

## Q3 2024 Earnings Call

### Company Participants

- Charles V. Magro, Chief Executive Officer
- David Johnson, Chief Financial Officer & Executive Vice President
- Kimberly Booth, Vice President of Investor Relations
- Robert King, Executive Vice President-Crop Protection Business Unit
- Timothy P. Glenn, Executive Vice President-Seed Business Unit

### Other Participants

- Aleksey Yefremov, Analyst, KeyBanc Capital Markets
- Arun Viswanathan, Analyst, RBC Capital Markets
- Christopher Parkinson, Analyst, Wolfe Research
- David Begleiter, Analyst, Deutsche Bank Securities
- Edlain Rodriguez, Analyst, Mizuho Securities
- Frank J. Mitsch, Analyst, Fermium Research
- Joel Jackson, Analyst, BMO Capital Markets
- Lucas Beaumont, Analyst, UBS Research
- Matthew Hettwer, Analyst, Vertical Research
- Patrick Cunningham, Analyst, Citi
- Unidentified Participant
- Vincent Andrews, Analyst, Morgan Stanley

### Presentation

#### Operator

Thank you for standing by. My name is Ron, and I will be your conference operator today. At this time, I would like to welcome everyone to the Corteva Agriscience Third Quarter 2024 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)  
Thank you.

I would now like to turn the call over to Kim Booth, Vice President of Investor Relations. Please go ahead.

#### **Kimberly Booth** {BIO 22970078 <GO>}

Good morning, and welcome to Corteva's third quarter 2024 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, Tim Glenn, Executive Vice President, Seed Business Unit; and Robert King, Executive Vice President, Crop Protection Business Unit, 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 Factors 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.

### **Charles V. Magro** {BIO 16629629 <GO>}

Thanks, Kim. Good morning, everyone, and thanks for joining us. Corteva's results for the third quarter were largely in line with our expectations. Despite the fact that we had an operating loss in the quarter, we continue to execute well and are on track to deliver over \$400 million of savings from our controllables this year. The Crop Protection business delivered earnings and margin growth led by demand for our differentiated technology, along with deflation benefits that have just begun.

Today, we're also providing a first look at 2025. We are expecting to return to double-digit earnings growth, which is largely driven by factors in our control. What continues to set us apart is the strength and leverage of our portfolio, the continued focus on execution, and increased investment in innovation. In what has historically been our smallest quarter due to seed seasonality, we were still able to deliver over \$160 million in controllable benefits. Our ability to pull multiple levers to improve overall performance makes us resilient when faced with variables not entirely in our control, including the ongoing Crop Protection market dynamics and acreage loss from Argentina corn stunt.

Overall, the Seed business is delivering a strong performance in 2024. From operational excellence perspective, the business drove approximately \$175 million in controllable benefits on a year-to-date basis, including royalty improvement and productivity. RC business is also set up for continued growth with our pipeline of technology and new hybrids. Pricing gains in most regions as well as notable share gains in North America are a testament to the value our technologies provide to farmers. And for 2025, we will roll out several hundred new hybrids and varieties around the world. This is helping farmers increase yield and productivity when they need it the most.

On the Crop Protection side, we're happy to see a second consecutive quarter of volume gains as well as notable operating EBITDA growth, margin improvement, and the first meaningful tranche of deflation benefits in the third quarter. We remain committed to our strategy of focusing on differentiated and new technologies, which warrant a premium in the market. On a year-to-date basis, we received over 150 Crop Protection registration approvals spanning 25 active ingredients in almost 50 [ph] countries. And like Seed, our CP business is generating substantial value through its focus on controllables, which drove approximately \$170 million of benefits in the first nine months of the year.

Overall, the ag markets remain mixed. We're still seeing record demand for food and fuel. Farmers continue to prioritize top-tier seed technologies while managing tighter margins. In the Crop Protection market has turned the corner in every major market except Brazil, where we are early in the season. It's important to note that underlying farmer demand in terms of applications remains on track with historical levels. However, we continue to experience competitive market dynamics and expect that to continue into next year.

So what does all this mean for the remainder of the year? We are updating our full-year operating EBITDA range to \$3.4 billion at the midpoint to reflect the impact of the current Latin America market conditions that will carry through to our full-year results. However, we are still positioned to achieve approximately 20% for full-year EBITDA margin. This adjustment reflects the latest market realities in Latin America, including expectations for an approximate 20% year-over-year reduction in Argentina's corn planted area due to corn stunt. It is fair to say that our full-year estimates are assuming a big fourth quarter in Brazil, but this is something we've done before. It's also important to note that we remain committed to free cash flow in the range of \$1.5 billion to \$2 billion for the year as well as \$1 billion in share repurchases.

Today, we'd also like to provide a first look at how we're thinking about 2025. We'll provide official guidance in early February, but we wanted to give some insights prior to Investor Day. From a macro perspective, we're anticipating a continuation of record demand for grain, oilseeds, meat and biofuels. On-farm demand is expected to remain steady and farmers will continue to prioritize top-tier technologies in order to maximize their yields. A farmer seed selection is particularly critical and is non-discretionary when compared to other crop inputs.

In terms of US planted area assumptions, total area planted by farmers in 2025 is expected to be nearly flat year-over-year. It is too early to say too much about Latin America for next year since farmers are in the fields right now planting the '24-'25 crop in Brazil, which at this time is looking like a mid-single-digit increase for both corn and soybeans. Finally, it's too early to forecast a recovery for corn planted area in Argentina in the '25 crop year until we see how the current season plays out.

Our current view of the Crop Protection industry is a flattish 2025. It's a dynamic situation that we're monitoring daily, but all major markets are functioning normally except for Brazil, where, as I've said, it's early in the season. Brazil remains an attractive market given it is the only geography in the world that is able to materially increase planted area for corn and soybeans. Farmer economic and agronomic benefits incentivize Brazilian soybean farmers to continue to plant corn in rotation. The strategic moves we've made, including investments in biologicals and tilting our portfolio towards differentiated technology, will allow our Crop Protection business to grow in 2025.

When combined with sizable incremental benefits from our controllable levers, an increase in research and development investment and a significant currency headwind, we're anticipating double-digit operating EBITDA growth. So high-level, although our topline and bottom-line expectations have been impacted by the Crop Protection industry, our Seed business has remained largely on plan and we are expecting to achieve our enterprise goal of 21% to 23% EBITDA margins by 2025. We still have a lot of work to do, but the setup is looking good for 2025.

And with that, let me turn it over to David Johnson to review our financial performance. As you know, David joined Corteva just under two months ago and has really hit the ground running as our CFO. I'm happy to have him on our leadership team and impressed with how well he has immersed himself into the organization, which has allowed him in very short order to add valuable insights on our business and operations.

David, over to you.

### **David Johnson** {BIO 16563984 <GO>}

Thanks, Chuck, and welcome, everyone, to the call. Let's start on Slide 6, which provides the financial results for the quarter and year-to-date. Briefly touching on the third quarter, organic sales were down 5% compared to prior year with Crop Protection up 1% and Seed down 17%.

Pricing for the quarter was down 8%, reflecting the continued competitive pressure in the Crop Protection industry and end-of-season settlements in North America Seed. Third quarter volume was up 3% over the prior year. Seed volumes were down 12%, primarily driven by reduced corn area in Argentina. Crop Protection volumes were up 11%, led by Latin America and North America. Volume of new Crop Protection products and spinosyns were both up more than 20% in the quarter compared to prior year.

Turning to year-to-date, sales were down 4% versus prior year with flat pricing and lower volume. Seed organic sales were up 1% compared to prior year, with pricing up 4% with gains across the portfolio. Seed volumes were down 3% year-to-date, driven by reduced plant area in Argentina, EMEA, and Asia. Crop Protection organic sales were down 7% year-to-date with pricing down 5%, primarily driven by competitive market dynamics in Latin America. Crop Protection volumes were down 2% with volume gains in Latin America and Asia offset by declines in EMEA, driven by residual destocking and unfavorable weather in North America, driven by just-in-time purchasing behavior. Operating EBITDA of approximately \$2.9 billion year-to-date is down 5% compared to prior year. Operating EBITDA margin was 22%, essentially flat compared to prior year.

Moving on to Slide 7 for a summary of year-to-date operating EBITDA performance. Seed pricing gains were offset by Crop Protection pricing pressure, while volume was lower from headwinds in both Seed and Crop Protection. Improvement in net royalties, Crop Protection raw material deflation and productivity actions more than offset cost headwinds from higher Seed commodity and other costs. SG&A costs were modestly higher as expected, given the full-year ownership of the biological acquisitions and normalized bad debt accruals. R&D expense is in line with expectations on track to be approximately 8% of sales for the full year.

With that, let's go to Slide 8 and transition to the updated outlook for the year. The updated full-year guidance reflects the current Latin America market dynamics. We now expect net sales to be in the range of \$17 billion and \$17.2 billion or down 1% at the midpoint versus prior year. The lower guidance is primarily due to lower-than-expected planted area in Argentina and dry weather in Brazil impacting both Seed and Crop Protection. Lower topline growth translates to an updated operating EBITDA range of \$3.35 billion and \$3.45 billion, up 1% at the midpoint compared to prior year. Driven by the strength of Seed performance in the first half of the year and Crop Protection volume growth and cost improvement in the second half of the year, operating EBITDA margin expected to be about 20% at the midpoint or about 25 basis points higher than prior year. Operating EPS is now expected to be in the range of \$2.50 and \$2.60, or down 5% compared to prior year. And finally, we are reaffirming our free cash flow guidance of \$1.5 billion to \$2.0 billion or approximately \$1.75 billion at the midpoint and cash flow to EBITDA conversion rate of 45% to 50% for the full year 2024.

With that, let's transition to setup for 2025. As Chuck said, we'll provide formal guidance in early February, but Slide 9 represents a high-level view of our planning framework along with key assumptions that could drive us to the low and high end of our net sales range of \$17.3 billion to \$17.7 billion, and operating EBITDA range of \$3.6 billion to \$4.0 billion. In 2025, we expect low-single-digit Seed pricing, driven by demand for yield advantage technology. One of the biggest variables in Seed is planted area, both in Latin America and the corn versus soybean split in North America. At the midpoint, we're assuming relatively flat planted area.

Another key variable is how much growth we see in Crop Protection given the current market dynamics. On-farm demand remains relatively stable, we're expecting the Crop Protection industry to be mostly flat in 2025. New and differentiated products, including biologicals, are expected to drive much of the volume growth while prices are expected to remain under pressure. In 2024, we started to see some raw-material deflation in Crop Protection. In 2025, we expect to see more benefits from cost deflation with improvements in both Seed and Crop Protection coupled with productivity benefits. Our assumptions include SG&A and R&D as a percentage of sales to be relatively consistent with 2024 levels. Together, it's a balanced set of assumptions, which gives us the confidence in our ability to grow earnings and margin in 2025 for both Seed and Crop Protection.

Turning to Slide 10, you can see the operating EBITDA bridge for 2025 from approximately \$3.4 billion in 2024 to \$3.8 billion at the midpoint for 2025. Total Company pricing expected to be flat to modestly up with low-single-digit pricing in Seed to be offset by declines in Crop Protection. We are expecting volume growth in both Seed and Crop Protection. Crop Protection volume is expected to be up low-to mid-single-digit, driven by demand for new products and biologicals.

2025 will be another important step in our journey to royalty neutrality. We expect approximately \$50 million improvement in net royalty expense, driven almost entirely by increased out-licensing income as we continue to ramp up the licensing of Conkesta E3 soybeans and PowerCore Enlist corn. We expect approximately \$400 million of cost improvements in 2025, driven by lower Seed commodity cost, Crop Protection raw material deflation, and productivity actions, including benefits from Crop Protection footprint optimization.

SG&A and R&D as a percentage of sales are expected to be relatively flat with 2024 levels, implying a modest increase in spend. Currency headwind is primarily driven by the Turkish Real and Brazilian Real. Together, this translates to 12% operating EBITDA growth at the midpoint and more than 180 basis points of margin expansion.

With that, go to Slide 11 to review the key drivers of the cost improvements in 2025. For the past several years, we've experienced significant inflation in the Seed business, driven by higher commodity prices, lower weather-related productivity yields and higher production costs, including inflation on labor, freight and warehousing. While not all these costs are expected to reverse, we will start to see the benefit from lower commodity costs in 2025, driven largely by North America and Latin America. We expect to see a continuation of benefits through 2027 given current commodity prices. We expect another year of a low-single-digit rate of deflation in Crop Protection raw materials. This is expected to be weighted towards the first half of 2025 based on the year-over-year comparison and our visibility given the roughly six months of Crop Protection inventory on hand. Both Seed and Crop Protection are expected to deliver productivity savings, including a benefit from the Crop Protection footprint optimization. Together, these benefits translate to approximately \$550 million, which will be partially offset by inflation and other production costs. These costs include higher freight and labor as well as higher Seed Production costs related to the transition to Seed trade technology in North America.

Move on to Slide 12 and summarize the key takeaways. Driven mostly by the current market dynamics in Latin America for both Seed and Crop Protection, we're updating full-year guidance and now expect EBITDA to be in the \$3.4 billion at the midpoint. We remain on track to deliver \$1.5 billion to \$2.0 billion of free cash flow and complete \$1 billion of share repurchases for full year 2024. We provide a preliminary outlook for 2025, which includes sales, operating EBITDA, and margin growth, and we look forward to the upcoming Investor Day where we'll give you more detail on our growth outlook from 2025 to 2027.

With that, let me turn it over to Kim with a reminder about the upcoming Investor Day.

**Kimberly Booth** {BIO 22970078 <GO>}

Thanks, David. As most of you know, we'll be holding our Investor Day event on November 19th in New York City. It will include a 3.5-hour executive webcast with various members of our management team, followed by an innovation showcase for those in person. Topics of discussion will include our leading position in the ag-tech industry, the technology and operational excellence that will drive our financial framework out to 2027 as well as the various growth platforms that will create additional value-creation through next decade. If you haven't already registered, information can be found on our Investor Relations website or please feel free to contact me directly.

Now before we get into Q&A, Chuck, I believe you'd like to make a few closing remarks.

**Charles V. Magro** {BIO 16629629 <GO>}

Yes. Thanks, Kim. We look forward to seeing many of you in New York in a couple of weeks. We have several exciting new announcements regarding the mid- and long-term growth trajectory

of Corteva.

Finally, I'd like to say a few words about the announcement we made a few weeks ago that we will have a new Executive Vice President for our Seed business beginning on December 1st. Judd O'Connor will succeed Tim Glenn, who will transition into a Strategic Advisor role until his retirement in the first quarter. Judd is a 25-year veteran of Corteva and its heritage companies and is assuming this position after most recently serving as the President of our North American business.

Earlier in his career, Judd also served as DuPont's Latin America Regional President based out of Sao Paulo. Few people know our customers and business better than Judd, and I'm pleased to have him join our management team. This, of course, is certainly bittersweet. However, as Tim is such an institution at Corteva, there are few people anywhere in any Company that know agriculture, farming and our industry better. We will certainly miss Tim, but wish him all the best in his well-earned retirement.

And now, I'll hand it back over to Kim.

**Kimberly Booth** {BIO 22970078 <GO>}

Thanks, Chuck. 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 to the following Q&A. Operator, please provide the Q&A instructions.

## Questions And Answers

### Operator

(Technical Difficulty) question-and-answer session. (Operator Instructions) Your first question comes from the line of Vincent Andrews with Morgan Stanley. Please go ahead.

**Q - Vincent Andrews** {BIO 6987571 <GO>}

Thank you and good morning, everyone. Can I ask on Slide 11, at \$150 million of inflation and other costs, could you maybe break it down a little bit and give us a sense of how much each of those buckets you mentioned where I'm particularly interested in the Seed trade transition costs, which I assume are associated with lower Seed. But as I think back to other trade transitions you've done, whether it was to extend and then extend to enlist, which were obviously enormous transitions. I don't remember us talking about very substantial costs. So I'm just wondering if you could give us a little bit more insight into that total \$150 million bucket? Thank you.

**A - David Johnson** {BIO 16563984 <GO>}

Yes. So this is David, Vincent. Nice to meet you. When you look at the total, I would say, about two-thirds of the 75% of that is in the Seed business. And then of that, most of it is the trade, and there's about 25% of that number that would be in the inflation bucket. As you can imagine,

when you look at our COGS for the Seed business, and there is a commodity element -- but there is a pretty significant element that's non-Seed COGS are commodity-related and that's where we're seeing some of the inflation.

**A - Charles V. Magro** {BIO 16629629 <GO>}

Hey, Vincent, I'll touch a little bit on the trade transition costs as we define them. So we've got two major corn trade transitions going on in North America right now. One is from corn Vorceed as you identified and the other is from some of our heritage above-ground trades into PowerCore Enlist. And so with the trade transition costs, they're going to be something we deal with over the next couple of years. Part of it is just ramping up those new technologies and bringing in those lines. The other part is, as we produce them, we were -- call it mature in terms of use of sterility and other technologies that we have that are driving a lot of productivity in the field.

And because of the pace of the transition here, we're not going to have the level of sterility primarily in the field. And so, we're going to have to go back to detasseling and doing some things, incurring some costs associated with that. It's just about the size of those transitions and the costs we have to incur during this period until we're kind of operating as we -- at a steady state like we have been for the last several years with AcreMax and Qrome technologies. So it's really something that we'll deal with over the next couple of years and will fade away as we move towards, I'd say, a steady state with those technologies.

**Operator**

Our next question comes from the line of Joel Jackson with BMO Capital Markets. Please go ahead.

**Q - Joel Jackson** {BIO 16250849 <GO>}

Good morning, everyone. Chuck and team, when I look at your guidance, your first look here at the guidance next year for Seed cost deflation and CPC cost deflation. It does seem maybe what a couple of hundred million dollars benefit next year -- it does seem a little bit low versus what a lot have thought is possible.

Can you talk about how you were initially modeling that number for '25? Is this what you have you can point to this is for sure what we can get, or is this your base case? Is there more upside? Can you talk about that? Thanks.

**A - Charles V. Magro** {BIO 16629629 <GO>}

Yeah, good morning, Joel. So maybe I'll start and then David can give you a bit more specifics. So you're right. We wanted to give a first look at 2025 simply because we are having our Investor Day in a couple of years where we're going to talk about the framework through '27. And some of the technology opportunities that we believe strongly and beyond 2027 even into the end of the decade and early next. So this is a little early for Corteva to give a view of 2025. But there are reasons for it. Obviously, we'll give official guide like normal in the beginning of February as we release our fourth quarter.



And a large part of this so that the take-aways for me on the '25 number is a large part of it is under our control and we're feeling very good about that. And on a gross basis, it's \$600 million, really driven by cost management, productivity and there's deflation. And I'd say, David, deflation is about half of that.

**A - David Johnson** {BIO 16563984 <GO>}

Correct.

**A - Charles V. Magro** {BIO 16629629 <GO>}

And then don't forget when we talk about Seed deflation because of the way we hedge and we manage that cost. It's going to be a three-year journey for us. And I think we've been as clear as we can be that there's going to be deflationary benefits in Seed in '25 and 2026 and 2027. So we're just getting started. In fact, we're seeing higher costs still in the Seed COGS right now, but we're seeing deflation finally in CP, which we're pretty excited about.

So when you start thinking about that \$600 million gross, there is some offsets, which actually David just covered. You put it all together, double-digit EBITDA growth, margin expansion, a strong portfolio lineup. And as Tim just described, Corteva is really strategically shifting now from being what we used to be a technology buyer to now a technology seller. That's the long-term journey that's really exciting for the Company. Now we have to bear some costs in order to achieve that. But the framework is well, I think, articulated. And it's too early for us to really say if it's overly conservative or not. Our view today is -- this is our best perspective. And don't forget, we are calling for basically the CP market to be essentially flat year-over-year. Anything to add, David?

**A - David Johnson** {BIO 16563984 <GO>}

No, I think that's basically. As Chuck said about half of that number would be the productivity, the other half would be the cost inflation.

**A - Charles V. Magro** {BIO 16629629 <GO>}

Yeah.

**Operator**

Your next question comes from the line of Kevin McCarthy with Vertical Research. Please go ahead.

**Q - Matthew Hettwer**

Hi, this is Matt Hettwer on for Kevin McCarthy. How much Seed sales were deferred to 4Q from 3Q? And what's the associated impact on earnings from that deferral?

**A - Timothy P. Glenn** {BIO 19422788 <GO>}

Yeah. So in terms of third quarter Seed sales, I assume you're talking primarily on Latin America. So, normally, we'll have a -- I'd say the bulk of Argentinian sales would take place in the third quarter and then would spread into the fourth quarter. And then think about Brazil, we'd have summer that would generally be third quarter and then Safrinha would be exclusively -- and a little bit of the summer might go into the fourth quarter. Safrinha is generally going to be fourth quarter and then first quarter of the following year is going to catch it. And so, as we think about the market this year, that reduction in Argentina is real. When we talk about a 20% area reduction, that's business that isn't deferred, that's business that's gone away.

And when we think about what our impact is, probably we don't talk about Argentina on every call. I do want to highlight from a Seed standpoint, it's a very significant market. It's our third-largest Seed market in the world actually and it's actually quite profitable when you look at the margins. And the area that the reduction is taking place, we have an above-average market share approaching 40% of that market. So that business doesn't really come back. That's part of the reduction that we've talked about in terms of the overall year. So I don't think of that as a deferral.

And from a summer standpoint in Brazil, we're looking at another area reduction there. Again, in the big picture, summer represents about 20% or even a little bit less than of the total Brazil corn area. And we're looking at probably a 10% or maybe even a little bit greater area reduction this year coming off of a substantial reduction last year. And again that's not business that's timing-related. So from a safrinha standpoint, no timing issue that fourth quarter. From an Argentina standpoint and from a Brazil summer, that's essentially volume that won't take place and is part of what we've talked about in terms of the overall reduction of Seed area in Latin America.

### **A - Charles V. Magro** {BIO 16629629 <GO>}

Yeah. And maybe just a couple of other thoughts on the overall Seed business, if I can. So when I look at the year-to-date performance, we're extremely pleased. I think the Seed business is having another extremely strong year. We're seeing market gains in corn and soybeans in North America. I think our EBITDA is up something like 8%. And we have the leading technologies around the world. And I believe our margins are approaching up about 220 basis points.

So this is a business that I think the strategic pivot we've made a few years ago is really starting to pay off. As Tim rightly called out, the third quarter is a very slow quarter when it comes to Seed sales. And I do think that from an overall perspective, the Argentina corn stunt issue is one of the major drivers we did lower our full-year guide. We believe that is a temporary item. In fact, there's some good news when it comes to Argentina and corn stunt. We're hearing some external reports now that the insect that carries that issue, the population is down something like 90%. So we're hoping that the worst will be behind us, but time will tell. But we will do have this impact that will carry through the full-year.

### **Operator**

The next question comes from the line of David Begleiter with Deutsche Bank. Please go ahead.

### **Q - David Begleiter** {BIO 1523403 <GO>}

Thank you. Good morning. Chuck, on royalties, Seed royalties next year, they are down. Why is that? And where do you stand on your journey to royalty neutrality? Thank you.

**A - Charles V. Magro** {BIO 16629629 <GO>}

Yeah, maybe I'll give a perspective and then Tim can give you the details, David. But we're feeling really good about our journey to royalty neutrality. If you recall, this is one of the fundamental sort of leading indicators on the shift of our technology focus. We're still on track. I would say we're probably a little ahead, maybe a year, maybe two years ahead to deliver royalty neutral by the end of the decade. And if you think about what we've been able to deliver in the last couple of years, we've been run-rate about \$100 million a year. And this year in 2024, we're tracking quite a bit ahead of that.

So that's one of the reasons why the next year, I think we're -- right now the preliminary view and I'll just state that again. It is a preliminary view is slightly less than that. So if you look at '24 combined with '25, we're quite comfortable that we're on that average of about \$100 million. But the real important thing isn't necessarily the numbers. It's what we're doing with the technology in terms of Enlist PowerCore, and there's even some good news now in soybeans in Brazil. And maybe, Tim, you want to take a minute to talk about that.

**A - Timothy P. Glenn** {BIO 19422788 <GO>}

Yeah, maybe definitely. We talked about the fact that we're largely transitioned, the last few years, a lot of our improvement in royalties. Our royalty position has been because of North America soybeans and the rapid adoption we made over to Enlist E3. We talked about '25 being more of a transition year. So it's the year when royalty income is actually greater than royalty reduction. And so the dynamics are a little bit different. And as Chuck said, we're -- say, we're over-delivering a little bit this year and that's a good thing. You only get to count it once and we're going to take it this year instead of next year.

As we think about where we go from here, there'll still be, I'd say, opportunities for us to reduce royalties as we transition the different technology platforms and those will be more subtle than what we've seen on the soybean transition in North America, but the big news is going to be about royalty collections. And -- we're now in the market in North America from a corn standpoint with PowerCore Enlist, products being tested by many seed companies and being commercialized, independent seed companies and performance has been outstanding and interest in demand is good.

Our challenge is, we don't have a full portfolio offering where we sell the above-ground technology. Our next-generation below-ground will have the opportunity to license that and that will really improve our position there, but it's a meaningful step forward and another milestone. Obviously, Enlist E3, we've got over 100 licensees out there and that's some benefit as well. And then on Conkesta in Brazil -- and that's the other one, Brazil and Argentina. With Conkesta E3, we continue to make great progress there. And even though we're still in that, call it, single-digit penetration standpoint, we're making progress. And right now, there's over 25 Conkesta E3 varieties in the marketplace with more expected for next year. Adoption is going to continue to accelerate as more varieties come into the market and very competitive varieties at that, plus our own internal breeding program kind of hits its point where we're going to be able to contribute into the licensing market as well beginning in 2025, especially.

I'd say a milestone we have, again, we're still in the early stages there with relatively low penetration, but we do have the first blockbuster Conkesta E3 variety in Brazil, and we kind of measure that as varieties that cross that million unit of sales. A variety called Torenta CE [ph], which was developed by one of our key breeding partners. It's produced and sold by many multipliers. It's widely planted by growers and it crossed over 1 million units this past year, and I think it's one of eight varieties in the marketplace. So small step. We've got a long way to go, I mean, and certainly, as we get to the latter part of the decade, it's going to continue to accelerate. But what it shows is we've got to fit in the marketplace. We're in the game and this is a big market that opens up for us as we go forward. So the exciting part going forward is less about royalty reduction, really more about royalty collection as the future.

## Operator

The next question comes from the line of Christopher Parkinson with Wolfe Research. Please go ahead.

### Q - Christopher Parkinson {BIO 22329418 <GO>}

Great. Thank you so much. Just circling back to Slide 10 in terms of your EBIT outlook. Obviously, there are a lot of moving parts, and I think it's safe to say, at least in my opinion, there's some upside to a lot of the positives. But just in terms of the deductions, referring specifically to currency, the SG&A and R&D as a percent of sales, just kind of trying to isolate those factors along with the prospects of lower acreage in the US and CPC price.

As you sit here today in terms of the, let's say, the offsets to the plethora of positives there are. Are we confident that, that FX is going to be stagnant at \$150? Are we confident that CBC pricing is more of a one-half just kind of marking-to-market what we've seen in the second half and extending that into 2025? Are there any other risks that the buy-side community should really be factoring in? Or do we feel good about that? And just kind of are sitting back to see how much of the upside scenario could actually play itself out? Thank you.

### A - David Johnson {BIO 16563984 <GO>}

Hey, Chris, this is David. Maybe I'll take the currency question and maybe we'll pass it on to Chuck regarding the other elements.

### A - Charles V. Magro {BIO 16629629 <GO>}

Yes.

### A - David Johnson {BIO 16563984 <GO>}

If you look at the currency right now, most of that is in Brazil. And as you know, we're kind of in the upper 5s as far as where the reality is trading at currently. This year, our base was somewhere just south of 5.2. So it's hard to really predict whether or not that will deflate further or not an average year, I think it's somewhere around 8% if you look over the long period of time.

So I think we have a reasonable estimate of what we think the impact will be. I never say never if it goes to further devaluation, but I think we feel really comfortable with this number.

**A - Charles V. Magro** {BIO 16629629 <GO>}

Yeah. Maybe, Chris, just a couple of thoughts. Why don't we just take the book-ends? So you'll probably notice that the 3.6% to 4% is wider than we normally provide. We did that because we're providing it earlier. And if you take the low-end, the 3.6%, perhaps that is on the conservative side, only time will tell. But we would certainly agree that a lot would have to be different than our current assumptions.

Now we're providing the '25 first look as we said because of our Investor Day, and what would need to happen, we believe for that 3.6% to become a reality is we would have to face some pretty significant additional headwinds, right, most likely continued CP market weakness and we would probably have to miss on some of our cost and productivity deliverables, which, as you know, we have a very good track record against.

Let's take the other end, \$4 billion. As I said, it is a wider range. What would have to happen for us to hit \$4 billion. We certainly think that \$4 billion is on the table or we wouldn't have put it out there and very achievable. It would probably take us to overachieve on our deliverables and our controllables, which we have a history of doing. But I think we'd also need to see a little bit of strength in the CP market. Is that possible? Absolutely, but it's a little early to get overly bullish when we're sitting in the -- just in the fourth quarter, right now, trying to finish up 2024.

I think the important thing for folks to draw their attention to is as a first look for 2025, my call out is double-digit earnings growth and margin expansion, a continuation of a journey that we've been on for five years.

**Operator**

Your next question comes from the line of Joshua Spector with UBS. Please go ahead.

**Q - Lucas Beaumont** {BIO 21705953 <GO>}

Good morning. This is Lucas Beaumont on for Josh. Just wanted to clarify your expectations here on the crop chem side. So for 2025, you noted the volumes are sort of stabilizing and then ongoing risks on the pricing side. Your guide seems to imply sort of mid-single-digit volume growth offset by pricing down low-single-digits. Is that correct in sales and sort of grow low-single-digits overall? Or can you walk us through kind of what's baked in there? Thanks.

**A - Charles V. Magro** {BIO 16629629 <GO>}

Yeah. So let me try to hit the highlights here for you. I think when I think about the CP market, the third quarter, I think, took another positive step towards full stabilization of this industry. We're not out of the woods yet, but we like what we saw in the third quarter. And when you step back and you think about that, North America is actually seeing some strength. I'd say Europe and APAC are operating normally. Brazil is still, I think, one of the most unstable markets that we're operating in right now when it comes to CP. And there's a combination of reasons, right?

It was really dry, so there was a weather impact. It is a well-supplied market, and there's cautious farming behavior still in this market. So when you put that all together, I think we're cautiously optimistic that the CP industry is starting to reach some stability.

Now let's talk about our business. So the last couple of years have been tough for the industry. Nobody will say anything different than that. We feel that our business has performed quite well. In the third quarter, I'd say, for our CP business, had a pretty good quarter. We saw the second consecutive quarter of volume growth, which is really to your question. And then we saw EBITDA growth for the first time in a year, over 30% EBITDA growth in our CP business. And some of that is deflation. A lot of that is what's in our control and our new technology.

So the look for 2025 then, just to get specific now, is if our assumption is a flattish industry, we'll do better than that. And it will be really driven by I think, volume growth in the, I'd say, mid-single-digits. And it's driven by our new technology. We have several new AIs that are still ramping up, the biologicals investments we've made. But the overall market is healthy. It's certainly healthier than it has been. And I think you'll see that our CP business grow, probably better than that in 2025.

## Operator

Your next question comes from the line of Frank Mitsch with Fermium Research. Please go ahead.

## Q - Frank J. Mitsch {BIO 1498786 <GO>}

Hey, good morning, and nice to meet you telephonically, David. Just a question on Slide 17. North American Seed price was down 25% year-over-year. That reflects end-of-season settlements. It seems like an outlier. I was wondering if you could provide any more color on that.

## A - Timothy P. Glenn {BIO 19422788 <GO>}

Hey, Frank, good morning. This is Tim. I'll take a shot at that. And obviously, our business in North America is largely, in the first half of the year, there's a very limited amount of that first-half business that sometimes can trickle into the third quarter. And we just don't have a huge amount of business to kind of buffer some of these things.

So when we talk about settlement issues, what we're talking about here is in the case of replants. And so replants are a normal part of the business. We factor it into our equation. It's part of the terms of trade we have, a service policy we have for farmers. And every year we accrue for replants and sometimes they hit early, sometimes they hit less, sometimes they have a little bit more. This year, actually, we're from a -- the amount of replants we've had, it's very much in the normal range. So we had planned for it just hit a little bit later. And so, it showed up in the third quarter rather than the second quarter. So it's quite visible this year.

And why that is, if you think about the planning progress and some of the early season floods that we had, particularly, in the Northern Corn Belt into Northwest Iowa, Southern Minnesota, we ended up with a little bit of elevated replants versus a year ago and they were a little bit later

just in terms of the settlement standpoint. So it's not -- it shows up as a price concession. And obviously, there's not a lot of volume that takes place there that kind of buffers it. And so, it's quite visible there. And it looks unusual. It's actually a normal part of the business. It just doesn't often times hit by itself in a quarter as it did here. So that's kind of a little background on what the issue is.

## Operator

The next question comes from the line of Steve Byrne with Bank of America. Please go ahead.

## Q - Unidentified Participant

Yes, thank you very much. This is (inaudible) filling in for Steve. So I want to check a little bit on the pricing environment for crop chemicals and especially in Brazil where the price was down 18%. And if you can talk a little bit about that? And why is it deteriorating so rapidly? Is it that you're trying to regain share? Is it the threat of imports and generics? And at the same time, I think one of your competitors was talking that they were actually later in the game trying to regain share by lowering their price, and everybody has already done so. It doesn't seem like that's the case actually.

And what do you think your competitors are doing now? Will they have to respond to your price declines? Or are you the last one to, I guess, cut price?

## A - Robert King {BIO 21402906 <GO>}

Yeah. Hi, this is Robert. I'll touch a little bit on this. Specific to Brazil and price, let me start with the Crop Protection. We finished up the quarter down 10% on price, but if you look at year-to-date, we're in the mid-single-digits. And so, third quarter was -- it's a different period for us, lots of things going on to get ready for the season and working with the channel on some different things.

Brazil was down about 18% for the quarter, but we're going to finish up the year back to that mid-single digits for the Company. We don't expect sequential quarter-over-quarter or quarter-to-quarter. The pricing will be will be relatively flat. And when you think about why? There's a lot of competition going on in Brazil. And in a flat market or a flat-to-down market, really we're looking at this year, a lot of competition for volume coming from all areas trying to find growth. And so we play -- we're trying to hold share. We do the things we need to do that make sense for our products. I'm not going to comment on what our competition does or doesn't do or their philosophy. But for us, we're going to continue to work on selling the things that are going to drive value for our business and that really comes back around our new products and our differentiated products. That's the majority of our growth happening in Q4 and on into the future. You'll have seen that these products typically have a premium because of the value that they add on-farm. And they're going to continue to grow as well as our biologicals in Brazil. You'll recall that well over 50% of our overall biological business is in Brazil. And so that season is still to happen and we expect a good quarter out of biologicals down there as well.

So short answer is, we'll finish up in the mid-single-digits for price, down for the year, which is about where we're trending overall for the business right now.

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**A - Charles V. Magro** {BIO 16629629 <GO>}

Maybe, Robert, one other thing to add. When you look at our order book for the fourth quarter, we like our position. We're certainly -- we're north of 50% for our CP book over 60% to 65% for our biologicals book. So we're sitting up exactly where we want to be for the fourth quarter. And I think that's all factored into our current thinking.

**Operator**

The next question comes from the line of Patrick Cunningham with Citi. Please go ahead.

**Q - Patrick Cunningham** {BIO 15958997 <GO>}

Hi, good morning. Just based on the last comments, could you help quantify how new products and biologicals have performed year-to-date? And what do you expect for contribution in 2025? And should the sensitivity around that number be similar to what you're expecting from broader Crop Protection?

**A - Robert King** {BIO 21402906 <GO>}

Yeah, Patrick, this is Robert. I'll start with biologicals. We're 15 months into the acquisition and this business continues to perform very well. It's serving -- the portfolio serving as a very good complement to our synthetics business and it's driving solutions on the farm that we're able to offer to the farmer that's unique to us. So we like how it's playing out.

From an overall, for the 2024, we're expecting biologicals to be up double-digits EBITDA growth for the year. And so that's going to continue to give us strength. And when you lay that into new products, in Q3, we saw about a 20% volume or organic growth in new products. And so these products continue to be to perform above market. We expect about a mid-single-digits growth for the year. And we're continuing to get value out of that. So we're going to finish up the year strong with both of these as we finish out Q4.

**A - Charles V. Magro** {BIO 16629629 <GO>}

And then when you think about 2025 and beyond, and we'll have more to share, of course, at the Investor Day, but these are the, I think, the growth engines of our CP business, right, because if you think through the strategy, we're trying to deemphasize the commodity part of the portfolio, really sell differentiated technology. We believe we've got strong channels to market. And so these will lead, I think, the growth in terms of volume. They will have a premium, as Robert called out. They're not immune to the market. They'll trade with the market, but they'll always have a premium over less differentiated technology.

And we have -- even this year so far, we've had very good demand from a volume perspective on our spinosyns franchise, on our new products and on the biologicals that will carry into 25 and beyond.

**Operator**



Next question comes from the line of Edlain Rodriguez with Mizuho. Please go ahead.

**Q - Edlain Rodriguez** {BIO 7385301 <GO>}

Thank you. Good morning, everyone. Maybe just a quick question on again, on the guidance initial outcome and view for 2025. I mean, you've talked about the skew between the low-end and high-end, but when will you get a better sense of which way the pendulum is swing in?

And related to that also is -- again, with all due respect, this is the third time I think you've lowered your guidance for the year, for 2024. And of course, Ag could be very challenging to forecast. The question is like, do you think it's fair for people to be asking what gives you confidence and how much confidence should we have in that guidance that you gave for 2025?

**A - Charles V. Magro** {BIO 16629629 <GO>}

Yeah, good morning, Edlain. Fair question. Absolutely. And if you think about this, right, so we had a '25 framework that we did update earlier this year, and I believe the range was something like 3.9 to the 4.15-mid with margins in that 21% to 23%. And at that point, the reason we had updated that is because our fundamental view on the CP industry had changed, right? We hadn't thought at that point now that the CP industry for 2024 would be in decline. And we've always said that for us to hit certainly the numbers for 2025, we would need to see a return for the industry to grow in the year 2025. And today, we came out with our view that it's going to be flattish. So that's the fundamental change.

So if you look at the Seed business, it's actually almost entirely on plan. In fact, it's probably trending a little bit ahead. And we are also ahead when it comes to cost productivity. So when I think about how we've done as a Company, we've got a lot of things right. The Seed business is on plan. I think our cost and productivity and our controllable are, but the CP industry has clearly moved against us and everybody else in the industry, and that's had a profound impact on our outlook.

So to your question, how about 3.6 now to 4.0, 3.8, our view is still founded on a flat 2025 when it comes to CP. And when will we know? Let's get through this year. We've got a crop to harvest and a crop to put in the ground in Latin America. But we're feeling very good that the Seed business is going to continue its journey. The \$600 million of gross cost, productivity, and deflation, I think we're feeling very, very comfortable with.

And as I mentioned, we're getting more comfortable that the CP industry is finding some stability finally. So it is -- I think a very fair question to ask. All we can do as an organization though is give you what we're thinking and to update you as we learn more. And this is our current view is that the CP industry, if it's flat, will be somewhere between the 3.6 and the 4. And we're feeling very good about the levers that we have to pull to create value.

**Operator**

The next question comes from the line of Aleksey Yefremov with KeyBanc. Please go ahead.

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**Q - Aleksey Yefremov** {BIO 16642667 <GO>}

Thank you. Good morning, everyone. What did you assume for Argentina in plan for year in '25? Do you assume any meaningful return of that acreage?

**A - Timothy P. Glenn** {BIO 19422788 <GO>}

Hey, Aleksey, this is Tim. I'll take a shot at that. So we were taking that 20%, so call it from roughly 8 million hectares down to 6.5 million hectares. And for '25, at this point, we're taking a very, I'd say, a prudent approach and not assuming a significant increase or return. And why that is because of the pressure from the leaf hoppers last year, it's a really difficult environment for farmers to plan into and it's hard to predict whether that was a one-year deal or if it's something that we're going to have to deal with going forward. And so, Chuck shared that right now the populations are moving in the right direction. So that's obviously a positive thing, but we got to track that over the course of the season. Last year, we saw populations really build as you got into the January-February timeframe. And so, it's going to be really important that we understand before we assume some kind of a big rebound. Hard-to-do it, it'd be very speculative at this point in time.

The bottom-line is, Argentina is going to remain an important production area for both corn and soybeans. Argentina is one of the three major exporters of corn and will continue to do that. And from an agronomic standpoint, farmers need to be planting corn in that Northern area because that rotation between corn and beans is really important.

You can plant beans this year as a defensive crop on a one-year basis, but you can't do that for three or four years. They're going to end up with some problems. So we're optimistic over the next few years. And for '25, we're assuming essentially a flat market again with '24. And certainly, we're going to be staying close and understand what that opportunity is.

**Operator**

The next question comes from the line Arun Viswanathan with RBC. Please go ahead.

**Q - Arun Viswanathan** {BIO 16608563 <GO>}

Great. Thanks for taking my question. I'll just ask real quickly on the balance sheet. If you guys would consider maybe taking on a little bit of debt, I know that, obviously, interest rates would play into that, but maybe just give us some updated thoughts on your views there. Thanks.

**A - David Johnson** {BIO 16563984 <GO>}

I think as we sit here today, our views have been consistent. I think when you look at the amount of cash that we generate, the amount that we put back in the business versus giving back in dividends and buybacks, we don't see a meaningful change going forward, certainly, not in the '25 outlook and not in the '25 to '27 outlook.

**A - Charles V. Magro** {BIO 16629629 <GO>}

Yeah. And, maybe just a couple of other thoughts. So feeling good about the guide in terms of free cash flow, \$1.5 billion to \$2 billion. So the Company is generating, I think, very good cash and the conversion is improving from EBITDA. We do recognize we have a strategic asset in our balance sheet, investment-grade rating.

I think David just shared, our philosophy really hasn't changed. If you think through even this year, we're going to be approximately \$1.5 billion of returning capital to shareholders through buybacks and dividends. So that's a big number. We want to be able to invest for growth inside the business and we've got, I think, a lot of great things happening both in the Seed and CP portfolio. And we've got a few other things that we'd like to share with you at the Investor Day. So we'll hold the rest of the conversation, but it is a good position to have, and I think it is one of the things that sets Corteva apart.

## Operator

That concludes our Q&A session. I will now turn the conference back over to Kim Booth for closing remarks.

## A - Kimberly Booth {BIO 22970078 <GO>}

Great. That concludes today's call. We thank you for joining and for your interest in Corteva, and we hope you have a safe and wonderful day.

## Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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