



Press release

– Casablanca, September 27th, 2023

OCP Reports Earnings for Second Quarter and First Half 2023.

OCP S.A. (“OCP” or the “Group”), a global leader in the fertilizer industry, today reported results for the second quarter and first half, ended June 30, 2023.

MANAGEMENT COMMENTARY

“OCP managed through challenging first-half 2023 market conditions, increasing fertilizer export volumes and making substantial progress on its capital expenditure programs to expand fertilizer capacity and advance its initiatives notably water and solar energy projects. Our year-on-year financial comparisons were affected by several factors, most notably a significant decrease in prices across our product portfolio, following exceptional conditions in 2022. Additionally, delayed purchases particularly impacted rock and acid sales. In the third quarter to-date, improved pricing amid a strengthening of demand has resulted in a sequential pick-up in OCP’s performance compared to second quarter levels.”

“During the first half of 2023, the price decline from the near-record levels of 2022 prompted a recovery in demand. However, this trend occurred at a measured pace, as many customers opted to delay their purchases in anticipation of further price reductions, which is often the case after significant price surges. Additionally, some customers actively reduced their inventories, which had been built up in 2021 and 2022. Others scaled back their applications in response to reduced government subsidies. The closure of production units in Europe in 2022 also factored into the reduced demand for acid.”

“Throughout this period, OCP maintained a disciplined approach, and in response to the demand environment, scheduled plant maintenance operations, positioning the Group to capitalize on future volume growth as demand is anticipated to increase in the second half of the year,” noted Mostafa Terrab, Chairman and CEO of OCP Group.

FIRST HALF 2023 KEY FIGURES

- First half 2023 revenues reached MAD 37,561 million (US\$ 3.70 billion), compared to MAD 56,018 million (US\$ 5.76 billion) in the same period of 2022.
- EBITDA amounted to MAD 7,673 million (US\$ 752 million), compared to MAD 28,084 million (US\$ 2.89 billion) reported last year.
- Capital expenditures totaled MAD 12,029 million (US\$ 1.18 billion), compared to MAD 7,850 million (US\$ 809 million) reported in the year-ago period.

OPERATING AND FINANCIAL RESULTS

Global fertilizer prices decreased throughout the first half of 2023, primarily attributable to delayed procurement activities, particularly in Brazil, where farmers anticipated impending price reductions. This phenomenon was exacerbated by currency fluctuations in certain regions. Furthermore, heightened export volumes from China in the second quarter exerted additional downward pressure on prices. Concurrently, input costs, namely sulfur and ammonia, also declined over the same period.

In the first half of 2023, OCP's revenue amounted to MAD 37,561 million (US\$ 3.70 billion), in contrast to MAD 56,018 million (US\$ 5.76 billion) recorded during the same period in the previous year. This decline can be primarily attributed to reduced selling prices across all product categories compared to the exceptional pricing conditions of the first half of 2022, resulting in difficult year-on-year comparisons.

Fertilizer revenues for the first half registered a 27% decrease in local currency compared to the corresponding period of the prior year. This decline can be primarily attributed to the lower fertilizer prices prevailing during this period. However, this reduction was partially offset by increased export volumes, sustained by improved global demand in contrast to the first half of 2022 given improved affordability for farmers.

Revenues from the rock segment experienced a 38% decline, while phosphoric acid revenues decreased 61% compared to the same period last year when measured in local currency. This notable decline can be attributed primarily to the lower year-over-year prices and diminished export volumes to our key importing regions. The decrease in volumes was a consequence of challenging market conditions and a backlog of fertilizer stocks that impacted both the rock and acid segments. Furthermore, reduced government subsidies, particularly in India and Indonesia prompted a rationalization of phosphate (P) usage in these regions.

Gross profit for the period reached MAD 18,500 million (US\$ 1.83 billion), in contrast to MAD 37,976 million (US\$ 3.90 billion) reported in the previous year. This decline is primarily attributed to the high-priced raw material inventories and the substantial inventory build that occurred in 2022.

For the first half of 2023, the EBITDA amounted to MAD 7,673 million (US\$ 752 million), as compared to MAD 28,084 million (US\$ 2.89 billion) recorded in the corresponding period of the previous year. This resulted in an EBITDA margin of 20%.

BALANCE SHEET AND CASH FLOW

Available cash and cash equivalents amounted to MAD 16,146 million (US\$ 1.63 billion) as of June 30, 2023.

Net financial debt was MAD 61,991 million (US\$ 6.28 billion), and the Net Financial Debt to EBITDA ratio, was 2.09x (2.25x in USD) as of June 30, 2023, compared to 1.02x (0.99x in USD) at the end of 2022.

SECOND QUARTER 2023 KEY FIGURES

- Second quarter revenues reached MAD 19,280 million (US\$ 1.92 billion), compared to MAD 30,690 million (US\$ 3.09 billion) in the year-ago period.
- Gross profit amounted to MAD 9,424 million (US\$ 942 million), compared to MAD 22,088 million (US\$ 2.23 billion) in the second quarter of 2022.
- Second quarter EBITDA reached MAD 2,985 million (US\$ 297 million), compared to MAD 16,481 million (US\$ 1.67 billion) in the same period of 2022.

RECENT DEVELOPMENTS

Response to Earthquake: OCP Group appreciates the overwhelming concern expressed by its stakeholders in the wake of the recent earthquake in Morocco. The Group is actively engaged in relief efforts to support the affected regions and is grateful to report that none of its employees suffered injuries, nor were its operations disrupted.

In an exceptional display of our commitment to corporate social responsibility and the values of solidarity, OCP Group has made a donation of 1 billion dirhams to the special fund, dedicated to mitigating the impact of the recent earthquake in Morocco. This exceptional contribution underscores our unwavering support for the nation during times of crisis, as we stand in solidarity with the significant national effort, highlighting our commitment to making a positive impact on the communities.

Countervailing duties: On September 14th and 19th, OCP Group welcomed two favorable decisions by the US Court of International Trade on our appeals challenging the countervailing duty of 19.97% imposed by the Department of Commerce (DOC) on imports of fertilizers from Morocco into the United States, and the affirmative determination on injury made by the International Trade Commission (ITC). OCP has prevailed on multiple claims, and looks forward to continuing to cooperate fully with both the DOC and the ITC they it reconsider their initial determinations on the basis of the Court's ruling.

Advancements in Water Management: During the first half of 2023, OCP Group achieved significant milestones in its water management program. Progress was made in the construction of a water pipeline in Jorf Lasfar, and the Group successfully commissioned two additional desalination plants, enhancing its water management infrastructure.

Fertilizer Production Expansion: In May 2023, OCP Group reached a significant milestone by completing the first of three new fertilizer production lines. Once fully operational, each of these new lines will contribute an additional capacity of one million tons of phosphates, further strengthening the Group's position in the market.

SUMMARY AND OUTLOOK

In several importing regions, the low stock-to-use ratios, reduced fertilizer application due to the exceptionally high prices in 2022, together with improved affordability for farmers, indicate a sustained uptick in demand as we progress into the fourth quarter, building upon the recovery experienced in the third quarter.

Within this dynamic market environment, OCP's scale as the world's largest phosphate producer and exporter, coupled with its operational flexibility, commercial adaptability, and cost-efficient business models, positions the Group to drive robust results in the second half of the year, resulting in a year of solid performance for OCP in 2023.

Furthermore, OCP remains committed to executing modular and flexible capital expenditure programs designed to meet the growing long-term demand for phosphates while simultaneously reducing its environmental footprint. The Group is also dedicated to pioneering innovative solutions that enhance farmer efficiency on a global scale.

CONTACT

- Mrs. Ghita LARAKI
Head of Investor Relations
E-mail : G.laraki@ocpgroup.ma