



# Press release

Casablanca, November 20<sup>th</sup>, 2023

## OCP reports earnings for the period ending september 2023.

**-- Strong sequential rebound in Q3 profitability amid improved pricing and demand recovery --**

OCP S.A. ("OCP" or the "Group"), a global leader in the fertilizer industry, today reported results for the nine-month period ending September 30, 2023.

### Management commentary

"OCP's nine-month results were bolstered by the Group's third quarter performance, which represented a strong sequential rebound compared to second quarter levels. The favorable market trends that took hold in August, continued throughout September and into the fourth quarter, reflecting gradually increasing product prices, supported by a strengthening of demand in major importing regions. OCP's key competitive advantages, namely flexibility, commercial agility, and efficiency contributed to its ability to efficiently accommodate high quantity, just-in-time purchases, even in a time of market volatility. Thus, the Group was able to capture the benefits of improved pricing, converting a 22% sequential increase in third quarter revenue into a more than three-fold increase in EBITDA compared to the second quarter of the year.

Fertilizer sales accounted for 69% of 2023 nine-month revenues, up from 65% in 2022. In particular, the Group has gained significant traction for its TSP product, which is desirable for the fertilization of leguminous crops, like soybeans and alfalfa. The first of three new fertilizer production lines was completed in the second quarter and is currently ramping up production of TSP, with the two other lines are expected to begin operation in early 2024. This schedule is aligned with OCP's modular approach to capacity expansion, which is calibrated to meet anticipated market demand." noted Mostafa Terrab, Chairman and CEO of OCP Group.

### Year-to-Date Keys Figures

- Revenues were MAD 61,035 million (US\$ 6.03 billion), compared to MAD 89,538 million (US\$ 8.96 billion) in the same period of 2022.
- Nine-month EBITDA amounted to MAD 17,179 million (US\$ 1.70 billion), compared to MAD 42,964 million (US\$ 4.31 billion) reported last year.
- EBITDA margin was 28%.
- Capital expenditures totaled MAD 17,830 million (US\$ 1.76 billion), compared to MAD 15,226 million (US\$ 1.53 billion) in the prior year.

## Year to date Operating and Financial Results

During the third quarter of 2023, global fertilizer prices began to show gradual recovery from the second quarter, mainly reflecting reduced Chinese exports and increased seasonal demand across most key regions. The recovery in demand mainly reflected low inventory levels and favorable farmer economics, notably in the US, Europe and India. However, starting from July, raw material costs increased, especially ammonia prices due to unplanned supplier outages and higher gas prices in Europe.

For the first nine months of 2023, OCP's revenue amounted to MAD 61,035 million (US\$ 6.03 billion), compared to MAD 89,538 million (US\$ 8.96 billion) reported in the same period last year. This decline was primarily attributable to price declines across all product categories compared to the exceptional price environment in 2022.

Nine-month fertilizer revenues decreased by 28% compared to the prior-year period in local currency, owing primarily to lower fertilizer prices year-over-year. This decrease was partially mitigated by increased volumes, driven by improved global demand in key export regions, including South America and Europe.

For the nine-month period, rock revenues registered a 42% decrease, while phosphoric acid revenues decreased by 50% compared to the prior year in local currency, mainly due to lower year-over-year prices and lower export volumes to key importing regions. However, OCP's export volumes substantially rebounded during the third quarter, partly reflecting sales delays in rock and acid experienced during the first half of the year.

Gross profit for the period reached MAD 32,186 million (US\$ 3.18 billion) in contrast to MAD 56,246 million (US\$ 5.61 billion) recorded a year earlier, mainly impacted by the high costs of raw materials and the significant inventory build that took place in 2022.

Year-to-date EBITDA amounted to MAD 17,179 million (US\$ 1.70 billion), compared to MAD 42,964 million (US\$ 4.31 billion) in the year ago period, resulting in an EBITDA margin of 28%.

## Summary and outlook

The recovery in demand and low inventories in several major importing regions have resulted in stable pricing in the fourth quarter to-date, and these dynamics are expected to continue in 2024. Publicly-announced supply additions are scheduled to come on-line progressively in 2024 and are expected to be matched by increasing demand. Additionally, supply of raw materials should be more balanced, given the ramp-up of new sulfur production and the launch of new ammonia capacity slated for 2024.

OCP welcomed the October 2023 ruling by the U.S. Department of Commerce that substantially reduced the overall tariff rate on Moroccan phosphate fertilizer imports into the United States to 2.12% from 19.97%. This new and far lower rate is effective from November 2023 until the conclusion of the next administrative review in the fourth quarter of 2024. The Group is grateful to the U.S. farmers who spoke out forcefully in opposition to these duties, and we look forward to resuming our role as a provider of sustainable phosphate fertilizers to the U.S. farming community and working together to ensure the world's food security.

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