Corteva Reports Third Quarter and Year-to-Date 2022 Results

Nov 03, 2022

Strong Double-Digit Sales Growth Year-to-Date

Raises Mid-Point of Full-Year Operating EBITDA[1] Guidance

Company Signs Agreement to Acquire Biological Leader Symborg

INDIANAPOLIS, Nov. 3, 2022 /PRNewswire/ -- Corteva, Inc. (NYSE: CTVA) ("Corteva" or the "Company") today reported financial results for the third quarter and nine months ended September 30, 2022.

3Q 2022 Results Overview

	Net Sales	Loss from Cont. Ops (After Tax)	EPS
GAAP	$2.78B	$(322)M	$(0.45)
vs. 3Q 2021	+17 %	n/m	n/m

	Organic[1] Sales	Operating EBITDA[1]	Operating EPS[1]
NON-GAAP	$2.88B	$96M	$(0.12)
vs. 3Q 2021	+22 %	+288 %	+14 %

2022 YTD Results Overview

	Net Sales	Income from Cont. Ops (After Tax)	EPS
GAAP	$13.63B	$1.26B	$1.72
vs. 2021 YTD	+12 %	(25) %	(23) %

	Organic[1] Sales	Operating EBITDA[1]	Operating EPS[1]
NON-GAAP	$14.07B	$2.85B	$2.50
vs. 2021 YTD	+16 %	+23 %	+21 %

2022 YTD Highlights

- 2022 YTD net sales rose 12% versus prior year with gains in both segments. Organic[1] sales increased 16% in the same period with double-digit gains in all regions.
- Seed net sales grew 5% and organic[1] sales increased 8% year over year, with notable gains in EMEA[2] as well as North America[2] soybeans, partially offset by the reduction of corn acres and canola volumes in North America[2]. Price was up 7% globally, led by continued execution on the Company's price for value strategy and recovery of higher input costs.
- Crop Protection net sales grew 22% and organic[1] sales increased 26%, with broad-based gains across all regions. Volume gains were driven by continued penetration of new products, including Enlist™ and Arylex™ herbicides and Onmira™ fungicide. Price gains reflected strong execution across all regions in response to cost inflation.
- GAAP income and earnings per share (EPS) from continuing operations were $1.26 billion and $1.72 per share for the period, respectively. Operating EBITDA[1] was $2.85 billion, a 23% improvement over prior year on strong price execution and volume gains in all regions and productivity actions, partially offset by inflation and currency headwinds. Operating EPS[1] was $2.50 per share, up 21% compared to prior year.
- The Company affirmed full year 2022 net sales guidance[3] of $17.2 billion to $17.5 billion. The Company increased the mid-point of its Operating EBITDA[1] guidance, and now expects it to be in the range of $3.0 billion to $3.1 billion. Operating

EPS[1] is expected to be in the range of $2.45 to $2.60 per share.

"Corteva delivered another solid quarter of sales and Operating EBITDA growth, reflecting focused global execution and strong customer demand. We continue to make progress on portfolio actions, including our agreement to acquire Symborg, a leading biologicals business, and our decision to exit commodity glyphosate products. These actions demonstrate our commitment to deliver increased value to farmers through differentiated technologies and contribute to a more sustainable global food system.

"Look ahead to 2023, we expect the near-term operating environment to remain dynamic. While the outlook for ag fundamentals is strong, macroeconomic pressures are expected to continue, including currency and inflation headwinds.

"In this environment, we remain focused on executing our strategic plan and serving customers. We believe farmers will continue to prioritize top-tier technologies to increase productivity on the farm. We are in a unique position to provide industry-leading innovative solutions that will accelerate our performance and growth," said Chuck Magro, Corteva Chief Executive Officer.

Company Updates

- **Company Signs Agreement to Acquire Biological Leader Symborg**
  - During the quarter, the Company announced it had signed a definitive agreement to acquire Symborg, a leader in microbiological technologies based in Murcia, Spain.
  - The Company first collaborated with Symborg to scale up and bring farmers Utrisha™ N and BlueN™ nutrien efficiency optimizer as part of a distribution agreement between the two companies.
  - This transaction continues the Company's commitment to build a more differentiated and sustainably advantaged portfolio that provides cost-effective solutions for farmers.
- **Company Initiates First Significant Steps Towards Portfolio Simplification**
  - During the quarter, the Company made a business decision to exit commodity glyphosate products, reflecting Corteva's commitment to disciplined and strategic portfolio management – prioritizing core markets and crops to optimize resource allocation and drive long-term value creation.
  - This decision allows the Company to simplify operations and focus investments on delivering greater value to growers through more differentiated and sustainably advantaged solutions.
  - As a result of this decision, the Company expects an approximate $300 million headwind to net sales related to commodity glyphosate products in 2023.
- **Enlist™ System Crosses $1B in Net Sales**
  - The Company delivered approximately $1.1 billion in sales for the Enlist™ system during the nine months ended September 30, 2022, an increase of nearly 80% versus the same period last year.
  - The Company expects 2023 Enlist E3™[4] U.S. market penetration in the mid 50% range, representing approximately 70% of Corteva's lineup – a notable accomplishment considering this technology has only been in market for 3 seasons. The percentage of Enlist™ with proprietary Corteva germplasm is expected to reach approximately 65%.

2022 Updated Guidance

The outlook for agriculture remains robust despite recent commodity price volatility. The Company expects record demand for grain and oilseeds in 2022, which should support commodity prices as ending stocks remain under pressure. Grower balance sheets and income levels remain healthy despite increased input costs for fuel and fertilizer, leading farmers to prioritize technology to maximize return.

As a result, the Company affirmed full year 2022 net sales guidance[3] of $17.2 billion to $17.5 billion, which at the mid-point represents expected net sales growth of 11% for the year. The Company increased the mid-point of its Operating EBITDA[1] guidance, and now expects it to be in the range of $3.0 billion to $3.1 billion, which at the mid-point represents expected Operating EBITDA[1] growth of 18% for the year. Operating EPS[1] is expected to be in the range of $2.45 to $2.60 per share. The Company is not able to reconcile its forward-looking non-GAAP financial measures to its most comparable U.S. GAAP financial measures, as it is unable to predict with reasonable certainty items outside of its control, such as Significant Items, without unreasonable effort.

Click here to download the full press release, including segment detail and reconciliations of non-GAAP and GAAP measures, or visit the Corteva Investor Relations website.

About Corteva

Corteva, Inc. (NYSE: CTVA) is a publicly traded, global pure-play agriculture company that combines industry-leading innovation, high-touch customer engagement and operational execution to profitably deliver solutions for the world's most pressing agriculture challenges. Corteva generates advantaged market preference through its unique distribution strategy, together with its balanced and globally diverse mix of seed, crop protection, and digital products and services. With some of the most recognized brands in agriculture and a technology pipeline well positioned to drive growth, the Company is committed to maximizing productivity for farmers, while working with stakeholders throughout the food system as it fulfills its promise to enrich the lives of those who produce and those who consume, ensuring progress for generations to come. More information can be found at www.corteva.com.

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Cautionary Statement About Forward-Looking Statements

This report contains certain estimates and forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, which are intended to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and may be identified by their use of words like "plans," "expects," "will," "anticipates," "believes," "intends," "projects," "estimates," "outlook," or other words of similar meaning. All statements that address expectations or projections about the future, including statements about Corteva's financial results or outlook; strategy for growth; product development; regulatory approvals; market position; capital allocation strategy; liquidity; environmental, social and governance ("ESG") targets and initiatives; the anticipated benefits of acquisitions, restructuring actions, or cost savings initiatives; and the outcome of contingencies, such as litigation and environmental matters, are forward-looking statements.

Forward-looking statements and other estimates are based on certain assumptions and expectations of future events which may not be accurate or realized. Forward-looking statements and other estimates also involve risks and uncertainties, many of which are beyond Corteva's control. While the list of factors presented below is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on Corteva's business, results of operations and financial condition. Some of the important factors that could cause Corteva's actual results to differ materially from those projected in any such forward-looking statements include: (i) failure to successfully develop and commercialize Corteva's pipeline; (ii) failure to obtain or maintain the necessary regulatory approvals for some of Corteva's products; (iii) effect of the degree of public understanding and acceptance or perceived public acceptance of Corteva's biotechnology and other agricultural products; (iv) effect of changes in agricultural and related policies of governments and international organizations; (v) effect of competition and consolidation in Corteva's industry; (vi) effect of competition from manufacturers of generic products; (vii) costs of complying with evolving regulatory requirements and the effect of actual or alleged violations of environmental laws or permit requirements; (viii) effect of climate change and unpredictable seasonal and weather factors; (ix) failure to comply with competition and antitrust laws; (x) competitor's establishment of an intermediary platform for distribution of Corteva's products; (xi) impact of Corteva's dependence on third parties with respect to certain of its raw materials or licenses and commercialization; (xii) effect of industrial espionage and other disruptions to Corteva's supply chain, information technology or network systems; (xiii) effect of volatility in Corteva's input costs; (xiv) failure to raise capital through the capital markets or short-term borrowings on terms acceptable to Corteva; (xv) failure of Corteva's customers to pay their debts to Corteva, including customer financing programs; (xvi) increases in pension and other post-employment benefit plan funding obligations; (xvii) risks related to environmental litigation and the indemnification obligations of legacy EID liabilities in connection with the separation of Corteva; (xviii) risks related to Corteva's global operations; (xix) failure to effectively manage acquisitions, divestitures, alliances, restructurings, cost savings initiatives, and other portfolio actions; (xx) capital markets sentiment towards ESG matters (xxi) risks related to COVID-19; (xxii) Corteva's ability to recruit and retain key personnel; (xxiii) Corteva's intellectual property rights or defend against intellectual property claims asserted by others; (xxiv) effect of counterfeit products; (xxv) Corteva's dependence on intellectual property cross-license agreements; (xxvi) other risks related to the Separation from DowDuPont; and (xxvii) risks related to the Russia and Ukraine military conflict.

Additionally, there may be other risks and uncertainties that Corteva is unable to currently identify or that Corteva does not currently expect to have a material impact on its business. Where, in any forward-looking statement or other estimate, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of Corteva's management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. Corteva disclaims and does not undertake any obligation to update or revise any forward-looking statement, except as required by applicable law. A detailed discussion of some of the significant risks and uncertainties which may cause results and events to differ materially from such forward-looking statements is included in the "Risk Factors" section of Corteva's Annual Report on Form 10-K, as modified by subsequent Quarterly Reports on Forms 10-Q and Current Reports on Form 8-K.

Regulation G (Non-GAAP Financial Measures)

This earnings release includes information that does not conform to U.S. GAAP and are considered non-GAAP measures. These measures may include organic sales, organic growth (including by segment and region), operating EBITDA, operating EBITDA margin, operating earnings (loss) per share, and base income tax rate. Management uses these measures internally for planning and forecasting, including allocating resources and evaluating incentive compensation. Management believes that these non-GAAP measures best reflect the ongoing performance of the Company during the periods presented and provide more relevant and meaningful information to investors as they provide insight with respect to ongoing operating results of the Company and a more useful comparison of year over year results. These non-GAAP measures supplement the Company's U.S. GAAP disclosures and should not be viewed as an alternative to U.S. GAAP measures of performance. Furthermore, such non-GAAP measures may not be consistent with similar measures provided or used by other companies. Reconciliations for these non-GAAP measures to U.S. GAAP are provided in the Selected Financial Information and Non-GAAP Measures starting on page A-5 of the Financial Statement Schedules.

Corteva is not able to reconcile its forward-looking non-GAAP financial measures to its most comparable U.S. GAAP financial measures, as it is unable to predict with reasonable certainty items outside of the Company's control, such as Significant Items, without unreasonable effort. For Significant items reported in the periods presented, refer to page A-10 of the Financial Statement Schedules. Beginning January 1, 2020, the Company presents accelerated prepaid royalty amortization expense as a significant item. Accelerated prepaid royalty amortization represents the noncash charge associated with the recognition of upfront payments made to Monsanto in connection with the Company's non-exclusive license in the United States and Canada for Monsanto's Genuity® Roundup Ready 2 Yield® Roundup Ready 2 Xtend® herbicide tolerance traits. During the five-year ramp-up period of Enlist E3TM, Corteva is expected to significantly reduce the volume of products with the Roundup Ready 2 Yield® and Roundup Ready 2 Xtend® herbicide tolerance traits beginning in 2021, with expected minimal use of the trait platform after the completion of the ramp-up. Additionally, in connection with the Company's shift to a global business unit model, the Company has assessed its business priorities and operational structure to maximize the customer experience and deliver on growth and earnings potential. As a result of this assessment, the company has committed to restructuring actions that, combined with the impact of the company's separate announcement to withdraw from Russia and stop production and business activities ("Russia Exit") (collectively the "2022 Restructuring Actions"), have resulted in expected total pre-tax restructuring and other charges of approximately $350 million to $420 million. The restructuring actions associated with these charges are expected to be substantially complete in 2023.

Organic sales is defined as price and volume and excludes currency and portfolio impacts. Operating EBITDA is defined as earnings (loss) (i.e., income (loss) from continuing operations before income taxes) before interest, depreciation, amortization, non-operating benefits (costs), foreign exchange gains (losses), and net unrealized gain or loss from mark-to-market activity for certain foreign currency derivative instruments that do not

qualify for hedge accounting, excluding the impact of significant items. Non-operating benefits (costs) consists of non-operating pension and other post-employment benefit (OPEB) benefits (costs), tax indemnification adjustments, and environmental remediation and legal costs associated with legacy businesses and sites. Tax indemnification adjustments relate to changes in indemnification balances, as a result of the application of the terms of the Tax Matters Agreement, between Corteva and Dow and/or DuPont that are recorded by the Company as pre-tax income or expense. Operating EBITDA margin is defined as Operating EBITDA as a percentage of net sales.

Operating earnings (loss) per share is defined as "earnings (loss) per common share from continuing operations - diluted" excluding the after-tax impact of significant items, the after-tax impact of non-operating benefits (costs), the after-tax impact of amortization expense associated with intangible assets existing as of the Separation from DowDuPont, and the after-tax impact of net unrealized gain or loss from mark-to-market activity for certain foreign currency derivative instruments that do not qualify for hedge accounting. Although amortization of the Company's intangible assets is excluded from these non-GAAP measures, management believes it is important for investors to understand that such intangible assets contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in amortization of additional intangible assets. Net unrealized gain or loss from mark-to-market activity for certain foreign currency derivative instruments that do not qualify for hedge accounting represents the non-cash net gain (loss) from changes in fair value of certain undesignated foreign currency derivative contracts. Upon settlement, which is within the same calendar year of execution of the contract, the realized gain (loss) from the changes in fair value of the non-qualified foreign currency derivative contracts will be reported in the relevant non-GAAP financial measures, allowing quarterly results to reflect the economic effects of the foreign currency derivative contracts without the resulting unrealized mark to fair value volatility. Base income tax rate is defined as the effective tax rate excluding the impacts of foreign exchange gains (losses), non-operating benefits (costs), amortization of intangibles (existing as of the Separation), mark-to-market gains (losses) on certain foreign currency contracts not designated as hedges, and significant items.

® TM Corteva Agriscience and its affiliated companies.

1. Organic Sales, Operating EPS and Operating EBITDA are non-GAAP measures. See page A-5 for further discussion. 2. North America is defined as U.S. and Canada. EMEA is defined as Europe, Middle East and Africa. 3. The Company does not provide the most comparable GAAP measure on a forward-looking basis. See page 7 for further discussion. 4. Enlist E3™ soybeans are jointly developed by Corteva Agriscience LLC and MS Technologies™.

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