FMC Corporation

3Q 2017 Conference Call

November 7, 2017

As Prepared for Delivery

Introduction – Michael Wherley

Thank you and good morning everyone. Welcome to FMC Corporation's third 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 review FMC's third quarter performance and provide the outlook for the full year and fourth quarter. Paul will provide an overview of select financial results.

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 after 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.

Before delving into our third quarter results, I just want to state that we successfully closed our transactions with DuPont on November 1, as expected. This was a great achievement for the hundreds of FMC and DuPont employees who worked diligently in a very compressed timeframe to carve out and stand up the acquired portion of the DuPont crop protection business for day one operations, and to separate our Health and Nutrition segment for divestiture. We are excited about this transformation at FMC, and the way it positions our Ag Solutions business as a leader in crop protection.

FMC now enters its next phase, as a focused, growth company in both Ag Solutions and Lithium. We continue to expect that we will conduct a separate listing of FMC Lithium in the second half of 2018 to create two independent public companies, with each becoming a pure-play investment opportunity for shareholders. As we prepare for that listing, we will continue to expand both our lithium hydroxide and our lithium carbonate capacity to capitalize on the significant demand expected in the coming decade.

But first, I will review the overall third quarter performance, where FMC had a very strong quarter in both Ag Solutions and Lithium. Next, I will update our full year and fourth quarter projections, which now include two months of contribution of the DuPont crop protection acquisition. Paul will then provide commentary on select financial results. I will then finish with a few highlights of the 2017 performance of the acquired business, followed by updates on our 2018 assumptions.

3Q 2017 Reported Results

Turning to slide 3. FMC reported third quarter revenue of $646 million, which was up 3 percent year-over-year. Adjusted EPS was 70 cents in the quarter, nearly 60 percent higher than the same period a year ago. Adjusted EPS was 8 cents above the mid-point of our guidance, driven by strong operating results in each of our two segments.

We are very pleased with our third quarter results. Both of our segments posted record third quarter earnings. Ag Solutions faced challenging market conditions, and many of our Ag competitors discussed ongoing price and volume pressure in Brazil. FMC was able to out-perform the market, due to the work we did in 2015 and 2016 to proactively reduce channel inventories. In Lithium, we executed our Phase 1 lithium hydroxide expansion extremely well in a market where delays have become the norm.

Let me now move onto slide 4 and Ag Solutions' performance. Third quarter segment earnings were very strong, growing by 31 percent year-over-year to $118 million dollars. We also saw strong sales performance, with 6 percent revenue growth, excluding India. The growth was driven by a 12 percent increase in Latin America – with Brazil volumes especially robust – and a 9 percent increase in North America. Offsetting this growth was a 4 percent decline in Europe, and a 32 percent decline in Asia, which was largely due to sales declines in India. We decided to take actions in India to prepare for the integration of the different market access channels between FMC and the acquired business, which reduced overall Ag Solutions revenue by 7 percent. India is the only market where FMC and DuPont have significantly different channels to market. In total, third quarter global revenue of $552 million dollars was down 1 percent year over year.

The 31 percent segment earnings growth was driven by volume gains around the world, excluding India, improved performance of our Brazilian business and overall lower operating costs. As you can see on the segment earnings bridge, the negative impact of the India sales decline was far smaller than the positive EBIT impact of the volume gains in the rest of the world. We expect overall profitability of the Indian market to increase significantly, as a result of the DuPont acquisition.

Foreign currency movements in the quarter offset modestly lower prices. Year-to-date, the net revenue impact from price declines is 2 percent, which is consistent with our expectations for the full year.

Moving next to slide 5, where we outline three main drivers of the Ag business so far in 2017. First, we have seen significant volume growth across many markets. In Latin America, FMC volume is 22 percent higher year-to-date, driven largely by Brazil where we are outperforming the overall market. We have also seen continual improvement of the fundamentals of Brazil's cotton and sugarcane markets, two markets where FMC has significant share. We now expect the overall market in Brazil to be down high-single digits for the full year 2017, due to ongoing channel inventory actions being taken by some of our competitors. However, we believe product usage is largely flat.

In Asia, excluding India, FMC volume is up 9 percent year to date. This growth has been driven by successful product launches in China, strong demand for rice insecticides in Indonesia, and increased herbicide demand in Australia. We believe the overall Asia market will be flat for full year 2017, slightly worse than we thought 3 months ago.

In North America, FMC has posted a 2 percent volume gain year to date, which is largely in-line with our market expectations. Our results were driven by stronger demand in the first half for pre-emergent herbicides, as well as third-quarter strength in post-emergent herbicides and foliar insecticides. We now expect the North American market to be roughly flat for the full year, due to higher demand for foliar insecticides.

In Europe, FMC's volumes are down 6 percent year to date, which is slightly lower than the overall market. Our results were largely due to the impact of FMC's business in France moving from distribution to direct market access. You will recall France is the final country to make this transition from the Cheminova acquisition. We continue to expect the European market to be down in the low- to mid-single digit range for full year 2017.

Moving to the second key factor in our year-to-date performance, which is the significant improvement in our profitability in Brazil. The primary driver has been higher sales volumes leading to 24 percent revenue growth. One of the main reasons FMC is outperforming the market in Brazil is our proactive management of channel inventories over the last 2 to 3 years; our actions have reduced channel inventories of FMC products by 35 percent year over year and by 50 percent since the peak at the end of

2015. We believe that we are operating with closer to normal channel inventory levels of FMC products today. We have also benefitted from a significantly lower cost base and improved product mix. Combined, these drivers have led to operating margins in Brazil increasing nearly 400 basis points year to date.

The third factor in our year-to-date results is the significant top-line headwind from the volume decline in India, which was primarily felt in the third quarter. As we stated earlier, this needed to be done so that we could integrate two different channels to market after November 1st. These actions mostly impacted the lower value-in-use portion of our business, hence the low impact on earnings.

I will address the outlook for Ag Solutions after covering Lithium's third quarter performance.

Lithium

Moving now to slide 6, Lithium delivered an exceptional quarter, driven by the successful ramp-up of production from the new hydroxide facilities in China. Revenue of $94 million dollars was up 28 percent sequentially and 35 percent year-over-year. Segment earnings increased over 50 percent sequentially and more than doubled year-over-year to $37 million dollars in the quarter. Significantly higher volume and prices were the main contributors to the growth, driving a segment earnings margin of 39 percent, versus 33 percent last quarter and 25 percent in the prior year period.

Regarding the ramp up of our new hydroxide operations in China, we operated at an annualized rate well in excess of the 8,000 MT nameplate capacity in the month of September. We are very pleased to have delivered this capacity expansion on time and under budget, and it speaks to the engineering expertise of our Lithium business.

Our debottlenecking projects at our operations in Argentina also contributed to our Q3 results. The completed projects have delivered a run-rate of 2,000 tons per year of carbonate, and we will be at the full 4,000-ton run-rate by the end of 2018. We continue to move forward with the expansion in Argentina, where we plan to add at least 20,000 tons of lithium carbonate capacity, with an initial investment of $250 to $300 million dollars. We are progressing the engineering work, and we are in discussions with the local authorities to finalize these plans.

Turning to slide 7, and the year-to-date results for Lithium. Revenue has increased by 21 percent compared to the same period last year, and earnings are up nearly 70 percent.

From an overall market perspective, much of the focus remains on the supply-demand balance. In 2017, we have seen conditions tighten further as demand growth continues to exceed supply additions. Incremental supply of lithium carbonate continues to be provided from high-cost spodumene resources. In lithium hydroxide, FMC was the only producer to add significant capacity in the year.

As we have discussed previously, pricing for FMC Lithium is significantly higher compared to last year. Year-to-date, the average price per LCE is more than 20 percent higher than the same period last year, with hydroxide being the largest contributor, but all major product groups showing increases.

Late in the quarter, our two China hydroxide units produced at full capacity, creating the second largest driver of improved performance, which is higher volumes. These two hydroxide units, which were completed in less than 12 months at a capital cost of less than $20 million dollars, operated in September at a rate of 9,000 tons per year, which is 12 percent higher than their nameplate capacity. Just as important, the customer qualification process has gone very smoothly, and the vast majority of our customers have signed off on the quality of the product we make in these two units. This means that we are now producing and selling at an annualized rate approaching 9,000 tons per year, doubling our lithium hydroxide capabilities compared to the same point a year ago.

2017 Outlook

Moving to slide 8, which summarizes our outlook for the fourth quarter and the full year, including the impact of two months of results from the acquired business.

We now expect Adjusted EPS to be in the range of $2.59 to $2.69, which represents year-over-year EPS growth of 35 to 40 percent. This includes guidance for fourth quarter adjusted earnings in a range of $0.98 to $1.08 per share.

We expect full-year Ag Solutions revenue to be in the range of $2.5 to $2.6 billion dollars and segment earnings will be in a range of $465 to $485 million dollars. We anticipate the legacy Ag Solutions business will contribute $2.3 to $2.4 billion dollars of revenue and $425 to $445 million dollars of earnings in 2017. The earnings guidance for the legacy Ag business represents 9 percent year-over-year growth and a $5 million dollar increase versus prior guidance, at the mid-point. Fourth quarter segment earnings are forecasted to be in the range of $168 to $188 million.

In Lithium, we are leaving our full year revenue guidance for the segment at a range of $340 to $360 (million dollars), a year-over-year increase of over 30 percent at the mid-point. We are raising our segment earnings guidance to a range of $124 to $128 million dollars, a year-over-year increase of nearly 80 percent, at the mid-point, and a $6 million dollars increase versus prior guidance.

We expect fourth quarter Lithium segment earnings in the range of $41 to $45 million, which represents 17 percent sequential improvement at the mid-point, as well as a doubling of earnings, year over year.

I will now turn the call over to Paul.

Selected Financial Results – Paul Graves

Thank you Pierre.

Looking at cash flow, on slide 9. We continue to improve our cash generation performance, with adjusted cash from operations 9 percent higher, year to date, compared to the same period last year. This is underpinned by improved collection in Brazil, as mentioned earlier. Although the credit environment in Brazil remains weak, our overall credit exposure has improved significantly in the last 12 months, with account receivables in Brazil 13 percent lower than a year ago, despite strong sales in Q3 of 2017, and past due receivables declining significantly.

We are not yet able to give a detailed forecast for full year cash flows, given the short amount of time we have owned the acquired business; however, our cash flow expectations for the legacy FMC business, excluding the acquired business, remains in line with our forecast of three months ago, with Adjusted Cash from Operations in the $400 million dollar range.

Looking forward to the end of the year, and a forecast for our year-end net debt balance. We ended the third quarter at just over $1.6 billion dollars, down $233 million dollars from a year ago. Since the end of the quarter, we have fully drawn a $1.5 billion term loan to fund our acquisition, of which we transferred approximately $1.2 billion dollars to DuPont, under the terms of the transaction. The remaining $300 million will be held as cash to meet various obligations related to the transaction, primarily tax payable on the sale of Health and Nutrition. The actual payment of many of these obligations will fall into the first quarter of 2018. In addition, we expect to receive significantly higher customer prepayments related to the acquired business in North America. Given this, we expect to carry a significant cash balance at the end of December 2017, with higher cash outflows relative to historical patterns in Q1 and Q2 of 2018. The net result is that we expect our gross debt at the end of calendar year

2017 to be approximately $3.2 billion, with net debt of $2.8 to $2.9 billion dollars.

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

<u>Acquired Business & 2018 Assumptions – Pierre Brondeau</u>

Thank you Paul.

I mentioned at the start of the call that I would give you a few highlights on how the acquired business is performing this year.

The revenue growth for the acquired business has been robust year to date. For full-year 2017, revenue is expected to grow about 6 percent, which is driven by very strong performance in India as well as increased sales of insecticides. The overall performance of the business is largely in-line with our forecasts made in March.

A second key driver in 2017 has been the acquired business' strong work this year to reduce channel inventories of its products in the Americas. We believe the acquired business has normalized inventory levels in both North America and Brazil.

This performance positions FMC well to continue growing the business in 2018 at a pace at least as high as the 2017 growth. We believe this provides upside to our prior assumptions for the growth of the combined Ag Solutions business in 2018.

This brings me to slide 11. We have updated some of the numbers, and we would also like to offer a comment about how we feel after owning the DuPont business for a few days.

As we mentioned earlier, we have increased our 2017 earnings guidance for both our legacy Ag business and for our Lithium segment. We have also lowered our estimate for incremental D&A related to the acquisition, and we now have more certainty on the expected financial impact of the regulatory remedies in Europe and India.

We are not changing the cost synergies range. As we have explained, these cost synergies are not the usual savings seen in an acquisition. Remember that we are getting the business from DuPont with almost no corporate or back office structure. "Cost synergies" in our case are a combination of real cost decreases, such as opportunities to operate plants at a lower cost, and "cost avoidance" opportunities where we add less costs than were anticipated in the acquisition model.

Our assumptions for EBIT growth for the combined Ag Solutions segment has the potential to have the most upside, relative to the initial forecast, when we assumed 2 to 4 percent revenue growth in 2018. Based on what we have seen so far regarding the acquired business, we are feeling more positive about 2018 growth for Ag Solutions. We will be able to give more clarity on this topic during our February 2018 earnings call.

Moving over to Lithium. We expect the positive trends we have seen year to year to continue through 2018, and we continue to expect Lithium earnings to increase by $40 to $50 million dollars.

Concluding Remarks

In summary, we feel very good about where FMC is today. Our current Ag Solutions business delivered record Q3 earnings, and we are set to deliver a strong Q4, driven by Latin America. The integration of the acquired business is in full motion, with our teams already operating together. Lithium had a very strong quarter, and is on track to deliver even higher earnings in the fourth quarter as the new hydroxide units are in full commercial operation.

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

[After last question]

Closing – Michael Wherley

That is all the time that we have for the call today. As always, I am available following the call to address any additional questions. Thank you and have a good day.