370	101.1%
March 2017	57,857	67,945	85.2%
<b>1H17 Uptime</b>	<b>297,088</b>	<b>359,452</b>	<b>82.7%</b>

Monthly Uptime<sup>1</sup>



Daily Production in Metric Tonnes



1. Uptime calculated against an 800,000 metric tonne (mt) per annum (pa) nameplate capacity; from plant handover on 19 October 2016.

# Waggaman Earnings

**Total earnings of US\$45.9m with the following components:**

**Operational earnings US\$10.8m**

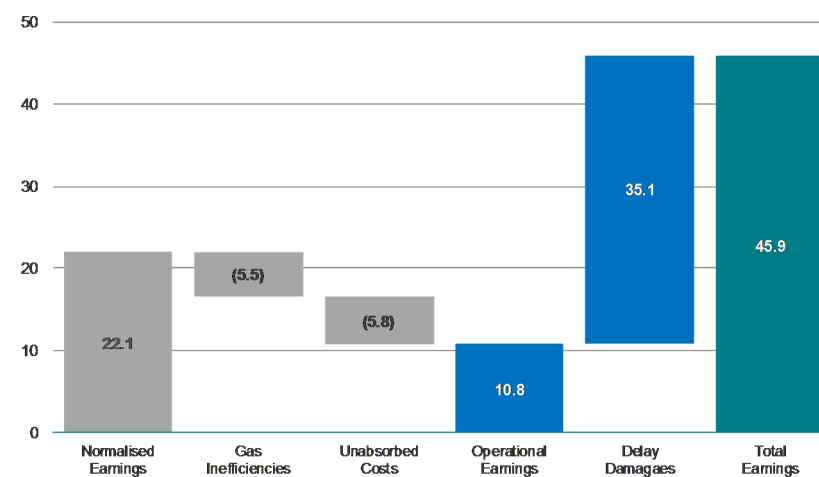
- After US\$5.5m of gas inefficiencies associated with plant running below nameplate, and
- After US\$5.8m of unabsorbed costs associated with plant running below nameplate

**Delay damages of US\$35.1m as disclosed on 18 January 2017**

- A\$29.1m after tax<sup>1</sup>

## Waggaman Earnings

US\$ million



1. Based on US statutory tax rate of 38.5% and realised A\$/US\$ exchange rate of 0.743 specific to Waggaman.



# Asia Pacific

## EBIT down \$24.5m versus 1H16

### Explosives: Sound performance

- EBIT up 4% despite Moranbah turnaround
- Resilience underpinned by sustained Bowen Basin met coal demand and privileged position of Moranbah plant

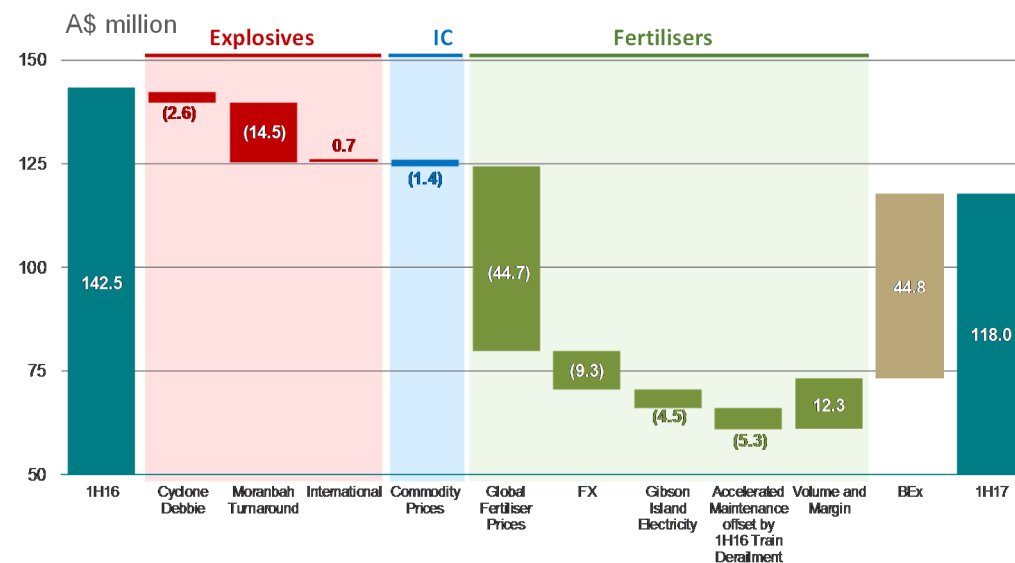
### Industrial Chemicals: EBIT down \$1.4m

- In line with decline in commodity prices

### Fertiliser: EBIT down 66% with prices major factor

- 19% decline in DAP and 4% decline in urea realised prices vs 1H16
- Strong volume growth reflecting robust agronomic conditions
- Benefit of recent price recovery expected to be realised in second half, 31 March 2017 spot prices currently above 2H16 average

## Asia Pacific EBIT movements



# Balance Sheet

## Strong balance sheet maintained through Waggaman spend and cyclical lows

- Net debt flat versus 1H16<sup>1</sup>
- \$804m of undrawn facilities

## Credit metrics remain inside target ranges

- Net Debt / LTM EBITDA: 2.4x
- Interest Cover<sup>2</sup>: 7.9x

## Metrics underpin investment grade credit ratings; outlook upgraded since FY16

- **S&P rating:** BBB revised upward to stable outlook on 6 December 2016
- **Moody's rating:** Baa3 revised upward to positive outlook on 19 January 2017

## Free cash flow profile positioning IPL for de-levering and increased returns to shareholders

- Underpinned by Waggaman earnings potential
- Cash flow historically second half biased

## Interim unfranked dividend of 4.5 cps

- Maintains 50% NPAT payout ratio, ex IMIs

## Credit Metrics

As at 31 March 2017

IPL Group	Maturity (CY)	Facility Amount	Drawn Amount	Undrawn Amount
<b>A\$m</b>				
Syndicated Term Loan A	2018	568.0	427.8	140.2
Syndicated Term Loan B	2018	592.7	583.6	9.1
Medium Term Notes	2019	200.0	200.0	0.0
144A/Regulation S Notes	2019	1,046.6	1,046.6	0.0
Syndicated Revolver	2021	654.2	0.0	654.2
<b>Total Debt</b>		<b>3,061.5</b>	<b>2,258.0</b>	<b>803.5</b>
Fair Value and Other Adjustments			5.2	
Loans to JVs, Associates / Other Trade Loans			17.7	
Cash and Cash Equivalents			(90.1)	
Fair Value of Hedges			(453.2)	
<b>Net Debt<sup>1</sup></b>			<b>1,737.6</b>	
LTM EBITDA ex IMIs <sup>2</sup>			723.3	
<b>Net Debt / LTM EBITDA ex IMIs</b>			<b>2.4x</b>	

1. Net Debt aggregates interest bearing liabilities plus the fair value of derivative instruments in place economically to hedge the Group's interest bearing liabilities, less available cash and cash equivalents.

2. Interest cover calculated as average LTM EBITDA / net interest expense before accounting adjustments.

# EBIT Sensitivities

## IPL's earnings are sensitive to external influences

- Global fertiliser prices and foreign exchange are key factors
- Natural gas and ammonia prices are also important factors

## EBIT sensitivities

FY16 EBIT Sensitivities	
<b>Americas</b>	
Urea (FOB NOLA) <sup>1</sup>	+/- US\$10/mt = +/- US\$1.7m
Americas ex-Waggaman FX earnings translation <sup>2</sup>	+/- US\$0.01 = +/- A\$2.2m
Waggaman FX earnings translation	EBIT is US\$-denominated and subject to translation movements
Ammonia (CFR Tampa) <sup>3</sup>	+/- US\$10/mt = +/- US\$6.1m
Henry Hub Natural Gas <sup>3</sup>	+/- US\$0.10/mmbtu = +/- US\$2.0m
<b>Asia Pacific</b>	
Urea (FOB Middle East) <sup>4</sup>	+/- US\$10/mt = +/- 4.7m
DAP (FOB Tampa) <sup>5</sup>	+/- US\$10/mt = +/- A\$13.8m
FX transactional (DAP / urea) <sup>6</sup>	+/- US\$0.01 = +/- A\$8.0m

1. Based on 165,000mt of urea equivalent sales (St Helens nameplate).

2. Based on actual FY16 Americas EBIT of US\$118.2m and an average realised exchange rate of A\$/US\$ 0.7359.

3. Based on 640,000 mt of ammonia sales (80% Waggaman nameplate capacity).

4. Based on 347,000 mt of urea equivalent sales (Gibson Island actual FY16 sales) at FY16 average realised exchange rate of A\$/US\$ 0.7393.

5. Based on 1,017,300 mt of ammonium phosphate sales (Fertilisers actual FY16 sales) and FY16 average realised exchange rate of A\$/US\$ 0.7393.

6. Based on ammonium phosphate and urea volumes and prices noted in footnotes 4 and 5, excluding impact of hedging.

# Incitec Pivot Limited

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

## Outlook

Half year ended 31 March 2017

*James Fazzino Managing Director & CEO*



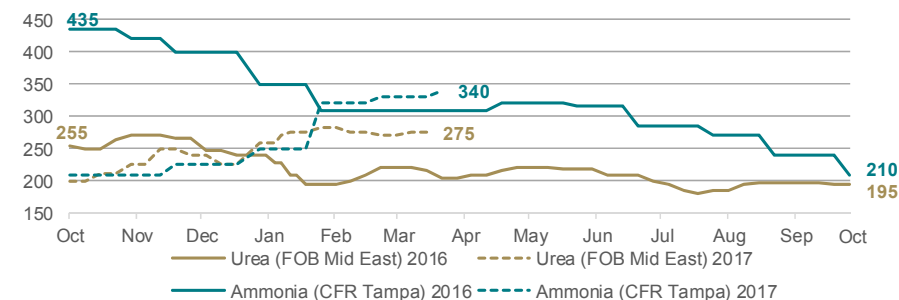
White Rock Quarry  
Miami, Florida  
USA

# Outlook Improving

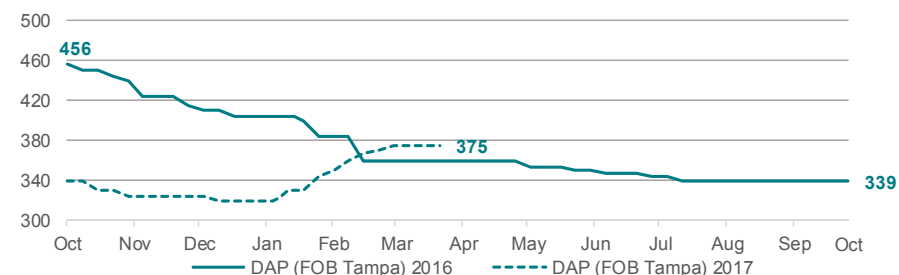
## Signs of recovery across business

- **Explosives:**
  - Americas:** Growth in Q&C and Coal market share gains encouraging<sup>1</sup>
  - Asia Pacific:** Resilience underpinned by sustained Bowen Basin met coal demand and privileged position of Moranbah plant
- **Industrial Chemicals:** Operational earnings expected to grow as Waggaman production increases
- **Fertilisers:** DAP and urea spot prices on 31 March 2017 above 2H16 levels

### FY16 vs FY17 Nitrogen Prices<sup>2</sup>



### FY16 vs FY17 DAP Prices<sup>3</sup>



**Signs of Recovery Across External Markets**

1. Q&C: Quarry & Construction.  
 2. US\$/mt; Source: Bloomberg.  
 3. US\$/mt; DAP: Diammonium Phosphate. Source: Bloomberg.



# Outlook Improving

## Second half market conditions improving

- US Q&C and Coal
- Australian mining resilient
- Australian fertiliser volumes

## Upside potential exists

- BEx on track to deliver \$100m+ in cash benefits by end of FY17
- Commodity prices at or near cyclical lows
- Continued US Q&C growth underpinned by US\$305Bn highway spending bill

## Louisiana ramp up

- ~80% FY17 uptime targeted
- “Pit stop” to be completed in second half

## Earn the right to grow

- De-lever balance sheet
- Increase shareholder returns

**Incitec Pivot Limited**

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

## **Appendix A – IPL**

Half year ended 31 March 2017

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# IPL Today

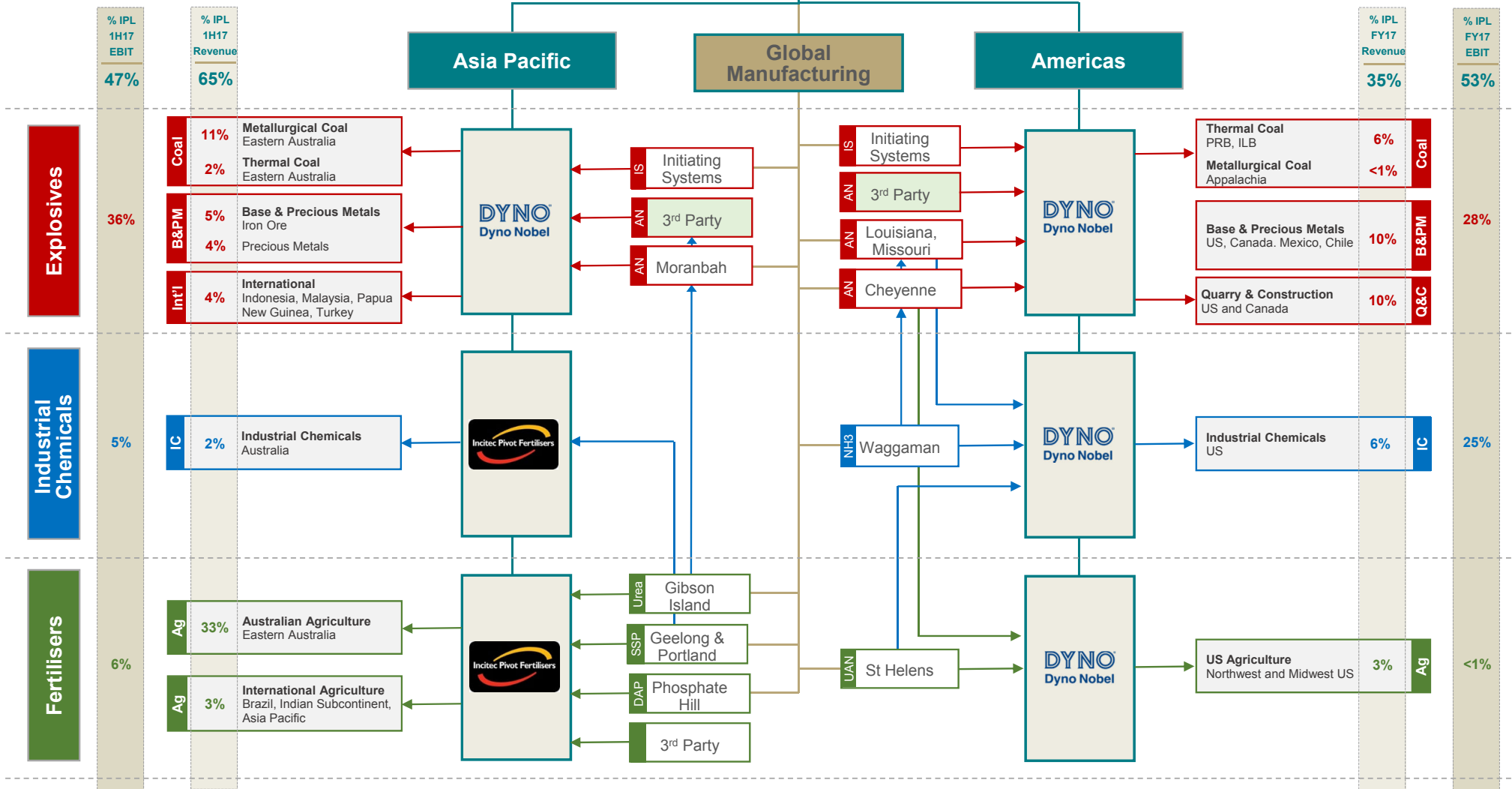
## Incitec Pivot Limited GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

Legend - excludes corporate elimination

Sector	Primary Name
Coal	Moranbah
End Market Primary Region	

AN - Ammonium nitrate  
NH3 - Ammonia  
DAP - Diammonium Phosphate  
SSP - Single Super Phosphate

PRB - Powder River Basin  
ILB - Illinois Basin  
IS - Initiating Systems  
B&PM - Base & Precious Metals



Note: Excludes corporate elimination.

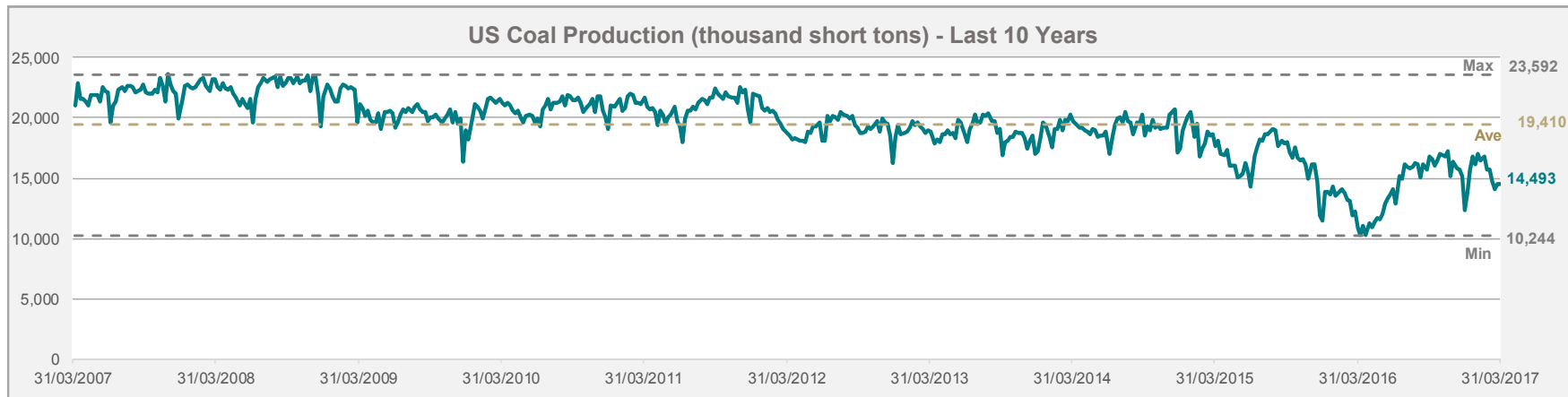
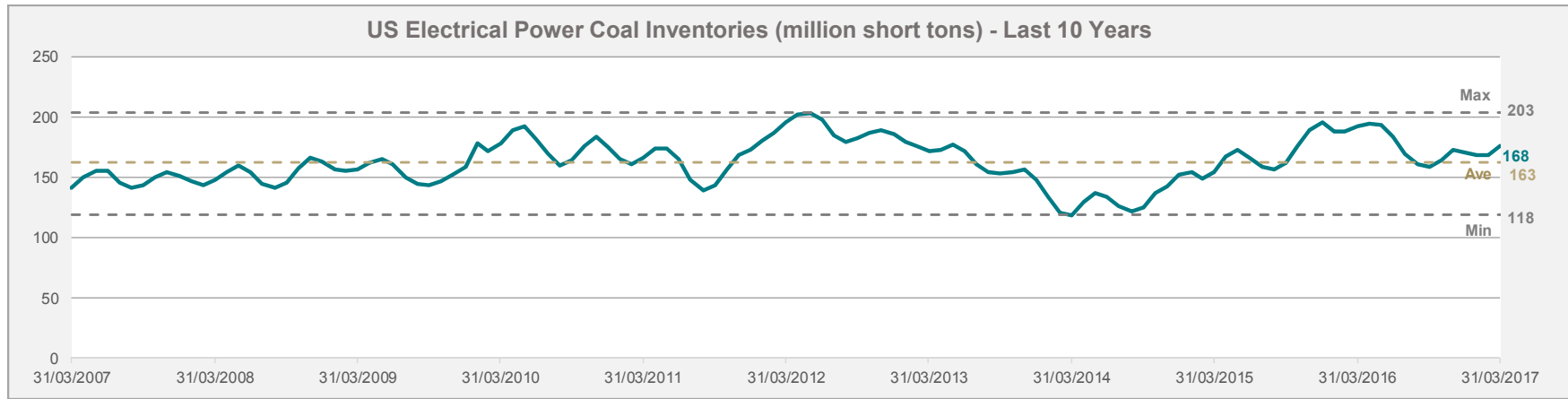
**Incitec Pivot Limited**

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## **Appendix B – Commodity Statistics**

Half year ended 31 March 2017

# US Coal Inventories and Production

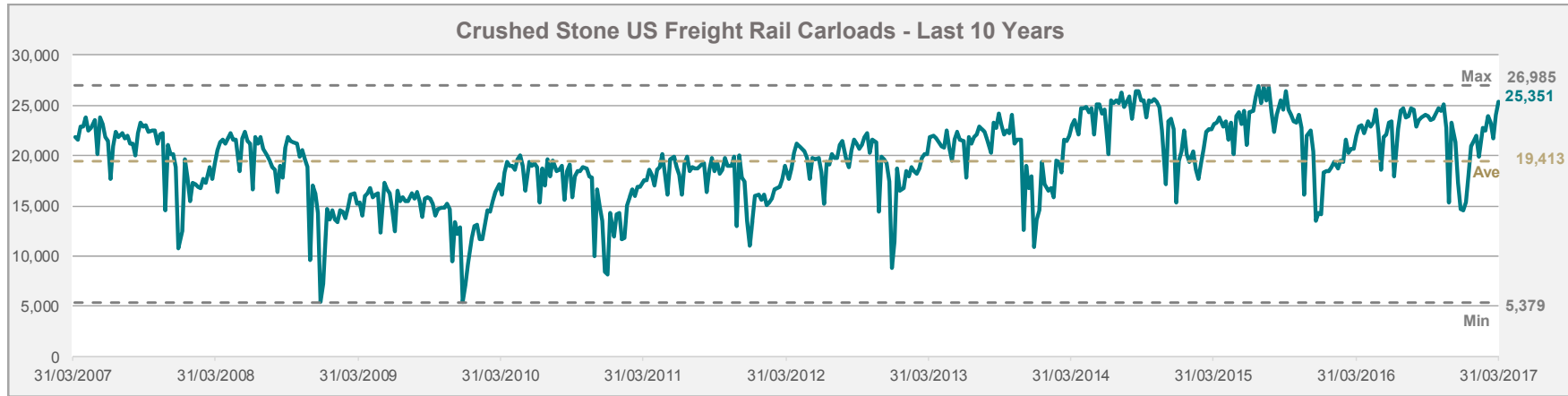


Source: Bloomberg.

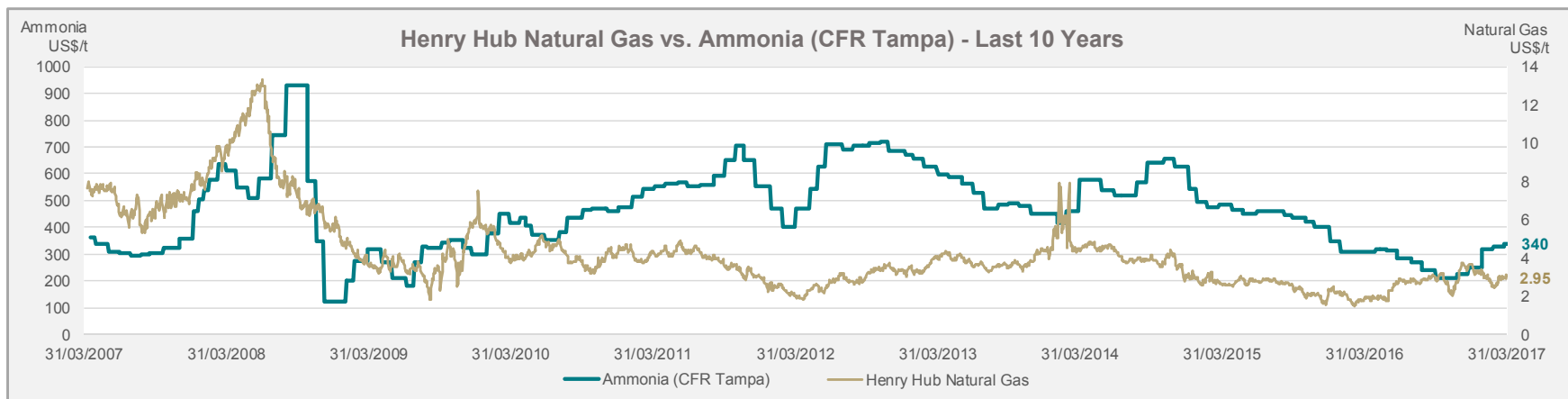
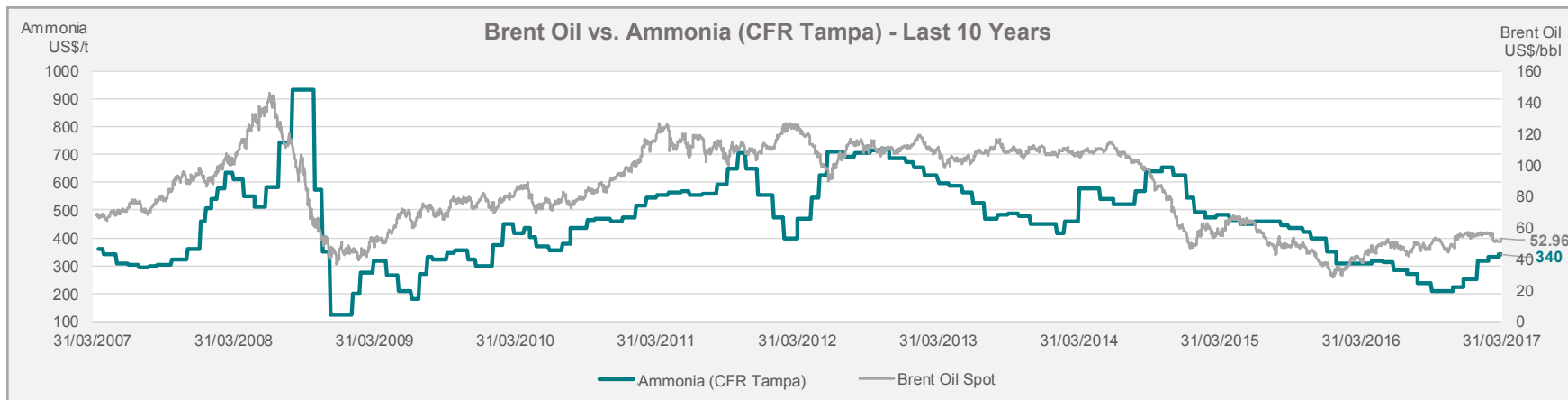


# US Crushed Stone Freight Rail Carloads

Explosives

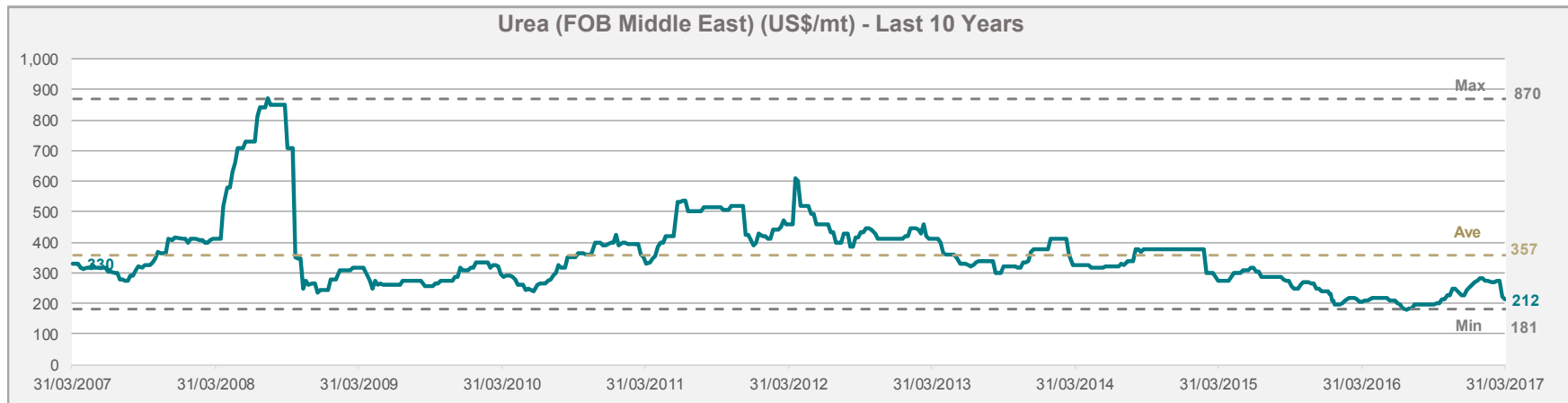
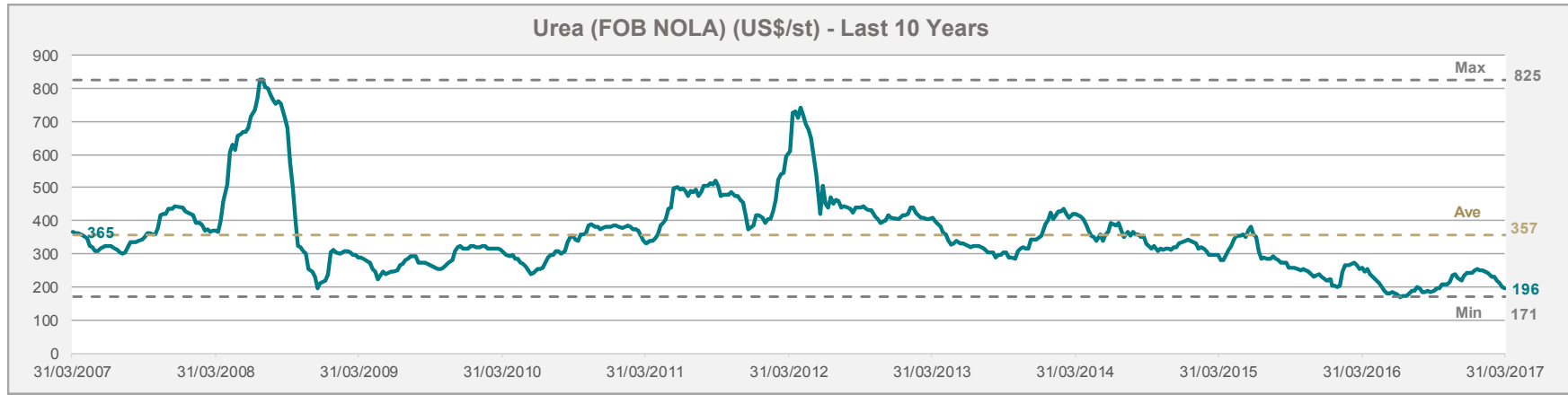


# US Ammonia Spreads



Source: Bloomberg.

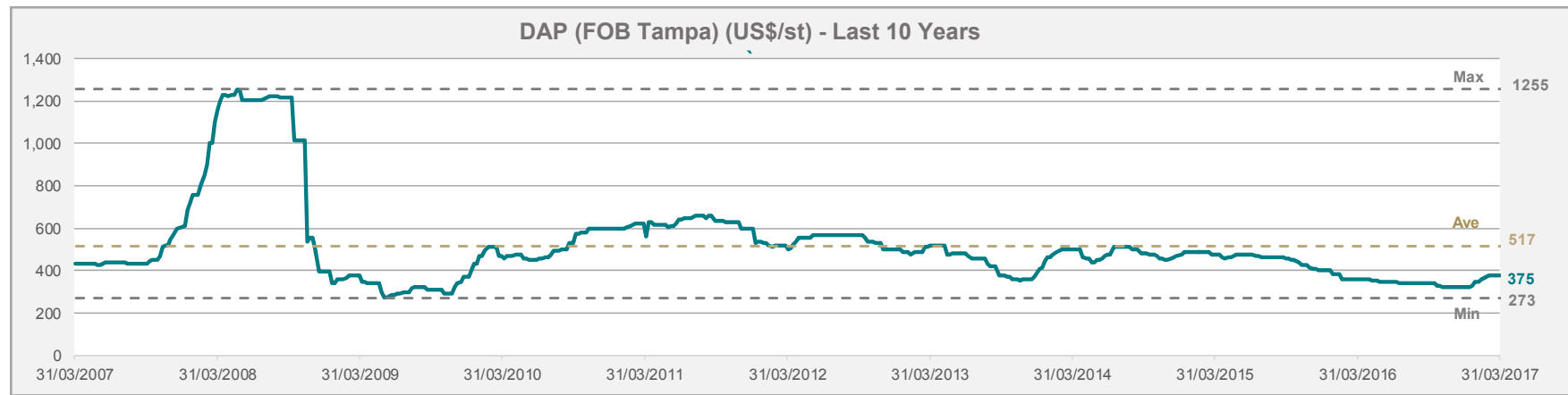
# Global Urea Benchmark Pricing



Source: Bloomberg.

# Global Diammonium Phosphate Benchmark Pricing

Fertilisers



Source: Bloomberg.

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# Appendix C – Company Overview

Half year ended 31 March 2017





# IPL – At a Glance

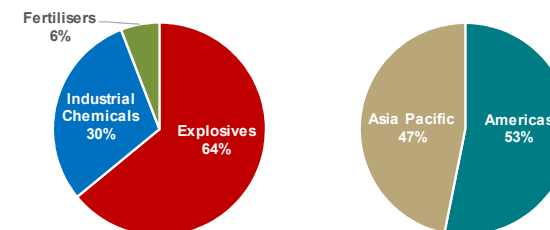
IPL is a global diversified industrial chemicals company

- Safety**
  - Zero Harm for Everyone, Everywhere is IPL's number one priority
  - 36% reduction in TRIFR since 2012
  - 93% reduction in Employee Lost Day Severity Rate over the same period
- Global**
  - Global operations via Dyno Nobel and Incitec Pivot Fertilisers
  - Primary operations in North America and Asia Pacific
  - ~4,500 employees worldwide
- Diversified**
  - Balanced end market earnings exposure<sup>1</sup>
  - ~64% Explosives driven by global mining and US Q&C
  - ~30% Industrial Chemicals driven by US industrial demand
  - ~6% Fertilisers driven by global population growth

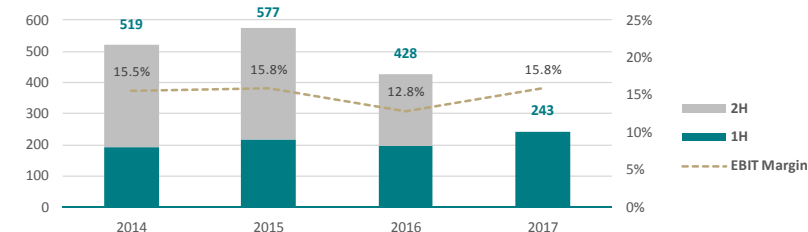
<b>Industrial Chemicals</b>	<b>Explosives</b>	 <ul style="list-style-type: none"> <li>#2 provider by volume in North America</li> <li>#2 provider by volume in Australia</li> </ul>
	<b>Industrial Chemicals</b>	  <ul style="list-style-type: none"> <li>Major North America ammonia producer</li> <li>- Expected to contribute ~4% of 2017 consumption<sup>2</sup></li> </ul>
	<b>Fertilisers</b>	 <ul style="list-style-type: none"> <li>#1 manufacturer in Australia</li> <li>#1 distributor in Australia; 50+% east coast market share<sup>3</sup></li> </ul>

- Manufacturing**
  - Operates 7 major nitrogen and 6 initiating systems plants
  - World scale Waggaman ammonia plant completed on time and under budget
  - BEx has delivered \$226m in net productivity benefits to date<sup>4</sup>
- Financial**
  - Strong balance sheet and cash flow profile
  - 1H17 revenue of \$1.5Bn; NPAT of \$152.1m
  - Investment grade credit rating from S&P and Moody's
  - Major capex related to Waggaman construction completed in FY16

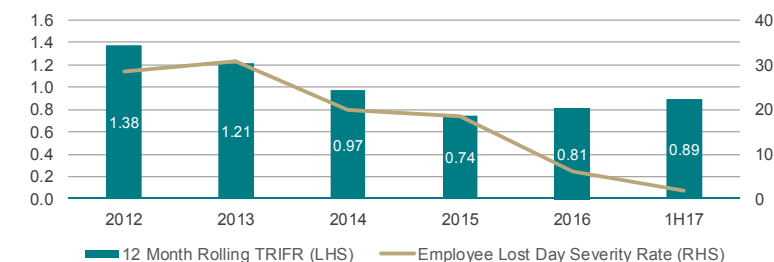
1H17 EBIT by End Market and Region<sup>1</sup>



EBIT and EBIT Margin



Zero Harm<sup>5</sup>



1. Refer slide 21.  
 2. Source: CRU as of December 2016; North America comprises US and Canada.  
 3. Source: IBIS World Industry Report - Fertiliser Manufacturing in Australia (July 2015).

4. Refer slide 8.  
 5. Refer slide 5.

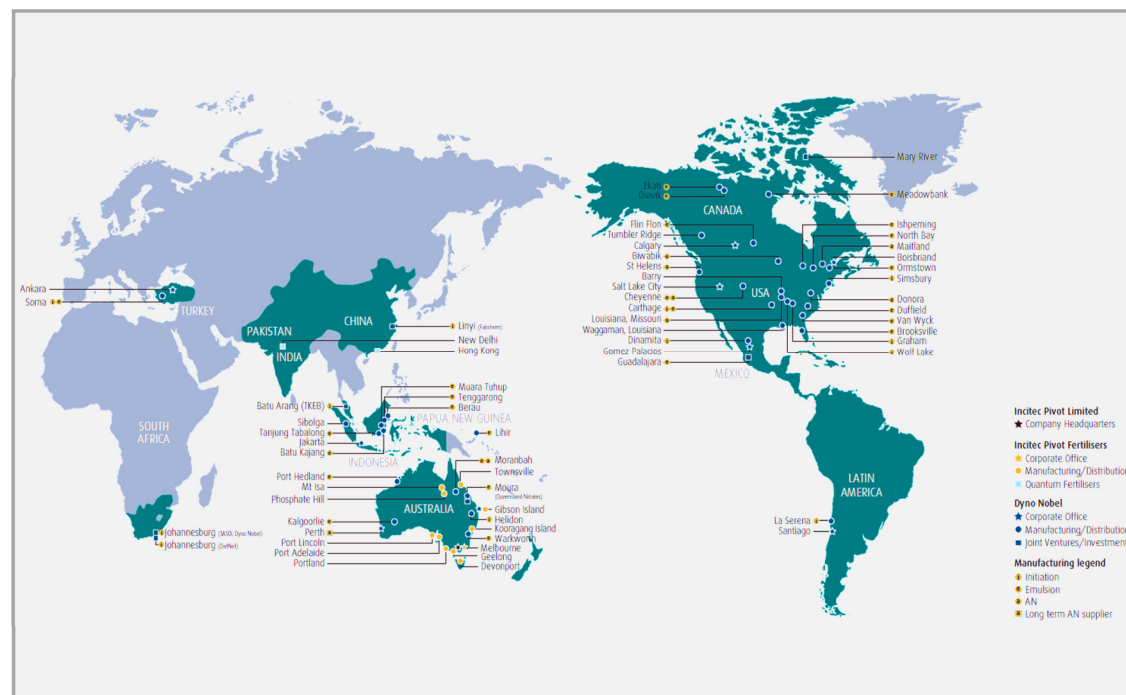
# Incitec Pivot Limited

IPL is a global diversified industrial chemicals company

- Founded as an Australian Fertilisers Cooperative in 1919
- Traces explosives history to Alfred Nobel's invention of dynamite in 1867

Reported 1H17 revenue of \$1.7Bn

- ~4,500 employees globally



**Incitec Pivot Limited**

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# Commercial Businesses

## IPL's businesses comprise two international brands

- **Dyno Nobel:** Dyno Nobel Americas, Dyno Nobel Asia Pacific
- **Incitec Pivot Fertilisers**

## Both hold a leading position in their primary geography

- **Dyno Nobel:** #2 position in North America and Australia by volume
- **Incitec Pivot Fertilisers:** #1 position in Australia by volume

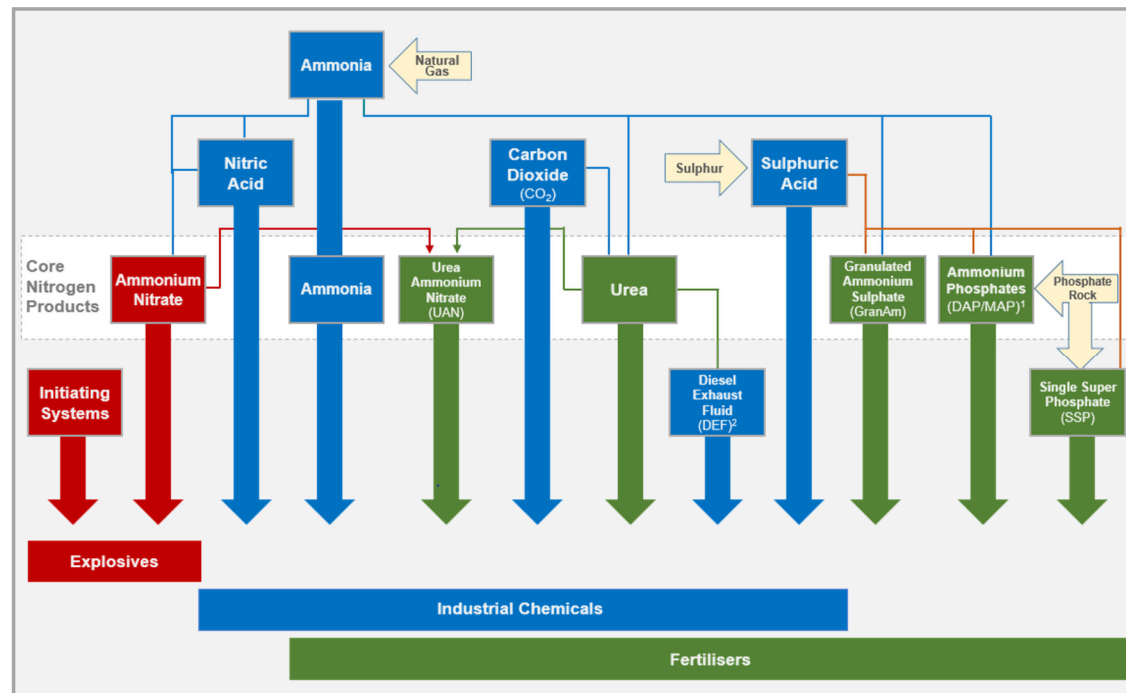
	
<hr/>	<hr/>
<b>Dyno Nobel Americas</b> US <sup>1</sup> , Canada, Mexico, Chile, South Africa	<b>Incitec Pivot Fertilisers</b> Australia <sup>1</sup> , Southeast Asia, Indian subcontinent, Brazil
<ul style="list-style-type: none"><li>• Explosives</li><li>• Industrial Chemicals</li><li>• Fertilisers</li></ul>	<ul style="list-style-type: none"><li>• Fertilisers</li><li>• Industrial Chemicals</li></ul>
<b>Dyno Nobel Asia Pacific</b> Australia <sup>1</sup> , Indonesia, PNG, Turkey, China	
<ul style="list-style-type: none"><li>• Explosives</li></ul>	

1. Primary geography

# Nitrogen Chemistry

These businesses primarily supply nitrogen-based products

- **Explosives:** Ammonium nitrate based explosives
- **Industrial Chemicals:** Nitrogen related industrial and specialty chemicals
- **Fertilisers:** Nitrogen and phosphorus fertilisers



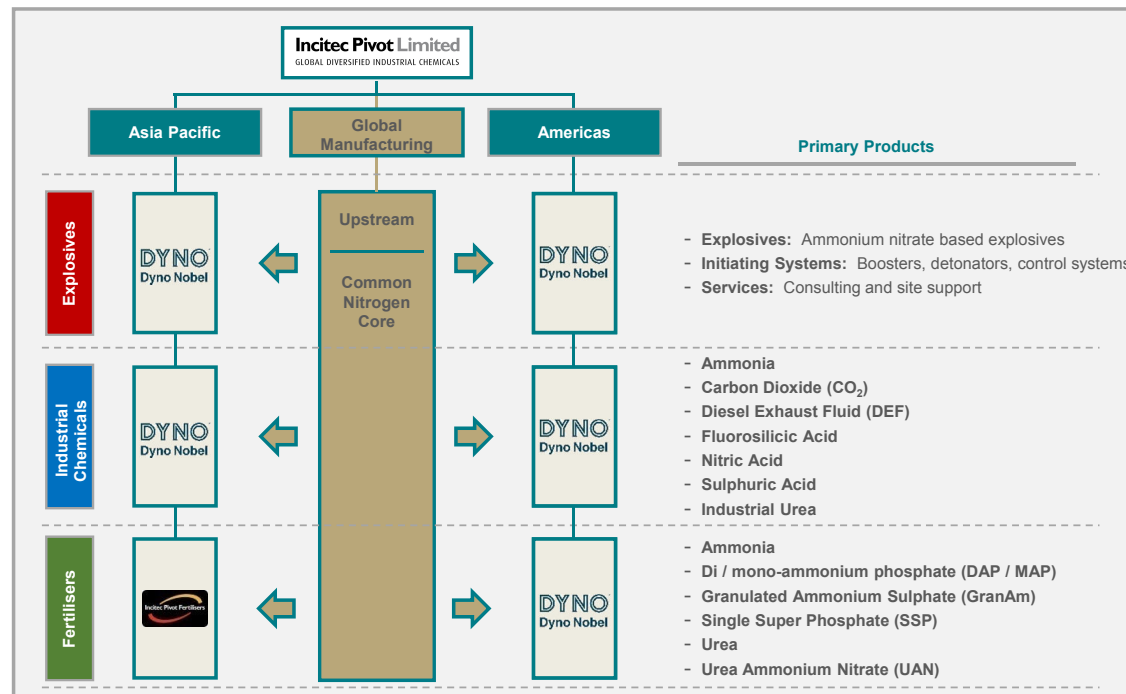
1. Ammonium phosphates include diammonium phosphate (DAP) and monoammonium phosphate (MAP)

2. DEF: Diesel Exhaust Fluid. DEF is an aqueous urea solution made with urea and deionized water. It is used as a consumable in selective catalytic reduction (SCR) in order to lower NO<sub>x</sub> concentration in diesel exhaust emissions from diesel engines.

# Operating Model

IPL's products are manufactured via a common nitrogen core

- Forms the basis of IPL's upstream / downstream operating model

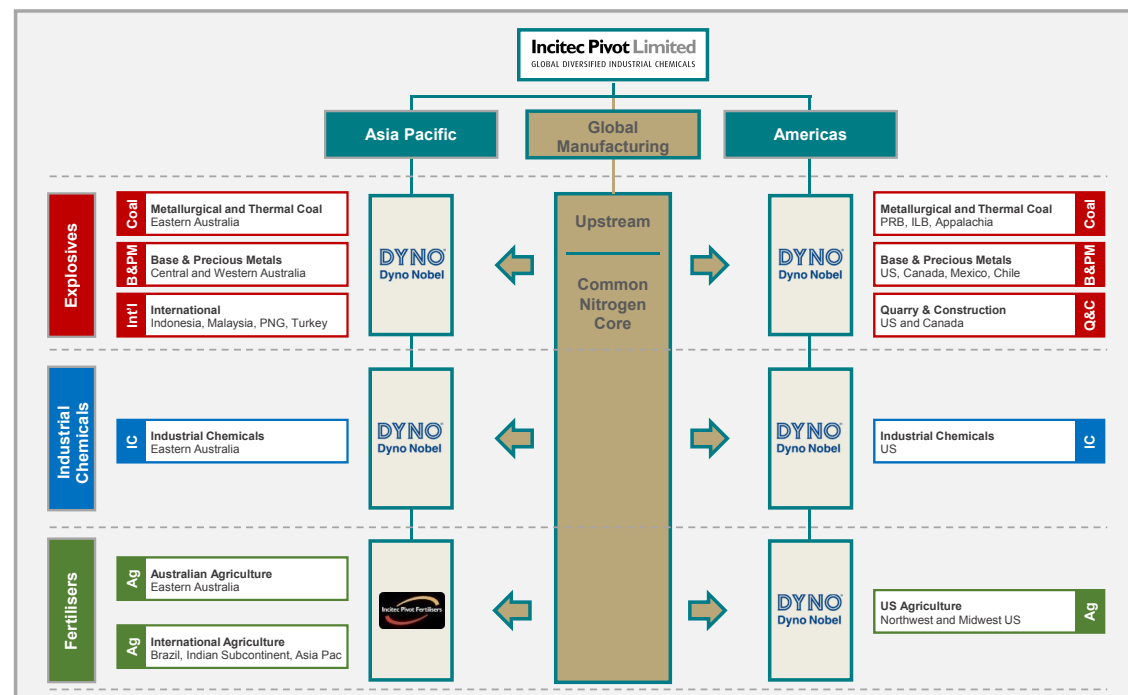


Note: Refer to legend on slide 14

# End Markets

These products are supplied to a broad range of end markets

- **Explosives:** Coal, Base & Precious Metals, Quarry & Construction
- **Industrial Chemicals:** Industrial and specialty chemicals
- **Fertilisers:** Agriculture



Note: Refer to legend on slide 14

# **Incitec Pivot Limited**

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS