



## **OCP Reports Earnings for the Third Quarter and Nine-Months of 2019**

**CASABLANCA - Morocco, November 26, 2019** – OCP S.A. (“OCP” or the “Group”), a global leader in the fertilizer industry, today reported results for the third quarter and the nine-month period ending September 30, 2019

### **Management Commentary**

“OCP delivered industry-leading performance in the third quarter, bringing our year-to-date results on par with last year. For the nine months, we maintained a strong EBITDA margin during a period of soft pricing conditions. This accomplishment reflected our competitive advantages, specifically scale and cost leadership, which we continue to strengthen through our ongoing investment programs. Additionally, OCP benefited from its broad commercial footprint and unparalleled industrial flexibility enabling us to move efficiently across geographies and product categories to strategically leverage market opportunities and address customer demand.

“Year-to-date fertilizer volumes increased from 2018 levels, led by growth in exports to Latin America and Europe, and fertilizer sales represented 55% of total revenues. OCP retained a strong market position in Africa, which accounted for 21% of our fertilizer exports in the first nine months of this year and represented the largest consumer of our specialty product volumes,” noted Mr. Mostafa Terrab, Chairman and Chief Executive Officer.

### **Year-to-Date Keys Figures**

- Revenues reached MAD 42,454 million (US\$ 4.42 billion), up from MAD 41,100 million (US\$ 4.40 billion) in the same period of 2018.
- EBITDA amounted to MAD 13,077 million (US\$ 1.36 billion), higher than the MAD 12,830 million (US\$ 1.37 billion) reported in 2018.
- EBITDA margin was sustained at 31 %, the same level as last year.
- Capital expenditures were MAD 8,508 million (US\$ 886 million) above the MAD 7,200 million (US\$ 771 million) of the same period last year.



## **Year to date Operating and Financial Results**

For the nine months ended September 2019, OCP's revenues increased by 3% year-over-year in local currency to MAD 42,454 million (US\$ 4.42 billion), mainly driven by strong phosphoric acid sales. In fact, phosphoric acid revenues increased by 17% year-over-year in local currency, while fertilizer and rock sales remained broadly stable compared to the same period a year ago.

Rock revenues benefited from slightly improved pricing resulting from the product mix, but this impact was largely offset by lower export volumes due in part to non-integrated fertilizer capacity closures in North America.

Strong sales volumes were the primary drivers of higher phosphoric acid and fertilizer exports, which largely compensated for lower acid prices and partially mitigated the effect of the year-on-year decline in DAP prices. Exports of Acid were supported by demand in Asia, which imported less finished products during the third quarter. Fertilizer exports increased across several regions, particularly Europe, due in part to demand recovery from last two years on the back of improved weather conditions, and Latin America, where demand was mainly prompted by low inventories in Brazil.

Raw material prices were lower year-on-year, and sulfur prices continued to slide during the third quarter, reaching record lows due to high inventory levels in China. Ammonia prices remained lower than last year's levels but picked up slightly in the third quarter, resulting from seasonal direct application in the U.S and some supply disruptions.

Gross Profit for the period was MAD 26,987 million (US\$ 2.81 billion) compared to MAD 27,784 million (US\$ 2.97 billion) a year earlier, as lower raw material costs were offset by lower fertilizer prices.

EBITDA for the first nine months was up 2% in local currency and totaled MAD 13,077 million (US\$ 1.36 billion), compared to MAD 12,830 million (US\$ 1.37 billion) for the same period last year and resulted in a strong EBITDA margin of 31%, similar to last year's level.

2019's nine months Operating Profit amounted to MAD 6,621 million (US\$ 689 million), down from MAD 7,451 million (US\$ 797 million) in 2018 mainly reflecting higher depreciation costs linked to new investments coming on line.

Capital expenditures reached MAD 8,508 million (US\$ 886 million) in the first nine months of 2019 with the current investment program proceeding according to plan and schedule.



### **Third Quarter Operating and Financial Results**

Higher third quarter revenue was driven by a substantial increase in OCP's fertilizer exports.

Revenues increased to MAD 14,872 million (US\$ 1.55 billion) vs. MAD 14,501 million (US\$ 1.54 billion) in 3Q 2018.

EBITDA was MAD 4,597 million (US\$ 478 million) compared to last year's MAD 4,822 million (US\$ 511 million) in 3Q 2018.

Operating profit amounted to MAD 2,793 million (US\$ 291 million) compared to MAD 3,338 million (US\$ 355 million) in the 2018 third quarter.

### **Summary and Outlook**

Market conditions in this year's final quarter are expected to be similar to those of the third quarter, with soft selling prices tied to lower raw material costs and high inventories in certain regions offsetting demand growth in others.

Looking ahead, 2020 should have improved market conditions starting in the second quarter, driven by better crop fundamentals and an uptick in demand. Specifically, demand is anticipated to be stronger in Africa, where OCP consolidated its position, inventories in the U.S. and India are expected to be drawn down and demand in Brazil and Eastern Europe should remain strong.

Supply should remain relatively stable, with limited capacity ramp-ups, and raw material costs are expected to be stable to soft in 2020 as additional capacities come on-line.

Within this environment, OCP is positioned to continue to outperform the industry average, benefitting from its cost leadership and scale, its efficient production across the value chain and its ability to effectively serve a global client base.