Full Year 2016 Results
TRANSCRIPT

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Corporate participants

Erik Fyrwald

Syngenta – Chief Executive Officer

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Syngenta – Chief Financial Officer

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Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Syngenta full year 2016 results.

At this time, all participants are in a listen-only mode. There will be a presentation, followed by a question and answer session, at which time if you wish to ask a question, you will need to press Star 1 on your telephone, and wait for your named to be announced.

I must advise the conference is being recorded today, Wednesday, February 8, 2017.

And I'd now like to hand over to our speaker today, Jennifer Gough. Please go ahead Jennifer.

Jennifer Gough

Good morning and welcome to the call. Today's call is hosted by Erik Fyrwald, CEO, and Mark Patrick, CFO. Slides to accompany the presentation are available on our Web site. Let me draw your attention to the Safe Harbor Statement on slide 1.

This presentation contains forward-looking statements, which are subject to risks and uncertainties that could cause actual results to differ materially from these statements. We refer you to Syngenta's publicly available filings with the US SEC, for details about these and other risks and uncertainties. And let me now hand you over to Erik.

Erik Fyrwald

Good morning. A lot has happened since I was appointed CEO of Syngenta in June of last year. While externally all eyes are focused on the ChemChina transaction, I can assure you that the company has not been standing still and that we have been working hard to drive our business forward and to prepare for an exciting future. I'll come back to our key priorities later in the presentation, but first an overview of the full year. Please turn to slide 3.

2016 was another challenging year for the industry but Syngenta's performance in that context was generally resilient. I'm pleased with the way we ended in the fourth quarter and I'll provide some details on that in a moment.

With regard to the full year, sales at constant exchange rates were 2 percent lower, with volume down 4 percent and prices 2 percent higher. Sales were up 1 percent excluding the impact of the Brazil terms change and the non-recurring corn trait royalty in 2015. New products again made an important contribution.

The EBITDA margin was 20.8 percent versus 20.7 percent in 2015, despite the non-recurrence of the $200 million corn trait royalty. Profitability was supported by further benefits from our AOL program, with productivity savings of $320 million, which is ahead of target. Earnings per share were just over $17. Free cash flow of $1.4 billion was above expectations and significantly ahead of last year.

Please turn now to slide 4 for an overview of regional sales in the fourth quarter. Sales at constant exchange rates were up 7 percent excluding the corn trait royalty, which was received in the fourth quarter of 2015 and recorded in North and Latin America. We are showing here adjusted numbers for those two regions, in order to give you an idea of the underlying business performance.

Sales in North America were up 2 percent in a market where grower profitability remains low. Fourth quarter sales are largely in anticipation of the next season, and we saw strong sales of our branded corn seed. Sales of selective herbicides were flat but in the third quarter, when tank-filling takes place, the region registered growth of nearly 50 percent in these products.

In Latin America, we saw normal weather in the important growing area of the Cerrados, although the dry conditions did move south. Insecticide sales were higher after a period of decline, and our corn seeds sales in Brazil were up 60 percent. Overall though credit conditions remain tight, with ongoing uncertainty around the economy and exchange rates.

Europe, Africa and the Middle East delivered remarkable growth of 19 percent, helped by an early start to the season in Ukraine. Sales in Africa and the Middle East grew significantly with an easing of drought conditions. Most other territories also performed well although in France, where customers are tightly managing cash, the morte saison was subdued.

Finally Asia Pacific, where the strong post El Niño recovery which started in the third quarter continued, but at a slightly slower pace. In ASEAN there was a reduction in channel inventory, which had accumulated as a result of dry weather and the rice reforms in Thailand. The South Asia monsoon was favorable and sales benefited from the introduction of new crop protection products and strong demand for our corn and vegetables seeds.

Let me now hand you over to Mark for a detailed review of the full year financial performance. Mark.

Mark Patrick

Thank you Erik. Please turn to slide 6 for the full year sales bridge.

Price increases made a positive contribution of $223 million, of which around half was realized in the CIS. We were also able to raise prices in Latin America in response to the currency devaluations in 2015.

The volume evolution is heavily influenced by the change in Brazil sales terms. However, underlying volume was also lower in Brazil reflecting low pest pressure and the credit constraints. The reduction in North American volume can be entirely attributed to the region's share of the corn trait royalty, which was $145m. The remaining $55 million was recorded in Latin America. The other two regions showed modest volume increases, as did the Lawn and Garden business. Currency reduced sales by $344 million, or 3 percent, all of which was registered in the first half – the currency impact in the second half was broadly neutral.

Slide 7 shows you the EBITDA bridge. The trait royalty dropped straight through to 2015 EBITDA and accounts for more than half of the volume/mix effect.   The impact of currency ex CIS, shown in light grey in the currency bar, was less than forecast at around $60 million and I'll come back to that in a moment.   AOL productivity savings were ahead of target, and as anticipated we realized savings from raw materials of $100 million. Cost inflation continues to run at just over 1 percent of sales.

In summary, while EBITDA was 4 percent lower, the EBITDA margin was a touch higher at 20.8 percent.

The currency chart on slide 8 shows the strengthening of the dollar against a number of currencies in the second half. The British pound in particular has continued to weaken and, although largely hedged, had a small positive impact. However, the main reason for the better-than-expected currency outturn was the appreciation of the Real.

Slide 9. I think it is worth taking a step back to look at how our profitability has evolved in terms of both gross and EBITDA margins. In 2016 we saw an improvement of 170 basis points in the reported gross margin, shown in the continuous green line on the chart. This was due to a number of factors, including notably the successful realization of AOL efficiencies and the price actions in Latin America and the CIS. In addition mix improved, partly as a result of the reduction in glyphosate.

If we strip out the $200 million corn trait royalty in 2015, the improvement is more marked, as shown in the dotted green line.

The EBITDA margin, shown in blue, was broadly stable in reported terms, but excluding the trait royalty it increased by 130 basis points. This reflects our ongoing emphasis on productivity improvements which will continue to be a key focus in the future.

Slide 10 gives a breakdown of items below the operating income line. Net financial expense increased by $35 million mainly due to higher hedging costs. The tax rate before restructuring was 15 percent compared with 17 percent in 2015. The post-tax restructuring and impairment charge increased from $300 million in 2015 to $390 million, and included costs linked to the ChemChina transaction. Earnings per share, before restructuring, were 4 percent lower at 17 dollars 3 cents.

Please turn now to slide 11. Free cash flow came in ahead of our expectations at $1.4 billion. I am pleased to highlight in particular a substantial reduction of $409 million in trade working capital related cash outflows. Our focus on inventory reduction continued and the receivables outflow was lower than in 2015, when we extended credit terms for selected Latin American customers, mainly in the Cerrados. Given the continuing tight credit conditions in Brazil, the reduction in receivables will be gradual, but conditions for growers in the Cerrados are improving.

Slide 12 gives you an update on the AOL program which we initiated in early 2014. It has stood us in good stead in the face of a prolonged industry downturn, with a further $320 million savings delivered in 2016. The program was originally composed of a mixture of cost savings and leverage effects, and recently we have had to step up the cost savings element to compensate for the lack of growth. However, the platforms we have put in place through investments under AOL are giving us durable gains in efficiency which, in some areas, surpass our original expectations. As a result, we are able to maintain our target of $1 billion in productivity gains in 2018 even in a more subdued operating environment.

Let me move on now to some more detail about the business, starting with Latin America on slide 13.

Full year sales excluding the Brazil sales terms change were 3 percent lower. Significant price increases, most notably in Brazil, were a key driver for both sales and profitability. These increases were to compensate for the currency depreciation of 2015 and they were successfully implemented despite the appreciation of the Real against the dollar in 2016.

There were a number of top line headwinds in 2016, with drought conditions in many parts resulting in reduced fungicide applications. Low insect pressure and soybean trait adoption were exacerbated by high insecticide inventories in the channel. In Venezuela, we stopped sales completely in order to mitigate risk. On the positive side, government reforms in Argentina in support of agriculture have led to a recovery in investment by growers, and our sales increased by 29%.

In this context, the substantial improvement in operating margin reflects our focus on price and the very rapid action we took on costs in the face of a difficult market environment.

Turning now to Europe, Africa and the Middle East on slide 14.

The region achieved solid full year sales growth despite extremely adverse weather in north-west Europe in the second quarter. Pricing was robust, notably in the CIS, although accompanied by further currency depreciation. The region’s already high operating margin again increased, helped by a strong performance in high margin product lines. In addition, further actions were undertaken to reduce operating costs.

Slide 15. In North America, the decline in revenue was largely due to the non-recurrence of the corn trait royalty. Excluding this, the operating margin increased slightly. Crop protection sales were unchanged despite the reduction in solo glyphosate, which had an impact of $75 million. This was more than offset by the benefits of innovation, with the continuing success of ACURON and the launch of 16 new products, including the fungicides TRIVAPRO, based on Solatenol, and ORONDIS.

In Seeds, soybean sales were lower and continue to be a challenging area for us. On the other hand, we saw good growth in our branded corn seed including further expansion of the ENOGEN offer for ethanol plants.

Slide 16. In Asia Pacific, full year sales growth of 2 percent was modest - but in H1 we were looking at a decline of 8 percent, so the second half recovery has been dramatic. In ASEAN, improved weather conditions and the reduction in channel inventory led to a rebound in demand, particularly for fungicides and insecticides. South Asia also saw growth of over 20 percent in the second half, with new crop protection launches and strong demand for vegetables and corn seeds.

The operating margin, helped by AOL efficiencies, improved significantly and should be seen against a background of expansion in the emerging markets, which account for more than 75 percent of APAC sales.

Turning now to slide 17 for a breakdown of crop protection sales

Selective herbicides were up 2 percent with several products contributing to growth – AXIAL on cereals in Europe, CALLISTO on corn in Africa and the CIS and ACURON, also on corn, in the US. Most of the contraction in non-selective herbicides was due to glyphosate, although GRAMOXONE sales were also lower.

Fungicides saw a recovery in Europe in the second half following the wet spring. Sales in Latin America however were lower, owing to the Brazil sales terms change and the effects of drought. Growth in North America was driven by TRIVAPRO.

Insecticides sales were down as a result of the situation in Brazil which I have already described. Asia Pacific, on the other hand, saw a number of new product launches and volumes were up for the full year.

In Seedcare, Canada saw a return to growth led by the SDHI fungicide VIBRANCE. US sales were affected by lower treatment intensity and higher channel inventory. CRUISER saw good growth across Europe despite the restrictions imposed in some markets.

The performance of new crop protection products is shown on slide 18. We have adjusted the selection – shown at the bottom of the slide - to correspond to our usual definition - products launched within the last five years.

The combined sales of these products in 2016 were $741 million, compared with peak sales potential of over $2.9 billion – so still a lot to come. Growth at constant exchange rates in 2016 was 31 percent, led by ACURON in the US, where sales more than doubled.

Our carboxamide, or SDHI, platform in fungicides is expanding, with the launch in the fourth quarter of ELATUS PLUS in France and ADEPIDYN, under the brand MIRAVIS, in Argentina. Both had a limited impact on 2016 sales but should make an increasing contribution in 2017.

Moving on to Seeds on slide 19.

The reported decline in corn and soybean was of course driven by the trait royalty. Excluding this, full year sales were up 2 percent and the fourth quarter was up 15 percent. Growth is entirely attributable to corn, with a strong fourth quarter in the US and excellent full year growth in Brazil and Argentina, attributable in large part to the success of the VIPTERA trait.

Diverse field crops continued their good track record with a strong performance by sunflower, particularly in the CIS, where sales increased by 38%. This reflects continued acreage expansion and the adoption by growers of superior hybrids.

Vegetables benefited from robust pricing, the expansion of key crops in Asia and strong demand in Latin America.

Let me conclude with our outlook for the industry as well as for Syngenta in 2017. Slide 20.

The last four years have been dominated by over-supply of the major crops, with output again robust in 2016. The farm economy continued to be overshadowed by low crop prices, although growers in some areas benefited from the high yields, and emerging market volatility has subsided. In 2017 farm incomes are expected to remain under pressure but our expectation is that the industry will at least stabilize.

In the mid to long term, we expect a solid demand outlook to drive further growth, with an estimated cagr of 3 percent. This assumption takes account of a regulatory environment which will remain tough. Growth, particularly in developed markets, will be driven by innovation, including resistance management. In the emerging markets, demographics continue to support an increase in grain demand, and in many cases this is underpinned by government support towards intensification.

Finally the outlook for Syngenta in 2017. Our aim is to outperform the market and to achieve low single digit sales growth at constant exchange rates. We are targeting an improvement in the EBITDA margin and another strong year of free cash flow generation.

And with that, let me hand you back to Erik.

Erik Fyrwald

Thank you Mark. Please turn now to slide 22.

Our priorities for 2017 are clear. First, close the transaction with ChemChina. This transaction is in the best interest of our customers, our employees and our shareholders, and both Syngenta and ChemChina remain fully committed to it.

Our transaction is not a merger but rather a change in share ownership. It does not bring distraction or disruption. We will maintain a single focus on the customer during this period of industry consolidation and will seize every opportunity that may arise from competitor mergers. That includes taking a close look at assets that become available.

In the meantime, together with my management team, I want to enhance our focus on execution. This will enable us to deliver and sustain further AOL benefits and to develop a culture of continuous productivity improvement. We intend to accelerate innovation through sustained investment in R&D, supported by efficient technology platforms and regulatory expertise. And we will invest in growth where we see compelling opportunities to do so.

These priorities are all consistent with our corporate goals, shown on slide 23.

Our key objective is to profitably grow market share. In support of this, we want to improve the customer experience. This means reducing the administrative load on our sales force so that they can spend more time with customers. It also encompasses new digital approaches and ongoing innovation across the portfolio.

We are driving simplification not just for the sales force, but across the company, streamlining our approach to allow faster decision-making in our markets.

Our third corporate goal, which we will pursue with continued determination as a private company, is to meet our financial commitments. These include special emphasis on stepping up realization of AOL savings; improving our seeds performance; and increased cash conversion.

Let me conclude now with a progress update on the ChemChina transaction. Slide 26.

Firstly let me explain why no regular dividend is being proposed for 2016.

With the transaction expected to close in the second quarter, the Board of Directors has taken the decision to postpone the 2017 AGM from April to June 2017. First settlement of the transaction should take place before the AGM, when the dividend proposal would normally be tabled.   Let me point out that, if a dividend had been proposed, it would have needed to be deducted from the offer price, which would be unfavorable from a tax perspective for some shareholders.

However, the special dividend of 5 Swiss francs is expected to be paid out in the second quarter conditional upon and prior to the first settlement of the transaction.

Please turn now to the final slide, number 27.

The Swiss and US Public Tender Offers have been extended until March 2 2017. A further extension beyond this date is likely as we wait for the final regulatory approvals to come in. We have received anti-trust clearance in 13 jurisdictions, with 7 still pending. Of these seven, the most significant are the EU and the US. We have made considerable progress in both cases and have filed remedy proposals with the European Commission and with the FTC. We agreed to an extension of the EU Phase 2 timeline to 12 April, in order to allow time for the process to complete.

When the necessary regulatory approvals are received, ChemChina will announce a final extension of the offer period lasting up to 20 days. At the end of this period, and conditional upon acceptances from at least 67 percent of the share capital, the transaction will close. We are confident that this will happen in the second quarter of 2017.

That concludes our presentation today. Let me now open up the call for questions. Operator.

Questions and Answers

Operator

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. As a reminder, if you wish to ask a question, please press star one on your telephone, and wait for your name to be announced. If you wish to cancel the request, please press the hash key.

And our first question comes from the line of Jeremy Redenius from Bernstein. Please go ahead.

Jeremy Redenius – Bernstein

Hi, good morning. It's Jeremy Redenius from Bernstein. Thanks for taking the questions, I have three. First of all, could you talk about the regulatory issues that the European regulators are challenging you on. Second, where do you stand on the process in Brazil and what's the timeline you expect there, and similarly what are the challenges that you're facing from the Brazilian regulators?

Then thirdly, I see you show a market forecast of crop protection chemicals being flat into 2017 and you're aspiring to grow at low single-digits. Could you talk about what areas you've seen that will enable your growth please, thanks very much?

Erik Fyrwald

Good morning Jeremy, this is Erik. First of all, we're having very constructive engagement with the regulators in the EU. As you may have read, they have an end date for their decision by April 12. That decision could come earlier than that but we certainly expect the decision by April 12, and to get approval.

We're having, as I said, constructive dialogue. The process has taken longer than we originally expected, which is understandable given that there are three major deals going on at one time. We've been asked for an enormous amount of data, have had a lot of questions asked, but we've had very constructive dialogue towards remedy proposals that we've made and are going through the process and expect it to get approval by April 12.

On Brazil, we do not expect Brazil to be any issue in terms of our closing in the second quarter. We're making good progress there as well.

Mark Patrick

Shall I take the third question Erik?

Erik Fyrwald

Go ahead.

Mark Patrick

So your third question in terms of the CP outperformance against the flat market. First and foremost, obviously underpinned by new product introductions which continue to drive growth but also I think the momentum that we've seen in the second half of 2016, in ASEAN, South Asia, the CIS, and Latin America, excluding Venezuela, gives us confidence of continued outperformance in 2017.

Erik Fyrwald

I would just add to that, that obviously 2016 was a very tough year for the total agriculture industry. Our sales were down 5% reported and 2% at constant exchange rates, but in the fourth quarter when you look at apples to apples comparison, we were up 7%.

So we finished the year strongly, built some positive momentum, the crop prices have stabilized, they haven't started going up as we expect at some point in the future. But that stability has allowed us to perform well in the fourth quarter given our new technologies and our strong commercial capabilities around the world.

Jeremy Redenius – Bernstein

Thank you. Just a quick follow up on Europe. We've heard DuPont's comments that the regulators were challenging them on the concerns about reduction in innovation and competitive innovation. Do you hear of any similar concerns or is this more of a simple horizontal overlap going in a very detailed manner byproduct, by country type of regulatory challenge?

Erik Fyrwald

Yes Jeremy, we're a very different situation because Adama is a generic crop protection chemical producer. They do not do research and development. We do research and development. So our coming together under ChemChina does not in any way impact innovation. We will continue to invest aggressively in innovation and there will be no reductions in innovation as a result of this deal.

Jeremy Redenius – Bernstein

Thank you very much.

Operator

Thank you. And our next question comes from Laurence Alexander from Jefferies, please go ahead.

Jeff Sherman – Jefferies

Hi, this is (Jeff Sherman) for Laurence, thanks for taking my questions. Would you mind elaborating on Enogen with regard to the penetration rates, where are you now and how has it been progressing and maybe touch on margins in Enogen versus the products in North America?

Erik Fyrwald

Yes, what I would say is that we continue to make solid progress with Enogen. I personally have visited some ethanol plants in the US and have seen first-hand the advantages that Enogen is bringing to ethanol producers. We now serve about 10% of the ethanol market in the US and continue to grow that.

Our margins in Enogen are attractive, are in line with the rest of our business, and we like having the advantage of a differentiated product, new innovations that we're bringing to the market in the US.

I think it's been extremely well received by the ethanol industry, that here is a company bringing innovation on the seed side to enhance their ability to sustainably produce ethanol. If you look at the ethanol production in the US, it's increasingly competitive and we like to be part of that.

Jeff Sherman – Jefferies

OK. Thank you.

Operator

Thank you. And our next question comes from Patrick Lambert from Raymond James, please go ahead.

Patrick Lambert – Raymond James

Hi, good morning, yes, Patrick Lambert, Raymond James. A few questions. The first regards a bit more of the outlook for 2017 in corn, soybean, I guess North America to start with. I think they're always careful about the seed sales in Q4 but it seems that I was expecting more of a rotation corn, soybean, in 2017.

I'd like to have your outlook on that. I know it's early stages but do you think acreage in corn in the US will be down sharply like some of the participants are saying? That's my first question.

The second question is on fungicides which remains a bit subdued I would say compared to our expectation with the rebound in insecticide but not in fungicide. Could you comment a bit more on 2017 where you see the situation, where you can get market share in fungicides?

Third, on royalty licenses, again for 2017, specifically on the soybean trait you're developing with Bayer, is that on hold, is that something we should -- how to think about the MGI trait on soybean going forward? I think I'll stop there for the moment.

Erik Fyrwald

OK Patrick, this is Erik, I'll start and then Mark can chime in any time. First of all, on the outlook for 2017 and corn and soy in North America, yes, we expect corn acres to be down somewhat. I think there's still a lot of farmers deciding so it's not sure how much. But overall we do expect corn acreage to be down for the year of 2017.

In terms of fungicides, we expect to grow our fungicides in 2017 given the new technologies. You might have read, that in addition to the technologies we've launched in the past two years, we also launched Adepidyn at the end of last year. That impact will be greater in 2018 and 2019 but we continue to bring new technology to the fungicide market, and you'll see that in some share gains in 2017.

Finally, around the soy trait work that we're doing, we continue to develop that work and we're working to get approvals for cultivation around the world. We have cultivation approval in the US.

Mark Patrick

Maybe if I could just add on the fungicide space. I mean clearly, 2016 has been dampened by the Brazil revenue recognition change that occurred in 2015 from a year-on-year perspective, and obviously the drought impact in Cerrados that we saw which increased channel inventories.

But certainly, as Erik has indicated, the new product introductions, the SOLATENOL both in North America and in Western Europe and ADEPIDYN launches will continue to drive fungicide growth in 2017.

Erik Fyrwald

Trivapro, Orondis, I mean we've had a lot of new technology launched. Next question.

Patrick Lambert – Raymond James

Thank you Erik.

Erik Fyrwald

Thank you Patrick.

Operator

Thank you, our next question comes from the line of Paul Walsh from Morgan Stanley, please go ahead.

Paul Walsh – Morgan Stanley

Yes, thanks very much, morning Erik, Mark, Jennifer. A few questions from me if I may. Just in terms of the remedy packages in the US and Europe, can I assume they are relatively small and that buyers have already been identified? That's my first question.

Second question, just picking up on something I think you said Erik in terms of assets that become available from other transactions as well. I wondered if you could just elaborate on that in terms of you participating in picking up stuff that comes out of the other deals as well.

Just thinking about the guidance rather boringly for 2017, low single-digit sales growth, 2%, 3%, I don't see any major currency issues this year. In terms of the margin gain, you see consensus is sort of implying if I use the 2%, 3% sales number, a margin that comes up to 21.5%, just checking you're comfortable with that in terms of the magnitude of margin gain implied, thanks?

Erik Fyrwald

Yes, so first of all, the US and the European regulatory discussions as I've said, are going very, very well. We have submitted remedy packages. We're working through the process, and we expect approval in the EU by the April 12 deadline and the US on or before that date. The decisions could come earlier than that but we expect to get them by April 12 and we expect to close in the second quarter.

What I would say about the packages is they're confidential, I can't reveal any details. But I would say on the scale of our Company it is not large.

Paul Walsh – Morgan Stanley

Yes, yes.

Erik Fyrwald

On the second one, assets from other deals, as you can imagine after our deal closes we're very interested in not only continuing to invest in our technologies, which are very attractive and drive growth through the capabilities that we have, but we're also interested in opportunities to strengthen our market position and capabilities around the world. We'll be looking at that both with the other deals as they deal with remedies but also other opportunities to grow through M&A.

Paul Walsh – Morgan Stanley

Sorry, just on that point Erik, you don't see yourselves as being a little bit capital constrained post ChemChina's acquisition of you given the size of the deal for them? So you feel like you've got free rein to continue to invest where you need to from a remedy package perspective rather than just organically?

Erik Fyrwald

I believe we will be supported to invest in growth. On the third one in terms of the guidance, I'm very comfortable with what we've guided but I'll let Mark speak with more detail on that.

Paul Walsh – Morgan Stanley

Thank you.

Mark Patrick

Yes, I think the consensus that you mentioned there I'm comfortable with. Obviously continuing momentum in AOL and the productivity improvements that we've continued to see, so that consensus on EBITDA margin is appropriate.

Paul Walsh – Morgan Stanley

Very helpful guys, thank you.

Erik Fyrwald

Thank you.

Operator

Thank you. Our next question comes from Tony Jones from Redburn, please go ahead.

Tony Jones – Redburn

Morning everybody, I've got a couple left. Firstly, could you remind us the proportion of the shares that have already been tendered? Secondly, on crop protection inventory, I think you talked a little bit about insecticide but we've had quite a lot of inventory buildup over the last year, have we worked through this now so that's not going to be a drag on demand?

Then just circling back on the guidance, I was a bit confused about a couple of points. So I just wanted to reconcile, you're guiding that the market will be flat in 2017 but that you had a stronger exit rate in 2016 but what do you think about the momentum going into the Northern Hemisphere season, because that's very different usually than South America? Do you expect to gain share, is it going to be a negative from crop mix? Maybe talk about some of the pluses and minuses there, thank you.

Mark Patrick

In terms of the tender, I mean as you'd expect given the extensions that we've received, we are currently at just over 20% tendered. But that's not really an indication of where people see it, so I'm not concerned about that.

In terms of the CP inventory, yes, the insecticides particularly in Latin America have been up and that's as much linked to low pest pressure but also the Intacta trait adoption which now in the market place is about 70%. But we have seen inventory reduce in a number of key markets, particularly in Asia Pacific and in the key Cerrados market as the weather conditions have improved. So I'm not sitting here concerned particularly around the 2017 entry in terms of inventory level.

Erik Fyrwald

Then in terms of our guidance for 2017, we said that the market had stabilized in the fourth quarter, we see it flattish this year. But with our new technologies, our capabilities around the world, our very distributed business around the world in driving these new technologies, we do expect some market share gains. I expect that both in the Northern Hemisphere and the Southern Hemisphere, so we expect to have some outperformance versus the market.

Tony Jones – Redburn

Great, very clear, thank you.

Operator

Thank you. And our next question comes from Christian Faitz from Kepler, please go ahead.

Christian Faitz – Kepler

Yes, good morning gentlemen, congrats on the results by the way. Two questions again for 2017 trends. Can you talk specifically about Europe and North America in terms of early order conditions? Heading into 2017 there were rather wet conditions in Europe early last year, so like-for-like you should be up in my expectations, is that a correct assumption?

Then in that context, the second question, how is the price and volume behavior of your main peers in the current M&A driven environment? Are you benefiting from that because everybody is so busy with their results, any comments on that would be helpful, thank you?

Mark Patrick

In terms of EAME and North America, you will recall that Q1 in EAME last year was actually a very strong quarter. That tapered off in the second quarter when we had particularly the adverse weather conditions in North West Europe, but we are seeing good momentum starting from Q4, as Erik had already indicated, in the key markets and particularly in the CIS where we continued to outperform, both in crop protection and in seeds.

In North America, one thing that is coming is -- there was a question earlier around crop rotation. I think a number of growers are delaying their decisions between corn and soybeans and that's obviously playing on orders. But at the moment, we feel comfortable with the guidance and the forecast that we've got in place and expect another resilient year in the key North America market.

Erik Fyrwald

In terms of our peers, there are a number of deals going on right now so I think a number of companies are busy but we're focused on paying attention to the customer, making sure that we're executing well, as I said in my comments, and making sure that we deliver a year ahead of the market.

Christian Faitz – Kepler

Just a quick follow-up, you don't see any very aggressive pricing behavior or anything, volume discounts for any of your peers at this point in time?

Erik Fyrwald

We don't see anything unusual.

Christian Faitz – Kepler

OK, very helpful. Thank you.

Operator

Our next question comes from the line of Patrick Rafaisz from UBS, please go ahead.

Patrick Rafaisz – UBS

Thank you, good morning, a couple of questions left. First on seed care and the lower treatment intensity you mentioned, how do you see that going into 2017 and is that mainly due to poor farm economics? Would you expect that to stay a rather sluggish business during 2017 as well?

A second question, just curious to hear your thoughts on the previous mid-term targets. I mean originally, a few years back, we talked about 24% to 26% EBITDA margin by 2018. I'm not assuming that is within the realm of possibilities for now, but in the long term from let's say 2020 or beyond, do you still think that's a reasonable target for Syngenta at one point given the cost programs and the AOL and the 3% market growth? Thank you.

Erik Fyrwald

So on the seed care, the lower treatment intensity was in the United States. Given the challenges of pricing, we think that that will likely stabilize in 2017. But we continue to bring out new technologies in our seed care business around the world. We continue to invest in service centers, and we expect our seed care business globally to continue to grow in 2017 and beyond.

Mark Patrick

To add that Erik, in EAME, we actually saw 16% growth in our seed care business, so this was very polarized around North America and the operation there. In terms of the mid-term targets, the 24% to 26% I still feel is achievable.

We have obviously had currency headwinds over the course of the last couple of years. Hopefully those have now stopped and we'll start to see some stabilization as we've indicated.

But I think the 24% to 26%, underpinned by AOL, and some market growth and outperformance by us is achievable, whether it's 2018, 2019, I think is dependent on how the market conditions evolve over the course of the next 12 months to 24 months.

Erik Fyrwald

I think it's also very important to realize that if you strip out the royalty, we gained 130 basis points in EBITDA margin in 2016, which I think is very significant progress and indicates that we were headed in the right direction.

Patrick Rafaisz – UBS

Thank you. Thank you very much.

Operator

Our next question comes from Andrew Benson from Citi, please go ahead.

Andrew Benson – Citi

Thanks very much. At the third quarter stage, you talked about the intensification of requests for detail from the regulatory authorities. Just if you can -- in so far as you can obviously, I understand there's confidentiality, in so far as you can just give us an idea of why they have -- or iyour view has become so much more sanguine or what was it in the replies that you gave which has allowed your improved confidence?

Secondly, on the FTC timetable and FTC remedies in so far as you can, you talked about the remedies for the EU being insignificant, perhaps give some idea of what's going on in the US. Lastly, I mean most companies take employee share options within employee costs and have you done that historically?

What it seems is you've taken out those employee share option costs out of normal operating profit and put them in as an exceptional item. I wondered if you could just define the magnitude of that in that exceptional item which would normally come within normal profit? Thanks.

Erik Fyrwald

Yes, so Andrew I'll start with the first question. We were not surprised -- once the Monsanto Bayer deal was announced in mid-September, we were not surprised by -- in fact, we think it's very appropriate that the regulators in the US and the EU asked a lot of additional questions and asked for a lot of detail.

With three major deals going on out of six research companies globally, feeding such a critically important industry to the world, it's highly appropriate for them to have asked a lot of questions and asked for a lot of detail, so we were glad to provide that.

We've had a lot of analysis of that information that we and others have provided, had a lot of discussions with the regulators. We believe that as we have said all along, that our deal does not significantly impact the competitive dynamic in the industry, and certainly has no impact on the innovation that we bring to the market place.

We will not decrease the amount we spend on innovation, in fact, we'll continue to increase the amount we spend on innovation. There'll be no R&D jobs lost as a result of this deal, in fact there'll be no impact on jobs as a result of this deal. So I think as we worked through all that the regulators have been constructive in their discussions with us and we've proposed and are working through the remedy situation.

Again, I can't comment on the specifics of the remedies or the amount of the remedies. I did say that they're not large and we're working through those and we expect again to get approval in EU by the April 12 deadline that the EU has, and approval on that or earlier for the US and be able to close in the second quarter.

Mark Patrick

In terms of the second question Andrew, this is obviously about the equity share based plans that we have. The reasons that they've gone into restructuring is they will be cash settled as part of the transaction.

So when the transaction crystalizes they will be cash settled and we've had to take in 2016 a mark to market on those equity based plans and that's why they're in restructuring. Obviously ongoing, they remain part of normal operating cost.

(Multiple speakers)

Andrew Benson – Citi

Sort of the last few years how much would have those have been?

Mark Patrick

In the context of the annual charge?

Andrew Benson – Citi

Because I guess the award of $100 million, $150 million would in the normal year just be absorbed through…

Mark Patrick

Yes, exactly. What you've got there is a number of shares and options that employers have been holding for a number of years that have already been vested or some that are unvested, that at the time of the transaction they will be cash settled as part of the sale to ChemChina.

Andrew Benson – Citi

What I'm trying to get at is if you're looking at sort of 2015, 2016, presumably there were costs of share options taken within and obviously those are defined as exceptional this year.

Mark Patrick

What's in restructuring is the bits that haven't been taken through into normal operating cost.

Andrew Benson – Citi

Yes, I understand. But historically they would have been normal operating cost, so I'm just getting an idea of, if you like, the benefit to reported EBITDA of you having done that.

Mark Patrick

Nothing in 2016. This is just the early vesting of shares that have not reached their maturity of three years, which is part of the equity based programs we've had in place for a number of years.

Erik Fyrwald

OK. We have time for one more question.

Operator

Thank you. And the question comes from the line of Markus Mayer from Baader Helvea, please go ahead.

Markus Mayer – Baader Helvea

Yes, good morning. Two questions are still on my list. Firstly, on the price sensitivity of farmers, has anything changed over the last half year here?

Secondly, on the strong demand coming from Europe and also insecticides in the fourth quarter, do you see this momentum continuing into the first quarter of this year? Thank you.

Erik Fyrwald

So the price sensitivity of farmers, clearly with the challenges of low commodity prices, farmers are more and more sensitive to making sure that they can have financial health and are looking for solutions to help them be more profitable.

We believe that our suite of technologies, capabilities, agronomic advice, all that we bring to farmers, in a time when they're increasingly sensitive to their profitability is very helpful. I think that was reflected in a solid fourth quarter performance and I think you'll see that going forwards on how we perform versus the market place.

In terms of the strong demand for Europe, I think that's nice momentum that was built in the fourth quarter. As you know, we've been performing extremely strongly in the CIS in recent years and I think we expect to see continued strong performance.

Mark Patrick

We would expect some rebound in the market particularly in the key markets of France, Germany, UK, Poland, et cetera, where there was obviously a huge impact from the weather conditions in 2016. So whilst farmers are cautious because of crop prices, we would expect some robust growth in 2017, underpinned by our technology offers.

Markus Mayer – Baader Helvea

OK, thank you.

Jennifer Gough

Thank you everybody for joining the call. That concludes the call for today, but if you do have any outstanding questions, of course, please do give us a call in the course of today. Thank you very much.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating, you may all disconnect.

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