

19 May 2022

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

Nufarm Ltd (NUF)

Materials

UNDERPERFORM

NUF A\$6.38 **TARGET PRICE A\$5.69**

Nufarm Limited (NUF) is a crop protection and specialist seeds companies. NUF product helps farmers to protect their crops against damage caused by weeds, pests and disease. Nufarm has manufacturing and marketing operations throughout Australia, New Zealand, Asia, the Americas and Europe and sells products in more than 100 countries.

Company Data

Number of shares	380M
Market Capitalisation	\$ 2,523.3M
Free float (%)	74.8
12-month high/low	\$6.89/\$4.13
Average Daily Turnover (\$m)	12.414
% S&P/ASX200	0.119
DDM Ranking	357
% All Ordinaries	0.102
GICS Industry Group	Materials

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end September	2021A	2022F	2023F	2024F
Revenue (\$M)	3,215.7	3,502.5	3,449.4	3,549.2
EBITDA (\$M)	370.0	426.3	422.4	446.5
Reported NPAT (\$M)	65.1	76.6	102.0	116.3
Adjusted NPAT (\$M)	61.1	111.5	116.3	133.2
Reported EPS (c)	15.1	24.8	26.2	29.8
Adjusted EPS (c - FD)	14.0	30.6	30.3	34.3
Adjusted EPS growth (%)	-156.6	118.8	-1.2	13.4
Adjusted P/E (x)	47.4	21.7	21.9	19.3
Dividend (c/sh)	4.0	9.6	10.0	11.3
Gross yield (%)	0.9	2.1	2.2	2.4
Net yield (%)	0.6	1.4	1.5	1.7
ROIC (%)	2.5	4.7	4.6	5.2

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

FY22 Half Year Results

On 19th May 2022, Nufarm Ltd (NUF) announced its FY22 half year results with the following highlights:

Highlights:

- Underlying EBITDA up 41% on the previous corresponding period (pcp) to \$330 million on revenue of \$2.2 billion, up 31% on pcp;
- Statutory net profit after tax of \$99 million, up 61% on pcp;
- Underlying net profit after tax of \$133 million, an increase of 112% on pcp;
- Unfranked interim dividend of 4 cents per share;
- Result validates strategy and reflects good management through volatile global conditions;
- Positive outlook with favourable industry fundamentals.

Outlook:

- Aspire to reach group revenues of >\$4B with seed technologies contributing up to \$700M, by 2026;
- Current industry conditions highly favourable with grain prices likely to remain elevated driving increased planting and demand for crop protection products;
- While some easing of agricultural commodity prices is expected to occur, fundamental factors are likely to ensure ongoing strength in our markets;
- Global uncertainty has increased awareness that crop protection is a vital component in ensuring global food security;
- Full year earnings will be proportionately more weighted to 1H22 compared to FY21;
- Bulk of earnings expected in the first half.

On 26 April, NUF said it expects to report underlying EBITDA of between \$320 - \$340 million for the first half of 2022 (1H22).

CEO Comments:

Nufarm Managing Director and CEO, Greg Hunt, said:

"This is a very strong result for Nufarm, validating our strategy and reflecting good management through volatile global conditions.

"While we have benefited from healthy seasonal demand in our markets and higher grain prices, we are also reaping the outcomes of the hard work undertaken in recent years to transform the company. Our focus on core crops and key geographies is delivering strong results. Our seed technologies platforms continue to hit strategic milestones and provide significant growth opportunities for the company.

"The outlook for the full year remains positive. Current industry conditions are highly favourable with grain prices likely to remain elevated driving increased planting and demand for crop protection products. Full year results are anticipated to be proportionately more weighted to the first half compared to FY21, given the elevated forward sales due to global uncertainty and volatility in relation to active ingredient pricing, global supply chain and logistics challenges.

Earnings changes

For FY22, NUF reported an underlying EBITDA of \$330m. This is in line with guidance of \$320-340m, hence we don't expect any significant earnings revisions for FY22 and future periods.

Valuation

We are updating our 12-month target price from \$4.28 to \$5.69 and retaining our UNDERPERFORM recommendation. The price target is underpinned by our valuation.

Disclaimer

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	40.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	23.4%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	35.9%	(0.0% of stocks with recommendations are Barclay Pearce clients)
