



Australian business review and restructure

18 March 2014



Australian Business Review

The Case for Change

- We are taking the opportunity to make improvements to the Australian business, while lowering the cost base.
- These improvements will ensure our future competitiveness and help protect our market leadership position
- The changes ensure a continued focus on product quality and locally based innovation
- The Australian market has become more competitive in recent years, with the entry of new players and a material increase in the number of new product registrations.
- Increased competition has impacted pricing power and margins, particularly in larger 'commodity' herbicides, including glyphosate, phenoxy herbicides and trifluralin which are important products in Nufarm's Australian portfolio.
- Challenging seasonal conditions – and the resulting impacts on volume demand and margins – have exposed a cost base that is high and relatively inflexible, and some inefficiencies in supply chain and logistics (and the resulting management of working capital)

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The Review Process

- We have undertaken a comprehensive review of the Australian business:
 - Customer facing activities, sales, customer service and marketing
 - Manufacturing footprint
 - Supply chain, procurement and logistics functions
 - Product development
 - Administrative support activities
- We have sought input from consultants to ensure that we considered best practice and that our thinking was challenged
- We have considered a broad range of options for change and sought to develop a business model that most appropriately meets our customer needs whilst enhancing our financial returns



Australian Business Review

The Review Process

We have actively sought input and feedback from customers and growers to help guide our thinking....

- Direct discussions with customers
 - Independent feedback via consultants
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- Strong support for Nufarm and Crop Care brands
 - Confirmation of additional competition and price pressure in 'generic' space
 - Emerging concerns re product quality due to increased imports
 - Looking for differentiated offering / new products



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Summary of the Changes

A strengthened management structure

- Reduced management layers to speed up decision making and respond more rapidly to customer needs
- A stronger link between product development and marketing to enhance innovation
- Streamlined administrative functions to reduce cost and improve efficiency



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Summary of the Changes



Significant rationalisation of excess manufacturing capacity

- Phased closure of manufacturing sites at Welshpool (WA), and Lytton (QLD) and to reduce synthesis activity at Kwinana (WA). Kwinana plant will be retained.
- Laverton site at Raymond Road to be expanded
- Review of Otahuhu plant in NZ and options for optimising that production
- Proposed development of an innovation/technology centre of excellence in New Zealand



- Total manufacturing capacity is maintained
- We retain sufficient capacity/flexibility to meet seasonal surge demand
- Creates manufacturing centres of excellence at Laverton
- Significantly improves cost efficiencies
- Reduces supply chain complexity and facilitates better working capital management
- Ensures long term sustainability of manufacturing base.



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Impact of the Changes (2 year program)

- 2 plants closed (Welshpool and Lytton) and reduced synthesis at (Kwinana)
- Review of regional service centre network: Centres retained in key cropping regions; 6 centres closed
- Significant net headcount reduction: 105 people (out of 673)
 - All areas of business impacted except product development
- Annualised cost savings of \$13m (approx 10% of total cost base)
 - Largely staff costs
 - To be delivered over the full phasing of the restructure, but commencing now
- One-off costs of \$39m
 - Asset write-off of \$28m (non cash)
 - Redundancies of \$11m
- Properties are largely owned and will be sold upon closure and remediation
 - Remediation costs estimated at \$2m to \$3m



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Summary

- Streamlined management structure, more responsive and focused on customer needs
- Reduced supply chain complexity and better working capital management
- Ensures long term sustainability of manufacturing base

