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PRESENTATION

Richard Downey - *Nutrien Ltd. - VP of Investor & Corporate Relations*

Well, thank you all for joining us today. And we have a group of people listening on the webcast. My name is Richard Downey, I'm in charge of Investor and Corporate Relations for Nutrien, and I want to welcome you all to Nutrien's first Investor Day. I'm going to have -- I have a couple of safety announcements. Nutrien is a company that's focused on safety above all else. So for those in the room here with us today, emergency evacuation is take the stairwell out to the north wall in Queen's Park Ballroom. That's the left of the stage. Muster point is on Simcoe Street near Rabba Fine Foods. You have an exit out of the north side of the hotel by Simcoe Street. Washrooms are located to the right of the registration table at the backdoor there. Designated smoking areas is -- nearest smoking area is on the front drive, south side of port cochère. And cell phone use reminder, everyone if you could just set your cellphones off or to vibrate, and if you have to take a call, please step outside while the presentations are going on. So with those announcements, I would just remind you, you've got in your booklets, the forward-looking statements, that's Nutrien's



forward-looking statements. And I'd like to take the opportunity now to have Chuck start off the day with a high-level strategy overview for the company. Chuck?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Thanks, Richard. Good morning, everyone. It's great to see a full house here today. And hello for those that are dialed into our webcast. Thanks for joining our first Investor Day as Nutrien. I fully accept that this is a large time commitment for all of you and we believe that we shouldn't have these unless we have something important to say. So today after 17 months of working through the merger, the management team and the Board of Directors now feel we know the full potential of the company and we can see it actually unfolding right before our eyes. There is still some moving parts, but we're going to share with you our latest thinking around the 5-year potential for the company. I do want to start by saying no matter what market conditions we're facing -- and in agriculture, as you all know, no 2 seasons are the same, we believe that Nutrien is the best positioned company to create long-term value. We have significant leverage to the upside of the cycle, the financial strength and stability to allocate capital more effectively than any of our peers, and there is significant downside protection because we are less volatile than most of the industry. So here is today's agenda. You're going to hear from our business leaders this morning. Mike Frank, Susan Jones and Raef Sully, who will talk about the plans and objectives that they have for each of their business units. We're going to show you a demonstration today of our digital platform for retail. It's part of our multi-year journey to become the ag retailer of the future. And then Pedro Farah, our new CFO, he'll close up the day with the long-term financial outlook and how we plan to deliver long-term value. Now before dedicating the day to our long-term plans and investments, let me quickly give you an update as to what we're seeing in the markets today, along with a bit of a longer-term outlook.

It's been 3 weeks since we released our first quarter earnings. The weather has improved in some areas, but has remained challenging in many others. The planting rates have improved, but are still well behind the 5-year average. While it is likely that some corn acres will go unplanted, there remain strong conviction with growers to plant corn. So we'll have to wait and see what happens. The good news is crop prices have firmed over the past few weeks, and the recent U.S. government announcement around farmer aid packages are really going to help farmer economics, especially in the United States in 2019. Fertilizer prices are firm and holding in most major markets. So overall, we expect a solid year and a solid first half. And we are holding our guidance ranges that we provided to you in the first quarter. However, some earnings could move from June to July, especially in retail because of the planting and how late it is. And if we do see significant acres shift from corn to soybeans or not get planted, then we will trend to the bottom end of our first half guidance range. The longer-term outlook, the fundamentals look very good. And for the financial plan that we show you this morning, we are expecting crop prices to improve, but only modestly, with grower economics also improving slightly, and stable to higher fertilizer prices as supply-demand fundamentals continue to tighten over the 5-year window that we're going to talk to you about today. So with that market update, let's talk about the future of Nutrien and the prospects going forward.

Today, there are 3 key messages we would like to leave you with. Nutrien is the best positioned company in the ag sector. We have created a leading integrated platform that has unique competitive advantages and we have a focused strategy to deliver shareholder value through the cycle. And I'll touch on each of these in a little bit more depth in the next 15 minutes or so. We believe Nutrien is the best positioned company in the ag sector. Why? 2 reasons. Our position in the ag value chain and our integrated business model. It starts with our direct connection to the farmer. It's our people and equipment on the farm, providing independent crop advice and full agronomic solutions. That means we have more data, insight and perspective on what farmers need or will need to grow a crop. And we have the supply chain capability to bring products, services and technology to the farm quickly and at a lower cost than anyone else. The second reason we feel we are the best positioned company is our business model. We are both integrated and diversified. We are truly a one-stop shop. This allows us to still have significant leverage to improving ag fundamentals, but be more stable and resilient as the markets turn down. And when the markets do turn down, we will have the capital to allocate to create value. Importantly, we have created a proven track record of success. We take pride in delivering on what we say we're going to do. Back in January of last year, we made a commitment to deliver synergies, complete the required divestments and continue to grow the business, all while completing a very complex merger. We achieved all of this. We successfully stood up the organization. We have assembled a fit-for-purpose leadership team with extensive industry and international experience and you'll meet many of them today. We delivered \$621 million of synergies compared to the \$500 million we originally committed to and we did that in just 15 months. We completed the necessary divestments, capturing \$5.3 billion of net proceeds, above what most people thought we could deliver and we continue to deliver growth in the base business through retail acquisitions, record nitrogen and potash sales volumes. At the same time, we continue to effectively allocate capital. We funded accretive retail M&A transactions that consolidated our core markets, while bringing value to our farmer customers. We returned more capital via dividends and buybacks than any of our peers and we strengthened our balance sheet to be ready for future opportunities.



This chart shows our adjusted EBITDA since the merger. In 2017, the pro forma EBITDA was \$3 billion. 2018, the first year as Nutrien, we delivered \$3.9 billion through a combination of synergies, growth and the market fundamentals improving. Now 2019 guidance midpoint of \$4.6 billion, again, a mix of higher prices and controlling our controllables. So overall, expect a 55% increase in EBITDA since the merger started, the strength of our business model and the execution of our strategy clearly shown in these results. Let's look at the integrated network. We already have a leading integrated ag business in North America. Today, North America accounts for 80% of retail's earnings and retail makes most of its earnings in the second quarter in North America. So there is still seasonality to the retail earnings stream. The second and third quarter will always be important to North American retail business, but it would be nice to have higher earnings and cash flows in the first and fourth quarters as well, and we should see that after the Ruralco transaction is complete in Australia and as we continue to grow our South American business, our earnings and cash flow in retail will continue to diversify and smooth out, which would derisk our business over time. Also, as this platform continues to grow, we can send potash and nitrogen to different parts of the network to take advantage of seasonal premiums in the different markets, improving our overall margins. This North American and South American and Australia platform would be truly unique in our space, providing us with significant integration opportunities, reducing our volatility and risk and smoothing out overall earnings and company cash flows. So now let's talk about the specifics of what we see as the benefits for our integrated model. To us, there are 2 types of benefits, both operating and financial, with the integrated business model. Fertilizer integration is important because moving bulk commodities is very expensive. So keeping as many tonnes closer to our production facilities, that brings significant value. But this just isn't about fertilizer and retail, it also includes our Loveland proprietary products business. Loveland today is a business with \$2 billion in revenue, over 300 products, primarily in crop protection and specialty nutritional, with 12 manufacturing facilities around the world, fully integrated with our retail network to ensure optimal value creation. All of these businesses share logistics providers, warehouses and distribution infrastructure, like mobile fleets, helping us to be more efficient and have lower costs to serve our customers.

[Increased] our asset (technical difficulty) utilization rates across the board because we move more product to our retail network and that has helped us to lower our overall cost of production as well as our deliberate logistics costs. You can see that we increased total fertilizer sales to retail by almost 1 million tonnes last year alone, and we still don't have all of this fully optimized quite yet. We have seen logistics cost savings of \$12 to \$14 a tonne on the Nutrien's supplied fertilizer tonnes to retail. This is a significant advantage in any commodity business, and it is one of the reasons why we were able to exceed on our synergy targets. Now switching gears to the financial benefits of our integrated model. This simple chart explains it well. Nutrien is designed to create value throughout the cycle. The first part of this equation is just how the company is built. Around 2/3 of our earnings are levered to the fertilizer markets, which historically have been more cyclical in nature. The balance comes from retail, a business that has a proven track record of stability through the ups and downs of the market. In essence, shareholders get upside opportunity with production leverage and protection on the downside because of the stability of retail. This is truly unique in our industry. The second part comes from how we are able to deploy capital differently than our peers to deliver shareholder value. The stability of our earnings and the strength of our balance sheet allows us to invest through the cycle. This means we can have opportunistic opportunities when it comes to investing into production assets. We can invest when others don't have the capacity and that's at the bottom of the cycle, and still have the capital to invest in retail growth throughout the ups and downs of the market. We have been following this playbook for years. Just look at the merger. It's no coincidence that it happened at the bottom of the cycle, when we combined 2 large production businesses. Since then we have been allocating capital primarily to retail and returning capital to shareholders. This is how we plan to create long-term shareholder value. This morning, we announced an almost 5% increase to our dividend, the second increase since the close of the merger, and now we have taken the dividend from \$1.60 a share to \$1.80 per share on an annualized basis. Over the past 17 months, we've also repurchased more than \$3 billion of stock, because we have the confidence to do this because of the integrated model.

Okay. So let's talk about what you can expect as we continue to allocate capital in this manner and the value we expect to create. While our business plans and strategies are anchored in things we can control, like operating excellence, strategic execution and capital allocation, we have significant leverage to Nutrien prices. For every \$25 a tonne fertilizer price goes up, our EBITDA will increase by about \$650 million. The earning scenarios we will walk you through today include what we believe is a realistic view of fertilizer pricing. When you consider that we are still well below mid-cycle levels, we simply see more upside than downside, and the supply-demand fundamentals for fertilizer are improving. So for the 5-year plan, which we will share with you in just a minute, we have assumed flat to up \$25 a tonne in potash pricing over the 5-year window relative to where we ended the first quarter of this year. And for nitrogen, anywhere from flat to up to \$50 a tonne from Q1 levels. You can see that, that would still have us slightly below mid-cycle pricing levels. Now this maybe conservative. We really don't know because, as always, forecasting commodities can be tough. But what we do know is we do not need significant improvements in fertilizer price to drive shareholder value. Let's have a look. This is the first 5-year plan we have built for Nutrien. We believe it is clear and a very simple plan. Each business has line of sight to its key objective and you'll



hear from those leaders today, but I'd like to walk you through the big picture and how it all fits together to create value over the next 5 years and beyond. So here we go. By the end of 2023, with our current view of the markets and our strategic priorities, we see a pathway to grow our EBITDA from \$3.9 billion in 2018 to about \$6.5 billion in 2023. You can see the full range of the numbers outlaid for on the chart. This equates to almost a 70% increase from 2018 or about \$2.6 billion of EBITDA growth. That's about 10% compounded annually. Now this increase comes from a combination of what we can control and market prices. We believe we can grow our earnings by 45% to 50% with management actions only, so independent of market prices. Things like growing retail, optimizing across -- our costs across all 3 business units, brownfield expansions and further integration opportunities across the network. Fertilizer prices could add another \$700 million to \$1 billion of EBITDA or 20% to 25% to the overall earnings growth in this period. Now in every plan, there are assumptions. There are 3 that I would like to mention this morning. First, farmer economics. Our view is that margins for growers will expand slightly over this outlook window. For example, by 2023, corn prices are between \$4 and \$4.50 a bushel, similar to where they are today. Fertilizer demand continues to grow at the long-term historical average. For potash, that's between 2.6% and 3%. In nitrogen and phosphate, that's around 2%. And finally, the third assumption, long-term demand for grains and oilseeds remain steady, like we've seen for decades. So a few high-level comments on each of the businesses. In retail, strategically, we want to consolidate and digitize the industry, while growing our market share in our core markets. In order to do that, we plan to allocate more capital to retail than it will actually generate in this period to deliver on the strategy, but we believe that this will have long-term shareholder benefits. So by 2023, retail EBITDA will be between \$1.8 billion and \$2 billion, up nearly 60%. And retail will be about 1/3 of our total Nutrien EBITDA. But retail will not only be bigger, it will be better. And Mike Frank, our CEO of the retail business, will discuss that in just a minute. In potash, strategically, we plan to fortify our industry-leading position by further network optimization and cost reductions. We do plan to sell some of our excess 5 million tonnes that we have today as the market needs it. And we are preparing to add low-cost incremental brownfield capacity over the next decade. By 2023, we expect potash EBITDA will be between \$2.3 billion and \$2.7 billion, up around 60%, with cash cost of somewhere between \$50 and \$55 per tonne across the network. In nitrogen and phosphate, we plan to continue to optimize our network from the merger, leverage our retail integration and work towards optimizing our product mix and energy consumption. We plan to grow our nitrogen sales volumes by almost 1 million tonnes by 2023 through new projects and improved efficiencies. By 2023, we expect nitrogen and phosphate EBITDA will be between \$1.9 billion with flat pricing, and up to \$2.6 billion with increased market prices. So here is the high-level capital allocation plan for Nutrien. In the next 5 years, we expect to generate between \$22 billion and \$25 billion of cash from operations, depending on the price of fertilizer, and we expect about \$4 billion in 2019 alone. We will invest about \$6 billion in maintaining our existing and our growing asset base over that period of time, so about \$1.2 billion per year. After sustaining capital and supporting our existing dividend at the level we announced today, we believe we have about \$11 billion to \$14 billion to invest in the business and return to shareholders over the next 5 years. About half of that amount, or \$5 billion to \$6 billion, will be invested back into the business, primarily in retail, and the remaining capital of \$6 billion to \$8 billion is unallocated today. We will assess the best use of the capital over time, certainly, some of the capital will be returned to shareholders in the form of higher dividends and buybacks, like our track record has already shown. So this is our current thinking today. For investors, I would consider this to be a high-level framework and not a definitive commitment, because the Board and the management team obviously need the flexibility to adjust our plans as market conditions change and opportunities present themselves.

So to wrap up my opening comments, a few takeaways. With modest market set of assumptions, farmer economics improving only slightly, fertilizer pricing increasing, but staying below the mid-cycle levels, the company has the ability to generate very significant cash flows. We have used the same capital allocation playbook for years and it has proven to create value throughout the cycle. Today, we believe we have some fantastic investment options in our core businesses, which you will hear about, and even after that, we have significant unallocated capital which can be returned to shareholders over time. All of this is possible because of the people, the assets and the business model we have created from the merger.

So now I'll turn it over to Mike Frank to talk a little bit about the retail plan.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes, good. All right. Thank you, Chuck, and good morning. So this morning, I'm going to walk through our strategy to build the ag retailer of the future, how we're going to bring new and unprecedented value to our customers and building Nutrien Ag Solutions into a larger, more efficient and more profitable retail business. What you'll hear from me is that ag retail is changing and Nutrien Ag Solutions is leading the way. So I'll discuss the macro market very briefly, because mostly I want to focus, as Chuck talked about, on what's in our control.

I'll show you how we're going to become more efficient, how we're going to better serve our customers, lead the digital, and, finally, how we'll consolidate the industry, all in a highly value creating strategy that will benefit our customers and our shareowners.

So we believe we're at the bottom of the ag cycle in the U.S. and the last 3 years has been challenging for our customers and everyone that serves them. But despite that, we've been resilient and have seen our EBITDA margins increase in 4 of the past 5 years. We do anticipate some recovery in the next 5 years, as Chuck mentioned. And when corn is over \$4 a bushel, that leads to grower strategies, where they're not just trying to minimize risk, but they're back in the economics of trying to maximize yields and maximize profitability. I think this is a great chart that really shows how over the cycle of corn prices, our business continues to grow. And when you look at this chart, you'll see that over the last 8 years, we've proven we can successfully grow our retail business in good years and bad years for commodity prices. And our success at growing EBITDA margins in the past several years really does show the strength and resiliency of our retail business. So we're talking about the ag retailer of the future. So on the next several slides, I'll show you what this is, how we'll transform the ag retail industry and, finally, why we are uniquely able to this change and why it matters to our customers and our shareowners. So we are transforming ag retail through scale, efficiency, digital leadership and whole-acre solution selling. And this change will take investment and it will take focused execution. We expect to invest \$4 billion to \$5 billion in our retail business over the next 5 years. And we have 4 key focus areas where we will invest our capital dollars, and the rest of my presentation will build out these 4 focus areas. Firstly, we're going to continue to consolidate the retail industry. This is where the majority of our investment will go, likely over 80% of it. And our focus, as Chuck mentioned, is in the Americas and also Australia. At the country level, our focus is really in the U.S. and Brazil. Secondly, we will build the leading digital ag retail platform, where it's really the combination of our local agronomist and the digital platform that will drive grower value and increase our business with them. Thirdly, we will drive organic growth and increase our network efficiency. And finally we will enhance our proprietary products offering through innovation, collaboration and focused acquisitions. Today, our retail competitors are operating in the 1980s model of ag retail. In fact, most co-ops and independents don't have the resources or scale to make the investments needed to serve the growers of today or the future. And that's why our leadership in these 4 areas will also become a catalyst for further consolidation.

So the grower of the future will have new demands. And in fact we are already hearing this from large growers today. They will expect an even more robust and responsive and efficient supply chain, a supply chain that is both local for in-season service and also global in scale for product portfolio. They will also expect a digital experience that allows one-stop shopping, from price discovery to agronomic tools and connectivity with local agronomist. And they will expect a seamless omnichannel, that allows them to do business where, when and how they want. But more than anything, and this is our most important point of differentiation, they want someone that can bring this all together in 1 holistic approach, an integrated solutions offering, including products, services, digital, finance offerings and dealing with people that they know and trust. Growers want whole-acre solutions to minimize risk and optimize their outcomes. This integrated customer experience is what growers will expect from their ag retailer, and this is where Nutrien Ag Solutions is going. Let me break it down into those 4 buckets I mentioned previously, starting with our plans on driving organic growth. So over the next 5 years, we will invest in foundational capabilities to drive organic growth. And our investments will be focused on digital, supply chain, marketing excellence and Nutrien financial. And we expect this investment will translate into a 2% to 3% organic growth CAGR between 2018 and 2023. So let me dive deeper into each of the specific areas. So the first is digital. And I'll get into much more detail in our digital presentation, which is just to tee it up, we have 3 pillars in our digital strategy: crop planning; digital agronomy; and omnichannel. And omnichannel is e-commerce and a whole lot more. So we are leading the industry today and we're making significant strides in the tools that we're now offering our farmers and our agronomists. And you will see in much more detail in the presentation just following this, where we'll dive deep into digital, and we'll also show you a video, so you can see exactly how it works today. Let me move to supply chain. We have the largest supply chain in global inputs agriculture, bar none. Our network and capabilities are second to no one, but our model in the past has been to optimize the supply chain at the local branch level. And other than purchasing power, we haven't truly leveraged the size and scale of our supply chain. So in the past 12 months, we have stood up a new central supply chain team and we're now looking at all of our assets, our inventory, our logistics, across the entire network and we have found significant opportunities, from procurement to transportation, distribution and warehousing. We believe there's significant margin opportunity here, but this will take some time, but we've gotten started. Let me just give you 2 examples. So now in 2019, we have set up 18 distribution centers across our business in North America, so that we can reduce the inventory that we're holding at the branch level. This will help us increase turns, lower overall inventories and also reduce obsolescence. A second example is that we've now completely centralized our supplier purchasing. We started this year with over 800 crop protection suppliers. Today, we have 650, and by the end of the year, we expect to be down to 500. These are just 2 examples of how we've gotten started. There's significant opportunity to create a more efficient and leaner supply chain. And to do this successfully, we really believe you need to have scale, resources and focus, and, uniquely, we have all 3. Let me move now to marketing. As a retailer, we're great at selling, but, historically, we haven't developed our marketing excellence. So we've now created a central capability and we're using analytics and data science to improve our pricing effectiveness, our portfolio



management and SKU management, and, ultimately, our solution selling and our whole-acre solutions. We are now mining our vast customer data to bring analytics and tools to reduce churn, to focus our sales team on the highest customer opportunities, and, ultimately, engaging our customers uniquely and individually, based on their own needs and the key attributes that they're trying to sell for.

So look, we'll continue to be a great sales organization, but we've now added marketing discipline, and this will help us grow customer share, satisfaction and grow our margins. And finally on the organic growth area, we are building a captive lending unit within the Nutrien company, Nutrien Financial. And our objective is to professionalize and scale our grower lending for inputs that they purchase from us. Based on our pilot over the last 2 years, we know the strategy creates the opportunity to increase our share of wallet with our key customers and also add value to Nutrien.

So over the years, we've built our retail business largely through M&A and we believe there continues to be a significant consolidation opportunity in the industry. Going forward, we are targeting an average of \$100 million of acquired EBITDA per year through accretive acquisitions. The last 12 months has proven this opportunity, with 26 acquisitions closed and \$55 million of year 1 EBITDA, which doesn't include Ruralco, the third largest ag retailer in Australia. We expect that deal to close in Q3 of this year, and in 2020, the EBITDA contribution from Ruralco alone should be over \$70 million. As a reminder, these tuck-in acquisitions are highly accretive as we bring in the value of our proprietary products, the overall purchasing power of Nutrien Ag Solutions and our proven business model. Our acquisition focus will be dialed in on our core geographies: the U.S.; Canada; Australia; and Argentina. And as we've been saying for a while, we will also now target Brazil. However, the vast majority of our activity and investments will be in the U.S. The U.S. is a \$40 billion ag inputs retail market, and it's still highly fragmented and it's where we also have our highest EBITDA margins. So in the U.S., we are targeting to have 25% to 30% market share by our 2023 5-year plan time frame.

In Brazil today, our presence is small, but we have proven our model of full-service retail to growers that farm in that 100 to 2,500 hectare size area, and we will target approximately \$1 billion of investment in Brazil in our 5-year plan. The current market for high service retail and specialty nutrition is approximately \$7.5 billion. And so that's the addressable market that we're targeting in our 5-year window. And lastly, our proprietary products portfolio differentiates our product offerings. They solve real grower problems and they enhance margins. We've continually increased the percent of gross margin from our proprietary products and we believe that the runway continues. At the end of the 5-year plan, we see our percent of gross margin from proprietary at 29%. Some of this will come from increased penetration from our existing portfolio and some will come from continued strategic acquisitions, like the Actagro acquisition earlier this year. This reason -- this part of our business is also critical because it really drives synergies on acquisitions and it gives us unique differentiation and value creating opportunities in front of our customers.

Our proprietary products are often combined in the tank with branded products, along with our services, that really create those whole-acre solutions. So the final section brings us all together into our financial metrics. So here are the new retail metrics for the 5-year window from 2018 to 2023.

Firstly, EBITDA margins. We will continue to focus on EBITDA margin improvement and our target by 2023 is to have, across our global network, over 10.5% EBITDA margins and over 11% in the U.S. Secondly, average noncash working capital to sales ratio. Our supply chain focus will help us reduce working capital and we have a plan to drive our working capital to sales ratio down to 17%. Thirdly, cash operating coverage ratio. Our scale gives us the opportunity to be more efficient. And even with the investments that we're making in our organic growth transformational initiatives, we believe we can reduce our cash operating coverage ratio to 59%. And fourthly, U.S. EBITDA per location. So this is a new metric. In the past, we've shown adjusted same-store sales as a proxy for organic growth. And while this may make sense in a typical consumer retail business, we don't think it's the right metric for ag retail. However, we'll continue to report adjusted same-store sales, but now we'll start reporting this new metric of EBITDA per branch, which, we believe, is a better measure of true organic growth and strength in our business. We'll back all branches that have been acquired in the past 12 months, so that it's a good quality measure. As you can see here, in 2018, our EBITDA per branch was right at \$900,000; and by 2023, we will drive this to greater than \$1.1 million per branch. Fifthly, proprietary products as a percent of total margin, which I mentioned earlier, we are targeting 29% by 2023. And finally, we've added 2 new digital metrics, which, we believe, reflect the utility and the value of our digital platform and I'll get into that here in the next presentation. So the first metric is total digital platform generated revenue at greater than 50%. So what that means is that over half of our business will be ordered online in our digital platform, and those orders can come in from growers or from our sales agronomist. Since this is an omnichannel, we're agnostic to where and how that order gets put in, but we have the fundamental belief that when that digital platform is the gateway into ordering products that, that will help increase our business. And secondly, grower engagement on the platform. And so this is growers themselves going into the platform and using it to do something -- use one of the



more important tools, like ordering products or putting the farm plan in the tool, paying bills online or using one of the digital agronomy tools. And so that's how we'll measure engagement and we see that, that greater than 65% of growers that are on the platform by 2023.

So when this all comes together, as Chuck mentioned, we are targeting \$1.9 billion of EBITDA in our retail business by 2023. And depending on both commodity prices and the level of M&A activity, we would range bound 2023 from \$1.8 billion to \$2 billion of EBITDA. But hope you can see that our strategy is clear. We are building the ag retailer of the future, which will serve farmers of today and tomorrow, and we are uniquely positioned, because of our scale and resources, to consolidate and professionalize ag retail. We have a winning strategy and a winning team. So with that, let me transition into a focused presentation on our digital platform. So this presentation is going to be a little bit of a show and tell. I'll show you where we are today with our digital platform and where we're going, and then we'll run a video that will help you see exactly how it works.

I think what's important to note is that we are already the leading -- have the leading ag retail digital platform. No one else is close. And in fact, in 2018, we were awarded the top innovation in U.S. agriculture for our digital platform, which we launched on July 1, 2018, and since then we've added numerous features. So when you think about our position in the value chain, we have the relationship with the grower, we have the most grower data, no one else is close, and we have the ability to sell and service the whole-acre solutions for the grower. So when you think about that, I think, that you'll conclude as we have, that the digital interface with growers is most naturally owned between the retailer and the grower, not at the basic manufacturer level and not with the digital only company that had that -- really doesn't have a relationship or a supply chain at the local level. So not only that, but you'll also see that this digital interface between grower -- the grower and the trusted retail adviser, has the opportunity to make our relationship with our customers even tighter and stickier. Our digital platform will be a strong source of our organic growth going forward. So let's get started.

So this is the same wheel that I showed on the previous presentation. And this wheel, I think, really captures the complexity of farming and why we are unique in how we can simplify the complexity and bring 1 solution, 1 cohesive and holistic approach to how we serve our customers, solving their problems and being their trusted adviser and partner. And in that way, digital is both an enabler and an accelerator of all the elements of the Nutrien retail platform.

Again, this model is different than the retail model of the past, which was really selling 1 product at a time. Now we will pull together all the information, services, products, financing and agronomic advice into 1 whole-acre and whole farm solution, and the digital platform becomes the glue.

So I think it helps if we start this by really thinking like a grower. Our customers' business cycle starts with the planning window. We really believe that there's 5 separate windows over the course of the growing season as shown at the top of this slide. So the planning window, not the planting window, is where it all starts, and this happens right after harvest. So the ability to look back after harvest and review the latest information, how did each field perform, what drove yields up or down, did we select the best seed for the field, did we have the right amount of fertilizer, did we effectively control pests and diseases. And the planning window looks back, but then it looks forward. It's in this planning window that our agronomist will sit down in the office or sometimes at the kitchen table with our customers and plan the next year's game plan. So I'll be coming back to this order, but when you think about it, it starts with planning, then there's only activity right before planting, there's the planting window, then there's the in-season window where they're monitoring for pests and making sure they have the right amount of nutrients in the field and then, finally, harvest and then it repeats itself.

So our digital tools are linked together to help across each one of these windows. Our digital platform itself has 3 distinct pillars: farm planning; digital agronomy; and the omnichannel. And by connecting these 3 pillars in a seamless way, I'll show you why our customers will benefit through better decision-making, a more simplified and convenient buying experience, and a deeper relationship with our sales agronomist and with Nutrien Ag Solutions. So here is how to think about it. As I said, it all starts with the planning phase. This is where the grower and the agronomist sit down to plan each field for the next year. And over -- of course, this takes place in the farm planning tool that's now digitized. This digital tool can be preloaded with the good, better, best recommendation. We call it our bronze, silver, gold plans. And so when our agronomist is sitting down with the grower, it's already preloaded on a field-by-field basis with what the data science is suggesting that grower could or should do for the next season. But then we also, as we're sitting down, we use our digital agronomy tools to customize it even further, from seed selection, variable-rate planting, soil sampling and variable-rate fertilizer plans and then, of course, all of the crop protection, nutritional seed treatments and everything

else that goes into the field to create successful harvest. So once you build that plan, you have in every field, then you have a plan across your farm or what we would call a farm plan. And the farm plan eventually is your playbook for the next season, but it also becomes a business plan. You can take that plan into a third-party lender and apply for credit or you can seamlessly apply for credit through Nutrien Finance. So those were the first 2 parts of our pillars, the farm planning and the digital agronomy. And then comes the omnichannel, which is the e-commerce tools that are all linked to the farm plan, so that you don't have to go back in and every time you want to buy a product, add a product to your cart, you can simply go to the farm plan and buy it all or by select products in that farm plan to activate our supply chain. So these are the tools that are here and now, and I'll show you how they actually work. So seed selection is a critical decision. So what's on this slide is our proprietary Find My Seed tool, which we think, is the best tool in the industry. So we've pulled together all of the public data and private data on seed products, and we have an algorithm that selects the top seeds for each field and it shows the grower multiple brands. And so other seed tools today in the marketplace are showing the 1 brand that, that company is trying to promote, where we're agnostic because we have the broadest portfolio of seed brands in the industry. So we show them the options for any other brands that they could purchase. So we also have a proprietary tool for developing variable-rate seeding and fertilizer recommendations. So using data science, we can sharpen these decisions, which are really critical when it comes to the field. So our growers are enabled to choose the best seed directly into the farm plan. So the old model, when you think about it, there used to be a seed-only Seedsman that would grow out and with knowledge in their head, try and recommend the best product for the grower. Now we know that our digital tools can outperform a Seedsman every time. We beta tested this tool this past spring, and for 2020, the Find My Seed tool will be available across North America for corn, soybeans and canola-seed selection. Here is another example of our agronomy tools.

So last year, we acquired a company called Waypoint Analytical. This is the largest and most capable soil and tissue testing company in North America. They have 18 labs across the U.S., and we're now using their capabilities to improve our speed of turnaround. But more importantly, we have now built a seamless interface with our digital platform, so the soil or tissue testing results can come right into the digital agronomy interface and will provide the fertility recommendation and variable-rate script seamlessly. So now our customers are in control because they can use the data uploads into their Nutrien Ag Solutions digital platform. Simultaneously our sales agronomist also receive the data into their employee-experience portal, which allows them to follow-up with their customers and confirm the fertility plan on each field. And for those growers that don't do a grid-soil test, we also have our Echelon HD satellite program that will analyze the past several years of crop density and weather, predict the fertility needs on each field, again, all of this is uploaded in a seamless interface in our customer portal. Our customers can then buy it now without exiting the portal. 1 site, 1 screen, adding custom application and delivery options. So as we get closer to the planting window, our weather stories have become very popular as growers are watching the forward weather and that's especially been popular this year. These videos provide not only forecast information, but also they interpret how the various atmospheric events, like precipitation and temperature, are impacting their growing decisions. Another helpful tool is our Tractor Time feature, which models soil and moisture temperatures -- soil moisture and temperature levels for each of the grower's fields and lets the grower know when conditions are conducive for fieldwork. This same information benefits our field sales organization, who have a real-time view of the weather and field level conditions, faced by each of their customers. We continue to build several grower engagement tools, which gives us -- which gives our customers a reason to come back into the portal every day. We want the Nutrien Ag Solutions portal to be their key source of information for their farm. So once the crop is planted, it's all about ensuring that, that crop has the right nutrients and protection from pests. And it's the combination of our agronomist in the field using the scouting app and satellite and drone imagery that are part of our Echelon package that allow us to man -- monitor and manage the fields for our customers. Taking plant tissue samples and running them through our proprietary NutriScription analysis tool at our labs also identifies any nutrient deficiencies. And then finally, implementing the plan with a click on the platform to get our custom application units into the field in a timely way to help our growers optimize their yields. It's really the combination of our high-touch sales agronomist, our local supply chain and our digital tools. It's this combination that differentiates us from everyone else.

And then the final part of the growing cycle is the harvest. As the grower completes his harvest, yield data is streamed from the grower's equipment right into the Nutrien digital platform, where it's recorded in the digital-farm plan. This yield data, together with the records of all other activities that have occurred on the grower's field, enable the grower and the Nutrien crop consultant to comprehensively review the results of the growing season and this review leads directly into the planning activity and the cycle repeats itself. So I hope you can see how our strategy, combining our 3 digital pillars: field and farm planning; digital agronomy; and omnichannel creates a platform that will help our customers and our sales agronomist year round. So we formally launched the platform back in July of '18, and in less in 12 months, we've seen great execution by our teams and strong engagement from our customers. As of today, we've processed more than \$174 million in online payments from our customers. And this past January, we rolled out our e-commerce capabilities, starting this year with crop-protection products. And to date, we have more than \$32 million in digital orders for those crop-protection products, and so far in Q2, we've had 5.9% of our orders come in through the portal. And every week,



we see the adoption rate and the uptake in this tool increased over the previous week. We've also seen tremendous engagement from our growers. We now have customers that represent 58% of our revenue signed onto the portal. So as we continue to add new functionality, we're seeing strong and growing engagement on the digital platform, from both our customers, but also from our sales agronomist. So I think what we'll do now is we'll show you a short video that will walk you through these tools. You'll see that this isn't a marketing video. This really is just a video with some screenshots and narration to help you understand how our agronomist will work with our customers to use these tools. If we can roll the video.

(presentation)

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

All right. So I think by watching that video, it hopefully gives you the perspective that -- look, the grower can go in and use all of these tools by themselves if that's what they choose to do, but the agronomist that serves them also has access to all that same information. And what we're experiencing at least right now is this -- that combination of the agronomist bringing these tools to the grower and them using it together is really creating a lot of value for the grower and for our agronomist. Let me go back. So to date, as you can see, we've made significant investments, and we've created a very interactive, seamless and quality tool. But this is really early days, and we still have more to do. So this just kind of lays out some of the work that lies ahead. So as we build out our Nutrien Finance business, we will build more capability in our digital tools to make financing and purchasing really go hand-in-hand and be easy and seamless for our growers. We also believe we're in the early days of digital agronomy. We're now building tools that will provide more insights for fertility, both macro and micro nutrients. And we're also working with other companies to bring their digital agronomy tools onto our platform to help our customers and agronomists make more informed decisions on plant health, insect outbreaks and weed detection. We believe that our digital tools need to be extremely intuitive and simple to use, and so we started with this goal in mind, but we're also getting feedback every day from our users, and so we'll continue to improve our tools to make them more convenient, while also improving utility for the growers and our agronomist that serve them. Commercial optimization is about how we leverage the tools and the data that really helped our sales agronomist. In fact, I believe, for the next several years, these tools are going to be of most benefit to our agronomist, improving planning, agronomic recommendations, customer targeting and, overall, improving their efficiency, ultimately, creating a unique insight that leads to even stronger relationships with our customers. It's really been impressive how quickly our sales agronomists have embraced the digital platform. And finally, we believe the leading digital platform in ag retail won't be built by 1 company. That's why we built our platform with an open architecture to allow us to bring other tools and solutions onto our platform. The collaboration with Lindsay irrigation is an example of that, where our customers through the Nutrien Ag Solutions portal, can now access the water management tool that's been developed by Lindsay. We have APIs set up with John Deere, with Climate and many others. And we're working closely with our large basic suppliers as each of them are developing digital agronomy tools. Our objective is to put the best agronomy tools on our platform and our approach is a make, buy or partner approach, whichever is more efficient, creates more value for our customers and for us.

So finally, I want to bring it back to organic growth. Creating the leading digital ag platform in retail will help us acquire new customers, because we believe that this will be a significant point of differentiation when we look what's happening in the marketplace today. As we introduced our capabilities to new customers, we believe, we have a great opportunity to convert them to become a Nutrien Ag Solutions customer, because they can't get the same digital tools from the retailer that they're working with today. However, our main focus right now is getting our existing customers engaging in the portal and training our sales agronomist on how these tools can help us create whole-acre solutions. Today, most farmers buy inputs from multiple retailers, and we believe we can increase our share of wallet with existing customers by bringing them onto the portal and changing the conversation from a product sale to a solution sale. This platform will also help us create efficiency and expand margins, from order entry and processing, to supply chain forecasting and planning, to target account management. We believe we can become more efficient because of these tools across our entire enterprise. And finally and most important, our customers will win. They'll win in the field. They'll gain greater convenience, and, ultimately, they will win in their bank account. All of this will help drive organic growth. So we're at the beginning of our digital journey and the engagement and results so far have really been outstanding. In the coming years, our digital platform will become central to our grower's business operations. And we have 2 simple, but powerful KPIs that I mentioned earlier. The first is platform-generated revenue again. As I mentioned in the last presentation, we're targeting over 50% of our revenue will be ordered directly into the platform, either from the growers themselves or through our sales agronomist. And second is grower engagement. We're building a platform that we believe our customers will come into on a very regular basis to really help them manage their entire firm, gain important insights, and then conveniently do business with us. So we believe that when we are in 2023, and we're looking back, we'll say that Nutrien Ag Solutions digital platform changed what farmers expected from their ag retailer, and it was a defining element in creating the largest and most profitable ag retail company in the world.



So thank you. And I'll ask Chuck to come back up, and we look forward to your questions.

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

And I'll actually ask Jason Newton, our Head of Market Research, to come up. We have a short question-and-answer period now before the lunch. We'll have a longer one at the end of the day after our Head of Potash and Nitrogen Phosphate, and our CFO present their piece of the picture. So I tend to focus this Q&A session more on the retail or on the ag shorter term. So please put your hand up and there's lots of them. Go ahead.

QUESTIONS AND ANSWERS

Andrew D. Wong - *RBC Capital Markets, LLC, Research Division - Associate Analyst*

Andrew Wong from RBC Capital Markets. So \$100 million EBITDA target per year for M&A is pretty high relative to the historical rate that you guys have had. So I -- there is a multipart question. So first, are there enough opportunities in the pipeline? And where would they come from? Is that among the independents, the co-op, maybe the larger competitors? Second is what's driving your desire to kind of accelerate that spend? And then just third is what's the expected return rate on these investments?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Yes, so Mike, why don't you give your perspective and then I'll give mine.

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

Sure. So real quickly. Is there the opportunity to achieve \$100 million of EBITDA? We believe there is. And in fact the challenging market conditions of the past 3 years and this year, it's no different, in fact, it's maybe even more challenging. That's part of the catalyst for the consolidation opportunity. And then, I think, as retailers understand how ag retail is changing and large farmers, especially, are expecting more from the retail, they know they need to invest. And so I think a lot of retailers are making that decision on, do they want to invest and try and survive for the next 10 or 20 years or is this the good time to exit. And so we're very active as we mentioned in the past 12 months. We've been very active in the marketplace, and we think we can continue to be. Now look, I think, just like this year, some of our acquisitions in Q1 were larger ag retails. Security Seeds that were based out of Kentucky and Van Horn out of Illinois. These are well established, well-run companies. And the fact that they decided that this was the exit window, I think, that sent some shock waves into the industry as well. So we're optimistic that we can continue to consolidate the industry as we have.

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

And just one other commentary. So Brazil is part of that now, right? So \$200 million a year, it'll be about \$20 million, \$25 million of EBITDA a year coming out of Brazil. So if you take that off the \$100 million, yes, it's an increase in our core businesses. But what we've seen is the pipeline is quite robust right now, and we do believe that we're at a tipping point when it comes to, at least the North American retail business, where with the advent of the digital tools and this -- the supply chain efficiencies that are needed now to be effective in this business, we're seeing a lot of independent owner operators decide that now is the right time to exit the market. So in many industries, we've seen this. And I think the ag retail industry is poised for a ramp-up in consolidation, especially in the U.S.

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

Maybe one last point on that, I mean, the last 6 months, we've seen unprecedented mergers by the co-ops and so the co-op system as well, which is over 30% of the U.S. market is served by co-ops. That model is not working. And so co-ops are combining today to try and get scale, but we're

also having conversations with co-ops. And so I think there could be opportunities to consolidate, not just the independent side of retail, but also selectively with some co-ops as well.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Sorry, the returns expect -- we expect the same returns we've seen in our -- certainly in our North American business, which would be high-teens IRRs. Brazil we said will certainly be a -- we need the higher returns in Brazil that's why we're taking it a little slower. The one thing that was on the slide that Mike covered was, also in Brazil, we'll be around build. So we think that there's a lot more opportunity to actually build Greenfields in Brazil, so we get fit-for-purpose facility in the core markets that we're looking for. So that's the -- expect the same returns that we've seen in the last 3 to 4 years.

Andrew D. Wong - RBC Capital Markets, LLC, Research Division - Associate Analyst

Mike, just 2 questions on digital. You talked about how farmers use multiple retailers in addition to Nutrien Ag Solutions for their purchases. How do they benefit from the digital platform when you don't have a full history of what they've done in the past?

And maybe my second question. You showed 2 KPIs, 1 on total platform generated revenue and other 1 on grower engagement, but can you talk about a return on investment? It seems like that's hard to measure for the digital platform.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Sure. Yes, so, look today, the average farmer uses about 3 retailers and they're doing that for multiple reasons. When we really try to understand the motivation to use multiple retailers, it's usually because of price discovery and also supply-chain capability. Now that they can get price discovery on our tool, they know they're getting a fair price. We also have the largest supply chain, bar none, and so we can serve the entire farm operation. Your question was if we haven't been serving the entire farm, how have the digital tools helped. We -- so we have capabilities in our digital platform where we can go back and looking through for satellite data, we'll know what they've done in the fields over the last several years from a -- at least from co-ops standpoint, so that gets us a starting point. And then we can also look at plant density, it also get some estimates on yield. But, of course, they can come in and share with us their yield data. And so we can easily upload that into our system and that gives us kind of running start to pre-load their crop plan with that good, better, best or bronze, silver, gold plan. So it's quite simple. Most farmers have their data on a data stick and so they can bring it in and we can upload it. I think on your question with regard to like how we know we're going to get a good return. Ultimately, this would be judged based on our ability to grow our share of wallet with customers and acquiring new customers. And because we'll be able to look at our customer growth with growers that are online engaging with us, versus there'll be some growers that won't be online and engaging with us but they'll still be customers. So we'll be able to look at both groups that really understand what kind of value are we driving from the digital tools and the digital investment.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes, just one other comment on that. So Mike has answered that question very well in terms of the returns. But the overlay is the strategy. And I think that's really important. So today, our business is high value, it's high touch. And we've got 3,500 agronomists. So we've got this direct on the farm relationship that is really important. Now we're going to layer on top of that another moat, if you will, which is the digital relationship with the farmer. So you have this direct relationship, now you have a digital relationship and then in the next year or so, we'll build more financial relationship with them, with the Nutrien Financial. So we're building these multiple relationships strategically around the grower. Why are we doing that? Because we fundamentally believe that the company that has that relationship with the grower will be successful. So digital is part of that overarching strategy to really build a solid relationship on multiple fronts with the farming community.



Christopher S. Parkinson - *Crédit Suisse AG, Research Division - Director of Equity Research*

Chris Parkinson, Crédit Suisse. Clearly, digital ag has lot of facets that you can go down and explore, ranging from kind of seed selection to CPC applications, et cetera, et cetera. How would you assess your own competitive positioning, right here, right now, versus some of your other larger competitors who are pursuing the same opportunities the WinFields, the DHSs of the world, obviously, obviously, FBN? Are there pieces where you think you could be a little bit stronger, are there pieces where you think you have a large competitive moat? And then also, would you be open to further collaborations down the road as well?

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

Yes, so, if you look at our platform versus our retail competitors, I mean, there is really no one, at least in traditional retail, that's build out a comprehensive platform that links up farm planning, digital agronomy and the omnichannel parts that we have. And so I think we're the only retail company that's made that investment and it has those tools in the field today. You mentioned FBN, obviously, it's a digital-only platform, and it's, we believe, that it's our high touch, along with the digital platform, that really differentiates us, which is, I think, why they haven't had much traction with the tools that they're bringing. From a collaboration standpoint, we're investing -- the majority of our dollars are going into the farm-planning tool and the omnichannel tool. That's where we really believe we can get a good return on investment. There is a lot of money going into building digital agronomy tools, which is why we're more interested in partnering in that space, because we have access to so many growers. Everyone we talked to that's investing in that space wants to come onto our platform. And so we believe that there's going to be likely more partnerships in digital agronomy than in the farm planning and the omnichannel side of this. And so that's how we're thinking about this at this point in time.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

Steve Byrne, Bank of America. Does your seed selection algorithm include seed genetics of seeds that you don't sell? So your growers buy direct from a seed company and just curious how -- what's the breadth of the seed genetics you have? And then is the algorithm just driven by yield? Or does it also incorporate price? I'm just wondering how you think that might impact the selection of Dyna-Gro versus other seed brands?

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

Yes. Good. So Steve, to answer of your first question. Yes, our algorithms shows all seed brands. And so this is a tool that we acquired last year when we acquired Agrible. And Agrible wasn't an ag retailer, so they're agnostic as to what brands farmers were choosing. And so that's the tools that we are putting on our platform. Because we believe that -- so first thing, we do have the widest selection of seeds, bar none, because we have brand seeds. We have Dekalb. We have Pioneer in a lot of areas. We have our Dyna-Gro brands, and so we have the widest portfolio. And we also think it builds credibility if there is a seed that we don't sell and if it's one of the top 4, 5 seed choices, we think that helps our agronomist to have that conversation with the grower. And in some cases, there may be a seed that they should go across the street to buy, but we'll still try and sell the whole -- the rest of that solution around it. So we've talked about that a lot. And we actually think, at the end of the day, we don't want to use these tools just to drive more sales of what we sell. We want to use these tools to build stronger relationships with our customers to make them successful with the belief that when we do that, they will buy more from us of everything else. On the price question, so the tool today doesn't toggle between yield and commodity price and expected, then both revenue and gross profit. That's one of the changes that we're working on for the future. So today what you need to do is you -- you can select the seed and then you can run your profitability tool, it's in the same platform, but it's 2 separate toggles today. Ultimately, we'd like to have this so that you could select a seed, know the price, run those math -- the mathematics right on that screen and then also use some other seeds. So you can then make that seed selection, both based on yield, other agronomic traits and price of the seed.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Adam Samuelson, Goldman Sachs. Question on longer-term operating metrics. So look at the targets for EBITDA margin expansion, kind of 50 basis points plus, modest improvement in cash operating coverage ratio, some reduction in working capital. I'm just trying to make sure -- I'm thinking about the pieces, because the mix of proprietary, the shift towards digital, I would think that those would have more operating leverage associated

with them. And maybe that's a kind of segue to look back where the retail business didn't hit all the targets from the 2016 Analyst Day on operating leverage or working capital intensity and maybe some of the drivers of where -- there were surprises on the cost side there.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes, so, Adam, I would say, look, as you know, the last 3 years have been tough for growers from a commodity price standpoint. And if you go back to the second or third slide I showed, like in the U.S., each of those years, the market for seed came in -- fertilizer sales in total have declined. So it's been a very challenging market. And so our organic growth, the way we've measured in the past in terms of same-store sales, we've kept our same-store sales about flat in the declining market. So we know we are gaining share. Even in the first several months of this year, the crop protection market in the U.S. is up 0.9% and we're up over -- over 7% year-to-date. So our strategy is working. We're gaining share in a very tough market. And I think, I wasn't here back in '16, but the expectation was that the market was going to be a little bit stronger than what it's actually been. And as we said in our assumptions going forward, we're expecting modest recovery. Now the recovery we've seen just in the market in the last 2 weeks with December corn over \$4.20, those are good prices. Those are prices where our customers can make money and they're going to maximize their yields. And when they do that, they also buy more products. And so I think we are investing in these initiatives to grow our organic growth. They've got a good return on investment, but they are also increasing our cost basis. And so that's the strategy we're pursuing. I think when we're successful through this 5-year window, there will be more leverage, and we'll be a bigger company and some of these investments will be needed in this period, like our supply chain investments. But once you make them, they should then have leverage beyond that. So that's how I would think about it.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Just a couple more comments on that. So when I look back on it, we hit our EBITDA margin target, which, I think, was a pretty aggressive target when we set back in 2016. Where we fell short was on working capital, the biggest one that we fell short on. And there was a whole host of reasons why that is. But the primary reason is in the last -- for example, if you look at the metrics that were on the chart, last year, we didn't have a fall season. Even the spring, we've been carrying a lot of inventory going in. So on a normalized basis, we certainly think we're closer to it, but we need to invest in some more supply chain efficiencies and really consolidate the number of places that we actually hold inventory in the U.S. That's what it's coming down to. In order to do that, we need the technology and we think that having the planning window, so the digital interface, will really help streamline the overall supply chain. The last comment I'd make is this, you're seeing a, what I would call, a marginal increase in EBITDA margins by 2023 going north of 11% in the U.S. But there's a tipping point for the digital tool, that once we get to the numbers that Mike has outlined, we think there'll be a significant margin-enhancement cost-reduction opportunity, because the transaction cost is a lot less when you do it through the digital platform than you do in a manual way. But you need a significant portion, like retail today is \$12 billion to \$13 billion in revenue. So we need to see \$5 billion or \$6 billion of revenue coming into the digital platform. At that point, I think, you're going to see significant leverage, I think, but that will probably come at the end of the 5-year window or even tip over beyond 2023.

John Ezekiel E. Roberts - UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals

John Roberts, UBS Bank here. Chuck, you started the meeting with some cautionary comments about how much planting still yet -- is yet to be done. How's the retail footprint of Nutrien look versus what we see for the overall North American market? And then does this set up South America for a really strong year? And are you going to be chasing acquisitions? You want to deploy \$1 billion down there into what could be really strong market so I -- maybe things won't be available for sale down there.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes, why don't -- why doesn't Mike just give you a perspective on what we're seeing right now in the markets and then I'll come back and answer the South American question.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes, so John, I think, if your question is on weather and does it impact our retail footprint more or less than kind of the overall U.S. market, it's probably, I mean, since we have a large share across U.S. at around 20%, we're probably affected just like the entire market. We have a little bit higher share in the Southeast, a strong share in California, which -- it's wet there, but the market is still strong. But I would say we're probably a pretty good reflection on the overall market. I think your point on South America, you're right in the sense that they had good both corn and soybean crops for the most part. Their local currency has devalued against the U.S. dollar and so their cost in local currency versus the commodity prices that they sell really in U.S. dollars and export out of those countries. Farm economics are pretty strong today in Brazil. So we've been talking for the last year about our investments in Brazil and so far, we've only made 1, which is a company called Agrichem. And so we're going to be -- but that being said, we also have about 5 greenfields that we're in the -- in various stage of building. And so we're going to be smart in terms of the acquisitions we make. We're not going to overpay. We know what multiples make sense. We also know that in the early days, we won't have as many synergies there because we have a smaller footprint. And we don't have as big of a proprietary products' business. And so we will, again, over the 5-year window, we've got our targets, but we'll take our time. Right now as we think about the acquisitions that are in the pipeline, they're much heavier in the U.S.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

And just a few more comments. So the 1 differentiation, I think, in North America for us is Nutrien really doesn't use the river. So the river has been an issue. There's been lot of flooding. Products hasn't been able to flow to the right market, that's why you see a lot of end-market premiums. Our distribution business is really built with having physical inventory in those markets. So that is the 1 advantage that, I think, Nutrien has is that when the markets are ready to go, we don't have to rely on bringing product up the river, and that has been a major issue for some of our other retail competitors. Mike answered the question well in Brazil, we have no intentions of chasing multiples or companies. We've got a slow and steady investment thesis. We've now stood up an office in Brazil, so we have people on the ground. We're getting very smart in terms of which assets are the ones to go after. But the reason we haven't pulled the trigger is we haven't found either the right combination of assets and value, and we don't plan to accelerate that just because we've decided we're going to invest in Brazil. We are building, which, I think, will put some creative tension, I think, when it comes to valuations and it gives us another option, which, I think, could be interesting in a market like Brazil.

Joel Jackson - BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst

Joel Jackson, BMO. Just a few quick questions on digital and retail

(technical difficulty)

just you've given a guidance 2% to 3% organic growth CAGR, is that's about, I think, \$30 million to \$40 million a year of EBITDA organic growth? Is that net or gross of the \$60 million to \$70 million spending on digital ag? My second question is, can you talk about 50% of sales or revenue will be driven retail by digital orders by

(technical difficulty)

in that scenario, how much that you envision actually being the grower physically pulling the trigger on the sale versus the employee doing it for him? And then the third question is, thinking about all that how were you store

(technical difficulty)

doing orders differently? How will -- what type of employees do you need

(technical difficulty)

you need the same number of stores, the same density of stores where employees could be in hubs, is there a call centers. How did that call change things?

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

So on your first question real quickly, it's net of the investment. So hopefully that takes care of that. So the -- they're large investments, but they're good investments based on the 2% to 3% CAGR growth.

Look, I think, on the 50% of orders that we expect to come through the portal, in the early days and we're seeing this right now, most of this is coming through our sales agronomist. So they're in the field. They're talking to the growers, and the grower says, this is what I need and they make that plan, and then the agronomist puts the order in while they're standing there. And as they're doing that, the grower is just saying, well, that's pretty cool, and our sales agronomist says that, look, you've got this power tool as well. And so I think over time, over this 5-year window, there'll be some shifting towards the grower, but if I were to estimate it today, I think that 50% will still be more coming through our agronomist than our -- than the growers. But look, it's early days and we'll see how this plays out. Yes. And so then your point on how will this change our branches? As Chuck mentioned, this creates a lot of efficiency. When the orders are coming in online, when bills are being paid online, this changes a lot of the work that we've traditionally done at the branch level. And so can our branches serve a larger geography? That's probably true over time. Do we need fewer people to service the same amount of business? Over time, that's probably true as well, but we believe we're going to grow business. And so this isn't about getting rid of people, but we do think we have more leverage with the organization we have as we grow our business with these digital tools.

Vincent Stephen Andrews - Morgan Stanley, Research Division - MD

Vincent Andrews from Morgan Stanley. Just another question on retail. If we've got 2, sort of, identical farms in a particular state and one grower wants to be the analogue guy and the other guy wants to go super digital, but the analogue guy is using your high-touch service model and they, ultimately, order the same suite of products from planting through harvest, does one of them paying more? Is it a function of the higher touch service at analogue versus digital? And then those baskets of goods, which one is more profitable to you? And I understand, Chuck, what you said about over time, you need the scale in digital, but how about play out?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes, so Vincent, the answer to your first question is, neither one will pay more if they're buying the same suite of products. And so again, our whole vision with our omnichannel is, give the power to our growers to buy how, when and where they want, whether they want to call an agronomist to place an order, whether they want to sit in their cab or their kitchen and place orders. They're going to get the same price. And we're bringing a lot more discipline, and I talked a little bit about our marketing focus to how we price to growers. And we're going to continue to have individual grower pricing. And so the grower logs on if they're using the digital approach, and they get their individual price, which is based on the size of their farm, the loyalty of their business, their credit worthiness, how much service they get. And so we'll have customers at the same branch that will get a different price, depending on some of those things. But if 2 growers are exactly the same, and one is analogue, as you said, and one is digital, and they're buying the same suite of products, we'll get the same price and the same service opportunity. And what was the second question, Vincent?

Vincent Stephen Andrews - Morgan Stanley, Research Division - MD

It's about the profitability.



Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. Well, look, we want to make the right decision for the grower. Our digital agronomy tools are, obviously, going to be set up to make both the right agronomic choice, but they're also going to feature our proprietary products wherever that fits on the farm. And so over time, we could see a little bit more proprietary products being driven through the digital channel, I think, from a mix standpoint.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes, so a lot of growers will say I've got a pest problem or I have a weed problem. Just make it go away. They don't have a preference on the chemistry that's used for that. So at that point, we will, obviously, use our proprietary products. But some growers will want certain brands and that's okay, too. That's why we have the full service in certain products on all the shelves. It's because all -- not all growers are the same or want the same thing.

P.J. Juvekar - Citigroup Inc, Research Division - Global Head of Chemicals and Agriculture and MD

This is P.J. Juvekar from Citi. This is a -- you're the right guy to ask this question, given your background at Monsanto. When they bought Climate Corp, they had taken the early lead, but now you have a full suite of products and now Monsanto is owned by another company. I guess how does -- how do you guys compete? Who is (inaudible)? What have you done competitively? And then my second question is on your price discovery tool. So how does that work -- can a grower go to your discovery tool and compare prices of herbicides across counties or regions? Can you just tell us how does it work?

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Sure. So P.J., firstly on the question with respect to climate, I mean, I -- again, our strategy is very different than what I think the climate strategy is, based on how they talk about it today. We're really building this so that we can plan the farm and, ultimately, implement that plan. And as I said, there is a part of this that's digital agronomy. And we have our Echelon tools, but we're also agnostic. If we have somebody else, if BSF or climate or Corteva or a startup comes up with a better digital agronomy tool, we'll put it on our platform. If they're charging, we'll charge a rent for it, and we'll expose it to our growers. And so I think our ability to work with whether it's climate or whether it's Corteva or any one of our other large basic suppliers, I think this fits hand in glove. I don't see this as a competitive space between us and them. They've got their seed tools, we've got our seed tools, and we're testing both. And, ultimately, again, we may have some agronomy tools that we have 2 or 3 different options. But over time, I think there'll be tools that will perform better in some geographies and that's what our agronomists will get comfortable with. On price discovery, so today, our growers can go online, and they can discover the price of all of the crop protection product that they can buy from us. Once we get into next season, so the end of this year as we start heading into 2020, they'll be able to do price discovery from us on crop protection, fertilizer, seed and services. So they'll be able to order their full suite of business from us and do it online and get pricing, but it's their individual pricing. Now, so we don't compare it to a price of a farmer in another area or another geography, again, we're running a pricing software that helps us determine what's that right price for that grower. And that's how we're setting up the pricing. Now we also -- our sales agronomist also had some flexibility that if they want to work with the customer and adjust the price down a little bit, they can do that as well. And so we still have given some flexibility and ownership of this with our sales agronomists. But what we don't want to happen is, the grower goes online, gets their price and then call the sales agronomist and get the lower pricing. So we're trying to stay really disciplined on that so that the grower can have trust. If they're ordering online, that is the best price they can buy from us.

Jacob Jonathan Bout - CIBC Capital Markets, Research Division - MD of Institutional Equity Research

Jacob Bout, CIBC. Just a question on investing in Brazil and some of the inherent risk there, namely, the barter system that they have there and the extension of credit to the farmers. Talk about how you plan on dealing with that risk. And then maybe a secondary question here just on nutritionals and the importance of that in Brazil?

Unidentified Company Representative

Yes, so Jacob, I'll let Mike talk about the nutritionals. The barter system in Brazil is very similar to Argentina, well-versed in that it actually is a good way for us to manage currency risk. So we actually think that, that's helpful and we have experience with doing that. Credit is always going to be an issue in Brazil. It's one of the things that we're taking a careful look at and are there alternate ways that we can get credit available to growers, not expose our balance sheet. What I'd say to you right now is, that is an area that we're still spending a lot of time. It's one of the things that Pedro is working on now and -- that and some other key risks in Brazil. But we do think that there is a pathway. Others have been very successful. Canadian companies actually going into the ag business in Brazil and not exposing their balance sheet overly. And we've talked to those companies, but that is an area that we're still working through the final touches on, how much credit, how to limit the exposure, and we do think there is a pathway for that, but we're not quite ready to kind of roll that out yet. Can you talk about nutritional?

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Sure. So when we think about our growth opportunities in proprietary products, I mean the 2 biggest areas are nutritionals and the space of biologicals, and so both those areas are very interesting to us. Of course, as a nutrient company, we're very interested in continuing to grow our footprint with the micronutrients and products like that. And so when we look back over the last 3 or 4 years, it's by far the fastest-growing segment within our proprietary products business. And so we see that runway continuing now. We are also going to continue to grow our post-pack in chemistry, our adjuvant business, our seed treatment business. And so we actually think there's a growth opportunity across our portfolio in proprietary products, but nutrients or nutritionals and micronutrients is definitely a growing business for us.

Richard Downey - Nutrien Ltd. - VP of Investor & Corporate Relations

I know there's still questions out there, but we've got to have time for lunch. We're already over time. There is going to be another Q&A session, again, at the end of the day, and there's quite a bit of time for that. So I will ask everyone to be back and ready to go at -- in 35 minutes here, quarter to the hour, and rejoin us online at that time. Thank you.

(Break)

Richard Downey - Nutrien Ltd. - VP of Investor & Corporate Relations

Good afternoon, everyone. Please take a seat. If you need more food, there's more chicken out there and a certain coffee. For those of you online, we're going to get underway here and walk through the plan and the outlook and the strategy for potash and nitrogen phosphate, and then Pedro, our CFO, will come up and talk about capital allocation. So I'd like to introduce Susan Jones, Head of Potash. Come on up, Susan.

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Good afternoon, everyone. Today I plan to take you through Nutrien's potash advantages, both as an industry and as a company, specifically. We will then take a look at what we accomplished in 2018 and why we were so successful in our execution. And finally, I will summarize our 5-year plan, including our new targets, and as part of that, highlight our next generation of potash and the initiatives we're undertaking.

So moving to Nutrien's potash advantage. The potash industry is a unique industry. Resources can only be found in limited geographies, and potash has a long-term sustainable growth trajectory. Further, it is a highly consolidated industry with significant barriers to entry, including the time it takes to bring on new projects as well as significant capital required to do so. Within this industry, Nutrien is best positioned to create value. We are the largest potash producer in the world, with assets located in superior geological region and centuries' worth of reserves. We have an experienced team that has been in the mining distribution and sales business for over 60 years.

Our team operates the safest, most reliable and efficient assets as part of a diverse and flexible mine network. We're able to maximize our margins by supplying our product through Nutrien's integrated business model right to the grower, meeting our customers' product needs, while minimizing

costs. We possess an additional 5 million tonnes of extra capacity as well as additional brownfield opportunities that will allow us to position product into the market as demand grows.

So looking at 2018. 2018 was a very successful year for Nutrien's potash business in which we achieved lower cost, record production and sales volumes, and all the while, our net selling prices improved 17% on a year-over-year basis. This resulted in an increase in our EBITDA of over \$500 million over 2017. In addition to this, post merger, we successfully integrated our potash network and delivered on \$80 million per year in potash-related run rate synergies, as we were able to bring the Vanscoy mine into the broader network of 6 potash mines. We have a long history of successful execution, and we expect to continue to see our volumes increase and cost decrease, as we maintain and approve upon our position as the #1 potash producer in the world.

So moving on now to our 5-year plan. We expect demand to grow at rates of 2.5% to 3%. As you can see on the left-hand side of this slide, demand has grown at an annualized rate of more than 4% over the past 5 years, well above the long-term average of 2.5% to 3%. This growth has been driven by strong potash consumption trends in all major potash markets.

Going forward, we expect growth to revert to more of a long-term historical average of 2.5% to 3%, and we believe that we will see this consistent growth, coupled with a stable pricing environment. As you can see on the right-hand side of the slide, we see higher demand coming from key growth markets, such as China, India, Malaysia, Indonesia and Brazil, but also in the FSU in Africa.

In China, potash application rates are increasing as a result of increased soil testing and improved agronomic practices. And we have seen domestic production been reducing last year, and we expect it to reduce as well over the coming years. This will need to be offset by imports.

In Southeast Asia, we view the Indonesian government's mandate to increase fuel power plants with biodiesel from palm oil constructive to demand as we move through this 5-year period. In Brazil, we expect further crop expansion to continue in Nutrien-deficient regions. And although India continues to face political barriers to significantly growing potash demand, the agronomic need and willingness of farmers to improve yields persist. We also see greater demand for NPK application, particularly in Africa. And although, temporary pauses can occur in certain countries, the underlying fundamentals of food demand that encourage increased pot application and the need to address declining soil fertility levels will enable strong potash demand growth in the years ahead.

So in this demand environment, we plan to be selling 15 million tonnes, with upside to 17 million tonnes into the market in the year 2023. The upside will realistically be achieved if demand is greater than expected, new supply ramp ups are slower than announced, which we're currently seeing, or competitor supply falls short. We have the largest, most diverse and flexible potash network in the world, with a proven track record to supply quality product to the market as needed, and we are investing in our supply chain to ensure we continue to effectively and efficiently do so. We will increase our tonnes as the market grows and plan to have approximately 2 million tonnes of available operational capability that we can quickly move into the market through increased demand or competitor shortfalls, as we did and you saw in 2018.

We are uniquely positioned through our integration with retail and expect to grow as our retail business grows. Ultimately, our customers have ambitious growth plans, and we will continue to grow, so we can be there to support their business.

So I thought it will be worthwhile as we think about our 5-year outlook to reflect back on the last decade. During 2011 to 2015, we saw slow demand growth and increased supply into the market. In that time, our volumes held flat and prices declined. Looking at 2015 to the current year expectations for 2019, we've seen good demand growth alongside a number of supply-side delays and closures. In this environment, global inventories remained fairly tight. As we look forward to 2023, we see a balanced market with stable prices. We also see a number of scenarios where demand surpasses expectations or supply falls short of the market's needs. As we saw on the previous slide, historically, an average of approximately 7 million tonnes is removed from the market each decade as a result of ore depletion, poor economics or production issues, such as inflow, and history tends to repeat itself. In these scenarios, we are the only producer with excess capacity and flexibility to sustainably capture demand needs. We do intend to strategically utilize our excess capacity to ensure we remain in a stable pricing environment throughout the period. We know that escalating prices are not in the best interest of growers, and we intend to ensure that prices remain stable.

So I'd like to highlight for you our robust supply chain that exist today to efficiently move our product into the market. Starting with North America on the left-hand side of the slide, we're the most reliable potash supplier in North America. We have over 1.5 million tonnes of storage capacity, which enables us to strategically position potash in the market in time for the season. When the season is delayed, as it has been this year, this is the time we shine, due to our supply chain and close relationship with all of our customers, who we have built a trusted relationship with over many years. We have a dedicated rail fleet and strong working partnerships with all North American Class I carriers. And if you look at our offshore markets, they're serviced by Canpotex, who has an experienced sales team, with 5 offices around the world. They have rail, marine, experience, and we leverage our key port assets in Vancouver, Portland and New Brunswick to ensure that product reaches international markets in a timely manner.

We are known globally as providing quality Canadian potash to customers in time to meet their needs, and a significant amount of our increase in sales last year was due to our ability to position potash into the international market when our competitors were unable to do so. So as I mentioned, we expect to increase our tonnes as the market grows and plan to operate with a buffer of capacity, ready to move product into the market when needed.

We have 5 million tonnes of capacity in place at existing operating sites that can be quickly brought on for minimal capital. In other words, all of this available capacity has already been bought and paid for over the last decade, putting us in a unique position as the only producer with available tonnes to move into the market quickly, nimbly and flexibly, as needed.

So as you can see from this slide, we've been very successful in driving down our cash cost over the past 5 years, and we expect this trend to continue. We expect our cash cost of production to be in the range of \$50 to \$55 per tonne as we ramp up our volume and realize significant benefits of our next-generation potash initiatives that I will describe in the next few slides. At these levels, we expect to have the lowest cost potash network in the world.

So moving to the next-generation potash. Potash mining and the methods used by producers today are not dramatically different from those that have been used for decades. We are moving potash mining into the next generation, bringing together operational excellence, digitized operations and technology leadership. We will be the safest and lowest-cost potash producer network known for innovation and industry leadership. And to do this, we're creating proprietary means to create higher levels of productivity, lower cost and create a safer work environment for our people.

So firstly, we'll do this through operational excellence. We're going to be leaning out our supply chain from the cutting face in the mind through the mill as well as our logistics channel out through our customers. So what does this exactly mean? It means we're going to run more often. It means we're going to be producing more tonnes when we're running. So examples of this are increased unrealized ore grade and increased bore hours. We are going to recover more in our mills for optimal feed rates, and we're going to be doing everything we can to lower our cost, including energy management and reagent consumption.

As we lean out our supply chain, we will streamline our current processes, leveraging technology, like big data analytics and automation to drive even more value from our existing processes. Over time, we will provide a leadership role in technology through precision ore management, advanced process control, real time worker connectivity, fully automated operations, predictive maintenance, and remote operations and visibility.

So now let's take a look at how these initiatives will drive down our network costs. While our cost position benefits as we increase our volumes, and you can see that on the slide, we expect our increased volume to simply offset the cost of inflation over the 5-year period. The controllable cost savings directly attributable to actions we are taking through next-generation potash initiatives are expected to drive our costs lower by \$7 to \$12 per tonne. And the great news is we expect to achieve these savings in a multitude of ways by leveraging volumes across all of our sites. This is the real step change that will be achieved through our initiatives.

So what are we seeing with next generation? Our next-generation potash work is already well underway. We will be investing \$500 million over the next 5 years, with expectations of an IRR of more than 25%. We're leveraging our world-class expertise to deliver material impacts by 2023, by reducing our cash cost and unlocking latent capacity with minimal capital. We are redefining our mining methods, which will improve safety and environmental outcomes, and we are also integrating our network with our transportation, distribution and retail to manage our supply chain to meet any market scenario quickly and cost effectively. And as you can see, we are already seeing results. For example, at our Rocanville site, we



have more than doubled the time our boring machines spend capturing optimal ore. This provides higher production output for the same time and cost. We have also increased tailings recovery by 10%, which retains tonnes we would otherwise lose. And these 2 initiatives alone are forecast to result in an additional 180,000 tonnes of potash per year, without additional costs.

So with the expectation for significant cost savings from our next-generation potash initiatives, the opportunity we see for volume growth, and a flat pricing environment, and what I mean by that are today's prices, we expect EBITDA to be in the range of \$2.3 billion to \$2.7 billion in 2023. And we expect to generate between \$11 billion and \$12 billion in EBITDA over the 5-year period. Now there is also an opportunity and leverage on price in our 5-year window. You can see with prices increasing by only \$25 per tonne over the period, our expected EBITDA in 2023 would be \$2.7 billion to \$3.1 billion.

So now looking beyond 2023. We do see continued opportunities for growth. Not only do we have the ability to increase our production to 18 million tonnes that's been bought and paid for, we have line of sight to add an additional 5 million tonnes of brownfield expansion opportunities, given the size and scope of our current network. Our brownfield expansions can be brought on for \$500 to \$700 per tonne, which has an expected IRR of approximately 20%. And this, as you can see, is equivalent to the current pricing environment. This is significantly cheaper than greenfield expansions. Our view is that in order to achieve an IRR of 10%, expansions would have to be executed for \$800 to \$1,000 per tonne.

There are 2 key reasons why our expansions can be done for cheaper and have a higher IRR. Firstly, our previous expansions required sinking of shafts, multiple greenfield mills and major infrastructure. And our next wave of brownfield expansions will not require that significant work. We can leverage from the past capital deployed. Secondly, we have the benefit of bringing on this additional capacity quicker than anyone else and, certainly, much quicker than traditional expansions. This will be done in increments across all of our sites, with the first additional 3 million tonnes spread across 3 different sites and expected to take only 3 years. This contrasts with greenfield expansions, which, in our experience, takes 7 to 10 years to bring on.

We have a track record of success with our expansions over the past decade, and we will utilize this experience to efficiently bring on these additional tonnes, with minimal risk. We are the most experienced lowest cost and most diverse producer to bring new tonnes to the market, and we will be evaluating these brownfield opportunities as we increase our sales volumes over the next 5 years. So to reiterate my key points today, we have the largest potash network in the world, with a proven track record to supply quality product to the markets.

We expect demand to grow at 2.5% to 3% in a stable pricing environment, and we will strategically place volumes into the market to ensure prices remain stable. We plan to sell up to 17 million tonnes of potash in 2023 if demand warrants it, and we will have 2 million tonnes of cushion within our network at any given time to take advantage of opportunities as they arise as we did last year. Our next-generation potash initiatives will allow us to continue to aggressively drive down our costs, increase our capability and improve our reliability and flexibility. We will be preparing within this 5-year period for growth beyond 2023, with additional brownfield expansions that we can bring on quickly and in increments. We will be setting the bar and improving upon our position as the potash industry leader and the largest underground soft rock miner in the world.

Thank you. And I will now turn the floor over to my colleague, Raef Sully, who is our Executive Vice President of Nitrogen & Phosphate.

Raef M. Sully - *Nutrien Ltd. - Executive VP and CEO of Phosphate & Nitrogen*

Good afternoon. Thanks for coming and listening to us. We appreciate it. Susan said I am Executive Vice President of Nutrien, and I lead the Nutrien's Nitrogen & Phosphate business. And what I want to do this afternoon is just talk through high-level Nutrien's assets and the opportunities we see in them, give you some perspectives on what we've accomplished in 2018, provide an overview of our 5-year plan and describe some of the high-return investments we see -- we think we have in Nutrien -- in nitrogen.

Let me start by introducing Nutrien's nitrogen and phosphate assets. You can see from the map that with the merger, we have brought together 2 very complementary businesses. And our nitrogen business is now the third largest globally and second largest in North America, producing nearly 8 million tonnes of ammonia and 11 million tonnes of nitrogen product sales. Our phosphate business is now the second largest in North America, with annual P205 production of close to 2 million tonnes, with a much lower cost base and more profitable product mix. We think it's now stable and profitable business, which is something neither party could say about their legacy phosphate businesses.

In 2018, we achieved a combined EBITDA of \$1.5 billion and sold over 14 million tonnes of product. When we consider that we're in the early stages of a price recovery in the fertilizer cycle, we're excited by the cash flow potential that we think this business has to offer. We also see great opportunities to reinvest some of that cash into our nitrogen assets in the low-risk, low-cost, high-return investments. These include brownfield debottlenecks, expansions and energy efficiency projects, and we'll come back to those at the end of the presentation.

The nitrogen and phosphate business delivered growth in EBITDA of 41% between 2017 and 2018. And we expect to see further growth in 2019 around 12%, which should see us hitting our midpoint earnings range.

Turning to the product mix portfolios for nitrogen and phosphate. We see the 2 portfolios are well diversified and competitively advantaged, providing the potential for solid earnings and cash flows under a range of different scenarios. In nitrogen, our product portfolio was weighted slightly towards agriculture, with 55% of volumes going into fertilizer and 45% going to industrial customers. Industrial business provides good ratable demand throughout the year at attractive margins and allows us to run at higher rates out of the agricultural season.

From a product mix perspective, our nitrogen portfolio is balanced between ammonia, urea and downstream products. As we look forward, some of our key investments will be in a downstream capacity and increasing the flexibility of our assets base to ensure that we're capturing the maximum possible value from our portfolio. In phosphate, our product portfolio is heavily weighted towards agriculture, with about 3/4 of our sales volumes going into fertilizer. From a product mix perspective, our phosphate portfolio is balanced between dry and liquid products on a volume basis, but most of the business' profits come from liquid products, which include both high-end phosphate base starters and purified industrial products. In North America, we are the largest producer of these liquid phosphate products, a position we don't have in the solid phosphate market.

Although the phosphate business is relatively small in the overall portfolio, the merger has allowed us to create a stable, profitable business, with more opportunities for improvement than either company would have had with their stand-alone phosphate businesses.

I want to outline now for you the major elements of strategy within nitrogen and phosphate. There are 3 pillars to the strategy that apply across nitrogen and phosphate. First pillar is operational excellence. This is our bread and butter. And whatever are the strategic moves we make, we have to stay focused on this. We have a good scale now on both businesses, particularly in nitrogen and also have good cost positions that we need to use. Our focus will be on safe and reliable operations and driving productivity and efficiency improvements.

Reliable operations are safer, more productive, lower cost, and, ultimately, we want to make as much as we can for as little cost as possible. We've made good progress on both of these efforts recently, with existing legacy efforts being accelerated by the merger.

The second pillar is executing the synergy plan. We need to make the most of our complementary assets. Here the focus is on optimizing a newly combined production footprint and product mix, leveraging our extensive retail chain where it makes sense and optimizing our extensive nearly combined distribution and supply network, and then delivering the remaining synergies, which are now mostly in the phosphate business. Putting the assets together has allowed us to change where we make products and improve our margins through better product mix. It also allowed us to sell more product to retail because of the proximity of the retail chain to our production assets.

The third pillar is making targeted expansion investments. We don't think it's economical to build new greenfield nitrogen plants in North America, but we do believe that there are some debottleneck in brownfield expansions as well as energy efficiency projects in nitrogen that makes sense. And I'll talk about those a bit later. In phosphate, we think there are some low-cost opportunities to move our focus away from solid products to more liquid production.

Now let's focus on nitrogen. And let me start with a view what we think is going to happen from a global supply and demand perspective. We can break the global nitrogen market into 2 distinct periods in the last 10 years. During the period 2009 to 2014, demand growth was nearly double supply growth, as limited capacity growth met with robust demand growth. Price has moved up strongly with NOLA urea peaking at around \$700 of short term in 2012. During the next 5-year period, from 2014 to 2019, supply growth clearly outstripped demand growth, due largely to the large volume of new capacity coming online in the U.S. Again, price action was strong, but on the downside, with NOLA urea prices moving from the low 400s in 2014, the trough levels around \$160 to \$170 a number of times in 2016 and 2017. As you know, 2018 was a better year, with average NOLA prices moving from around \$210 up to \$260, and currently, we see them in the range of \$250 to \$260.



Looking out over the next 5 years, the supply-demand dynamics for the global nitrogen market give reasons to be optimistic about the outlook for nitrogen prices. We see stable demand growth outside of China, with overall global growth close to 2% per annum. On the supply side, we see limited new capacity coming online, as prices remained below greenfield replacement economics.

And let me remind you that many of these announced projects are in unstable regions of the world, or in regions lacking the infrastructure required to access the necessary raw materials. As a result, we see a tightening in global nitrogen supply over the next few years and stronger pricing as a result. Our own analysis, which suggests greenfield ammonia production in North America would cost between \$2,000 and \$2,500 a tonne of production, which would require prices to be consistently well over \$400 to justify the investment.

Turning now to our low-cost position in the market. You will note that our supply comes from 3 of the lowest cost jurisdictions globally. Over 1/3 comes from Western Canada is on AECO or AECO gas, which often trades well below \$1. This provides us a great cost advantage into the northern plains area of the U.S., as well as in Western Canada. 1/3 comes from U.S. on Henry hub. Now it's important to point here -- point out here that in the U.S., like in Canada, our asset locations allow us a competitive advantage. Our sites are mostly away from the direct competition with River Bourne product, which allows us to experience less price volatility than we typically see in areas closer to the river. This was particularly so this year, as a result of an application hangover from last year, delayed planting this year, due to weather and river access above St. Louis being delayed, NOLA have experienced a lot of price volatility. At our sites, we did not see this. Whilst we experienced delayed volumes, prices were higher and more stable than our competitors experienced.

Finally, less than 1/3 comes from Trinidad. Now Trinidad is not as good as the U.S. or AECO, but it is good compared with the rest of the world, and allows us to access many of the growing global markets, like Brazil and Africa.

All 3 jurisdictions allow us to make good margins on our product compared with our competitors. Over 70% of our supply is in North America, and as a result of our physical locations in market, our margins are excellent. We believe our cash margins in North America were the best in the world.

As I mentioned previously, asset reliability is a key part of our operational excellence strategic pillar. Reliable plants are safer, lower cost and allow us to better keep our customer commitments. Overall performance starts with good reliability in our ammonia asset base. Looking back over the past number of years, we've seen a sustained improvement in reliability over ammonia. Our performance in 2018 was very encouraging. We achieved the utilization rates in ammonia of 92%, which was a 6-point improvement over 86% achieved in 2017.

Going forward, we expect to see further improvements in this key metric. Our target for 2019 is 94%, and our medium-term goal is to achieve utilization rate across our asset base of 96% by 2023. To achieve our goal of 96% utilization, we're driving 3 important initiatives: leveraging best practice in engineering and maintenance and reliability across the network; improved market access by supplying Nutrien's retail channel more effectively. This will allow the higher sales and a reduced incidence of asset curtailments due to high inventory; and then finally, optimizing our turnarounds. The combined business now has 13 ammonia plants at 9 sites. These larger numbers will allow us to better space the turnarounds and smooth our production profile. It also lends itself to increased learning. We fully expect the cost of turnarounds to come down in real terms as we take -- as we make them shorter and more effective.

The payback on this improvement in reliability is attractive. Without any additional sustaining capital, we're able to deliver a meaningful uplift in production of 200,000 tonnes of ammonia or 350,000 tonnes of urea, now which equates to an increased earnings in the order of \$70 million.

Prior to the merger, both legacy companies reported different cost of production metrics. Going forward, we will be transitioning to report the controllable cash cost of our ammonia production. Ammonia controllable cash cost is defined as the cost of production, cost of product manufactured less the cost of natural gas and steam input costs, and less depreciation and amortization. Through a combination of improved ammonia asset utilization, and a strong focus on cost reduction over the past few years, we've seen a meaningful reduction in our ammonia cash cost of production, as you can see from the graph. Looking forward, we expect to see further improvement in our ammonia cost and introducing a target of \$41 to \$42 by 2023. We will report against this metric on a quarterly basis, starting in quarter 2, 2019.



Next slide highlights the strength of our combined nitrogen production footprint and route to market via our retail distribution channel. We think of our business in 2 distinct systems in North America, which we refer to as east and west, and our Trinidad export base. There is little overlap between east and west manufacturing basis and supply chains. The ovals on the chart provide an indication of the geographic reach of each system.

There are 4 points to note here. One, both systems benefit from being in market and away from regions directly accessible by river-based product, providing logistical advantages and superior netbacks and profitability. Two, all of the sites have access to low-cost reliable gas supply. Three, the combined network now gives us sourcing flexibility to key Midwest locations, increasing our flexibility to supply and ability to optimize the network in season. And fourth, our production base is backed up by the extensive retail network shown by the green dots, which allows us to sell more product to retail. I should note here that legacy PCS or our east system, predominantly, sold zero tonnes to retail prior to the merger. It should not be surprising, therefore, that the merger has given us an opportunity to sell more product to retail at lower cost. Because of the proximity, the lower cost is coming from lower transportation costs.

In 2018, we sold 1.7 million tonnes of nitrogen products to retail, which was an increase of about 200,000 tonnes. Looking forward, we see an opportunity to increase those sales to retail by an additional 200,000 tonnes to 300,000 tonnes.

I'm going to talk briefly now about what we see as our nitrogen investment opportunities. We currently have about \$300 million in approved projects. These are small but high-return projects at a number of our existing sites. There are 7 projects here across 5 sites. They are a combination of energy efficiency, small brownfield expansions and product-mix optimization. Together, they will conservatively give us over \$100 million in extra EBITDA, with IRRs for the individual projects ranging from 20% up. We're also currently considering a couple of larger projects. These are, again, brownfield expansions and product-mix projects. Again, they have a return of over 20% and are low cost compared with greenfield sites and have the potential for substantial increase in EBITDA, should we decide to do them. We hope to make that decision on these by the end of the year.

Compared with greenfield products, these projects are much cheaper, running \$460 to \$500 a tonne of production, compared with \$2,000-plus, and so have a much higher return. They can also be completed much quicker. Of the approved projects, the first will be completed in early 2020.

Let me now turn briefly to phosphate. The merger has arguably had a bigger impact on our phosphate business than any of the other business units. We closed Redwater MAP production on the 8th of May this year. Late last year in December of 2018, Geismar was shut down. The Nutrien no longer needs imported rock and has now ended its Western Sahara rock contracts. Remaining phosphate production of White Springs and Aurora is fully integrated. Going from 3 sites to 2 and ramping up production at White Springs has allowed us to reduce our cost of production by \$80 a tonne or nearly 25%. Although 50% of our product by volume, liquid agricultural products and industrial products, they make up 90% of our gross margin. The merger has allowed us to change our product mix, improving overall margins as we push more P205 into our liquid agricultural and industrial products.

In addition, we're now producing a sulfur-enhanced MAP product at our White Springs facility. This product should come on to premium in the market over standard MAP and allow us to improve margins on the remaining solid product that we will produce. We think it's an excellent product and will compete strongly with Mosaic's AMS product in the market. You can expect us to ramp up marketing on this product in the fall application season. We're also exploring additional industrial opportunities.

Let me now touch on the phosphate synergy projects. We remain on track to deliver merger synergies of \$80 million in increased EBITDA. Most projects are complete. And of the 3 main projects, the Aurora poly expansion was completed on time and under budget. The White Springs white train restart was completed on time, on budget and is currently in production. Doubling the Redwater ammonium sulfate is on track to finish on time and on budget, with the ramp-up starting at the end of quarter 3 this year.

Effective 2019, ammonium sulfate is reported in nitrogen, and, therefore, nitrogen will realize the EBITDA bump in the AAS project. Realizing our phosphate energy plans, optimizing our production portfolio, and completing the several investment projects I mentioned, will add approximately \$250 million in EBITDA. This, plus our current 29 pricing will take EBITDA in 2023 up \$1.9 billion. We also believe that prices will increase modestly over that period. Another \$25 increase in price across all products will add \$400 million in EBITDA, an additional \$25 per tonne increase in nitrogen products would add an additional \$300 million. So we can see EBITDA for nitrogen and phosphate in the range of \$2.3 billion to \$2.6 billion. This

does not include the other potential projects that we're considering that could add additional EBITDA with the numbers showing on the chart. All in, we can nearly double our EBITDA from 2018 levels in the right pricing environment.

Let me conclude by summarizing. Between 2019 and 2023, nitrogen and phosphate should generate between \$9.5 billion to \$11.5 billion in EBITDA. We'll be able to do this because we have direct -- we have distinct geographic advantage for assets being located in market with access to low-cost reliable gas. We have access to our own extensive supply chain as well as retail network. We have numerous opportunities to continue the lower cost and improve efficiency and productivity. We have a number of attractive low-cost, higher-return projects in nitrogen to invest in, and we are on track to complete our phosphate business integration.

Thank you very much. I look forward to your questions later. And I'm going to hand it over now to Pedro Farah, our Chief Financial Officer.

Pedro Farah - Nutrien Ltd. - Executive VP & CFO

Thank you, Raef. Good afternoon, everybody. My name is Pedro Farah. I'm the CFO for Nutrien, new CFO. And earlier today, you heard Chuck speak about how Nutrien is best positioned -- is the best-positioned company in the ag sector, due to our strategy, the success of the merger, the advantages of our integrated model and our path to create significant shareholder value.

I'll be hitting on the same points, but through the financial lenses. And I will then summarize and aggregate the financial impact of the 3 views as presented by Mike, Susan and Raef. To start and on a personal note from someone who has worked in different industries and large companies, I continue to be impressed with what I see at Nutrien. I joined Nutrien because of 4 factors: its scale leadership position in the industry; international ambition; incredible growth prospects; and management quality. If I was surprised by anything, it was to the positive on each of these factors.

Nutrien is not a reluctant industry leader, but a determined one. Nutrien has a scale with the financial capacity and the skills to deliver on multiple fronts. It recognizes that international growth opportunities need to be responsibly explored. It is focused on providing high-quality growth opportunity by balancing immediate shareholder returns with long-term strategic objectives and has an experienced and balanced team that is aligned around a common purpose. So it's not a cliché that I'm very happy to be part of this company. And now to the presentation.

So first I will highlight how we think about our capital allocation. Then I will address how our integrated model provides unique advantages. And lastly, I'll walk you through how we are going to focus on growth that is aligned with our strategy to create superior shareholder value. So let's get to it.

We believe that we have the best assets in the industry and a disciplined capital-location approach that position us for success. So let me illustrate that by describing our 2018 capital allocation. We deployed our operating cash to first, sustain our assets; and second, to provide a predictable growing dividend. As Nutrien has a large cash inflow from divestments in 2018, we allocate this discretionary capital in order of priority.

First, we invested in high-return organic projects; then, we completed high accretive M&A; and finally, we returned excess capital to shareholders as the valuation of our Nutrien shares supported this action. We finished the year with above normal liquidity and low leverage, and we have since announced \$1 billion in retail acquisitions this year and announced another 5% buyback program, which -- in which we're very active. So while we received a large cash inflow last year, the approach we took to allocating capital was not atypical. I'll further describe our capital allocation model and the advantages of our integrated business model in the coming charts.

You heard about the discussion, again, from Chuck, but I'd like to offer the benefits of the integrated model from a CFO perspective, focusing primarily on the financial benefits, including Nutrien's low-risk profile, our measured approach to sustaining capital and our approach to dividend and consequence robust financial flexibility.

So firstly, I would like to acknowledge how difficult and volatile the last few months have been for agriculture in general and our sector specifically. While the whole ag industry has been impacted, Nutrien has outperformed its peers, which we believe is a testament to our business model. And not only we have produced comparatively stronger shareholder returns in this difficult market, but we have also done so at lower risk, versus our legacy companies, and also versus most of our peers.

Our lower EBITDA volatility, which is shown on the left, translates into lower share price volatility, which is shown on the right. Chuck mentioned that one of our main advantage -- or the main advantages of our integrated business model is Nutrien's resilience through the cycle. Lower volatility is a great expression of this resilience, and we believe that will result in a lower cost of capital over time.

The other main advantage is Nutrien's simple, clear capital allocation strategy. And you can think about that as a Maslow pyramid. And our first priority is sustain the assets we own to certify that we have safe and reliable operations. The next layer above is protecting the balance sheet. We target an investment-grade credit rating throughout the cycle, which provides reliable access to capital and financial flexibility to be opportunistic. Then we look to secure a stable, predictable and growing dividend stream to our shareholders, and which can be funded entirely by our retail earnings and cash flow. And the balance sheet will be allocated -- and the -- sorry. And the balance will be allocated on a compete-for-capital basis. Our internal approval process and strict hurdle rates ensures that we're allocating capital to the best alternatives on a risk-adjusted basis.

So let me drill down on sustain. Sustaining our assets is our #1 priority because we believe that safety and integrity of our assets are critical to our reputation, our bottom line results and predictability of earnings. The stability of our operations and consequent earnings also gives us confidence to allocate the funds required and avoid unproductive accelerations or decelerations in capital deployment.

Our sustaining capital spending is supported by a robust benchmarking process, where we evaluate each of our production facilities against comparable assets in the industry and establish an appropriate level of spending to accomplish our priorities. Our 2020 through '23 spending calls for a -- forecast calls for similar levels of spending, adjusted for the expected growth in potash production volumes and significant growth in retail operations. Our sustaining capital is of similar scale to our core depreciation and amortization historically.

Another top priority of our capital allocation strategy is to provide stable, predictable and growing dividends over time. And Nutrien current dividend yield, including today's rates or yesterday's announced rates, is approximately 3.7% towards the upper end of the peer group range. Our dividend is very affordable and represents just 42% of the company free cash flow or approximately 85% of retail's free cash flow, based on current guidance. Importantly, Nutrien's dividend payout represented approximately 25% of the total dividends paid by our broad peer group in 2018. And in 2018, our share buyback represented 40% of all buybacks by the peer group. And I believe the percentage for Q1 was about 47%.

So let's complete the capital allocation discussion with the balance sheet. Nutrien's balance sheet is in excellent condition and provides the company ample access to capital and strategic optionality now and well into the future. The finance capacity shown in the charts is illustrative of our ability to debt fund some significant investment options. The predictability of our earnings gives us confidence to stretch our balance sheet temporarily if and when attractive opportunities surface.

We believe that our business will support meaningful amounts of additional leverage, that \$14 billion to \$20 billion depicted may be, in fact, conservative. To be clear, we target an investment-grade rating and by that, I mean, BBB flat. So while we illustrate leverage levels on this slide that could be above acceptable levels for that rating, we believe that this would only be temporarily -- temporary and associated with a potential larger acquisition, which would allow us to quickly delever to return to investment-grade levels.

So let me close by summarizing and quantifying our path to create superior shareholder value in the future. We believe that Nutrien is going to create significant value for shareholders to increase returns on capital through 3 key levers: quality and disciplined growth; enhanced margins; and improved asset utilization. And you heard about our success to date, which include a highly accretive retail acquisition strategy, merger synergies that have delivered in excess of \$650 million ahead of schedule, and increased operating rates and reduced costs in our NPK business. And looking in the future, we see quality growth, with our continued focus on retail consolidation and efficient nitrogen and potash volume growth, enhanced margins with a transformation of the retail business through digital and expanding our proprietary offerings, potash technology initiatives, which will further lower our costs. And finally, asset efficiency, in which retail will optimize its working capital position, and the optimization of NPK business, which will create more profit from the existing asset base.

And I will briefly frame each of the business unit plans according to these 3 drivers of returns. So we're starting with retail. As you heard from Mike a little earlier, our retail business is positioning itself for the next wave of agriculture productivity, reinvestments in digital and new products and services.



In summary, we expect that over the next 5 years, the retail business will grow EBITDA by 50% to 65%. And that will improve U.S. retail EBITDA margins to over 11% by 2023, a meaningful increase in proprietary product sales. And we'll accomplish all of this while becoming more efficient as measured by a lower cash operating coverage ratio. In addition, we expect to lower our working capital to sales ratio. And for perspective, a single day improvement in managing inventory, receivables or payables, is worth about \$25 million to \$35 million for Nutrien.

Susan told you earlier about our plans to optimize potash operations in our network. And from my perspective, potash has great growth potential and optionality, which has not been appropriately valued today. This business can and will provide significant earnings growth, with little to no further investment. Today, 5 million tonne capacity can be brought to market when required at minimum costs. New technologies and initiatives will further reduce our per tonne cash cost. A further step up in capacity is under consideration, and this will provide additional future growth, with attractive returns at current prices.

In summary, potash is positioned to generate significant incremental profits, even at flat prices.

And you heard from Raef that he has plans to optimize our production network and pursue high-return investment opportunities in nitrogen. Optimization plans would increase capacity utilization across nitrogen and phosphate business, and will both provide additional volumes and improved margins. We expect IRRs of over 20% on these future investments. And so far, we have allocated \$300 million of capital (technical difficulty) -- I think I just -- oh -- investment capital, which will increase our net production capability by over 0.5 million tonnes (technical difficulty). It's failing a bit. Most of this incremental volume will be directed to the industrial market and to our retail operations, but a smaller portion will be sold into the spot market. The nitrogen and phosphate business will continue to be a significant profit driver for Nutrien. And as you can see from the chart, we foresee marginally -- we will foresee marginally more potential price upside in nitrogen than we do in potash and phosphate.

So to put it altogether, the business unit plans I previously referenced support our path to significant long-term value creation. Without NPK price appreciation, we can foresee a 50% increase in EBITDA by 2023. We call this controllable, as there are specific actions that can be taken to achieve these results. With modest price upside, we see a potential to achieve \$700 million to \$1 billion of additional EBITDA by 2023. And we'll accomplish all of this while being disciplined in the way we deploy capital. The good news is that we do have a large amount of capital to deploy, as you'll see from our -- kind of our next slide. And to that point, we expect to generate \$22 billion to \$25 billion of operating cash flow over the next 5 years. And deploying this capital will follow our simple and clear capital allocation strategy. Sustaining our assets would account for about \$6 billion or 25% of the expected cash flow. Next, not depicted on the page, but consistent with our capital allocation strategy, we ensure that our balance sheet is protected through -- protected, and we don't foresee any material debt reductions in the 5-year window. Then we'll support our existing dividend, which amounts to \$5 billion or 25%. And we have identified several highly accretive investments, which would account to \$5 billion to \$6 billion or 25% to 30% of the expected cash flow. And lastly, we'll deploy the balance on a compete for capital basis. We'll measure returns to shareholders against future investment opportunities, and that accounts for \$6 billion to \$8 billion of 25% to 30% of our total cash flow. But based on our forecast, we believe we can reinvest in our business and return significant -- more cash to shareholders. In aggregate, on a compete for capital basis, between growth investments, acquisitions and additional returns to shareholders, we will deploy \$11 billion to \$13 billion (sic) [\$14 billion] over the next 5 years.

So before I turn to Chuck to wrap up the day, here are my takeaways. Nutrien's accomplishments in the last 18 months are impressive, but we're only getting started. Today was intended to provide you with Nutrien's capital allocation plans and the immense potential that it has for cash flow generation and returns to shareholders. Clearly, Nutrien is a free cash flow generating machine. This will be further strengthened as we deliver results and continue to prudently grow our business. We will leverage our unique position across a value chain and focus on innovation and technology to be a leader and consolidator in the ag retail market, continue to return value to our shareholders, further consolidate our leadership position across the wholesale business. Thanks.

Chuck?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Thanks, Pedro.

Look, I'll be brief with my closing comments, so that we have enough time for Q&As. Today was our first Investor Day. I hope we've provided you with the perspective that the entire management team and the Board shares, that Nutrien is a great business with a strong investment thesis. That was really the focus of today's discussion. We believe we are best positioned in the ag sector, with a unique and value-enhancing business model, and a clear plan to focus on creating long-term shareholder value.

Personally though, I believe that Nutrien is more than just a great business, we're also a great company, with great people. We are a company that is working hard to ensure we are more sustainable than we -- and that we minimize our impact on the environment and that we welcome and accept all people that we work with. Today, we are working hard to baseline ourselves across these areas. Before we set bold targets for improvement, we first need to know where we are today. So in the future years, you will not only see us set costs, earnings and other financial metrics, but we'll also set sustainability, environmental and diversity targets, but that will be a topic for the next Investor Day. But with that, we'll open up the floor for questions. And I'll ask the ELT speakers to join us on the stage here.

Richard Downey - Nutrien Ltd. - VP of Investor & Corporate Relations

Thank you.

Unidentified Analyst

[Joseph, Bernstein.] You had a Page 10 earlier on, you showed the cycle and your strategy based on that cycle. But if I just take the picture as granted, you're showing that in a declining NPK environment, that's when you should be focusing on retail and dividend. A reflection of where you feel the cycle is and -- okay, that's a somewhat leading question. But could you talk more about the cycle abroad?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes, actually, the interpretation is a little different than the way you've described it. So in a declining cycle -- and let's just talk about the peaks and the valley. So at the bottom of the cycle, that's when we believe production assets will be undervalued, and there will not be a lot of competitive tension to buy those assets, because most of the pure plays will not have the balance sheet. Retail is a little different in our view. Retail is something that we should invest throughout the cycle. What we've seen is that the valuations really don't change between the peaks and the troughs. They're readily available and consolidation of the retail business, from a strategic perspective, is really important. So at the bottom of the cycle, you'll see us allocate capital to production. At the top of the cycle, we will look at repairing or making sure that the balance sheet is strong. And throughout the cycle, we will invest in retail. And we think we have the liquidity, the cash flow generation potential, and the balance sheet to do all of that.

Charles Nadim - Jarislowsky, Fraser Limited - Co-Head of Equities, PM of Canadian Equities & International & North Am Research Analyst

Charles from Jarislowsky Fraser. Chuck, strategically over the years, you've added a lot of pieces to the puzzle to deepen the moat, increase the stickiness with the farmer. Is the digital platform the last piece of that puzzle? Or now that you pretty much do it all, except the harvesting part, is there an opportunity in the mid- to long-term to maybe go full outsourcing, where you would have maybe some compensation related to yield or profits? Does the farmer really care how much he buys from Nutrien? Or in a world maybe also where millennials are not into farming as much as previously were?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. It's a great question. I'll give my views and then I'll have Mike comment. So in the 5-year window -- so we'll break it up between what's in the 5-year window and what's beyond the 5 years. In the 5-year window, we think digital and Nutrien Financial are the next pieces to fortifying that relationship with the farmer in building, what I'll call, these really important moats around the farmer. We do think that there will be a period of time probably within the 5-year window, but most likely past that, where we will switch from just being an inputs company to be more of an outputs company. So with our investments in digital and data science and analytics, we think that we'll be able then to work with farmers, to share the risk,



but also share the return of working with them on yield security. So this is where I think the industry is going to head towards is those that just provide inputs will become quickly commoditized, and the real value, we think, will be in having a stake in the game when it comes to farming outputs. And we think that we're going to be the best positioned company. And some of the investments we're making today is to prepare us for when growers are prepared to share that. I'm going to -- just want to have Mike -- he'll give you the next level of detail.

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

Sure. Well, it's probably saying similar to what Chuck said, maybe just in a bit of a different way. I talked a little bit about the retailer of the past. And the retailer of the past was a retailer that sells product by product. You fertilize your seed and you sell them fertilizer, then you sell seed, then you sell crop protection. And it's one-off transactional. And we're moving to a model, as I shared in my presentation, where we're now creating whole-acre solutions. And so we see the next wave to be solution selling. I think the wave after that is outcome-based selling, where using data science and all the data that we're pulling together, where we can certify or guarantee certain outcomes in the field. And I think it'll -- we'll have to have enough data where we can partner with the reinsurer, but where we can go to a grower and either guarantee a yield or guarantee a financial outcome. And so I think that's the next evolution past solutions.

Alexandre Pfrimer Falcao - *HSBC, Research Division - SVP*

Alex Falcao, HSBC. Just following up on the ag economics. You talked a little bit about 2 issues: one is competition, with FBN becoming sort of an aggregator and partnering up with some of the distributors. How's that a threat to your business model? And second is on connectivity. It seems like more and more, you're going to demand more connectivity to reach to your final clients. And it doesn't really depend on you for that to happen. So how do you cope with that? And if I may just add one more question. On the -- on -- when you talk to farmers, most of them seem to think that you have -- you actually have too much technology right now or all the technology that they need, and they don't necessarily see the final results there. So how are you going to be able to show him that it makes sense to continue to invest?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Sure. So Alex, I missed your second question, so let's come back to that here at the end. So the -- on the FBN front, look, their model is very, very different than our business model. And so we don't see them as a competitor. And we can probably talk a lot about what they're doing and the success or lack thereof that they're having, but we just don't -- we don't feel the impact in the business. We have some of our customers that buy their annual subscription, which we think is fine and they can bring the data in, help make seed decisions or help with the -- with pricing discussions. But we're very proud to stand in front of our customers and talk about our pricing. And that's why in the last 2 or 3 years, we've seen our EBITDA margins increase and we've seen our crop protection margins, for the most part, be flat. And so they're -- the threat that I think some people thought maybe was coming with FBN hasn't played out for us from our perspective.

Your point on are the growers seeing technology, I guess, my experience is different. When I was in the field last week in Illinois and as growers are now thinking about planting into May or early June, they can look back over the last decade or 2. And a couple decades ago, planting in June in Illinois meant that you were definitely going to pay a yield penalty. Whereas, today, they don't expect that. They still expect that they're going to generate yields over 200 bushels an acre if they can get their corn in. And it's because of the seed, it's because of the traits, the fertility management and all the other tools and technologies that we can bring to bear. And so I actually think farmers understand today that all of the tools that we can bring to them in our toolbox is really helping them be more productive and really manage the risk in tough years like the one we're in right now.

Steven P. Hansen - *Raymond James Ltd., Research Division - SVP*

It's Steve from Raymond James. Question for you, Susan, on the potash side. What are the triggers that you see in the market that really will green light the need for these incremental new tonnes? I don't know if it's a demand-side issue, if it's a supply-side issue or combination thereof. But what do you need to see in the market to green light the new incremental brownfield tonnes you've highlighted? Secondly, what assets do you see

these -- [that it's] going into? And how long does it take to bring it online? I think you gave us a cost estimate, but time line and market milestones would be helpful.

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Yes, Steve, great questions. So in terms of -- I mean, you've hit both of them, which is we see it will be a combination of demand and supply. And really, let's just talk in the supply side for a minute, we have seen even just very recently what was expected of supply coming into the market hasn't come on as quickly as some expected. What I would say from our expectation is we know that not only do these expansions take a long time to come on, but when they actually start to come online, it does come on gradually and that's what we're seeing now. We have built-in, in terms of our supply scenario, supply coming on as it's been announced. But if there are factors that cause -- if there's a mine flood, if they don't come on as quickly as people have announced, then that's when we're saying we will be ready to move our supply in. And I just want to reinforce, the reason we talk about a buffer of 2 million tonnes to move into the market is because these supply gaps, I'm going to call them, can happen in big chunks. I mean we're not talking hundred thousand tonnes. We can talk a million, 2 million tonnes that can come on and we want to be ready to feed the market. And then certainly, on the demand side, if you look at the appendix, we do have a bit of an outline of what we expect to see for supply as against demand. And in a 2.5% demand scenario, we really expect that to be balanced with supply coming on. So if we do see greater demand coming out of China, if we do see greater demand out of Africa, out of Brazil, really out of any region during this time frame, we're going to need to be ready with our volumes to move into the market. And then, I guess, just one final point I'd like to add is, from our perspective, and I did talk about this in my presentation, the focus on supply chain I cannot underestimate. Those that have supply chain -- and we have a significant storage, both in North America, but also a well-oiled machine moving out to the international market, the supply chain is really going to provide that competitive advantage. And that's where I do believe that we are there and we can service the market in these short windows, because we've got supply chain that we're continually focused on.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

But Steve, are you asking about our incremental 5 million tonnes

(technical difficulty)

the -- from '18 to '23?

Steven P. Hansen - Raymond James Ltd., Research Division - SVP

Those brownfield investments

(technical difficulty)

would you be

(technical difficulty)

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes.

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Oh, sorry. So now I've talked about a whole different story. So above 18 million tonnes. I mean we see that really coming across our entire network. And I would say, you can think of it as fairly evenly distributed. So the great piece about that and as I mentioned, it can be done in increments, it could be done in short periods of time. This isn't a binary decision, where we say anything above 18 million tonnes, we bring on 5 million or nothing. So just think of it across our sites, excluding Patience Lake, so across 5 sites, we can bring that on pretty equally.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

And then just to give a little bit of color, so that 5 million tonnes requires no shafts, requires no mills. This is really important. This is just new hoist, more mining equipment, more people and a little bit of debottleneck in the existing mills. That's why it's so cheap, that's why it's so fast. And that's, I think, a unique advantage we have because we've already spent \$8 billion or \$9 billion over the past decade building that hardware.

Benjamin Isaacson - Scotiabank Global Banking and Markets, Research Division - MD and Head of Commodity Research

Ben from Scotia. So just to kind of continue on that same train of thought. So \$500 to \$700 per tonne of CapEx for 5 million tonnes is \$2.5 billion to \$3.5 billion. You just did a write-down for \$1.8 billion for the New Brunswick mine, so can you just kind of triangulate the need to spend that incremental capital, when you just shut down your Brunswick? And then the second point is, Chuck, in your opening slide, you talked about higher crop prices over the midterm. But now you're looking for a deceleration of the potash demand growth rate from 4.2% in the last 5 years to, I think, you said 2.5% or 2.6%. Where is that coming from? And why, when you're expecting crop prices to increase over the midterm?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. So I'll have Susan talk about the market. On the New Brunswick and kind of rationalize that with the new tonnes, this is pretty simple in our views. New Brunswick would cost, in order of magnitude, more to try to get tonnes out of it. This is -- like I was saying, the 6 mines are -- as Susan's saying, the 5 mines, we already have the shaft, we already have the mills and this is so much lower cost spend than trying to do anything in any of our other assets. Now if you look at when the tonnes are needed, I think it's important to look at that, if you think about our 18 million tonnes, we will be out of capacity. The 18 million tonnes will be in the global market, somewhere between 2025 and 2030, depending on the growth rate, and I'll have Susan just articulate why we think it's 2.6% to 3%. But we have some time to make these decisions. There's no rush here, because we can do this fairly quickly. But it is -- truly the lowest cost tonnes that we've got to put into the market over the last 15 years will come now. We know where those projects are, and we don't need to make those decisions tomorrow. In fact, if you look at our capital outlay, we don't have significant capital at all in the 5-year plan, simply because we don't need the tonnes, but we want to keep the 2 million tonnes of buffer. So we have to start making decisions to -- I guess, to answer the question directly, when do we have to make the decision? We think we need to make the decision on some, not all of the 5 million, most likely in 2020 or early 2021.

Now do you want to talk about the markets?

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Yes. And Ben, so you're contrasting it to the last 5 years, is that what you're -- yes. I mean, look, the -- if I can think about it by market. And in the appendix, it has broken out our views by market. But the way we look at it is, we do expect to see a similar growth trajectory as we saw in the last 5 years in certain key markets, but we had China, a significant growth in the last 5 years, we expect to be going to more normal levels. We expect India to be quite similar. We do expect to see an increase in African consumption over the next number of years and good consumption in Brazil. So really, the appendix lays out by market. But what I would say is, the key for us is to ensure there isn't demand obstruction is that you don't have prices heating up in the market. And that's why I talk about ensuring that either inventory buildup doesn't happen and you have demand obstruction or you have significant prices heating up. And if you think about the context, just go back to 2008, '09, when we had a significant increase in prices, we didn't have excess capacity in those days to place in the market to ensure the prices remained stable. We have that today, and that's why I'm

reinforcing the importance of that because we believe in a stable pricing environment, we'll continue to see that growth. But you should see it as a stable incremental growth and then as there is extra need with gaps in supply, we'll place those large volumes. Does that help?

Unidentified Analyst

Raymond Goldie, independent analyst. I have two questions for Mike. And the first is that I wonder if the increasing resistance of weeds to glyphosates is a threat or an opportunity for Nutrien. And secondly, I think it was Jason about 4 years ago who made a presentation comparing the demographics of farmers versus the demographics of farmers who use your digital products. Have you updated that?

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Sure. So Raymond, firstly, on the glyphosate-resistant weeds, obviously, this is a growing issue across all crops in all geographies. And I would say even though we wouldn't wish it on anyone, it's an opportunity for us, because at the end of the day, we're really strong in agronomy, we have a very broad portfolio and tools -- of products. And so now most growers are using multiple modes of action on every acre. And we've got the ability to both recommend and service that. As we showed in the presentation, over 40% of what we sell, we custom apply. And so we're well positioned to be able to mix 2 or 3 products in tank and they really solve the grower's problems. And so I think they -- our customers would view us as helping them solve a challenging weed issue.

In terms of demographic, so, look -- I mean, today, the average farm age in the U.S. is 57.5 years. We've done a lot of research to understand on the digital tool, is there a demographic, either based on farm size or farm age, where these tools are going to be more or less adopted. And it's interesting, obviously, larger growers are more interested in digital tools. And so there's clearly a size. The more sophisticated the grower is, the more he's interested in these tools. On the age piece, there's less of a correlation. And in fact, when we did the research, growers under 35 said that they want mostly to talk to an agronomist. And so because they're early in their career, they get a lot of value from talking to a trusted agronomic adviser to really help them make that decision. Growers from 35 to 75 age bracket are very interested in digital agronomy tools, and over 75, it drops off again. So the -- so there's maybe a little bit of a play there, but it's not exactly the way you think. I mean, a 25-year-old coming into farming isn't likely going to say, "Give me all the digital tools and leave me alone." Our experience and the research would say, those young farmers coming in really want to talk to a trusted adviser and, again, that's strength of our network. We can do both.

Christopher S. Parkinson - Crédit Suisse AG, Research Division - Director of Equity Research

Parkinson, Crédit Suisse. Regarding your Trinidad, I mean, nitrogen assets, there have been 2 challenges: one's gas availability and the other's potentially trade. On the gas availability side, can you just give us your perspectives on near term? What seemingly was some sort of improvement over the next few years due to new pipeline capacity. But obviously, some plans with Venezuela fell through, so the long term is a little more uncertain, let's say. And on the trade side, obviously, you have some issues with exports to Europe and then also the potential for intermediate or long-term, new West African supply, which has been a -- kind of a newer market for that. So could you just sit on those 2 perspectives separately? And then also, are these still essentially core assets to you? Or are they potentially something you'd look to divest in the long term?

Raef M. Sully - Nutrien Ltd. - Executive VP and CEO of Phosphate & Nitrogen

So let me just answer the question about supply in Trinidad first. We were experiencing -- for 10-year period, they were experiencing curtailments of 10% to 15%. In the last 2 years, as we've settled the contract, the new contract with the government and new investments have been made, these curtailments have dropped off quite dramatically. We're running at about 5% this year. We were about 5% last year. Just so you're aware, there -- between BP, Shell and EOG, there's \$11 billion in investments earmarked for the period through 2017 through 2021. There's only 1.5 Bcf a day brought on in '17 and '18. And so those projects are progressing. Now obviously, the investment has to overcome the decline in the existing fields.

In the next 3 to 5 years, we would expect to see curtailments no worse than they are today. It's at 5%, we'd expect to see them slightly better. Longer term, we don't actually need the Venezuelan. The government doesn't need the Venezuelan fields to be whole. We would like it if they happened. If they happen sometime in the next 3 to 5 years, we'll see an improved gas position.

So I'm not too worried about the supply there. I think it's a lot better than it has been for the last decade.

And the other question was about marketing. So all of the Trinidad tonnes, we have about 40% of the market of production there on the island. All of those tonnes were -- over 5 million tonnes were going into the U.S. Of those, now only a small proportion actually goes into the U.S. Now all of them have found other homes. We've been quite successful with marketing our tonnes into northern Europe and to -- and into Africa, Morocco. And we don't see too many issues with that. In fact, the Moroccans, in particular, are very interested and continue to deal with us. And we've got some good customers in northern Europe that are looking for alternative supply from traditional suppliers, and that market being the Russians. So Trinidad is a very good, stable market for them. Very good, stable supply, so we think that they'll continue. We don't see too many issues. As to whether it's a core asset or not, I think it remains under review and will continue to remain under review. The contract we've got now will go for another 4 years. And I guess, as we come into discussions in the next 3 years, we'll review where we're at and see what the outlook looks like, make a decision then.

Andrew D. Wong - RBC Capital Markets, LLC, Research Division - Associate Analyst

It's Andrew, again, from RBC. So just 2 questions: one is on share buybacks. Given the current share price right now, I'm sure you're looking at that and thinking you could probably get a pretty good return on your own share buybacks versus other projects. So how aggressive would you want to be on that versus spending on other projects or maybe delaying your spend on some of these growth opportunities? And then the second question would just be on potash pricing, going back to that. What price level do you want to see? Like you're talking about pricing, you don't want it to be too excessive. So what does that actually mean?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Pedro will talk about share buybacks, and then Susan and I can answer your potash question.

Pedro Farah - Nutrien Ltd. - Executive VP & CFO

So I think on the share buyback, we do have an active program right now. And I agree with you, I think we do have a nonlinear share buyback, so the more the prices drop, the more we buy. That's kind of how the program was designed, so it accelerates as the price goes down. And so the program is on board. And I think that the good news is that we have enough cash to do the share buyback and the investment, especially because we are trying not to trade off 20% IRR investments for the long-term with a short -- and a return on share buyback. We think we can do both, so that's what we're continuing to do as long as evaluations are attractive.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

And Andrew, on the potash question, look, it -- I wish it was as simple as saying we had a magic dial. We just -- we don't, right? But we do -- we've learned some things from the boom and the bust in the potash industry, and I think that's what we're trying to articulate. We've learned that if you have a significant acceleration of price, it incites poor behavior and it's very difficult for farmers. And at the same time, if the price gets too low, the opposite happens. So our perspective is one of we think that -- we certainly think that we can make very good returns for our shareholders, and that's what we're really focused on. By optimizing our network, driving costs out and growing volume, what I would call, responsibly as the demand calls for it.

And last year was probably the perfect example. We increased our sales by 1 million tonnes, and the market price went up by \$50. So I do believe that we are very good when it comes to understanding how to optimize value. But I wouldn't want to give a number except to say that, obviously,

if we get into the territory to incent greenfield builds, I don't think that's good for the industry. And we're -- the good news is we're far away. Greenfield builds right now in the potash industry makes absolutely no sense. We are a long ways away from talking about that. And you'd have to have brownfields sub-\$800 like we articulated today, even for brownfields. So I think that having that in the back of your mind will give you sort of a framework of how we're thinking about our potash business.

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Yes. And the only thing I'd add to that is the real benefit we have having the integration to the grower is -- I have real-time discussions with Mike in terms of what's going on in grower affordability, and I think that's where we start from is grower affordability and how we can ensure this is sustainable.

Andrew D. Wong - RBC Capital Markets, LLC, Research Division - Associate Analyst

All right. I just wanted to follow up a little bit on the incentive pricing. So BHP recently, they gave out some figures on their Jansen projects. Does that CapEx change you -- the way you think about incentive pricing? Or like how does that get incorporated?

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Well -- look, I think -- I don't want to speculate on what BHP is doing. Our own view is that over the next 5 years, for grower affordability, prices should be remaining stable with what we can see today. And certainly from a greenfield perspective in Saskatchewan today, our own view is that prices need to be significantly higher sustainably to justify that return. So that's kind of really what I'd say on that.

Steve Byrne - BofA Merrill Lynch, Research Division - Director of Equity Research

Steve Byrne with Bank of America. I wanted to ask you about your level of conviction in your 2% CAGR on nitrogen demand. Do you see potential upside from that? In some regions of the world that have below-average yields are now getting above-average genetics, and maybe potential downside from new technologies that could erode the nitrogen demand.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes, Steve, I'll introduce Jason Newton, our Head of Market Research, and he'll answer your question.

Jason Newton - Nutrien Ltd. - Head Economist

Yes, Steve, historically, we've seen a nitrogen demand, and it rises pretty steadily over time. And we've actually gone through a period over the last few years where nitrogen growth has been below those historical levels, which are in that 2% annual range. And typically, historically, when you go through a period of time where nitrogen demand growth is below 2% and you see it rebound above that level. The 2% that we referenced in the presentation excludes China. And we do expect that Chinese growth will be relatively flat and bring overall global nitrogen demand growth below that level. And it should be noted also that nitrogen in total, globally, is about 80% ag and 20% industrial. And we didn't expect the ag demand growth to be below the 2% level and industrial demand growth to be above that level and bring up the total global rate to 2%.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

And Steve, I'd also just add that, look, we test extensively all the new products that are precommercial, whether they be from startups or from big R&D companies in terms of the microbials and the biologicals. And there's lots of claims out there about products that can help reduce overall nitrogen use. I mean we haven't seen technology yet in our testing that would play out the claims that some folks are making. And so we're -- from

a retail standpoint, if there's technology that can help our customers, we're -- we want to be on the front end of it, and so we're testing extensively those technologies.

Mark William Connelly - *Stephens Inc., Research Division - MD & Senior Equity Research Analyst*

Mark Connelly at Stephens. Two questions. First for Raef. Can you talk a little bit more -- you said that you're working on projects that were going to improve your nitrogen flexibility, but the 5 that you listed weren't really that focused on -- maybe optimization, a little bit, but it didn't look like you're putting a lot of money into flexibility. So that's my first question. And the second question is on Loveland, which really didn't get much attention here today. Can you talk about the plans for Loveland and, specifically, about the importance of exclusivity? You've talked about exclusivity a number of times. And I'm curious, how critical is it, in your mind, for Loveland's products to be exclusive? So I would think that, that would tend to limit growth?

Raef M. Sully - *Nutrien Ltd. - Executive VP and CEO of Phosphate & Nitrogen*

So the projects, there's 7 of them, that \$300 million. There are 5 sites, and they're a mix of ammonia, urea and nitric acid. And for the urea and nitric acid, we're in situations where with the combined network, we figured out we've got some additional ammonia, we're going to upgrade it. And then -- so it's just a mix of those that allow us to be in the market and either put the molecule into ammonia directly or more urea or nitric acid or UAN.

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Yes. So then, Mark, on Loveland products, and for those of you that don't know, we talk a lot about proprietary products in our retail business. The chemical side of proprietary products are branded Loveland products. The seed side, we have a couple of seed brands, Dyna-Gro and Proven. And so we have different brands for our proprietary products, but chemical products are largely under the umbrella of Loveland. And I would say exclusivity is very important, because we have a broad footprint where we can access growers, and this gives our sales agronomists something unique that competitive retailers don't have. And again, you can think of this in the categories of adjuvants, nutritionals, seed treatments, post patent chemicals, biologicals and microbials. And so there's a whole portfolio of products and of course, seed. And so having a differentiated product, with deeper margins, is very motivating for our sales organization, and that gives us a lot of fuel in our tank. And so we like the fact that we've got access to the market, and we can bring those products exclusively through our channel.

Now we also do distribution in some places. And so we do look for opportunities where maybe we have gaps in the market, where we will sell our products through a third-party retailer. And then recently with some of our acquisitions, like Actagro, those products have opportunity beyond North America and beyond some of the countries where we have a retail footprint. And so we also are actively looking and talking to other companies about taking those products internationally. And so I would say, from an exclusivity standpoint, in North America, specifically, we like our position. Outside of North America or where we don't have a retail footprint, if we have technologies that fit, we're looking for those market opportunities as well.

Joel Jackson - *BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst*

BMO, again. I'm going to ask 2 questions on potash, one by one, if Rich allows me. So first on potash costs. As you scale up potash, hopefully 13 to 15 and 17 million tonnes, you talk about lower cost. The way I understand your portfolio, you've optimized the portfolio if it was on a lower cost (inaudible) mix. So as you go more -- higher utilization rates, aren't you now producing higher cost tonnes? Isn't that going to -- it's great, you're going to sell more, but wouldn't that actually lead to cost inflation?

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Yes, it's a great question, Joel, and really leads to why we're doing the next-generation potash. So if we didn't do anything to date and we weren't leaning out the supply chain and adding that technology and really moving in it to the next level, you're absolutely right, you get to a step change. And if you think of what we recently did with our Vanscoy facility, we took those volumes down, and we basically lifted and shifted that to lower cost mines. As we roll out the supply chain -- and I should just talk about -- when I talk about operational excellence and what we're doing, we could go in today, and we've got the capability by the end of this year, all of our boring machines at Rocanville will be ready to go, automated, operator not present. But before we start simply automating our machines, what we're doing is we're saying we want to increase the time we're "cutting at the rock" face. We want to make sure that all of our conveyor belts are operating efficiently. We want to make sure that we don't have any logjams in our shaft, all the way through underground efficiencies in the mill, and then we will automate that and all of that is going to drive down our costs. So you're absolutely right, if all we did was ramp up volumes, we would see a step change, but by the time we get to that, the overall network cost will be that much lower.

Joel Jackson - BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst

Royalties, as you ramp up and get to 17, 18 million tonnes, that's great. If you do produce 5 million tonnes more, will you have to pay the usual PPT, all the different taxes? You have holidays, you agreed

(technical difficulty)

potash agreed over 18 years ago to build more capacity, you got certain benefits. Some have been clawed back in credits in time, maybe it's a little

(technical difficulty)

But the next 5 million tonnes, would you pay a lower PPT? Lower -- I guess a lower royalty per tonne in your current 13 million tonnes, if price was the same?

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Yes. The way the potash taxation royalty regime exists today, it's on a flat per tonne basis, so we would just continue to pay on a per tonne basis. And on a cost per tonne, you can expect to see it on a -- basically, neutralized. You don't get a benefit the more you produce.

Joel Jackson - BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst

5 million tonnes

(technical difficulty)

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Oh, if we do the next brownfield? Yes. Yes, we do, certainly, for the next brownfield. And this is now we're getting into all speculation of what may be, the taxation and royalty regime when we did that, but assuming all else being equal, we are subject to holidays for that.

Joel Jackson - BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst

So holidays are

(technical difficulty)

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Correct.

Vincent Alwardt Anderson - Stifel, Nicolaus & Company, Incorporated, Research Division - Associate

Vincent Anderson, Stifel. I had 2 questions on retail. The first one is you put out a slide that showed a pretty large total addressable market for U.S. crop input financing, with the implication that Nutrien is probably underweight crop financing versus their actual share of the U.S. retail market. The question there is how important is it that you grow your capacity for crop input financing to actually get farmers to use Nutrien as a one-stop shop? And how big do you get in that before you have to worry about risk management on the crop marketing side of the equation?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Can you -- sorry. Can you just restate your question just so Pedro can hear it?

Vincent Alwardt Anderson - Stifel, Nicolaus & Company, Incorporated, Research Division - Associate

Yes, sorry. So with regards to crop input financing, you put out a fairly large total addressable market there. How big do you think -- or I'm sorry. How important is growing your share of the crop input financing arena in the U.S.? How important is that to gaining adoption for Nutrien as a one-stop shop for crop inputs? And is there a point where you get large enough in that where you have to start worrying about crop marketing risk management on the other side of the equation from the borrower?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Okay. So why don't you start with financing and Mike can...

Pedro Farah - Nutrien Ltd. - Executive VP & CFO

Maybe Mike can help out on how important that is, and I'll say how we do it. Mike, you...

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes. So on one of my charts, we showed that the U.S. market for inputs at the retail level's about \$40 billion. And we know that on average, growers borrow about 60% against their farm input. And so it's about a \$24 billion, \$25 billion book of business where farmers are borrowing to -- in order to buy inputs. When we look at our business, we're borrowing about 20% of our sales to growers when we give them more than 90-day terms. And so that's what we run through today, kind of our extensive credit process. So we know that our customers today are buying some inputs from us, where they're going to a bank or another third-party lender. And as we piloted over the last 2 years this concept of Nutrien Finance, where we more professionalize our credit processes and work with growers to finance their whole book of business for inputs they're buying from us, they give us more business. And so what we -- we -- again, we think it's a very important part, in combination with everything else we're doing, to create more organic growth. And so our experience in this has been successful, and we think we can do more of it.



Pedro Farah - *Nutrien Ltd. - Executive VP & CFO*

So just to a supplement from the point of view of how we would do that and why we'd be competitive. So obviously, on our existing balance sheet today, we'll have some limitation from the point of view of leverage to compete with different financial institutions. So we are in discussions with credit agencies, so that we'll be able to leverage Nutrien Finance without impairing any of Nutrien corporate credit rate. So in essence, we'll be able to leverage them, we believe, at least 7 to potentially up to 10x. Now what that do is that we'll start measuring that business on a return-on-equity basis, like any other financial institution, and that will allow us to reduce the cost of financing to our growers and have access to better credit. Because today, we don't want to be the sort of a creditor of last resort. We like to be a core creditor. So that will both expand the credit and reduce the risk for us at the same time.

Vincent Alwardt Anderson - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

You'll entertain one more?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Sure.

Vincent Alwardt Anderson - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

So still on retail. We've seen a number of large crop consumers, like Kellogg and General Mills, investing in programs to source more sustainably grown crops directly from farmers, but up until now, I've only really seen them partnering with very small agronomy companies to really work with them on the data side. Do you see this as a place where Nutrien can really monetize their Echelon program by starting some of these programs and offering them to farmers and consumers alike?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Yes. It's a significant opportunity for us, one of the reasons why we bought Agrible. And Mike will explain, I think, where this is heading. It's still a small part of the U.S. market, but this is growing. And I think it could be quite an opportunity for us.

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

Yes. So Vincent, Agrible, as Chuck mentioned, was one of the digital companies we acquired last year, and they had built a really good interface that was being used by Anheuser-Busch, General Mills and PepsiCo, to create traceability from the farm gate to their processing plant. And so we've now expanded that tool. And so we're working very closely with those food companies to help them think through their supply chain and how they can develop a traceability technology between the grower and the inputs that they're buying. So we see an opportunity there. And again, as we blend it in with our retail business, then we also have the ability to sell those same inputs to farmers. And so it all comes together kind of into that integrated portfolio package.

P.J. Juvekar - *Citigroup Inc, Research Division - Global Head of Chemicals and Agriculture and MD*

P.J. Juvekar from Citi. In one of your charts, you showed that working capital to sales ratio went up in 2018 when you were expecting it to go down. Was that simply because of the bad fall season that you ended up holding a lot of inventory? Or was that something else? And secondly, a question for Jason. Asian (sic) [African] swine flu in China, what do you think will that -- what impact will it have

(technical difficulty)

paying demand in

(technical difficulty)

subsequent for the larger demand? Are you concerned? Or are you just watching from the side? Can you just give us your view on that?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. So P.J., I'll take the working capital point. So I think there's probably 3 reasons that our working capital last year was historically at high levels. One is because if you go all the way back to the insecticide-fungicide window in the U.S., it was smaller than normal. And so we didn't sell as many insecticides and fungicides, and that's a window. And if you carry them over, you're carrying them over to the next season. So that's one. Number 2, as we all know, the fall fertilizer window also was not good. And so our fertilizer sheds and our anhydrous tanks, we went through December 31 with them full. And then thirdly, with the tariffs coming on crop protection products, we also made some strategic decisions and we worked with some of our suppliers to secure products into our inventory that didn't have the effect of the 10% tariffs. And so all 3 reasons ended up putting us in that position where we were in the low 20s from a working capital standpoint.

Jason Newton - Nutrien Ltd. - Head Economist

Yes. And on the question on African swine fever, obviously, it's going to have a significant impact on the hog numbers within China. I mean the estimates are wide-ranging, but many in between 20% to over 30% of the hog herd in China could be impacted. We spent a lot of time looking at this, and what we can say is there's a lot of uncertainty with respect to what the impact of that will be. We expect it to be relatively short-term in nature, but what you can expect is, obviously, the number of hogs in China will decline, and so that's going to have a negative impact on what's being fed in China. We'd also expect that there will be offsets, and so there's -- the livestock prices have increased feeding and the big livestock markets like Brazil, Russia, Europe will benefit from an export perspective and the U.S. as well. And also within China, you could see consumption and also the production of beef and poultry increase that has an offset. In addition to what we've seen in the past disease outbreaks, the weights of the existing livestock go up.

And so there's a whole bunch of different offsets. We think it will have a short-term negative impact on the rate of global grain and oilseed demand growth. But longer term, what we've seen in these crises in the past is that we see a very robust growth rate in demand once the herd sizes start increasing again, and we know that long term, that meat consumption trends continue to increase in China and the rest of the developing world, and we don't see that changing.

In terms of fertilizer demand, I mean that's another thing that's uncertain, along with the overall impact. But I mean if you look at what trade flows will be impacted, I mean it has a potential to have a negative impact on soybean imports into China. And from a fundamental standpoint, it probably continues to provide support to corn, as we've discussed, and so from a North American acreage standpoint, even if you look into South America, it could potentially provide support to corn and other feed grains, which is positive for nutrient consumption.

Jeffrey John Zekauskas - JP Morgan Chase & Co, Research Division - Senior Analyst

Jeff Zekauskas of JPMorgan. I have 2 unrelated questions. The first one, I think, is for Chuck and the second is for Jason. In your presentation of the retail business and in the overall company, there has been a stress on EBITDA margins and improvement in EBITDA margins and improvement in EBITDA growth. But it's also the case that you have a large acquisition agenda, and there doesn't seem to be -- there don't seem to be explicit return on capital and return on asset targets. So I was wondering, as a first question, if you're worried that you might skew the incentives a little bit too much in the direction of growth and not enough in the direction of return and how you might protect yourself against that.

And the second question, for Jason, is over a 5-year period, when you think about corn and soy yields in the United States, given the amount of innovation that's happening in data and digital and trades and germplasm, do you have a view, assuming weather is the same, of how much yields

change over a 5-year period on some kind of percentage basis? And then do you think over 5-year period, climate change will make a positive difference to yields or negative difference? Or you can't tell?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Jeff, so look, when we look at retail, and your question is are we focusing too much on EBITDA or absolute growth and how the incentive programs work around the company, we don't compensate, certainly, this table on EBITDA. This table is compensated on TSR. So we do have the balance, and we have those metrics on return on capital. The issue, of course, is when you're buying retail assets, for those that have been part of the story for a little while, the return on capital is influenced by a lot of accounting, because often, we have the write up the assets and you have a lot of intangibles and goodwill, because you're buying customer relationships. So we don't think that is the best measure for a retail business that is growing by acquisition, but it is something we watch. But we do focus very heavily on discounted cash flow and on returns on that, and we have a strong view that we get the balance between efficiency targets, whether it's a return on assets or some other return metrics that we watch very carefully, and the proper IRRs, that it will drive what we're all looking for, which is a TSR.

Now as you go deeper into the organization, because they're a sales-based organization, we do compensate them on an earnings usually at the local level, whether that's a division or a branch, but they have to pay for their capital. So if we buy assets in a division, that divisional manager has to pay for that capital before their incentive programs kick in. So there is even a balancing act at the local level, where they can't sort of buy their way towards bigger bonuses. The system won't allow them to do that, because they need to have a sufficient return for all the capital, even at the local level. So hopefully, that helps answer the question. And Jason, good luck with the next one.

Jason Newton - Nutrien Ltd. - Head Economist

Well, I'll start on it. And Mike, you probably have some ideas as well. But I guess if you look back historically, the average, look at corn yields in the United States, they increased by about 2 bushels per acre per year, and that's a relatively long-term trend. Now I do think, if you look back over the past 5 or 6 years, there definitely have been what appear to be above-trend yields and not necessarily years with ideal weather. There's some -- been some years with really good weather and some years where it's been a bit surprising how high the yields have been, but I don't think it's a long enough time period to say that there is a trend. And I think if you look back long-term, I mean there's always been innovation in agriculture and seed technology and agronomy that have contributed to the trend yield increase over time. And I think we're probably getting to the point where we're past some of the -- within seed genetics and agronomics supporting that. And the digital's really the next step to take the data and continue to drive trend yields higher.

Jeffrey John Zekauskas - JP Morgan Chase & Co, Research Division - Senior Analyst

Climate change? Positive, negative or neither?

Jason Newton - Nutrien Ltd. - Head Economist

I think it's uncertain what impact. I mean, obviously, if the climate is changing, there may be different parts of the world that have different weather trends over time and climate trends over time, and it could potentially shift what crops are being grown in certain regions of the world. But certainly, there is too much uncertainty to speculate on the impact.

Steven P. Hansen - Raymond James Ltd., Research Division - SVP

Yes, just one more for Mike on retail side -- on the digital platform side, sorry. As farmers search for this proverbial one-stop solution, as opposed to 20 apps, it does strike me that the player or handful of players that establishes first 1 or 2 real fully integrated platforms will have some sort of competitive [worth]. So we've talked a lot about FBN today, but can you maybe just focus a little bit more on how your platform is differentiated versus the other key existing retailers in the channel? And just give us a sense of maybe it's capability that you have that they don't, if -- you can

perhaps quantify the time or lead advantage that you have, first mover to market, because it does strike me that as you start integrating these other, I'll say, players, as you backward integrate them into your model as well, you are really starting to establish that solution. But I don't have a good sense for how you're positioned relative to other tradition

(technical difficulty)

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. Steve. So look, if you look at traditional retail, the larger retail businesses have some sort of digital agronomy tool. Most of them do. And I would say kind of the common elements that most of these companies have would be a variable rate fertilizer tool and a variable rate planting tool. And so that's probably where the industry is at today.

No one has built a field and farm planting tool. No one else has an omnichannel tool to like we do. And as far as I know, no one else has built a tool that's built with an open architecture in mind to bring other technologies onto the platform. And so that's why, again, on the digital agronomy space, we are investing very little of our capital and our focus in that area other than since we are a nutrient company, we want to have the best nutrient adviser. But when it comes to our other agronomic decisions, weeds, fungus, insects, we think there is other companies that are going to invest their dollars, and most of them are suppliers today, which we have very good relationships with. We're already a route to market for their products. We should put their technologies on our platform, and that's where I think this is going. And so that's how we built our platform to be really broad in terms of being a one-stop shop, and no one else is doing it.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

And Steve, just -- we do think first-mover advantage is huge in this industry. If we can get an integrated model with our agronomist and a platform that is easy to use and they can conduct business with us when they want, where they want and how they want, it's going to be very difficult, I think, to -- for competitors to kind of move our customers away from us. When you map on then Nutrien Financial on top of that, because our research shows that growers that we lend money to, we get a higher share of their wallet, and the turnover is a lot less. But you put those 3 things together, and I do think that there is some strategic urgency to really accelerate the investments in this area, as well as we've seen in the last 2 years, the industry is consolidating more rapidly than even we thought it would, and I think part of the reason is because of this.

Jacob Jonathan Bout - CIBC Capital Markets, Research Division - MD of Institutional Equity Research

Jacob Bout, CIBC. When you think about your portfolio of wholesale assets, how important is it to match your wholesale production with retail needs and will this shape future wholesale fertilizer M&A decisions? My first question. The second question is just simply just on the Chinese potash negotiation. I think you were talking about a price increase in last quarter. Are you're still thinking of?

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes. So Susan can answer the potash question, Jacob. For us, it's part of how we would look at it if we're talking about M&A and wholesale. It's part of the way we look at synergy opportunities. So the merger played out exactly the way we thought it would, in fact, a little bit better than we thought is when we knew, for example, legacy PotashCorp wasn't selling much product at all into retail, especially in the nitrogen portfolio. And we showed you today that that's worth about \$12 to \$14 a tonne. So it's one of the considerations that helps us when we look at M&A and holes in our overall network portfolio. But for us now, we're not only thinking about North America. We're also thinking about a North-America-South-America integrated model, because Raef mentioned Trinidad, but we also think there is opportunity to move Trinidad tonnes into Brazil at the right time, if we had more of a network for it, so that we don't have to move as many tonnes into North America and pressure market premiums.

So there is a strong desire for us to build a North-American-South-American integrated network where we can move production tonnes, whether it's in season in the South or in the North, to optimize market premiums and overall margin. So it is a consideration, and how we would model our synergies would be based on that. Can you talk about China contract?

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Yes, so in terms of China contracts, and I'll reference 2 things. One is lots of question around timing, and this is, obviously, the great debate at this time of the year. I think our expectation is that they will probably start negotiation sometime after IFA. And yes, our view is they still are going to need to come up. And one of the things that I want to point out is that there's a lot of focus on port inventories. Port inventories have started to come down, but end market inventories are very low. That's the intelligence we have. We do believe they're going to have to come to the table. And if you go back and just look at the last 10- and 20-year pricing strips, the gap between China, India and, say, Southeast Asia or Brazil, is quite large today. They're going to need to come up, and we fully expect they're going to need to come up in this next cycle, and then it just -- it's a matter of them -- right now, it's a bit of a watch time, but that's still our view, Jacob.

Christopher S. Parkinson - Crédit Suisse AG, Research Division - Director of Equity Research

Parkinson from Crédit Suisse. You've mentioned a lot of opportunities for nitrogen brownfields. You do have a facility or a share of the facility in Argentina, where there has been some, let's say, optimism, in terms of longer-term availability. And it's also market where UAN and some other nitrates are growing. It seems like things are at least moving marginally in the right direction. What's your tolerance to ultimately add to your portfolio there? Is this something where Tim and Richard are going to talk like, unfortunately, that was a waste of time? Or is this something the investment community should at least at a minimum have on its radar screen?

Raef M. Sully - Nutrien Ltd. - Executive VP and CEO of Phosphate & Nitrogen

So look, it's a very good facility down there in Argentina. We own half of it. Just as background, one of the things that's interesting in Argentina is the amount of nonconventional gas reserves that are being developed. They've gone from a situation in the last 4 years of importing LNG to exporting LNG. In fact, we're helping YPF now to get to a point where they can export some of the peak gas during the summer periods. So it's certainly an opportunity that we are looking at with YPF and Profertil.

Obviously, the consideration for us is, as Chuck mentioned, we've got a network, we've got North American assets, some of which we can export from, we got Trinidadian assets, again, which we can export from. Brazil is a growing market. We want to get a network in there to help us market product in there. And the question for us is whether it makes sense to invest in North America or Trinidad or Profertil to feed that growing market. So it's an ongoing discussion and under review. We'll make a -- there is no -- decision is pending. In the near term, we'll continue to look at it. And if we think there is a good opportunity there, we'll discuss that with our partners.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes, and just a couple of other comments. So that's a little different consideration because it's, you can call it, greenfield. Even though it would be on a brownfield site, it's really a new plant. We've already expanded -- debottlenecked that plant in the last cycle. So now it would be greenfield economics that's completely different. So everything we're doing in our nitrogen portfolio is brownfield by the purest definition. We think that right now is not the time to build greenfield plants. The market prices don't support it. And then, of course, the construction risk is alive and well in most of these jurisdictions. So until we get comfortable that the economics makes sense for greenfield and we can minimize and manage construction risk for greenfield, it's a very low priority.

John Ezekiel E. Roberts - UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals

John Roberts, UBS here in the back. Pedro mentioned that you might go outside your investment grade criteria for the right opportunity for a short period and then maybe come back down again. Could you give us -- would that primarily be for something large in retail or do you have a broader scope of opportunistic things that you might look at, like crop protection chemicals or even something else on the wholesale fertilizer market that not be thinking about? But how broad should we think about what kind of opportunity might take you above your investment grade target temporarily?

Pedro Farah - Nutrien Ltd. - Executive VP & CFO

Yes, I think you should answer the strategic portion of that. I can't...

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes, Pedro can talk to you about how much money we think I can spend. Maybe I'll give you my perspective on that. So look, the 5-year plan is exactly that. It's what we see here and now. And we've talked a lot about should we go sort of outside of our, what we'll call, our core portfolio. We wouldn't consider some of what you've described as being outside of our core portfolio. So Loveland products today is -- there is 12 manufacturing facilities. It's \$2 billion in revenue. It is a chemical business. And so we will always look to add that to our portfolio, and we do that regularly. Agrichem is one of the acquisitions. Actagro was another. And so we would consider that to be sort of fair game when it comes to strategic opportunities. But beyond that, entering, we've looked at many different things, irrigation, insurance, all these are the bolt-on businesses that we could either sell directly to the farmer through retail or some other mechanism, and we think that that's a better opportunity for others, not for us.

So I'd say to you right now, we like this plan because it creates a lot of value, and a lot of the value is in our control in terms of execution. We will continue to sort of bolt on to our portfolio, especially in the Loveland products, but we wouldn't shy away from a larger acquisition, but we'd have to get comfortable that it's better than this plan, it's better than buying back the stock at today's price. And so today is our current thinking, but we always look at all those options and we weigh what's the long-term value creation for shareholders, and what we shared with you today is sort of the current thinking. But the other things we talk about a lot, there is just nothing imminent.

Pedro Farah - Nutrien Ltd. - Executive VP & CFO

So maybe I'll comment very quickly, which is you're talking about the capacity to acquire, which is one of the 3 criteria. I think Doug spoke about the strategic fit for us. Our corp dev department will need to determine this price. I mean there would need to be a willing seller or willing buyer at the right price and conditions. I think what I was referring to is to make sure that we have a wallet that is stretchable for those acquisitions on any point in time, that we can see through our way to make this acquisitions viable. And we think we have a lot of acquisition power should anything be interesting and strategic in the future. So we're waiting for the right opportunity.

Adam L. Samuelson - Goldman Sachs Group Inc., Research Division - Equity Analyst

Adam Samuelson, Goldman Sachs. Two questions. First, just on the potash side, thinking about the your volume growth potential, given the paid-for capacity that you have and the section about brownfields post 2023, how do we think about that in the context of the Canpotex structure? Just it seems like there is a disproportionate amount of volume growth happening within Nutrien relative to Mosaic. And how does Canpotex -- what's the value to Nutrien as you get bigger as total percentage of the market?

And then second, some more of a clarification question, how much CapEx over the next 18 months do you have to make final investment decision on? Of this, I talk about across mostly the wholesale pieces, just the projects that were scattered around the portfolio.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Pedro can answer the CapEx. So look, the growth of potash fits well within how Canpotex is operated. The way Canpotex works, quite simply, is it goes out to its customers and it brings back a demand plan. And that demand plan then comes back to the 2 shareholders. And each company is asked independently, can you meet your proportion? If one company cannot meet that proportion, the other company can fill it in. So we don't think that we're restricted in any way with what we've shared with you up until 2023 and even beyond with the current Canpotex structure. Now I'll just remind you, and it probably goes without saying, Canpotex is still the best marketing and logistics company for potash. It's the cheapest way to get tonnes to market, and they have been in these core markets with relationships back for 50 years. So we think this is a first-class organization. We're solidly behind Canpotex. And there is nothing in the Canpotex structure that would impede our growth.

Susan C. Jones - Nutrien Ltd. - Executive VP & CEO of Potash

Yes, and I'd just add in terms of the first 5 million tonnes that we have bought and paid for, that's within our Canpotex allocation. Today, if we were to go and expand and do other things, then the way Canpotex allocation works is you get allocated based on your capacity. So that would be additional.

Pedro Farah - Nutrien Ltd. - Executive VP & CFO

So from a CapEx standpoint, and I think Susan and her finance department has, is to determine what's the next cheapest tonne. So the first thing starts with the where the demand is going to come from and how much do we need. And by doing that, we'll be able through analytics determine how much does it come from which mine with what workforce and what investment? And I think given the fact that, and I think that was mentioned before, that we have so much investment already in, that the next dollar of investments are extremely efficient from an input-to-output ratio. So I think that's the reason why sometimes answering, especially if you have small increments, where this is going to come from, it may come from many different mines, because the steps are relatively small, because they're all brownfields of bottlenecking. So they may come from 3 or 4 mines and depends on time frame and depends on how much demand we're going to need and the mix of products as well, I should add.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

But I suspect in the next 18 months, there won't be a lot of, what I would call, that incremental 5 million tonnes from '18 to '23 in that 18-month window. We're going to take 2020 and, like I said, maybe even early 2021, to ensure that we need those tonnes sometime between 2025 and 2030.

Richard Downey - Nutrien Ltd. - VP of Investor & Corporate Relations

Okay. I know there is some additional questions, but we're going to wrap up the official section. For those of you online, thank you for joining us today. For those of you in the room, there will be a reception just out the door here, with some drinks, and all of senior management is here to answer any follow-up questions you may have. And thanks for attending today. Let's all move out. Thanks.

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