



ADAMA

# ADAMA 2023 Summary

Earnings Call/ 27.3





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# Crop Protection Industry Status



Industry overstocking in 2022

High channel inventories

Channel destocking in light of global high interest rates

Lower China AI prices

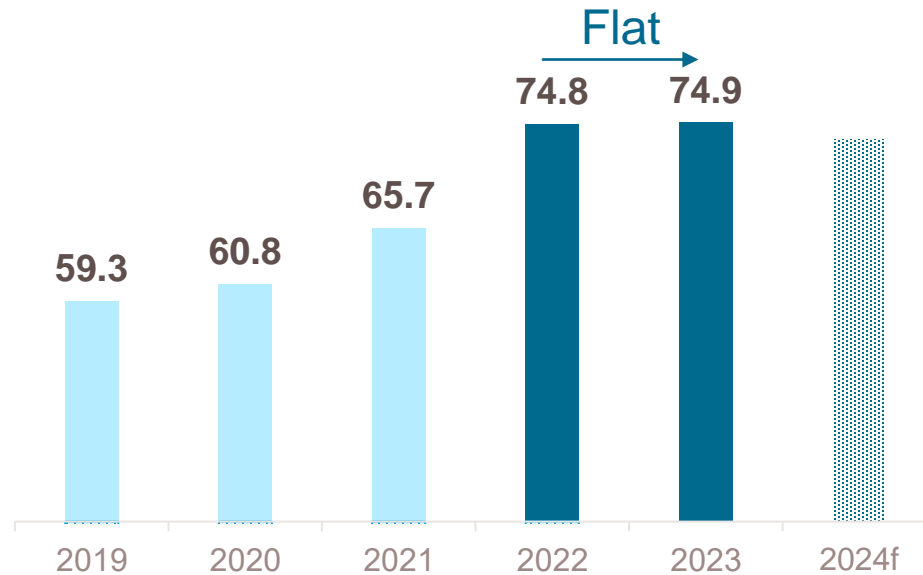
CP market prices softening led by CP commodities

Good farmer profitability supported by historically elevated commodity crop prices & declining operational costs

# Farmer consumption vs sell- into distribution market

## Farmer consumption market

CP market value  
(USD**b**, ex-manufacturer value)

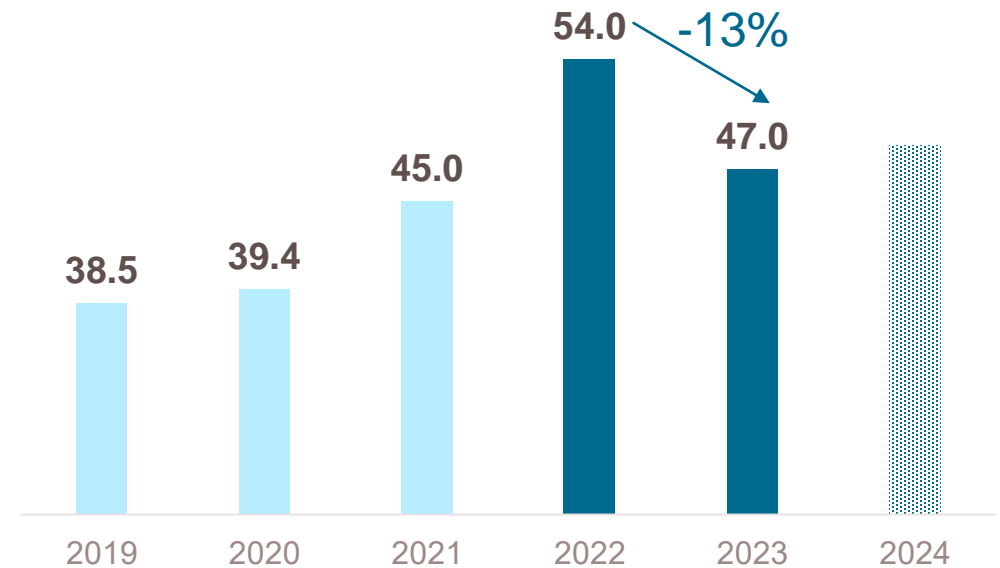


AgbioInvestor 2023 Preliminary Market Analysis.

**Agbio Investor expects a decline in market value in 2024, driven by prices**

## Sell-into distribution market

9M sales evolution of top 8 largest CP companies  
(USD**b**, ex-manufacturer value)

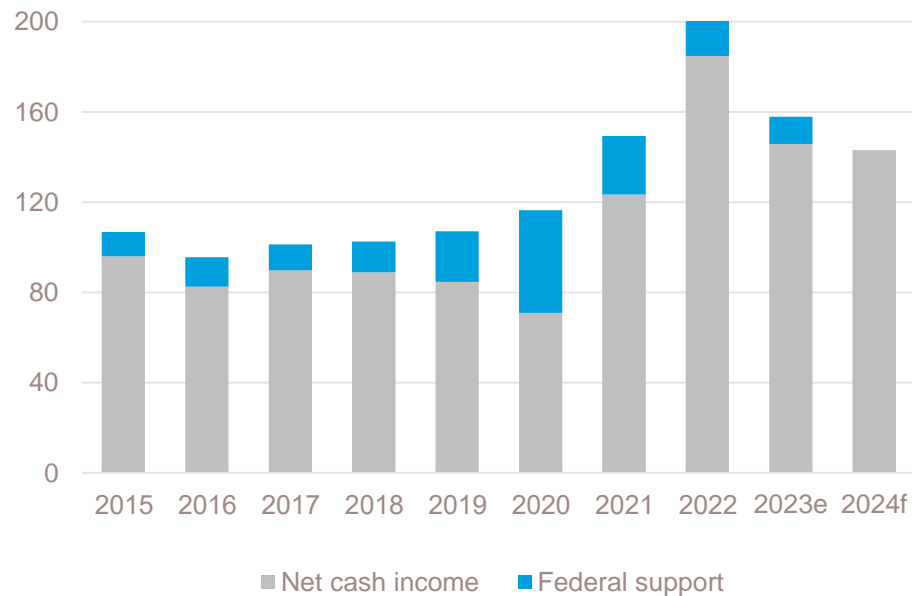


Aggregated CP sales of the following companies: Syngenta CP, ADAMA, UPL, Corteva, Bayer, BASF, FMC and Sumitomo

**Assuming low single digit growth as volume recovery offsets pricing pressure**

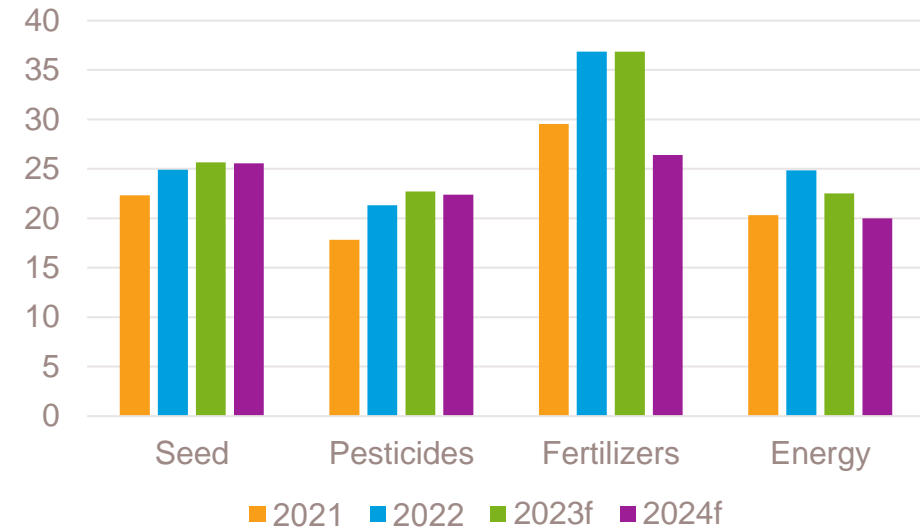
# Farmer margins more challenging but expected to remain reasonable

US Net Cash Farm Income in Nominal Terms (US\$/b)



USDA Nov 2023, 2024 projection by FAPRI Sep 2023

U.S. farm production expenses





FAPRI Sep 2023

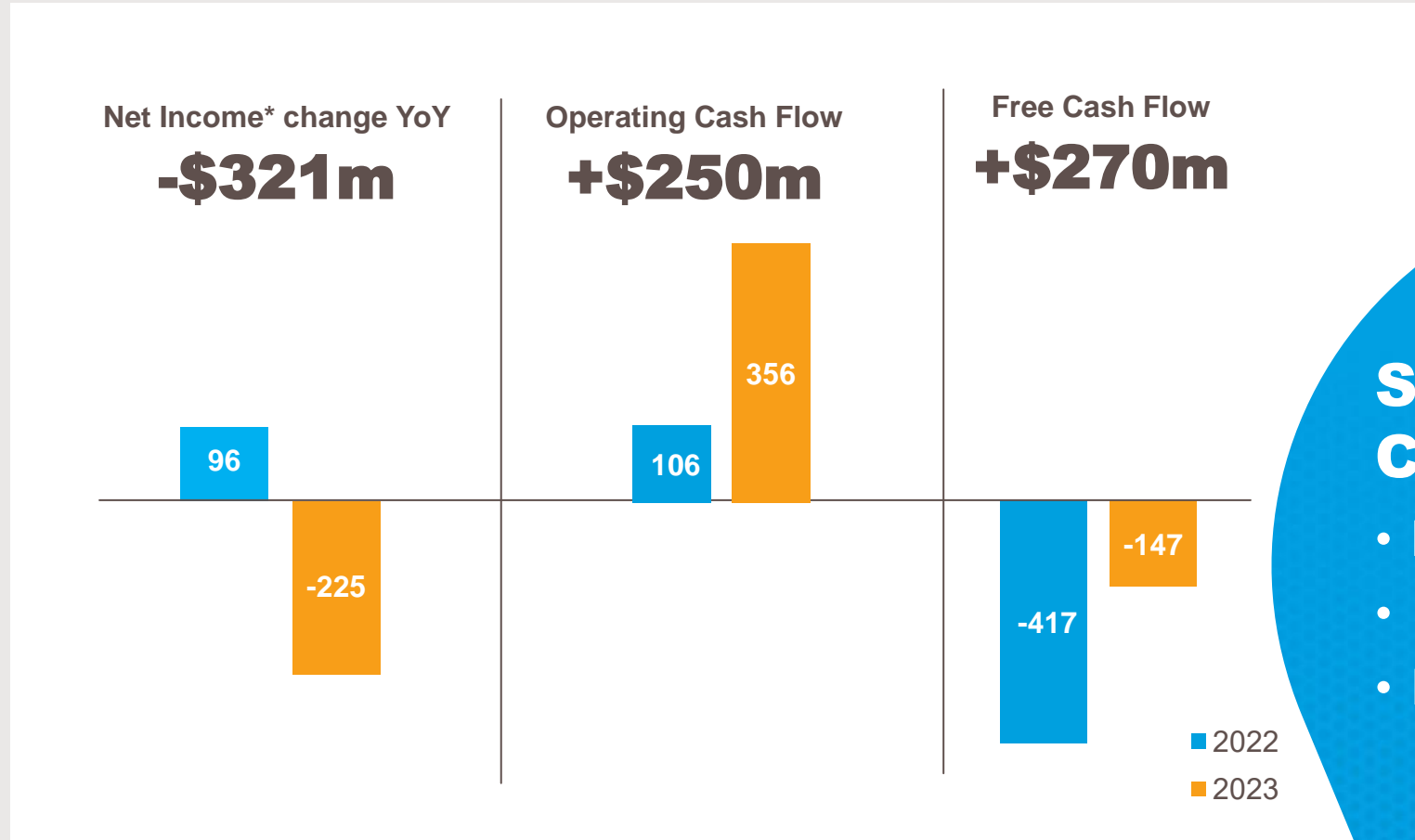
**Despite Near Term Market Headwinds ADAMA's Focus on Quality of Business Positions it Well for the Future**

# Taking Action – Short Term Measures

Successful  
execution on  
decisions despite  
challenging market  
conditions

- 
- Third trailing quarter with **positive Operating Cash Flow**
  - Reduction of **inventory**
  - **Positive costs**, benefiting from market prices
  - Positive Sales **Mix**
  - Decline in **Operating Expenses** and their margin
  - Prioritization of CAPEX
- 

# Laser Focus on Cash Flow Management



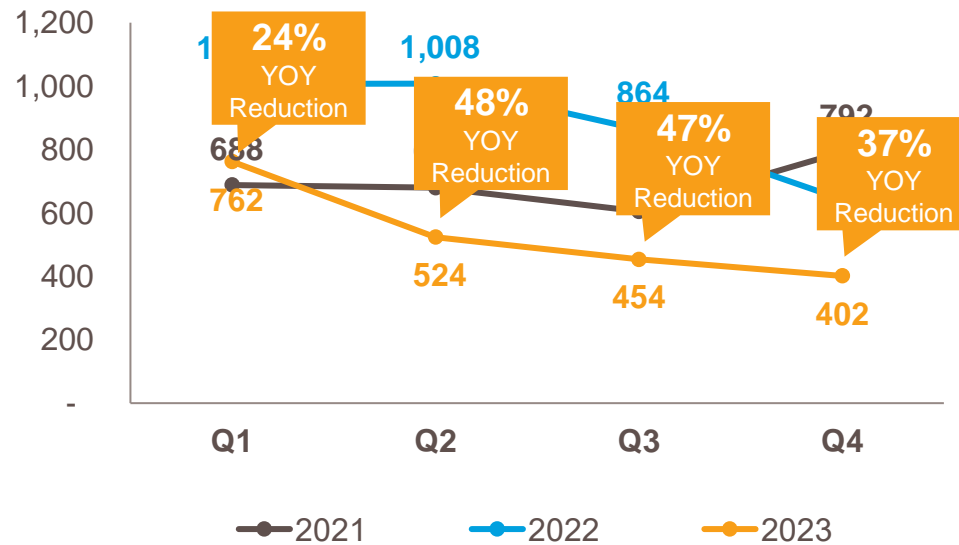
## Steps to improve Cash Flow:

- Decrease in procurement
- Intensive collections
- Prioritization of investments

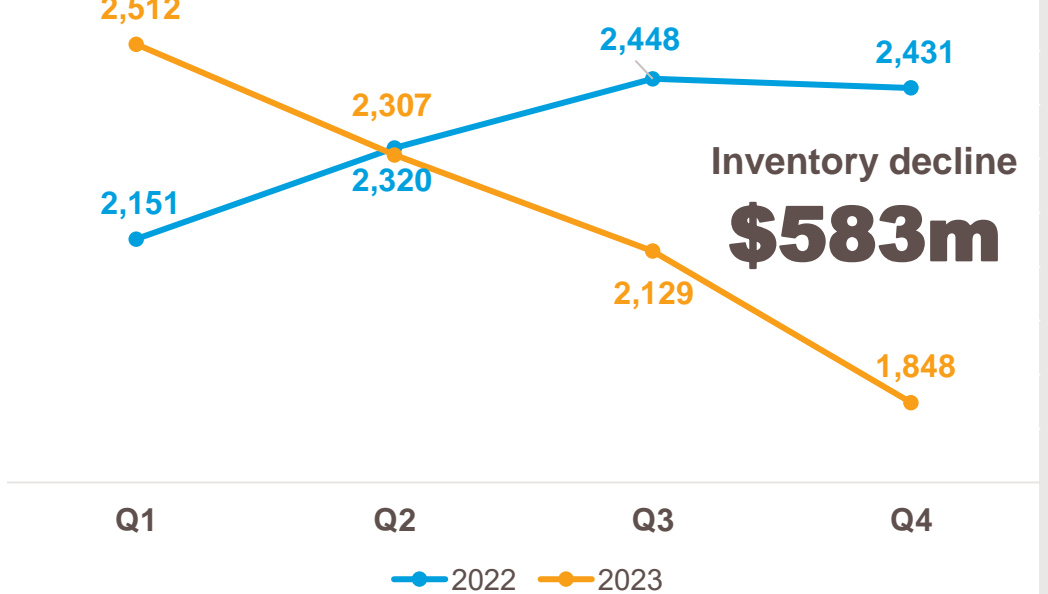


# Focus on Selective Procurement to Control Inventory

Third Party Purchases controlled and reduced (\$m)

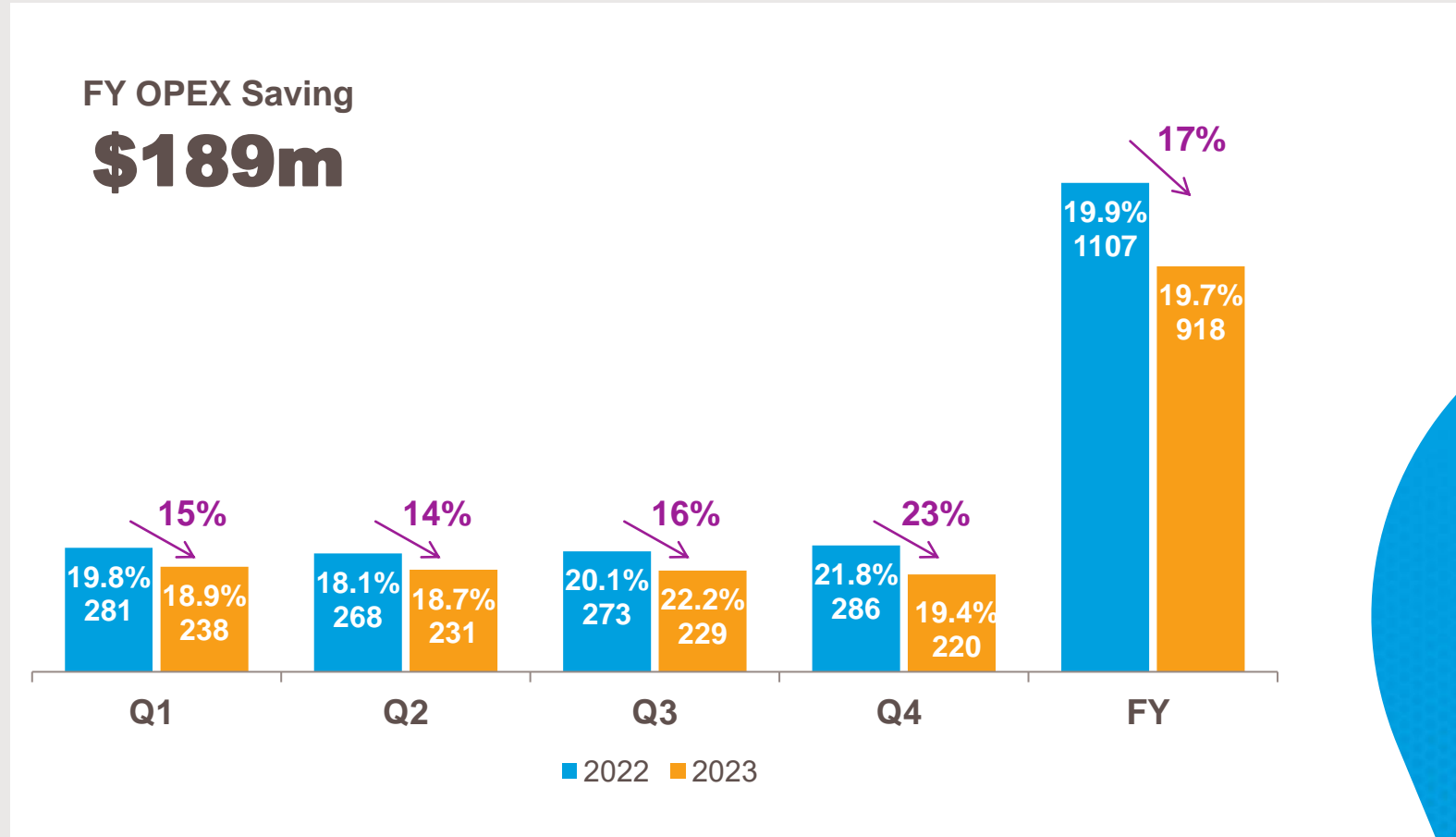


Leading to declining Inventory Levels (\$m)



# OPEX Management

## A Cross Company Effort



- OPEX discipline (Hiring freeze, travelling consultants etc.)
- Lower transportation costs (volumes & prices)
- Adjustment of a provision for success-based compensation

# Shaping our Future

**Focus on Value Innovation customer segment with high-value differentiated formulations**

## **Operational Efficiency| Margin Improvement| Cash Flow Generation|**

- **Market repositioning** – focusing on Value Innovation, the market space where innovation is served not through new active ingredients but by innovation at the product level using existing active ingredients enhanced by proprietary formulations;
- **Product portfolio optimization** – focusing on quality of business through strategic crop segments within the customer market segment of Value Innovation
- **Improvement of costs of goods, operating expenses & operating model revisit**

# Value Innovation

Creating value for **us** and our **customers**

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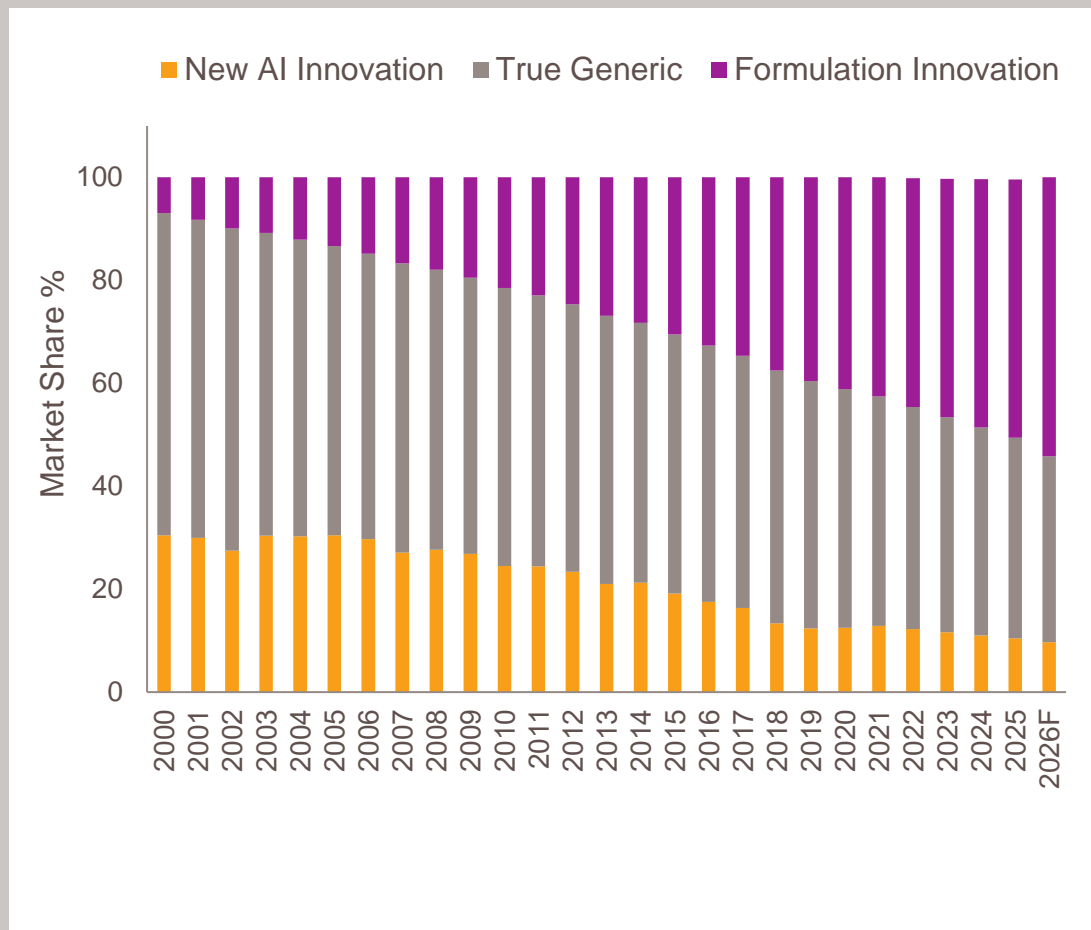
Leveraging Core Leap and Formulation Mastery to position ADAMA as an **innovation** company, proudly **focused** on traditional crop protection.

Serving the **unique** needs of customers who are looking for an advanced, **quality** solution.

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# Innovation with off-patent AIs inside (formulation innovation), is the largest and fastest growing CP market segment



**>90%**

Expected market share of off-patent products

**Top 20**

AIs in our market are already off-patent

**34**

Additional patented AIs to expire between 2024 - 2028

# But It's Also Increasingly Crowded by:

**Research Based Companies (RBCs)**  
moving into the off-patent space

Chinese, Indian  
**Generics** entering  
global markets

More  
**Distributors**  
buying direct

What differentiates ADAMA in this space?

**Focus expanding from off-patent active ingredients to on-patent products**

# Improving the Quality of the Business – Leveraging Our Strong Capabilities and Global Market Reach to Serve the Unique Needs of the Value Innovation Customer

## Core Leap

Focus on select AIs in crop strategic segments coming off patent, with the highest potential, aimed at developing hundreds of unique mixtures and differentiated formulations



## Formulation Mastery

Novel formulation technologies to deliver superior products with enhanced biological performance, physical profile and favorable sustainable footprint



## Chosen Customer Segment

Serving the unique needs of customers who are looking for an advanced, quality solution



## Key 2023 Product Launches

# Aprisa®

Launched in Brazil, LATAM & China  
Q4'22-Q4 2023



# Almada®

Launched in Brazil  
Q3 2023



# Sierra®

Launched in Australia  
Q3 2023





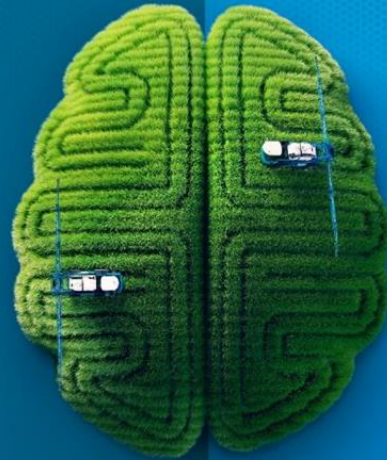
## Launching a New Cereal Fungicide Portfolio in Europe

- ▶ All crop stages
- ▶ Major diseases
- ▶ Value segments

Powered by Asorbital<sup>®</sup> Formulation Technology that Deliver Excellent Results and Respond to Diverse Farmer Needs

## Key 2024 Product Launches

**Avastel<sup>®</sup>**



**Maxentis<sup>®</sup>**



**Forapro<sup>®</sup>**



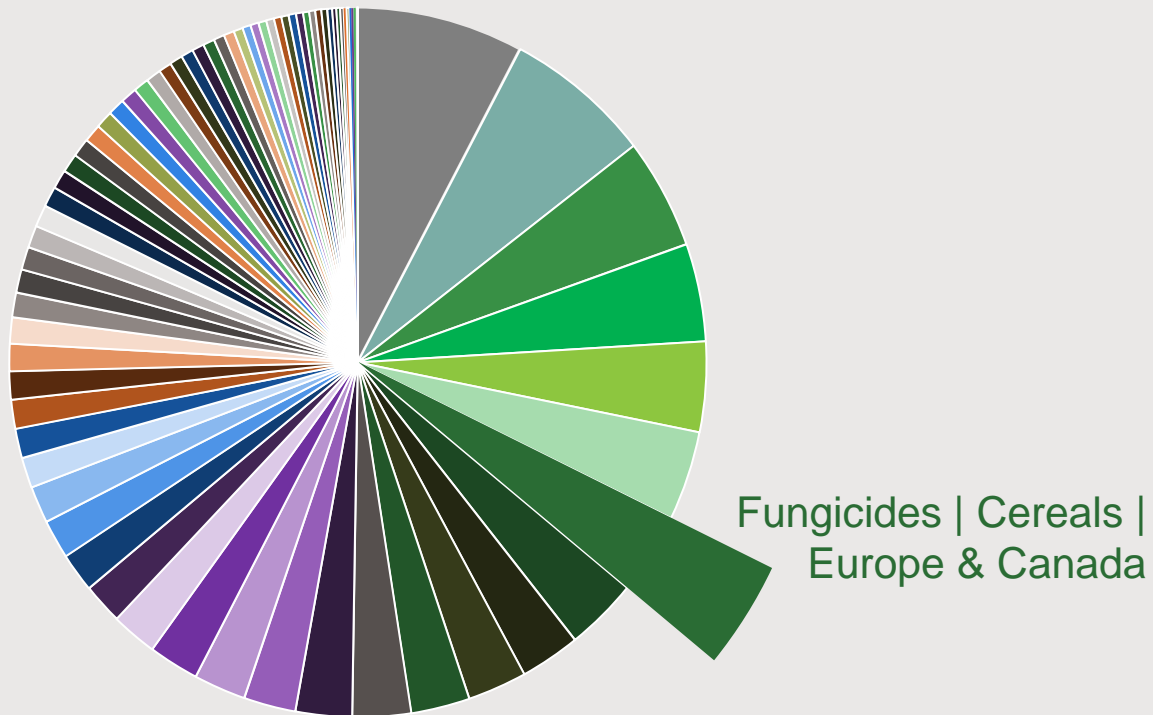
**Maganic<sup>®</sup>**



# 2017

# Fungicides | Cereals | Europe & Canada

identified as a Strategic Crop Segment



## ADAMA's 9% Market Share (2017) is under risk due to:

- 1 Divestments
- 2 Product Bans
- 3 Competitive Pressure

# 2023



# Years of Dedicated Work: Driving Unmatched Success

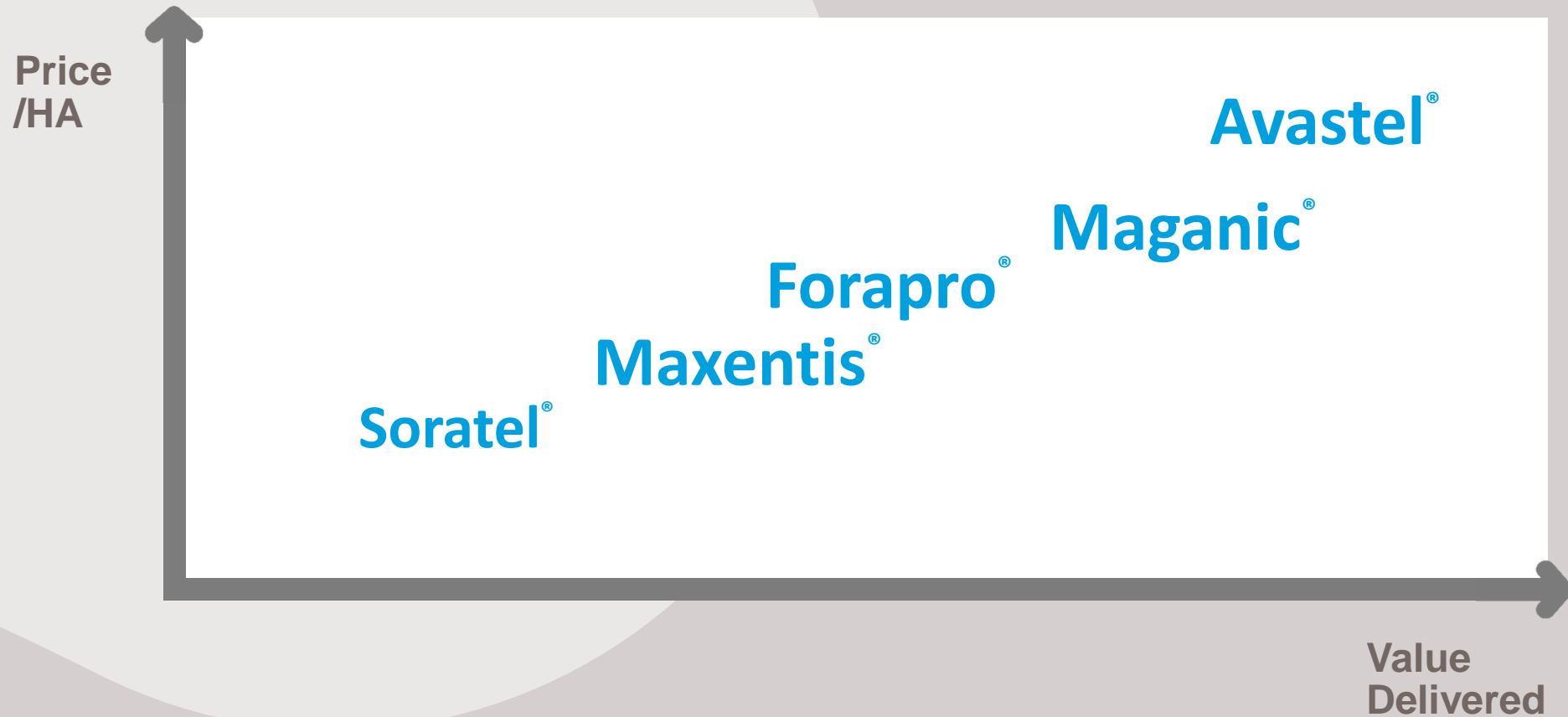
- 
- Folpet Impact
  - Proprietary Molecule Access Breakthrough
  - Building a Powerhouse Portfolio
  - Revolutionary Innovation
  - Delivered on Manufacturing Milestones
- 



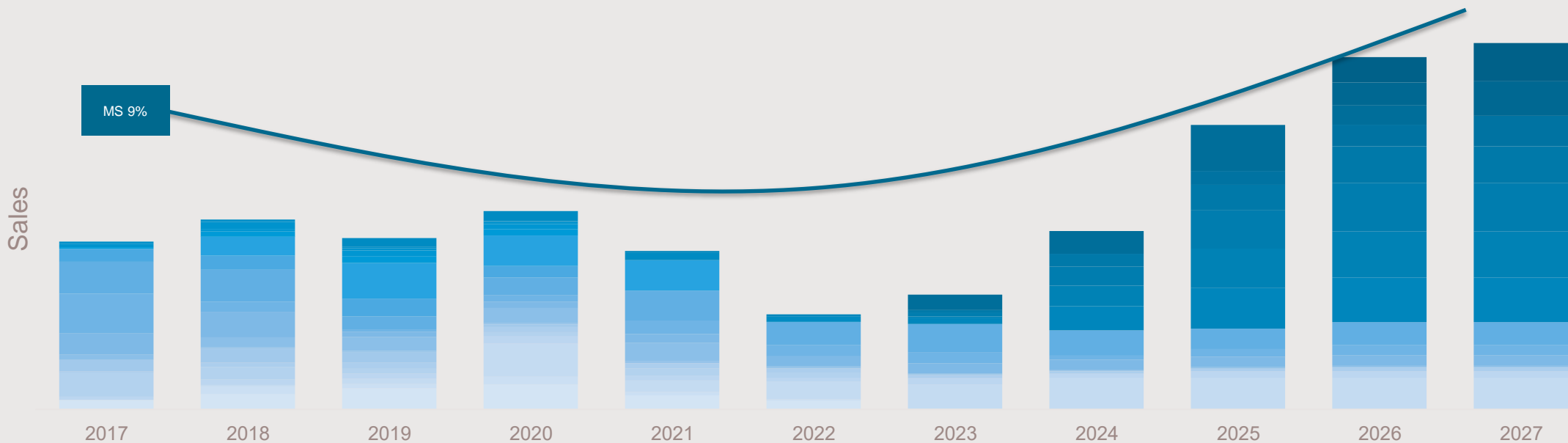
# Prothioconazole – Secure Reliable Supply



# Portfolio Deployment: Never seen before!



# The new reality... reaping the benefits of long-term strategic planning





# Shaping our Future

**Focus on Value Innovation customer segment with high-value differentiated formulations**

## **Operational Efficiency| Margin Improvement| Cash Flow Generation|**


- **Market repositioning** – focusing on Value Innovation, the market space where innovation is served not through new active ingredients but by innovation at the product level using existing active ingredients enhanced by proprietary formulations;
- **Product portfolio optimization** – focusing on quality of business through strategic crop segments within the customer market segment of Value Innovation

▪ **Improvement of costs of goods, operating expenses & operating model revisit**


# Leaner Global Leadership Team



**President & CEO**  
Steven Hawkins




**APAC\***  
David Peters




**Formulation Supply**  
Elad Shabtai



**CFO**  
Efrat Nagar



**Latin America**  
Romeu Stanguerlin




**AI Production**  
Bruce Morris




**People**  
Ruthie Zeltzer




**China**  
An Liru



**Portfolio and Innovation**  
Florian Wagner



**EAME\*\***  
Sergio Dedominici Paz



**North America\*\*\***  
Jake Brodsgaard

\* APAC includes ADAMA India and ADAMA South Africa

\*\* EAME includes Israel Local Markets, Turkey and the rest of Africa

\*\*\* North America includes Consumer & Professional Solutions



ADAMA

**ADAMA Ltd**  
**Q4 12M 2023**  
**Review**

# ADAMA LTD FY 2023: Sales & Profit Impacted by Channel Inventory & Destocking

Adjusted \$ million	FY 2023	FY 2022	%▲
<b>Sales</b>	<b>4,661</b>	<b>5,570</b>	<b>(16%)</b>
<b>Gross Profit</b>	<b>1,060</b>	<b>1,565</b>	<b>(32%)</b>
<i>% of Sales</i>	<i>22.7%</i>	<i>28.1%</i>	
<b>EBITDA</b>	<b>407</b>	<b>740</b>	<b>(45%)</b>
<i>% of Sales</i>	<i>8.7%</i>	<i>13.3%</i>	
<b>Net Income (Loss)</b>	<b>(236)</b>	<b>118</b>	
<i>% of Sales</i>	<i>(5.1%)</i>	<i>2.1%</i>	
<b>Reported Net Income (Loss)</b>	<b>(225)</b>	<b>96</b>	
	<i>(4.8%)</i>	<i>1.7%</i>	

## 12M Highlights

- Sales**
- Sales down 16%, 15% in CER\*\* to \$4,661 million, 7% decrease in volume and 8% decrease in prices, mainly driven by:
    - High channel inventories
    - Channel destocking in light of high interest rates creating last-minute purchase patterns
    - Pressure on prices/Lower market prices
- 
- Gross Profit**
- Decline driven by:
    - Weaker pricing and the negative FX impact
    - Moderated by improvement in sales mix, effect of new inventory sold, priced at levels
- 
- EBITDA**
- Decline driven by lower gross profit and despite lower OPEX
  - OPEX lower due to Company "fight back" OPEX management measures, a reduction in performance-based compensation, lower transportation and logistics costs and the positive impact of exchange rates.
  - In FY 2022 a doubtful debt provision was recorded for trade receivables in Ukraine
- 
- Net income (loss)**
- Increase in financial expenses due to higher bank interest expenses following higher interest rates, an increase in loans, moderated by lower bond interest paid (principle is being paid off) and CPI

# ADAMA LTD Q4 2023:

## Sales & Profit Impacted by Channel Inventory & Destocking

Adjusted \$ million	Q4 2023	Q4 2022	%▲
<b>Sales</b>	<b>1,136</b>	<b>1,312</b>	<b>(13%)</b>
<b>Gross Profit</b>	<b>245</b>	<b>341</b>	<b>(28%)</b>
<i>% of Sales</i>	<i>21.5%</i>	<i>26.0%</i>	
<b>EBITDA</b>	<b>95</b>	<b>129</b>	<b>(27%)</b>
<i>% of Sales</i>	<i>8.3%</i>	<i>9.8%</i>	
<b>Net Income (Loss)</b>	<b>(101)</b>	<b>(42)</b>	
<i>% of Sales</i>	<i>(8.9%)</i>	<i>(3.2%)</i>	
<b>Reported Net Income (Loss)</b>	<b>(79)</b>	<b>(22)</b>	
	<i>(6.9%)</i>	<i>(1.7%)</i>	

### Q4 Highlights

- Sales**
- Sales down 13%, 14% in CER\*\* to \$1,136 million, 1% increase in volume and 15% decrease in prices, mainly driven by:
    - High channel inventories
    - Channel destocking in light of high interest rates creating last-minute purchase patterns
    - Pressure on prices/Lower market prices
- 
- Gross Profit**
- Decline driven by:
    - Weak pricing
    - Moderated by improvement in sales mix, effect of new inventory sold, priced at market levels and the positive FX impact
- 
- EBITDA**
- Decline driven by lower gross profit and despite lower OPEX and improvement in OPEX margin
  - OPEX lower due to Company "fight back" OPEX management measures, a reduction in performance-based compensation, lower transportation and logistics costs and the positive impact of exchange rates.
- 
- Net income (loss)**
- Loss deepened
  - Decrease of financial expenses due to lower bond interest following the installment payment of bond principal (Nov 23), lower hedging costs on FX and the net effect of lower Israeli CPI on bonds, moderated by higher bank interest expenses



# Regional Highlights (USD)

## North America

Q4 (\$)	CER	FY	CER
▼ 14%	▼ 14%	▼ 20%	▼ 20%

### C&P Solutions:

- Soft consumer demand impacted by a decline in disposable income, an outcome of inflationary pressures and high interest rates
- Professional market showing initial signs of inventory normalization to pre-COVID for branded products

### US Ag:

- Channel inventory levels declining, inventory still high at manufactures leading
- Strong competition & just in time purchasing preventing pricing recovery
- **Canada:**
- Record Q4 sales/flat FY 2023 sales - increase in MS% in key segments, expansion to new business segments & in Q4 certain initial inventory normalization

## LATAM

Q4 (\$)	CER	FY	CER
▼ 12%	▼ 15%	▼ 19%	▼ 22%

### Brazil:

- Decline in Q4 & FY sales
- CP market contraction – weak soybean season, channel destocking and softer pricing
- Focus on quality of the business with good reception of differentiated products

### LATAM:

- Flat sales in FY, volumes up, gained MS% in Argentina, Paraguay, Columbia & Mexico
- Increase in sales in Q4, with inventory normalization
- Biologicals portfolio continues to perform well

## EAME

Q4 (\$)	CER	FY	CER
▼ 20%	▼ 20%	▼ 8%	▼ 5%

- Total market slowdown with demand also impacted by lower grain prices
- In H2 pricing pressure intensified, Q4 volumes also hit by negative weather impacting cereal season
- Focus on quality of the business, incl. introduction of unique **Asorbital®** Prothioconazole based products

## APAC (ex. China)

Q4 (\$)	CER	FY	CER
▲ 6%	▲ 6%	▼ 12%	▼ 8%

### Pacific:

- Decline in Q4/FY sales - high channel inventory, pressure on pricing
- Sales supported by launch of differentiated product **Grindstone®**

### India:

- Decline in FY Sales - high channel inventory, pressure on pricing and erratic weather
- Increase in sales in Q4 due to launch of differentiated product **Trassid™** along with increased focus on farmer demand generation

### Rest of APAC:

- Strong performance in South Korea, MS% gain supported by weather

## China

Q4 (\$)	CER	FY	CER
▼ 25%	▼ 24%	▼ 25%	▼ 21%

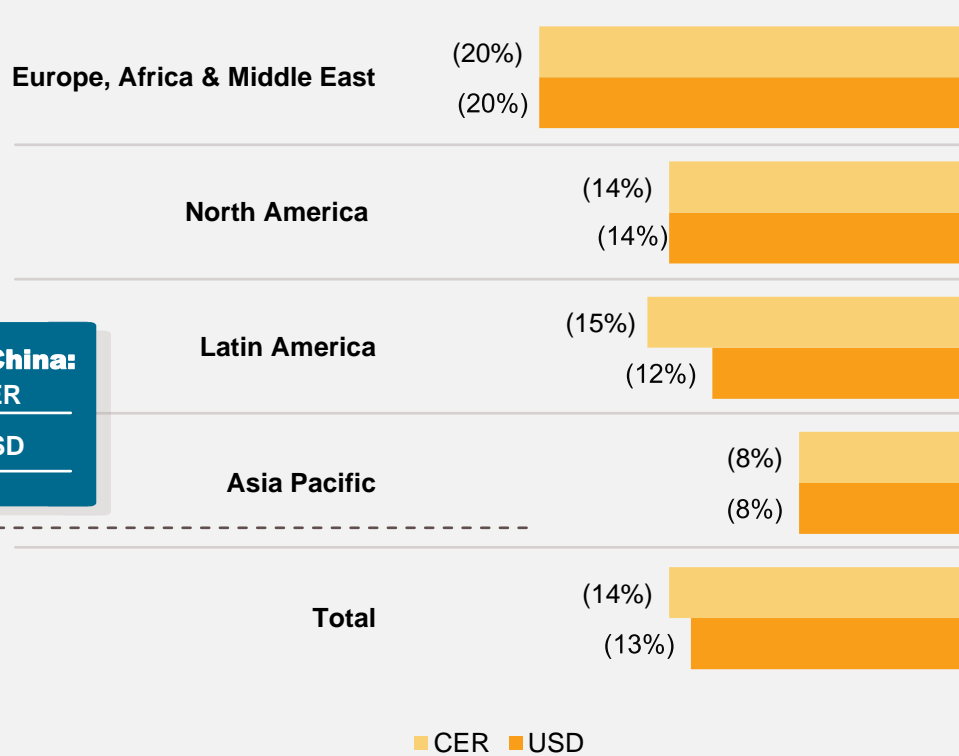
- Market oversupply impacting branded and non-ag sales
- Branded portfolio sales were stable in Q4 , supported by differentiated products such as Prochloraz Copper, Metconazole and Isopyrazam
- Increase in AI sales as Sanonda Jingzhou site reached high utilization in Q4

- CER – Constant Exchange Rates
- APAC – Asia Pacific
- EAME – Europe, Africa & Middle East
- LATAM – Latin America
- C&P – Consumer & Professional

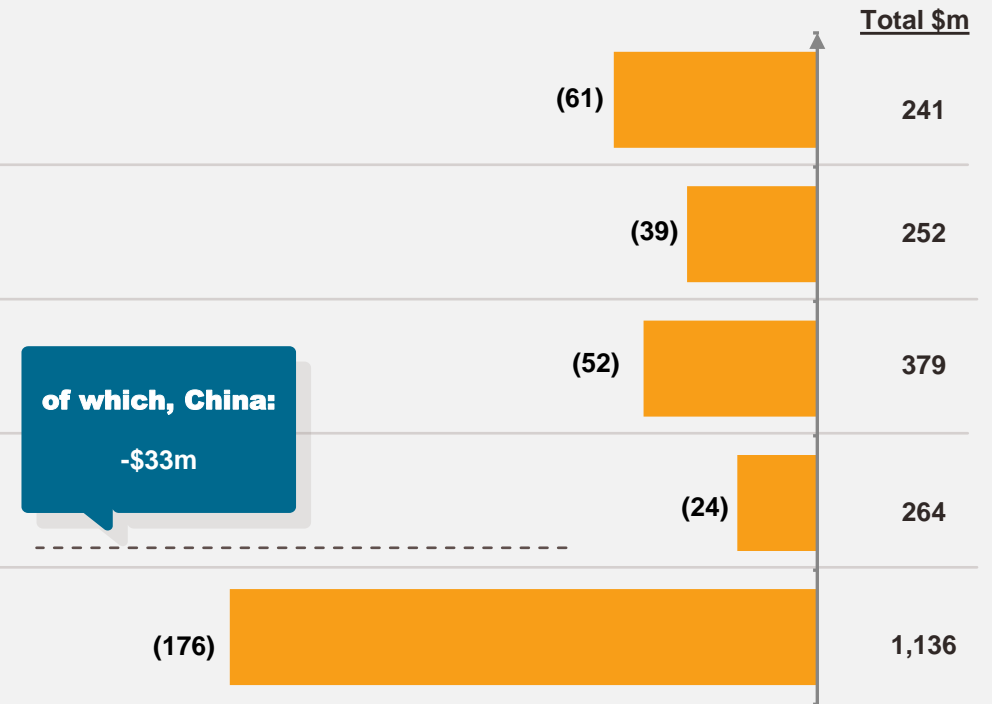
# Regional Sales Performance

## Q4 2023 vs. Q4 2022

% Sales change by region



Absolute Sales change (USD \$m)



\* CER – Constant Exchange Rates

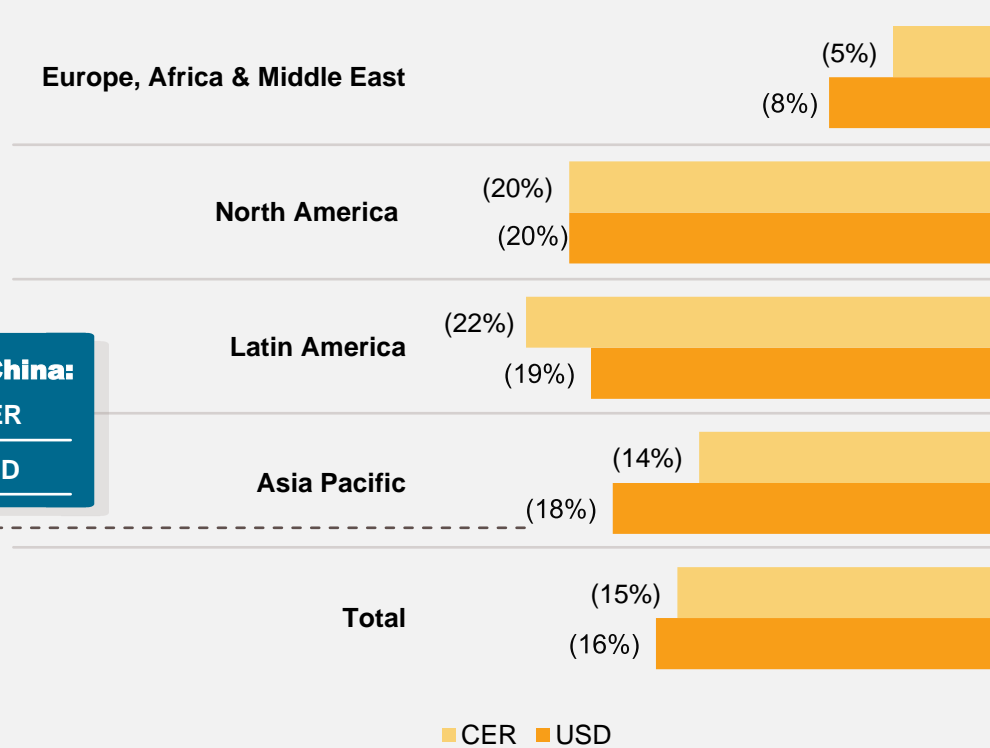
\*\* APAC includes ADAMA India and ADAMA South Africa

\*\*\* EAME includes Israel, Turkey and the rest of Africa

# Regional Sales Performance

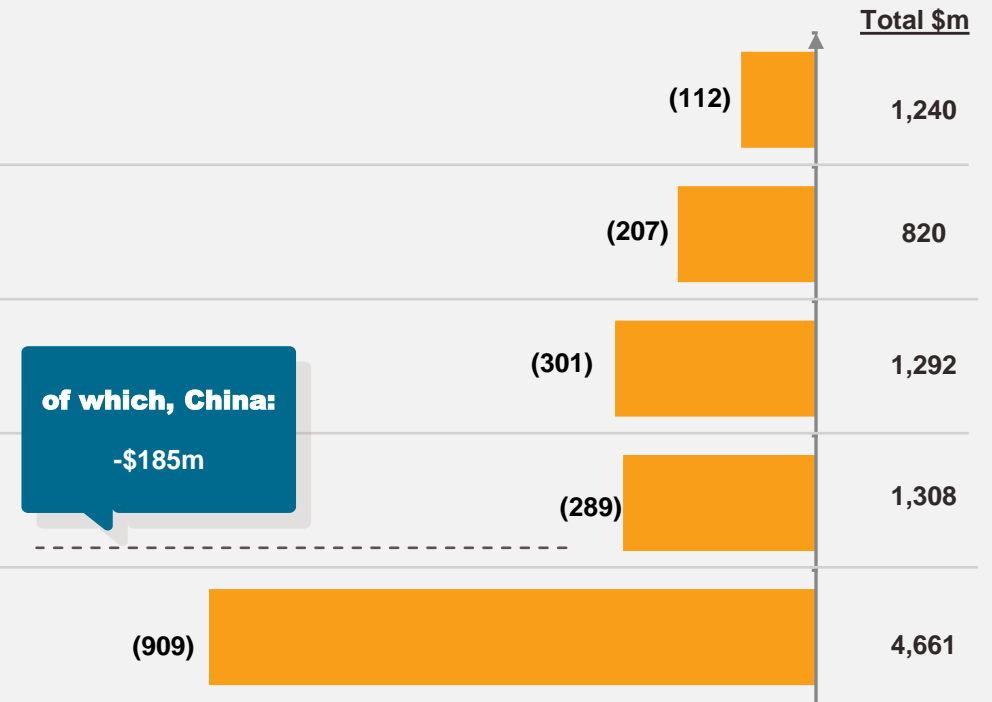
## FY2023 vs. FY 2022

% Sales change by region



**of which, China:**  
 -21% CER  
 -25% USD

Absolute Sales change (USD \$m)



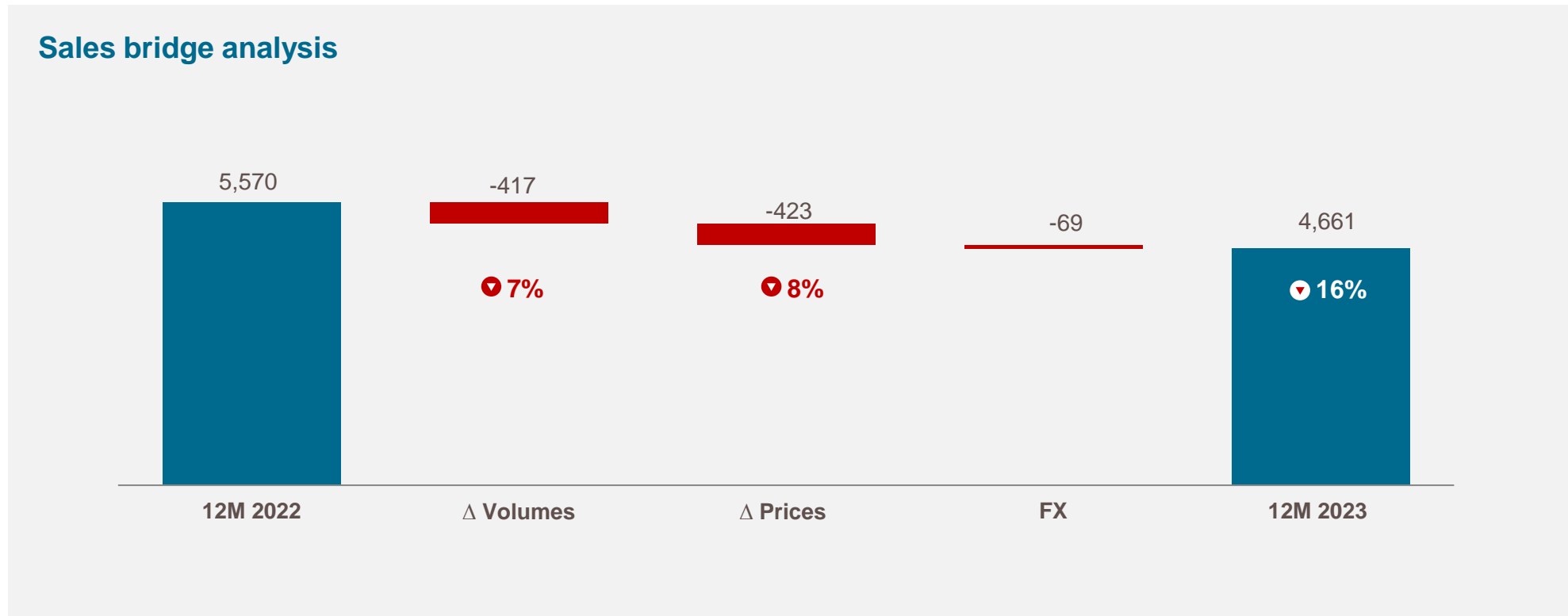
**of which, China:**  
 -\$185m

\* CER – Constant Exchange Rates

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# 12M 2023 Sales: Channel Inventory & Destocking put pressure on demand and pricing

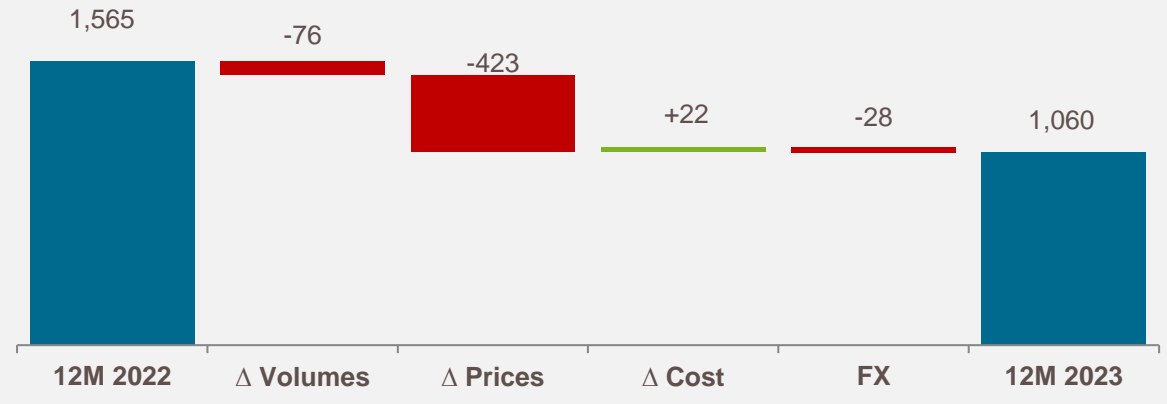


Notes –  
 Numbers in million \$;  
 Denotes adjusted figures unless otherwise noted;  
 Parts may not sum due to rounding;  
 FX includes currency effect on sales, net of hedging.

# 12M 2023: Gross Profit & EBITDA

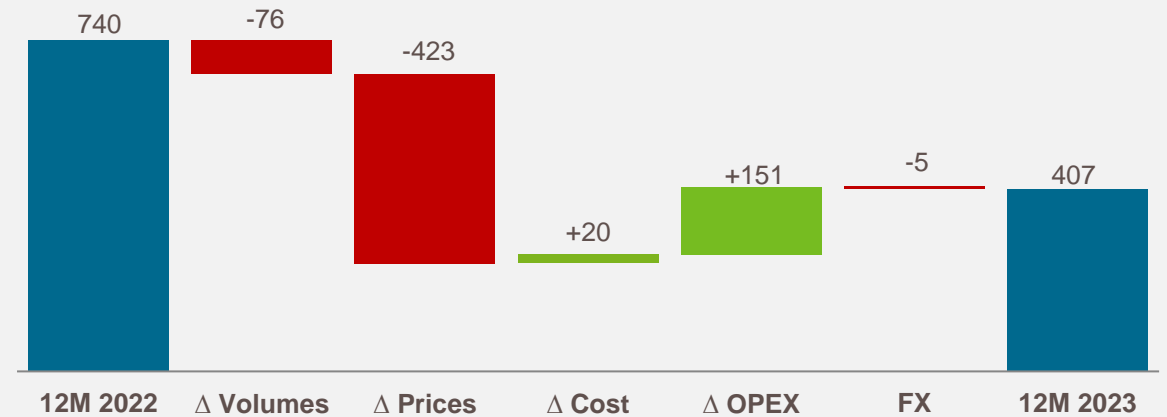
## Gross Profit bridge analysis

Gross profit impacted by lower demand, weak pricing, and adverse impact of exchange rates, moderated by the positive impact of new inventory sold, priced at market prices and an improvement in the sales mix of higher margin products



## EBITDA bridge analysis

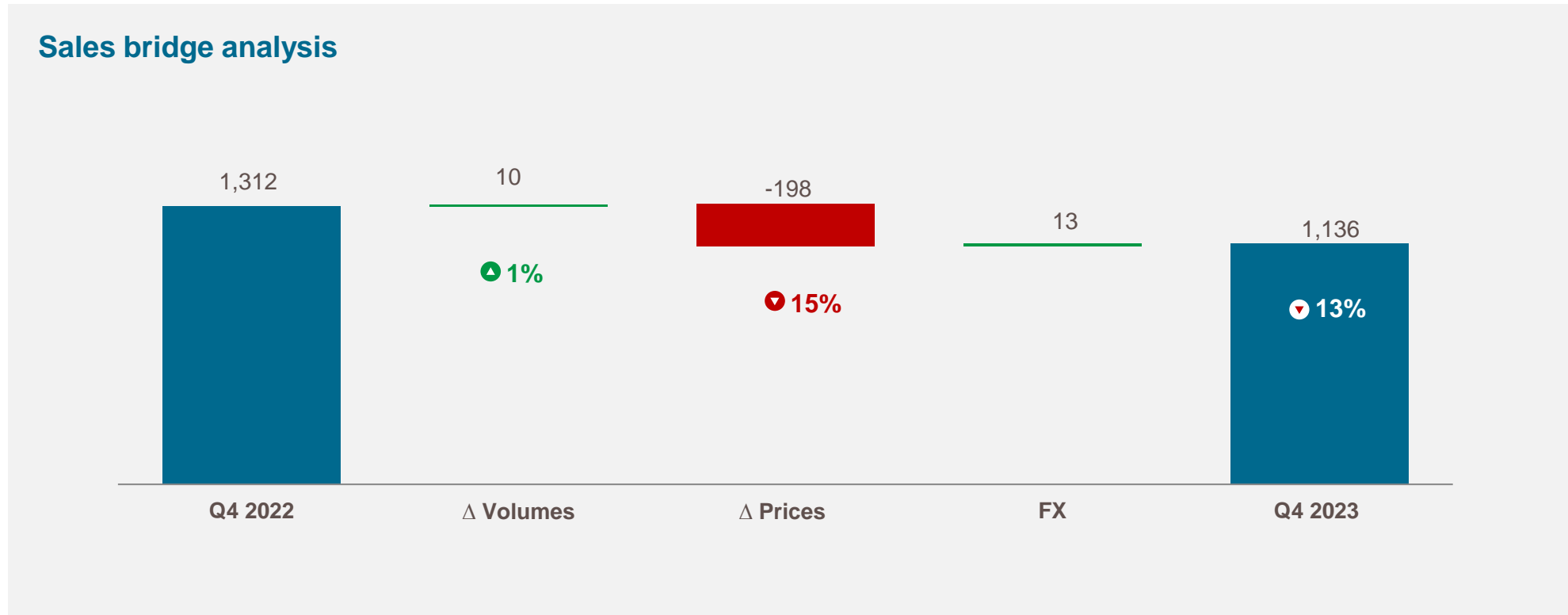
Decline in EBITDA despite lower OPEX



Notes –  
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 Volumes include mix effect; FX includes currency effect on sales and costs and opex, net of hedging



# Q4 2023 Sales: Channel Inventory & Destocking put pressure on demand and pricing

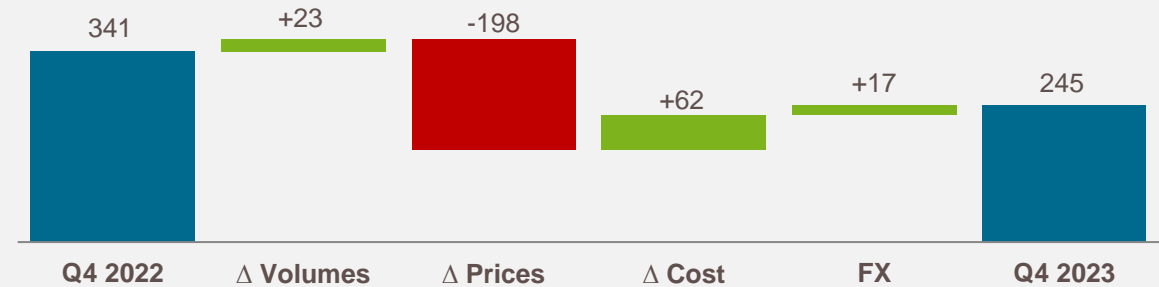


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# Q4 2023: Gross Profit & EBITDA

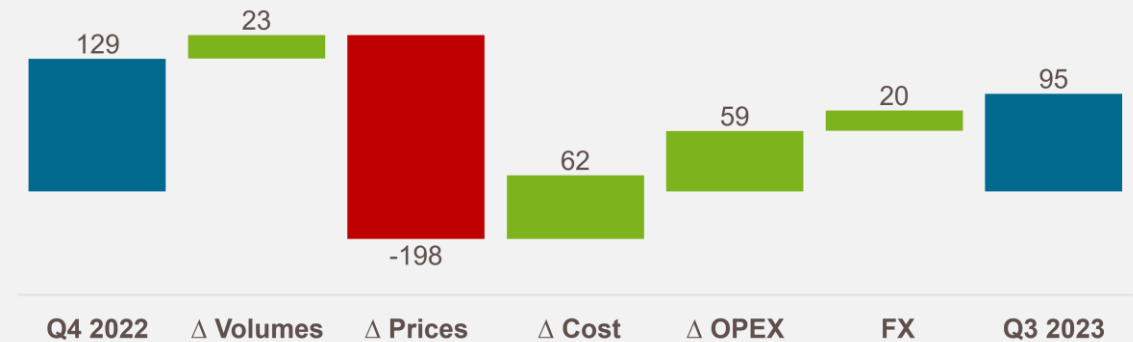
## Gross Profit bridge analysis

Gross profit impacted by weak pricing, moderated by an increase in volumes due to capture of opportunities in the market, an improvement in the sales mix of higher margin products, positive impact of new inventory sold, priced at market prices and exchange rates.



## EBITDA bridge analysis

Decline in EBITDA despite lower OPEX



Notes –  
 Numbers in million \$;  
 Denotes adjusted figures unless otherwise noted;  
 Parts may not sum due to rounding;  
 Volumes include mix effect; FX includes currency effect on sales and costs and opex, net of hedging



ADAMA

**Thank you**

# Adjusted vs. Reported P&L

\$ million	Q4 2023 Adjusted	Q4 2022 Adjusted	%▲	Q4 2023 Reported	Q4 2022 Reported	%▲	12M 2023 Adjusted	12M 2022 Adjusted	%▲	12M 2023 Reported	12M 2022 Reported	%▲
<b>Sales</b>	1,136	1,312	(13%)	1,136	1,312	(13%)	4,661	5,570	(16%)	4,661	5,570	(16%)
Gross Profit	245	341	(28%)	220	304	(28%)	1,060	1,565	(32%)	968	1,403	(31%)
<i>% of Sales</i>	21.5%	26.0%		19.4%	23.2%		22.7%	28.1%		20.8%	25.1%	
<b>EBITDA</b>	95	129	(19%)	86	127	(32%)	407	740	(45%)	400	731	(45%)
<i>% of Sales</i>	8.3%	9.8%		7.5%	9.6%		8.7%	13.3%		8.6%	13.1%	
<b>Net Income (Loss)</b>	(101)	(42)		(79)	(22)		(236)	118		(225)	96	
<i>% of Sales</i>	(8.9%)	(3.2%)		(6.9%)	(1.7%)		(5.1%)	2.1%		(4.8%)	1.7%	

\*The adjusted gross profit includes all inventory impairment and excludes certain transportation costs, which are included in the reported cost of goods.

# Adjusted vs. Reported Financial Results

The financial results in this presentation are presented on an “Adjusted” basis, and differ to some extent from the “Reported” financials contained in the formal financial statements of the Company.

## ADAMA’s approach on the use of adjustments:

- Adjusted results:
  - Exclude items that are of a one-time or non-cash/non-operational nature that do not impact the ongoing performance of the business
  - Reflect the way the Company’s management and the Board of Directors view the performance of the Company internally
- The Company believes that **excluding the effects of these items from its operating results allows management and investors to effectively compare the true underlying financial performance of its business from period to period and against its global peers**

<i>\$ million</i>	Q4'23 USD	Q4'22 USD	12M'23 USD	12M'22 USD
<b>Reported Net Income (Loss)</b>	<b>(79)</b>	<b>(22)</b>	<b>(225)</b>	<b>96</b>
Fixed asset impairment	33	15	33	15
Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)	5	6	20	23
Amortization of acquisition-related PPA and other acquisition related costs	4	5	17	20
Release of holdback due to subsidiary	(17)	0	(17)	0
Measures to improve efficiencies	9	0	9	0
Incentive plans	(1)	1	(3)	3
Non-cash adjustment related to put option revaluation	(54)	(47)	(61)	(47)
Others	(1)	(1)	(9)	7
Total adjustments to net income	<b>(22)</b>	<b>(19)</b>	<b>(11)</b>	<b>21</b>
<b>Adjusted Net Income (Loss)</b>	<b>(101)</b>	<b>(42)</b>	<b>(236)</b>	<b>118</b>