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# Incitec Pivot Limited

October 21, 2024

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**Incitec Pivot Limited**

**Equity Analysis**

**Kapitales Research Rating** ★★★★★  
**Recommendation** Buy  
**Current Market Price** AU\$ 3.130  
**Risk** Moderate

52 Week Range (AU\$)



Average volume	6.18 million	52 Week Range (AU\$)	2.630 - 3.200
Shares outstanding	1.94 billion	Dividend amount (AU\$)	0.043
Free float	1.83 billion	Dividend Yield	6.34%
P/E (TTM)	-	Ex-date	13 Jun 2024
Market cap (AU\$)	5.80 billion	Record date	14 Jun 2024
EPS (TTM)(AU\$)	-0.073	Pay date	04 Jul 2024
ROE	-10.83%	Franking	0%

Source: (ASX and Koyfin), Analysis by Kapitales Research

Incitec Pivot Limited (ASX: IPL), together with its subsidiaries, manufactures and distributes industrial explosives, industrial chemicals, and fertilizers in Australia, the United States, the Asia Pacific, Turkey, France, and internationally. It offers ammonium nitrate, nitrogen-based fertilizer, ammonia, di/mono-ammonium phosphate, and single super phosphate. The company also manufactures and sells industrial explosives, and related products and services to mining, quarrying, and construction industries.

**SWOT Analysis**

**Strength**

Incitec Pivot's unwavering dedication to fostering a high-performance culture will continue to set it apart as an industry leader. By instilling core values of accountability, honesty, and integrity, the company has elevated employee engagement and productivity and cultivated an environment ripe for groundbreaking innovation. This emphasis on ownership and empowerment among employees is a crucial driver of the company's future success. Furthermore, Incitec Pivot's strategic focus on continuous improvement will enable it to adapt and thrive amidst the dynamic market landscape and propel it to new heights of success.

**Weakness**

Total debt stood at AU\$1,974.80 million, which is 0.43% higher in 1HFY24 than AU\$1,966.40 million in 2HFY23, indicating weak capital management.

**Opportunity**

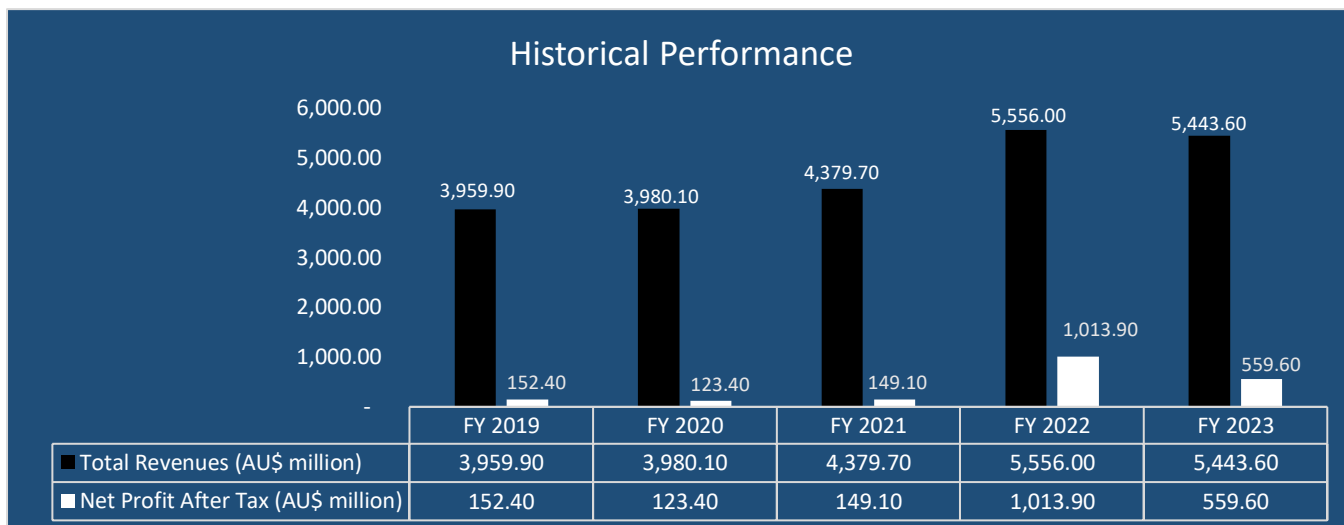
The future for Incitec Pivot Limited is exceptionally bright. With a rock-solid operational framework, a resilient organizational culture, and a forward-thinking approach to market challenges, the company is well-positioned for sustained success and substantial growth in the industrial sector in the coming years.

**Threat**

- Strategic risk
- Changing in economic conditions
- Global supply chain
- Financial risk

SWOT Analysis

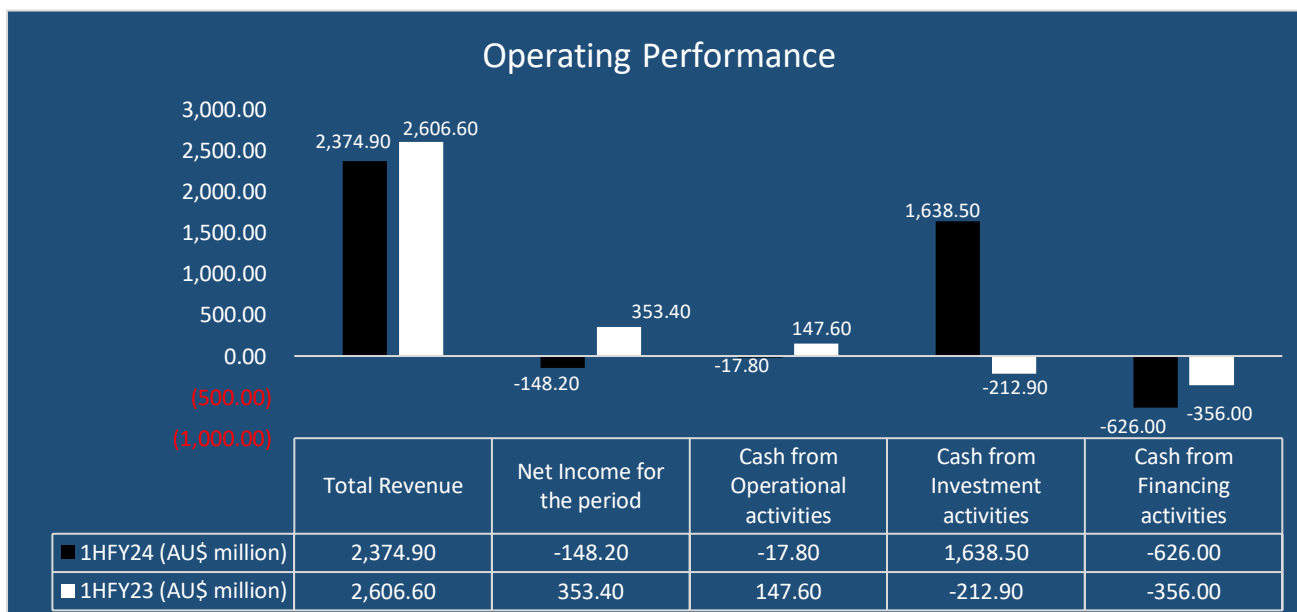
Historical Performance



Source: Koyfin, Analysis by Kapitaless Research

The company’s revenue stood at AU\$5,443.60 million in FY23, compared to AU\$3,959.90 million in FY19, indicating a CAGR of 8.3%. Its net profit stood at 559.60 million in FY23 versus a net profit of AU\$152.40 million in FY19.

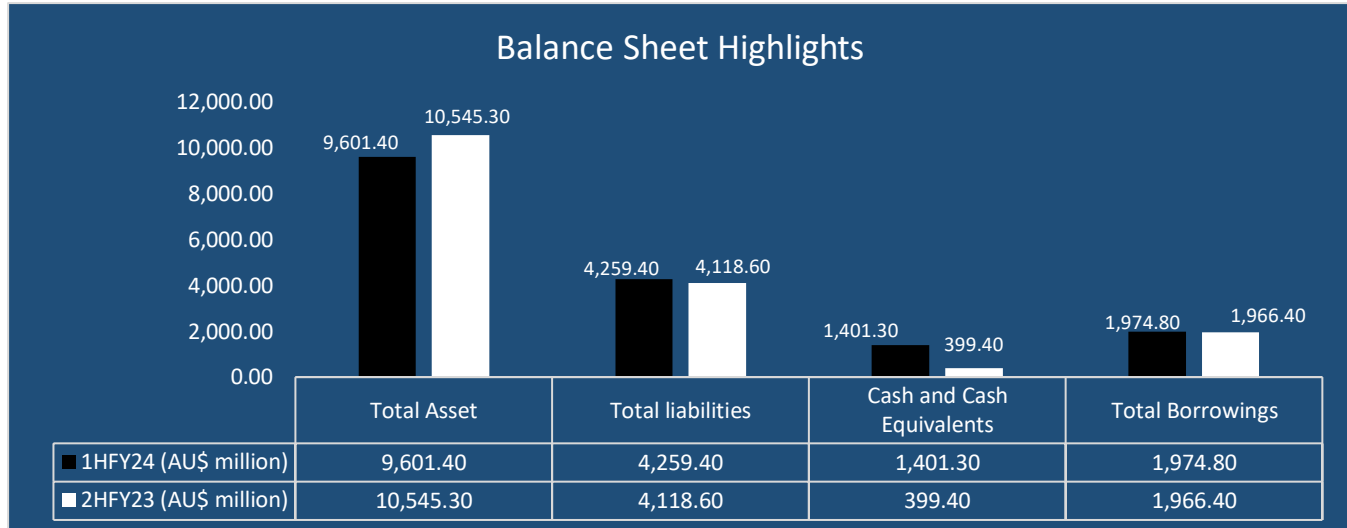
Operating Performance (period ended 31 March 2024)



Source: Company Reports, Chart Prepared by Kapitaless Research

- Company revenue for the half year was AU\$2,374.90 million, decreased by 8.89%, compared to the previous corresponding period. This decrease was mainly due to lower commodity prices, the impact of selling WALA, and Gibson Island's closure.
- Incitec Pivot Limited reported a net loss after tax, including individual material items, of AU\$ 148 million, compared to an AU\$ 354 million profit in the prior period. This loss was mainly due to IMIs totalling AU\$312 million after tax, primarily related to a non-cash impairment of the fertilisers business.

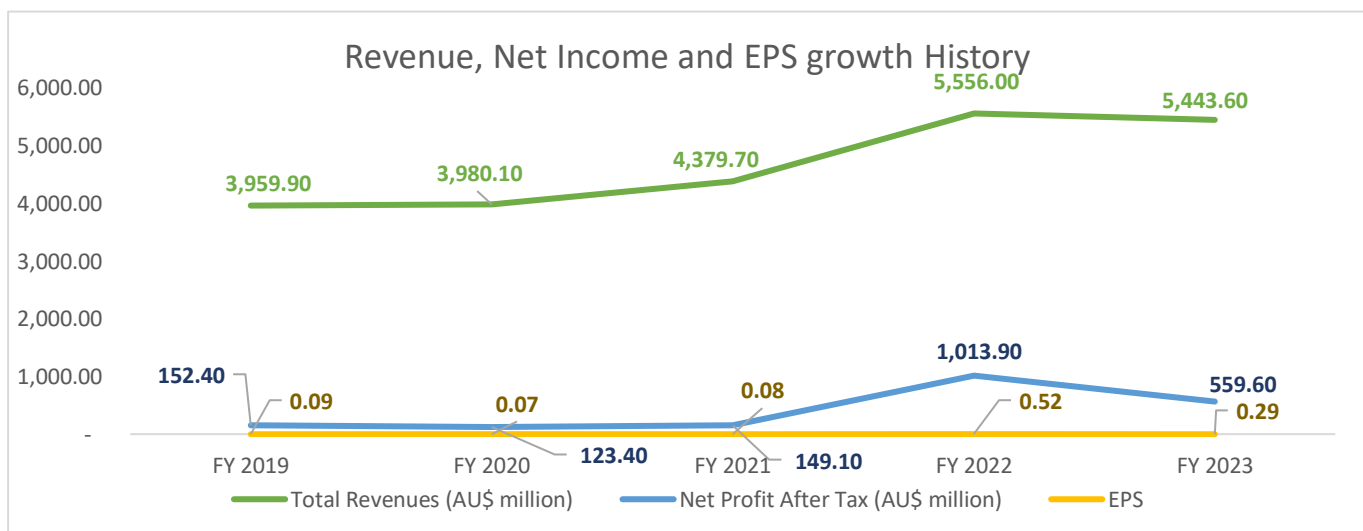
Balance Sheet Highlights (period ended 31 March 2024)



Source: Company Reports, Chart Prepared by Kapitaless Research

Compared to 2HFY23, the company's assets decreased in 1HFY24 due to a net asset decrease of AU\$52 million. The movement was mainly due to the decline in commodity prices in the fertilizers business, which reduced TWC by AU\$100 million. The company's total liabilities amounted to AU\$4,259.40 million, higher than the AU\$4,118.60 million. There is a higher cash balance of AU\$1,401.30 million in 1HFY24, compared to AU\$399.40 million in 2HFY23, which indicates improved liquidity and potentially stronger financial stability. Total debt stood at AU\$1,974.80 million, which is 0.43% higher in 1HFY24 than AU\$1,966.40 million in 2HFY23, indicating weak capital management.

Revenue, Net Income and EPS growth History



Source: Koyfin, Analysis by Kapitaless Research

Fiscal Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Growth Trend
Total Revenues (AU\$ million)	3,959.90	3,980.10	4,379.70	5,556.00	5,443.60	
Net Profit After Tax (AU\$ million)	152.40	123.40	149.10	1,013.90	559.60	
EPS	0.09	0.07	0.08	0.52	0.29	

Source: Koyfin, Analysis by Kapitaless Research

### Ratio Analysis

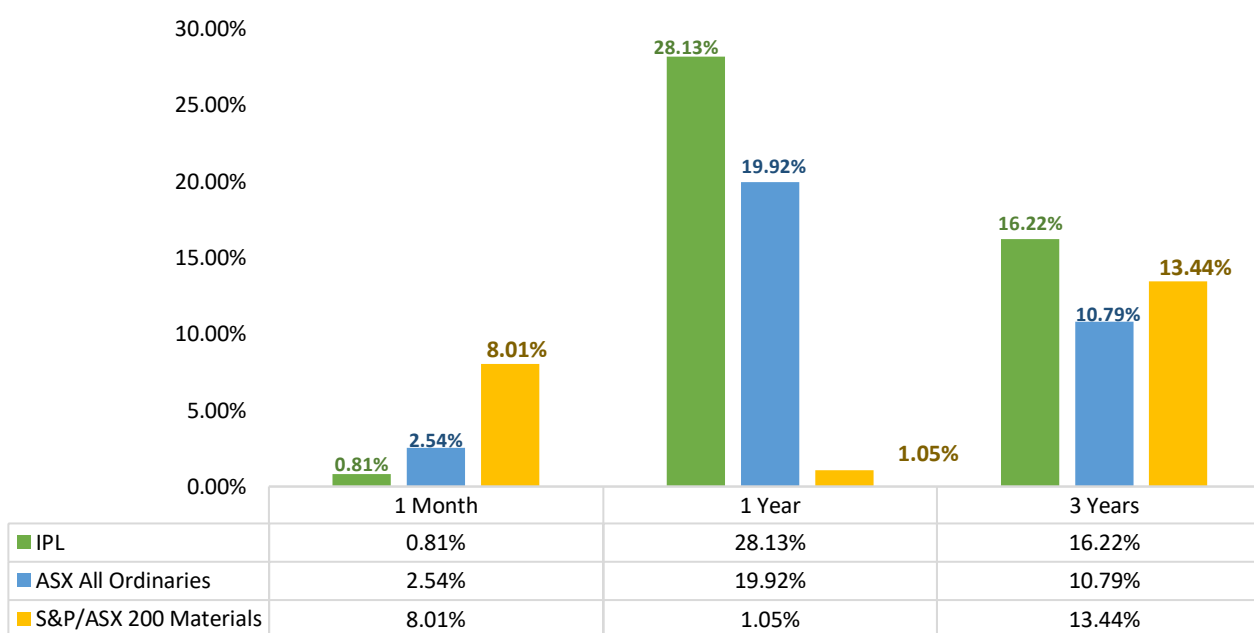
Fiscal Quarters	1Q FY2023	2Q FY2023	3Q FY2023	4Q FY2023	1Q FY2024	2Q FY2024
Return on Assets (ROA) %	2.4%	2.5%	-	-	1.9%	2.0%
Return On Equity %	4.1%	4.1%	-	-	-9.8%	-10.8%
Return on Total Capital (ROTC) %	3.1%	3.1%	-	-	2.5%	2.7%
EBITDA Margin %	13.9%	13.9%	-	-	13.7%	13.7%
Gross Profit Margin %	38.7%	38.7%	-	-	42.3%	42.3%
Net Income Margin %	13.4%	13.4%	-	-	-6.1%	-6.1%
Asset Turnover	0.5	0.5	-	-	0.5	0.5
Days Outstanding Inventory (Avg)	117	118.1	-	-	123.6	137.8
Current Ratio	3.1	3.1	3.3	3.3	1.8	1.8
Days Sales Outstanding (Average Receivables)	47.9	41.6	-	-	48.3	51.9
Days Payable Outstanding (Avg)	127.4	114.1	-	-	109.2	151.3
Cash Conversion Cycle (Average Days)	37.6	45.6	-	-	62.8	38.4

Source: Koyfin, Analysis by Kapitaless Research

- The company Gross Profit Margin from the previous quarter stood at 42.3%, indicating that the company can generate profits from its products or services with a high margin of revenue left after deducting the direct costs.
- The company’s days payable outstanding stood at 151.3 days in 2QFY24, more than 1QFY24, which indicates it can use available funds for a longer duration, allowing the company to use those funds in a better way to maximize the benefits.

### Price Performance

Stock Performance Chart



Source: Investing.com, Analysis by Kapitaless Research

## Recent Development

On 10 July 2024, Incitec Pivot announced that it ended negotiations to sell its fertilizers business to PT Pupuk Kalimantan Timur. This allows the company to move forward with a share buyback program of up to AU\$ 900 million. The CEO, Mauro Neves, stated that the company was initially focused on completing the sale quickly to start the buyback. However, it was determined that reaching an acceptable timeframe for the transaction with PKT was unlikely. As a result, Incitec Pivot will continue to manage its Dyno Nobel and fertilizers businesses independently.

## Outlook

Incitec Pivot's unwavering dedication to fostering a high-performance culture will continue to set it apart as an industry leader. By instilling core values of accountability, honesty, and integrity, the company has elevated employee engagement and productivity and cultivated an environment ripe for groundbreaking innovation. This emphasis on ownership and empowerment among employees is a crucial driver of the company's future success.

Furthermore, Incitec Pivot's strategic focus on continuous improvement will enable it to adapt and thrive amidst the dynamic market landscape and propel it to new heights of success.

## Key Risks and Uncertainties

- Operational risk
- Strategic risk
- Changing in economic conditions
- Global supply chain
- Financial risk

## Technical Analysis



Source: TradingView, Analysis by Kapitales Research

Sector: Materials  
 Industry: Chemicals  
 21 October 2024

Company Name	Ticker	Sector	CMP (AU\$)	Advisory date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Incitec Pivot Limited	IPL	Materials	3.130	21 October 2024	Buy	3.540	3.880	2.720

The stock of chemicals company IPL settled at AU\$3.130 on 21 October 2024 after a gain of nearly 1.95% from previous day’s closing. It is currently trading between its 52-week price levels.

The stock is trading above the significant exponential moving averages (EMA) of 20, 50,100 and 200 weeks on a weekly time frame, indicating bullishness for the midterm.

The stock is trading near its central pivot (AU\$3.100), holding a bullish momentum on a weekly time frame chart.

RSI (14 weeks) is at 61, holding a bullish momentum in the index.

**Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$3.540 (Previous swing resistance) and AU\$3.880 Previous swing resistance) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).**

**Investors are advised to keep a strict stop loss at or below AU\$2.720 (Previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.**

**Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.**

## Investment Summary

The company's relentless efforts to enhance employee capabilities and promote a collaborative culture are poised to yield substantial long-term benefits. This unwavering commitment ensures that the workforce is prepared to meet current challenges and aligned with the company's broader goals for sustainability and innovation.

The future for Incitec Pivot Limited is exceptionally bright. With a rock-solid operational framework, a resilient organizational culture, and a forward-thinking approach to market challenges, the company is well-positioned for sustained success and substantial growth in the industrial sector in the coming years.

Hence, after considering the facts mentioned above facts, investors are advised to have a “Buy” rating on the stock of IPL at the closing price of AU\$3.130 on 21 October 2024.

*Note: Kapitaless Research Rating Star has been decided over the quantitative analysis of the stock. Maximum number of stars can be 5, with 5 for the top rating and 1 for the lowest rating.*

## Technical Indicators Defined:

**EMA:** Exponential Moving Average is the moving average that puts more weight on the most recent data points.  $EMA = \text{Closing price} * \text{multiplier} + \text{EMA (previous day)} * (1 - \text{multiplier})$ . For a 200-day exponential moving average, the multiplier can be calculated with the formulae i.e.  $[2/(200+1)] = 0.0095$ .

**RSI:** Momentum indicator, Relative Strength Index is used to evaluate the overbought or oversold nature of an asset by measuring the magnitude of its recent price changes.

**Bollinger Band:** A technical analysis tool that uses two parameters i.e. period (default is 20) and standard deviations, forming a kind of price envelope depicting a range of upper price band and lower price band. This price band shifts according to the volatility swings, and it helps in identifying whether the underlying asset is in the overbought zone or oversold zone.

**Support:** This is a level or zone where the stock finds good demand indicating the buyer's strength.

**Resistance:** This is a level or zone where the stock finds a good supply indicating the seller's strength.

**Stop-loss:** This is the level from where the investors should exit their positions to prevent any further losses in case of unfavorable movement in the stock prices.

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*Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.*

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