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Corteva, Inc. (CTVA)

Q1 2026 Earnings Call

MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to Corteva Agriscience Q1 2026 Earnings 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, VP of Investor Relations. Please go ahead.

Unverified Participant

Good morning and welcome to Corteva's first quarter 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; 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 statement.

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 today. Spring is always a busy and exciting time for agriculture and this year is no exception. Planning in the Northern Hemisphere is proceeding well, the weather has cooperated for the most part, and we are well-positioned with technology that is in high demand. However, farmers remained cautious and value driven. Crop mix and technology choices are increasingly strategic, aligning acreage and input decisions towards crops with the best demand signals. Overall, strong crop acreage is supporting strong Seed and Crop Protection volume demand.

There are some back half risks we are monitoring. We will discuss those today, but let's start with the quarter. Both Seed and CP delivered healthy double-digit EBITDA gains with all-in benefits on price/mix, volume, cost and currency. Year-over-year, Corteva delivered a 21% increase in Q1 EBITDA and over 200 basis points of margin expansion driven by our core portfolio, our growth platforms and focused cost execution. While some of Seed's strong North American volume performance can be attributed to timing shift, price/mix gains in every region are a clear signal that, regardless of tight margins, farmers continue to plant our latest hybrids and varieties in order to

increase yield per acre in their own profitability. Volume gains in Crop Protection across all regions were driven by double-digit gains in new products and spinosyns, reflecting continued demand for our premium technologies.

This performance allows us to reaffirm our full-year guidance, which we announced in February. It also allows us to de-risk the second half of the year slightly. David will explain more. Factored into our guidance is the fact that farmers in the US are expecting to shift planted area from corn to soybeans, resulting in a projected 3% to 4% reduction in corn acres. And if current trends hold, Enlist beans will be planted on about 65% of all US soybean acres in 2026. As it approaches maturity, Enlist is the number one selling soybean technology in the US. As you know, our focus is now set on becoming the leading provider of soybean technology in Brazil, the largest soybean market on the planet. Our branded corn business already holds the number one position in Brazil. And we are confident in our licensing model for soybeans will allow us to efficiently gain share in this critical market. We're making great strides on that front, and we're expecting trade penetration to cross into double digit this year.

With regards to the Middle East conflict, although we have minimal commercial presence in the area, we're monitoring the situation closely. Given what we know today, while we're keeping an eye on any feedstock exposure to our supply base, the main impact Corteva is currently related to increases in oil prices. However, given typical inventory cycle turns, we believe that 2026 impact is manageable within our current guidance range. David will get into the details, but we're also seeing some favorability on the tariff front from what we communicated in February.

Globally, from an overall industry perspective, we continue to see mixed fundamentals, record demand for grains and oilseeds continues, and farmers are investing in premium Seed and Crop Protection technologies to enhance and protect their yields. Overall, crop prices have increased from a year ago, but margins are still tight as large global crop production and geopolitical uncertainty continues to weigh on the markets and several farmer input costs, such as fertilizer and fuel, have been impacted by higher oil prices. Our latest view on the Crop Protection market for the full year assumes modest growth with low-single-digit volume gains more than offsetting slightly negative pricing. For Corteva, we expect mid-single-digit volume gains, more than offsetting low-single-digit pricing headwinds.

So as we sit here today at the beginning of May, I'm pleased with our first quarter performance. As we all know, the first quarter doesn't dictate the full year in agriculture, but I'd say the first half is playing out a little better than expected. We're showing good progress on our growth platforms, and I believe we have the appropriate level of attention on improving our cost position through our controllable levers.

Crossing the milestone of royalty neutrality into royalty positive later this year is a monumental accomplishment and a sign of what's to come. We already have over 100 independent seed company licensees for PowerCore, Enlist corn and Enlist E3 soybeans. These self-help levers continue to drive value creation for the company and provide meaningful margin enhancement through the ag cycle.

Let me also give you a quick update on our separation. First, we remain on track for a separation sometime in the fourth quarter, and we're trending favorably against our estimated \$100 million of net dis-synergy estimate. As you will have seen a few weeks ago, we announced the new CEO for the company that will become Corteva, home to our CP business. Luke Kissam is an experienced CEO with a proven track record of delivering results, and we're pleased he'll be joining the company on June 1.

We also announced the two executive leadership teams for the new companies, both which include a mix of existing and new members, but all of whom are aligned to our culture and values. As such, they share a passion

for agriculture, science and innovation, as well as their commitment to the teams that they will lead and the employees, customers and shareholders they will serve.

In addition, we filed our initial Form 10 with the Securities and Exchange Commission with the intention of having a public filing later in the second quarter. And last but not least, earlier this week, we announced the name of the future pure play global advanced seed and genetics company. When we started thinking of a new name for our new company, we knew we wanted to honor the legacy of the generations of employees and farmers whose ingenuity and hard work have fed the world. It made us an undisputed leader in solving some of the world's biggest challenges, including food and energy security. We wanted to ensure that the technology that stands our company apart was reflected in the brand with a look and feel that was modern and tech forward, but still rooted in the conviction that science and innovation can change the world for the better.

I'm therefore pleased to introduce the culmination of our efforts. Vylor, the name itself is derived from the word valor, again acknowledging the generations whose work made Vylor possible. We will talk more about this at our September Investor Day event, but Vylor's success will be driven by industry leading germplasm, biotech and gene-editing capabilities, as well as a world-class pipeline that includes an exciting new licensing business, proprietary hybrid wheat technology launching next year, and a next-gen biofuels development program. And with a nod towards the future, Vylor reflects our passion, our ambition and our shared determination to advance agriculture. to maybe one day opportunities beyond grow crops.

So you can see that this year is off to a busy start as we work to get the separation across the finish line, while ensuring our customers continue to get the level of performance and support they have come to expect from Corteva.

Before I turn it over to David, I'd like to take a minute to honor the fact that just a few weeks ago, Pioneer turned 100, an iconic brand if there ever was one. In 1926, Pioneer and its hybrid corn didn't just change agriculture, it changed the world. And we're about to do it again. And just like last time, we will do it with groundbreaking technologies from gene editing to hybrid wheat to safe, effective, sustainable crop protection products, including biologicals. It's easy to lose sight of accomplishments when we're so focused on the critical task at hand, but a milestone like this deserves to be celebrated.

Lastly, I want to take a moment to recognize our employees for staying focused on what matters most, executing for our customers, while managing a significant number of competing priorities during the quarter. David, over to you.

Unverified Participant

Thanks, Chuck, and welcome, everyone, to the call. Let's start on slide 6, which provides the financial results for the first quarter. Results for the quarter were strong, led by an expected timing shift from fourth quarter and early season start in seed deliveries and crop protection volume gains in all regions. Organic sales were up 7% compared to last year, with Seed up 9% and Crop Protection up 4%. Currency was a tailwind to the top line at 4% of sales, in line with expectations.

Seed price/mix was up 3% in the quarter with gains in all regions as we continue to price for value. Seed volumes was up 6% compared to the prior year. Volume shifts in North America from fourth quarter 2025 were expected, and we also had an early start to the North America season due to favorable weather. In addition, we saw continued growth in our Brevant retail brand.

Crop Protection price was down 2% as expected, driven by competitive market dynamics, primarily in Latin America. Crop Protection volume was up 6%, with gains in every region. Notably new products and spinosyns delivered double-digit volume gains in the quarter.

As mentioned before, it's more meaningful to look at our business by half. Timing test between the first and second quarter are routine in our industry, while performance in Northern and Southern hemisphere is more complete when looking at the six-month period. Operating EBITDA was up 21% over last year. Operating EBITDA margin of over 29%, was up 240 basis points, driven by organic sales growth and continued cost savings from productivity.

Moving on to slide 7 for a summary of the first quarter operating EBITDA performance. Operating EBITDA was up nearly \$250 million to over \$1.4 billion. Volume gains, price and mix, currency and cost benefits more than offset headwinds from higher selling expenses. Seed continues to make progress on its path to becoming a royalty positive later this year, with another \$30 million decrease in net royalty expense this quarter. This improvement was driven by lower royalty expense on certain in-license traits. Seed and Crop Protection combined to deliver roughly \$70 million in productivity and input cost benefits, including lower Seed commodity costs.

In the first quarter, SG&A was up compared to prior year, driven by unfavorable currency, bad debt, higher commissions from sales increases and higher compensation and functional spend. We expect first half SG&A as a percentage of sales to be relatively flat compared to the first half of 2025. Currency was roughly \$60 million tailwind on EBITDA, primarily driven by the euro. Both Seed and Crop Protection had an impressive first quarter and delivered double-digit EBITDA growth and meaningful margin expansion.

Moving to slide 8, let me briefly reaffirm our full-year 2026 guidance. We continue to expect operating EBITDA in the range of \$4 billion to \$4.2 billion, with margins of 22% to 23%, and operating EPS of \$3.45 to \$3.70, representing approximately 7% growth at the midpoint. This outlook is underpinned by broad-based organic growth, supported by continued execution on our controllable levers. While we are seeing some favorable signs from an early start to the Northern Hemisphere season, we will have a better view in a few months if we foresee any changes to our full-year expectations.

With that, let's go to slide 9 and transition to the key assumptions for the first half and second half of the year. Starting with the first half, our performance is driven by strong execution in North American Seed. Overall price/mix is expected to be roughly flat with Seed up low-single digits, offset by low-single-digit declines in Crop Protection. We continue to keep an eye on broader ag input pricing that believe the majority of US inputs have already been purchased for the season, and will not be impacted by recent price increases.

We are also seeing meaningful benefits from productivity and lower input costs in the first half, which is helping support margin expansion. At the same time, SG&A is expected to increase modestly versus the prior year from higher commissions and bad debt. From a currency standpoint, we're seeing a benefit in the first half, primarily driven by the euro.

Turning to the second half, we expect continued momentum driven by volume growth in Crop Protection, particularly in Latin America, with our biologicals portfolio contributing more meaningfully as is weighted to the back half. On the Seed side, we see a stable demand environment supported by stable corn acreage in Brazil. From a price/mix perspective, Seed is expected to improve low- to mid-single digits, while Crop Protection pricing remains pressured with low-single-digit declines year-over-year. Productivity will continue in the second half across both businesses.

We also expect to see the net impact of tariffs and higher oil prices show up more meaningfully in the back half of the year, aligned with Crop Protection inventory turns. As a reminder, tariffs are included in our guide and are trending slightly better than expected, while higher oil prices are driving a \$40 million headwind, also included in guide with active mitigation underway. And finally, currency is expected to be a tailwind in the second half as well, driven by exposure to the Brazilian real.

With that, let's go to slide 10 and summarize the key takeaways. First, we delivered a strong start to the year with first quarter performance ahead of expectations driven by continued organic growth across both Seed and Crop Protection. This reflects the strength of our portfolio and continued execution of our price for value strategy. We're seeing clear benefit from our focus on controllables with input cost savings and productivity improvements translating into meaningful margin expansion in the quarter. In addition, we made solid progresses on our path to becoming royalty positive.

We also remain on track to return significant capital to shareholders, including a plan to complete approximately \$500 million of share repurchases in the first half of the year. As expected, first quarter cash flow impacted by the Bayer agreement and separation items. Absent these items, we would expect our full-year free cash flow conversion to be in line with our mid-term target discussed at the 2024 Investor Day. And we are reaffirming our outlook, which reflects continued growth in sales, EBITDA and margin for the full year. This is supported by strong demand for our differentiated technology and disciplined operational execution across the business.

Finally, we remain on track with the separation, announcing many key milestones over the last several weeks. We recently filed our initial Form 10 and expect to have a public filing towards the end of the second quarter. Due to regulatory requirements, the separation is being treated as a reverse spin-off in the Form 10, and New Corteva presented as discontinued operation. We expect one-time costs to be approximately \$350 million, consistent with external benchmark ranges, with the majority expected to be incurred during the second half of the year. We are also seeing some favorability in our previous estimate of \$100 million in net dis-synergies, with \$50 million included in our 2026 guide.

And finally, I wanted to share an important update regarding our ongoing capital structure setup. Last week, the board approved a \$1.5 billion discretionary contribution to the US pension plan. This decision is a strategic part of our broader capital structure setup, aimed at positioning both companies for long-term success. By taking this step, we are ensuring that each entity develops a strong investment grade credit profile on the standalone basis, which is made possible by the strength of Corteva's balance sheet today.

With that, let me turn it back to Kim.

Unverified Participant

Thanks, David. 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 in the following Q&A. Operator, please provide the Q&A instructions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. We ask that you limit yourself to one question. [Operator Instructions] We ask that you pick up your handset when asking a question to allow for optimum sound quality. If you are muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Your first question comes from the line of Chris Parkinson with Wolfe Research. Please go ahead.

Q

Great. Thank you so much, Chuck. Obviously there's a lot going on this year in terms of the world of agriculture between yourself, you know, Syngenta, BASF. And the numbers, you know, that kind of spoken for themselves thus far. But in terms of your competitive positioning as a company within the industry, and I don't care if you want to focus on the Seed side of it or the Crop Protection side of it. But everybody is kind of touting their portfolio and how it's best. Where do you think investors should be focusing the vast majority of their time into the second half? Where's the most optionality? What should we be the most enthusiastic about? I'd love to hear your perspectives on that in terms of the trajectory of the company for the next two years. Thank you.

A

Yeah. Good morning, Chris. It's a great question and I'll give you some thoughts today. But of course, this is going to be the entire focus of the Investor Day that we have planned for September 15 in New York. And both companies will lay out actually multi-year financial and strategic plans. So that's my plug for the morning is please dial in for that. But let me just give you some thinking. So, look, I think from an overall perspective, Corteva laid out a three-year plan. We're well on track. Some could say even we're trending a slightly better than that. And if you come down to why that is, there are really two big levers that we're pulling, right? So we're using our technology and we're developing the new technology and putting it into the hands of farmers. And let me unpack that in just a minute. And then I think we've been one of the first in our industry to really go after cost productivity, I'd say with very disciplined processes internally, and that's created an awful lot of value. And the last three-year plan we put in place, there was \$1 billion of cost and we're trending a little ahead of that.

But beyond that, then just to answer your question, look, we would stack up our technology and our pipeline on both sides of the house to anybody in the industry. In fact, I'd say in many ways we're leading. And if you just look at New Corteva or the Crop Protection business, you know, we've talked about the size of the portfolio. And if you think through that, in the next decade, we're going to have something like seven new active ingredients, plus a whole host of new biologicals. In fact, we're going to roll out our first biocontrol, which would be kind of the one of the first in the industries with the efficacy that we think we have. So there's just lots of excitement there. And then, you know, we made the investment a few years ago in biologicals and today our CP business would be one of the leaders there. So there's a lot to like on the portfolio. The separation, I think, is going to open more doors for the Crop Protection business. But I'd say that our portfolio is extremely strong in CP.

When you look on the other side of the house, when it comes to now Vylor, so no more SpinCo, which I think is one of my favorite things on this call today, you think how we're going to grow the Seed business in the future, you know, it's going to come down from out-licensing. And this is the first year that we're going to be royalty positive and that's new information for this morning. And we were thinking we would be royalty neutral. But with

the Bayer agreement that we signed back in February, we're seeing just very strong demand for our corn and soybean technology. And we said last quarter that that would be about \$1 billion of incremental revenue over the next decade or so. So pretty sizable growth from licensing just our bread and butter, which is corn and soybeans.

On top of that, we've got the hybrid wheat program, another \$1 billion opportunity, maybe a little longer term, but \$1 billion opportunity nevertheless with our own proprietary sterility system, and we're going to take that technology globally. Beyond that then and we'll talk this is where, you know, the commercial has to be for September, the gene-editing and biotech capabilities that we have today, especially gene-editing capabilities, we feel we can go beyond corn and soybeans and potentially wheat to other row crops and even potentially beyond that. And that's the information that we're going to share in September and kind of our longer term growth strategy. But even the core growth that we just said, if you start thinking about that when it looks like from a growth perspective, I think Vylor is a classic growth compounder when you look at its margins, its conversion to free cash flow and its top and bottom line growth.

Operator: Your next question comes from the line of Vincent Andrews with Morgan Stanley. Please go ahead. Vincent, a reminder to please unmute yourself locally.

Q

Sorry, I haven't done that in a while. Thank you and good morning, everyone. Chuck, in the press release, you talked about, you kind of teases with the idea that the S&P Environment and Kraft Chemicals are starting to improve developments out of China. So I'm wondering if you could speak to that and when you think that might manifest itself in your results. It doesn't seem like you're putting anything into the back half of the year for it.

A

Yeah. Good morning, Vincent. So, look, we all know where we are in the global CP industry cycle. If you think about 2025, that was the first year we were actually flat and we were sort of celebrating that we saw a flat market because the prior two years, 2024 and 2023, they were pretty tough in this industry. And then in February, when we gave our annual guide, we said, hey, 2026, our view is that it will be the first year in several that we'll see the industry returned to growth. But don't get excited because it's going to be modest and we said low-single digits.

We're still of that view. So the macro perspective for us has not changed. We think globally the Crop Protection industry will grow slightly in 2026, but it's a lot better than where it's been. So what's driving our conviction on that? Well, there's a couple of things. We're seeing a few changes, with higher energy and oil pricing around the world now, that is adding cost inflation to AI production in the low production jurisdictions around the world, namely India and China. And so we are seeing price increases actually for certain AI. The other thing we're finding is that we are seeing a slight slowdown in China exports into Brazil, and it is slight. And I wouldn't say that you can say it's a trend yet because the data is pretty recent as of March, but it is certainly a good data point. So when we add it all up, we start to think about, okay, well, what is the impact? For 2026, I'd say the impact is probably minimal, just to be very candid with you, because Brazil has their inventories, I think, that they're going to need for at least most of the year, but this could be a positive sign as we get kind of late 2026 and as we enter 2027 first half. So that's kind of how we see the industry shaping up is a return to slow growth, and there's some positive signs out of China when it comes to sort of the cost of their AIs and what's coming into Brazil that's giving us some hope. Oh, and then their – and we mentioned this in February, that China put also some export controls, a VAT back on, which is also causing, I think, it's about an 8% price increase for certain amounts of AI. So another positive data point, Vincent.

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

Q

Hi. Good morning. Couple questions sort of together. Can you just first talk about how much of earnings from Q4 got pushed in Q1? And then I know you don't like, Chuck, to change your guidance in May for a year until the season is over for North America. But can you – it looks like, you know, if you look at the puts – if you talk about the bridge for 2026 and what's changed since you've thought it a few months ago, FX seems a bit better, talk about royalties being a bit better, and talk about energy cost being a bit worse. Can you maybe just give us the high level buckets of what's better and worse versus what you saw a few months ago?

A

Yeah. Joel, I'll have David answer those questions, but you're right. Look, in agriculture, we're still planting right now. There's not much difference between what we know in February and what we know at the end of the first quarter. So we usually do not adjust guidance. We think about our business really first half, second half, and we'll make the necessary adjustments after Q2. But I'd say that, overall, there's puts and takes. David will walk you through all of those. But overall, the year is shaping up to be a little better than we expected in February. David, over to you.

A

Yeah. So I would say, when you look at the month that went into the first quarter, obviously, we had that in our original bridge. So whenever you think about kind of where we are vis-à-vis our original assumptions, we're pretty much in line for that. So you know, obviously Q1 very strong start. We did say that even though we look at our businesses in halves, we do expect the first half to be up more than we had originally expected. So we had expected that both halves would be fairly flat from a year-over-year percentage increase, so, you know, around that, you know, 7% kind of a number. But right now, we expect the first half to be a little bit stronger than that.

When you look at the actual bridge items, and actually, I think you laid them out very well, Joel. I mean, I think currency is likely to be a little bit favorable. I think when you look at where we are with our royalty journey, that's probably going to be a little favorable than our original assessment. But there are things like the Iran conflict, you know, adding to inflation, so on and so forth, mainly in the back half of the year. We've sized that up as a negative \$40 million kind of number right now. Paris, we expect to be slightly favorable. So you add all that together and these are pretty minor puts and takes when you think of a \$4-plus billion dollar kind of an outlook number. So that's where we are at this point in time again and we'll look at these items. We'll also look at things like our interest expense, tax rates and all that sort of thing because I do feel like we're a little bit favorable probably on the lower end on our tax rate assumptions also.

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

Q

Thank you. Good morning. Chuck, I know you mentioned input costs wouldn't impact US farmers this year, but looking to next year, do you expect any impact on the farmer behavior, buying decisions, given what we've seen on the cost side? Thank you.

A

Yeah. Good morning, David. So I think that the thing that if we start with what we've seen this year and it's interesting if you look at the futures pricing, clearly the market right now is actually calling for a bit more corn area to be planted, and our order book would reflect dimensions of that for sure. And as we said already in the prepared remarks, the majority of US farmers already had fertilizer for the season. So we don't anticipate that what we've seen with higher energy prices today have or will impact US planting decisions.

Now, higher fuel pricing on the farm is certainly stressing farmers in the US, but I say around the world as well. But, David, I mentioned this already, we are watching this for the second half in Latin America, because if higher energy prices persist, I think it could impact not only the amount of area that's planted, but also what is planted in Brazil, specifically. And so we're just trying to understand what that is. Right now, we're not overly concerned. Our second half forecast is around flat area, I think, for Safrinha. And this is an uncertainty that we're monitoring.

So now if you fast-forward, okay, well, what happens in the US second half of the year potentially into 2027, there's a lot of puts and takes that could get us, you know, to the situation. But I would say the one thing that we're quite confident in the United States is that you're going to see 180 million acres planted of corn and soybeans, and it's going to be determined on terms of energy prices, fertilizer availability and costs, as well as the futures pricing to determine sort of what that mix look like. But right now, I'd say that that's some of the things and the dynamics that we're watching. But it's way too early for us to talk about the next US season, but those are some of the things that will, I think, determine. For this year. I think we're still very comfortable with 95 million acres of corn and around 85 million acres of soybeans being planted. That would be sort of directional, what we're thinking about for this spring.

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

Q

Yes. Thank you and good morning. Chuck, I was wondering if you might walk us through some of the next mileposts that you're most focused on in terms of the pending separation. Nice to see the new name Vylor and the new management as well. It sounds like Form 10 is coming over the next month or two. But more interested on kind of the operational side, you know, maybe you can elaborate on what you're able to do, if anything, to attack the dis-synergies pre-spin versus post-spin and other sort of mileposts that that you need to pass prior to the Capital Markets Day.

A

Good morning, Kevin. Yeah, I'll start in and then David can add some of the details here. So the bottom line is there's been no surprises so far in the separation process. Lots of moving parts. We have literally hundreds of people that are doing two jobs right now, separating and taking care of their customers. But so far, so good. We

are on track for Q4 and that's feeling very, very good. And as David mentioned, you know, the net dis-synergies were probably trending a little bit better than the \$100 million, and we've got the \$50 million built into the guide.

We did have some very important milestones in Q1, so we announced Luke Kissam as the new Corteva CEO, which we're delighted that he's joining us. And then we have the two executive leadership teams now. And then we filed the initial Form 10. And as you mentioned, we have a name now for the seed and genetics company, Ylor. So we still have some headquarter decisions to make where we're going to base our operations, so that will be in the second quarter. We'll have the public filing, I think, David, in the second quarter as well. And David can unpack that for you. And then in the second half of the year, we will announce the board of directors for both companies, finalize the capital structure, I believe. And then September 15, I hope will be the highlight where both companies will introduce the management team and like I already said the strategic and financial plans. David, what did I miss?

A

No. You hit just about everything, Chuck. I'll give maybe a little bit more color on the net dis-synergies. You know, when we first initially came out, we said about \$100 million. And when you look at that and break it down into two kind of major categories, there's an outside spend component of that. So think about IT costs, you know, corporate costs, external public company costs, those sort of things, and those are trending pretty much where we expected. And that will be a dis-synergy, are just more cost when you separate the businesses for some of these elements.

So then you get down to the other side of the house, which is more organizational structure, these sort of things. And a lot of the heavy lifting and the separation, I would say, other than IT in the last couple of months, was really getting our org structure appropriate for both businesses. You know, we've talked about this before where the New Corteva business is basically operated as a global functional business. And by large amounts, you when we look at the Seed business, it's much more of a regional business. So we talked about having a certain layer of management, what have you to kind of keep that together as Corteva. Well, as we've unwound that, we have now implemented a restructuring program which we talked about, about \$80 million that we took a hit in Q1. That is all in effect to get these two org structures appropriate for both businesses. So when you add that all up, that's probably where we're a little bit favorable than our original estimates. As we're still working through it, as you can imagine, splitting 22,000-plus people into two organizations is a lot of work, but that's really where a lot of the heavy lifting has been recently.

Operator: Your next question comes from the line of Jeff Zekauskas with JPMorgan. Please go ahead.

Q

Thanks very much. The first quarter was a little bit puzzling because corn volumes were, you know, up 7% and soybeans were down. But all things being equal, soybean acres should be up this year and corn acres down. So why was corn and soy down? And for days, I think you said you're going to – there was no free cash flow slide, and I think you were you planned to contribute \$1.5 billion to your pension plan, which comes out of cash flow from operations. So are you giving an adjusted number for free cash flow? And in the first quarter, you used, I think, \$700 million more cash flow than you did last year. Can you break that up into pieces and explain it? Thanks.

A

So I will have Judd answer the corn-soy question and David can handle the free cash flow. Go ahead, Judd.

A

Yeah. Thanks, Jeff, for the question. And maybe just touch base on both of them. Obviously, North America in particular is a first half business versus a first quarter business. That March 31, April 1 date, one week of deliveries can make a big swing. We did have some volume of corn that came out of fourth quarter 2025 just because we didn't get as much into fourth quarter 2025 as we had typically in prior years. And then on the soy volume side, you know, we always have to wait and see. We don't see any. From an order book standpoint, we're in a solid position. It's just a timing between first quarter, second quarter, and we'll know more, obviously, in terms of where we're exactly at at the half.

But no, no red flags, crops going in the ground well. We're a little bit ahead for both corn planting as well as soy planting. Feel like we have a very strong position from a corn share perspective. And, you know, soy acres we believe are going to be up and that we're going to be participating in all our share of those acres. So let's get through planting, we'll be able to give you the full story.

A

Yeah. And on free cash flow, you know, we always say going into this year that free cash flow was going to be a little bit unusual because we would have some discrete elements regarding our capital allocation and so on and so forth, mainly setting up the two structures going forward. When you look at Q1, the \$700 million, by and large, the biggest impact of that is the Bayer agreement that we paid out in Q1. And then we also said from an operational side, I think the most important side is the business itself is still right in that 40% to 50%, 45% the midpoint conversion rate. As we go forward to your point, we will have elements of spend like the one-time separation costs that we outlined, the \$350 million, we have the Bayer agreement, we'll have the \$1.5 billion in pension, which that is on a pre-tax basis. So when you look at the tax savings on that, there's about \$290 million.

Operator: Your next question comes from the line of Duffy Fischer from Goldman Sachs. Please go ahead.

Q

Yeah. Good morning, guys. I want to drill down on Latin America and kind of the upcoming season. So you're holding your expectation for corn acres flat. But if you look, nitrogen is what's really ripped in the last couple of months, which makes soy more favorable, all else equal relative to corn. So what's the logic in holding that? And then, two, if you move a 1 million acres from corn to soy in Latin America, we know kind of the rule of thumb in North America, but what would that do to your P&L in Latin America? And then just a third one, as working capital has become – bad debts have become a little bit of an issue in North America, how are you thinking about that for Latin America? How much working capital are you willing to put out this year, let's say, relative to last year?

A

Yeah. Duffy, I'll take the first couple pieces here and then I think David can touch base on the bad debt question. You know, first of all, from a Safrinha perspective, it's a bit different in Latin America, particularly Brazil, than it is in North America. North America, it's corn acre or soy acre. In Latin America, the Safrinha acre goes after the soy acre in the timing of that crop, so it's a double crop system. So when we say we're flat with Safrinha, that's really we've continued to expand that second corn crop following soybeans, oh, geez, for the last 8 or 10 years in a row. This year with fertilizer prices, we're looking at it saying, we could have a flat year and not actually expand the area. But from an acreage planted standpoint, it's a bit of a blue ocean in that we're only still with Safrinha corn, second winter corn on a fraction of the soy acres.

On the soy-corn shift, obviously, I think we've shared the North American number. I don't have the Latin American number, but it would be materially less than, you know, a 1 million acre shift in Latin America. It would be much, much less than North America. David?

A

Yeah. So when we look at kind of our – what are we offering in Latin America regarding mainly credit terms and what have you given interest rates and such, you know, I think that's where we rely a little bit on our barter program, which we believe is, you know, number one, an industry. It's growing, I think, is really good for us. When you look at the two businesses, they are a little bit different because in Seed we still do get some prepayments of cash going into the season. And for CP, when we look at where we are going to increase credit offerings and so on, so forth, we're very, I would say, strategic customer by customer as to how we're going to go about that.

And as we sit here today, I think we've done a really good job of balancing that. We did talk about a little bit more bad debt this particular quarter. So when you look at our SG&A being up, you know, roughly \$100 million in this first quarter and we can unpack that if you want, but about 25% of that was with bad debt. As we sit here today, though, our past due as a percentage of sales is very much in line, if not a little bit favorable, to where we were at this point last year. So it is something that we talk about, I would say, on a regular basis, the commercial teams along with the Treasury teams. And we tried to, you know, thread the needle between balancing risk and opportunities by customer.

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

Q

Hi. Thanks. Good morning. This is [indiscernible] on for Josh. So I just want to go back to the crop chem kind of volume acceleration in the second half that you're expecting there where you're looking for volumes kind of moved up from low-single digits in the first half to high-single digits as we head to the second half of the year. So could you just kind of give us a bit more detail on where you see that coming from product wise and regionally, and just how would you compare kind of your growth to what you're expecting for the market there in the second half? Thanks.

A

Yeah. This is Robert. I'll jump in on that one. So when we talk about the second half of the year and the volume increase that we think we'll see as compared to what you saw, you know, first half or first quarter is primarily Latin American driven. Keep in mind that more acres are going into production again this year. You know, as Judd

talked about, Safrinha could be flat, but those acres will get planted into a crop and that still takes Crop Protection into it.

The second thing on it is, is we have biologicals in that area that continues to grow and we have some key products there, Utrisha and BlueN being one. That's a nitrogen generator for the plants. And keep in mind, you know, fertilizer pricing, as it is today, especially ammonia, urea pricing, this is an alternative. And so we're looking to continue to grow that. And we've seen double-digit growth this last year as well.

So between biologicals in Latin America, but when we add to it the growth that we saw in first half or first quarter of spinosyn because we're seeing increased pest pressure there, and then just the overall addition of demand from more land and the tropical climate of resistance continue to grow. That's really what's driving us in the second half to get the double-digit growth for Crop Protection.

Operator: Your next question comes from the line of Kristen Owens with Oppenheimer. Please go ahead.

Q

Good morning and thank you for taking the question. A little bit different tank on what's going on in the Middle East and how that influences your business. You know, Chuck, you noted more curve cost more corn acres. We've obviously had this significant shift in the global biofuels backdrop, not just here in the US, but Brazil, Argentina and Indonesia, really as a factor for mitigating that energy cost inflation. I'm wondering if you can talk about how you're thinking about this impact on your business, if you're seeing maybe some incremental interest in a new production system platform and winter canola. Just how the biofuels backdrop is maybe changing how you're thinking about exiting 2025 – or exiting 2026 into 2027? Thank you.

A

Thank you for the question. So we're very excited of sort of the momentum that's gaining literally around the world on biofuels, both traditional biofuels and I'd say next gen. It's a little too early to call it a structural change yet. But if you look what's happening, so this year, we're expecting to have another record demand year for biofuels globally. Last year was also a record. And what is – and I think that we are going to see even more demand if energy prices stay elevated globally.

So just to go around the world quickly. Brazil is moving to E32 and they're going to consume more of their domestic corn crop than they ever have, which I think structurally is going to be great for farming in Brazil and, of course, help with energy costs in that in that country. Southeast Asia, as you mentioned, have lofty goals to be a leader literally in the next-generation aviation fuel. So – and if they hit their goal, that's going to drive a lot of crop demand. And then here in the US, I think we're close to an E15 year-round mandate. We still need to get that across the line, but it makes a lot of strategic and economic sense and certainly would help farming. In fact, our view would be if we get to E15, it could consume up to another 15% of the US corn crop. So that would be very, very good, I think, for US farmers. So there's a lot here to like. We think that we're going to see continued growth. And then if you look at our program and maybe I'll have Judd just speak to it a little bit, you know, we have one of the leading biofuel crop development programs with multiple partners around the world, literally. So, Judd, maybe over to you.

A

Yeah. Thanks, Chuck. And maybe we just talk near term as we're getting ready in the south of the US to harvest roughly 100,000 acres of crop that went in last fall, focus with Bunge and Chevron sustainable aviation fuel. The crop looks good agronomically. Yields look like they're going to be in a favorable position, farmers are going to be profitable with it. And with that program, our retention rate with the farmers that have dove in and taken on this new cropping system has been over 90%. So if a farmer tried it once, they've built it into their program and it's working very well for them. So we're excited about that. We're going to expand somewhere north of 400,000 acres next year, so materially growth over the last three years as we've proven out the concept.

And I don't know but maybe you've seen the most recent announcement we've had with our JV, 50/50 JV with bp in Latin America, expanding mustard crops in Latin America, looking at a number of other crops as well, winter canola, sunflower. And we're just getting started with that, with just a short list of employees that are standing that up. We'll have crop that starts to go in the ground in 2027 in a more material way and we'll keep you informed on that. But very excited about our internal platform around biofuels and what the next 10 years, 5 years can look like there. So thanks for that question.

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

Q

Yeah. Good morning now. Thanks for taking my question. I just wanted to follow up a little bit on the separation and you've talked about the capital structure for the two new businesses. So I just wanted to understand what are like kind of like the considerations you're putting into place as it relates to the level of capitalization, the level of leverage in between the Crop Protection versus then the new company, the Seed company, how we should think about this, and then ultimately your ability to really engage and what you've talked about like scaling the business into Seed, but also on the CP side. So it's just that capital split, how should we think about this? What is your current target?

A

Yeah. So right now, publicly, we've addressed that we would like both companies to have investment grade metrics from a credit standpoint. So and I think we're in pretty good shape being able to hit those targets given how the strength of the overall Corteva balance sheet. So really, you know, when the board does final approval towards the actual split, they – I think our major considerations are going to be, one, as we talked about where the liabilities sit, liabilities are going to stay with the company that they're in today. So one of the elements we were able to address here and we announced today was the fact that, you know, the pension will be staying with New Corteva and we were able to put this, you know, discretionary \$1.5 billion payment in to ensure that the funding level makes sense.

So when you look beyond that, you're really just talking about cash levels and financial debt levels of the two. Both will be set up, I think, not only for investment grade metrics, but will also be, I think, in an opportunity to actually be on the offensive when it goes and they'll have plenty of strategic opportunities that they'll be able to execute on.

Operator: Your next question comes from the line of Laurence Alexander with Jefferies. Please go ahead.

Q

Hey. Yeah. Good morning. It's Kevin Estok on for Laurence. So just to be a spin-off, so you guys called up \$100 million in the dis-synergies. Just can you walk through what remains to be sort of absorbed post-spin and I guess sort of related how these companies eventually, you know, sustainable margin profile with compared to today?

A

Yeah. So when you look at, I think the fortunate situation for us in going into the spin is pretty much the way that we've been segment reporting will be the way that the business will be portrayed going forward. The only other adjustments there will be how are those corporate costs allocated between the two different businesses. And then you start looking at two other elements, one being net dis-synergies and which businesses they go on. And we already talked about, you know, our opportunity to reduce as much as possible. We're working very hard on that.

And then the final element is, are there any agreements with any kind of shifts between the two businesses? And I think as we sit here today, there aren't any really material kind of shifts between the two businesses when it comes to operating ongoing business. It really will come down to the split of the corporate costs and where we land on net dis-synergies between the two businesses. So I think what's fortunate for us, things like the margin profile of the businesses and certain things like that are not going to change when you look at it post-split.

Operator: Your next question comes from the line of Arun Viswanathan from RBC Capital Markets. Please go ahead.

Q

Great. Thanks for taking my [audio gap] . I hope you guys are well. Maybe just get your thoughts on the competitive environment in Seed. Your main competitor, I guess, you know, has been, you know, potentially a little bit strapped in the last few years, but they do have some new products coming out over the next few years. Do you view that as potentially a competitive threat or that reemerges or maybe do you feel like, you know, the pipeline Corteva, maybe you can just discuss some of the pipeline project you guys have as well that would maybe, you know, offset that? I know you've talked about short-stature corn in the past and wheat as well, but anything else you'd highlight? Thanks.

A

Yeah. Arun, this is Judd. Thanks for the question. And maybe just walk through kind of what our view of the world internally is for the next, you know, five-year window and then speak a little bit about the competitive environment. You know, obviously, there's a lot of good competitors in the market. We're banging away with them at the farm gate each and every day. It all starts with germplasm. Our corn germplasm is as good as I've seen it in my 27, 28 years with the career with the company and continues to improve. The rate of genetic gain that our R&D team is bringing is tremendous. And the funnel, and just in terms of the diversity of germplasm genetics, being able to fill all of our brands and licensing is fantastic.

Our Z-Series soybeans has been the best class of soybeans we ever brought to the market and continues to improve. We've still got about – well, we've settled in around 65%-plus of Enlist penetration from a market perspective. Obviously, there's going to be some new competitive entrants in that space. Our germplasm is where it starts. The herbicide platform is important. But you know, we have some other folks in the market that are catching up to where we've been with Enlist, and so we'll compete accordingly.

If you recall, when we brought Enlist into the market, we had some material market share gains, but it wasn't this flip of the switch. When Enlist came or when dicamba exited the market until they got their most recent label back, there wasn't this big switch. It's a lot about germplasm and yield and will continue to be.

We've got next-gen above ground coming in 2030 in North America, next-gen above ground coming in 2030 in Latin America, 2030, 2031 we'll have above and below ground, brand-new novel mode of action, proprietary, fully proprietary traits for Vylor. And so I feel as good as I've ever felt about our product portfolio. Our competitors aren't going to stop. Certainly they're going to continue to work at it as well, but we've had a really good five-year run and I see the next five years being very similar. We've got a lot of things going in the right direction for us.

Operator: Your final question comes from the line of Patrick Cunningham with Citi. Please go ahead.

Q

Hi. Good morning. So your differentiation mix of patented products within CP sits at roughly 65%. What's the target percentage for this mix by the end of the decade and what are the most meaningful patent clips we should be mindful of?

A

Patrick, this is Robert. Yeah. Good observation. We're running about two-thirds, a little bit more than two-thirds today on a portfolio being differentiated. And as you look at our pipeline that's coming and how we think we'll continue to evolve, our new products are going to be positioned to be in revenue this year and continuing to grow. And we like what we've got there. Arylex [indiscernible] score are still not at their peak and are going to continue. They'll outpace Enlist once they get to their peak revenue. And then we got more companies. Chuck talked about, you know, at least seven actives that they'll hit the market over the next decade. And your specific question by the end of this decade, Haviza will come out. That's going to be a blockbuster in Latin America for Asia soybean rust. And then we've got some biologicals come in as well.

So we expect it will continue to grow as the short answer. How far does it go? We've got to model a few things out, obviously, but it will continue to increase slightly from where it is today as we approach the end of the decade. And that added in with the biologicals is going to give us a whole lot of strength as we look at that that value proposition at the farm gate.

Operator: We have reached the end of the Q&A session. I will now pass the call back to Kim Booth for closing remarks.

Unverified Participant

All right. Thanks for 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.

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