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PRESENTATION

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

Operator, are we live?

Operator

We are live.

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

Thank you, everyone, for joining us. This is John Roberts from UBS. Welcome to the UBS-hosted fireside chat with Andrew Sandifer, Chief Financial Officer of FMC Corp.; and Michael Wherley, Head of Investor Relations for FMC Corp. Also with me on the call is the UBS team of Josh Spector, Matt Skowronski, Lucas Beaumont and James Cannon. I'll make some opening remarks, and then Andrew and I are going to have a prepared Q&A about FMC Corp. (Operator Instructions)

Let me just start with our buy rating on FMC Corp. The crop protection chemical market is still somewhat fragmented because there are so many different crops, so many different pests and regulatory requirements are highly regional. FMC is among the 5 largest firms globally, and we think the big are going to get bigger because the R&D and regulatory barriers are just too high for most of the small competitors.

I like to make the analogy of crop protection chemicals to antibiotics for plants. In both cases, we're dealing with infections of living organisms. Safety is a very high priority because you don't want to hurt the patient, and it seems like there are new infections to deal with every year. And so the market is continuously renewing itself and has organic growth that should last a long time.

Trust is also a huge factor because there are so many different variables that a farmer is dealing with, and it's hard for a farmer to tell exactly why yields are higher or lower than expected. So market shares are very sticky, and we think this is among the best specialty chemical businesses and that FMC executes well within this great industry. With that, let me just welcome Andrew and Michael.

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Thanks. Good morning, John.

QUESTIONS AND ANSWERS

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

Good. I can hear you clear. Great. Andrew, I first met you way back at Rohm and Haas. For those that don't know you, just quickly tell us a little bit about your background and what you think are the most important skills that you bring to this role. You've got a little bit different CFO background, I think, with a master's in engineering.

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Yes. Thanks, John. Yes. Scary, it has been a little while since you and I just met, maybe 1.5 decade. And I certainly did take a different route into the CFO seat than many other CFOs, probably (inaudible) engineer, started off life as an industrial engineer with a bachelor's and master's. Went into manufacturing and then packaging plants and worked for about 4 years there. Pretty quickly realized that I was interested in a lot more than just the operations side, so after about 4 years, I got married, quit my job and went back to business school, got an MBA, got involved in much more broader picture issues in the business.

It's been about 5 years with the Boston Consulting Group after business school, mainly working on corporate transformation, turnarounds, restructurings, merger integrations. And then came into the chemical industry at Rohm and Haas. Spent a couple of years doing strategic planning, couple of roles in sales and marketing and some business development activity. And then I, one day, got pulled in investor relations, where you and I met during my first tour in investor relations in Rohm and Haas.

After being -- doing investor relations for about a year or so, at that point, Dow made the move and made an offer and ended up acquiring Rohm and Haas. I spent a year working on leading the sign to close integration process of the (inaudible) side, working for a gentleman named Pierre Brondeau, who many of you may know, and I worked directly for Pierre in that role. After the deal closed, I ran a business unit in the electronic materials group for a while.

And in 2010, it just -- it became clear it was time for a change. Pierre had moved on and taken over the CEO of FMC at the beginning of 2010, Mark Douglas had joined in April that year. I ended up joining in September, initially taking lead up to [chief] planning and M&A. 2014 led our aborted spin -- initial attempt at spinning off some of our minerals-related businesses, including our lithium business, which we canceled and we ended up buying Cheminova. Led the integration of Cheminova and then became Treasurer, where I stayed for a couple of years, including executing and integrating and doing a big part of the integration and execution of the transaction with DuPont, and then took over as CFO in 2018 right ahead of spinning off the lithium business.

So I'd like to think I've a pretty broad set of experiences to the CSSP from plant-level operations to nuts and bolts finance to business management, sales and marketing, that really do allow me to work closely with Mark, much as I did with Mark and Pierre throughout the past decade in really helping shape the future of FMC, to bring more than just the numbers to that business partner relationship with the CFO.

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

Great. That was a great introduction. Andrew, FMC recently held an R&D day. The company spends 6.5% of sales in R&D. That's a multiple of the average that we see for typical chemical companies. As a finance guy, how do you think about the right level of R&D spend? And how do you measure the productivity or the return on that spend? Is there a vitality index or other metrics that the company measures itself against?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Yes. It's a great question and one we wrestle with a lot, just because you're right, the magnitude of the spend has been roughly about the order of $300 million in R&D this year, more -- slightly more than that on $4.75 billion revenue base. There's not a single algorithm or single metric that we look to when we think about what's the right level of spend? And are we getting the right return from that spend? We're looking across a lot of different factors.

As you mentioned in your opening comments, one of the key drivers in our industry for organic growth is introducing newer products that are better performing, have less off-target impact or less harsh (inaudible) fuller terms. So we've really been driving hard to take it to a rhythm and output pace with our R&D pipeline, where we get a new active ingredient introduced every year.

So one of our key metrics from an output perspective, from early-stage discovery, we want to move into our more later stage and heavier lithium development pipeline, one new molecule a year. And that will allow us and build over time, where we're really introducing one new active ingredient out of that development pipeline each year. And that's an important part of regenerating our portfolio and continuing to sustain that high organic growth that we've had as a company.

Yes, the other piece that we think a lot about when we're looking at that, both the amount of spend and the specific things that we're spending on is maintaining the balance. One of FMC's greatest strengths and one of the reasons we think that we have been a more predictable performer in our space is the balance that we have geographically and across crops.

Our regional balance is such that we're pretty much evenly weighted across the 4 geographies of the world. We're not excessively weighted to any single crop or single crop geography combination. We are much more broad, participating -- a lot more participation in specialty crops. Soybean is a key crop for us, but U.S. corn (inaudible) is not. So we like that balance. We want to maintain that balance. We're investing in R&D programs. We're very careful to make sure that we're not tilting our mix one way or the other to become excessively concentrated.

The last factor is, where it gets a bit more financial, and importantly, again, there's not a perfect algorithm. But it's really balancing how we think about our forward spend with the number of attractive projects that we have, right? So we have a cost structure where we think we can sustain spending at 6% to 7% of sales on R&D and still have the highest EBITDA margins in our industry, just by the basis of the profitability and the strength of our product portfolio and from the renewal that comes from the new products you produce.

That gives us enough funding to be able to fund a lot of projects and probably more than we can fund. And that's when we start thinking about the attractiveness of products. We do look at a number of different metrics. We want to make sure that there's -- that the product has a potential to be a meaningful contributor to revenue. Not everything is going to be as big as Rynaxypyr by any means, but it needs to be a product that has a material contribution to revenue for the company or the potential for that.

We do project level financial models and TV models for looking at the full cost of R&D investment marketing, all with external costs that studies -- the regulatory studies that are on bringing the product to market and looking at that versus the ramp for the products that we're expecting to see. And our hurdle rate for IRR is well above our cost to capital, both to recognize some of the riskiness of what we're trying to -- what we're looking at, and also because we want to make sure that we are really allocating resources to the highest value projects.

When we look at the overall portfolio, we are also expecting -- looking for an overall IRR of the portfolio that's well in excess of our current cost of capital. In fact, above our current return on capital because we do believe, given the nature of how new product introduction tends to be a higher economic value for -- in our industry, that we ought to be able to drive improving returns or have expectations of improving turns from introduction of new products.

So again, it's -- there's not a single metric. There's not a single algorithm [growth]. It really is balancing all of those competing tensions. And it can be a little bit frustrating because I'm not only a numbers guy, I am a numbers guy and trying to think -- balance some of the qualitative and quantitative, it's an ongoing dialogue. But again, I think that 6.5%-ish -- 6% to 7% range feels like the sweet spot for us.

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

Right. That R&D meeting focused on new products, but you've got a number of older products. Is there anything in the portfolio that we need to be worried about, for example, pyrethroid insecticides? Europe, in particular, has been looking to phase out older chemistries, although I think they've had some mixed progress on that. So maybe take us through where we might have some downside risk in the portfolio.

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

The headline here is that there's not a specific single focused risk to focus at this point. There are absolutely ongoing regulatory pressures around the world, but most strongly in Europe. And as you pointed to, there have been a number of efforts in Europe to push some of the older products off the market. A little -- both a threat and opportunity, opens up room for newer, higher-performing products. So for a company that's bringing a bunch of new products to market, that can be a good thing. But it does force some churn in the portfolio. There's nothing on the immediate horizon that's material to our core product lines, even with our core [pyrethroid] resources.

Now there is a lot of pressure and a lot of nibbling in things. It does take a lot of ongoing effort to continue to protect and extend the life cycle of those products. But as you've also noted, it's not as simple as the headlines read because, while a different class of insecticides, neonicotinoid, were extensively banned in the EU several years ago, it's still a substantial business in those molecules through emergency use authorizations because there's no other alternative in crops like sugar beet, where certain aphids are just decimating the crops in Europe.

If there is a tension among the member states in the overall European commission around how those changes happen, I think we can't do anything other than acknowledge there are going to be tightening pressures in Europe. So that work to continue to help the regulators better understand our products and continue to defend and protect them to extend their life cycle, it's going to continue to be a big focus for us.

But it does fit, I think, John, and the general framing we've given [both] is we think that about -- on steady state, about 1% to 1.5% of our sales each year that are going to be subject to either product discontinuation, whether that's the (inaudible) product we choose to exit, or where that choice is made for us via regulator whether that's in Europe or another part of the world. So we've built that in. And the way we think about our growth dynamics is that sort of regular churn. And we're seeing a little bit higher at the level of that churn this year, more about a 3% headwind, in part because we had one lumpy product exit, where we chose, strategically, to exit carbofuran, which is a very long -- very old FMC product. 20 years ago, big heart of this business. But now where we have better, less harsh alternatives to provide, we chose to exit that market.

So there's a little lumpiness this year with a bit more of a headwind. But I think people should think that dynamics in our business, the strong organic growth, for a lot of reasons, that there's a neverending drive for yield to feed 100 (inaudible) being a key piece and then the regeneration of the portfolio of new products. On the other side, there is a bit of ongoing churn out of the product line, as better products displace older, harsher chemistries and as the regulators continue to push that process as well.

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

I mentioned earlier that the industry had a fair amount of fragmentation. FMC has -- although obviously a little bit less fragmented now, FMC has made two large acquisitions, Cheminova and then most of the DuPont Crop Protection chemical operations. We also had the combinations of Dow and the rest of DuPont ag. We had ChemChina and Syngenta, Bayer and Monsanto, and BASF and ICL -- UPL, sorry, BASF and UPL also made significant acquisitions.

Is there room for much more industry consolidation in pesticides? And do you think there are other meaningful acquisitions in the future for FMC? And if so, when do you think FMC could be in a financial position to look at other meaningful acquisitions?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Look, I think you're right, we have seen a great deal of consolidation, particularly among that top tier of innovation-driven crop protection chemistry companies: FMC; Bayer; BASF; ChemChina now, formally Syngenta; Corteva. Part of the reason we have the portfolio we have is that the European Union said for -- we believe, the European Union believes there need to be 5 innovation players in the crop protection industry to have a competitive industry.

So in the immediate term, I do not -- I think it's unlikely that there's further consolidation among that group of 5 innovation-led companies. We are -- that group now has -- depending on how you wanted to measure it, somewhere around 70% share of the global crop protection market, but it's still not an overly consolidated market, but certainly more consolidated than it was 5 years ago before this current wave of [evaluation]. Where I think there might be more near-term consolidation is in the generic space. Certainly where (inaudible) combination, for example, where the pressures are such that, I think, the innovation-led players are going to continue to take share systemically over time, since it's going to force some of the smaller players out. And as the cost to reregister key products on the market gets higher and higher, we're going to need greater scale in that generic portion of the market. So it would not surprise me at all to see some further consolidation in the generic tier.

To be clear, FMC has 0 interest in participating in the consolidation among generic players, not our market. We're a technology-driven play, not interested. So right now, in terms of M&A appetite, our real focus is on technology, where can we add additional product lines and particularly some earlier stage technologies and looking at things like digital ag or some synthetic biology, some of these earlier emerging technologies where we can make some earlier stage investments and help shape how some things evolve.

So I think you should expect that our M&A appetite is more technology-driven or product line driven deals. These are things that are in the 10s and 50s of millions of dollars, not hundreds of millions of dollars. And where the cash is not the only currency, where product swaps are not uncommon in our business, where we provide access to a partner company to one of our products in exchange for them allowing us access to one of theirs. In particular, we have a strong interest in expanding our fungicide portfolio. That's a big area of investment for R&D for us. But also, we did make a small acquisition recently where we bought out the remaining rights from our joint development partner in the fungicide Fluindapyr that we're introducing starting next year. But it's -- M&A appetite in the near term, mid-term is likely to be relatively muted, mainly because the view in the -- any competition stories.

That said, we have a solid balance sheet, and we do have a pretty committed financial set of policies to maintain leverage at a certain level that, certainly, we don't have a lot of dry powder to go do a large deal just sitting around. But if there were a compelling investment, something -- I mean, maybe another DuPont transaction to do, we have the ability, and we have demonstrated the ability with both Cheminova and with DuPont to buy assets, integrate them, drive value from it and delever. So if we had, temporarily -- if there really was a compelling opportunity and it required us to temporarily take our debt up, we have a track record where we've shown we can do that, manage the balance sheet, manage the acquisition to drive value.

I don't see something right now, but I've been around long enough to know never say never. But in terms of our deployment priorities right now, what we're looking for, product lines, early stage technology investments, 10s and 50s. So not a significant use of free cash flow going forward.

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

Thanks. This is among the most foreign exchange impacted industries within chemicals. How do you plan for that uncertainty?

And how do you deal with the large swings that happen on a somewhat regular basis in foreign exchange? And is there anything that gives you confidence that you can continue to manage through these ups and downs in foreign exchange?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Look, foreign exchange has been, particularly, dealing with fluctuations on a couple of key currencies, BRL being one of them, but certainly the RMB and the euro as well. It's just a fact of life in our industry. And the way you plan for uncertainty is by planning for being able to change, right? To be able to respond to that uncertainty. We can't control the uncertainty. We can -- what we can do is become better prepared to respond to it. So one of our key responses, obviously, is hedging. We have a pretty systematic approach to hedging. It's a rolling program. It allows us to help mitigate some of the impact of FX. But to be clear, there is no hedging program that's going to stop there from being year-on-year currency impacts. There's no economic way to do that.

What we're trying to do is, through a systematic approach on a rolling basis, be able to understand enough and take enough of the volatility of the currency out to where we can have more confidence in delivering the guidance that we give, right? It's not to stop there from being a year-on-year impact. But among the tools that we have to be able to respond and still deliver the financial performance that we -- those expectations that we set when we give guidance.

So in a year like this year, we started the year thinking that we're going to have about a $45 million headwind in EBITDA from FX. Our latest guidance, that number has crept up by -- to almost $245 million in headwind. A little more than $245 million in headwinds. What are our levers? Well, we've been hedging. There's some benefit from that. Particularly in Brazil, our biggest lever is adjusting the price list. And while you can't recover typically all of that in 1 year, we do a lot of work and have a commercial team that's very focused on recovering as much as possible of price and that part of our business is conducted in local currency as we see those swings in the currency.

And then we use our other levers to make sure we can get to that expectation set through the cost control or additional volumes to make sure we can get there. I mean, again, if you look at how our guidance has evolved through the year, we're initially expecting only about an $80 million benefit from pricing this year. Now it's up to -- now it's $180 million, so not covering the full FX impact, but a big chunk of it. And as we're pulling other levers, we're able to continue to meet the expectations we set. So again, I'd say FX is just the reality of life in our business.

Our plan -- our way of dealing with the uncertainty is recognizing that we have to be able to respond to uncertainty. So we pull the levers, particularly moving price quickly with FX changes, doing some risk management through hedging and just managing it very, very closely, and it's all driven by trying to increase the likelihood of delivering on the guidance and the expectations that we've set.

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

Great. Thanks. One of the other areas of uncertainty is the channel inventory issues. Crop protection chemicals are primarily sold via distribution, which, obviously, results in a long supply chain and significant inventories downstream of FMC.

If you couple that with seasonality and the unpredictability of weather and pest infestations, you can get some really big swings in supply chain inventory. How does FMC deal with that uncertainty?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Yes. And again, it comes down to this agility, this ability to respond to uncertainty, whether pest pressure, supply interruption over the past several years, particularly in 2018, where some significant disruptions in supply from China. They're all just factors that are intrinsic to doing business in our industry. We manage it by being very agile. But as our operations folks will talk about using very short interval control, looking at things on a very rapid and frequent basis.

But it fundamentally starts with being close to the customer, understanding at the grower level and then back through the chain where the inventory is, what people are using, what's getting consumed and just managing the supply chain all the way through that, all the way back to raw material suppliers. So it varies a lot from country to country how we actually do that. But we do -- and all of our major markets have very good visibility in the chain forward from us. For Brazil, for example, our salespeople are regularly visiting our customer warehouses. And we perhaps (inaudible) they give an update. We collect updates on what the inventory positions are of our products in these various customer warehouses. So it's something we manage very systematically and watch very, very closely.

So just -- since we're on the topic, just a quick run around the world. I think when we look to Brazil, certainly, there was a bit of a delayed start to the season. We talked about this in the earnings call. Inventories were a bit high at that point. We are seeing them come down and returning to more normal as the season progresses and with planning. So it's -- that -- we'll see how it turns out, but so far, so good. North America inventory levels have been pretty solid. The higher levels of inventory, particularly for (inaudible) herbicides we saw earlier in the year have normalized. Feeling pretty good.

Europe -- Northern Europe, in particular, had a very dry summer and fall. So there's a bit of channel inventory stacked up there. Not the kind of headwind that we've seen in the other parts of the world for our business, but it's there. And overall, Asia is in pretty good shape. There's a bit of excess inventory in China. They had some summer floods that impacted things, but India and Indonesia, both have had very, very good weather, very good growing conditions. Australia is rebounding after a couple of years of drought.

So again, it is -- this is just an intrinsic part of our business and how you do it is -- it's that direct line of sight from the grower lever all the way back that lets us respond and having a supply chain that lets us to be agile to where we can redirect material inventory and production not needed to deal with, whether it's demand driven or supply driven, changes as we go through the year. Because the one thing we do know is no matter how good our plan is, we're going to have to adjust it because the world is going to change on us.

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

Andrew, FMC's diamide products begin to lose patent protection in a few years. We know there are different patent dates in different countries and process patents as well. It's pretty complicated. Is there an easy way to summarize the timing of the expiration of the patents and any signs yet of competition on the horizon? And what's the strategy to continue to grow this product category?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Sure. Look, it's an area of a lot of interest. Diamides are certainly a key part of our portfolio. We are very confident that there's a lot of runway for the diamides left. There's a lot of room to continue growing these products above the market for at least the rest of the decade. They're very effective, low dose, limited -- very limited off-target impacts. And then importantly, its fast-acting products are systemic, meaning it goes into the plant and really provides long-lasting control.

We've got over 1,000 patents across Cyazypyr and Rynaxypyr, Rynaxypyr being the larger of the 2. But they cover both the composition and matter, which I think gets a bit of excess focus from people around those patents, as well as very complex manufacturing processes and as well as formulation and applications for use of Rynaxypyr. So when we think about composition of matter, so the actual molecule patent itself, Rynaxypyr, the patent start expiring in 2022 through '24. Cyazypyr starts in '24. It runs another 18 months, 24 months like that. But the process patents themselves don't start expire by 2025 and many into well into 2026 and 2027.

So why do process patents matter so much? Either -- the diamides, Cyazypyr and Rynaxypyr, are very complicated molecules to make, 15- and 16-step processes, respectively. When you register a crop chemical, this is where the analogy with pharmaceutical active ingredients breaks down. When you register a crop chemical, one of the data points that regulators look at is the mix of impurities that are -- come along with the active ingredient. In any chemical synthesis process, you get some incomplete reaction, and you have some byproducts that contaminates. Impurities is the term that gets used in a regulatory content. They come along with it from a -- and that balance of impurity, that profile is intrinsic to the manufacturing process that's used.

And many -- in particularly most of the important countries, if you want to register a product using the data of an existing registrant, you need to have an impurity profile that is, if not exactly the same, very similar to what has been registered. Any manufacturing process other than the one that we have patented and commercially used is going to have a very different impurity profile, and therefore, you're not going to be able to rely on FMC's data to get a registration. You're going to have to go spend a couple of years and some significant money to do your own toxicology studies and characterize the impurity profile.

How do we know this? We patented multiple alternate routes to produce the Rynaxypyr and Cyazypyr, and we know definitively that their impurity profiles are substantially different from the one that's in commercial use today. So anyone who's trying to enter the market in a legal fashion who wants to be able to have a reasonable time frame to get to market is going to have to either develop their own toxicology data and do all the work to do that while developing a different process that doesn't infringe on our existing process patents. Or you come get a license from FMC. And that's where our partnership strategy comes into place.

We've been actively -- proactively out there developing partnership opportunities with 4 global players and over 40 regional players up to date, where, in exchange for an exclusive supply agreement that goes longer than -- well beyond the expiration of the process patents, we get people access and -- to the diamides as long as they're sourced from us. So that allows us to continue to build scale in our manufacturing, and to more rapidly, obviously, penetrate markets that -- look. None of us in the big 5 have commercial infrastructure that touches every customer. So the ability to grow these molecules and get further penetration by getting them into the hands of more people, we can get broader penetration and continue to accelerate the growth of these products.

So we -- people can, depending on the structure of the deal, we can license the trademarks. Rynaxypyr and Cyazypyr are trademark names for chlorantraniliprole and cyantraniliprole. If you want to sell Rynaxypyr, you need a license from us. If you want to produce it today and register using our data, you need to use our manufacturing process. So this partnership strategy lets partner companies enter the market before patent expiration, without having to put in significant capital expenditure to build their own 15- or 16-step manufactured processes, which, oh, by the way, each of those intermediate steps produces products that really have no other commercial use other than making Rynaxypyr or Cyazypyr, the dedicated investments you have to make. And you don't have to do the extra work if you're trying to circumvent our manufacturing patents, by -- to do the regulatory work because of your impurity profile.

So I think it's a pretty compelling argument and opportunity for both FMC and for the partner company. They get to avoid a lot of cost and a lot of capital. We get to more rapidly scale and grow the diamides business. We avoid the SG&A costs and all the other formulating and distribution costs that come along with when we sell just the active ingredients to a partner and they go ahead and do that. So we can still make a very nice margin just on the sale of the active ingredient. And there's still plenty of margin for the partner company through their own formulation work to get in there.

So at the end of the day, that time line question, John, I mean, certainly, '22 to '25 is when the compound -- composition of matter comes off. From a process patent perspective, the earliest people can legally produce using our process is at the beginning of '26 in China and India, the end of '26 in Brazil, in the middle of '27 in Europe and the U.S. So it's quite a long way away before someone can legally produce a product there.

Now there are illegal producers today. Much of it's fake. It's not real. There are some people who make very close analog goods. There's a little bit of production in China and India. We actively enforce -- we won a couple of [enforced] actions in India already with people making counterfeit products. That's just a fact of life. We still have a huge and very fast-growing business despite those competitors. So we are very confident that the combination of the patent estate that we have and the commercial strategy, this partnership strategy, it's going to allow us to continue driving significant value and strong growth in diamides through at least the end of this decade.

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

Great. I've got one more question after this in the formal part here. But before I ask my last 2 questions, I'll just remind people. (Operator Instructions). And we have some questions that come in that I'll ask after these two. But I didn't want to end the formal part on how the quarter is progressing, but how's the quarter progressing? You provided some inventory comments earlier, but anything else on pricing or other trends about the quarter so far, since we're in December already?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Yes. Always an interesting spot in the year. Look, I would say there's been a lot of good news in ag markets lately. The outlook, particularly for U.S. root crop farmers has improved. I think it's important context just in terms of overall health of the industry, but a reminder that FMC in particular, U.S. [growth] crops are not a huge grower, a huge portion of our business is probably 10% to 12% of our global business. So while it's beneficial to us, it's not necessarily a disproportionate driver for the quarter.

When we guided in November, we guided to a very strong quarter with 10% organic revenue growth. On -- and to be clear, that's on top of a very strong prior year period where we had 11% organic revenue growth. So we have a tough comp, but even then, we're looking at very strong growth. We also guided 8% EBITDA growth for the quarter. As we stated when we get in the earnings call in November, there are some costs that were deferred from Q3 into Q4. And we are seeing a little more -- I won't say, return to normal, but some return of SG&A as we're finding different ways to operate in the constraints around coronavirus. So that's -- not updating guidance today, but certainly, that's our most recent guidance.

We looked around the world, certainly, Latin America and Brazil, particularly, are our biggest contributor in the quarter. Latin America is typically about 40% of our revenue in the fourth quarter. Organic growth in Latin America is expected to be pretty strong, but because of FX, it's going to be -- reported growth will be dampened a bit, but conditions are pretty solid. Asia is doing very well. It was a good monsoon in India. A few places within India was probably too good. It's funny about the ag business. There's no such thing is good weather. There's always some element of it.

There's a tweak, but they're pretty solid. North America, we had a very strong Q4 in the prior year period. Things are pretty healthy in the North American market environment. So I would just say simply, and for us, for fourth quarter, December is always a big month. We're right knee-deep in the middle of it. There's a lot of activity going on, but we're making good progress.

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

Before we move to audience questions, my last prepared question is regarding the heavy emphasis on sustainability at your recent R&D event. The financial benefits of this are hard to quantify, which must be a little frustrating for a CFO. Besides the obvious benefits of revenues from new natural biological products, how does the CFO think about sustainability in the crop protection chemical market?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Yes. Look, sustainability is something that's very deeply ingrained at FMC. It's not new. It's getting a lot more focus and a lot more transparency, but it's not new. We come from a long history of responsible operation. We know that our right to operate in the communities where we operate manufacturing is driven by being a responsible operator.

And if we look at one of the many elements of broad ESG or sustainability issues around safety, we have a total incident rate this year less than 0.1, which puts us in the very upper echelon of industry globally. It doesn't happen by accident, excuse the pun, but it's a sign of the kind of cultural commitment we have that FMC is doing things the right way, setting very high expectations, critically evaluating all failures with an eye on what we can improve.

So with safety as a starting point for thinking about sustainability as a CFO, I do take a lot of comfort that there -- there's pretty good history that companies that have strong safety performance have -- tend to outperform because they tend to do a lot of things the right way. If you're doing safety the right way, you tend to do a lot of things operationally the right way.

So with ESG issues, broadly sustainability, we see it in a similar way. It's -- many of these things are simply the right ways to do business. But they also -- again, they provide opportunities to grow the business, as you mentioned, with plant health and biological products as a growth opportunity for us. It helps us reinforce some of the strengths we have in terms of higher-performing and less harsh products from a product portfolio perspective, for example. It's a big driver of commitment engagement with our workforce.

So from a valuation and a number guy's perspective, it's hard to get operating metrics. We're working towards seeing where you can get more short-term sort of cycle metrics to help it. But I do think, fundamentally, it's about protecting, from a valuation sense, the terminal value of the business. And I think your long-term right to continue to participate and contribute and generate.

So we've done a lot of things to really align with and respond to, particularly from a transparency perspective, increasing expectations on our industry and our company around sustainability. We put down quantitative goals on reducing environmental impacts, particularly around energy usage, greenhouse gas, waste -- greenhouse gases, waste, water intensity. We've committed to and are making good progress in shifting 100% of our R&D towards sustainably advantaged products. We'll hit that goal -- the target date is 2025. We will hit it earlier than that. We've set some stretch goals internally to improve racial and gender equity in our workforce. And we're committed to increasing transparency. We do a lot to make more visible our progress on these metrics, but you should expect to see more.

I'd say the last thing from a CFO perspective, it's important to me that what we do and the initiatives we undertake are measurable and that they have an impact. And that means being -- it means being tied to compensation. What gets measured gets done and what gets paid on really gets done. So we -- much as we've done in the last couple of years with cash flow, where we added, both in short-term and long-term incentives, metrics and compensation incentives that are tied to cash flow, you should expect that we're going to start adding some elements of sustainability goals as well and to compensation incentives for senior executives.

So not a short answer, but something, I think, that's important to people to understand philosophically where we're coming from.

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

Great. Thanks. Got our first question from the audience here. UBS hosted a call with consultants at IHS Markit last week, and there was some debate, I guess, on what qualifies as a new mode of action for some of your new products. I guess some new modes of action are newer than others, but was that just more of an academic definitional debate, not commercially relevant? Or does it really make a difference?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

So I'd point to a couple of things there. In one particular product, which is bixlozone, also trade name for the active ingredient Isoflex, which is a herbicide we're introducing for cereals in Australia as the first application next year. That -- there is a definitional difference in what -- the way IHS is looking at it and the way we look at it.

As we clearly talked about in our Investor Day, that mode of action has never been used in cereals applications. So the fact that there -- that mode of action has been used in other applications, when you think about it, a big part of the selling point for bixlozone, for Isoflex is its ability to help control weeds that are resistant to other herbicides. There's not been any product registered globally in cereal that has that mode of action. So I think that's a bit of a definitional difference.

The other difference is -- look, IHS is a great organization to do a lot of good market work, but they will tell you that many of their observations are their informed opinion. They simply got a few things wrong, where products that we described in our pipeline they presumed were different products from information they had from several years ago, where we made very clear and listed in this slide the specific chemical process by which those mode of actions work. The -- unfortunately, IHS is confused with how several of them work.

They were looking and expecting that some of those molecules are actually older products, and in fact, we've canceled the projects because they weren't as effective, and we moved on to different molecules. So I think there's just a misunderstanding piece there on IHS' part around some of the mode of action comments that they made.

So fundamentally, we're confident and are clear where we are introducing new modes of action. In the case of bixlozone, in a case where it's new to the crop and then the other products that we've talked about and particularly those insecticide, which is fundamentally a new mode of action. I think IHS just didn't understand what we have said in the Investor Day. And their presumptions around which chemicals we're -- which molecules we're actually talking about was incorrect.

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

Andrew, do you have time for maybe 1 or 2 more?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Sure.

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

I got a question here. I know you addressed the generic competition, the diamides that's there, but it's a specific question about what was it about glyphosate that made that so amenable to generic competition that's there and the main differences between that and the diamides?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

The biggest difference. Glyphosate is a 1-step process where you take phosphorus and create a [salt] from it. You can do in a bucket with a broomstick. You need 15 to 16 steps of complex chemical synthesis to make Rynaxypyr and Cyazypyr. It is serious chemistry. So while there are plenty of capable producers who could take our patent process and go implement it, developing their own is not a simple one. And it is nowhere near as simple as glyphosate where it literally is guy in the back room with a bucket can produce it.

So I think that analogy gets used way too much. Glyphosate was a -- is a one of a kind in ag chem history, both in its broad applicability and the simplicity of the chemical process. So that's the biggest difference there. Now, certainly, look, there are people out there trying to get into these markets so that I mentioned there is a legal competition already out there in a couple of markets. We've been aggressively enforcing in India, trying to do the same in China. A lot of the product that's out there -- counterfeit product that's out there is actually fake. There are a few people who have tried and have been able to make some real Rynaxypyr.

For anybody who wants to participate broadly have a meaningful impact in the marketplace, they're going to have to get real registrations. Regulatory authorities in all these countries are fairly sophisticated and understand the dynamics and have a strong interest in making sure that the production and the product that's getting used actually is what it's supposed to be from a consumer and worker safety perspective.

So the security profile issue comes up again and again. So I'd just say that, yes, look, we're not naive enough to think there's not going to be any competition. We just don't think that it's going to impact our ability to continue to drive strong organic growth and very strong value creation from these molecules for a long time.

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

Great. And maybe we'll take one last one here. FMC has among the lower tax rates for U.S. chemical companies. With the Biden administration coming in, do you have any thoughts on the GILTI tax scenarios and what a higher U.S. rate could mean for FMC's overall tax rate?

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Sure. Look, you're right. We have -- we're guiding to a 13.5% tax rate -- effective tax rate this year. So we have a very, very low tax rate relative to our peer companies, certainly. It's driven by our legal entity structure, and particularly the way we executed the DuPont transaction that has a large portion of our earnings going through countries where we have tax rulings, formal agreements with the tax authorities based on investments and commitments we've made there, and we get an attractive tax rate. These things are in place for the long term. We do a lot of work to maintain them and extend them and feel very comfortable that they will continue to be there for the long range.

I am not a political (inaudible). I will say simply, it is unlikely, in my mind, that much of the Biden agenda, particularly the tax proposals of the platform, are like -- it is unlikely, in my viewing that they're going to be implemented as proposed. In the best case, where we have a divided Senate, it's still going to be very hard for aggressive movements on a lot of policy issues. And in a more likely case, where the Senate is still a majority Republican, I think it's pretty much dead in the water.

That said, we have done some scenario analysis. And I think our conclusion is this. We will continue to have an advantaged structurally tax rate relative to our peers and overall market because of the way our structure is. Changes in GILTI rates and changes in the headline U.S. structure -- U.S tax rates, could impact us and raise our tax rate if they were ever actually to come to fruition. In the likelihood, given the current situation, regardless of the outcome to the Georgia Senate race, it's unlikely that, that's going to be a high priority or quite honestly, practical for a change to happen.

But even if it did, while our headline -- our overall rate might increase under those proposals, it would still be substantially lower than our peer companies because that rise in that headline U.S. tax rate is a lot higher than the GILTI tax rates increase. And when you think about our exposure being much more heavily ex-U. S. than in U.S., I think our peer companies are likely to see a much more substantial increase in their tax rate.

But bottom line, I'm not discounting it as a risk, but I still -- I just see it as unlikely that there's going to be -- that, that's the first priority in pandemic environment to go after and that there's the political will in a highly divided, if not slightly Republican majority senate to go after corporate taxes.

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

Great. That's a good place to finish. I want to really thank Andrew for great answers to all the questions today. If anyone has additional questions, again, Michael Wherley and Emily Parenteau have been on the call and can handle questions from the Investor Relations side at FMC, or you can contact me or anyone on my team here at UBS. Thanks, everyone. Have a great holiday season and stay safe.

Andrew D. Sandifer - *FMC Corporation - Executive VP & CFO*

Thanks, John. Bye-bye.
