

Nutrien
2021 Q4 Earnings Conference Call
February 17, 2022
10:00 A.M.

Operator: Greetings. And welcome to Nutrien's Fourth Quarter Earnings Call--2021 Fourth Quarter Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded. I would now like to turn the conference over to Jeff Holzman, VP of Investor Relations.

Jeff Holzman: Thank you, operator. Good morning, and welcome to Nutrien's Fourth Quarter 2021 Conference Call. As we conduct this call, various statements that we make about future expectations, plans, and prospects contain forward-looking information. Certain material assumptions were applied in making these conclusions and forecasts. Therefore, actual results could differ materially from those contained in our forward-looking information.

Additional information about these factors and assumptions are contained in our current quarterly report to shareholders as well as our most recent annual report, MD&A, and annual information form filed with Canadian and U.S. Securities

Commissions. I will now turn the call over to Ken Seitz, Interim President and CEO, and Pedro Farah, our CFO, for opening comments before we take your questions.

Ken Seitz: Thanks, Jeff. Good morning. And welcome to Nutrien's Fourth Quarter Earnings Call. I look forward to recapping our 2021 results, our outlook for the business in 2022, and how we are positioning the company to deliver superior, long-term value for our shareholders. 2021 was truly an extraordinary year as the world continued to navigate through challenges related to the COVID-19 pandemic, supply chain disruptions, heightened concerns over global food security, and the impacts of climate change.

Our strong performance this past year demonstrated that Nutrien can positively address these challenges and deliver sustainable solutions that benefit all of our stakeholders. I am proud to report that we achieved an all-time best safety performance in 2021 with no fatalities or life-altering injuries. To our employees listening today, a heartfelt thank you. Your commitment to safety and our culture of care has a meaningful impact on the well-being of all our colleagues at Nutrien and the communities where we live and operate.

Now, turning to our financial results and outlook. Adjusted EBITDA nearly doubled to \$7.1 billion in 2021. And we generated cash flow from operating activities of \$3.9 billion. This

performance was underpinned by the strong execution of our teams, competitive advantages of our integrated business model, and the benefit of our robust market fundamentals. Nutrien Ag Solutions delivered record adjusted EBITDA of more than \$1.9 billion, with strong earnings growth in each of our core geographies. We continued to strengthen our direct relationship with the grower through the reliability of our supply chain, delivery of innovative products, expanded digital capabilities and sustainability solutions. Our ability to deliver on each of these strategic initiatives was a major contributor to our robust organic growth in 2021.

Gross margin from our proprietary products increased by more than 20% in 2021 and now exceeds \$1 billion. Our retail business sold record fertilizer volumes due to favorable market conditions and the strength of our global network. North American digital platform sales reached \$2.1 billion, and we are building out our digital agronomy tools to support the delivery of long-term, sustainable agriculture solutions for our customers. We also expanded our network through the completion of 14 retail acquisitions. We continue to diversify our earnings outside of North America with a focus on growing our business in Brazil. More than one-third of our retail earnings now reside outside of the U.S. And we expect that share will continue to grow over the next five years.

Our potash business delivered \$2.7 billion in adjusted EBITDA supported by higher realized prices and record sales volumes. We safely and efficiently increased production by nearly 1 million tons, which represents a small portion of our low-cost, available production capacity. We utilized the strength of our North American distribution system to increase volumes in the domestic market. And Canpotex's ability to access 4 marine terminals on the West and East Coast was critical to ensuring a reliable supply of potash to our offshore customers.

In nitrogen, we generated adjusted EBITDA of \$2.3 billion, supported by higher prices and to the advantaged position of our assets. The nitrogen team completed two large plant turnarounds and Phase 1 of our low-cost, brownfield expansions, delivering these projects on time and on budget. We progressed several initiatives during the year that will enhance the long-term growth and sustainability of our nitrogen business. This includes the launch of Phase 2 of brownfield expansion projects as well as GHG emissions reduction projects at several of our nitrogen sites.

Finally, in phosphate, our team capitalized on improved market fundamentals to deliver record adjusted EBITDA of \$540 million. Our focus in phosphate is to maximize the free cash flow of the business by improving the reliability of our operations and leverage the flexibility of our plans to increase

volumes of higher margin industrial and premium fertilizer products.

Turning to the outlook, global grain and oilseed supplies are well below historical levels which continues to support crop prices. In the U.S., corn and soybean prices increased by 10% to 15% over the past month due to global supply uncertainties. U.S. corn grower cash margins are projected to be 70% above the 10-year average based on current new crop futures. Prospective returns for key crops in Brazil and Australia are also very strong. And we expect this will support crop input demand in these markets. In 2021, our retail business generated above average per ton fertilizer margins due to the timing of procurement in a rising price environment. Our retail adjusted EBITDA guidance assumes a return to more historical average commodity fertilizer margins in 2022.

We had a very strong fall fertilizer application season, and anticipate this led to some pull forward of volume and earnings. We expect our specialty nutritional and crop protection product margins will remain strong and anticipate growth in our seed business, particularly in Brazil. Our strategy in potash is to utilize our world-class network of 6 mines to respond to changes in market conditions. And we see significant opportunity for growth again in 2022.

We expect to ship record potash volumes between 13.7 million to 14.3 million tons, assuming sanctions on Belarus have a temporary impact on supply. If we were to see more significant long-term impact, Nutrien has the capability to further increase production by hiring additional employees and incurring some small incremental capital expenditures.

Canpotex is fully committed through the first quarter due to the strength in demand from customers in Latin America and Southeast Asia. Earlier this week, Canpotex also signed new contracts with customers in India and China at \$590 per ton, with shipments expected to occur April through December. Our domestic order book is now closed for the first quarter. And we recently announced a \$25 per short ton increase for deliveries in the second quarter. The increase reflects the current strength in global potash market fundamentals, in particular for granular grade product.

In nitrogen, we expect high global energy prices, Chinese export restrictions, and heightened geopolitical risks will support prices in 2022. We entered the year with relatively low nitrogen inventory levels and have incurred a few plant outages in the first quarter. However, we expect our sales volumes will increase due to the completion of our Borger expansion project in 2021 and higher full year operating rates. I will now turn it

over to Pedro to review our capital allocation priorities.

Pedro?

Pedro Farah: Thank you, Ken. As Ken just highlighted, 2022 is setup to be an excellent year for the company, given the strength of the market fundamentals and the competitive advantages we have in each of our businesses. We guided to an adjusted EBITDA of \$10 billion to \$11.2 billion, which at the midpoint, represents a 50% increase from our record earnings in 2021. The key drivers of this growth are higher expected selling prices and our ability to utilize existing capacity to increase sales volumes in potash and nitrogen. Although retail earnings are expected to be lower in 2022, due to the normalization of commodity fertilizer margins and some pull forward in Q4, the underlying trends in key financial metrics for the business are still very strong.

We expect a substantial increase in our cash provided by operating activities this year and have provided a scenario of this opportunity earnings presentation posted on our website. Based on our adjusted EBITDA guidance range and a conversion ratio of approximately 75%, we have the potential to generate operating cash flow of \$7.5 billion to \$8.4 billion this year. This scenario illustrates the significant opportunity we have to advance our capital allocation priorities in 2022. We expect sustaining capital expenditures in the range of \$1.2 billion to

\$1.3 billion, which reflects the impacts of inflation over the past year, the prioritization of projects that were deferred during the pandemic, and replacement of some end-of-life assets at our nitrogen sites. In 2021, we reduced long-term debt by \$2.1 billion, and we do not expect the need to reduce nominal debt any further.

Our balance sheet is now very well positioned to take advantage of value-enhancing opportunities through the cycle. In terms of growth capital, we have a well-defined set of retail opportunities that include growing our network in Brazil, tuck-in acquisitions in other core markets, expanding our proprietary product business and enhancing our digital capabilities. The Brazilian market, in particular, provides a significant opportunity for targeted growth due to its rapidly expanding agriculture production and fragmented retail structure.

In nitrogen, we have embarked on a Phase 2 brownfield expansion plan that is expected to add an additional 0.5 million tons of low cost, environmentally efficient capacity for a total investment of \$260 million. We are also evaluating options to increase the production of low-carbon ammonia and have approved \$50 million in projects that are aimed at eliminating approximately 10% of our current Scope 1 and 2 emissions in hydrogen by 2023.

Our global potash position is unmatched. And we expect to make small, annual investments for mine development and underground equipment that would enable us to increase production from existing capacity. We are making moderate investments to increase self-generated power, autonomous mining, and other technologies that will enhance the safety and efficiency of our potash sites. In total, we expect to allocate approximately \$1 billion to investment projects across our businesses in 2022 with attractive projected returns.

Lastly, I would address shareholder distributions. Since 2018, Nutrien has allocated \$9 billion to shareholders through dividends and share repurchases, including \$2.1 billion return in 2021 alone. We have demonstrated the ability to pay a stable and growing dividend under the most difficult market conditions and distribute excess cash through share repurchases. Yesterday, the Board of Directors approved a 4% increase in the quarterly dividend to \$0.48 per share and the purchase of up to 10% of our Nutrien's common shares over a 1-year period.

We plan to allocate a minimum of \$2 billion to share repurchases in 2022 on a balanced cadence throughout the year. Given the strength of our projected cash flow, we believe there is a potential for additional capital to be allocated beyond the opportunities I just outlined. We will evaluate the most value-enhancing uses for this cash and provide an update to our

shareholders as the year progresses. And now I will pass it back to Ken.

Ken Seitz: Thanks, Pedro. Just a few final comments before we get to your questions. The outlook for our industry and our company has never been stronger. Global grain and oilseed inventories remain well below historical levels, and crop prices are supportive of demand in the key regions where we operate. We entered 2022 with significantly higher prices for our products and the capability to bring on additional potash and nitrogen volumes.

We have well-defined strategic plans for each of our business and the executive leadership team is focused on advancing the key priorities that will maximize long-term value for all stakeholders. We have an extremely talented group of employees throughout the organization that helped to deliver record results in 2021. And I am highly confident in their ability to rise to the occasion once again in 2022. I am joined today by members of our leadership team. And we would be happy to take your questions.

Operator: We will not begin the Q&A session. To ask a question, you will need to press "*" "1" on your telephone. To withdraw your question, press the "#" key. Per the company's request, there will be one question per analyst. Your first

question will come from the line of Joel Jackson with BMO.

Please proceed with your question.

Joel Jackson: Hi. Good morning, everyone. Obviously, the Belarus BPC issue is quite fluid and crazy. I have a couple of questions on this. So if Belarus has significant sales restriction to an extended number of months, they can't do their 1 million tons a month. They are going to do a fraction of that. What do you think the market will do? Like, do potash prices have to rise to induce demand structure in the balance of the market? Because nobody can balance the market unless demand goes down.

And the second part is longer--is what do you need to see to hire bunch miners and spend the small investment to bring on the millions of tons you have sitting idle, because I imagine it's going to take you a year to ramp, and you probably want, what, 2 or 3 years to think that BPC is in trouble? And you can't conclude that right now. So is it fair to say you're nowhere near really making the decision to bring back those extra tons?

Ken Seitz: Great. Well, thanks for the questions, Joel. And yeah, we're watching the situation in Belarus quite closely. We're guiding and suggesting 68 million to 71 million tons worth of potash shipments in 2022. And that is, you know, we're taking into account what's happening in Belarus when we say that. You

know, for our part we sort of had anticipated that it would be difficult for BPC to get access to tidewater with difficulties getting through Lithuania, obviously, and then also difficulties finding other port access and even rail to the east.

So we're looking at this and wondering, with all the uncertainty around it, you know, how long will this last? In the meantime, your question about what market prices will do, well, if anything, on that 68 million to 71 million tons of shipments at the top end could be capped by the actual availability of supply. And so, yes, we could see some additional pressure on pricing. Of course, Canpotex concluded contracts with India and China at \$590 per ton, but it is true. We could see some additional pressure on pricing.

In the meantime, for our part, what do we need to see? So, you know, we have always planned our production capability for 2.5% to 3% average annual growth rates. We've talked about our 18 million tons of existing capacity and the ability to bring on additional brownfields when the market is calling for it. So, you know, we're looking at the Belarusian situation, and we would need to see some prolonged challenges in that part of the world in order to make those investments, on opening up ground, putting mining machines at faces, and hiring people exactly as you say, Joel.

In the meantime, you know, we're guiding 13.7 million to 4.3 million tons, you know, which is an increase from 2021. And certainly, at the top end, it's an opportunity for us to put more material into the market. And I'll also say, in addition to that, we're preserving additional flex capacity for this year should our customers need more volume. For the longer term, again, Joel, we would need to see--in order to make the investments of opening up the ground and hiring people, we would need to see some prolonged challenges in Belarus in order to make those investments.

Operator: Your next question will come from the line of Jacob Bout with CIBC. Please proceed with your question.

Jacob Bout: Good morning. Have some--looking for some further granularity on the retail guidance for 2022. You're guiding for EBITDA to be down year-on-year. Can you talk a bit about what your organic versus M&A growth assumptions are? How big is that pull-forward effect? And, you know, are we going to feel that in the first quarter, first half? And then when we're looking at proprietary products and, I guess, to a lesser extent, digital sales, when I look at 2023 targets, in particular proprietary sales, I was surprised it was actually lower year-on-year and well down from 2023 targets of 29%.

Ken Seitz: Great. Thanks, Jacob. So I think you identified the moving parts there. You know, we did have some meaningful

fertilizer margins in 2021 with fertilizer prices escalating the way that they did. We had a very strong fall application season. So there was some pull forward into Q4. But we also had significant market share gains that we intend to carry through to 2022. But I'll hand it over to Jeff Tarsi to provide some more color.

Jeff Tarsi: Yes, Jacob. And look, obviously, we had a very strong fall. And I might mention on that strong fall, we really needed that strong fall to occur with some of the supply chain constraints and things that we've seen in the marketplace. And so we were quite happy about the fall that we had. We think it sets us up really early for the spring and spring planting season, as it relates to that. And obviously, our margins per ton last year on fertilizer were up. We were able to take advantage of our strategic network efficiencies that we have and storage capabilities and things like that.

So we will see margins return to something that's of a more normal basis in '22. But if I look at it from a commodity fertilizer margin standpoint, they will be above what they were in '20. And one other thing I'll point out on fertilizer margins that anywhere from 20% to 25% of those margins are made up by our proprietary nutritional products. And we don't see those going back. We actually have--we've actually built in increases for '22 from a margin standpoint.

If we look at organic growth, we've got organic growth to build into our plan in '22. I think we got just over \$90 million of organic EBITDA built into that plan for 2022. And look, our focus for our organic growth in '22 will rely very heavily on our proprietary business as well as organic growth. Ken just mentioned just a minute ago, we were up pretty amazing in '21. We grew market share and grew margins across all three shelves of our business. And we certainly have in our plan for '22 that we will keep those share gains. And from a seed perspective, we've got a pretty healthy plan built together. We really expect to continue to expand our share in the seed shift of our business. So I hope that answers your questions.

Operator: Your next question will come from the line of Christopher Parkinson with Mizuho. Please proceed with your question.

Christopher Parkinson: Great. Thank you very much. Just given the incredibly healthy potash demand outlook, just how should we be thinking generally about, you know, the cost per ton outlook? I'm assuming you're already getting the full benefit from Rocanville land again. But how should we be thinking about the near to intermediate term about (INAUDIBLE)? Will that operates be, let's say, noticeable to us on the cost line? And, you know, if we could circle back to Joel's question, what would be kind of the characterization of the current plan

embedded in your guidance? And what would be the characterization of if things potentially change with the BPC outlook? Thank you so much.

Ken Seitz: Great. Thanks, Chris. Yes, with respect to cash cost per ton, I mean, there's a--we're experiencing a few pressures at the moment. Obviously, foreign exchange has worked against us a bit. We're also paying higher royalties given where potash prices have gone. And I'll have to say that we're also experiencing some inflationary pressures. But that said, we were able to make up those pressures in 2021 with increased volume so that I don't--I wouldn't say that you should expect material changes in our cash cost per ton in '21 to '22.

With respect to, you know, our plans for potash in 2020, I'll just say again, we're guiding 13.7 million to 14.3 million tons. And we're--we are preserving additional capacity above that, maybe another 0.5 million tons that we would be able to bring on if we see that our customers are calling for it, if there is a gap in the market created by the Belarusian situation. And again, an ability to bring on sustained volumes if some of these supply side events persist.

Operator: Your next question will come from the line of Ben Isaacson with Scotiabank. Please proceed with your question.

Ben Isaacson: Thank you very much. And good morning, everyone. Just another potash question for you, maybe just a

two-parter. Ken, I was a little surprised to hear you say that Canpotex has sold out 6 weeks ahead, or I think you said to the end of Q1. Most of 2021 it felt like Canpotex was sold out anywhere from 3 to 4.5 months ahead due to strong demand. So the first part of the question is, is this a sign of demand disruption starting, especially as we're going into the spring?

My second part of this question on potash is you just mentioned you would see a prolonged issues in Belarus in order for you to start investing more money with respect to potash development. Yet you've been talking about 5 million tons of incremental expansion for a number of years. And so I would have thought that now that you have the cash and there is incremental issues out of Belarus, you would have accelerated that. But it doesn't sound like that's the plan. Can you elaborate on that?

Ken Seitz: Yes. You bet, Ben. Thanks for the question. So I definitely wouldn't say that this is a sign of demand destruction. Again, if we go region to region, you know, grower sentiments are strong and margins are strong. You know, the commitments out through the first quarter offshore are really related to just demand in the key regions where we operate and actually low inventory levels in just about every region where we sell as well. And so we sort of go to market to market. A big market for granular--sorry, standard-grade product in the first quarter this year has been Southeast Asia, where, you know,

we're seeing really incredibly strong palm oil prices, record palm oil prices. And so demand very strong. And certainly Canpotex has meaningful commitment, so standard-great product in the Southeast Asia.

Then, turning to the U.S., again, we had very strong fall application season. So, you know, growers in the U.S. are looking into the spring here now and looking to shore up supply. And then Brazil, again, record demand in 2021 where we're anticipating very strong demand in 2022 again. And while inventories have grown a little bit in Brazil, it's--the inventory growth is small compared to the overall growth in the market. And so the Brazilian grower also looking to shore up supply. So no, at this stage, we are not seeing demand disruption. In fact, grower margins are strong.

Your question about our 5 million tons and, you know, I'd just say, Ben, we just want to take a very pragmatic approach to this. You know, when we increase production, we have to go open up ground, which is expensive. We have to install infrastructure. We have to maintain that ground. If demand comes off, we still have to maintain that ground. We have to hire people. We have to put mining machines at faces. And so absolutely, in a planned and thoughtful way, can ramp up from 14--13.7 million to 14.3 million tons. So we can ramp that up on faced basis, but we're going to do it in a very pragmatic way

because if the supply side issues, you know, go away quickly, then we don't want to be left with all these costs. So, you know, we can bring on production in a planful way, and that's the way we're going to do it.

Operator: Your next question will come from the line of Vincent Andrews with Morgan Stanley. Please proceed with your question.

Vincent Andrews: Thank you. And good morning, everyone. Wondering if you could give a little more color on your nitrogen guidance for the year and, in particular, how you see the shape of the year and maybe more specifically, how you're thinking about the second half, maybe some of the energy or cost curve assumptions that are baked into it?

Ken Seitz: Yes. Great. Thanks, Vincent. So again, it's a strong drop in the ag fundamentals, some supply-side events in nitrogen as well. But I'll hand that over to Raef Sully to provide more color.

Raef Sully: Thanks, Vincent. So look, let me start just with an overall perspective of the ammonia market. Supply and demand there--underlying supply and demand is tight. That market has been growing at something like 2 million to 3 million tons a year. And we have not seen that additional production build out at the same rate. And then, of course, you know, to make matters

worse, we saw the spike in gas prices in Europe that led to some shut-ins and so a very tight situation.

Now, going forward, we would think--but I think the forecast for gas prices in Europe remain above \$20 for the rest of the year. That, of course, puts the floor under ammonia going forward. Urea, similarly, very tight global supply and demand situation. We're seeing restrictions on exports from China that was about 2.5 million tons last year that won't be in the market this year. We're seeing increased demand in India, good strong demand, grow economics in North America. So again, very tight market (INAUDIBLE) similar picture.

What I would suggest is that in North America--sorry, in Europe, we will see gas pricing above \$20. In North America, I think we will see gas prices in the U.S. be in that range of \$3.75 to \$4.25 providing us a very good advantage position. So, you know, overall, I think we see some really good, strong pricing throughout the year. We do think there'll be a reset in summer. There normally is. There is going to be a lull in demand at that point. It's hard to get product out the door. So we will see some pricing reset. But we think, overall, we will see some good, strong pricing continue in the second half. And overall, average pricing for this year will be higher than last year. And we will see the nitrogen business performing better, and we've

got the forecast out there at the minute. I think it's going to be a good strong year for us.

Operator: Your next question will come from the line of Steve Byrne with Bank of America. Please proceed with your question.

Steve Byrne: Yes. Thank you. I was wondering if your retail business has visibility into two items. One would be Nutrien application rates either from increased soil sampling, a service that you have, and maybe orders for more variable rate application or from farmer calculations to increase returns by trimming application rates. Do you expect much of that for this spring? And then, the other item that I was hoping you'd share some visibility on would be your forecast for pending intentions. You have a forecast for U.S. corn soybean acreage. Is that based on your own economic analysis? Or is that based on seed orders from your retail business?

Ken Seitz: Great. Thank you, Steve. So I'll pass the first question over to Jeff Tarsi, our Head of Retail and then Interim Head of Retail, and then over to Jason Newton, our Chief Economist, for your second question. So, Jeff?

Jeff Tarsi: Yes. Good morning, Steve. And I'll take these questions in part. As it relates to application rates, and obviously, we would--I would base that today off of what we saw this fall in the fourth quarter. And Steve, we certainly saw no

pullback on rates, particularly across the corn belt. And as you well know, a lot of those rates are dependent on what the size of the crop was and how much in P&K we had removed based on that. And yields were very strong in most areas last year. And so growers--what we saw this fall was growers went right in with their programs like they have done over the last two or three years.

As it relates to soil testing, I looked at some numbers the other day. And soil testing is very strong. If I look at a year-over-year number with out of Waypoint Analytical, our soil tests were up--total number of soil tests that ran through there were up somewhere between 3% and 5%. And so--and you got to remember that, that came off at an extremely strong year in '20. So we continue to see the direction move really strongly in that rate--in that capacity. And I think we will see a lot more testing this spring as well for those that didn't get in this fall and make some applications as it relates to that.

From a standpoint of variable rate, look, we've seen that increase over the last 10 or 15 years. The days of blanket-rate applications just really don't exist that much anymore. And our machinery is set up today to run variable rate. Our digital platform we have today and some of the tools that we have to be able to go in and map those acres and build those prescriptions specifically off of the soil testing that we're doing, we're

able to take that information and slingshot it back to an applicator and vary our rates as we go across any individual fields.

So we're very optimistic about what we're seeing there. We're optimistic in late summer, we're going to release Echelon 2.0, which is our new digital tool as it relates to precision agriculture. And that will give us even more capabilities with our growers and allow our agronomists more real-time information as we sit with our growers and fill these prescription plans for them to help them maximize ROI. From a crop standpoint, then I'll let Jason expand on this a little bit more. But Steve, we just don't see a lot of movement to date, Corn, to me, looks basically flat to what it looked like last year. Soy, the same.

And yes, we base that off of what our seed book looks like. We started book and seeds last year in September. So obviously, we're well into that process. And what we're looking at and what we've got booked today, we just don't see a lot of movement. Movement if it comes come will be more prevalent in the South, and that's probably where they have been a little bit slower to make some decisions because they have so many crop options in that area. Jason, I don't know if you want to add something to that?

Jason Newton: No, I'd just add this to give our range for crop acreage. Expect 91 million to 93 million acres of corn, 87

million to 89 million acres of soybeans. And we're really basing that range off a combination of economic analysis, looking at the economics of growing crops. And we know, today, the prospective margins for both corn and soybeans are historically high, strong competition for acreage and also look at the SMBs and what's needed from an acreage standpoint. And then, we're really fortunate to have Jeff and his team to run the economics assumptions by and get the in-market intelligence on seed sales and so on that helped to make the forecast more robust.

Jeff Tarsi: And I don't want to leave out our important Canadian market because the fundamentals around canola are very strong as well. And we've seen a very strong booking on receipt, our proven seed varieties in Canada and the same with our Dyna-Gro and corn and soybeans in the U.S. market.

Operator: Your next question will come from the line of Jeff Zekauskas with JPMorgan. Please proceed with your question.

Jeff Zekauskas: Thanks very much. What do you think about of the ability of Belarus colleague to ship out of (INAUDIBLE) in Russia? Do you know of any cargoes that have gone out or any commitments? Have you received any inquiries from Belarusian customers or typical customers? Do you see as much of their product on the water as you would normally see?

Ken Seitz: Yes. Thanks, Jeff. And I missed which--you sort of broke up there, which port of Russia. But I'll just say that

we've looked very closely at that. And, you know, Port of St. Petersburg is always the closest, but it's--I think it's clear that there is not a lot of capacity at the Port of St. Petersburg. There is already a lot of product importing through that port. And then, further to the north as Murmansk. Again, we've looked at that one closely. 2,000 kilometers from the Belarusian production, and I think a challenge as well. So--and then, there is relative to East. But that trek is a very long track, 7,000 kilometers to China.

And so the options, we think, are limited for BPC getting access to tidewater at the moment. And I'm sure they are working very hard on that. With respect to what we're seeing in the market, it is absolutely the case that we have had some traditional BPC customers inquiring about volumes. And it is also the case that we're seeing less BPC volumes shipping at the moment.

Operator: Your next question will come from the line of Adam Samuelson with Goldman. Please proceed with your question. Hello, Adam. Your line is open. You may unmute from your end at this time. We will move on question in queue from P.J. Juvekar with Citi. Please proceed with your question.

P.J. Juvekar: Yes. Hi. Good morning. I was wondering why don't you your potash production more aggressively to take advantage of this Belarus situation, higher grain process, low

inventories. I mean, you've been waiting for this kind of situation to ramp up your production for years, if not decades, carrying that excess capacity. So just can you talk a little bit about why wouldn't you, you know, bring on this capacity faster in potash? Thank you.

Ken Seitz: Great. Thanks, P.J. you know, I suggest we are. We are ramping up capacity, again, with this additional 1 million tons that we did in 2021, and now building off of that into 2022 and, again, preserving additional capacity over and above our 13.7 million to 14.3 million tons. What we're trying to do, and I say it again, walk a very practical and pragmatic line here of getting product to our customers. And we're doing that at the moment, watching the market in this Belarusian situation and how long this may last.

And then, always important, staying to the left on the cost curve and managing our costs. And so it's trying to strike that balance. And again, I'll say that, you know, I would say we're trying to avoid building church for Easter Sunday, because opening up ground and maintaining infrastructure, hiring people only to see some of these potentially near-term supply side events go away, you get stuck with all those costs. So that's the practical approach we're trying to take.

Operator: Your next question will come from the line of Michael Tupholme with TD Securities, Inc. please proceed with your question.

Michael Tupholme: Thanks. Related to the last question and answer, regarding the potash business, if you do decide to add incremental production, can you talk about how quickly you can ramp up that function, both in terms of the 500,000 tons of flex capacity and then anything also more significant beyond that? And then, just as a follow-on along the same lines, can you also talk about expected timing for bringing on the incremental 500,000 tons of nitrogen production based on Phase 2 expansions?

Ken Seitz: Yes. Good look again at, you know, again, with respect to potash, and I'll hand it over to Raef for nitrogen. But again, 14.3 million tons is the top end of what we're guiding to today and preserving an additional 0.5 million tons at least after that that we could bring on in the second half of this year. And I think in terms of pacing, you know, that's how we can sort of think about it is increments in sort of that ballpark as, again, we are making these decisions, mine development, open up ground, hire people, some capital expenditures as we watch the market unfold, as we watch some of these near-term supply side events as our customers are looking for more volume.

Raef Sully: So, Michael, just in relation to the nitrogen expansions, I think it was mentioned, we have finished our Phase 1 projects. The last major component of that was Borger, which was finished in September. It's now operating at the higher rates. So, this year should be the first year we see the full benefits of those Phase 1 brownfield expansions. The second phase has started. But completion of the projects will be a 3-year period for '23, '24, and '25. The bulk of it should be finished by '24. The last project will be in '25. So, we just bring those on gradually. It's a good mix of urea and UAN as well as the ammonia to supply those additional downstream products.

Operator: Your next question will come from the line of Adam Samuelson with Goldman Sachs. Please proceed with your question.

Adam Samuelson: Hi. Yes. Thank you. Good morning, everyone. I'm sorry about that. I guess my question is on capital allocation and really just trying to think about the new buyback authorization. You have committed to at least \$2 billion this year ratably and upsized beyond that, implied by the 10% of shares. Can you help us think about kind of alternative uses of cash that would be waiting in the wings, or is it really just a question of what cash flow and EBITDA looks like this year that would dictate the upside? Is there--does the M&A pipeline kind

of give you some line of sight to potentially some larger things coming through? I am just trying to get a sense of how--where the major capital allocation will come to realize?

Ken Seitz: Yes. Great. Thanks for the question. I will pass it over to Pedro.

Pedro Farah: Okay. Adam, thanks for the question. Yes, I think we are in a very strong cash position, not only from a point of view of EBITDA generation, but also cash conversion this year. Our cash conversion has fluctuated over time. And we think, at this point in time, it's like 75%. And we are fairly confident, of course, on the first \$2 billion of the share buyback. And we are--kind of been balancing those throughout the year. We are going to be doing those throughout the year. And that's the reason why we kind of committed to that.

In respect to the additional \$2 billion, frankly, when we started doing this forecast, since we did that, there was a few things that actually firmed up in the market, specifically the India and China contracts and some of the geopolitical risks that we have here. So it makes us even more confident on our guidance for the year. So should that additional cash materialize throughout the year, we do have an option of \$2 billion that we are seeing there. And of course, we will see how the year develops.

But this \$2 billion, we are going to evaluate some of the options that we have for investments throughout the year. In specific, some opportunities in retail that we have. There is also the evaluation of some low carbon ammonia that we are evaluating as a project. And, you know, we will try to utilize as much as possible for very attractive projects that we have.

And should we not be able to allocate those this year, our intent is always not to hoard cash, but to distribute to the shareholders as we have done historically. And therefore, we will overlay additional share buybacks on top of that. So that's what's behind the additional 5% NCIB that we have, because we are committing to 5%, and with an additional cash flow that will be used for the other 5%.

Operator: Your next question will come from the line of John Roberts with UBS. Please proceed with your question.

John Roberts: Thanks. Welcome, Ken, and good luck. On Slide 22, on the stocks-to-use ratio, could you give us your view on what the global stocks-to-use ratios are, whether they are higher or lower than the U.S.? And do you think constraints on nitrogen outside North America could constrain global crop yields?

Ken Seitz: Great. Thank you, John. So, I will pass the first question to Jason Newton, our Chief Economist and then over to Raef on the nitrogen question.

Jason Newton: Yes. Good morning, John. As we look around the world at the stocks-to-use ratio, they are really tight as well. And actually, if you look at grain stocks outside of China, they are at the lowest level since 2007, so really historically tight. As we know, there is crops growing in multiple seasons, given Northern and Southern hemispheres. And we already know Brazil and Argentina are having struggles with soybean production.

So as we look forward to the coming year, there is already major growing regions with production challenges that will be supportive to maintaining a tight supply-demand balance going forward. Whether we are looking at corn or wheat or soybeans, palm oil really across the board, across major crops, supply and balances are tight currently by historical standards.

Raef Sully: So the second part of the question was will we see any demand destruction tightness there. Look, I think a lot depends on how quickly the season starts and the length of it. I am a little bit concerned that within North America, for example, there may be constraints from a transportation and distribution perspective. I think, globally, if we don't have any constraints around transportation and distribution, I think most of it to be able to get most of what they need. But, you know, to previous comments, it will be at a good price, because there was an underlying tightness in the supply there.

Operator: Your next question will come from the line of Michael Piken with Cleveland Research. Please proceed with your question.

Michael Piken: Yes. Good morning. Just wanted to get your sense for the retail guidance and whether there is any tuck-in acquisitions built in, and kind of your growth strategy for both internationally and domestic in this environment where it seems like a lot of retailers just came off a pretty good year.

Ken Seitz: Great. Thank you, Michael. Yes. Over to you, Jeff.

Jeff Tarsi: Sorry about that, Ken.

Ken Seitz: No problem.

Jeff Tarsi: Yes. Hey. Good morning, Michael. And we do have--we are pretty conservative in what we have filled in our plan for just tuck-in acquisitions is. As you know, we are the top of cycle right now so we are a little bit more judicious when we are looking at those opportunities. I will say that I think that pipeline is still there, and there are opportunities there as well. Obviously--and we continue to see a pretty rich pipeline in Australia. And obviously, Brazil is a growth area for us. And so we wouldn't necessarily turn those as tuck-in. So when I look at tuck-in acquisitions, I am primarily looking at North America and Australia. And, again, those opportunities are there. We want to be careful with where we are in this point of

the cycle and the valuations we put on them. But we continue to look at those opportunities and act on them.

Operator: Your next question will come from the line of Steven Hansen with Raymond James. Please proceed with your question.

Steven Hansen: Yes. Good morning guys. Just a quick question on the allocation of your tons into different end markets here. Just looking at the Canpotex data in the report, it does show a pretty marked shift away from China and India last year towards Southeast Asia and LatAm. You have got a couple of new contracts signed here this week. So I think we will see some normalization in that data, but we have also got to consider the vacuum created by the BPC tons that could be created. So I guess the question is, how should we think about the allocation of those tons going forward into the higher better use markets versus the past? Thanks.

Ken Seitz: Yes. No, great question, Steven. Thanks for that. You know, I think what you can expect is with the China and India contracts settled now, you can expect to return to sort of historical market share for Canpotex in each of the major markets that they serve. And so, historically, you know, they have been about a third of the Brazilian market. They have been about a quarter of the Chinese market, you know, around a third of the Indian market and then in North America, you know,

about 44%. And so, again, in terms of allocation among the offshore markets, given those contracts, we will expect more standard grades going into China and India. It is true that last year, 2021, with that contract settled at well below market, Canpotex was diverting volumes to other markets, that's true. But again, with these related settlements, you can expect to return to more sort of traditional market shares.

Operator: We do have time for one final question in queue, which will come from the line of Adrien Tamagno with Berenberg. Please proceed with your question.

Adrien Tamagno: Hello. Good morning. Thank you for taking my questions. I have two actually, first, on Belarus. Do you see actually the sanctions having an impact on their growth projects, not the existing capacity because it could be that under sanction of the country might not be able to actually handle well its supply chain and not be able to deliver on its growth in the coming years? Or you think this will not be the case and they are well integrated domestically? And secondly, for the low-carbon ammonia, do you see appetite from a farmer perspective currently or we need carbon pricing to be more than just voluntary for this to really take off? Thank you.

Ken Seitz: Great. Thanks, Adrien, for the questions. And so yes, with respect to your question about Belarus, I mean, we are expecting some additional volume and new volume in the

market here in 2022. But I will pass it over to Jason Newton for the longer term view.

Jason Newton: Sure. Good morning, Adrien. We did see some ramp up, we believe, at least of the project in 2021 in Belarus. And I think one of the--it's uncertain whether their sanctions will have any impact on them expanding or ramping up production further. But with the constraints on shipping, they may be restricted in how much they can actually produce within Belarus, which could slow the ramp-up depending on how the allocated volume within their systems. So I think probably the sanctions and restrictions on their exports may have a bigger impact than sanctions with respect to construction of the project.

Ken Seitz: Yes. And then on the low-carbon ammonia question, Adrien, over to Raef.

Raef Sully: Thanks, Adrien. So look, you know, we are all watching this carefully. What's apparent, I think, to us, is that the first place we will see low-carbon ammonia used will be as an energy substitution, so power generation in countries that don't have access to other sources and also in transportation. And you will have seen that we signed an agreement that our next vessel we get will be ammonia powered. And we think that that's a good application for it.

I do think there is growing demand in the agriculture sector driven by the need for some of the crops to go--or be

classified as renewable or lower carbon. And I think you will see that grow over time. So the answer is small today, but growing. And in the meantime, we will see, I think, strong demand from those other sources that we talked about.

Operator: All right. And we have reached the end of the allotted time for our Q&A session. I would now like to turn the call back over to Jeff Holzman for closing remarks.

Jeff Holzman: Thank you for joining us today. If you have follow-up questions, feel free to reach out to Investor Relations. Have a good day.

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