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# Corteva, Inc. (CTVA)

Q3 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen, and thank you for standing by. My name is Kelvin and I will be your conference operator today. At this time, I would like to welcome everyone to the Corteva Agriscience Third Quarter 2025 Earnings 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.

### Kim Booth

*Vice President-Investor Relations, Corteva, Inc.*

Good morning and welcome to Corteva's third quarter 2025 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 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 releases 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

*Chief Executive Officer & Director, Corteva, Inc.*

Thanks, Kim. Good morning, everyone, and thanks for joining us. Before we get into our solid third quarter results, I'd like to address our October 1 announcement on our intent to separate into two public companies. This proactive strategic decision is rooted in our belief that separating our Seed and Crop Protection businesses now allows both to be better positioned to achieve their maximum long-term growth potential in the future.

Bringing these businesses together six years ago was undoubtedly the right thing to do, as demonstrated by our strong track record, including this most recent quarter. We have clearly been among the market leaders, but we have an obligation to look ahead, past the short term, and ensure both companies are able to pursue their distinct opportunities to the fullest extent. So it's not that we believe things aren't going well today, they are. It's that we believe things could be even better in the future as two separate companies. It's really that straightforward.

As we said last month, the seed genetics landscape is changing due to new technologies like gene editing and artificial intelligence, which opens new markets and opportunities for companies with scalable ag science

capabilities. At the same time, rising pest and disease pressures and changing weather patterns have driven a shift from single to multiple modes of action in crop protection, including biological solutions.

As a result, the market has gradually transitioned away from integrated proprietary models to more open source licensing with collaborations now driving innovation success. As a result, industry players are increasingly open to working together, which also allows them to share resources and reduce risk. And importantly, it allows us to get affordable top technologies into the hands of farmers.

So we are looking ahead with excitement and optimism, comforted by the fact that both of these businesses are leaders in their markets today and will remain so in the future. It's early days, but the process remains on schedule for a second half 2026 separation. Our board has initiated a global CEO search for New Corteva, and we will provide updates on the separation along the way. But our goal right now is to deliver a strong 2025 and 2026.

So let's now move to our current financial performance. Our results for the third quarter were largely in line with our own expectations with the exception of outperformance on our controllables and strong early safrinha seed demand in Brazil. Operationally, we continue to execute well with double-digit operating EBITDA gains in both businesses. And we're now expecting to deliver over \$600 million in controllable benefits this year, a notable improvement from our prior estimate of \$530 million. In fact, this year's nine-month earnings performance is already ahead of full year 2024.

Our Seed business is performing well again this year, including \$200 million of productivity and deflation benefits, as well as \$90 million in royalty improvement, reflecting our leading position in North America corn and progress in soybean out-licensing in Brazil. Importantly, we now expect to cross double-digit trade penetration for Conkesta next year in Brazil, the largest soybean market on the planet.

Capturing price for value in most regions as well as meaningful share gains in North America is a testament to the high return on investment our technologies provide to farmers. In 2026, we will roll out several hundred new hybrids and varieties around the world, once again helping farmers increase yield and productivity. Finally, let me remind you that seed is the only crop input that gets better and better every year, allowing the farmer a solid return on their investment.

The Crop Protection business has also delivered solid earnings and margin growth so far this year. Led by demand for our differentiated technology, we are expecting full year EBITDA to be up high-single digits this year. We continue to see volume gains, and we remain committed to our strategy of focusing on differentiated and new technologies, which carry a premium in the market. Today, we're also announcing a brand name for our new next-gen insecticide active, Varpelgo, for chewing pests in fruits and vegetables, row crops and rice. Expected to launch in the early 2030s and cross \$750 million in revenues at its peak, this represents the latest addition to the Corteva portfolio of trusted Crop Protection active ingredients inspired by nature and globally recognized for their more environmentally friendly profiles.

Included in our \$9 billion Crop Protection technology pipeline are \$1 billion product families and biologicals in all three chemistry indications as well as what we view to be a significant value unlock in our seed applied technologies business as a result of the separation. And like Seed, our Crop Protection business is generating substantial value through its focus on controllables, which drove over \$250 million of benefits in the first nine months of the year.

From an industry perspective, the overall ag market fundamentals remain mixed. We're still seeing record demand for food and fuel, and major crop inventories are within normal ranges despite large crops in Brazil and North America. Farmers continue to prioritize top tier seed technologies while managing tighter margins. In the crop protection market, although we continue to experience competitive pricing dynamics in some major markets, underlying farmer demand in terms of applications remain on track with historical levels. In other words, when farmers have crop problems, they spray with the best solution they can find.

So what does all this mean for the remainder of the year? We are raising our full year operating EBITDA range to \$3.8 billion to \$3.9 billion, which at the midpoint translates to 14% growth versus the prior year. This update reflects growth of our new technologies, our outperformance on controllable levers, a more favorable currency impact, and our latest expectations on our fourth quarter performance in Brazil.

One quick note, we look at our business by halves, not quarters. It's one reason why we don't provide quarterly guidance. Farmers plan their purchases in business by halves, and weather or other uncontrollable factors often move orders, sales, and shipping between quarters. Looking at this year, the halves really do tell a story. In the first half of this year, our operating EBITDA was up 14%, while our second half is expected to be up 17%, both really strong performances. On full year EBITDA margin, we're now expecting improvement of over 160 basis points and a solid step towards our goal of 24% at the midpoint by 2027. A quick reminder, when Corteva launched in 2019, our margins were below 15%.

Finally, it's also important to note that we're still expecting a free cash flow conversion rate in the range of 50% for the year as well as \$1 billion in share repurchases this year.

Now, let's move to the first look at how we're thinking about 2026. From a macro perspective, we're anticipating a continuation of record demand for grains, 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's seed selection is particularly critical and is non-discretionary when compared to other crop inputs.

Given the high corn area in the US this year, it's logical to assume we'll see a couple-million-acre shift back to soybeans in 2026. With the overhang of global trade uncertainty, it would be premature to discuss how large a shift might be, but we do not consider it to be disruptive to our planning assumptions given our market-leading position on both crops now.

Global trade discussions remain dynamic. However, last week, China committed to buying 12 million metric tons of soybeans this season, followed by at least 25 million metric tons per year for the next three years. We will continue to monitor the situation, but this should be welcome news for US farmers. Perhaps most notable is that we are now expecting low-single-digit growth in the crop protection industry, including high-single-digit growth in biologicals. This would be a good first step in the overall return to a healthy CP market. With the exception of Latin America where we expect competitive pressure to keep prices flat to modestly down, we see overall CP market pricing stabilizing in 2026.

Turning back to Corteva, what continues to set us apart is the strength of our portfolio, a continued focus on execution, and increased investment in innovation. The introduction of hundreds of new products is expected to continue to drive solid returns for farmers, and thus a premium in the market, and contribute to our volume growth. We're also expecting a continuation of sizable productivity benefits in both businesses, a defining characteristic of our margin enhancement journey.

Overall, when considering the market backdrop in 2026 as well as the growth opportunities we have in motion, we're currently anticipating full-year operating EBITDA in the range of \$4.1 billion, which translates to mid-single-digit growth year-over-year, and we'll provide a more detailed view in early February when we issue formal guidance.

Let me wrap up by saying that we've built a foundation of strength that gives us the ability to shape the next chapter of value creation on our own terms. Our intended separation is about sharpening focus, accelerating innovation, and unlocking value that's been earned through performance. And we are committed to delivering results like this past quarter throughout this transition period.

And with that, let me turn it over to David.

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## David P. Johnson

*Executive Vice President & Chief Financial Officer, Corteva, Inc.*

Thanks, Chuck, and welcome, everyone, to the call. Let's start on slide 7, which provides the financial results for the quarter and year-to-date. Sales and operating EBITDA for both the quarter and year-to-date were up versus prior year, driven by continued execution on controlling the controllables and an early start to the Latin America safrinha season.

Briefly touching on the quarter, organic sales were up 11% compared to prior year, with gains in both Seed and Crop Protection. Value capture remained steady overall, as improved execution in Seed was balanced by continued pressure in Crop Protection. Third quarter volumes were up 12%, with seed gains in Latin America and EMEA, coupled with Crop Protection volume growth led by North America and Latin America.

Top line growth and meaningful cost improvement translated into positive operating EBITDA in the quarter versus a loss in prior year and over 600 basis points of margin expansion compared to prior year. Focusing on year-to-date, organic sales were up 6% over last year, again with growth in both Seed and Crop Protection. A continuation of the price-for-value strategy, along with increased corn acres in North America and Latin America, drove Seed price/mix and volume gains of 3% and 4% respectively.

Crop Protection price was down 2% year-to-date, as expected, driven by competitive market dynamics, mostly in Brazil. Crop Protection volume was up 7% with gains in nearly every region. Notably, new products and biologicals delivered double-digit volume gains compared to prior year. Operating EBITDA was up 19% over prior year. Operating EBITDA margin of over 25% was up about 320 basis points, driven by organic sales growth, coupled with significant benefits from lower input cost and productivity.

Moving on to slide 8 for a summary of the year-to-date operating EBITDA performance. Operating EBITDA was up more than \$550 million to just over \$3.4 billion. Price and mix, volume gains and cost benefits more than offset currency headwinds. Seed continues to make progress on its path to royalty neutrality with about \$90 million in reduced net royalty expense. This improvement was driven by increase out-licensing income in North American corn and lower royalty expense in soybeans. By the end of the year, we expect our net royalty expense position to be around \$120 million. Seed and Crop Protection combined to deliver over \$500 million in productivity and cost benefits, including lower seed commodity costs, raw material deflation and continued productivity actions.

Year-to-date, SG&A was up compared to prior year, driven by higher commissions and compensation expense. The increase investment in R&D aligns with our target and is on track to reach 8% of sales for the full year. As expected, currency was roughly \$170 million headwind on EBITDA, driven by the Brazilian real, Turkish lira and Canadian dollar. Both Seed and Crop Protection continued to have an impressive year-to-date performance,

expand on their double-digit EBITDA growth while providing meaningful margin expansion over prior year. In addition, free cash flow has improved over \$970 million from the prior year. This was driven by our increased EBITDA, lower cash taxes and lower capital expenditures.

With that, let's go to slide 9 and transition to the updated outlook for the full year. Our updated 2025 guidance reflects the strength of our year-to-date performance and continued confidence in delivering the fourth quarter. As a reminder, in the second half of 2024, we delivered \$425 million of EBITDA with all of that earned in the fourth quarter when we achieved \$525 million, largely due to a near record Crop Protection quarter. This year, that risk is reduced as a portion of those earnings have already been realized in the third quarter. For the second half of 2025, we still expect approximately 17% growth over prior year.

As Chuck mentioned, we now expect operating EBITDA in the range of \$3.8 billion to \$3.9 billion, representing 14% growth at the midpoint. This increase is driven by broad-based organic sales growth and incremental cost improvement benefits across both businesses. As a result, we now expect operating EBITDA margin expansion of approximately 165 basis points. We are also raising our operating EPS guide to \$3.25 to \$3.35 per share, up 28% at the midpoint versus last year. This reflects stronger EBITDA performance and lower than expected net interest expense and foreign exchange losses.

Finally, we are reconfirming our free cash flow guidance of approximately \$1.9 billion with cash conversion rate of about 50%. This improvement is primarily driven by earnings growth.

With that, let's go to slide 10 and summarize the key takeaways. First, while we still have an important quarter of the year left to go, we delivered a strong third quarter and year-to-date performance ahead of expectations. Organic sales growth was driven by our leading corn portfolio in North America and Latin America, combined with broad-based volume growth for Crop Protection.

We delivered about \$500 million in cost savings from lower Seed and Crop Protection raw material costs along with productivity gains. The combination of organic sales growth in both business units, \$90 million in net royalty improvement and enhancements in product mix contributed to about 320-basis-point margin expansion over prior year. Given our strong year-to-date performance and continued confidence in the fourth quarter, we raised our full year 2025 outlook across our key financial metrics.

And finally, we remain on track for \$1 billion of share repurchases in 2025. This, along with the dividend, translates to roughly \$1.5 billion of cash returned to shareholders during 2025, a testimony to the strength of our balance sheet and cash flow outlook.

With that, let me turn it back to Kim.

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## Kim Booth

*Vice President-Investor Relations, Corteva, Inc.*

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 and the following Q&A. Operator, please provide the Q&A instructions.

## QUESTION AND ANSWER SECTION

**Operator:** Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Chris Parkinson of Wolfe Research. Please go ahead.

**Chris Parkinson**

*Analyst, Wolfe Research LLC*

Q

Great. Thank you so much for taking my question. Chuck, I thought you guys have a pretty interesting setup between slides 25 through 27. In terms of the why now and your preliminary remarks even on this call, what do you think is the most missed of what you've laid out? Is it the baseline CPC pipeline where you've got the new actives? Is it the balance between plant health and biologicals? Is it the spinosyns franchise as a percent of the insecticides, which has been pretty successful? I mean what would be the things that you would say like, hey, this is what the independent company actually needs to focus on and further differentiate itself from both a growth and a margin perspective on a go-forward basis? Thank you.

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah. Good morning, Chris. So, look, I think we've been pretty consistent with our messaging. If you look at the last five years, our Crop Protection business has been among the leaders. We're up about 200 basis points. I'm rounding, I think it's about 160 basis points, a little bit more after the third quarter now. And we have one of the best and the deepest R&D pipelines out there. And we put the number out actually at our last Investor Day of \$9 billion. And then we just announced today some new products, some new actives coming into the marketplace.

And if you reference spinosyns, so spinosyns is a franchise product for us. It's still growing. It's a microbial. And it'll get close to \$900 million in revenue this year. And so we like that product a lot. But we also have these newer products that are really driving the landscape, I think, for our business. But, look, I think that it's more of the same. Our strategy for Crop Protection was defined four years ago. And it was really simple, right? It was really to drive differentiated technology in the hands of farmers.

And so we made decisions back then to reduce the more commoditized part of our portfolio. We exited some geographies. And I think the proof has been pretty evident of the results there. As a separate independent company, so to get to your question, what we think will happen now is that there's simply going to be more doors that will open for this business. And the example that we gave even on my prepared remarks this morning is on seed applied technology, which is a \$0.5 billion business for Crop Protection. But we know that there will be some more seed companies that will do business with our independent crop protection business when they separate.

The other thing I would say is that when you look at how we go to market with the different channels, we think that there'll be more retailers and co-ops around the world that will do more business. So the strategy for Crop Protection will not change. The formula is working and we're winning when it comes to that formula. But I think there'll simply be more opportunities. And then when it comes to margin, as I mentioned, we're already up a couple hundred basis points. We've already committed in terms of 2027 to have that business at 20% EBITDA margins.

And then just before we separate, there's going to be two investor days, one for each business. And I would expect at that meeting, we will give you kind of the margin trajectory post-2027 for each business and we would expect continued growth. But don't forget, this is an innovation company. We're also committed to keeping our

R&D at that 6% to 7% of revenue because we think that that has been a winning formula. So, hopefully that helps you.

**Operator:** Your next question comes from the line of Vincent Andrews of Morgan Stanley. Please go ahead.

**Vincent Stephen Andrews**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you and good morning, everyone. Maybe just sticking on Crop Protection and ahead of the separation next year, Chuck, do you think there's any further pruning of the AI portfolio that you want to do or is there anything you want to maybe add into it, whether it be on a wholly owned basis or a JV basis? Or just are you comfortable with everything that you have at this point or areas that you'd want to add to or subtract from?

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah. So, good morning, Vincent. We like our portfolio a lot. We've invested in it heavily. I think if you look at what's been coming into the market with our new products, Rinskor, Arylex, Reklemel, these are all new actives within the last few years or so. And then the new products that we're bringing into the market in the late this decade, early next decade. But look, we're always looking at partnering with other companies, whether that's full M&A or collaborations or R&D relationships in terms of joint ventures, because I think that more is needed in the industry. And I've said that many times that this is an industry that needs to work together because, look, we've got real issues when it comes to disease and insect resistance in terms of what we're seeing around the world. And it is getting more expensive to bring new actives into the marketplace.

So collaborations help everyone. They help each company and they actually help the farmer in terms of bringing affordable next generation technology to the marketplace. So we would be open, but that's not because we don't like our portfolio. In fact, we think that our portfolio, as I've mentioned already this morning, is quite strong.

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

**Kevin W. McCarthy**

*Analyst, Vertical Research Partners LLC*

Q

Yes, good morning and thank you. Chuck, can you discuss how credit market conditions are evolving for growers in Latin America and what that means for Corteva and the industry? One of your peers highlighted this issue recently, and I'd love to get your perspective on it.

**David P. Johnson**

*Executive Vice President & Chief Financial Officer, Corteva, Inc.*

A

Yeah, this is David. I'll probably take that call. So when you look at overall, and I'll say Latin America, primarily Brazil and Argentina, we are seeing an industry that's seeing higher costs to borrow and leverage customers, and there are increased bankruptcies. I think when you look at Corteva, we're managing this risk very well, and our losses have been very minimal. So when you look at our past dues, for instance, this year versus last year, as a percent of AR, we're actually a couple hundred basis points better than we were last year. We've also spent a lot of time really de-risking our overall AR balance.

So when you look at our exposure to folks like the national distributors, it's very minimal compared to perhaps the industry. And then in addition, we're a pretty big user, and I think we have a very robust barter system, which

helps us yet again reduce our exposure in about 40% of our total sales in Brazil is on the barter system. So I think when you look at the mitigation actions we've made, I think our exposure and our actual – so far our performance has been very strong.

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**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, Kevin, maybe if I could, so I think David hit these points, but it's worth saying again, I think our go-to-market strategy, especially in Latin America, as well as how we barter to risk manage, I think those are two differentiating factors for Corteva that we found is part of our overall risk management framework for that part of the world.

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

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**Joel Jackson**

*Analyst, BMO Capital Markets Corp. (Canada)*

Q

Hi, good morning, everyone. Maybe a two-parter. Have you had any time or ability to get a better take on what your dis-synergy costs, dis-synergies might be? I think you projected early on, I guess, sub-\$100 million dis-synergies.

And then have you thought about what you might do into the split? But you look at what you might do for buybacks? Would you continue the current rate in the first half of the year or into the split next year, into the split? What are you thinking about that or do you want to keep the balance sheet sort of, I don't know stable is the right way to say it, up until the split?

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**David P. Johnson**

*Executive Vice President & Chief Financial Officer, Corteva, Inc.*

A

Yeah, so this is David. Maybe I'll handle the second question first. When you look at our expectations for cash flow this year, we said \$1.9 billion. I would say, as a lot of people know, that it's really that fourth quarter that's critical to see how our full year ends up. I would say that if we end up having a typical credit mix situation in this year vis-à-vis other years, we'll likely be north of that \$1.9 billion number. So, again, strong cash flow, strong position.

I think whenever it comes to any capital deployment items for 2026, we'll update everyone during our February call when we go into more detail around our guide for 2026. And I think it's reasonable to expect we'll also want to make sure that we have the proper capital structures for both businesses as we go into the split.

When you look at where we are regarding our separation, our separation management team is up and running. So we have numerous teams looking at every function. And, again, looking at exactly detailed plans around what those dis-synergies might be, our initial estimates were, as you pointed out, \$80 million to \$100 million. And the teams are working very hard to make sure that we minimize that number. So, again, we'll be providing more details in February. And, again, that's only because we'll have much more detail at that point in time to share with everyone.

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**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, and then, Joel, just on the 2025 share buyback, we're committed to complete the \$1 billion that we communicated earlier this year.

**Operator:** Next question comes from the line of David Begleiter of Deutsche Bank. Please go ahead.

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Thank you. Good morning. Chuck, just on biologicals, they'll be a key part of the new CP story. You're telling your sales are up about 7%. So why aren't they growing faster for you guys right now, do you think?

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, so, David, thanks for the question. First of all, I'd say we're very pleased with the growth and the progress in biologicals. When we first entered the market and when we did the M&A, we were in that neighborhood of about \$400 million of revenue. And I think this year it's going to be closer to \$600 million of revenue. So a very strong growth considering the overall market backdrop in Crop Protection. The other thing that we're very pleased with is that some of these products now are moving nicely around the world.

And we've just launched the biologicals business in a branded way in North America. And this spring was the first year that we've done that. And we're seeing really good success, I think, for US farmers trying this new technology, and then also progress with some new technology actually going into Brazil and in Europe. So I think it takes a little bit of time to move these products around the world. And that probably is some of the reason why we've seen the growth rates the way they are.

But overall, I'd say we're very pleased with our biologicals performance, what farmers are seeing on the field, and how we're moving these products around the world. So we would expect to see next year continued strong, high single, low-double-digit growth rates in biologicals for the foreseeable future.

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

**Joshua Spector**

*Analyst, UBS Securities LLC*

Q

Yeah. Hi. Good morning. I was wondering if you could just dial in a little bit on crop chems and pricing specifically. So, you relative to your peers, it doesn't seem like you're changing your expectation on crop chem pricing in the second half. So I wanted to confirm that first. And then second, just thinking about, your comments around 2026, is it too early to call that we're going to see low-single-digit growth on crop chemicals or why do you have the confidence to be doing that now? Thanks.

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Okay. I'll have Robert talk about second half pricing, and then I can come back with 2026. Go ahead, Robert.

**Robert King**

*Executive Vice President-Crop Protection Business Unit, Corteva, Inc.*

A

Yeah, second half pricing is, as you have seen, year-to-date we are down low-single digits. We expect we'll finish about there overall as we finish the year. But the big driver in the second half is Brazil. And actually there's a improvement or good news story happening here because we expect Brazil to be mid-single digits in the rest of the year. And that's in comparison to high-single-digit loss last year. And so continuing to improve there, and we expect it to continue to do that as it gets into 2026.

By and large, the rest of the regions are running about flat. And so thinking about crop price into the future, we think these trends continue to move in that direction as we continue to get more and more new products into the channel, as Chuck talked about.

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**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

And then just, Josh, on your question on 2026. So, yeah, look, it is a little early. We need to finish 2025 in Latin America. But here's how we're viewing, I guess it's an early look on Crop Protection globally. 2025 we expect to be flat, which is better than the last few years. Robert already mentioned. So, LATAM, Brazil specifically, probably down mid-single digits. But that's much better than being down high-single digits the year before. And then next year as we move into 2026, we expect Brazil still to be down, but low-single digits.

So the trend line is improving. Overall, though, for the crop protection market for 2026, we think it's going to be better than 2025, and it's really going to be driven by volume growth. And with pricing stabilizing everywhere around the world, perhaps except for Brazil, which we've already talked about. So what gives us confidence? It's a really good question. And the way I think about this is, look, on-farm applications around the world are strong. We can see it. We can see the product coming out of the channel consistently around the world. And channel inventories, more or less, are in healthy normal ranges.

And then China. So China from a generic or commoditized product perspective, prices have been stable now for some time. So there is stability in the crop protection industry. The area that gives us less confidence, we've already called it out, is Brazil and Brazil pricing. Volume has been pretty healthy because there's been new acreage put into production, and farmers have a need for the product, and they're using it. We just need to see the trajectory on pricing sort of stabilize and hopefully return to some sort of positive growth in the future.

So when we put it all together, I think right now it's a reasonable assumption to say that 2026, the global crop protection industry will return to, we'll call it, low-single-digit growth.

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**Operator:** Question comes from the line of Jeff Zekauskas of JPMorgan. Please go ahead.

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**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

Q

Thanks very much. Diamide pricing is falling and your insecticide pricing seems to be moving lower. I'm wondering about how do you see the effect of price pressure and chemicals like Rynaxypyr affecting your spinosyns? And how do you see that price pressure affecting your volumes? Did spinosyns grow this year in volume terms? And is that the area where you're most worried about price pressure next year in crop chemicals?

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**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah. Good morning, Jeff. So maybe Robert can talk about volume, and then I can come back and give you some thoughts on sort of the pricing dynamics. Go ahead, Robert.

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**Robert King**

*Executive Vice President-Crop Protection Business Unit, Corteva, Inc.*

A

Yeah, Jeff. Good question in relation to how our portfolio fits into the overall market and specifically insecticides. We've had some setbacks this year around weather in some areas, and our portfolio is not immune to pricing

pressures. Albeit, it's premium products. And when you think about the generics, right, they set the floor. And so we do feel pricing pressures, but our volumes continue to grow. And some really good things happening in this area that I'll call your attention to, and you brought up spinosyns, yeah, we expect spinosyns to finish up near \$900 million for a single molecule this year. That's 5% organic growth in a market that's flat. And so we continue to see good things out of our spinosyns. Specifically for spinosyns versus some of the other generics is it's a rotation partner. Resistance builds quickly in some of these areas. And so the demand for spinosyns, we expect to continue because of that.

A few other things happening in this area that just should bring your attention to, new products at Pyrexalt, Reklemel, these things are up a 30% combined on a year-over-year basis year-to-date. And we expect these things to continue from a growth in our insecticide portfolio, and spinosyns will lead the way.

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**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, just a few more comments. So I think Robert covered it well. If you think about what happens on the field, the diamides and the spinosyns are actually complementary. Farmers usually rotate them because of insect resistance issues. So we don't really think that they're competitive products. Now, Robert said our spinosyns business is growing and we like the trajectory. But from a pricing perspective, the floor is set by more commoditized insecticides. So we're not immune to that dynamic. But the one interesting thing about spinosyns, to just differentiate it from some others, this is a microbial. It's not chemical.

So what that means is it's a living organism, and it's very difficult to replicate. In fact, if you don't have the strain, you would have to go find the strain inside of nature, and it won't have the same efficacy because we've been engineering that microbial for almost 20 years. So even though that this product family has been off patent, we've been able to command a premium into the marketplace because it's a microbial that's used in a rotational application usually for farmers around the world. So, hopefully that helps.

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**Operator:** Question comes from the line of Laurence Alexander of Jefferies. Please go ahead.

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**Daniel Rizzo**

*Analyst, Jefferies LLC*

Q

Hi, guys. This is Dan Rizzo on for Laurence. Thank you for taking my question. You mentioned that free cash flow is being driven by earnings growth. I was just going to ask how we should think about working capital, and particularly as maybe a percent of sales over the long term kind of on an annual basis.

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**David P. Johnson**

*Executive Vice President & Chief Financial Officer, Corteva, Inc.*

A

Yeah, it's a good question. When you look at so far our performance this year, you will see that a lot of our year-over-year improvement has been driven by working capital. You'll see a little bit more increase in receivables obviously due to our volume and sales increases, and then a little decline in inventory.

Typically in Q4, we will end up building some inventory, and we expect that to be again this year, and that's why we're in that \$1.9 billion perhaps north of that for our free cash flow. When you look at the overall working capital as a percentage of sales, I would say that if you take probably an average of the last couple of years is a pretty typical area for us to be. Maybe if you go back further than that, it isn't. So I would say if you take the last couple of years, as working [ph] capital percentage of (41:00) sales is a good indication of what our plans will be going forward.

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

**Duffy Fischer**

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah, good morning. Question on seeds. Now that we're kind of through the season, I was hoping you could give me a view on how you did market share-wise in the northern hemisphere on the big crops, corn, soy, cotton, canola. And then I thought I heard you make a comment about Conkesta in Latin America, but I missed that. How fast is that growing or how big do you believe that will be next year?

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Go ahead, Judd.

**Judd O'Connor**

*Executive Vice President, Seed Business Unit, Corteva, Inc.*

A

Yeah, thanks, Duffy. So from a market share perspective, we do feel very confident that we were able to pick up some share. At the same time, we held price mainly through mix here in corn, did that across brands, and feel very good about our product performance going into 2026. On soy, we picked up even more share than we believe we did in corn. We need to finalize all this yet with acres, but directionally we're very confident that we've had a strong year, and it's really based on our germplasm and the performance of our products.

Now, in terms of Conkesta, as we think about where we're at with that today in 2025, 8% to 10% of the market. 2026, we're going to get into double digits. And as we get to 2030, we could be a third of the market in Brazil with E3 and Conkesta. So like the growth, like what the next few years looks like in that space. Thanks.

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

**Arun Viswanathan**

*Analyst, RBC Capital Markets LLC*

Q

Great. Thanks for taking my question. I guess I'm just focusing on the margins. It looks like you've had very strong performance. When you started this journey, you were in the mid-teens across both businesses. And then we hit the high teens and low 20s, and now you're kind of mid-20s across the whole company with up to 30% in Seed. So I guess do you see continued margin growth as you move into 2026? And what will be driving that? Is it kind of across the board price, volume and cost gains or would it be mostly driven by cost? And maybe you can also weave in if there's any royalty considerations we should take in there. Thanks.

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah. Thank you. Yeah, look, we're very proud of the margin journey. It's been a company-wide effort and initiative for several years. And just to get to the point of your question, we do think that the journey will continue. In fact, we've set public targets out to 2027 of about 24% at the midpoint. So we've still got some room to go. We've been on that trajectory of, I'll say, at 100 basis points to 150 basis points per year. And we think that's as good of approximation as we can give you. It'll be across both Seed and CP. And the drivers are sort of spread. Our new products, whether it's new Seed, hybrid and varieties, or if it's new products in Crop Protection, will be a major driver.

I'd say Seed out-licensing as well, very high margin opportunity in business. And as we move towards royalty neutrality and then royalty income post-2028, we think that will be a major contributor to our margins over time, and then cost and productivity. When you think about – when we laid out our targets for 2027 of \$1 billion of EBITDA growth in three years, about \$700 million was cost, productivity, and deflation. And we're trending a little better than that, and we probably will do better than the \$700 million on a net basis. So I think that that is also a major focus for the company. And one of the core competencies that I think we have as an organization is to always strive for improved cost efficiencies across the company.

**Operator:** Your next question comes from the line of Aleksey Yefremov of KeyBanc. Please go ahead.

**Aleksey Yefremov**

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Thanks. Good morning, everyone. So you're showing in your CP business 65% of the portfolios differentiated. Can you talk about the remaining 35%? How are these products competitively positioned in this possibly more competitive world?

**Robert King**

*Executive Vice President-Crop Protection Business Unit, Corteva, Inc.*

A

Yeah, Aleksey, thanks for the question. The portfolio, as you know, we started in 2022 beginning to work on getting it to where we are today with about two-thirds of it differentiated. And that does drive a premium in the market, and it's higher technology that's adding value to the farmers.

The balance of that is what we call not differentiated, but that doesn't mean it's commodity generic. It is still a formulated product that is normally in the price ladder, brand ladder type of setup to where it's sometimes a lower price point, not the premium product, but it still is bringing value on the farm. So our overall scheme for our portfolio and how we shape it is we don't intend to play in the commodity generic-type molecules. We want to play in that upper end because as an innovation company, that's how we fit in this overall agricultural economy. So I'll leave it there. I hope that helps a little bit.

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

**Kristen Owen**

*Analyst, Oppenheimer & Co., Inc.*

Q

Good morning. Thank you so much for the question. Nice dovetail into a more strategic question that I wanted to ask you. Just ahead of the split next year, I did want to talk about maybe some of the digital assets that you've compiled over the last several years, whether it's the things that you've built yourself like [ph] CARL (47:18) or the ones that you've acquired and built on like the granular assets. How integrated are those platforms when we think about Seed versus CP, and are there investments that you need to make in your digital infrastructure over the coming six to nine months to support those standalone businesses? Thank you.

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, thanks for the question, Kristen. So, yeah, this is a very good focus area for us. So our digital support systems are integrated. And so we are going to have to, and it's part of the \$80 million to \$100 million of dis-synergies that David has already called out. But a percentage of that will be to separate those businesses to

ensure – to separate that business to ensure that both Seed and CP have the AI and the digital support that they need. Because I think one of the major reasons we've been able to drive productivity and cost reduction as well as the speed of innovation and the high return on investment we have with our R&D dollars is because we've made strategic investments in this area. And we don't want to lose that capability.

So right now inside of Corteva, that is in one group, and we'll have to separate that quite carefully. We're confident. We've already done a lot of work in this area, and it is included in the \$80 million to \$100 million of dis-synergies. But it will be an area that we'll have to make sure that before we launch both companies that they have the digital assets that they need to continue with their strategic journeys that they're both on.

**Operator:** Your next question comes from the line of Matthew DeYoe of Bank of America. Please go ahead.

**Matthew DeYoe**

*Analyst, BofA Securities, Inc.*

Q

Morning. Two ones for me, I guess. First on CP, even if we assume pretty chunky margins for price/mix, it seems like incremental margins on volumes for chems were really strong. I guess why may that – I guess why would that be? And then I have a feeling – I know how you're going to answer this, Chuck, but if we look like, I don't know, call, 15 years down the road for seeds, given the lower barriers to entry with gene editing, is it possible that the seed company business model just looks over time more similar to like a CPG company like L'Oreal or Pepsi that becomes an acquirer and marketer of smaller technology brands? And how do you – or how does that kind of jive with R&D and how you think about budgeting? But I'll leave it there.

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, Matt, so we only caught, sorry, the second part of your question on gene editing, which I can certainly answer. Was there a CP question before that?

**Matthew DeYoe**

*Analyst, BofA Securities, Inc.*

Q

Yeah, I was just looking at the incremental margins for volumes because obviously CP EBITDA was up a lot, and price/mix was a bit of a headwind, but it seems like the volume mix [ph] models were big (50:14).

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

So let me take the gene editing question. I'll have Robert deal with the incremental margin volume question. So, look, looking 15 years out, for me, it's very exciting when it comes to this technology. In fact, we put a slide in the appendix of our first gene-edited corn hybrid, which we call a disease super locus, on slide 29. I'd encourage you all to have a look at it. This is just scratching the surface, I think, on the full power of the technology. But we do not think that it will become a disruptive technology beyond sort of what can be done inside of the lab. What do I mean by that? If you look at what is going to be needed to be successful, the gene-editing capability, we believe, will be readily available.

In fact, we license our gene-editing tools to many companies around the world, and we encourage that kind of competition. It is important from an innovation perspective. I think where the differentiation will be will be on the germplasm, because you need something great to edit. And so the capability to gene edit plus the germplasm, plus if you think about how we go to market around the world, we have to be able to produce seed in every region around the planet where we're going to sell. And that capability is really expensive and very difficult.

And so when you start thinking about this, where I think that this leads is that there could be great new technology that's being invented, and we really hope that there is. But then what it will lead to is probably more partnerships because of access to germplasm and then just the sheer supply chain production capability that's going to be required. But it is going to be, I think, a very powerful technology in the future, and I think it will transform how farmers actually farm and what we're able to do to help farmers.

So that's the question on gene editing, maybe Robert, on incremental margin volume, if you can answer that.

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**Robert King**

*Executive Vice President-Crop Protection Business Unit, Corteva, Inc.*

A

Yeah, thanks. Our journey, as Chuck started earlier, started back in 2022 when we began to change our strategy and focusing in on profitability and overall financial health of the CP business. And we've had some great inroads there of improving the financial health of this business to where it is today. And that was on the backs of a couple of areas. One, you touched on it, of mix, price, volume tradeoffs and how that impacts us. And I'll draw your attention to two areas there that we've talked about quite extensively around our growth levers, but let me go into how that impacts margin.

Our new products in our biologicals portfolios is two areas that typically have a 10% to 15% margin advantage over your traditional portfolio. And these are areas that are growing faster than the rest of our business. They're both in the double-digit growth year-to-date. And as Chuck talked earlier about biologicals into the future, we're excited about the continued growth there. And then our new products that we've recently put into the market, Rinskor and Arylex are growing at a rapid rate. These two, just to put in perspective, will be larger than Enlist. In 2027, we expect the two combined to be about \$1 billion in revenue, and that's not their top side.

So, when you look at our mix of the portfolio, that will continue to help our margins because of this differentiation that we supply and that price for value that we're adding to that farmer. The second thing around it is just the great work the operations teams and the network optimization that has been taking place when we talk about our footprint optimization. Year-to-date, we'll have delivered about \$200 million in productivity for this year alone. And that work has a work plan that will carry us out past 2027. And we are on track to deliver the commitments that we gave Investor Day for the cost savings as well.

So, you put those two together and those compound to get to the bottom line of impacting that margin and continue to grow our EBITDA, and we're excited about the future of it.

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

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**Patrick Cunningham**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi, good morning. Thanks for taking my question. Could you provide an update on hybrid wheat or double cropping systems, whether it's progress in commercialization, expanded pilot programs, or any milestones that we should be modeling over the next year and a half?

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**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, good morning. So, as you know, we're pretty excited about our hybrid wheat technology. And the way I think about this is this could certainly be the third leg to our stool. We're already market leaders in corn and

soybeans. And if you add wheat over the next decade or so, it's a pretty powerful combination. We have said that we believe this is a \$1 billion revenue opportunity in the next decade.

So, this is kind of year three of our plant trials. I'd say all systems go for a launch in 2027. We're seeing consistently a 10% to 15% yield improvement, which will be really exciting for farmers. And don't forget that the first hybrids we put into the market will probably be the worst ones we put into the market because they're coming first into the pipeline. So, what I'd say is that there'll be, I think, small amounts of availability in 2027 ramping up. But as we get out to the middle of next decade, we think that this will have a similar margin profile as corn and soybeans for us.

So, pretty exciting for us, a yield improvement for farmers overall. And this is an important crop, right? It's the largest row crop in the world, and it still accounts for 20% of the calories we consume. So, very important for society when it comes to food security.

**Operator:** Your next question comes from the line of Edlain Rodriguez of Mizuho. Please go ahead.

**Edlain Rodriguez**

*Analyst, Mizuho Securities USA LLC*

Q

Good morning. Thank you. Chuck, so as farmers are likely to shift some acreage from corn to soy, can you please remind us of the potential impact on Corteva? And do you feel that you're well positioned to easily offset any headwind from there?

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, sure, Edlain. So, the sensitivity that we've normally given is about \$10 million of EBITDA for every million acres that shifts from corn to soybeans. It's included in our thinking of the \$4.1 billion. It's a little too early for us to say exactly how many acres are going to shift because we've got lots of time here for farmers to make that choice. But it would be logical to assume that from the 98-or-so million acres of corn, we're going to see less than that in 2026, assuming the trade routes and the export markets still stay open. So, there's still some uncertainty there. But overall, what we've given you in terms of our first look when it comes to 2026 EBITDA, that's all factored in. But it's about \$10 million of EBITDA for every million acres shift.

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

**Benjamin M. Theurer**

*Analyst, Barclays Capital Casa de Bolsa SA de CV*

Q

Hey, good morning. Thanks for taking my question. Just coming back to the spin, and obviously we've talked about the Seed business and the opportunities from growing through gene editing and M&A, et cetera. But when we look at the Crop Protection business, how would you see – with biologicals within that segment, how would you see the opportunities and the likelihood of you being as well active here on potentially M&A to add to the portfolio without just sticking to the internal pipeline? Thank you.

**Charles V. Magro**

*Chief Executive Officer & Director, Corteva, Inc.*

A

Yeah, very good question. So, this is an area where I think we have been active over the last couple of years in terms of M&A. The biologicals industry just as a whole is more fragmented, and there are smaller companies

doing really great things. It could be that we would get more active from an M&A perspective and just outright acquire them, or it could be either commercial or R&D collaborations, because we already do a lot of that through our R&D and our commercial organization.

So, all of those options are on the table. I would suspect that as the company separates, they will even be more focused on growing their biologicals portfolio because it's been such an important part of that business. I think you're going to see all of these things kind of accelerate over time, M&A and technological and commercial partnerships.

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**Operator:** There are no further questions at this time. And with that, I will turn the call back to Kim Booth for closing remarks. Please go ahead.

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## Kim Booth

*Vice President-Investor Relations, Corteva, Inc.*

Great. Thanks for joining and for your interest in Corteva, and we hope you have a safe and wonderful day.

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**Operator:** Ladies and gentlemen, this concludes today's call. We thank you for participating. You may now disconnect your lines.

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