FMC Corporation (FMC – $108.87)

June 21, 2023*

FMC Corporation (FMC) develops, markets, and sells crop protection products including insecticides, herbicides, and fungicides, among others. FMC utilizes internal and third-party manufacturing and sells its products through its own sales force and through certain independent distributors and partners. The Company was founded in 1883 and is headquartered in Philadelphia, PA. Its fiscal year ends on 12/31.

Thesis Summary

We are concerned key product patent expirations may drive increased competition and pressure revenue and/or margins. We believe prior commentary suggests near-term patent expiration related pricing pressure may be underestimated. Certain competitive product launches and an unfavorable China patent ruling heighten our concerns. We believe elevated crop prices may have driven outsized crop protection demand and a favorable product mix shift. Accordingly, we are concerned forecasted crop price and farm income declines may pressure demand and drive an unfavorable mix shift. We believe guidance for back-end weighted FY 23 revenue may be optimistic and difficult to achieve. Elevated receivable levels and commentary about certain elevated channel inventory heighten our concerns. We believe projected demand may not rationalize an inventory build and margins may be pressured. In our view, a mid-year inventory costing change may have provided an unsustainable margin benefit. We are concerned elevated capital expenditure and construction in progress levels suggest depreciation may ramp as projects are completed and assets are placed into service. In our view, depressed cash flow levels driven by working capital cash consumption highlight elevated earnings sustainability risk. A short-term borrowing surge driven by working capital, below-targeted free cash flow conversion levels, and potential shareholder and management incentive misalignment heighten our concerns.

Company Data	
Country/Exchange	US/NYSE
Shares Outstanding (mil)	125.0
Float (mil)	124.3
Short Interest (mil)	1.2
% of Float Short	1.0%
Average Volume (mil)	$100.6
52 Week Range	$98.24 – $134.38
Dividend Yield	2.2%
Market Cap (bil)	$13.6
Net Debt (bil)	$3.7
Enterprise Value (bil)	$17.3
FY 22 Rev (mil)/Rev Growth	$5,802.3 / 15.0%
FY 22 Adj. EBITDA (mil)	$1,406.8
FY 22 GM %/Change	40.1% / (280 bps)
FY 22 Adj. EBITDA Margin %/Chg	24.2% / (180 bps)

Valuation (as of report date)	
NTM P/S	2.2x
NTM EV/ EBITDA	11.3x
NTM P/E	13.6x

Consensus Estimate Drift

	EST	1M Ago	6M Ago	1YR Ago
Q2 23 Rev	$1,454.1	$1,463.6	$1,522.2	$1,397.8
FY 23 Rev	$6,121.6	$6,124.1	$6,028.3	$5,749.6
FY 24 Rev	$6,457.3	$6,455.1	$6,335.4	$6,048.8
Q2 23 EPS	$1.76	$1.78	$2.09	$2.20
FY 23 EPS	$7.73	$7.73	$8.36	$8.73
FY 24 EPS	$8.88	$8.88	$9.41	$9.63

Peers Mentioned In This Report
ADAMA Ltd. (000553.SZ)
Bayer AG (BAYGn.DE)
Natco Pharma Ltd. (NATP.BO)

Catalysts and Timing
Key product patent expirations pressure revenue/margins
Crop price decline drives demand decline and unfavorable mix
Elevated channel inventory levels pressure revenue
Inventory levels normalization drives margin pressure

*** All research is completed as of 4:00PM – 4:15PM Eastern Time unless otherwise noted.**
Please refer to the end of this report for an updated version of *The Short List*.

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Company Background

Company description: FMC Corporation (FMC) develops, markets, and sells crop protection products including insecticides, herbicides, and fungicides, among others. FMC utilizes internal and third-party manufacturing and sells its products through its own sales force and through certain independent distributors and partners. The Company was founded in 1883 and is headquartered in Philadelphia, PA. Its fiscal year ends on 12/31.

Revenue by product category: In FY 22, insecticides accounted for 57.7% of revenue, herbicides accounted for 28.5%, fungicides accounted for 6.6%, plant health accounted for 4.0%, and other accounted for 3.2%. Insecticides protect crops and other non-agricultural plants from insects, herbicides protect crops and other non-agricultural plants from weed growth, and fungicides protect crops from fungal disease. Plant health products include biologicals, crop nutrition, and seed treatment products, among others. Other products include smaller classes of pesticides and growth promoters, among other products.

Revenue By Product Category Analysis (as % of revenue)	FY 22
Insecticides	57.7%
Herbicides	28.5%
Fungicides	6.6%
Plant health	4.0%
Other	3.2%
Total	100.0%

Revenue by geography: In FY 22, Latin America accounted for 36.0% of revenue, North America accounted for 24.7%, Asia accounted for 21.3%, and Europe, Middle East, and Africa (EMEA) accounted for 17.9%.

Geography Analysis (as % of revenue)	FY 22
Latin America	36.0%
North America	24.7%
Asia	21.3%
EMEA	17.9%
Total	100.0%

Background on manufacturing and sales channels: In its FY 22 10K, the Company represented it manufactured its products at its own active ingredient manufacturing plants and through contract manufacturers who produce products under long-term exclusive technology license agreements. The Company highlighted it primarily sold its products through distributors, retailers, and co-ops. In addition, the Company sells its products directly to large growers in certain countries (e.g. Brazil).

Seasonality: In its FY 22 10K, the Company represented northern hemisphere (i.e. North America, Europe, and certain parts of Asia) revenue was highest in Q1 and Q2, while southern hemisphere revenue (i.e. Latin America and certain parts of Asia Pacific) was highest in Q3, Q4, and Q1. Accordingly, we believe the Company has limited exposure to seasonality.

Seasonality Analysis (as % of total)	Q1	Q2	Q3	Q4
FY 22 quarterly revenue contribution	23.3%	25.0%	23.7%	28.0%
FY 21 quarterly revenue contribution	23.7%	24.6%	23.7%	28.0%
FY 20 quarterly revenue contribution	26.9%	24.9%	23.4%	24.8%
Three-year average	24.6%	24.8%	23.6%	26.9%

Competition: In its FY 22 10K, FMC highlighted FMC, ChemChina, Bayer, BASF, and Corteva Agriscience accounted for 71.0% of the global crop protection industry sales. FMC highlighted certain smaller competitors included UPL, Sumitomo Chemical, and Nufarm.[1]

[1] ChemChina (private), Bayer AG (BAYGn.DE), BASF SE (BASFn.DE), Corteva Inc. (CTVA), UPL Limited (UPLL.NS), Sumitomo Chemical Co., Ltd. (private), Nufarm Ltd. (private)

Voyant's Earnings Risk Assessment

We are concerned key product patent expirations may drive increased competition and pressure revenue and/or margins. We believe prior commentary suggests near-term patent expiration related pricing pressure may be underestimated. Certain competitive product launches and an unfavorable China patent ruling heighten our concerns. We believe elevated crop prices may have driven outsized crop protection demand and a favorable product mix shift. Accordingly, we are concerned forecasted crop price and farm income declines may pressure demand and drive an unfavorable mix shift. We believe guidance for back-end weighted FY 23 revenue may be optimistic and difficult to achieve. Elevated receivable levels and commentary about certain elevated channel inventory heighten our concerns. We believe projected demand may not rationalize an inventory build and margins may be pressured. In our view, a mid-year inventory costing change may have provided an unsustainable margin benefit. We are concerned elevated capital expenditure and construction in progress levels suggest depreciation may ramp as projects are completed and assets are placed into service. In our view, depressed cash flow levels driven by working capital cash consumption highlight elevated earnings sustainability risk. A short-term borrowing surge driven by working capital, below-targeted free cash flow conversion levels, and potential shareholder and management incentive misalignment heighten our concerns.

Key Product Patent Expirations May Pressure Revenue And/Or Margins, In Our View

Background on Rynaxypyr and Cyazypyr: In its FY 22 10K, FMC highlighted Rynaxypyr (i.e. chlorantraniliprole) and Cyazypyr (i.e. cyantraniliprole) were "key" active ingredient diamide-class molecules used in FMC insecticide products with "industry-leading" performance, low dose rates, and fast-acting long-term control. The Company highlighted Rynaxypyr and Cyazypyr accounted for approximately $2,100.0 million (36.2%) of FY 22 revenue. FMC acquired the Rynaxypyr and Cyazypyr patents through its acquisition of the DuPont Crop Protection Business on 11/01/17.

> Our product portfolio features two key diamide-class molecules – Rynaxypyr® (chlorantraniliprole) and Cyazypyr® (cyantraniliprole) actives – with combined annual revenues of approximately $2.1 billion in 2022. These two molecules are industry-leading in terms of performance, combining highly effective low dose rates with fast-acting, systemic, long residual control. (FY 22 10K)

Rynaxypyr And Cyazypyr Analysis ($ in millions)	FY 22
Rynaxypyr and Cyazypyr revenue	~ $2,100.0
Total revenue	$5,802.3
Rynaxypyr and Cyazypyr as % of total revenue	~ 36.2%

Background on Rynaxypyr and Cyazypyr patents: In its FY 22 10K, the Company disclosed its Rynaxypyr (i.e. chlorantraniliprole) composition of matter patent expired in certain countries beginning in August 2022 and would continue expiring on a country-by-country basis through FY 27. On its Citi Global Industrial Tech & Mobility Conference Call on 02/21/23, the Company highlighted its Rynaxypyr composition of matter patent expired in certain countries including China, India, and certain Eastern European countries, among others. On its Bank of America Global Agriculture & Materials Conference Call on 03/01/23, the Company represented its Cyazypyr (i.e. cyantraniliprole) composition of matter patent would begin to expire in certain countries in August 2023. Previously, on its Q2 21 Conference Call on 08/04/21, FMC highlighted its patents on key process steps ran "well past" its composition of matter patents and guided for no "legitimate" generic competitive Rynaxypyr sales before FY 26 and Cyazypyr sales before FY 27.

> Taking into account our patents and regulatory requirements, we do not expect to see sales by a legitimate generic competitor that uses the approved manufacturing process, which would rely on our Rynaxypyr product data before 2026 in Europe, Brazil, India or in China, and 2027 for the U.S. Using that same

> approach for Cyazypyr on Slide 19, we do not expect to see sales by legitimate generic competitors until 2026 for Brazil, China and India, 2027 for Europe, and 2028 for the U.S. (CEO Mr. Mark Douglas, Q2 21 Conference Call, 08/04/21)

Patent Analysis	First Expiration
Rynaxypyr (i.e. chlorantraniliprole) composition of matter	August 2022
Cyazypyr (i.e. cyantraniliprole) composition of matter	August 2023

Patent expirations may drive certain price erosion and margin pressure: Previously, on its Investor Day Conference Call on 12/03/18, the Company highlighted there was "some" pricing pressure upon patent expiration and represented price erosion happened "over time." While we acknowledge the Company represented price erosion may happen over time and the Company may have certain key process patents in place, we are concerned certain key products (i.e. approximately one-third of revenue) may face increased pricing pressure as composition of matter patents expire.

> There is some pricing erosion once you hit that patent expiration date. But in many of those molecules, that occurs over time. It is not, as some people describe it, a cliff. We have not seen that cliff in the molecules that we've managed over the future. (CEO Mr. Mark Douglas, Investor Day Conference Call, 12/03/18)

Prior commentary suggests price erosion may be larger than expected, in our view: Previously, on its Q1 05 Conference Call on 05/03/05, FMC highlighted it was "industry standard" for prices to decline 25.0% to 50.0% after patents expired and generic competition entered the market. However, on its Citi Global Industrial Tech & Mobility Conference Call on 02/21/23, the Company represented there was <u>not</u> a "patent cliff" in the crop protection industry. While the Company acknowledged "some" pricing pressure upon patent expiration, we believe the Company's recent commentary about no "patent cliff" may be misleading and/or price erosion may be larger than expected as generic competition increases (discussed herein).

> Kind of the **industry standard** if you may is that when a product goes off patent and generic competition emerges one can see price declines in **the range of 25 to 40 to maybe even 50%.** (Former CEO Mr. Bill Walter, Q1 05 Conference Call, 05/03/05) [emphasis added]

> **We don't believe that in our industry, in crop protection, that there really is a patent cliff.** It's more of a long plateau as you transition from being a fully-patented to a post-patented life. (CFO Mr. Andrew Sandifer, Citi Global Industrial Tech & Mobility Conference Call, 02/21/23) [emphasis added]

Prior commentary highlights near-term pricing pressure risk, in our view: Previously, on its Q4 04 Conference Call, FMC highlighted generic competition for bifenthrin (an active ingredient that went off patent between FY 03 and FY 04) entered the market in FY 04 and represented the generic competition pressured FY 04 pricing and margins. Accordingly, we believe the commentary about pricing and margin pressure in the same year generic competition entered the market highlights potential near-term Rynaxypyr and Cyazypyr price erosion and margin pressure. Our concerns are heightened given evidence of competitive Rynaxypyr product launches in certain countries (discussed next).

> Milton in the third quarter conference call did talk about an effect, talked extensively about the generic competition of bifenthrin in North America. The product is off patent in North America. **We saw a number of generic producers get into that business in '04, and it is having an impact on our bifenthrin pricing and bifenthrin margins.** (Former CEO Mr. Bill Walter, Q4 04 Conference Call, 01/28/05) [emphasis added]

Competitive product launches heighten our near-term revenue pressure concerns: On its Citi Global Industrial Tech and Mobility Conference Call on 02/21/23, FMC represented India was its third largest market. On its Goldman Sachs Industrials & Materials Conference Call on 05/09/23, FMC represented there was <u>no legal</u> Rynaxypyr competition in China or India. Throughout the course of our research, we identified certain competitive chlorantraniliprole (i.e. Rynaxypyr) product launches. While we acknowledge FMC represented there were no legal competitors and FMC may enter litigation in the future, we believe competitive product launches highlight potential near-term Rynaxypyr pricing pressure.

> There's not a single legal competitor in Rynaxypyr in the world today that said differently, that isn't buying it from us. Now there are illegal competitors and have been since before we bought the business. So there's been illegal material, particularly in China and India, always. But there are no current legal entrants in either of those markets where the initial composition of matter patents have expired. (CFO Mr. Andrew Sandifer, Goldman Sachs Industrials & Materials Conference Call, 05/09/23)

- **Natco launched chlorantraniliprole-based products in India:** Previously, on its Q2 21 Conference Call, FMC highlighted an Indian court ordered Natco Pharma Ltd. (NATP.BO) not to use FMC's patented processes to make Rynaxypyr. On its Q3 22 Conference Call on 02/14/22, Natco highlighted it could not launch its chlorantraniliprole (i.e. Rynaxypyr) products until August 2022 (i.e. the first Rynaxypyr composition of matter patent expiration).[2] In its Q4 23 Earnings Presentation on 05/30/23, Natco highlighted it successfully launched chlorantraniliprole-based insecticide products in India. Given prior correspondence between Indian courts and Natco and commentary about not launching until FMC's patents expired, we believe Natco's chlorantraniliprole launch may have been legally produced and our competitive pressure concerns are heightened.

> A big launch of chlorantraniliprole won't happen because court decision is unresolved. So conservatively, it remains unresolved. Then we can't launch before August of 2022. (NATP.BO CEO Mr. Rajeev Nannapaneni, NATP.BO Q3 22 Conference Call, 02/14/22)

> Successfully launched broad-spectrum insecticide Chlorantraniliprole (CTPR) based products in India across key agrarian states. (NATP.BO Q4 23 Earnings Presentation, 03/30/23)

- **ADAMA launched chlorantraniliprole-based insecticides in India:** In its Q1 23 Earnings Release on 04/24/23, ADAMA Ltd. (000553.SZ) highlighted it launched two chlorantraniliprole-based (i.e. Rynaxypyr) insecticide products in India. Additional competitive Rynaxypyr product launches heighten our near-term competition and pricing pressure concerns.

> Launch in India of two insecticides Cosayr® and Lapidos®, based on "Core Leap" AI, Chlorantraniliprole (CTPR), focusing on rice and sugarcane targeting stem borer and grubs. (000553.SZ Q1 23 Earnings Release, 04/24/23)

Unfavorable China patent ruling heightens our concerns: In its FY 22 10K, FMC disclosed the China Patent Review Board ruled two FMC patents were not valid in China. Specifically, the Board ruled FMC's patents on certain intermediates and processes used to produce chlorantraniliprole were not valid. FMC represented it filed appeals to the ruling and the patents were valid but not enforceable pending appeal resolution. To the extent FMC's appeals are not successful, our competition and pricing pressure concerns would be heightened.

> In early 2022, we received notice that certain third parties are seeking to invalidate our Chinese patents on a certain intermediate involved in producing chlorantraniliprole and a process to produce chlorantraniliprole; we intend to defend vigorously the validity of both patents. During the third quarter of 2022, the China Patent Review Board issued rulings which held that the two challenged patents were not valid in China. We believe the Review Board's decisions are seriously flawed both on procedural and substantive ground and we have filed appeals. Under Chinese law, the patents remain valid but are not enforceable pending appeal. (FY 22 10K)

Guidance for sustained Rynaxypyr and Cyazypyr mid-single-digit growth may be optimistic, in our view: Over the past three years, Rynaxypyr and Cyazypyr revenue increased 9.5% on average. On its Citi Global Industrial Tech & Mobility Conference Call on 02/21/23, FMC guided for Rynaxypyr and Cyazypyr revenue to sustain mid-single-digit growth through "the end of the decade." Given we believe near-term price erosion may be underestimated amidst recent competitive product launches, we believe guidance for long-term mid-single-digit Rynaxypyr and Cyazypyr revenue growth may be optimistic and difficult to achieve.

[2] Natco's fiscal year ends on 03/31.

> **We look to the end of the decade, sustaining mid-single-digit kind of growth.** You do run at the law of large numbers here, right? As you know, when you have a $2.1 billion franchise, 5% growth is over $100 million. That's a new active ingredient essentially. That's a new product for the world for many companies every year. **So some tapering of that growth rate from the mid to high to mid range is probably to be expected over the next several years**. (CFO Mr. Andrew Sandifer, Citi Global Industrial Tech & Mobility Conference Call, 02/21/23)

Crop Prices & Farmer Profit Decline May Pressure Revenue, In Our View

Background on product applications: In its FY 22 10K, the Company highlighted its insecticide products were used on soybeans, corn, fruits and vegetables, cotton, sugarcane, rice, and cereal applications, among others, its herbicide products were used on cotton, sugarcane, rice, corn, soybeans, cereals, and fruits and vegetables, among others, its fungicides were used on cereals and fruits and vegetables, among others, and its plant health products were used on soybeans, corn, fruits and vegetables, cotton, sugarcane, rice, and cereals, among others.

Product Application Analysis	Applications
Insecticides	soybean, corn, fruits and vegetables, cotton, sugarcane, rice, cereals
Herbicides	cotton, sugarcane, rice, corn, soybeans, cereals, fruits and vegetables
Fungicides	cereals, fruits and vegetables
Plant health	soybean, corn, fruits and vegetables, cotton, sugarcane, rice, cereals

High crop prices may drive elevated crop protection demand: On its RBC Capital Markets Chemicals & Packaging Conference Call on 05/08/22, FMC highlighted elevated crop prices drove increased crop protection demand as farmers were compelled to protect higher-value crops. On its Goldman Sachs Chemicals & Packaging Conference Call on 05/10/22, FMC highlighted elevated crop prices drove increased demand for new and higher priced products. Throughout the course of our research, we identified peer commentary corroborating the positive correlation between crop prices and crop protection product demand. For example, on its Annual Shareholder Conference Call on 04/29/22, Bayer AG (BAYGn.DE) highlighted "higher commodity prices translate[d] to higher value for crops for farmers and higher demand for crop protection" and represented higher crop prices drove improved product mix. Accordingly, we believe elevated crop prices may drive elevated crop protection demand and favorable product mix.

> **When you have record prices** for soy, corn, wheat and you name your crop, cotton, sugar, they're all up there. People really want to protect those crops. So **we see that demand side being very strong**. (CEO Mr. Mark Douglas, RBC Capital Markets Chemicals & Packaging Conference Call, 05/08/22) [emphasis added]

> I think higher crop prices are supportive of a number of things beneficial for our business. It makes it a little easier for customers to swallow price increases because these are not trivial what we've been dealing with, but also just that appetite to find higher value solutions, find things or tools that are more powerful at driving additional yield. So that's where we are seeing a very strong reaction to our new products, where we are growing substantially with products that we've introduced in the last 5 years… I think certainly having a higher crop price market makes it more favorable because those new products tend to come at a higher price point, right? (CFO Mr. Andrew Sandifer, Goldman Sachs Industrials & Materials Conference Call, 05/10/22)

Recent crop price strength may have driven unsustainable revenue growth, in our view: In FY 22, revenue increased 15.0% to $5,802.3 million. In marketing year (MY) 21/22, barley prices increased 11.8% year-over-year to $5.31 per bushel, corn surged 32.5% to $6.00 per bushel, oats surged 64.3% to $4.55 per bushel, rice increased 14.6% to $15.70 per hundredweight, soybeans surged 23.1% to $13.30 per bushel, upland cotton surged 37.9% to

$0.91 per pound, and wheat surged 51.1% to $7.63 per bushel.[3] In our view, elevated MY 21/22 and MY 22/23 crop prices may have driven unsustainable demand, favorable product mix, and revenue growth.

Crop Price Analysis	MY 18/19	MY 19/20	MY 20/21	MY 21/22	MY 22/23E
Barley ($ per bushel)	$4.62	$4.69	$4.75	$5.31	$7.25
Year-over-year change	--	*1.5%*	*1.3%*	*11.8%*	*36.5%*
Corn ($ per bushel)	$3.61	$3.56	$4.53	$6.00	$6.80
Year-over-year change	--	*(1.4%)*	*27.2%*	*32.5%*	*13.3%*
Oats ($ per bushel)	$2.66	$2.82	$2.77	$4.55	$5.70
Year-over-year change	--	*6.0%*	*(1.8%)*	*64.3%*	*25.3%*
Rice ($ per hundredweight)	$12.00	$13.20	$13.70	$15.70	$19.40
Year-over-year change	--	*10.0%*	*3.8%*	*14.6%*	*23.6%*
Soybeans ($ per bushel)	$8.48	$8.57	$10.80	$13.30	$14.00
Year-over-year change	--	*1.1%*	*26.0%*	*23.1%*	*5.3%*
Upland cotton ($ per pound)	$0.71	$0.60	$0.66	$0.91	$0.90
Year-over-year change	--	*(15.5%)*	*11.2%*	*37.9%*	*(1.5%)*
Wheat ($ per bushel)	$5.16	$4.58	$5.05	$7.63	$9.20
Year-over-year change	--	*(11.2%)*	*10.3%*	*51.1%*	*20.6%*

Declining crop prices may pressure crop protection demand: In its Agricultural Baseline Projections Report, the US Department of Agriculture (USDA) guided for US crop prices to decline over the next three years.[4] The USDA forecasted MY 23/24 barley prices to decline 10.3% year-over-year to $6.50 per bushel, corn to decline 16.2% to $5.70 per bushel, oats to decline 37.7% to $3.55 per bushel, rice to decline 6.7% to $18.10 per hundredweight, soybeans to decline 7.1% to $13.00 per bushel, upland cotton to decline 11.1% to $0.80 per pound, and wheat to decline 13.0% to $8.00 per bushel. **Given we believe elevated crop prices may drive increased crop protection product demand and higher priced new product sales, we are concerned forecasted crop price declines may pressure crop protection product demand and drive an unfavorable product mix shift.**

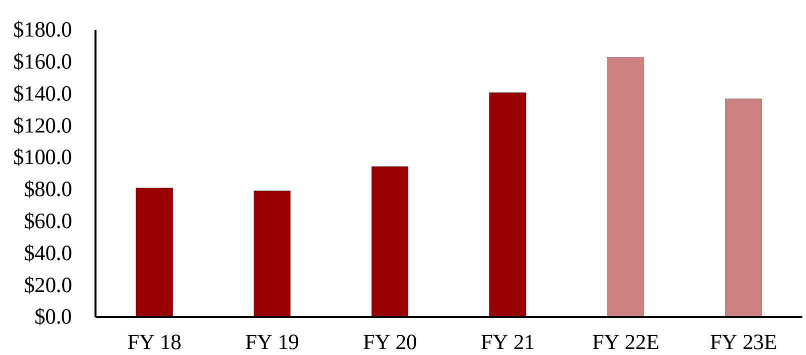
> U.S. crop prices are projected to decline in the next 3 years and then generally stabilize. (USDA Agricultural Baseline Projections, 02/09/23)

[3] https://www.usda.gov/oce/commodity-markets/baseline. Barley marketing year ends on 05/30, corn marketing year ends on 08/31, oats marketing year ends on 05/30, rice marketing year ends on 07/31, California rice marketing year ends on 09/30, upland cotton marketing year ends on 07/31, wheat marketing year ends on 05/30.
[4] https://www.ers.usda.gov/amber-waves/2023/february/declining-crop-prices-rising-production-and-exports-highlight-u-s-agricultural-projections-to-2032/

Crop Price Analysis	MY 23/24E	MY 24/25E	MY 25/26E
Barley ($ per bushel)	$6.50	$5.75	$5.40
Year-over-year change	*(10.3%)*	*(11.5%)*	*(6.1%)*
Corn ($ per bushel)	$5.70	$4.90	$4.50
Year-over-year change	*(16.2%)*	*(14.0%)*	*(8.2%)*
Oats ($ per bushel)	$3.55	$3.35	$3.20
Year-over-year change	*(37.7%)*	*(5.6%)*	*(4.5%)*
Rice ($ per hundredweight)	$18.10	$17.10	$16.50
Year-over-year change	*(6.7%)*	*(5.5%)*	*(3.5%)*
Soybeans ($ per bushel)	$13.00	$11.40	$10.85
Year-over-year change	*(7.1%)*	*(12.3%)*	*(4.8%)*
Upland cotton ($ per pound)	$0.80	$0.76	$0.75
Year-over-year change	*(11.1%)*	*(5.0%)*	*(1.3%)*
Wheat ($ per bushel)	$8.00	$7.00	$6.00
Year-over-year change	*(13.0%)*	*(12.5%)*	*(14.3%)*

Forecasted farmer income decline heightens our concerns: According to the USDA, FY 23 US farm net income is forecasted to decline 15.9% year-over-year to $136.0 billion, albeit from an elevated base (estimated to have increased 15.5% in FY 22).[5] In our view, elevated farm income may have driven outsized crop protection demand and farm income deterioration may compel farmers to reduce crop protection budgets and/or trade down to lower-priced products. Accordingly, our concerns about crop price decline driven demand pressure and unfavorable product mix are heightened.

US Farm Net Income Analysis
($ in billions)



Back-End Weighted FY 23 Guidance Highlights Guidance Achievability Risk, In Our View

Guidance for back-end weighted FY 23 highlights guidance achievability risk, in our view: In its Q1 23 Earnings Release, the Company reiterated its guidance for FY 23 revenue to increase 6.0% year-over-year to $6,150.0 million. On its Q1 23 Conference Call, the Company guided for H1 23 revenue to be flat year-over-year

[5] https://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/data-files-u-s-and-state-level-farm-income-and-wealth-statistics/

and for H2 23 revenue to increase 12.0%. The Company guided for certain drought conditions to negatively impact H1 23 revenue and for H2 23 to benefit from pricing gains and expanded market access. We are concerned commentary about back-half weighted FY 23 revenue suggests FY 23 revenue guidance may be optimistic and difficult to achieve.

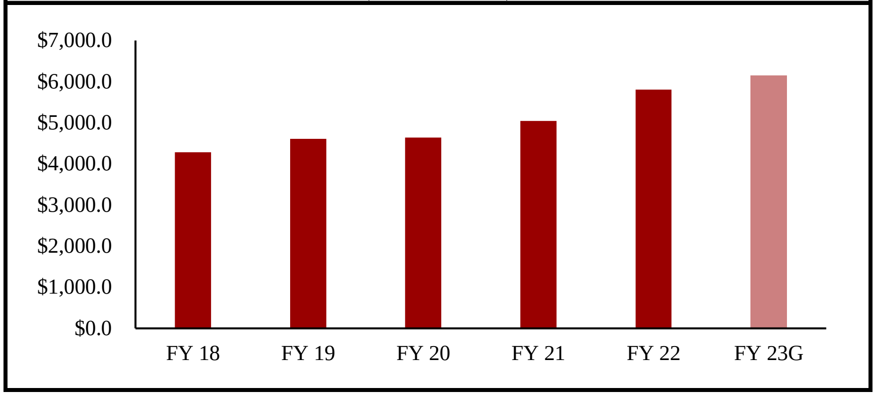
> Looking at the implied guidance by halves, first half '23 revenue is expected to be flat versus the first half of '22 and second half '23 revenue is expected to increase by 12% compared to the prior year period. While drought conditions are expected to impact sales in the first half, revenue in the second half is anticipated to benefit from continued growth of higher-margin in new products and especially in North America and Latin America as well as pricing gains and expanded market access. (CEO Mr. Mark Douglas, Q1 23 Conference Call, 05/02/23)

Implied H2 22 revenue contribution materially above historical levels heightens our concerns: Over the past five years, H2 accounted for 49.5% of revenue on average. Given the Company guided for Q2 23 (FY 23) revenue of $1,450.0 million ($6,150.0 million) at midpoint and Q1 23 revenue was $1,344.3 million, we estimate the Company guided for H1 23 (H2 23) revenue of $2,794.3 million ($3,355.7 million) or 45.4% (54.6%) of FY 23 revenue. Accordingly, we estimate the Company guided for H2 23 revenue contribution 530 basis points above the prior five-year average. Given the Company's FY 23 guidance implies a materially more back-end weighted FY 23 than a typical year, we believe FY 23 guidance may be optimistic and difficult to achieve.

Revenue Guidance Analysis (as % of total)	H1	H2
FY 18	52.8%	47.2%
FY 19	52.0%	48.0%
FY 20	51.8%	48.2%
FY 21	48.3%	51.7%
FY 22	48.3%	51.7%
Prior five-year average	50.7%	49.3%
FY 23 guidance	45.4%	54.6%
Difference	*(530 bps)*	*530 bps*

FY 23 revenue guidance may be difficult to achieve, in our view: As mentioned, in its Q1 23 Earnings Release, the Company reiterated its guidance for FY 23 revenue to increase 6.0% year-over-year to $6,150.0 million. Given we believe (1) patent expirations may drive near-term pricing pressure, (2) a forecasted crop price and farmer profit decline may pressure demand, (3) back-end weighted revenue guidance may be optimistic, and (4) evidence of elevated channel inventory levels and channel destocking (discussed next), we believe FY 23 revenue guidance may be optimistic and difficult to achieve.

FY 23 Revenue Guidance Analysis
($ in millions)

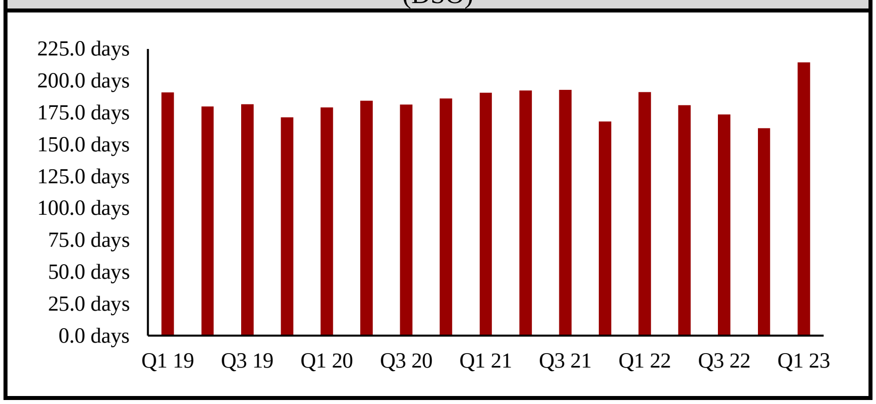


Channel Inventory & Customer Destocking Heighten Our Revenue Achievability Concerns

DSO increase highlights potential channel inventory fill, in our view: In Q1 23, current accounts receivable increased 11.6% year-over-year to $3,202.1 million, while revenue declined 0.5% to $1,344.3 million. Accordingly, days sales outstanding (DSO) increased 12.2% to 214.4 days, <u>the highest level in at least five years</u>. On its Q1 23 Conference Call, the Company represented inflation drove a portion of the receivable build. In its Q1 23 10Q, the Company attributed accounts receivable cash consumption to “timing of collections” and lower sales volumes. In our view, the DSO increase highlights a potential channel fill and suggests near-term revenue may be pressured.

> The change in cash flows related to trade receivables in 2023 was driven by timing of collections as well as lower volumes for revenue year over year. (Q1 23 10Q)

Receivables Analysis
(DSO)



Commentary about certain elevated channel inventory heightens our concerns: Throughout the course of our research, we identified certain commentary about elevated channel inventory levels and risk of certain carried forward channel inventory in large markets. We believe elevated channel inventory levels highlight potential near-term revenue pressure and heighten our FY 23 guidance achievability concerns. We have included certain commentary below:

- **India channel inventory may remain elevated into FY 24:** As mentioned, India is FMC’s third largest market. On its Citi Global Industrial Tech and Mobility Conference Call on 02/21/23, the Company highlighted poor weather conditions drove elevated channel inventory levels in India. On its Q1 23 Conference Call, the Company represented India channel inventory levels remained elevated and guided to work through channel inventory levels “into early next year.”

> **Analyst:** On India inventory adjustment, Mark, is there -- could you just describe the progress that has happened so far and how much longer this could take?
>
> **CEO Mr. Mark Douglas:** So we talked about it for a couple of quarters now. We had 2 to 3 years of very different monsoon patterns in the north and south. Last year, we had significant rice acreage reduction. So those are the catalysts for having higher inventories. **We're going to work through that this year and probably into early next year.** Given where the 2 seasons are in India, different types of products are sold on different crops. So once you get through 1 part, you've got to wait until the next season. It's not as if it's continuous. (Q1 23 Conference Call, 05/02/23) [emphasis added]

- **Latin America unused channel inventory "hangover" may pressure H2 23 revenue:** As mentioned, in its FY 22 10K, the Company represented southern hemisphere revenue was strongest in Q3, Q4, and Q1 due to seasonal patterns and Latin America accounted for 36.0% of FY 22 revenue. On its Q1 23 Conference Call, the Company indicated certain Latin America drought conditions may drive a channel inventory "hangover" into the next season (i.e. beginning in Q3 23) to the extent the market does not change. On its BMO Capital Markets Global Farm to Market Conference Call on 05/18/23, the Company represented Brazil and Argentina remained "extremely" dry and guided for channel inventories to remain elevated throughout the season.

> **Analyst:** When you think about Latin America and the volume shortfalls in the first half because of the drought conditions, I guess, what gives you confidence that inventory levels aren't at risk to the back half or into next year?
>
> **CEO Mr. Mark Douglas:** Yes. I think on the channel inventories, we'll see how we go through the second quarter. The markets are moving. You know what, **if the market doesn't change much, yes, there will be some channel inventory hangover as we go into the next season. That occasionally happens.** (Q1 23 Conference Call, 05/02/23) [emphasis added]

- **Evidence of elevated channel inventory levels in "core" European markets:** On its Goldman Sachs Industrials & Materials Conference Call on 05/09/23, FMC highlighted "softness" in its certain "core" European markets due to certain declining crop prices and "hesitancy" around channel inventory levels.

> The quarter largely as expected, big -- the real surprise was a bit of softness in some of the core European markets, which I would attribute to both falling crop prices for cereals, a little bit of hesitancy in the channel there around the channel inventory levels and stocking. (CFO Mr. Andrew Sandifer, Goldman Sachs Industrials & Materials Conference Call, 05/09/23)

Higher cost of capital may drive working capital management and channel inventory destocking: On its Q1 23 Conference Call, the Company highlighted certain distributors delayed purchases to manage working capital levels due to elevated interest rates. On its BMO Capital Markets Global Farm to Market Conference Call on 05/18/23, the Company highlighted "everybody in the chain" was reducing inventory levels and represented elevated capital costs compelled customers to delay purchases to manage inventory levels. Therefore, we are concerned certain customers may attempt to maintain inventory levels below historical levels and our channel inventory concerns are heightened.

> We have seen a trend where some distributors are delaying purchases to manage their working capital. We see this as a result of the higher interest rate environment. (CEO Mr. Mark Douglas, Q1 23 Conference Call, 05/02/23)

Elevated Inventory Levels Highlight Potential Margin Pressure, In Our View

Background on LIFO to FIFO change and FIFO inventory analysis: In its Q3 22 10Q, the Company disclosed it changed its inventory costing method for US inventory from last-in, first out (LIFO) to first-in, first-out (FIFO), effective 07/01/22. The Company represented US inventory valued under LIFO accounted for approximately 38.0%

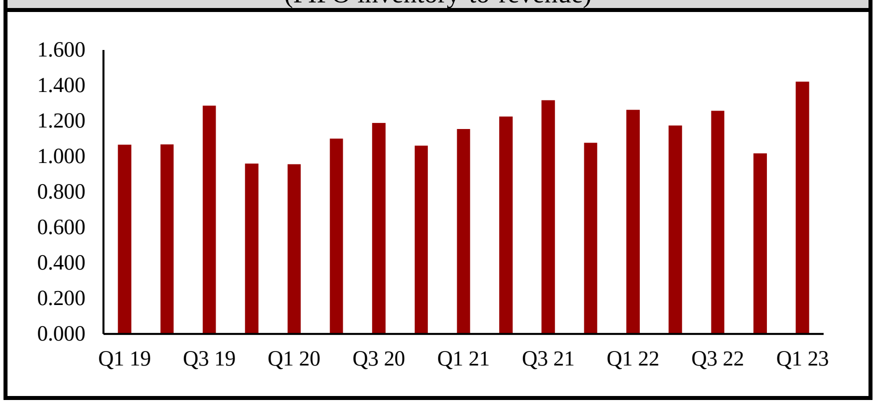
of inventory and all other inventory was previously accounted for using the FIFO method. The Company disclosed inventory was $116.2 million higher under FIFO. Previously, in its quarterly (10Q) and annual (10K) reports, the Company disclosed FIFO inventory, excess of FIFO cost over LIFO cost, and net inventory. In our analysis below, we analyzed historically disclosed FIFO inventory to maintain comparability.

> On July 1, 2022, we changed our method for inventory costing from the last-in, first-out ("LIFO") cost method to the first-in, first-out ("FIFO") cost method for inventory in the United States, which were the only operations that were using the LIFO cost method. All inventories outside the United States were already accounted for on the FIFO method… Prior to the change in method, inventories valued on the LIFO cost method were approximately 38% of our total inventories. (Q3 22 10Q)

Elevated inventory levels may drive margin pressure: In Q1 23, FIFO inventory increased 12.0% year-over-year to $1,910.9 million, while revenue declined 0.5% to $1,344.3 million. Accordingly, inventory-to-revenue increased 12.5% to 1.421, <u>the highest level in at least five years</u>. On its Q1 23 Conference Call, the Company represented inflation drove a portion of the inventory build. In its Q1 23 10Q, the Company indicated the inventory build was in line with projected demand. In our view, projected demand may not rationalize the inventory build (discussed next). Accordingly, we are concerned margins may be pressured to the extent the Company is compelled to discount certain inventory and/or reduce production to normalize inventory levels.

> Changes in inventory are a result of inventory levels being adjusted to take into consideration the change in market conditions. Inventory build in 2023 is in line with the projected demand for the year. (Q1 23 10Q)

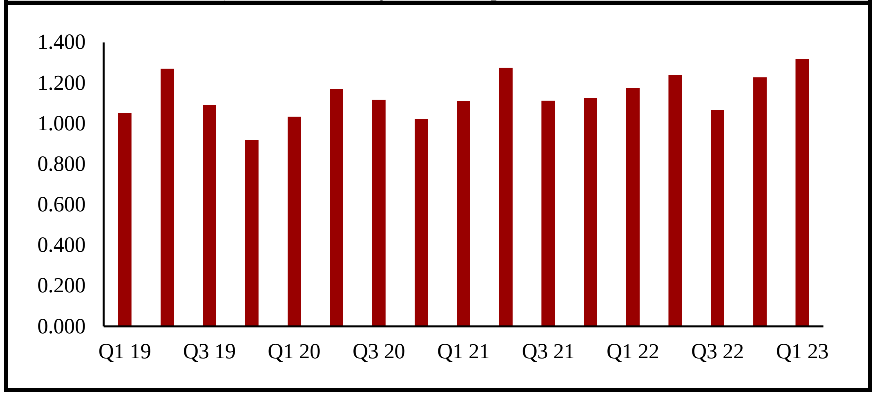
FIFO Inventory Analysis
(FIFO inventory-to-revenue)



Projected demand may not rationalize inventory build, in our view: As mentioned, in Q1 23, FIFO inventory increased 12.0% year-over-year to $1,910.9 million. In its Q1 23 Earnings Release, the Company guided for Q2 23 revenue of $1,450.0 million at midpoint. Accordingly, inventory-to-next quarter revenue (Q2 23 guidance at midpoint) increased 12.1% to 1.318, <u>the highest level in at least five years</u>. As mentioned, in its Q1 23 10Q, the Company attributed the inventory build to projected demand. However, on its BMO Capital Markets Global Farm to Market Conference Call on 05/18/23, the Company highlighted it was "significantly" reducing inventory levels. While we acknowledge the Company guided for FY 23 to be back-end weighted, we believe (1) elevated Q1 23 inventory relative to next quarter revenue guidance and (2) subsequent commentary about "significantly" reducing inventory levels suggest projected demand may not rationalize the inventory build.

> Everybody in the chain is reducing inventories. We are. **We're significantly reducing the amount of inventory we're carrying.** (CEO Mr. Mark Douglas, BMO Capital Markets Global Farm to Market Conference Call, 05/18/23) [emphasis added]

FIFO Inventory Analysis
(FIFO inventory-to-next quarter revenue)



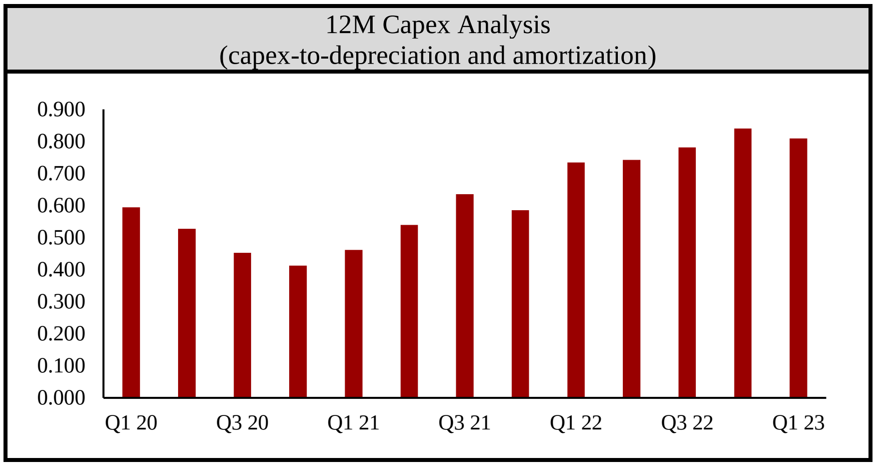
Mid-year inventory costing change may have provided unsustainable margin benefit, in our view: As mentioned, in its Q3 22 10Q, the Company disclosed it changed its inventory costing method for US inventory (38.0% of total inventory) from LIFO to FIFO, effective 07/01/22. The Company represented the FIFO accounting method was preferable as it was consistent with how it managed its business, resulted in a uniform method to value inventory across its business, better reflected the current value of inventory, and was comparable to its industry peers. In its FY 22 10K, the Company disclosed Q4 22 inventory would have been $116.2 million lower under the old accounting methodology. Therefore, we believe H2 22 cost of goods sold would have been $116.2 million higher under the old methodology and we estimate the change from LIFO to FIFO provided a $116.2 million H2 22 gross profit benefit. Accordingly, we estimate H2 22 gross margin would have been 390 basis points lower excluding the mid-year inventory costing change. Therefore, we believe the accounting change may have provided an unsustainable margin benefit and H2 23 may face a challenging comparable period.

Baseline Margin Analysis ($ in millions)	H2 22
Gross profit (as reported)	$1,163.1
Less: LIFO to FIFO benefit (Voyant estimate)	($116.2)
Baseline gross profit (Voyant estimate)	$1,046.9
Revenue	$2,999.2
Baseline gross margin (Voyant estimate)	34.9%
Reported gross margin	38.8%
Baseline gross margin above (below) reported	*(390 bps)*

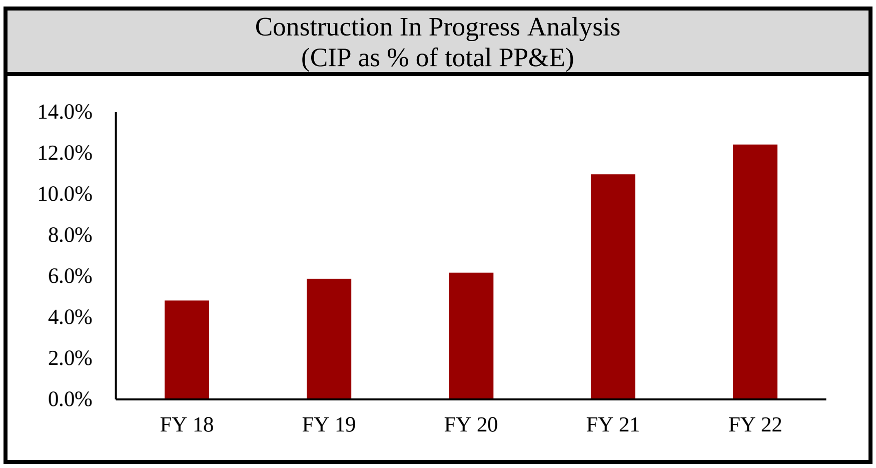
Elevated Capital Expenditure Levels Highlight Potential Depreciation Ramp

Capex level increase suggests depreciation may ramp, in our view: In the twelve months ended Q1 23, capital expenditure (capex) increased 10.8% year-over-year to $138.9 million, while depreciation and amortization increased 0.6% to $171.7 million. Accordingly, capex-to-depreciation and amortization increased 10.1% to 0.809. In its Q1 23 10Q, the Company guided for FY 23 capex to increase 12.4% to $160.0 million at midpoint related to capacity expansions. While we acknowledge capacity expansions may enable further growth, we believe depreciation may ramp as new capacity projects are completed and assets are placed into service.

> Projected 2023 capital expenditures and expenditures related to contract manufacturers are expected to be in the range of approximately $140 million to $180 million. The spending is mainly driven by continuing to expand capacity to meet growing demand, especially for our new products. Expenditures related to contract manufacturers are included within "other investing activities." (Q1 23 10Q)



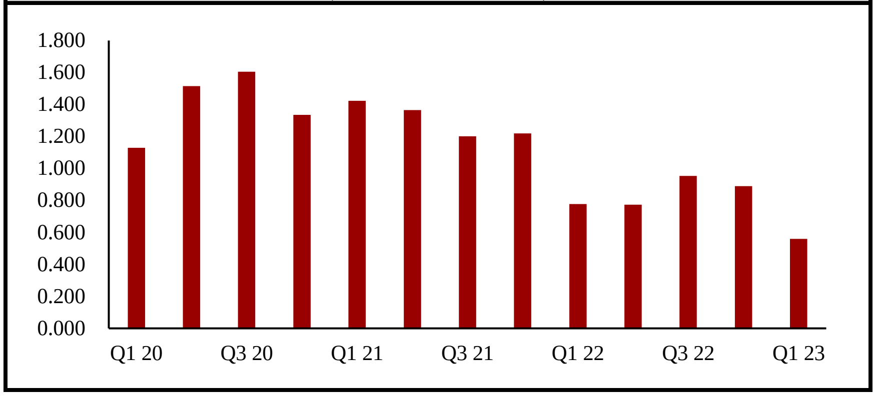
Elevated construction in progress levels heighten our concerns: In FY 22, construction in progress (CIP) as a percent of total property, plant, and equipment (PP&E) increased 150 basis points to 12.4%, the highest level in at least five years. In its FY 22 10K, the Company disclosed an R&D facility upgrade project completion was delayed from FY 23 to FY 24. In our view, the project completion delay may have driven a portion of the CIP build and delayed certain depreciation commencement. Elevated construction in progress levels heighten our concern about a potential depreciation ramp.



Depressed Cash Flow Levels Heighten Our Earnings Sustainability Concerns

Cash flow level decline heightens our earnings sustainability concerns: In the twelve months ended Q1 23, cash flow from continuing operations (CFO) declined 31.7% year-over-year to $406.5 million, while net income declined 5.2% to $725.8 million. Accordingly, CFO-to-net income declined 27.9% to 0.560, the lowest level in over three years. Accounts receivable and inventory consumed $663.3 million of cash in the period. In our view, depressed cash flow levels driven by working capital cash consumption highlights elevated earnings sustainability risk.

12M Cash Flow From Continuing Operations Analysis
(CFO-to-net income)

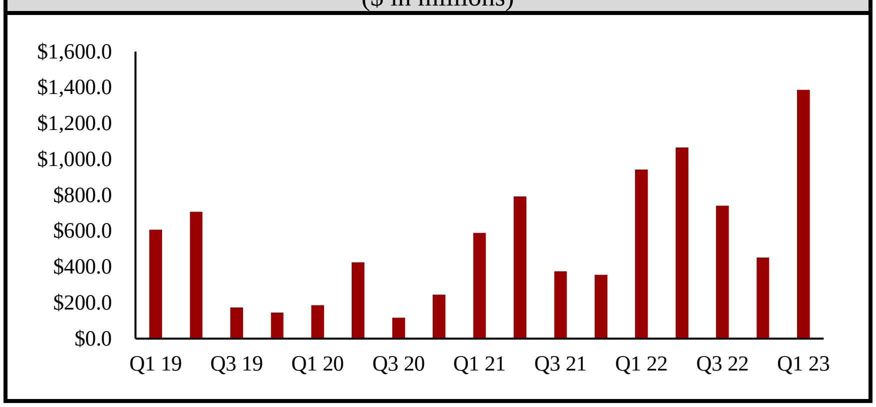


Short-term borrowing surge driven by working capital cash consumption heightens our concerns: In Q1 23, short-term debt (excluding current portion of long-term debt) surged 47.3% year-over-year (206.8% sequentially) to $1,387.7 million. On its Q1 23 Conference Call, the Company highlighted free cash flow was better than expected due to “disciplined” collections offset by inflation “flow-through.” However, the Company represented short-term borrowings were higher than “previously assumed” to support working capital. In our view the commentary suggests working capital levels may have increased more than previously expected (i.e. consumed more cash than expected). A short-term debt surge driven by larger-than-expected working capital cash consumption heightens our earnings sustainability concerns and suggests working capital deterioration may have been worse than expected.

> We now expect full year interest expense to be in the range of $205 million to $215 million, an increase of $5 million at the midpoint with the increase driven by somewhat **higher short-term borrowings to support working capital than previously assumed.** (CFO Mr. Andrew Sandifer, Q1 23 Conference Call, 05/02/23) [emphasis added]

> The $900 million, roughly $900 million negative free cash flow that we turned in this quarter was actually slightly better than our internal forecast... Some good discipline around collections and actually in terms of what was expected to be collected in the quarter. **We actually performed slightly better than what we were forecasting at the beginning of the quarter.** The really big driver year-on-year are receivables and inventory. And that really -- again, it's the flow-through of inflation through working capital. (CFO Mr. Andrew Sandifer, Q1 23 Conference Call, 05/02/23) [emphasis added]

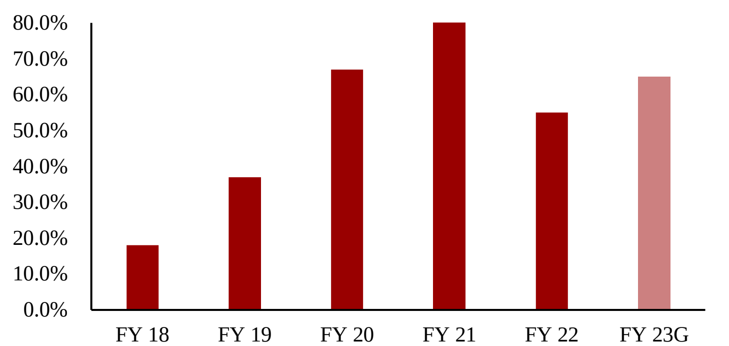
Short-Term Debt (Excluding Current Portion Of Long-Term Debt) Analysis
($ in millions)



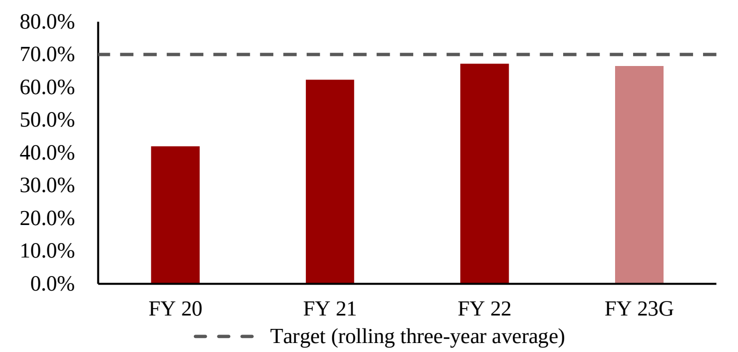
Below-targeted free cash flow conversion levels driven by working capital heightens our concerns: In FY 22, Company-disclosed free cash flow conversion (free cash flow as a percent of non-GAAP net income) declined 2,500 basis points year-over-year to 55.0%. On its Q4 22 Conference Call, the Company highlighted its long-term rolling three-year average cash flow conversion target was “70.0% or more” and attributed the below-targeted free cash flow conversion to inflation-driven working capital cash consumption. Below-targeted free cash flow conversion driven by working capital cash consumption heightens our earnings sustainability concerns.

> Overall, free cash flow conversion from adjusted earnings for 2022 was 55%, with rolling 3-year average free cash flow conversion at 67%, slightly below our long-term goal for three-year average cash conversion of 70% or more due to the inflationary impacts on working capital. (CFO Mr. Andrew Sandifer, Q4 22 Conference Call, 02/08/23)

Free Cash Flow Conversion Analysis
(Company-disclosed free cash flow conversion)



Free Cash Flow Conversion Analysis
(rolling three-year average free cash flow conversion)



Executive Compensation Adjustments Highlight Shareholder Incentive Misalignment

Background on annual executive compensation: In its FY 22 Proxy Statement on 03/10/23, the Company disclosed it set threshold, target, and maximum performance levels for certain metrics to determine annual incentive compensation for its named executive officers (NEOs). In FY 22, the Company’s performance metrics included adjusted net income, adjusted EBITDA, and free cash flow. CEO Mr. Mark Douglas, CFO Mr. Andrew Sandifer, and General Council Mr. Michael Reilly were compensated based on adjusted net income, while CTO Dr. Kathleen Shelton, and President of FMC Americas Mr. Ronaldo Pereira were compensated based on adjusted EBITDA. The Company represented if the adjusted net income or adjusted EBITDA threshold was missed, there was no payout related to the metric. If the free cash flow threshold was missed, the Company reduced the incentive payout achievement by 10.0% (i.e. cash flow modifier).

Below-threshold free cash flow heightens our earnings sustainability concerns: In its FY 22 Proxy Statement on 03/10/23, the Company disclosed its FY 22 executive compensation cash flow modifier threshold was $575.0 million. In FY 22, free cash flow declined 27.9% year-over-year to $514.2 million, 10.6% below the cash flow modifier threshold. Below-threshold free cash flow heightens our earnings sustainability concerns.

> Free Cash Flow was $514 million, below the threshold performance level of $575 million, which resulted in a 10% reduction in the final rating. (03/10/23 Proxy Statement)

Executive Compensation Analysis ($ in millions)	FY 22
Free cash flow	$514.2
Cash flow modifier threshold	$575.0
Above (below) threshold	*(10.6%)*

Adjusted net income for executive compensation above reported highlights misaligned shareholder incentive: In its Q4 22 Earnings Release, the Company disclosed FY 22 adjusted net income was $938.4 million. In its FY 22

Proxy Statement on 03/10/23, the Company disclosed FY 22 adjusted net income for the purposes of annual incentives was $959.0 million, $20.6 million higher than disclosed FY 22 adjusted net income per the Q4 22 Earnings Release. In addition, in its FY 22 Proxy Statement on 03/10/23, the Company removed the disclosure "these adjustments did not materially affect the amount of any NEO's annual incentive award." The Company attributed the divergence to its decision to exit Russia in FY 22. However, in its Q4 22 Earnings Release, the Company disclosed adjusted net income excluded certain exit charges related to its decision to cease Russian operations. While we acknowledge the Company's decision to exit Russia may have impacted performance, we are concerned the divergence between adjusted net income used for annual incentive measurement relative to reported adjusted net income highlights potential shareholder incentive misalignment.

Executive Compensation Analysis ($ in millions)	FY 19	FY 20	FY 21	FY 22
Adjusted net income per Q4 Earnings Release	$803.7	$809.0	$894.9	$938.4
Adjusted net income annual incentive measurement per FY Proxy Statement	$807.0	$809.0	$895.0	$959.0
Difference	*$3.3*	*$0.0*	*$0.1*	*$20.6*

Background on accounting methodology changes: As mentioned, in its Q3 22 10Q, the Company disclosed it changed its inventory costing method for US inventory (38.0% of total inventory) from LIFO to FIFO, effective 07/01/22. In addition, the Company disclosed it changed its accounting methodology for the determination of the market-related value of certain assets in its defined benefit pension plan, effective 07/01/22.

Accounting methodology changes and extra adjustments may have driven compensation achievement: As mentioned, in its FY 22 Proxy Statement on 03/10/23, the Company disclosed FY 22 adjusted net income for the purposes of annual incentives was $959.0 million, 16.7% above the compensation threshold of $822.2. Excluding (1) the estimated after-tax inventory accounting change benefit, (2) the after-tax pension accounting change benefit, and (3) the difference from reported adjusted net income to adjusted net income for the purposes of annual incentives, we estimate baseline adjusted net income was $833.5 million, 1.4% above the compensation threshold. In our view, the accounting methodology changes and extra adjustments for the purposes of annual incentives may have driven certain compensation achievement and our concerns about shareholder incentive misalignment are heightened.

Executive Compensation Analysis ($ in millions)	FY 22
Adjusted net income per Proxy Statement (as reported)	$959.0
Less: after-tax LIFO to FIFO benefit (Voyant estimate)	($99.1)
Less: after-tax pension accounting change benefit	($5.8)
Less: difference from reported adjusted net income	($20.6)
Baseline adjusted net income (Voyant estimate)	$833.5
Adjusted net income threshold per Proxy Statement	$822.0
Baseline above (below) threshold	*1.4%*
Reported per Proxy Statement above (below) threshold	*16.7%*

Conclusion

We are concerned key product patent expirations may drive increased competition and pressure revenue and/or margins. We believe prior commentary suggests near-term patent expiration related pricing pressure may be underestimated. Certain competitive product launches and an unfavorable China patent ruling heighten our concerns. We believe elevated crop prices may have driven outsized crop protection demand and a favorable product mix shift. Accordingly, we are concerned forecasted crop price and farm income declines may pressure demand and drive an unfavorable mix shift. We believe guidance for back-end weighted FY 23 revenue may be optimistic and difficult to achieve. Elevated receivable levels and commentary about certain elevated channel inventory heighten our concerns. We believe projected demand may not rationalize an inventory build and margins may be pressured. In our view, a mid-year inventory costing change may have provided an unsustainable margin benefit. We are concerned elevated capital expenditure and construction in progress levels suggest depreciation may ramp as projects are completed and assets are placed into service. In our view, depressed cash flow levels driven by working capital cash consumption highlight elevated earnings sustainability risk. A short-term borrowing surge driven by working capital, below-targeted free cash flow conversion levels, and potential shareholder and management incentive misalignment heighten our concerns.

Risks to Our Thesis & Valuation

Market Leader, Arc Farm Intelligence Platform, & Pheromones

Market leader and market share gains: In its FY 22 10K, the Company highlighted it was a "tier-one leader" and the fifth largest agricultural chemicals company. FMC highlighted it gained market share in FY 20, FY 21, and FY 22 in its key markets. The Company represented its competitive position was driven by innovation, geographic balance, and crop diversity.

> We have streamlined our portfolio over the past ten years to become a tier-one leader and the fifth largest global innovator in the agricultural chemicals market. Our strong competitive position is driven by our technology and innovation, as well as our geographic balance and crop diversity, which helped FMC to take share in 2020, 2021 and 2022 in our key markets. (FY 22 10K)

Arc farm intelligence platform may drive increased product sales: Previously, in its 05/21/20 Press Release, the Company highlighted it launched its Arc farm intelligence platform. FMC represented Arc enabled growers and advisors to use predictive modeling to ensure crop protection products were applied precisely and increase crop yield and sustainability. On its Citi Global Industrial Tech and Mobility Conference Call on 02/21/23, the Company highlighted growers using the Arc platform spent more time and purchased additional products from FMC. The Company guided to continue expanding the Arc platform across countries and crops.

> What we can observe, and we have very good data on, growers that use Arc, spend more with us, buy additional products, not just insecticides, and stay with us longer, multiple seasons that we've had out in the marketplace. So we're going to continue investing in Arc. We'll continue to expand it across other countries and crops. (CFO Mr. Andrew Sandifer, Citi Global Industrial Tech and Mobility Conference Call, 02/21/23)

BioPhero acquisition may drive pheromone revenue ramp: In its 06/29/22 Press Release, FMC highlighted it agreed to acquire BioPhero ApS, a pheromone research and production company. On its BioPhero M&A Conference Call on 06/30/22, FMC highlighted the acquisition expanded FMC's biological segment and included certain proprietary technology. FMC represented pheromones were chemicals naturally produced by insects to trigger social responses in members of the same species and protected crops by disrupting insect mating. FMC guided for pheromone-based product revenue to be $1,000.0 million by FY 30.

> We estimate FMC's revenue from pheromone-based products to grow to approximately $1 billion by 2030, with commercial sales starting in 2024. (CEO Mr. Mark Douglas, BioPhero M&A Conference Call, 06/30/22)

Valuation Analysis

As of the date of this publication, FMC's shares trade at 13.6 times next-twelve-month earnings, 10.5% above its peer average of 12.3 times.

Valuation Analysis	NTM P/E
FMC Corporation (FMC)	13.6x
Bayer AG (BAYGn.DE)	7.0x
BASF SE (BASFn.DE)	10.0x
Corteva Inc (CTVA)	19.7x
UPL Limited (UPLL.NS)	12.5x
Peer average	12.3x
FMC above (below) peer average	*10.5%*

Disclaimer and Disclosure

This report was produced by Voyant Advisors, LLC ("Voyant"). The following Research Analysts employed by Voyant contributed to this report: Graeme Lazarus, Ryan DesJardin, Andrew Brown, and Duran Sulymankhel. Voyant's home office is at 15373 Innovation Dr, Suite 365 San Diego, CA 92128. The firm's home office is where information about the valuations herein are located, unless otherwise indicated in the report.

At the time of this report, Voyant expects to provide updates on a quarterly or semi-annual basis depending on the frequency of when the above company discloses material financial results. We will cease providing updates if we are discontinuing research coverage as disclosed on the front page of this report in the Thesis Summary.

Voyant has not provided previous recommendations concerning the same financial instrument or issuer during the preceding twelve-month period.

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