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Corteva, Inc. (CTVA)

Q2 2026 Earnings Call

MANAGEMENT DISCUSSION SECTION

Operator: Hello everyone. Thank you for joining us and welcome to the Corteva Agriscience Second Quarter 2026 Earnings Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Kim Booth, Head of Investor Relations. Kim, please go ahead.

Unverified Participant

Good morning and welcome to Corteva's second quarter and first half 2026 earnings conference call. Our prepared remarks today will be led by Chuck Magro, Chief Executive Officer; and David Johnson, Executive Vice President and Chief Financial Officer. Additionally, Judd O'Connor, Executive Vice President Seed Business Unit; Robert King, Executive Vice President and Strategic Advisor as well as Luke Kissam, future CEO for new Corteva will join the Q&A session.

We have prepared presentation slides to supplement our remarks during this call, which are posted on the Investor Relations section of the Corteva website and through the link to our webcast. During this call, we will make forward-looking statements which are our expectations about the future. These statements are based on current expectations and assumptions that are subject to various risks and uncertainties. Our actual results could materially differ from these statements due to these risks and uncertainties, including but not limited to those discussed on this call and in the Risk Factor section of our reports filed with the SEC. We do not undertake any duty to update any forward-looking statements.

Please note in today's presentation we'll be making references to certain non-GAAP financial measures. Reconciliations of the non-GAAP measures can be found in our earnings press release and related schedules, along with our supplemental financial summary slide deck available on our Investor Relations website.

It's now my pleasure to turn the call over to Chuck.

Unverified Participant

Thanks, Kim. Good morning, everyone, and thanks for joining us. The headline for this quarter is straightforward. We are delivering strong results. We are raising our full year outlook and we are on track to complete our separation on October 1. The first half of 2026 demonstrated the resilience of our two businesses: the value of our technology portfolio, and the execution discipline of our teams around the world. In the first half, net sales increased 4%, operating EBITDA increased 10%, and operating EPS increased 14%. These results reflect strong execution in both Seed and Crop Protection despite a dynamic operating environment. In Seed, farmers continue to place a premium on technologies that improve productivity and returns. That is reflected in the continued demand we are seeing for our latest genetics and trait offerings, and the growing contribution from our new licensing business. We saw organic growth across all regions in the first half, which speaks to the durability and the basic need of that technology demand.

Crop Protection also performed well this half. Volume gains on new products, which are becoming a larger part of the business every year, remain robust, and pricing of these products was essentially flat in the first half, which we consider a success in this environment. Even in markets where pricing remains competitive, our teams are delivering productivity improvements and demonstrating operating discipline that allows us to continue expanding margins and improving earnings quality. The strategy we have deployed in Crop Protection for several years, building a more differentiated portfolio supported by innovation and commercial excellence, while proactively reducing our cost to production is working. And we continue to strengthen our pipeline, particularly in nature-based products. You can find details in the deck about a recent acquisition that expands our capabilities in that area, as well as industry recognition for some of our crop health innovations.

So Corteva's first half performance was a result of execution. It was driven by technology, adoption and being nimble in the market through productivity improvements, licensing growth, operational discipline and of course strong execution across the company. Our teams have done an excellent job balancing separation-related work while maintaining focus on customers. What we are seeing today is the outcome of deliberate actions we have been making for several years. We have invested in differentiated technology. We have strengthened our germplasm portfolio. We have expanded our trade capabilities. We have built one of the strongest innovation pipelines in agriculture. And we have stayed disciplined on productivity, cost management and asset optimization.

Today, those investments are translating into measurable outcomes. What is particularly important is that these results are being achieved in a market that is increasingly rewarding innovation. Farmers around the world continue to make investment decisions based on productivity, yield potential and return on investment. That is exactly where Corteva is strongest. And while the external environment will always be dynamic concerning weather, currency, trade flows or geopolitical uncertainty, the fundamentals that matter most remain healthy. Global demand for food, feed and biofuels continues to grow. Crop prices are up. However, farmer margins remain tight, so they continue to prioritize value-driven investments, while remaining cautious on discretionary spending.

Our technology portfolio is aligned with the needs of our customers who are looking for ways to produce more by using resources more efficiently. That is supporting confidence in our business. As we look ahead, we remain confident in our outlook while continuing to monitor several external factors, including ongoing pricing pressure in pockets of the crop protection market. What gives us confidence is that the factors within our control continue to perform well. So while we remain realistic about external risks, we enter the second half with a favorable outlook, a healthy respect for the market environment and confidence in our ability to deliver the commitments reflected in our updated guidance.

As a result of our first half performance and confidence in the second half, we are increasing our full year outlook. We now expect operating EBITDA of $4.1 billion to $4.3 billion and operating EPS of $3.60 to $3.80 per share. At the midpoint, that represents approximately 9% EBITDA growth and 11% EPS growth versus last year. This is because multiple parts of our business are performing well. Strong technology adoption, new product momentum, growth in licensing, productivity gains and cost discipline. And looking beyond 2026, the long-term opportunities for both businesses become even more attractive. You'll hear more from us on that in September.

Turning to the separation, our message remains simple. We are on track and executing according to plan, on time and under budget. Over the first half of the year, we achieved several important milestones. We announced Luke as the CEO of New Corteva and he is here with us today for the Q&A session. We introduced Vylor as the name of the future advanced seed and genetics company, completed key leadership appointments, publicly filed the Form-10, appointed both boards of directors and engaged with credit rating agencies regarding our planned capital structures. These milestones represent significant progress and provide confidence that both organizations will be fully prepared to operate independently.

Regarding dis-synergies, I'm happy to report that on a run rate basis, we've largely offset the impact of separation. This is the result of a lot of hard work from our employees and ensuring we're setting up two org structures in the most efficient way possible. Placing time, money and resources where they matter the most, and giving both companies the flexibility they need to excel on their own. We'll see something in the range of $25 million headwind this year due to the timing of the separation activities. But this is a great result overall.

Looking ahead, several important steps remain. We expect amendments to the Form-10, finalization of the capital structures, completion of the remaining IT separation activities, effectiveness of the Form-10, and we will be holding our Investor Day events on September 15 in New York. Assuming completion of those final milestones, we are targeting October 1 as the separation date with Vylor beginning operations as a separate public company.

While separation activities have remained a major focus for management, I want to emphasize something that I believe is important. We have maintained our performance while simultaneously preparing to launch two public companies. That speaks to the strength of our organization and the commitment of our people. Teams across the company have managed the complexity of separation work while continuing to innovate, serve customers, drive productivity and deliver strong financial results. As we enter the second half of the year, our priorities are clear. First, continue executing for our customers. Second, deliver on the commitments reflected in our increased guidance. And third, complete the separation efficiently and successfully, which will help position both companies for successful futures.

Thank you to our employees, customers, partners and shareholders for their support.

Before I turn the call over to David, I want to make a personal observation. This is my final earnings call as CEO of the combined Corteva organization before our planned separation. When I look at where the company stands today, I'm incredibly proud of what our teams have accomplished. We have strengthened our portfolio, built industry-leading innovation, improved execution, expanded margins, and positioned both future companies for success.

Coming into 2026, since the year Corteva was formed in 2019, we had already improved operating EBITDA by $1.7 billion, with over 750 basis points of margin enhancement, all while investing nearly $9 billion in R&D, which is just astonishing to think about what it is going to do to help transform the future of agriculture. And finally, we returned close to $8 billion of cash to shareholders in that same timeframe. I'm confident in the leadership teams that will guide both organizations forward. I'm confident in the opportunities ahead for both New Corteva and Vylor. And I am confident that the work we have done over the last several years has created a strong foundation for long term value creation.

With that, I'll turn the call over to David.

Unverified Participant

Thanks, Chuck, and welcome, everyone. Let's begin on slide 6 with our first half financial performance. Overall, we delivered a strong first half with continued execution across both Seed and Crop Protection, translating into higher sales, meaningful EBITDA growth and nearly 200 basis points of margin expansion. For the quarter, net sales were $6.4 billion, while operating EBITDA increased 4% to $2.3 billion. As I mentioned during our first quarter call, our business results are best reviewed in house.

Looking at the first half, net sales increased 4% to $11.3 billion, while organic sales grew 2%. Margin expanded to 32.8%, driven by continued value capture in Seed, productivity improvements across both businesses and disciplined cost management. Within Seed, organic sales improved across every region led by North America and EMEA, reflecting continued demand for our differentiated technology portfolio, our focus on capturing value and increase outlicensing income. As expected, Crop Protection pricing remained under pressure due to competitive market dynamics, particularly in Latin America. However, strong adoption of new products continued to drive volume growth, helping partially offset pricing pressure. These commercial gains, combined with productivity improvements, favorable royalty performance and lower input cost, drove operating EBITDA to $3.7 billion, an increase of 10% over prior year. Importantly, both businesses contributed to margin expansion, demonstrating that our strategy continues to balance growth with disciplined execution.

Turning to slide 7, this bridge highlights the key drivers behind the first half EBITDA improvement. Operating EBITDA increased approximately $350 million year-over-year to $3.7 billion. Price and mix contributed nearly $100 million as we continued executing our value-based pricing strategy in Seed. Although those gains were partially offset by a competitive Crop Protection pricing. Volume added roughly $40 million, reflecting strong North America Seed demand and high single digit growth in Crop Protection new products.

Cost performance remained the largest contributor, adding more than $160 million through lower input cost, manufacturing efficiencies and continued productivity initiatives. In addition, currency provided an approximately $85 million benefit during the first half, primarily driven by the euro. One additional contributor was approximately $90 million of improved Seed net royalties, reflecting lower royalty expense together with higher royalty income as we expect to be net royalty positive this year. Overall, we're continuing to demonstrate that disciplined execution and technology leadership can drive meaningful earnings growth, even in a dynamic pricing environment.

Let's move to slide 8. The first half demonstrated strong execution across both businesses. Seed organic sales increased low-single digits as North America Seed continued to benefit from market penetration and strong customer demand for our differentiated technology portfolio, coupled with increased royalty income. Crop Protection pricing declined low-single digits consistent with our expectations, while volumes increased low-single digits primarily on demand for new products. Productivity initiatives, lower input costs and favorable currency all contributed to first half margin expansion.

Looking ahead to the second half, our assumptions remain largely unchanged. We expect Brazil corn area to remain approximately flat. Within Seed, we continue to expect low single digit organic sales growth. Within Crop Protection, volumes are expected to grow at a high-single digit rate, led by continued adoption of new products, while pricing is anticipated to decline in the low to mid-single digits. We also expect productivity savings to continue contributing during the second half, while recognizing the potential impact from geopolitical uncertainty and ongoing foreign exchange movements.

Overall, the first half performance provides a strong foundation as we move through the balance of the year. As a reminder, we anticipate a typical seasonal earnings pattern in the second half with a third quarter operating EBITDA loss in the range of what we saw in 2024 and all second half earnings delivered in the fourth quarter. Overall, we expect second half EBITDA to be about flat compared to last year as the net impact of tariffs, dis-synergies and the Middle East conflict are all weighted to the back half of the year.

Let's turn to slide 9. Given the strength of our first half execution, we're raising our outlook for the full year. We now expect operating EBITDA between $4.1 billion and $4.3 billion, representing approximately 9% growth at the midpoint versus last year. This outlook reflects broad based organic sales growth across the portfolio, together with additional benefits from the controllable actions we've consistently discussed throughout this year, including productivity, cost management and continued operational execution. We're also increasing our operating EBITDA margin outlook to a range of 22.5% to 23.5%, reflecting continued sales growth and disciplined cost management.

Finally, we've raised our operating EPS guidance to a range of $3.60 to $3.80 per share, an increase of 11% at the midpoint versus last year. While higher net interest expense partially offset some of the EBITDA improvement, we continue to expect another year of strong earnings growth and margin expansion. Overall, the updated guidance reflects our strong first half performance and confidence in our expectations for the balance of the year.

Turning to our key takeaways. First, we delivered a strong first half through continued commercial execution across both Seed and Crop Protection. As expected, first half cash flow was impacted by the Bayer agreement, one time separation items, and the pension contribution announced last quarter. Absent these items, we would expect full year free cash flow conversion to be in line with our midterm target discussed at the 2024 Investor Day. Second, our growth platforms and disciplined execution on controllable actions translate directly into meaningful EBITDA and margin expansion. Third, based on this performance, our confidence in the second half, we're raising our full year guidance for operating EBITDA, margins and EPS.

Finally, we're progressing as planned toward the targeted October 1 separation, and we've largely offset the impact of dis-synergies on the run rate basis. We're confident both businesses will begin the next chapter from positions of financial strength and operational momentum.

Now let's turn the call back over to Kim.

Unverified Participant

Thanks, David. I'd like to briefly highlight a few things about our upcoming Investor Days. On September 15, we'll host separate Investor Day events for both Vylor and Corteva at the New York Stock Exchange. Both events will be webcasted and registration is currently open. These events will provide investors with a deeper look at each company's strategy, innovation pipeline, long-term financial framework and capital allocation priorities as they prepare to operate as independent public companies. We believe these sessions will provide additional insight into the value creation opportunities for both organizations, and we encourage everyone to join us by registering today through the links on the Events and Presentations page of our website.

Now let's move on to your questions. I would like to remind you that our cautions on forward-looking statements and non-GAAP measures apply to both our prepared remarks and the following Q&A. Operator, please provide the Q&A instructions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question. [Operator Instructions] Please stand by while we compile the Q&A roster. Your first question comes from the line of Vincent Andrews with Morgan Stanley. Vincent, your line is open. Please go ahead.

Q

Thank you and good morning to everyone. Wondering if we could talk a little bit about in the Seed business for the second half of the year. I see in the slide you're expecting flat corn acres. So I'm kind of wondering, is that what you're seeing in the order book? Is that sort of an El Niño kind of assumption? So what's driving that? And then also from a pricing and mix perspective, what you're anticipating, particularly as it relates to Conquista penetration. Thank you very much.

A

Hi. Good morning, Vincent, and thanks for your question. Yeah, for the second half of the year, obviously North America and the Northern Hemisphere is really wrapped up. It's all about what happens in Latin America and particularly in Brazil. From an acre perspective or planted area perspective, we have typically seen low-single digit Safrinha expansion on a year over year basis for the last several years, three or four or five years in a row. We could still see that, but we also could see it flattening out a little bit in 2027. Obviously, we'll have sales orders come in at the end of this year, fourth quarter. Our order book is on pace with what it's actually ahead of the market a little bit at this point in time. So we feel quite confident. Our product portfolio feels good, we're in a good position. We've had strong pricing in Latin America in particular. So all in as we go into the second half of the year and, you know, order book in the fourth quarter for Safrinha for execution in that planting window January, February, March, we feel like we're in a very strong position and yeah, we just, we feel like we're in a real good spot.

A

And Conkesta?

A

And Conkesta. Yeah, we've had good momentum with Conkesta. We think we're going to be high single digits, low double digits in terms of penetration in the market with Conkesta E3 in 2027. And so yeah on plan and continue to be very optimistic about the performance of that product.

Operator: Your next question comes from the line of David Begleiter with Deutsche Bank. David, your line is open. Please go ahead.

David, your line is open. Please go ahead. Your next question comes from the line of Chris Parkinson with Wolfe Research. Chris, your line is open. Please go ahead.

Q

Great. Thank you so much for taking my question. I'm listening to my conversation to Luke, if I may, given this is kind of your first interaction with investors regarding the kind of further, longer-term outlook for Corteva, I'm just kind of curious on what you're the most excited about in terms of the market, in terms of what you think you can do with the company's narrative. Is this going to be a focus primarily on R&D, pipeline value, new product intros, leadership? Is it going to be about balance between CPC biological seed margin opportunities? I would just love to hear how you're thinking about it on a preliminary basis and how we should triangulate this thought into the CMD. Thank you so much.

A

Yeah, thanks, Chris. I appreciate it. No, I'm very excited. I think the first thing I would say is the number one strength at Corteva is our people. There's a great team. Many of those grew up on around farm, so they understand the challenges that the customers face every day and they get excited about waking up every day solving those problems. You talked about portfolio and from a portfolio standpoint, two-thirds of our current portfolio is a differentiated technology and we're not dependent on any one active, any one segment, any one crop or any one geography. So I love the diversity of the portfolio and I love the fact that the bulk of it is differentiated product. That is a real competitive advantage.

When you add biologicals to the portfolio position, that gives us the ability to blend natural and synthetic solutions to solve growers' problems. And in our pipeline, I can't emphasize how strong I think our pipeline is. It's the best crop protection pipeline in the business with seven new actives coming into that market over the next decade. I feel like I've been drinking from a water hose for the first month or so, and if I ever need a pick me up, I wonder about greenhouses. And I'll look at the results of the R&D. And there you can see the incredible results those people are delivering against targeted pests, targeted weeds, targeted diseases, and it just gets you excited and want to come back to the office, roll up your sleeves and get after it. So we look forward to sharing more details about the R&D and our strategy with you at our Investor Day in September 15 and look forward to seeing all of you in person there.

Operator: Your next question comes from the line of Joel Jackson with BMO Capital Markets. Joel, your line is open. Please go, ahead.

Q

Hi, good morning, Chuck, Luke, rest of the team. Look, I know you're doing your capital markets day in a month and a half, but Chuck, Luke team, you know what I noticed is if I take your, Chuck your prior guidance targets for 2027 about $4.4 billion EBITDA at the midpoint, you get $4.2 billion this year, you get $4.2 billion this year, it's been a 5% growth rate. I would like to know if you can talk as much as you can right now, is that what you're thinking about now, mid-single digit growth into next year? Tell me why that's right or wrong. What we should think about, a little bit of preview at December, I guess.

A

Yeah. Good morning, Joel. So, look, maybe I'll start and then David can fill in some of the numbers. So not a lot has changed with our original thinking from earlier in the year. $4.2 billion, $4.2 billion, so if you look at the updated guide, $4.2 billion puts us very comfortably into that 2024 original communication around 2027, which you rightly called out was $4.4 billion. So our growth rates are in the range where we've communicated they would be. I'd say we're a little ahead of our original plan in 2026. And if you look at the growth, what pleases me the most is where it's coming from. It's the core parts of our business, right? So in Seed, it is licensing is literally three years ahead of our original plan, which is pretty astonishing considering that is a brand business for us.

And then if you look at Crop Protection, that new product portfolio that we've been talking about for some time, it's going to touch $2 billion this year in revenue. And the margin profile and how we've priced it is really, really strong. So these are the things that are leading the growth for Corteva combined. And then of course, you know the company, we're really focused on cost and productivity, it's part of our DNA. It needs to be in this industry. And so when I when I look at it, I'd say that our growth rates are exactly where we thought they were, but probably trending a little ahead of our original plan. David, anything to add?

A

Yeah, Joel. And if you remember, the $4.4 billion was a $1 billion increase over that three-year period of time. And we always said it was going to be a little bit more front-end loaded, mainly because of our costs and productivity that we expected in the first couple of years. As Chuck mentioned, we do feel like we are certainly ahead of where we expected to be on net royalty. So we'll take that in consideration when looking into what our guide is for 2027. But I think we feel comfortable with the $4.4 billion at this point in time.

The other thing I will mention too is I know some people were concerned about the impact of net dis-synergies and separation costs and all that against our long-term target of the $4.4 billion. As we articulated earlier today, we feel like we're tracking pretty close to flat or within plus or minus the millions of dollars that that would be within our typical guide range. So we feel really strong about the $4.4 billion.

Q

Right. And then one last comment, Joel. So in September, both companies will provide 2029 financial framework. So you're going to be able to kind of follow along with sort of where Corteva is leaving off or New Corteva and Vylor are kind of taking over. And I think when you look at that and you put it all together, there's going to be a lot to like there. So hopefully you can join us

Operator: . Your next question comes from the line of Kevin McCarthy with Vertical Research Partners. Kevin, your line is open. Please go ahead.

Q

Hi, this is Matt Hettwer on for Kevin McCarthy. In Crop Protection, organic sales were down about 6%. But on a product line basis, it looks like the trend was lower among herbicides, insecticides and fungicides, with the difference made up by substantial growth in the other category. Can you unpack the underlying sales trends for those products and maybe comment on what kind of trajectory we can expect for them in the back half?

A

Yeah, hi, Matt. It's Chuck. So let me start with the overall crop protection market, if I can. I'd say, look, again, there's not a lot here that's changed in our view of the overall market fundamentals. The crop protection market, we still think is improving, especially if you look at 2025 was essentially flat versus the prior two years. And this year, we said that the market would grow, low single digits and that's still our view. Now, the growth is slow, it's a little bumpy, but we're seeing, I think, what we wanted to see. And we always said that most likely in 2026, it was going to be a year of volume growth with low single digit down in pricing. And so not to get too much into the indication, but that's essentially what we're seeing. We probably have a bit more competitive pressure in Brazil for lots of different reasons. But that market is of course, well-supplied. It's one of the markets that's growing. So there's a focus area there. And maybe a one or two other pockets around the world.

But there's nothing here that we would say is outside of our planning horizon in terms of a structural change. In fact, when you look at Chinese exports into Brazil, they're essentially stable. They're not going down, but they're certainly not going up. And I'd say the same is true for Chinese exports going into the United States.

So all in all, I think that the market is recovering. We'll save 2027 comments for the Investor Day. And then, when I look at the indications, the only thing I'll draw you to is that we probably have in our portfolio and others certain AIs that are coming off-patent and then what we've done, so in anticipation of some of these molecules which have been well communicated, we've really redone the cost structure. And so when that happens, what we do is we have – we were going to see competitive tension. We lower our price. But if you look at the margin profile of Crop Protection, it's actually up this quarter in this first half. So, that's sort of the product life strategy that we've had, we've deployed. And then when you look forward to the new products, you know, Luke already mentioned it, we've got seven new actives coming into the market in the next decade. The first one will be in Brazil where we are seeing some pricing tension. It'll be Haviza, which we consider to be a blockbuster for fungicide. And we're just really excited to put that into the market in the next couple of years. So hopefully that helps you.

Operator: Your next question comes from the line of David Begleiter with Deutsche Bank. David, your line is open. Please go ahead.

Q

Thank you. Good morning. Chuck, just on the North American growing season, any share gains you can point to in either corn or soybeans that you benefited from this year?

A

Chuck could take that question, David.

A

Yeah, David, from a share perspective, we feel pretty confident that we've picked up a little bit of share in corn. Obviously, our price value capture strategy and being premium the market, but we still feel like we've picked up some share a little bit in Pioneer, but particularly with our retail brand and a bigger share of shelf in Brevant.

On the soy side, we feel like we picked up share both in the Western Corn Belt. So think Mississippi West and the Eastern Corn Belt, Mississippi East with the Pioneer brand. We are one hot pocket in the south and the delta where dicamba and the return of the dicamba label has certainly been a challenge, particularly with cotton in that geography. And so we feel like we gave up a little bit of share there. On soy, I think we're going to end up pretty flat. In corn, I believe we picked up a tick, a share.

Operator: Your next question comes from the line of Frank Mitsch with Fermium Research. Frank, your line is open. Please go ahead.

Q

Good morning and thank you. Luke, I wanted to come back to the to the CPC side of things where you mentioned that two-thirds of the products are differentiated. I am looking at, you know, obviously pricing was down low single digits in the first half. The expectation is that pricing is going to be down low to mid-single digits in the second half. But I was wondering if you can kind of parse out as you look at your CPC portfolio, what's going on with differentiated side in terms of pricing, can you kind of kind of square why we're seeing the price degradation as much as we are given that two-thirds is differentiated? Thank you.

A

Yeah. Good morning, Frank. It's Chuck. I'll take that question. So if you think about what happened in the first half, you're right. We're down low single digits, something like 3%. It was within our expectations. I think it's important to call out Europe and the US were essentially flat. And then if you look at our new products so that what we would define as a new product for the portfolio that I mentioned will approach about $2 billion of revenue this year, that their prices are essentially flat and volume up high-single digit.

So what we're seeing is exactly what would expect in the overall pipeline, right? We're seeing the growth coming from the newer products, but the rest of the market is under some competitive pressure because you've got a well-supplied market overall. And so when we look at that, just to answer your question directly, we did move pricing for the second half to from low single digits down to mid-single digit down. Really, that is driven by what we're seeing in Brazil and perhaps one or two other pockets around. And it's not uniform that we're seeing it in pre-emergent herbicides would be one of the larger areas.

And then I think there's some other items going on when it looks at – when we look at weather, you know, when you think about fungicide application in markets that are very, very dry, for example, in Europe and parts of the United States. We're probably not going to have the same demand that we have for fungicide because of El Niño weather phenomenon that we're seeing.

But overall, I'd say we're still expecting that for our business, we will be able to grow our EBITDA led by volume with the mid single digit pricing down in the second half. And David, something like low single digit EBITDA growth I think in the...

A

Correct.

A

The expectation.

A

I think that piece for those molecules, certainly the ones that are perhaps more under price pressure is the fact that the team, through their ongoing strategy over the last several years, is well ahead of the cost structure. So when you look at those particular pieces of the business and enables us grow our EBITDA dollars and year over year, last year was a growth year. This year expected to be a growth year. First half is a good start to that.

Operator: Your next question comes from the line of Kristen Owen with Oppenheimer. Kristen, your line is open. Please go ahead.

Q

Good morning. Thank you for the question. I wanted to continue to pull at this sort of price versus volume piece here in Seed, because I noticed in in the deck you're talking about organic volume growth in the back half of the year, not necessarily a price versus volume breakdown. Maybe I'm reading too much into this, but thinking into Capital Markets Day, I'm wondering if we can sort of parse out, understanding how much of the price that we're seeing is coming from this greater of outlicensing and how much of that offset is what we would normally see in the volume line? And should we be thinking about that KPI sort of transitioning from price and volume to this more combined organic view? Thank you.

A

Chuck?

A

Yeah. So Kristen, thanks for the question. Let me let me try to tease this out in the second half of the year, maybe start with our Seed business is really a strong first half business. So the second half of the year is significantly less and it really is all encompassing around Brazil. So how you think about our price and mix versus that volume piece. From a volume piece in the second half of the year, again, this is a Brazil market, a little bit of South African market, which our business is doing very well there. And it really depends on when farmers are ready to take Seed in that fourth quarter. We've got that forecasted to be relatively flat on a year over year basis at this point in time. We don't think we're going to have as big of an expansion of planted area in Safrinha that we've seen the last few years. So that will have a bit of an impact on volumes.

But in terms of the price mix perspective, I mean, it's all about bringing new products into the market and putting those new products in the hands of farmers. And in fact, that certainly allow us to share in a piece of that additional value that we're bringing to them. So I hope I answer your question. I think that's mix price versus what we've seen the last couple of years. But maybe, David, if you have anything to add.

A

Sure, Judd. Kristen as Judd mentioned, just to remind everyone that the second half of the year is about 27% of our total top line. So it is very much a first half business. When you look at what we've projected for the second half, the difference between volume and price, it's about 50/50. So we are seeing a slight gain in price and a slight, slight gain in volume over the back half of the year.

Operator: Your next question comes from the line of Matt DeYoe with Bank of America. Matt, your line is open. Please go ahead.

Q

Thank you. This is Fabian Jimenez on for Matt. As we think about order patterns at this point, last year you had roughly 90% of Brazil summer orders in and about 40% of Safrinha in hand, which was ahead of historical pace as fast forward to today where do your order books stand versus the historical trends and what are the drivers?

A

Yes, thanks for the question. And certainly, last year at this point in time, we did have very, very strong orders on the books. As we sit here today, we're ahead of the market in terms of what the overall orders in the market are. So we feel great about our position from a competitive standpoint. But there are some things in, particularly in Brazil, that are having growers make those decisions closer to planning time. One, credits' tough. Two, would get some impact from fuel and fertilizer prices, and so that's put some stress on margins. So we feel confident in our order book, we feel confident in our share position. And our product portfolio is as good as it's ever been in Brazil for both summer and for Safrinha.

So I guess in terms of how we think about wrapping up those orders, what comes in the fourth quarter and then having that summer crop planted and that Safrinha cup on the books, we feel like we're in a very strong competitive position, but I do have to be very transparent. Credit's tight for the Brazilian farmer right now and so we're just going to have to continue to manage them side by side.

Operator: Your next question comes from the line of Joshua Spector with UBS. Joshua, your line is open. Please go ahead.

Q

Thanks. Good morning. This is Lucas Beaumont on for Josh. I just wanted to follow-up on your comments around sort of the split in the second half between 3Q and 4Q. So pointing to the sort of the third quarter of 2020, you kind of indicated a loss in the third quarter of about $190 million, which would then sort of imply about $680 million in EBITDA growth in the fourth quarter. That balance there is just sort of much more fourth quarter weighted than what we've seen over the past four to five years. So could you just expand for us some of the drivers there of the timing shift and how you sort of see the upside and downside risks and just compare that relative to your confidence in the second half overall? Thanks very much.

A

Yes, sure. I'll take that question. So if you step back and you look at where our second half guide is in aggregate, then I'll go through between the Q3 and Q4 timing. We do have it flat versus 2025, which is around $500 million. And if you recall or second half in 2025 was up 16% versus 2024. So we are comparing against a pretty strong half at about $500 million. So, when we look at overall $4.2 billion is our full year guide, $500 million in the second half. It is by far, you know, a very small half for us. When you look at where we're seeing the year-over-year changes, we do have some unfavorable price and cost build into the second half. Unfavorable cost mainly that residual dis-synergy number that we talked about, the $25 million a little bit due to logistics and freight cost, but we're offsetting that by volume in both businesses and slight favorable currency.

So the other thing I would like to point out is when you look at our guide today, our second half is about 20% – 12% of our full year guide. And that's very much in line with the past four years or so, which was about 13%. So when you stay at the very high level, I think our first second half is very well balanced between our assumptions. But then the timing between Q3 and Q4, we did say Q3 is probably more likely to be that around $100 million loss where it was a couple of years ago. I would say that or a lower number is a little bit more common than what we had last year because we had some favorable timing of Safrinha into Q3, so on and so forth. So I would say it's very typical look our the way that the split of the business will be. And I'd also say that some of those additional costs like the net, dis-synergies or whatever, some of that will be weighted in Q3.

So just to summarize, when you look at second half, we feel it's balanced. It is a small half, you know, $5 million here there is a 1% growth. And then we do feel like that timing between Q3 and Q4 will be more like it was a couple of years ago.

Operator: Your next question comes from the line of Ben Theurer with Barclays. Ben, your line is open. Please go ahead.

Q

Yeah, good morning, Chuck, team, thank you very much for taking my question. Just picking up on that, wanted to dig a little bit deeper into some of the productivity savings and just lower costs that you've highlighted. I mean, first half clearly was a big driver here. You've just talked about the second half. But as we look at, the setup where you stand right now and as you think about the next coming years, where do you believe on a separate basis are the big advantages between what is Vylor and what is the New Corteva for incremental productivity savings and/or lower input cost to further drive margin expansion? Thank you.

A

So if you step back and you think about our last three-year guide, during our last Investor Day, we had articulated about $1 billion of growth productivity cost benefits and that about $700 million. Some of that was due to commodities. So you see the commodities come down. We saw that in the first couple of years. That's probably one element you won't see us in our next three-year plan. But what you will see is a continuation of really productivity in both businesses. So we're seeing it in Seed. We continue to see it in CP. I think you've seen that we've announced some additional footprint actions and restructuring, so on, so forth, particularly in CP. So you'll see those benefits continue in the next three-year plan.

A

Yeah. And Ben, maybe just a couple other comments. So we think that the separation is going to afford both companies with the opportunity to take out cost and productivity work to the next level. And the proof point I think is just look at the annual dis-synergy number. We thought it was going to be $100 million, which would have been on the low side of any separation that we've studied. And now we're saying it's closer to the $25 million range. The reason that is, is because we've been able to kind of find the integration cost and at the same time kind of work through those. So I think you have to tune in to September to kind of hear the rest of the story. But we would expect that what we've been able to do as Corteva, both companies will be able to kind of continue this journey and there'll be new and different opportunities for us.

Operator: Your next question comes from the line of Patrick Cunningham with Citi. Patrick, your line is open. Please go ahead.

Operator: Hi. Good morning. This is Rachel on for Patrick. How should we think about your normalized free cash flow levels maybe next year compare to the $2.1 billion to $2.3 billion framework you laid out at the last Investor Day? Are there any offsets, such as separation-related costs that we should be mindful of? Thank you.

A

Yeah, thanks for the question. We would expect that our if you looked at what our company would have been on a combined basis, we'd be well within those targets that we set kind of the 45% to 50% of EBITDA for free cash flow. For this year, obviously, a little bit. If you look at our first half, when you look at operating cash flow, we are down a couple billion dollars and most of that being the $1.1 billion that we contribute to the pension plan, the bearer agreement, restructuring and so on. If you back out, those kind of unusual items this year probably would have been around the 46% range. So well within our typical range that we communicated.

Operator: Your next question comes from the line of Arun Viswanathan with RBC Capital Markets. Arun, your line is open. Please go ahead.

Q

Great. Thanks for taking my question. Hope you guys are well and congrats on all the progress towards the spin. I guess my question is just, could you just provide us maybe an updated view on some broad strokes for fiscal 2027? I know that, obviously, you did have an operating plan at your Investor Day that you presented a few years ago. But are many of those assumptions still valid? I imagine they are, but maybe if there's any update you could provide at this point, that would be helpful. Thanks a lot.

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Yeah, sure. So I think we're still operating in the same environment that we had communicated. So if you look at the agricultural backdrop, there's puts and takes. But we referenced that in some of the prepared remarks. We're still seeing very strong global demand for grains and oilseeds, crop prices are actually a little bit up year-over-year. Yes, we have to watch farmer margins. Judd called out the Brazilian farmer. They are wrestling with higher interest rates, some currency issues. But overall, I'd say the agricultural complex is more or less what we expected to see when we put the original 2024 plan in place.

Then if you look at the two halves of the company, I think, again, we've communicated this already today. We're seeing growth where we wanted to see it, which is on our growth platforms. Crop Protection, new products, biologicals, those are the areas that I think we wanted to see growth. And we're starting to, again, we're seeing continued really good performance in most of those areas. And then in Seed, it's been the story of entering the licensing business, and that's several years ahead of plan.

So overall, the operating environment that we originally communicated through to 2027 feels on balance that things are where we expected them to be from an external perspective. Internally, I think we're performing better than that. David said, we're a little ahead on cost and productivity. I already mentioned we're a little ahead in licensing and our new products are really being well-received in the marketplace. So I'd say on balance, the company is slightly ahead and the backdrop of the market is more or less what we would have expected.

Operator: Your next question comes from the line of Edwin (sic) [Edlain] (01:03:06) Rodriguez with Mizuho. Edwin (sic) [Edlain] (01:03:09) your line is open. Please go ahead.

Q

Thank you. Good morning, everyone. This is on Crop Protection. In Latin America, we're definitely seeing the pressure is not abating at all. The competitive pressure pricing. Is the high single digit price decline, the new normal, or do you expect pressure to moderate as we get into next year because maybe farm economics gets better? What are you thinking in terms of pricing pressure in Latin America?

A

Yeah. Good morning, Edlain. So we don't think that the high single digit pricing pressure is the new normal in Brazil. In fact, I'd say the market when we look at, as I mentioned, the imports into the country, the channel, I should say, we had very good volumes in the first half of the year. There is growing demand for Crop Protection in the market. There's growing acres, but there's also increasing in disease and pest pressure. So the fundamentals of Brazil sometimes are hard to kind of pinpoint specifically, but it is a well-supplied market, but it is a market that is growing.

I think when you look at Corteva specifically, our portfolio and I've already alluded to this, there was some portfolio specific items that we simply had a few products. One was a pre-emergent herbicide that a couple of years ago came off-patent. We were really anticipating that we were going to see generic pressure and we went really to work on our cost structure. And what we found is that we had to, of course, lower our prices because there's generics in the marketplace. But if you look at our margins, we've been able to maintain margins and share.

And that's the playbook that we have to use for the company, right? We don't want to play in the generic part of the market, but when our technology comes off-patent, we are prepared to play. And that's exactly what we've been able to do. So I actually think that when you start thinking about when you look at our Crop Protection pricing, but you look at our margins, that's the full story that have to consider here because this is going to be part of the playbook. And so when you fast forward that we mentioned, we like our portfolio, we have one of the best new pipelines coming into the market. We've got seven new actives in the next decade. Haviza will be next. These will have pricing premiums based on the market that we can see. But the market is dynamic. Farmers are under some more pressure than other parts of the world, but they are using the product, the underlying demand is quite strong. And the channel is healthy right now, but we wouldn't say it's oversupplied Now, it's ready for the next season, so it needs to go to ground now. But all indications are that we're going to have a very solid volume market in Brazil and we are going to continue to see some pricing. The one thing I would say is that we're not expecting price recovery in Brazil in 2026. But we can still compete quite nicely with our portfolio and our production base of course, and how we go to market.

Operator: We have reached the end of our Q&A session. I will now turn the call back to Chuck Magro for closing remarks.

Unverified Participant

Thank you. I'd like to just take a minute to thank Robert King for his Crop Protection leadership over the past four years. It's remarkable. He's been with us four years. Robert has led, of course, the Crop Protection business over that time, and he's also led the company's charge in safety and operational excellence. And I think when I look at Corteva today, especially the Crop Protection business, we are a much better company because of his leadership. And so, this will be Robert's last earnings call. We certainly wish him the very best in his next chapter. And I just wanted to make those final comments before I turn it back over to Kim.

Unverified Participant

Great. So thanks again for everyone joining the call and for your interest in Corteva. And we hope you have a safe and wonderful day.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.