

Strong result across the Group, with improved outlook in key markets

13 November 2018

Incitec Pivot Limited (ASX: IPL) today reported Net Profit After Tax (NPAT) of \$207.9m for the year ended 30 September 2018, down 34.8% on FY17 as a result of individually material items (IMIs) recognised at half year¹. NPAT excluding Individual Material Items (ex IMIs) was \$347.4m, an increase of 9.0% compared to FY17. The business reported strong operating performances across its Explosives businesses in North America and Asia Pacific and its industrial chemicals business in the US, as well as solid underlying growth of its Fertilisers business in Australia.

2018 Full Year results summary

- **Zero Harm:** TRIFR of 0.96, consistent with target of less than 1.
- **Earnings Before Interest and Tax (EBIT) ex IMIs:** up 11.1% to \$556.7m (FY17: \$501.2m).
- **NPAT ex IMIs:** up 9.0% to \$347.4m (FY17: \$318.7m).
- **Earnings Per Share (EPS) ex IMIs:** Up 10.6% to 20.9 cents per share (FY17: 18.9 cents per share).
- **Dyno Nobel Americas:** EBIT ex IMIs up 22% to \$278.6m, with the strong performance reflecting profitable market share gains, the benefits of strategically located assets and a premium technology offering across the Quarry & Construction, Base & Precious Metals and Coal sectors. The Waggaman Louisiana ammonia plant delivered an excellent operating performance and significantly improved profitability.
- **Dyno Nobel Asia Pacific:** EBIT ex IMIs up 8.7% to \$205.4m, underpinned by strong demand from the Metallurgical Coal and Base & Precious Metals segments in Australia, in addition to record plant production at Moranbah.
- **Fertilisers Asia Pacific:** EBIT up 0.7% to \$104.6m. Fertilisers EBIT excluding the impact of \$20 million of property sales in FY17 was up 24.6%, reflecting improved integrated logistics, operations, trading and commodity price management processes and benefits from higher global fertiliser prices. These factors more than offset the impact of drought conditions in New South Wales and southern Queensland.
- **Balance Sheet and Share Buy Back:** Improved Net Debt/EBITDA ratio of 1.6x (pcp 1.7x), notwithstanding completion of \$210 million of the previously announced \$300 million share buy-back. The remainder of the share buy-back is expected to be completed in 1H calendar year 2019.
- **Dividend:** Final dividend of 6.2 cents per share, 20% franked. Total dividends for FY18 are 10.7 cents per share, up 13.8% from FY17. This represents a 50% payout ratio of NPAT ex IMIs.

Commenting on the results, Jeanne Johns, Incitec Pivot's Managing Director & Chief Executive Officer said:

"We have delivered a strong result with full year EBIT ex IMIs up 11% to \$557m. I am pleased to report a good uplift in operating performance across our portfolio, including the explosives businesses in the US and Australia, which benefited from strong underlying mining and quarry & construction demand and further penetration of our market leading explosives delivery and electronic initiating systems into key markets.

"Our Fertilisers business in Australia also had a strong result, considering the large turnaround at Phosphate Hill and the drought conditions experienced in much of New South Wales and southern Queensland. Our efforts in value chain management are paying off, with better forward purchasing of product, closer alignment to the domestic sales strategy and improved stock management.

¹ Net \$139.5m of one off individually material items recognised at 31 March 2018, in relation to the goodwill write down in Dyno Nobel Asia Pacific, offset in part by the impact of lower US tax rates on US deferred tax balances.

“Record production at the Moranbah ammonium nitrate plant and an outstanding second year of production at the Waggaman Louisiana ammonia plant were also highlights. Our new ammonia plant in the US operated at 103% of its nameplate capacity for its first full year of production, which is truly world class performance. In addition, ammonia prices firmed significantly during the second half of 2018.”

Ms Johns said, “We’ve also made excellent progress on our strategic agenda. There’s more upside from leveraging our superior technology in the US and the roll out of our premium technology blasting solutions in the Asia Pacific region is gathering momentum.

“Australian customers are embracing our 4G DigiShot detonator system, and there is strong customer demand for trials of our Delta E technology in the gold and iron ore markets in Australia.” Delta E is a proprietary explosives delivery system that uniquely enables efficient, hole-by-hole customised blasts. “Delta E underpinned the 7% volume growth in Quarry & Construction in the US, which evidences the game changing nature of our innovative differential energy offering,” Ms Johns said.

Commenting on the company’s commitment to Zero Harm, Ms Johns added: “Incitec Pivot has a deep commitment to the safety of our people and all of our stakeholders. This year we delivered a Total Recordable Injury Frequency Rate (TRIFR) of 0.96, consistent with our target of less than 1. We are committed to delivering a sustainable step change in our safety performance and have set clear targets for improved TRIFR, environmental care and process safety.”

Ms Johns also commented on the changes to her leadership team during her first year of tenure: “We have in place the right leadership to support IPL’s strategic priorities and embed our focus on customer solutions,” she said. “The Executive Team has been further enhanced by the addition of Tim Wall, who joined as President of Manufacturing earlier this month and Stephan Titze, who has been appointed as President of Fertilisers.”

Reflecting on outlook, Ms Johns observed, “We have entered FY19 with solid momentum, but the challenges will include increased gas pricing at Gibson Island over the next year and the continued search for economically viable gas supply for that operation. I am confident that the business is well placed to benefit from the continued execution of our strategy, as well as improved conditions across our markets.”

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