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Corteva, Inc. (CTVA)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to the Corteva Agriscience Third Quarter 2026 Earnings Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Rafa Soares, Head of Investor Relations. Rafa, please go ahead.

Rafael Soares

Vice President, Investor Relations and Financial Planning & Analysis, Corteva, Inc.

Good morning and welcome to Corteva's third quarter 2026 earnings conference call. Our prepared remarks today will be led by Luke Kissam, Chief Executive Officer; and Jeff Rudolph, Chief Financial Officer. We have prepared presentation slides to supplement our remarks during this call, which are posted on the Investor Relations section of the Corteva website and through the link to our webcast.

During this call, we will make forward-looking statements, which are our expectations about the future. These statements are based on current expectations and assumptions that are subject to various risks and uncertainties. Our actual results could materially differ from these statements due to these risks and uncertainties, including but not limited to those discussed on this call and in the risk factors section of our reports filed with the SEC.

We do not undertake any duty to update any forward-looking statements. Please note in today's presentation, we'll be making reference to certain non-GAAP financial measures. EBITDA means adjusted pro forma operating EBITDA and sales refers to pro forma net sales. Reconciliations of the non-GAAP measures can be found in our earnings press release and related schedules, along with our supplemental financial summary slide deck available on our Investor Relations website.

It's now my pleasure to turn the call over to Luke.

Luke C. Kissam

Chief Executive Officer & Director, Corteva, Inc.

Thanks, Rafa, and good morning, everybody. Thanks for joining us. This is our first earnings call as a standalone company. So I want to start with the strategy we laid out at our recent Investor Day and how it played out in the quarter. In September, we said this chapter would be defined by innovation and execution. This quarter gave us clear proof points on both. The exception to that is Brazil, which I will unpack a bit more in a moment. Starting with innovation, new product volumes grew 20% in the quarter with growth in every region and price was relatively stable for this group of products.

Our business outside of Latin America performed roughly in line with expectations in a challenging operating environment. We generated growth across North America, EMEA and Asia Pacific. While pricing was down 12% in North America in the quarter, all of that headwind was caused by pricing actions related to acetochlor, which we forewarned at Investor Day. Productivity came in ahead of our expectations in the quarter and we are on track to deliver our target for the year. We also brought SG&A spending down in the quarter as teams exercised good discipline on spend relative to our operating environment.

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And even as we took cost out, we increased our investment in R&D to keep advancing our pipeline, which is one of the real strengths of this company. Through the first nine months of the year, we've maintained operating EBITDA levels flat to prior year and expanded EBITDA margins despite absorbing approximately $230 million in pricing headwinds. On capital deployment, our board declared our first quarterly dividend as a standalone company. which is an important aspect of our capital allocation priorities. We remain on track for our targeted year-end cash position of roughly $1.5 billion. So a lot's going well and it's aligned with the strategy we previously laid out.

I'm encouraged by that. But Brazil is the exception. So let me spend a few minutes there. Brazil was already a difficult market, but grower economics, high interest rates, currency impacts and El Niño weather patterns made a difficult market even more challenging. Market conditions deteriorated sharply in the final weeks of the third quarter and we've continued to see negative developments since then. Latin America organic sales were down 31% in the quarter, which more than offset the growth we delivered everywhere else. Uncertainty in that market remains elevated. We did not anticipate the magnitude nor the speed of the deterioration we have experienced in Brazil and part of that was more specific to Corteva. While the September 30 market data would indicate that we are maintaining share on the farm this year, too much of the product we sold into the Brazil channel last year didn't go to ground. As a result, we came into this year with more of our own inventory in the channel than expected. And when purchasing slowed, that overhang created a bigger headwind for us. We own that, and we're taking steps to address the issue.

So while I'm encouraged by the execution of our strategy in the quarter, the pressure in Brazil remains significant. Despite holding year-to-year EBITDA levels flat to prior year through the third quarter, we have adjusted our expectations for the full year due to what we are seeing in Brazil. Jeff will talk more about the specifics on guide shortly.

Now let me turn to the market because it explains both sides of the story. The best word I have for this market is mixed. On the farm, demand is holding up. Applications remain pretty strong and growers are still focused on maximizing yield. However, in some areas, grower economics are under pressure and growers are being careful about what they spend and when they spend it.

The channel is doing the same thing. Distributors are managing working capital tightly and ordering is increasingly just-in-time, that's why you have to separate what's happening on the farm from what's happening in the purchase cycle. The demand is there, what has changed is when people buy and how much inventory they're willing to carry. Pricing is the other piece, the market remains competitive in older off-patent molecules. Pricing pressure is real, but as I have said previously, it's not new.

How we anticipate and/or respond to those pricing pressures, as we did in the quarter with respect to acetochlor in North America, is what will matter longer term. Where we have differentiated solutions, it's a totally different story. Products like Arylex, a multi-crop herbicide and Pyraxalt, an insecticide, have both experienced year-over-year volume growth north of 20%. And these are meaningful products with combined annual revenue of around $650 million. At the end of the day, the business performed in line with growth expectations everywhere other than Brazil. As a result, I'm even more convinced we have the right strategy. We need to address Brazil, and it's a top priority for me and the leadership team to find the best approach for Corteva relative to that market.

With that, I'll turn it over to Jeff for more details on the financials.

Jeff Rudolph

Chief Financial Officer, Corteva, Inc.

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Thanks, Luke. And welcome everyone to the call this morning. Let's start on slide 6, which provides our adjusted pro forma results for the third quarter and year-to-date. As Luke said, in many ways we had two very different quarters. Solid execution against our plan across most of the world and a Brazil market that got significantly worse. You'll see both in the numbers. For the third quarter, net sales were $1.6 billion, down 9% versus the prior year on both a reported and organic basis. Operating EBITDA was $222 million, down 17%, and operating EBITDA margin was 14%, down 140 basis points. Price was the largest headwind. It was concentrated in US acetochlor, which we anticipated and signaled as part of our previous comments and in Brazil, where generics are pressuring several molecules late in their lifecycle.

On top of that, delayed purchasing in conjunction with elevated channel inventories in Brazil drove volumes sharply lower. Now what did not change was demand for our new technologies. New products grew in every region and productivity again ran ahead of our expectations. Together with a modest benefit from currency, that offset a good part of the price pressure in the quarter.

Now focusing on year-to-date. Net sales were $5.4 billion, down 1% compared to last year and organic sales were down 4% on lower pricing. Operating EBITDA was $943 million, essentially flat with last year, and margins expanded by 30 basis points despite more than approximately $230 million of pricing headwinds. New product growth, productivity, and currency were significant benefits through the first nine months of the year. As we've laid out at our Investor Day, the combination of new products and productivity have largely been our algorithm for driving performance in a challenging market environment.

Let's now go to slide 7, which breaks down net sales by region for the third quarter. This is where you can really see the two distinct outcomes for the quarter mentioned previously. First, we saw solid execution against our plan outside of Latin America. Our strategy is to deliver value for our customers and drive growth with new and differentiated technologies and you can see that proof in the results. For example, North America sales were up 7%, with volume up 19%. Early demand for our differentiated products drove those volume gains and more than offset lower price.

As we signaled earlier this year, the anticipated price pressure was concentrated in acetochlor, which essentially drove all of the price headwind in North America. Growers here remain focused on maximizing yield and return on investment and application rates are healthy. EMEA grew 12% in the quarter or 14% on an organic basis. Volume was up 14%, driven by Arylex and early demand for seed treatment and we held price flat in a competitive market.

We delivered a similar trend for the year-to-date performance with positive organic growth despite a challenging market backdrop due to weather-related impacts from dry and hot conditions across much of Europe. Asia-Pacific grew 3% or 5% organically with volume up 7%. Demand for new products remained strong and the team navigated difficult weather in several key markets, including India. Now in contrast, Latin America was a very different outcome in the quarter. We knew coming in that it would be a difficult market and it got harder as the quarter went on.

Growers are dealing with weather impacts from El Niño and high interest rates and tight liquidity across the market. And the industry remains under heavy pressure from generics. With expensive credit and tight liquidity, growers and distributors delayed their purchases, while we also worked through our elevated channel inventories. For Latin America overall, this resulted in volume declines of 24% and price down 7%. The pressure intensified in the final days of September and conditions have continued to move in the wrong direction since then. So Latin America sales were down about $220 million, more than offsetting roughly $70 million of growth across the rest of the world. And Latin America was about 45% of our third quarter sales last year, so a decline of that size outweighs a lot of good work elsewhere.

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Let's move to slide 8 and the operating EBITDA bridge for the quarter. Operating EBITDA was $222 million, down $46 million from last year. Price was the main driver, an approximate $120 million headwind in the quarter and about 90% of that came from two areas, acetochlor in the US and generic pressure in Brazil concentrated in certain molecules. Volume had no net impact on EBITDA despite being a headwind to the top line. Strong performance in North America, EMEA, and Asia-Pacific, including favorable mix, helped offset the decline in Latin America.

Moving to cost, the teams continue to execute well on items within our control. Specifically, cost of goods sold productivity and lower SG&A spending more than covered increased investments in R&D to advance our leading pipeline, resulting in a net benefit of $67 million for the quarter alone. Taking a step back, the bridge tells a similar story as the regional slide. The pressure is concentrated in a handful of molecules in one particular market and the value drivers of our strategy, including new product penetration and productivity, are delivering.

Let's go to slide 9 and our updated outlook for the full year. At our Investor Day in September, we estimated 2026 standalone operating EBITDA of about $1.3 billion. Today, we are updating that estimate to a range of $1.1 billion to $1.125 billion for the full year. The update reflects the realities of Brazil, where the pressures described earlier have intensified and we are still seeing negative developments in the local market. Our outlook now reflects all of that. We now expect lower price and volume in Brazil compared to our prior outlook, driven by channel inventory normalization, weather and weaker grower profitability.

We are not assuming any meaningful improvement in purchasing behavior in Brazil for the rest of the year. And we estimate that the full-year EBITDA impact related to elevated channel inventory is approximately $100 million. On that basis, full-year operating EBITDA is expected to be down 12% versus last year at the midpoint with operating EBITDA margin of about 15% for the year.

This would imply a fourth quarter EBITDA that is now expected to be about half of 2025 levels on an adjusted pro forma basis, given the significance of Brazil to our fourth quarter results. On operating EPS, we expect full year to be in the range of $0.76 to $0.80 per share, up about 3% at the midpoint, helped by lower operating income tax expense when compared to the adjusted pro forma period last year. Now clearly, this is a meaningful change from expectations, but what I don't want to get lost is how the rest of the business is performing outside of Brazil. We are executing well in a tough market and we are controlling what we can control. Productivity savings are on track for the year and apart from separation-related items such as higher IT costs, we are managing SG&A spending tightly.

With that, let me turn it back to Luke for some final key takeaways before we move to Q&A.

Luke C. Kissam

Chief Executive Officer & Director, Corteva, Inc.

Thanks, Jeff. Let me close with three points. First, as shown by the growth in new product sales. Our innovation strategy is working and our pipeline is as good as any in the industry. It's clear that farmers will invest in differentiated solutions when it creates value for them. Second, it's a tale of different markets. North America, EMEA and Asia all delivered organic growth in the quarter, performing as expected. Brazil disappointed. Some of that was caused by the overall market conditions and some was caused by our elevated inventory levels from the last growing season.

I expect the inventory levels in Brazil to be the more acceptable level by the end of their growing season, but that will weigh on our fourth quarter results. Our leadership team is focused on finding the best structure for us to

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remain competitive in Brazil while meeting our profit expectations. We'll keep you updated on that progress. Third, we are focused on controlling matters within our control, such as cost of goods sold, productivity, and spending. Earlier this month, we kicked off work with a third-party to critically examine our cost structure and ways in which we can operate more efficiently.

As I said in September. We simply cannot afford the infrastructure we inherited. We are looking at our processes, infrastructure, working capital levels, complexity and where technology and automation can make us more efficient from a cost and from a cash perspective, it's very early days, but I am optimistic about the opportunities. I also want to understand how much of the opportunity we capture versus reinvest behind accelerating growth of differentiated products. But what is clear is that cost actions will certainly need to be taken.

So, we know what we have to do, keep innovating, drive productivity, make sure our channel inventory levels are appropriate and take cost and complexity out of the business. Outside of Brazil, this business is doing what it's built to do. In Brazil, we're managing through a tough market the right way. That will remain our focus. I look forward to your questions.

Rafael Soares

Vice President, Investor Relations and Financial Planning & Analysis, Corteva, Inc.

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: We will now begin the question-and-answer session. Please limit yourself to one question. [Operator Instructions] Please stand by while we compile the Q&A roster. Your first question comes from the line of Vincent Andrews with Morgan Stanley. Your line is open, Vincent. Please go ahead.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Thank you, and good morning, everyone. Luke, wondering if I could just ask you. Do you think it's appropriate to think about it this way? If we were to bifurcate your business between Brazil and then everywhere else, would it be fair to say that everywhere else was still operating within a reasonable band of the outlook, the multiyear outlook you provided at the Analyst Day, but it's Brazil where we have to reassess, what the earnings power is on a go-forward basis. Do you think that's a fair framework for this point in time?

Luke C. Kissam

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah, Vincent, I do think that's a fair framework. If you look, we were up, we had growth in each of the other three world areas, in spite of the acetochlor pricing headwinds that we saw in North America. So, I feel like we're on target for those areas. And Brazil is the major weak spot and we're going to see that. Unfortunately, the selling season in Brazil is the third and fourth quarters and that's what we've got going in and we've got a lot of work to do there to fix it.

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Operator: Your next question comes from the line of Chris Parkinson with Wolfe Research. Your line is open, Chris. Please go ahead.

Christopher Parkinson
Analyst, Wolfe Research LLC

Q

Great. Thank you so much. I just want to take a step back on the acetochlor North American, the effect on North American pricing and what's going on in the agri portfolio. I'm aware that two of the major European competitors had kind of competing products, one direct, one indirect, in terms of that classification of the herbicide market. They took action and you acted in consequence. When I think about the cadence of those effects in your portfolio, the balance of this year and more importantly into 2027, what can you do to actually mitigate that? Are you getting prices in other areas of your portfolio? Is there anything, in terms of selling patterns and when that's actually built in the channel and then ultimately distributed to the farmers, what clarity can you give us to make sure that we get that right into 2027? Thank you so much.

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah, hey, that's a, great question. As we – as I said in September, we were going to see a year-over-year price decline in North America related to acetochlor in the third quarter and the fourth quarter. We'll also see a little bit of it in the first quarter, but then the second quarter of 2027, it'll be, I would say minimal where we are today. So the way you ought to look at it is, we'll see about the same amount as we saw in the third quarter, in the fourth quarter, maybe a little bit more, but right around that same amount would be my anticipation. And then it'll taper off into the first quarter and taper off again into the second quarter of 2027.

What we're able to do there is, we actually got some, some additional volume across that. We've got new product sales. that are driving good productivity there. They were up, I think, 20% in the third quarter and year-to-date volume and new product sales were up 14%. And they've taken some cost action in North America. So taking some good action there. But you're right that we'll see it again in the fourth quarter, less in the first of 2027, even less in the second quarter of 2027.

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

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

Q

Yes, thank you very much. I was wondering if you might comment on the level of destocking in the channel for crop protection chemicals versus lower pounds on the ground, as they say in the jargon. In other words, were the end users applying fewer pounds of product or is it strictly a channel inventory management issue and might that answer vary by region?

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

So it would certainly vary by region, significantly by region. So let's talk about Brazil since that's the problem spot, Kevin, just for a second. If you look year-to-date, the sellout market in Brazil is down roughly 12%, which would be the equivalent of $1 billion. So the sellout is not occurring in Brazil like it has in the past, number one. If you look at market data, the black box data through the end of September, Corteva has not lost share in the Brazilian market. Our on-the-farm applications are good. And I want to be really clear, Kevin, I'm talking about on-farm applications, okay.

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So we're maintaining share at the farm gate. But what we are seeing is. we had more inventory in the Brazilian channel than maybe others did. I don't quite know what all they had, but what I can tell you is, we think we had roughly $250 million of revenue more in 2020 – coming out of 2025 growing season coming into this. And we can't sell more into the channel. Now, there are other things we could do. Let's be clear. I could give credit terms to some of the distributors down there, but they're already past due. And if they're already past due, it doesn't make – it's not good business sense to give more credit. So I'm not doing that.

So we lost some opportunities there. We could give extended payment terms that people are asking for. I'm not willing to go out really past the crop season and give them payment terms. I don't think that's a good business model. So, we're not doing that. And look, I can try to take and there are other places to sell product. I could push product into North America, into Europe, and other places like that. That's not the right way to run the business and that's not how we're going to run this business. All it does is take a problem that is in Brazil and expands it to other areas of the world and I'm not willing to do it.

So we've taken a position that we're going to take our medicine in Brazil and go forward. But if you look around the rest of the world, we don't see that same type of stocking that we've seen in Brazil. So, I'm not as concerned about that in 2027 and we really got to focus on it. Now, there is a lot of [ph] closer to (00:25:34) just-in-time ordering. And one of the issues we have is so much of our revenue, a disproportionate portion of our revenue comes in in the last 10 days of a quarter. And that's the way the business has always operated. It's mind-numbing, but that's what happens. And so, I don't believe that we've got an issue in inventory anywhere else outside of Brazil. We've seen that, we're taking steps to address it. I believe that the inventory levels will be back to where they traditionally would be in Brazil by the end of their current growing season.

Jeff Rudolph
Chief Financial Officer, Corteva, Inc.

A

And Kevin, it's Jeff. Just to be clear to Adam and Luke's comments. When you think about the change in our guide for the full year, it is 100% Brazil-driven. There's not other areas of the market we're seeing softness that we're tucking into that reduction for the full year the roughly, call it, $200 million of EBITDA. It is really the incremental or I should say reduced volume expectations coming out of Brazil because of this channel matter aligned with Luke's comments and what we said in our prepared remarks, about half of that $200 million would be tied to that. And the other $100 million is because of other market weakness, including further price erosion that we're seeing in that market that is widespread. So just to be very clear, it is a Brazil-concentrated issue.

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

And to add on to that, the price that we're seeing in Brazil, 80% of the price headwinds in Brazil are related to five products. So it's a handful of products in Brazil on price, it is our inventory levels that we had coming out of 2025 are what are driving the problems in Brazil for the second half of the year.

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

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Thanks very much. You talked about the price pressure in North America coming from acetochlor. In the quarter, that would have been about, I don't know, $65 million. You think that there's the same thing in the fourth quarter?

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So that's $130 million? What's the size of the acetochlor business? And why doesn't it affect the second quarter of next year, since your price decrease seems to have begun in this quarter?

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Go ahead.

Jeff Rudolph
Chief Financial Officer, Corteva, Inc.

A

Jeff, hey, it's Jeff here. Good question. So I think your math is pretty close. For the third quarter, the, call it $120 million price headwind that we experienced, roughly half of that is US acetochlor driven, so about $60 million. For the fourth quarter, right, we are going to see, call it another step down in overall pricing from third quarter into fourth quarter. A lot of that's driven by Brazil. But there is going to be a headwind in fourth quarter, excuse me, related to a acetochlor, but not at the $60 million level, closer to that $40-ish million level. And obviously, that is going to be factored in our guide right now.

As we get into next year, we're not going to see as much of that because our third quarter impact reflected some of the adjustment where we were through the year, right. So, we're going to have a little bit of that, in terms of year-over-year in the first quarter. But once we get to second quarter, we're going to be mostly trued up with what the price is, at the channel level and we shouldn't be facing year-over-year headwinds. We've looked at this a bunch of different ways, you're asking the same questions that we've asked the team a dozen times and we feel good about that. And it's largely calibrated, in terms of how I just described it.

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

Joel Jackson
Analyst, BMO Capital Markets Corp. (Canada)

Q

Hi, good morning. Thanks for doing the call. Luke, you talked very strongly in your prepared remarks, I believe maybe some of the Q&A answers too, about needing to address Brazil, needing to address cost infrastructure. Can you – I understand you're just starting to engage third parties, but can you give us a flavor of some of the things that you're thinking about to give us an idea of what you can do over the next year or two to address the things you're talking about? Thanks.

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. So I'll tell you, as of right now, we've got a hiring freeze. So we're not hiring new people. We've got a spending- we've tightened down SG&A spending. You can see that in the third quarter. We are looking to prioritize projects. Rather than apply 80% of the cost and spreading that across all the projects, what we're doing is some of the projects that we have, for instance, in R&D, we're going to slow down for a year. We're going to take a year off. We're going to put them on the shelf. And then we're going to really focus on the ones so that our spending is focused and delivers the biggest bang for our bucks in that short period of time. So we're making priority decisions.

As you look longer term, the way in which we work, this infrastructure has to change. We need to simplify our processes. We need to stop doing some things. And we need to work our processes just with a white sheet of paper and change the way that we think about doing it. Once we do that and simplify it, we can put technology

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and AI on the top of it to further drive our costs down to further gain better insights. So it's not going to happen in a quarter. That's something that – that transformation is going to take place over the next four to six to eight quarters. But I also know I've got costs that I've got to go look at for this- for the fourth quarter as well as for early next year. And we've got- we're in process to looking at that, and we'll share more about that with you at our next earnings call.

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

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning. Luke, on acetochlor, any more color on your US strategy going forward? I know Brazil is just a tough market, but maybe it is -- there's a path forward for US acetochlor? Thank you.

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. I think you could see that the US, we took a big hit in the quarter and our acetochlor volumes were fine. If you looked at that we're very competitive in the market. We'll continue to be competitive in the market. Our price in the US on acetochlor is as good as anybody's. So we're- I don't – I'm not worried about our strategy long-term for acetochlor. We've got the volume. We'll have programs with our dealers where there's a demand, we'll be able to do- we'll be able to sell through on that. And we've got other products and new products in the pipeline that we'll be able to package with acetochlor to give us a real competitive package for growers that I think the distribution is going to like.

So I think they've got a good strategy there. But we're managing through the lifecycle of that product. That's been a product that's been around for a long time. And we've got to manage through that cycle. So I feel good about where we are with that. I also think that in North America, you can look at what they did in the third quarter. They overcame that and still were able to grow their market. So I feel good about where we are in North America.

I actually feel good about where we are everywhere in the world and the methods that they're using, the products they're doing, their interaction with growers, the new product growth that we're seeing everywhere in the world, we got a problem in Brazil that we got to fix. So I'm not- that is going to be my focus. What do we do in Brazil? How do we get more effective down there? How do we get more efficient so that we can be in what is a very important agricultural market and at the same time make money and the profitability that we and our stakeholders expect us to make in that country.

Operator: Your next question comes from the line of Matthew DeYoe with Bank of America. Your line is open, Matthew. Please go ahead.

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

Look, Luke, I mean, everyone at Corteva is obviously focused on growth. And I don't want to seem reactionary, but like simplistically, is Brazil a market you need to compete in longer term? And I know normalized revenue basis, is a big volume market, but from like a return on capital time cash conversion, is it worth it? Some of your broader ag peers are saying maybe it's not. And maybe that's too much. Or is it- would you fast-track just product exit? You mentioned five key products there causing a lot of headwinds, but do you have to be there in that capacity?

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Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. So I think that is the very question that I've asked. Okay? Let's be clear. I'm not going to do anything if we can't make money. We're not. We're in the business of making money. We're in the business of growth. We're in the business of delivering returns for our shareholders. And if we can't do something toward that goal, we're not going to do it.

Now, one of the issues that you have to face on that is you got to look at all the data. That is a big volume country for herbicides and crop protection products. If you are out of that product and you don't have that volume, what does that do to your cost in other areas of the world for those similar products? And are you competitive? Now, so then you go down a step. It's okay, well, if you need to be in that country for a whole lot of reasons, do we have the right structure in place? Do we need the infrastructure that we have down there? Is there another way to go to market? Do we go – we go direct, we go to co-ops, we go through distribution? Do we need all of that? What is the right approach? What's the right sales approach?

So the question that you just asked me has been asked of the team. Okay? And we have to go in and look at it in a methodical way, not get emotional, not be reactionary, and pull all that data apart so that we understand If we push the balloon over here, where does it pop out over there and how do we do that? But I want you to have the confidence that we are leaving no stone unturned in that market and any other market.

Operator: Your next question comes from the line of Kristen Owen with Oppenheimer. Your line is open, Kristen. Please go ahead.

Kristen Owen
Analyst, Oppenheimer & Co., Inc.

Q

Hi, good morning. Thank you for the question. Maybe help me with what's happening on the biologicals side? I think I can understand a lot of the channel dynamics happening with traditional crop chem, but I tend to think about this being a product line where you don't get a lot of that destock-restock. So can you maybe walk us through if there was some knock-on effect that impacted biologicals, or just some additional color there would be helpful. Thank you.

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah, let me start it real high, and then I'll turn it over here to Jeff and Brooke. But first of all, a disproportionate portion of our biologicals was in Brazil. So when Brazil takes the hit that it did, biologicals take a similar hit at a high, high level. And then Jeff or Brooke, one of you all.

Jeff Rudolph
Chief Financial Officer, Corteva, Inc.

A

Yeah. Hey, Kristen. You're right. I mean, when you look at the numbers in the quarter, obviously, volumes were down and they were also down year-to-date. And as Luke said, it's really the Brazil issue. And as you recall with the acquisitions we did a few years ago to really establish ourselves as a market leader in this space, we have a large concentration to the Latin America market. Which is a good thing because it's where we're seeing some of the best adoption rates in the industry. But what it does is it exposes us to market dislocations that we're experiencing right now across the industry.

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So when we see sellout or POG slowing down versus last year, it's going to impact our volumes too. So everything kind of slows down. So we have some timing, but certainly biologicals are not immune to the market forces. So you have a lot of considerations at the farm level around investment choices. And this may be a nice-to-have versus a need-to-have in some cases. But this is where differentiation really comes in, and we have products like Utrisha that has established itself pretty strongly across many crops in that market, and we're seeing really good growth. And it's part of our growth expectations for that business going forward, especially in Brazil, and generally has strong margins to it. So there's flexibility in that business. But right now the volume issue, again, is tied to this Brazil dynamic that we're managing through. I wouldn't say it's necessarily a destocking issue, but it's more of a slowdown in demand versus our expectations, just given where that market is.

And you'll see in our year-to-date numbers, there's a North America headwind. I wouldn't get too caught up in that. It's a smaller part of our business. It's obviously an important area for us to grow, especially as we see some of the newer technology we have coming out, Utrisha being part of that. But again, it's a small part of our business. I wouldn't get too hung up on the volume. So we're really talking about a Brazil issue.

Operator: Your next question comes from the line of Patrick Cunningham with Citi. Your line is open, Patrick. Please go ahead.

Patrick Cunningham
Analyst, Citigroup Global Markets, Inc.

Q

Hi, good morning. Thanks for taking my question. Maybe just to follow up on Matt's previous question. As you think about actives approaching off-patent, do you see the sustainability of peak revenue being a much shorter time cycle than it has been in the past? And do you see the balance shifting towards discontinuing and divesting products versus where you're deciding to defend against generics through lower unit cost and adjusting pricing?

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. I think that you have to look at that because the day, if you've got any volume at all, the day after the patent expires, the generics are going to be there. There's excess capacity from a production standpoint in low-cost countries that are going to be ready to come in. So, you've got to be ready in a shorter period of time. You don't have a tail anymore after that patent expires. So you've got to find intuitive ways to manage that life cycle, how it relates to mixtures or blends or things like that that a pure active ingredient doesn't have. So you've got to come with the formulations and to drive the value for the grower, and that's what we'll do.

I think also the ability to blend that with a package with something from our microbial platform or something from our biologicals platform as we bring those together will give us the opportunity to do that. But we've got to execute, and we're going to have a shorter window to execute, which means we've got to drive our costs down even further. Not only the further the cost down of operating, but how long it takes us and the cost of bringing that molecule to the market. We've got to shorten the time and reduce the cost. So again, that means we're going to have to stop doing some things that we've been doing. And we can't let perfect get in the way of really good. And that's what we're going to have to do. That's part of what the transformation work I hope is going to identify. But you hit the nail on the head. Shorter window of time to get those profits out of there. So you've got to drive your costs down to improve your ROI. And you've got to use lifecycle management with our entire portfolio to extend that as long as we can.

Operator: Your next question comes from the line of Lucas Beaumont with UBS. Your line is open, Lucas. Please go ahead.

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Lucas Beaumont
Analyst, UBS Securities LLC

Q

Thank you. Good morning. So I just kind of wanted to think about what the reduced second half outlook here means as we head into next year. Volume growth has come in softer, pricing down, high single digits exiting the year. I mean, that probably seems to imply that we're going to see continued pricing pressure into next year now, at least low single digits. Maybe we'll recover a little bit of that on the cost side, I guess, if raw materials are better or lower as a bit of an offset. But I mean unless you're expecting much stronger volume growth somewhere, I mean, it seems like flat to up low single digits on EBITDA now would probably be a win into 2027. So that would be pointing to something only in like the $1.11 billion to $1.15 billion range. Is that the right way to frame the setup, or could you kind of talk us through anything we're missing there? Thanks.

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. So there are a lot of give and takes. And I believe we will grow in 2027. That's what I believe. Some of it's going to be cost, some of it's going to be volume. And I will see- we'll see a little bit of Brazil in the first quarter as they go through the end of their growing season. So, but I expect Brazil from a year-over-year comparison in 2027 over the second half ought to be a little better than they are in 2026. Because remember, we're having a little extra downside in Brazil because of the level of inventory that we had in the channel. So assuming we get the inventory where it ought to be by year-end, by the end of their growing season, we ought to be in a good spot to be able to recover some of that in 2027. So that's the goal. So I think we will be able to grow the business in 2027, but I need to see all the roll-ups. We need to see what cost actions we can take. And we will share that with you in February when we do our fourth quarter earnings call. But I do expect us to grow in 2027.

Jeff Rudolph
Chief Financial Officer, Corteva, Inc.

A

And maybe, Lucas, on pricing specifically. So if you think about the updated full-year guide, it's going to say pricing is in that down mid to high single-digit range now for the business, given some of these pressures that we had talked about. And aligned with Luke's comments, 80% of that is the US acetochlor issue and these five molecules in Brazil that we're talking about. So you got to feel that we're better positioned in the market given how those prices have come down this year. So it would have to be a real step change in terms of other competitor aggressive action to bring down competing technology, and that's not our expectation right now.

So then the next question is, what are generics doing. And over the past year plus, we've seen steady decline in prices coming out of China for generic molecules. As we're sitting here today, I never want to say the tides have turned, but we are saying, I'll call it selective stabilization. And some of that is raw material driven, et cetera. So, obviously, pricing in Brazil are still the uncertainties we're watching. But when you think about where we face pressure this year more disproportionately and greater risk coming out of maybe generics, generally speaking, out of China, I think we've covered some of that in the comments we've made, but I just want to give that context.

Operator: Your next question comes from the line of Frank Mitsch with Fermium Research. Your line is open, Frank. Please go ahead.

Frank J. Mitsch
Analyst, Fermium Research

Q

Thank you and good morning. During the prepared remarks, you mentioned that you're going to- you're on track to year-end cash position of $1.5 billion. Now, you're at $1.8 billion cash at the end of the third quarter. I'm

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assuming that that $1.5 billion end of year that you're on track for is a net cash position? And just in general, what your free cash flow expectations are for 4Q and for 2027? Thank you.

Jeff Rudolph
Chief Financial Officer, Corteva, Inc.

A

Hey, Frank, it's Jeff. So you're right, we finished the quarter, on a pro forma basis, around $1.8 billion of cash. We expect still to be close to about $1.5 billion in terms of our cash position by the end of the year. So that's not net cash, I'm just talking cash. And you can see the debt levels we have in our schedules. It's aligned to call it around $1 billion of financial debt that we're targeting by year-end, and we're kind of close there today. So how we go from where we are today to year-end, obviously, it would say we're going to have a use of cash in the fourth quarter.

Historically speaking, this business has generated a modest amount of cash in the fourth quarter. You know what, there's a few things going on in our results that's causing a use of cash. One, is we have a lower level of prepayment and early pay coming in North America in the fourth quarter, call it between $100 million and $150 million lower than last year. So that's causing a headwind. And that was done at our discretion. We were rightsizing just to let that level coming in based on affordability levels. So no concern or pause there. We're controlling that based on where we see the right level for the business and for where we are.

We're going to have higher AR, obviously, just with the timing of some of our sales. So that's going to be a slight headwind. So from a cash flow from operations, you can expect a use of cash in the fourth quarter. Our CapEx is generally going to be aligned to what we said on a run rate basis in our September comments, around $200 million a year. So call it on an underlying basis about $50 million of CapEx just from the run and maintain. Now, there's some lingering CapEx we have for the separation that will come through, but not meaningful, that will take that number up slightly. And we obviously have to pay our dividend. So feel good about how we're tracking towards that $1.5 billion. And the teams are executing well. I'm encouraged by how we finished third quarter on managing working capital. All things considered.

So what does that mean for 2027? This business should still generate cash flow conversion aligned with what we had said at Investor Day. And what we feel good about is that there's still opportunity to drive working capital efficiency. Now, I'm not going to commit anything today. Obviously, we want to see how the year finishes and how some of these key markets play out. But there's opportunity because we're at higher levels on a DSO basis. There's more opportunity to work with Ralph and team on driving our inventory levels. So there's levers there we can pull, but let's continue to navigate some of this competitive dynamic we're facing in the market that is driving some of our AR. But overall, the cash conversion of this business should be fairly aligned to how we've talked about it up to this point.

Operator: Your next question comes from the line of Edlain Rodriguez with Mizuho. Your line is open, Edlain. Please go ahead.

Edlain Rodriguez
Analyst, Mizuho Securities USA LLC

Q

Thank you. Good morning, everyone. I mean, look, as you go into your financial framework for the next three years, like you had a component in there for share repurchase. Can you tell us like what you think- what are you thinking about in terms of that? Like the pace, like, yes, what's your thinking in terms of share repurchase for next year and, yeah, within that three-year period?

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Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. So I think obviously at this price, I'm very interested in buying back stock. And I think that'll be as good a return as any that we're going to get for our use of cash. We've got an outstanding authorization to buy back stock. And what I have in the fourth quarter is the structure of the spin and the representations made in connection with that separation from a tax standpoint create certain near-term capital allocation constraints for me where I just don't have the ability to buy back in the fourth quarter. But buybacks will certainly be a part of our 2027 cash deployment priorities.

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

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my question. Most of my questions have been answered. But I guess maybe I can just ask on maybe some partnership opportunities. I know that there's been fungicide opportunities on that side. How does that kind of contribute to your 2027 and 2028 outlook? Are there other opportunities outside of Fluindapyr, or what else should we expecting on that side? Thanks.

Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

So, yeah, I think longer term, we're going to look at ways we can work together with universities, startups, competitors to have the technology so that we can share those products and bring them to the market sooner at a lower cost than we can. And we'll look at other deals like we have with Rimisoxafen that will obviously be another opportunity there and opportunities that we have like that will do.

Having anything come to bear in 2027 or 2028 is a little tough. Those are longer-term deals. But strategically, when we look at how we transform and what our transformation office – that's something that we'll certainly be looking at and opportunities for ways to go. I'm pretty clear at Investor Day and everybody I've talked to, we're open for business. So, anybody who has got an opportunity out there that – and maybe we have products that just don't quite make the cut for us for what we want to do, and we're going to look to license those because we've got a great portfolio. We're going to license things that aren't as meaningful for us but may be meaningful for other people. And they may be able to have a better go at it than we will. So we're going to look at ways that we can take any step necessary to reduce our costs and increase our bottom line.

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

Benjamin M. Theurer
Analyst, Barclays Capital Casa de Bolsa SA de CV

Q

Yeah, good morning, and thanks for taking my question. I was wondering if we could talk a little bit about some of the drivers that you've laid out about two months ago as it relates to, like, cost improvements, et cetera. Are there any other ways or other areas where you're looking at, aside from improvement in productivity, maybe on the sales side, whatever, reviewing the Brazil. Just anything where you think either within COGS or within SG&A that you see opportunity to take cost out of the system? Thank you.

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Luke C. Kissam
Chief Executive Officer & Director, Corteva, Inc.

A

Yeah, everything's on the table. I don't really know how else to say it. We're looking at COGS everywhere we can. Are we producing as effectively and efficiently as we can? Are we producing in the right places? Are we formulating in the right places? Do we have the right logistical channels to get to where we need to be? Are there certain countries? Are there certain products that we just need to overall exit that don't make sense? Is the infrastructure that we have in the country effective, enough, or do we need to either add to it, or do we just need to switch and sell straight through distribution, not have sales on the ground? How are we going to compete whenever we have a biological or a differentiated product versus a commodity chemical that we're selling here. It can't do the same. So what are the different routes that we have to market? What are we in the back office? Where are we less efficient than we should be? What are things that we've done in the past that we really don't- is nice to have, but not something that we have to absolutely have in order to do it? So, look, if you're not making it, and you're not selling it, we're looking to see what we need to do to reduce our costs.

Operator: Your next question comes from the line of Salvator Tiano with KeyBanc Capital Markets. Your line is open, Salvator. Please go ahead. As a reminder, please unmute your device locally before asking a question.

Salvator Tiano
Analyst, KeyBanc Capital Markets, Inc.

Q

Can you hear me now?

Operator: Yes.

Salvator Tiano
Analyst, KeyBanc Capital Markets, Inc.

Q

Perfect. I just want to ask a couple of things about your financials. So firstly, on Q4, obviously, you have the implied guidance and you have also the implied revenue, I guess, which should be around $2 billion, $2.1 billion. That's just a low, mid-single-digit decline year-on-year. So it implies 7%, 8%, 9% maximum EBITDA margin in Q4. So obviously understandable that there's pressure in Brazil, but how do we reconcile that actually sales are not really declining substantially? They're actually- the sales decline is decelerating versus Q3, yet you're seeing that 50% EBITDA.

And secondly, can you clarify a little bit your cash position? You were at $1.8 billion in Q3, but the pro forma Q2 results were at $3.1 billion cash. And at least from what we've seen now with the pro forma balance sheet, it looks like your working capital is pretty much the same. It looks like the only thing you've paid down is $400 million in pension. So where did the other $800 million in cash go in Q3?

Jeff Rudolph
Chief Financial Officer, Corteva, Inc.

A

Thanks, Sal. It's Jeff. So, on Q4, with our updated- our guide for the year, it would imply a Q4 that's around, call it, $2 billion of revenue, which would be on a pro forma basis down year-over-year. And it's 100% price. And volumes, I would say, are expected to be generally flat year-over-year in the fourth quarter. So pricing is really the main driver. So what that means is we've got pricing in the fourth quarter that's implied to be down high single digits. So when prices are down that level, you're going to have a disproportionate impact to your EBITDA and your EBITDA margin. And that's why we're seeing that step change in terms of our implied guide for fourth

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quarter, and why the margin is more impacted than you might expect just from a normal price and volume relationship. So hopefully that makes sense.

On cash, I don't want to get too much into the pro forma of Q2 to Q3. There's a lot of moving parts in terms of just how the financing was executed for the two companies and the separation. We can certainly go through that in more details with the IR team and refer you to our SEC filings where we've tried to lay that out as best as we can. But in terms of where we are today, we're at $1.8 billion of cash at the end of the quarter, and we're on a path to the $1.5 billion that we committed to as part of our Investor Day. And I'm confident that we've got good control around our working capital. Teams are exercising good discipline there. We saw it in our third quarter results, and looking forward to showing you more details on that.

Now, you have to appreciate with the separation and pro forma results, cash flow is one of the most impacted areas in terms of complexity, in balance sheet. So we're going to have to work through this here as we go quarter-to-quarter, but we're focused on the level of cash we're going to deliver at the year-end, and we feel good about the path we're on.

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

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Thanks very much. Do you have other problematic molecules that will come off patent over the coming two years that are not part of the handful of molecules that you're talking about now? And secondly, were there negative weather effects in the quarter that affected your EBITDA globally?

Luke C. Kissam

Chief Executive Officer & Director, Corteva, Inc.

A

Yeah. So there's nothing major that comes off in two years within- by the end of 2028, Jeff. We have some that come off in the early 2030s, but we've got new products that we're launching in 2028 and then some in the early 2030s too. So again, we're going to have to balance – we're going to have to launch the ones that we're bringing on effectively, and we're going to have to manage the down cycle of some of them that will be coming off, coming off that patent protection. Okay?

The weather, El Niño had an impact in Brazil, Europe was drier, and Southeast Asia was- had some weather issues. But all that stuff we would overcome. I mean, it didn't cause us where we are, but it all caused us to overcome, and we could – we would have dealt with that within the quarter without any problem.

Operator: We have reached the end of the Q&A session. I will now turn the call back to Rafa Soares for closing remarks.

Rafael Soares

Vice President, Investor Relations and Financial Planning & Analysis, Corteva, Inc.

Thank you for your interest in Corteva. Be safe.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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