



Press release

Casablanca, March 28th, 2024

OCP Reports Earnings for Fourth Quarter and Full Year 2023.

-- Strong Fourth Quarter performance driven by improving market dynamics and continued rigorous cost control --

-- Green Investment program building momentum --

OCP S.A. (“OCP” or the “Group”), a global leader in the fertilizer industry, today reported results for the fourth quarter and the full year ended December 31, 2023.

Full year 2023 Key Figures

- Revenues were MAD 91,277 million (US\$ 9.02 billion), compared to MAD 114,574 million (US\$ 11.28 billion) a year earlier, following a significant improvement in H2.
- Gross profit was MAD 50,534 million (US\$ 4.99 billion), compared to MAD 70,381 million (US\$ 6.93 billion) in 2022.
- EBITDA amounted to MAD 29,396 million (US\$ 2.90 billion), compared to MAD 50,076 million (US\$ 4.93 billion) reported in 2022, leading to an EBITDA margin of 32%.
- Capital expenditures totaled MAD 26,825 million (US\$ 2.65 billion), compared to MAD 20,011 million (US\$ 1.97 billion) last year driven by increased momentum of our green investment program.

Management commentary

“Our fourth-quarter results mark a robust conclusion to a year characterized by dynamic market conditions, witnessing a material decline in phosphate product prices from the exceptional price levels achieved in 2022. The shift towards a more normalized pricing environment catalyzed demand across key import regions during the latter half of 2023, leading to a 43% increase in revenues compared to the first half of 2023 and an almost threefold increase in EBITDA.

Fertilizers contributed 66% to OCP’s total revenues in 2023, with TSP volumes increasing substantially year-over-year, accounting for 15% of fertilizer sales, up from 11% in 2022, thus making for a significant proportion of our incremental supply in 2023. This product has seen increased demand particularly among clients in India, Brazil and other parts of South America and Africa due to its efficacy in responding to demand for fertilizers across various soil types.

In 2023, OCP continued to accelerate the rollout of the second phase of our green investment program, aimed at reinforcing the Group's competitiveness through ongoing product innovation, capacity expansions and operational efficiencies. This includes bolstering our industrial flexibility, investing in solar energy, water management and green ammonia.

OCP's unparalleled capacity to fulfill customer needs with high-volume, just-in-time deliveries meant we were able to effectively navigate the challenges for the fertilizer industry worldwide that marked 2023 and to meet shifting global demand as it revived. Our robust performance was a clear demonstration of the strategic differentiators that have guided the Group's trajectory for over 15 years notably our operational flexibility, commercial agility, and cost leadership", **commented Mostafa Terrab, Chairman & CEO.**

Operating and Financial Results

- Full Year 2023

The significant downward pressure on prices seen in the first half of 2023 - following the exceptional price levels of 2022- eased during the third and fourth quarter. This improvement may have been driven by a number of factors, including lower Chinese exports coupled with a gradual increase in demand across major agricultural regions, including the U.S., Europe and Brazil, given depleted inventory levels and favorable economic conditions for farmers.

Moreover, beginning in July, the cost of raw materials, especially ammonia, increased sharply as a result of unforeseen supplier shutdowns and a significant uptick in gas prices in Europe, further contributing to the upward pressure on fertilizer prices during the second half of the year.

In this context, OCP's revenue amounted to MAD 91,277 million (US\$ 9.02 billion), compared to MAD 114,574 million (US\$11.28 billion) in 2022. This decrease primarily reflects lower selling prices across all product categories compared to the exceptional prices of 2022.

Despite a material fall in fertilizer export prices, full-year fertilizer revenues were only 18% below 2022 levels in local currency and that decline was somewhat mitigated by rising export volumes, bolstered by improved demand in some regions including South America and Europe.

Rock revenues were down 18% and Phosphoric Acid revenues down 40%, compared to the previous year in local currency. These results primarily reflected the normalization of prices after 2022, which was partially offset by increased export volumes in the second half of 2023. Notably, exports to India saw a significant increase to serve last-minute demand in late 3Q and through 4Q.

Gross profit was MAD 50,534 million (US\$ 4.99 billion), compared to MAD 70,381 million (US\$ 6.93 billion) in 2022, where the 2022 figures were materially impacted by substantial downstream inventory build.

Full year EBITDA totaled MAD 29,396 million (US\$ 2.90 billion), compared to MAD 50,076 million (US\$ 4.93 billion) in the prior year, resulting in an EBITDA margin of 32%. OCP's continued profitability underscores the Group's strong performance despite apparent industry wide margin reductions. This underscores the effectiveness of the Group's cost-saving initiatives, alongside our efficiency enhancing strategy for procuring raw materials and throughout the value chain.

Net financial debt was MAD 68,283 million (US\$ 6.90 billion) resulting in a leverage ratio of 2.32x (2.38x in USD) as of December 31, 2023, compared to 1.02x (0.99x in USD) at the end of 2022.

- Fourth quarter 2023

Fourth quarter revenues increased 21% to MAD 30,242 million (US\$ 2.99 billion), from MAD 25,036 million (US\$ 2.33 billion) reported in Q4 2022, reflecting higher demand. The substantial increase in volumes across all product categories, compared to the same period in 2022, more than offset the impact of lower prices.

Gross profit increased 30% to MAD 18,348 million (US\$ 1.82 billion) from MAD 14,135 million (US\$ 1.32 billion) reported in the same quarter of 2022.

EBITDA amounted to MAD 12,217 million (US\$ 1.20 billion), representing a 72% increase from MAD 7,112 million (US\$ 615 million) recorded in Q4 2022, resulting in a strong EBITDA margin of 40%.

2023 Corporate Highlights

Water Management

Progress continued in constructing a water pipeline in Jorf Lasfar, and the Group successfully put into operation two additional desalination plants, improving its water management infrastructure. Furthermore, the Jorf Lasfar Chemical Site achieved self-sufficiency in non-conventional water consumption. As a result, the new plants began to supply drinking water to the nearby cities of Safi and El Jadida in August and November 2023, respectively.

Fertilizer Production Expansion

The Jorf Lasfar Chemical Site initiated operations for the first two TSP fertilizer production lines in May and December 2023, with the third line scheduled to become operational by the end of the first quarter of 2024. Each of these three lines will be capable of producing 1 million metric tons equivalent of DAP.

Financing

- Subsequent to the inaugural perpetual subordinated bond issuances in 2016 and 2018, OCP Group initiated its third similar bond issuance amounting to 5 billion dirhams during November 2023. The issuance of perpetual bonds is an integral component of equity capital under international accounting standards (IFRS). This strategic issuance serves to fortify the Group's financial structure, underpinning its transformative endeavors while reinforcing its credit metrics.
- During the fourth quarter of 2023, the International Finance Corporation (IFC), an entity within the World Bank Group specializing in providing financial resources and advisory support to private sector entities in developing nations, extended a 100 million euros green loan to OCP Group. This funding is earmarked for the development of four solar power plants, poised to energize the Group's industrial operations. Consequently, this initiative is expected to significantly reduce the Group's carbon footprint while bolstering its ability to produce green fertilizer.

Summary and outlook

OCP effectively navigated wide swings in product prices in 2023, demonstrating substantial resilience and ending the year with positive momentum. The Group is expecting more balanced market conditions in 2024, including demand recovery in Brazil and North America driven by good farmer economics, improved demand in Europe, a pick-up in imports to India -reflecting its low year-end inventory levels- and growing demand in Africa. These favorable demand dynamics are expected to help offset difficult macroeconomic and adverse currency conditions in importing nations, including Pakistan, Bangladesh, Argentina, and certain African countries.

With respect to supply, Chinese export volumes in 2024 are anticipated to approximately mirror 2023 levels and new TSP capacity from OCP will be deployed progressively and used to meet anticipated increases in demand. OCP is not aware of any material additional capacity additions planned by third parties. Currently, OCP expects input costs to remain relatively balanced, but that situation could change if there are delays in the start-up of the Gulf Coast Ammonia facility or if there is increased industrial demand for sulfur.

OCP expects 2024 to be a year of recovery in demand. Customized products should increase as a percentage of fertilizer revenues and investments to extend the flexibility of the Group's production lines should result in greater operating efficiencies. As in the past, OCP plans to continue to leverage its key competitive strengths to effectively serve its global customer base.

As stewards of the world's largest phosphate reserves, the Group continues to invest responsibly to increase its competitiveness and sustainability, address today's food insecurity, and meet the anticipated growth in long-term demand. The second phase of the Group's investment program, currently underway, is modular in design with the flexibility to match increased capacity to market conditions. Additionally, OCP is moving forward with R&D investments to improve crop yields globally and develop highly specialized products that support the agricultural independence of Africa. At the same time, the Group is making substantial progress on reducing its environmental impact and on implementing programs that promote social well-being.

As the world's leading company for soil and plant nutrition solutions and stewards of 70% of the world's phosphate reserves, OCP is investing in the just agricultural transition to strengthen global food security and combat climate change and biodiversity loss simultaneously. OCP's Green Investment Program is driving the development of sustainable mining, production and agricultural solutions, with the flexibility and modularity to adapt to changing market conditions. Significant investment has already been made in renewable energy and water, and will help deliver self-sufficiency in green ammonia, to enable OCP to become carbon neutral, including Scope 3, by 2040 while also promoting the social wellbeing of the communities we serve. Our investment includes R&D and training and support for farmers to boost crop yields, particularly in Africa, through customized plant nutrition solutions and smart agronomic practices which maximize productivity at the same time as conserving the environment.

We encourage all our stakeholders to visit our website www.ocpgroup.ma to learn more about our commitment to food security and sustainability.

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