FMC Corporation Announces Second Quarter 2017 Results

August 2, 2017

As Prepared for Delivery

Introduction – Michael Wherley

Thank you and good morning everyone. Welcome to FMC Corporation's second quarter earnings call. Joining me today are Pierre Brondeau, President, Chief Executive Officer and Chairman and Paul Graves, Executive Vice President and Chief Financial Officer. Pierre will begin the call with a review of FMC's second quarter performance, and then discuss the outlook for the remainder of 2017. Paul will provide an overview of select financial results. As a reminder, these metrics exclude any impact from the pending acquisition of the DuPont business and our Health and Nutrition business, which is reported in discontinued operations.

The slide presentation that accompanies our results, along with our earnings release and 2017 Outlook Statement are available on our website and the prepared remarks from today's discussion will be made available at the conclusion of the call.

Mark Douglas, President, FMC Agricultural Solutions, and Tom Schneberger, Vice President and Global Business Director, FMC Lithium, will then join to address questions.

Before we begin, let me remind you that today's discussion will include forward-looking statements that are subject to various risks and uncertainties concerning specific factors, including but not limited to those factors identified in our release and in our filings with the Securities and Exchange Commission. Information presented represents our best judgment based on today's information. Actual results may vary based upon these risks and uncertainties.

Today's discussion will focus on adjusted earnings for all income statement and EPS references. A reconciliation and definition of these terms, as well as other non-GAAP financial terms to which we may refer during today's conference call, are provided on our website.

With that, I will now turn the call over to Pierre.

Business Review – Pierre Brondeau

Thank you, Michael, and good morning everyone.

FMC had another strong quarter, and with the recent approvals from competition regulators, our pending transactions with DuPont remain on track for a November 1 close. We are pleased to announce both our Ag Solutions and Lithium businesses posted strong results in the second quarter. I will review the overall Q2 performance, then focus on our projections for the second half of the year, and finish with an update on the 2018 financial impact of the pending acquisition.

2Q 2017 Reported Results
Slide 3: FMC Reported Financial Results

Turning to slide 3. FMC reported second quarter revenue of $657 million, which was up nearly 7 percent year-over-year. Adjusted EPS was 48 cents in the quarter, up 4 percent versus the same period a year ago, and three cents above the mid-point of our guidance.

Agricultural Solutions

Before I get into specifics regarding our Ag Solutions results, let me start with a brief market update. Globally, we expect the crop protection market to decline by a low- to mid-single digit percentage in 2017.

North America continues to experience difficult market conditions, largely due to weak grower economics, and we expect it to be down mid-single digits for the full year. In

Europe, the season was negatively impacted by a late start in North and Central Europe in Q1 and by hot, dry conditions in Southern Europe in Q2. We now expect the European market to be down in the low- to mid-single digit range for full year 2017, slightly weaker than we expected 3 months ago. In Asia, we believe the market will be flat to slightly up for full year 2017.

Although we are pleased with what we have seen in Latin America, with a large soybean crop enhancing grower finances and with improved fundamentals in sugarcane and cotton, it is clear that channel inventory levels are still impacting some of our competitors in the region. Largely as a result of this last factor, we expect the overall market in Brazil to be down low- to mid-single digits for full year 2017.

Slide 4: 2Q 2017 Agricultural Solutions Reported Results

Let me now move onto slide 4 and FMC Ag Solutions' performance, in the context of these overall market conditions. Second quarter revenue of $583 million was up 6 percent compared to the same quarter last year. Revenue growth was driven primarily by increased volume in Brazil and new product launches in Asia, offset partially by lower sales in North America. Overall, volume was up 10 percent, offset somewhat by a 4 percent headwind from weaker price.

Segment earnings of $96 million were down 5 percent year-over-year, with weakness in North America having the largest impact on our earnings. Price was a drag in the quarter, but year-to-date price was down 2 percent, which is consistent with our expectations for the full year.

We continue to execute our strategy of maintaining discipline on price and terms and limiting credit risk, while pursuing top-line growth only where it makes sense. We see continued growth opportunities in Asia and Latin

America and we will act responsibly, continuing to balance earnings growth with earnings quality, credit risks and cash flow generation.

Slide 5: Ag Solutions 2Q 2017 Regional Performance

Turning to slide 5, I will provide additional comments on Ag Solutions regional performance in the quarter, compared to the second quarter of 2016. North American sales declined 7 percent on lower demand for insecticides and lower pricing.

In Latin America, sales increased 38 percent. In Brazil, we saw improvements in sales to cotton, sugarcane, and soybean growers. Our move to direct access in Argentina continues to be a bright spot, with strong sales in pre-emergent herbicides.

In Europe, revenue increased 3 percent in the quarter, as we largely caught up from our lower Q1 sales to perform in-line with the market for the first half of 2017. In Asia, revenue increased 4 percent in the quarter. We saw successful launches of new rice herbicides in China and increased demand for rice insecticides in Indonesia.

Ag Outlook

Moving next to the outlook for 2017. We expect that Ag Solutions 2017 revenue will be between $2.3 and $2.4 billion, which is up about 3 percent year-over-year at the mid-point, and slightly higher than our previous guidance. We have tightened the guidance range for segment earnings to a range of $415 to $445 million, with the mid-point reflecting an 8 percent year-over-year increase.

At the mid-point, we are forecasting earnings growth of 16 percent in the second half of 2017, relative to the same period in 2016. This includes third quarter segment earnings in the range of $100 to $120 million, which represents a 22 percent increase at the mid-point.

This second half growth will be driven largely by improved performance in Latin America, as significantly higher volumes and lower operating costs will more than offset the forecast price headwinds. We expect continued margin improvement, with second half earnings margin of 20 percent.

Our expected year-over-year performance in Latin America reflects the benefits of how we have operated in Brazil the past few years. As you recall, we took four broad actions, commencing in early 2015, to position our business in Brazil to match the operating conditions we see today. First, we reduced our cost base to better match market conditions. Second, we became more disciplined in our sales processes, mainly with regard to sales terms and cash collection. Third, we eliminated sales of low-value products from the portfolio, selling only those products where FMC was able to achieve acceptable financial returns.   And fourth, we acted to reduce the amount of FMC product in the distribution channels. To this point, channel inventory of FMC products in Brazil has declined by 60 percent since the end of 2015. The impact of these deliberate actions in the last few years has been painful, but we are now positioned to reap the rewards of these actions.

We have also seen improvements in cotton and sugarcane market conditions in Brazil, where FMC has significant exposure. Outside of Brazil, our move last year to a direct access model in Argentina will continue to deliver significant opportunities in the second half of 2017.

Lithium

Slide 6: 2Q 2017 Lithium Reported Results

Moving now to slide 6, Lithium delivered another very strong quarter. Revenue of $74 million was up 17 percent, driven by improvements in pricing and product mix. The pricing improvements were seen across the portfolio. Segment earnings of $24 million in the quarter increased

47 percent versus Q2 2016, as significantly higher prices and improved mix offset higher costs. The higher costs were largely due to the impact of seasonal operating conditions and costs related to expansion projects. Segment earnings margin was 33 percent, versus 26 percent in the prior year period.

Lithium Outlook

We are raising our full year guidance for the Lithium segment. We now expect revenue to be between $340 and $360 million, a year-over-year increase of over 30 percent at the mid-point, and earnings to be between $115 and $125 million, an increase of over 70 percent at the mid-point. We expect a mid-30's earnings margin percentage for the full year.

We expect third quarter segment earnings in the range of $30 to $35 million, which represents 34 percent sequential improvement at the mid-point, as well as year-over-year growth of about 85 percent.

The main driver of the increase in our earnings guidance, versus our May guidance, is increased confidence in the ramp up of our new hydroxide operations in China and the success in obtaining customer qualifications. We began selling product from this plant late in Q2; we will steadily ramp-up through September; and we should be selling at full capacity in Q4.

As a result, total hydroxide revenue in the second half of 2017 is expected to represent over 50 percent of segment revenue, compared to about 35 percent of first half revenue.

Slide 7: Lithium Expansion Progress & Plans

Let's now turn to slide 7 to discuss in more detail our lithium expansions and how they will impact the next few years.

This starts with our hydroxide Phase 1, which we discussed in the context of 2017 already. In 2018, we expect to realize the full volume benefit from these two 4,000-ton lines built in China.

Hydroxide demand projections continue to outpace capacity additions across the industry, especially in the segment of the EV-battery market where our hydroxide has a distinct technological advantage, which is in high nickel-content cathodes. Most of the pure EV models currently in development will rely upon high nickel-content batteries, due to their greater energy density which provides a longer driving range.

We remain fully committed to the Phase 2 hydroxide expansion. Phase 2 will add a further 12,000 tons of capacity, across three separate units, all of which will be on line in 2019. We will give more details on the timing, the cost and the locations of these additional units later this year, but we could see some sales from Phase 2 in the latter part of 2018.

We will continue to enter into customer contracts, similar to those we currently have, before we begin to build these new units. These current contracts for our Phase 1 hydroxide volume are largely 3- or 4-year contracts, with commitments on both volume and price.

Moving to the right-hand side of this slide, the second leg of our lithium expansion plan is to produce enough carbonate to continue to serve our downstream operations and remain a fully integrated lithium producer. With the plan outlined here, we will have enough carbonate and chloride to sustain our growth projections for our downstream businesses into the foreseeable future.

Our current facilities in Argentina are operating at record levels, and as you saw this quarter, we are successfully managing the seasonal production variation caused by weather conditions. In addition, our debottlenecking projects will add an incremental 2,000 to 3,000 tons of carbonate production in 2018, with the remainder coming in 2019.

Next, our agreement with Nemaska to buy 8,000 tons a year of carbonate starting in 2018 runs for multiple years, and we remain confident in Nemaska's ability to meet their commitments to FMC. We will continue to look at similar sourcing deals, where terms and price make sense.

However, our first-priority option to source additional carbonate is to significantly expand capacity at our Argentina location, where we are planning to invest $250 to $300 million to add 20,000 tons of capacity. This facility is one of the lowest cost producers in the world, significantly lower than it was in 2015 before the Argentine peso devaluation. We estimate that our current cash costs are less than half that of a typical spodumene-based producer.

Expanding this facility has low execution risk. We have operated at this location for many years and have benefited from our ongoing manufacturing excellence programs. We are progressing the engineering work, and we are in discussions with the local authorities to finalize these plans.

As we have stated since March 31, it is our firm intention to create two independently-listed public companies with leading positions in their respective industries. To this end, our current plan is to move towards a separate listing of FMC Lithium in the second half of 2018. We expect to announce a final decision on the timing by the second quarter of 2018.

<u>2017 Outlook</u>

Slide 8: 3Q and FY 2017 Earnings Outlook

Moving briefly to slide 8, which summarizes our outlook for the third quarter and the full year.

On a consolidated basis, our guidance for third quarter adjusted earnings is a range of 57 to 67 cents per share, up approximately 45 percent at the mid-point, versus the same quarter last year. As I mentioned previously, we are maintaining full year earnings guidance for Ag Solutions and raising it by 9 percent at the midpoint for Lithium.

We are tightening our Adjusted EPS guidance for the full year to a range of $2.30 to $2.50, which represents year-over-year EPS growth of between 20 and 30 percent.

I will now turn the call over to Paul.

Selected Financial Results – Paul Graves

Thank you Pierre.

Today I will cover three topics; cash flow and net debt, collections in Brazil, and the forecast for the corporate costs line item.

Slide 9: 2017 Cash Flow Outlook

Starting with cash flow, on slide 9. We have seen strong performance in cash flow generation year to date, which is reflected in a reduction in net debt of around $150 million since the start of the year. This is despite the headwind created by one-off cash costs related to the DuPont acquisition. In the last twelve months we have reduced our net debt balance by over $275 million. Q2 saw encouraging trends in Brazil, which I will touch on in a moment, leading to adjusted cash from operations of $214 million year-to-date, 24 percent better than the same period last year.

Brazil collections were ahead of forecast, with a particularly encouraging reduction in the past due receivables balance, which fell by over 15 percent in the quarter. Put simply, we are collecting existing past dues, and reducing the occurence of new past due balances. One of the key drivers behind this collection performance has been our success in reducing the level of FMC inventory in the distribution channels, which Pierre mentioned earlier. From FMC's perspective, channel inventory is a far smaller headwind to sales or collections than it has been in any of the last few seasons.

For the full year we expect to generate operating cash flow in the $530 to $630 million range, which would be broadly flat with 2016. We expect to see net debt continue to fall in the third quarter before a small increase in Q4, as we head into the heart of the Brazil selling period and the start of the North America and Europe sales season.

You will have noticed an increase in the forecast for corporate costs for the full year, and particularly high expenses in this quarter. The driver of this is the higher FMC share price that we have seen since the start of April, which creates a mark-to-market expense for the outstanding long-term incentive awards granted in 2015, which are delivered on the basis of historical total shareholder return. The higher share price is also the reason for the higher estimate of fully diluted shares outstanding, from 135.0 to 135.5 million shares. Finally, you have likely noticed that we are not increasing our full year EPS guidance, despite an increase in guidance for the segments of $10 million at the mid-point. The combination of higher corporate costs, higher share count and a slightly higher estimate for the full-year tax rate offsets this increase in segment earnings.

With that, I will turn the call back to Pierre.

Concluding Remarks – Pierre Brondeau

Slide 10: First Look at 2018 FMC Economics

Thank you Paul.

I mentioned at the start of the call that I would give you some more thoughts on the pending acquisition from DuPont.

We have received approvals from most of the major jurisdictions needed to close our transactions with DuPont, and we continue to work constructively with the few that have yet to issue a ruling. As a reminder, our transactions are contingent upon the close of the Dow - DuPont merger, which is expected this month. We also need to complete the steps required to separate the business from DuPont; this remains on track for a November 1st close, as set out in the purchase agreement.

If you turn to slide 10, this is our first look at the 2018 financial performance of FMC, in its new form. The model starts with our current 2017 EPS guidance and adds the impact of the DuPont acquisition, plus the 2018 impact from the growth of FMC Ag Solutions and Lithium segments. I will touch on some of these key assumptions in this model.

We now expect cost synergies will be between $40 and $80 million in 2018. There will be additional cost synergies to come in 2019 and beyond, but we will update you on the magnitude of those on our February 2018 earnings call.

We remain quite cautious in our assumptions as to earnings growth for the acquired business, and have assumed a lower rate of revenue growth than was presented to us by the seller. We continue to believe this is appropriate until we own the business and can develop our own view about near-term growth potential, as well as waiting until we take a first look at how the new Ag markets might perform in 2018. But we are comfortable providing a forecast revenue growth for 2018 for the entire Ag Solutions segment in the 2 percent to 4 percent range, which equates to EBIT growth of $30 to $60 million. We may update this estimate again in November, but will certainly give a formal guidance assumption on the February earnings call.

You may have noticed we did not include an estimate for revenue synergies. We expect to give our first estimate in February 2018.

FMC has begun the process of divesting the portfolio of products required by the European Commission remedy, which was announced last week. We expect the impact of this to be about $10 to $15 million of earnings in 2018.

Next is the growth of our Lithium segment. By looking at our projections for Q3 and the implied Q4 earnings from running our Phase 1 expansion at full capacity, you get a good starting point for 2018. Taking into account seasonal production, cost and prices, we believe that earnings growth of $40 to $50 million is appropriate for Lithium for 2018.

This model shows significant earnings growth in both businesses in 2018, but we are still at an early stage in the forecasting process.

In summary, we feel very good about where FMC is today. Our current Ag Solutions business delivered a solid Q2, and we are set to deliver a strong second half, driven by Latin America and Asia. Lithium had a very strong quarter, and is on track to deliver higher earnings in the second half of the year as the new hydroxide units commence full commercial operations.

We continue to receive very positive feedback from our customers, shareholders and employees on the announced transactions with DuPont, which remain on track.

Thank you for your attention. I will now turn the call back to the operator for questions.