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Corteva, Inc. (CTVA)

Business Update Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Tina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Corveta (sic) [Corteva] (00:00:09) Investor 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] We ask that you respectfully limit your questions to one. It is now my pleasure to turn the call over to Kim Booth, Vice President of Investor Relations. Kim, please go ahead.

Kim Booth

Vice President-Investor Relations, Corteva, Inc.

Good morning, everyone, and welcome to our call. Our prepared remarks today will be led by Chuck Magro, Chief Executive Officer. David Johnson, Chief Financial Officer, will join Chuck for the Q&A session. We have prepared presentation slides to supplement our remarks, 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 based on our current expectations and assumptions about the future, and therefore 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. During today's presentation, we'll refer to certain non-GAAP financial measures. Reconciliations of these non-GAAP measures are 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.

Good morning, everyone, and thanks for joining us today to discuss the next chapter in our company's journey. Before we start, I would like to clarify a few things upfront. First, our 2025 full-year guide remains intact. There are normal puts and takes, but overall our year is unfolding as expected. Second, we remain on track to deliver our 2027 financial framework. Our first look at 2026 EBITDA has us rolling up to \$4.1 billion at the midpoint, consistent with expectations. And third, our announcement today is driven by our focus on delivering long-term value. We see this as beyond 2027. What I mean by this is there are no surprises leading to our separation, as we'll discuss in a minute. Now, let's get to today's announcement.

Let's start with a quick look back. Since the creation of Corteva as a standalone public company in 2019, we have built an organization that leads the world in agricultural technology. We increased our annual operating EBITDA by an 11% CAGR and grew our EBITDA margins more than 700 basis points, a remarkable feat and a testament to our focus on technology development and controlling the controllables. And through the first half of 2025, we've returned \$7 billion in cash to shareholders. In the same time period, we delivered a TSR of about 200%. Driven by our world-class R&D organization, we launch about 500 new products in any given year, putting critically-needed technology into the hands of farmers. Our CP new products alone are expected to deliver over \$0.5 billion of additional revenue within our financial framework period.

We are a leader in biologicals and have other exciting new growth platforms coming online, including biofuels, hybrid wheat and gene editing, which together we described at our last Investor Day as being a multi-billion dollar incremental revenue stream. Our track record has been consistent and strong. This performance is due to many

things, not the least of which is our employees, who come to work every day with a passion for and deep belief in the mission of agriculture. I have always thought our people are the best in the industry. But it also reflects a series of proactive, and frankly at times, difficult actions taken over the years to strengthen our business.

We simplified our portfolio and exited certain geographies. We invested in biologicals. We cut cost. We worked to optimize our manufacturing footprint, and we invested in R&D even when our margins lagged our peers. Our board and management team have always prided themselves on being and staying ahead of the curve, and we believe we're about to demonstrate this forward-thinking once again.

Corteva today comprises two efficient, effective and focused operating models with strong records of growth and margin improvement. These two market-leading businesses are both farmer-centric, with technology and innovation at their core. Both are focused on improving yields on farms around the world. So we begin, in both cases, from a position of strength. As you will have seen this morning, we announced a plan to separate Corteva into two new companies, one comprising our current CP business and the other our seed business. The decision to act now is rooted in a few core beliefs on the part of the board and the management team.

First and foremost, as a farmer-centric organization, today we appreciate that our customers want and need choice across their input decisions, including seed and CP. Over the mid- and long-term, the best way, maybe I can even say the only way, for this company to preserve and expand that choice and keep putting innovative, effective, sustainable solutions into the hands of farmers around the world is to give both businesses the freedom to operate without having to look out for the other.

Second, we believe that the recipe for success in the future will be different from what it is today. This includes not only the way the two businesses choose to innovate, but how they operate within their respective value chains, and also how they make themselves even more cost-efficient. For example, the continued success of our SpinCo business will be predicated upon sustained investment in advanced genetics and further capitalizing on our unique route to market. At New Corteva, success will be built upon an optimized supply chain, new level of operational excellence and the ability to invest in next generation of sustainable, differentiated innovation, including biologicals and other nature-based products.

And third, we believe separation will give both businesses the corporate currency and balance sheets to invest in long-term organic and inorganic growth, to capitalize on market opportunities, all of which will be backed by targeted investment grade credit ratings. And of course, the separation will allow these businesses to maximize long-term value certainly for our shareholders, but also for farmers, customers and our employees. We expect this to be a low-complexity transaction and any dis-synergies it presents to be manageable and ultimately outweighed by mid- and long-term opportunities. We did not make this decision quickly or take it lightly. But as I said earlier, we have a history of moving before the market, and we believe we are doing so again. I want to stress as strongly as I can that this is not about the business six years ago or even today. This is about tomorrow.

Let's talk a little bit about why this is true. First, a discussion of the markets for both businesses. Let's start with New Corteva. Our view of the crop protection market hasn't really changed. We all know recent conditions have been tough and this market has always been competitive. But we still believe the market will return to growth in the near future. As many of you know, our CP business has largely outperformed the market through the recent period of intense market competition. We've seen five consecutive quarters of volume gains and flat pricing in our CP new products in the first half of 2025. The market is improving.

Importantly, the CP market also needs and still values effective differentiated technology as we see in the rapidly expanding biologicals segment and price premiums for patented technology. And as a result, the things we've

been highlighting over the past year or two, including our CP new products and biologicals, should allow New Corteva to continue to grow above the market and improve its margin profile in the near term. So, again, while our view of the CP industry is mostly unchanged, what has changed is what we think will be needed over the next few years and beyond for it to remain a global leader. Specifically, we firmly believe CP industry players will need to innovate and compete differently than they did just a few years ago or even today. A pure-play company will be best equipped to fulfill the mandate for this mission.

Also, the technology advantage New Corteva enjoys, coupled with its laser focused on operational excellence, will continue to be a competitive strength, helping it to remain one of the premier players in the global market. Being a pure-play crop protection business will give New Corteva the flexibility to further optimize its manufacturing and supply costs, develop deeper collaborations and partnerships on innovation, and drive more effective channel management, in ways that are simply less feasible as part of an integrated Corteva today.

Looking forward, the prospects of plant genetics are almost limitless. Perhaps it's not surprising to say that we know more about crop genetic science today than any other time in human history. The application of AI tools will give us the ability to accelerate new innovation, which when combined with advanced genetics, could unlock new opportunities across numerous species. This is why we believe that the continued success of SpinCo will be predicated upon sustained investment in advanced genetics, that is unlocking a plant's genetic code to unleash previously unreachable breakthroughs to accelerate the pace of innovation. And as a pure-play crop genetics company, SpinCo could go beyond its corn and soybean core into other row crops, even expanding into other areas like fruits and vegetables.

SpinCo will also look to expand on new opportunities in wheat, cotton, rice and other products where genetics can play a transformative role. In other words, we could see SpinCo playing in a vastly expanded addressable market. All of this, on top of its unrivaled direct route to market, will lead SpinCo to deliver its next phase of above-market, innovation-driven growth and shareholder returns. While there are benefits to an integrated or technology systems approach, like we have today with Enlist, when we look ahead 10 or 15 years after the current systems evolve into next generation solutions, the future looks different. We believe tomorrow's systems will be open or multi-sourced licensing agreements with multiple modes of action. Farmers will need these systems due to rapidly growing crop resistance and environmental challenges, insects, weeds, disease and so on, presented by changing weather patterns. And as we noted earlier, farmers want choices. In other words, integration is no longer a prerequisite or a predictor of success. The facts on the ground have changed such that we believe it may actually constrain long-term value creation.

And now I'd like to spend a little time on the future of each company. Again, let's start with New Corteva. A pure-play New Corteva will be a global leader in differentiated, sustainable crop health solutions that help farmers protect yield. Today it is number four in the global CP market, with one of the broadest and deepest portfolios in the industry and home to one of the largest biological businesses in the world. Biologicals continue to be the fastest growing segment in the crop protection market, and as you know, is one of our growth platforms. We anticipate a billion in revenue by the end of the decade, essentially doubling the size of our biologicals business.

Today, New Corteva boasts a \$9 billion pipeline and launch of more than 150 new products every year. Its current pipeline includes new blockbuster molecules like Forvisa (sic) Forcivo (00:13:30) for which we're targeting a 2026 launch and anticipating peak revenue of more than \$0.5 billion. This is a differentiated novel fungicide that will help soybean farmers in Brazil combat Asian soybean rust, a multi-billion dollar pest problem there. Our existing CP business has been ahead of the curve over the past six years, anticipating and successfully navigating shifts in trends in the market. As a result, our EBITDA margins have increased 180 basis points since 2020, while many of our peers have seen margins decline in the same period.

Looking ahead, given the realities of the regulatory landscape, life cycle management and overall competitiveness of the market, New Corteva will need to intensify its cost focus in order to accelerate performance, while continuing to innovate. This calculus is more easily achieved in a standalone company structure.

Finally, as a standalone company, New Corteva could very well have the best balance sheet in the CP industry. Its capital allocation priorities and targeted investment grade credit rating will fit a business model designed to deliver consistent growth over time and support future capital needs, including organic investment in differentiated technology and advanced sustainable solutions, as well as disciplined accretive M&A focused on expanding positions in high-value markets.

For SpinCo, simply put, it's the best seed business in the world. I like to think of it as a red diamond of agriculture, a true rare jewel. Pioneer's century-long track record is unmatched in the industry, thanks in large part to its elite germplasm and century of breeding expertise. And SpinCo continues to expand in market positions through its full-service retail brand, Brevant, regional anchor brands, and growing out-licensing business. SpinCo is and will continue to be a classic growth compounder, with a direct channel that quite honestly can't be replicated. Its performance since 2020 has been nothing short of exceptional, a 16% EBITDA CAGR and over 1,000 basis points of margin expansion. This is due not only to demand for its technology, but how effective this business has been in holding down cost, cutting where it needed to cut, investing only when it was smart to invest.

So the business today already stands apart, especially given the scarcity of genetics players with global reach. And we're now taking this a step further to make it the only pure-play global company singularly focused on advanced crop genetics. This business today strives to be first or a strong second in every market it participates in, and in the most important market, it has already achieved that goal. With the strong foundation it has in corn and soybeans, it's that much easier to expand into other targeted markets in the future.

SpinCo is already a leader in gene editing, which promises to be one of the most transformative technologies our industry has ever seen, a position that should allow it to expand its offerings beyond row crops. An example of our advanced genetics capability is our new hybrid wheat technology. Corteva scientists cracked the genetic code in ways no one else could, and as a result, this new offering will launch in 2027. This hybrid wheat technology is expected to increase yields by 10% to up to 20% to start with, which will have significant impact for both farmers and the world's wheat supply. We believe that this is a multi-billion dollar revenue opportunity for SpinCo, another profitable option for farmers, and a meaningful step towards global food security.

SpinCo's commitment to being an industry leader in advanced genetics and capturing market share in areas like out-licensing, gene editing, hybrid wheat, and biofuels will require disciplined capital allocation priorities, including targeted M&A opportunities in high-growth segments, which we expect will further maximize returns to shareholders. Both companies will continue to be well-positioned to capitalize on the growing demand for food and energy, notably grains, oilseeds and biofuels, and for the top-tier technologies that help farmers maximize and protect yield, sustainability, crop health, all despite tough environmental pressures.

From an organizational perspective, the employees of both companies will benefit from businesses unified by a single vision, with a focused strategy and priorities, unhindered by other considerations. Decision making in other processes should get simpler and faster, meaning both companies are able to be nimble and move more quickly. We believe that what was true six years ago will not be true six years from today. And this company has a mandate to evolve ahead of the market, moving before it does. We strongly believe that in the long term, the value these businesses are able to create for our shareholders as two standalone companies will be greater than the value we would be able to create as an integrated company.

As we noted, the two new companies will each have tailored capital allocation strategies designed to maximize growth and value creation, supported by investment grade credit ratings. The strong balance sheet position that Corteva prides itself on today will be passed on to both new companies. Both companies will be built for growth, and both will have distinct corporate currencies, allowing them to make long-term capital decisions, which will allow them to continue to lead the industry.

Finally, we announced this morning that upon separation, Greg Page, our current Chair, will become Chair of New Corteva, while I will become CEO of SpinCo. These moves reflect the board's intention to ensure both companies have continuity and leadership, and that each benefit from our respective experience and expertise. We will announce the remainder of the top leadership positions in the coming months.

In closing, let me summarize this discussion in the transaction at a high level. We intend this separation to qualify as a tax-free spin-off for US tax purposes, and are proceeding accordingly with the Form-10 registration process with the SEC. As mentioned, we are targeting capital structures that maintain investment grade credit ratings for both companies. They are both expected to have ample discretionary cash flow to invest in organic growth, return capital to shareholders, and consider strategic M&A transactions.

Legacy liabilities including the historical DuPont pension plan and our PFAS obligations will be retained by New Corteva as part of the transaction. As it pertains to recent coverage of possible new crop protection product liability contingencies, I can confidently say there is nothing new here. We're expecting low separation complexity, which should minimize disruption across the organization over the coming months. This is due in part to the investments we made over the past several years, including New Corteva's ERP system. As a result, we expect the impact of dis-synergies to be manageable. Our current estimates are somewhere in the range of \$80 million to \$100 million. In particular, we believe any commercial dis-synergies associated with today's integrated model will be neutralized or offset by an unencumbered focus on each company's respective channel and strengthened relationships they will have with their industry partners. We expect the separation to be completed in the second half of 2026.

Finally, we believe both new companies have earned their place in the market, in that the value they create will accrue to shareholders, farmers and society at large. I often say that our future will be even brighter than our past. I have never felt more strongly about that than I do today. Thank you. And I'll turn the call back over to Kim.

Kim Booth

Vice President-Investor Relations, Corteva, Inc.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And our first question comes from the line of Chris Parkinson with Wolfe Research. Please go ahead.

Chris Parkinson

Analyst, Wolfe Research LLC

Q

Awesome. Thank you. Chuck, you hit on this \$80 million to \$100 million of potential estimated dis-synergies. Can you just break this down between how your thought process evolved on the R&D side versus what I'd characterize as more sort of the commercial side? And what would you say to those who say, oh, my gosh, you have to have seed and crop protection chemicals together, because "that's been the gold standard". I mean, what would your kind of defined response be? Thank you so much.

David P. Johnson

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

A

Hi, Chris, this is David. I think I will handle the \$80 million to \$100 million, and then maybe Chuck can follow up, that it's just an initial estimate. I mean, we've done a lot of the benchmarks and we started doing some work. And as you can imagine, costs like corporate cost, perhaps some commercial management cost, so and so forth, we baked into the \$80 million to \$100 million. I will say that we are going to look to manage that number as closely as possible, as we work on org designs that are specific for each business. We will be very cognizant of making sure we're as efficient as possible and look to minimize this impact. And probably the other most important thing for at least the 2026 outlook is we have incorporated that into our outlook. So the \$4.1 billion would include any of these additional costs at this point in time.

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. Good morning, Chris. And let me just take the integration question. So, look, fair point, certainly there are benefits to having an integrated model, especially when it comes to seed and CP. But we all know that no structure or business model is perfect and there's always trade-offs, right? The two areas where we've invested the most time, and I'd say, resourcing for our integrated model is really on technology, you said R&D today, and commercially. So, if you think about technology, it's pretty interesting, right? Because if you – the perfect example we can give you is Enlist. And by every dimension it's been a success. It's \$2 billion of revenue.

But that was created – if I can take you back, that was created by two companies, Dow and another company, right? So, it's been a while since we've had invention inside of one company to do technology integration the way it's been done. In fact, we think that there are more opportunities because the market and the way resistance issues are just escalating exponentially around the world, we're going to need to have more collaborations and partnership, more than we've ever had before, and these systems are going to become what I called open-source or multi-modes of action.

And let me just take you to the next generation for Corteva, right? So the next generation for soybeans is HT4. We haven't named it officially yet. And it is the combination of Corteva and other's technology. And that will launch in the early 2030s. So think about that for a minute. We've already made and decided on the next technology platform that will take us out 15 years. And that is a system that because of resistance issues, is multi-company

and multi-mode of action. So when I look at this, I don't see any downside around – in fact, I see more upside around having more collaborations in the industry on technology as long as the science is sound.

So then if you fast forward and you think through the commercial integration, this is an area where I would say for Corteva, we've been at this for six years. And so we've got a lot of experience on what works and what doesn't. And I'd say today we're basically at an inflection point where most of our markets are still separate commercially, especially our large markets. For example, in the US, we don't have a lot of overlap in our sales force. And if you look at the Pioneer agency model, it's actually a pretty small percentage that actually sell CP.

And there's reasons for that, right? If you think about CP and seed, just put everything on the table, these are fundamentally different businesses. They have different technologies. Their channels to market are very different. CP primarily goes through the retail distribution channel and seed goes through multi-channels, but primarily direct. And then look at their supply chains, right? CP is a global supply chain where scale and size matters. And in seed, they're regional supply chains, because we're talking about biology. So, when we put it all together, and we've studied this very rigorously, the board has went through a fulsome process here, when we look ahead to the future and what both of these companies need to do to be successful, we feel that there are more benefits for having two publicly-traded companies than having an integrated model.

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

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Good morning, everyone. Chuck, thank you for all the comments. I think you addressed a lot of the things investors have been asking about over the last week or so. One thing that you could touch on a little bit, though, is the timeline on the spin. The second half of 2026, depending on how you want to think about it, is less than a year away or a little bit more than a year away, which is a faster timeline than a lot of spins. So can you talk to what's going to allow you to do that and your confidence in achieving that timeline? And maybe if you have, at this moment, any idea of what the goalpost on that will be in terms of getting Form-10s out and so forth?

David P. Johnson

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

A

Yeah, Vincent, this is David. I think I'll start and then maybe Chuck will follow up, that we are starting the Form-10 process right now. So, we will give you an update as to when that's actually going to be, probably in the early part of 2026. Probably the one reason why we have an accelerated timeline is just all the work that has been done previously. So, when you look at typical spend, some of the longer lead time items would be things like legal entity separation, system separation and so on. Over the last three-plus years, we've invested in a new system primarily for the CP business. So, the CP business, other than biologicals, is all on one ERP brand new system. And at the point in time when we implemented that system, we also had to split the legal entity. So, a lot of those things that would typically take a long time in the separation have primarily been done. And as Chuck said, some of our channels and commercial teams are somewhat separate already today.

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

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning. Chuck, seeds will be a pretty unique business from a publicly-traded standpoint. How did you and your team go about looking at peers and comparable companies and trying to assess the value of a publicly-traded seed business? Thank you.

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah, good morning, David. It's a good question. And I'd say we're still at fairly early stages, but when we did look at the phrase I used was growth compounders in the prepared remarks, I think our seed business lines up almost perfectly, right? So, if you think about this business, first of all, there is a scarcity premium for it. It's really one of a kind when it comes to having the genetic science capability that it has, with the global reach. And so that is, I think, very interesting I think for shareholders. If you look at how it's grown, double-digit CAGR EBITDA over the last five years is pretty impressive. Its free cash flow generation will be very strong. So I think when we look at, and then of course if you look at EBITDA margins, I think when you line all of that up, this will be a business that will have quite a bit of scarcity value and perform against those metrics.

Now, look, the story here, though, and I just want to reiterate because I think it's important, is when you start thinking about what happened over the last six years with Corteva, we have seen our multiple increase. But we've been at it for six years and it's taken some time because shareholders needed to see sort of how the company would perform across and through different market environments, and also to see a track record of execution. So, when I look at both businesses, I know your question was centered on the seed business, but when I look at both businesses, they both have very similar characteristics when it comes to growth opportunities and they have meaningful self-help levers and they both have very solid innovation pipelines. I think their path to success are going to be slightly different, that's why we're talking about separation. But the value pools that each will access, I think, are large. And so, what we think will happen is, over time, we have to execute well, tell the story about what each is going to need to be successful longer term, but we do think over time the market will come to understand that and value it.

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

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Yes, thank you and good morning. Chuck, can you comment on what intercompany agreements you might envision? I'm just thinking about whether or not you need to do anything with regard to seed treatments, transition services agreements or other agreements that shareholders should be keeping in mind, at least any preliminary thoughts there would be helpful?

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah, Kevin, there's a lot of work underway actually right now in that specific regard, and I think at the right point we'll be able to give you a more fulsome list. But the areas where I've called out that we do have some integration, those make the most sense to have some sort of ongoing relationship so that we don't destroy value. And the best examples I can give you there will most likely be in the biologicals area. So biologicals, the business itself is going to go to New Corteva, so think about the CP business. But there's a lot really interesting research and development and technology evolution that will require both. So there will be most likely an R&D partnership of some type.

And when I look at the pipeline in biologicals, it's super impressive. We have more than a dozen new products in the pipeline that we want to make sure come to market, because farmers will need access to that. And so that's one area.

You called out the other one, seed applied technology, so that is the crop protection business. It's slightly over \$0.5 billion today in revenue. And the largest customer, of course, is our seed business. And so, there'll be an arrangement there that we think we can put with a simple commercial agreement. But again, when I look at it and I look forward, I think then our CP business will actually have more opportunity to sell its seed applied technology to other seed companies, and there are 100s of them around the world. So, I think that this will open up doors for our crop protection business, but still allow our seed business to have access to some great technology.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Very helpful. Thank you.

Q

Operator: Our next question comes from the line of Joel Jackson with BMO Capital Markets.

Joel Jackson

Analyst, BMO Capital Markets Corp. (Canada)

... [ph] earlier question (00:35:02). Chuck, obviously, you and the team have looked at quantitatively sum of the parts what a split could do. I mean, you've laid out the different future of the [ph] diverging – diverging future of the (00:35:13) two businesses. But how do you justify the math from the new companies when, you know, could you not have achieved the things you wanted inside of the, you know, like, the current bundled company, as opposed to trying to create value by splitting and taking a bit of a risk and some costs on what the new multiples on the new standalones might be?

Q

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

Yeah. Good morning, Joel. So, look, I think you have to remember why we're doing this. So, when I look at the market today, the formula that we've had I think has been the right formula for the time, and over time, I think we've seen our multiple expand and we've created value that way. This is not about today and it's not certainly about the last six years, this is about what we see coming. And when I look at the future – and you have to remember, right, our development timelines are long, right. We're in a market that we need to look out 10 years-plus. That's just the research and development and the timeline it takes to bring technology into the marketplace.

A

So, this is a long-term decision that we are making. But when I look at it, and if you just start looking at the part, so if you look at New Corteva, to me it's one of the best crop protection businesses out there. Today it's number four in the world. It has one of the largest biologicals businesses and a strong innovation pipeline, I referenced \$9 billion. And in the markets that we've just went through, which have been challenging in the crop protection industry, this business has outperformed. And so, I think that it's going to launch with a position of strength. And then we said we're also going to ensure that it has a very strong balance sheet. And so, it will be able to do things in the marketplace and it will have its own corporate currency, if I can use that phrase, to really use that currency, use the balance sheet and its free cash flow, I think to act strategically. And that's going to take some time. But I think that there's value to unlock in that regard.

Then if you look at our seed business, I talked already about the scarcity, about how special this is. I do think this is a rare jewel in our industry, for sure. And what we want to do with that business is, look, if you look at the

science of biotechnology and genetic engineering today, we've put that really focused on corn and soybeans. And today we're a market leader and we think that tomorrow we're going to still remain a strong competitor in those areas, and our pipeline would reflect that. But now we're trying to open up new addressable markets, and that's going to take us to require to allocate capital slightly differently. And so, this business, [ph] we're probably heading down a (00:38:19) different path.

So, could all of this be done together? We don't think so. And then, if you think about the global crop protection market, nothing I'm going to say here should be new to you, but the market has been competitive and it's been well supplied, and we think that, that is going to continue. Now we still think that the market will return to growth. We've been clear with that. But what the New Corteva business will need to do is take another level of productivity and cost efficiency. And that will be more difficult to do inside of our corporate structure today. So, when we look at all the pros and cons and we weigh the balance of risk, it becomes very clear when we fast forward through the next five or six years, that putting these two companies on their own paths for value creation will be the right path to go forward. And there's always risk with these transactions. But as David highlighted, the ERPs are already separate. The legal entities more or less are already separate. And a lot of the internal operations are already separate. So, from a complexity perspective, nothing is risk-free, but when we balance the risk scale, we're certain that we're making the right decision this morning.

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

Salvator Tiano

Analyst, BofA Securities, Inc.

Q

Yes, good morning. It's Salvator Tiano filling in for Matt. Just wanted to ask a little bit on gene editing, because that's been the trend, where there have been expectations, it could actually weigh in pesticide growth as you use that as a tool to fight diseases. And from what I recall, Corteva's response in the past couple of years have been that being an integrated company, you were best equipped to decide what added the most value for, I guess, you and the farmers, meaning in some cases you will decide to fight a disease through continued R&D for pesticides, in some cases you would decide to shift that to the generic thing, like you do with your new seeds here. So, how would this play out actually when there are two separate companies? And how can the two companies avoid cannibalization essentially and competition where they'll both go after the same pathogens, but with two different [ph] axe (00:40:54) to fight them?

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Well, I think what will naturally happen, whether we are together or separate, I think the best technology will win, and that's the way this industry has always – it's always been in this industry. And so I really see no change. If you think about what we're trying to accomplish with gene editing, it's always started with, if there is a problem, a disease, an insect, some sort of pressure that a farmer is feeling on a crop, the best solution, the most efficient solution is to attempt to design a seed that can withstand it. And we've been very clear with our messaging that gene editing is going to open up a different level of toolkit for our scientists to try to do that with seed genetics.

But when that is not possible and there is disease resistant issues or movement around the world from climate change, then we revert back to looking at both chemical and biological solutions. And I don't see any change here. So when we get the freedom to operate from a gene editing perspective, I think what you'll see is SpinCo scientists will do their very best to use that technology to design the next generation of seed. But look at biotechnology, biotechnology has been out there for 25 years to – more than that. And we are still using more crop protection today than we ever have. Why is that? The seeds are clearly better. But because we're racing up

against Mother Nature, and that's what we expect will happen. So, my view is that both will have to head down on R&D differentiation of technology. Both will be needed for farmers. And so this does not change that perspective in my view, because there'll be two separate companies. They may even have more collaboration and partnership opportunities because they're separate.

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

Lucas Beaumont

Analyst, UBS Securities LLC

Q

Hi, good morning. This is Lucas Beaumont on for Josh. So, I mean, one of the primary investor concerns here has really just been on the potential for the existence of hidden, not currently not recognized liabilities in the existing business, it's going to come out as part of this process over time, that's potentially driving the move. So, I mean, it looks like anything there would go to the CP business, New Corteva, as that's retaining sort of the legacy business and liability structure. I guess, can you just explicitly confirm for us that there's no surprises coming here?

David P. Johnson

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

A

Yeah, so this is David. Yeah, definitely, so there are no surprises on the CP product liability contingences as Chuck earlier commented on. I think for us, it's a strong industrial logic as to why we're doing this separation. So when you look at the litigation as it stands today, we expect our CP obligations will stay with CP, along with the historical DuPont pension plan and our PFAS obligations. Seed obligations will stay with seed. So, today, when you look at these obligations around the DuPont pension and PFAS, they're in Corteva today and they'll remain a New Corteva in the future.

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

Duffy Fischer

Analyst, Goldman Sachs & Co. LLC

Q

Yeah, good morning, guys. So, just a couple of questions around CP. So, one, do you think this move would allow another round of consolidation in CP? Obviously, EU blocked one round of consolidation when Dow/DuPont happened in the spin stuff there with FMC. So does that get better? And then, two, just when you look historically, I would argue your CP business has piggybacked off of seeds pretty significantly over the last decade. You're creating a number four company if you go back and it's a little outdated as a GE, you always [indiscernible] (00:45:22) top three. Do you see a line of sight for this business to become top three without consolidation? And if not, in kind of a business that's becoming more generic and more Chinese-driven over time, how does the number four guy compete?

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. Good morning. So, look, difficult to say on whether we'll see another wave of consolidation. And I will just be explicit, it's not really the primary driver of our separation. But if you look at the global crop protection industry, there's been a lot of shifts over the last five years, right? The market is well supplied. You referenced it, we have low-cost producers now in China, and it's a competitive market. Nothing I'm saying should be a surprise to you.

When we fast forward, okay, so what do we think is necessary and needed to be successful? We're going to need global reach and scale. We're going to need very low cost, so, cost competitive will be even more important in the future. But the market still values differentiation. And that is an important, I think, statement I'd like to make. But partnerships and collaborations, I think will become mission-critical. And why do I say that? I don't think because of the regulatory timelines and the expense to bring new actives into the market now, not all CP companies can be all things to all customers. They're going to have to make capital decisions and make bigger bets, because it's so expensive to bring new technology into the market. And so, can consolidation help with that? Yeah, I think it can.

So, to your question about our business, when I look at the last five years, what has our business done? Our CP business has increased margins by almost 200 basis points. And how have they done it, right? They've taken out significant cost, and they've really moved towards more differentiation, and I think if you compare that to others in our industry who probably has sizable margin compression. So, I think the business, its formula that it has today is a success. And going forward, if we give that business a very good balance sheet and its ability to generate solid key – free cash flow, I think it will determine its own future when it comes to how it wants to participate in the market. But I'll say that it will have a lot of strategic opportunity.

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

Frank J. Mitsch

Analyst, Fermium Research LLC

Q

Thank you. I'm curious, coming back to the legacy liability questions and putting it all on New Corteva. We just saw DuPont is planning on splitting up, forming two companies, and they are going to split their legacy liabilities equally according to EBITDA. I'm curious as to why that route wasn't chosen. I mean, admittedly, Corteva's combined EBITDAs are modestly higher than DuPont's. But I'm just curious as to why the decision was not made to split the legacy liabilities between the two new pending entities. Thanks.

David P. Johnson

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

A

Yeah, so this is David, I'll answer that question. I think the short answer is because we don't really have to. If you look at our MOU and our separation agreement, there are provisions for separation. And in those provisions for separation, there are minimum EBITDA levels. And so when you look at what those EBITDA levels are, the new Corteva EBITDA levels will be above those minimum EBITDA levels. So there's really no reason to split them, as we also feel like it's easier as one entity to manage those liabilities versus two entities.

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

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Thanks very much. Just for purposes of clarification. So, New Corteva will have no claim on the cash flows of SpinCo for the satisfaction of any of the PFAS liabilities, nor will DuPont, as you've structured it?

David P. Johnson

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

A

I think that would be the intention, yes. I think as Chuck mentioned and we mentioned in our opening comments, we're in the fortunate position that our balance sheet strength right now will be allocated and we'll have flexibility

to make sure that both companies have an ample cash flow and strong balance sheet investment grade to meet their future obligations.

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah, I think that just to be simple with this, is that the CP obligations that we have today will remain with New Corteva, including the historical DuPont pension and PFAS liabilities. We can do that because the size of the EBITDA and free cash flow that the company will generate meets the agreement intention, and then the seed obligations that we do have will remain in seed. And so that's how these companies, when we do separate, how they'll be responsible for their respective liabilities.

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

Edlain Rodriguez

Analyst, Mizuho Securities USA LLC

Q

Good morning. Thank you, everyone. I mean, Chuck, I mean, my recollection might be wrong, but if I remember that from your time at Agrium, like, you believe it made sense to have retail [ph] and a (00:51:33) wholesale business, because you believe in the whole synergistic combination of the businesses. Like, why is that – why is this one so different that you don't believe that the farmers value having both businesses as a one-stop shop?

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. Good morning, Edlain. Look, you're going way back in history, and I guess I would just say, and I think going forward, when I look at the markets, the future of agriculture is going to get more high technology. I do believe that when I think through where I think both CP needs to go to be successful and where the seed business needs to go, successful, they're clearly on different paths. When you think about what CP is dealing with right now and where that will go, you're going to need to be very low-cost, super-efficient, world-scale production with these global supply chains, that can innovate, and that can innovate and partner to get the product into market. The patent lives are getting less and less. So you have to go big very quickly. All of this leads me down the path of that this business is going to just have more optionality separate.

Whereas with seed, I think where we're going to take it is, it's going to be a crop genetics company that we're going to use the science in terms of gene editing, biotechnology to really take this to the next level of seed design. And so, those paths are just distinct and different. And then when I look inside of the corporate structure that we've built, as I've said, we're running two essentially separate businesses today. And that has – it's a bit cumbersome and it has some efficiencies. And the only way to unlock that efficiency is to separate them. Your referenced back – I'll just take you back to where you referenced that, what we're talking about is almost a decade ago, right. And agriculture and the agricultural markets have evolved substantially from that period of time, so much so to the point where, yes, I do believe differently than I did a decade ago.

Operator: Our next question comes from the line of Aleksey Yefremov with KeyBanc Capital Markets. Please go ahead.

Aleksey Yefremov

Analyst, KeyBanc Capital Markets, Inc.

Q

Good morning. Thank you. I wanted to follow-up on the commercial side, what percent of your sales force now overlap and can sell both CP and seeds in terms of head count or dollars spent? And how would that have to be changed?

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah, so very small amount. It depends around the world. For example, in the US, they're essentially separate sales organizations, and then of course we have the Pioneer channel. And then around the world, I'd say the area that we have the most integration would most likely be in some of the markets in Latin America. And then the rest of the world is sort of somewhere in between those two bookends. But none of this is something that can't be done either commercially through co-selling agreements or with direct sales organizations. It's been contemplated into the dis-synergy number, so the \$80 million to \$100 million. Just by that sheer number alone, when we've looked at market benchmarks, is sort of on the low end of what it would take. And so you can see that from a commercial dis-synergy perspective, there's not really a lot of incremental costs that we're going to have to undertake to properly put these businesses into the market.

Operator: And our final question comes from the line of Laurence Alexander with Jefferies. Please go ahead.

Daniel Rizzo

Analyst, Jefferies LLC

Q

Hi, this is Dan Rizzo on for Laurence. I don't know if I missed this, but with the royalty revenue stream that was going to become positive within few years, I was wondering how that's going to be split between the two companies.

Charles V. Magro

Chief Executive Officer & Director, Corteva, Inc.

A

Well, it will not be. The royalty is all seed. So when we talk about our journey to royalty neutrality, which we should hit somewhere around 2028, we're only talking about our seed royalty. And so that will not be split.

Daniel Rizzo

Analyst, Jefferies LLC

Q

Thank you.

Operator: I will now hand the call back over to Kim Booth for closing remarks.

Kim Booth

Vice President-Investor Relations, Corteva, Inc.

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

Operator: Thank you again for joining us on today's presentation. You may now disconnect.

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