

OCF REPORTS EARNINGS FOR FOURTH QUARTER AND FULL YEAR 2019

Casablanca - Morocco, March 31st 2020 – 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, 2019.

MANAGEMENT COMMENTARY

« In 2019, OCP maintained good operating results under difficult market conditions and continued to report industry-leading financial performance thanks to its investments in operating efficiencies and in capacity. As anticipated, lower product pricing throughout 2019 pressured year-on-year comparisons, as fertilizer prices fell by 35%, considerably below industry forecasts. Within this environment, OCP was able to maintain a balanced portfolio across the value chain and to report an EBITDA margin of 28%, which was significantly ahead of the industry average.

In 2019, OCP continued to satisfy the product requirements of its global customer base with specific focus on Latin America and Europe, while developing fertilizer demand in emerging markets on the African continent, where sales increased 11% from 2018 levels.

Additionally, we strengthened our position as a producer of specialty products, which accounted for 34% of fertilizer volumes in 2019. We expect specialty products to continue to represent a significant portion of our exports as we ramp-up production of customized plant nutrition solutions adapted to crops and soils that address the specific needs of farmers around the world » noted Mr. Mostafa Terrab, Chairman and Chief Executive Officer.

KEY FIGURES

- Full Year 2019

- Revenues reached MAD 54,092 million (US\$ 5.62 billion), compared with MAD 55,906 million (US\$ 5.95 billion) a year ago.
- Gross profit was MAD 34,225 million (US\$ 3.56 billion) compared to MAD 35,236 million (3.75 billion) a year earlier. Gross margin was 63% in 2019.
- EBITDA amounted to MAD 15,333 million (US\$ 1.59 billion), compared with MAD 17,076 million (US\$ 1.82 billion) reported in 2018.
- EBITDA margin was 28 % vs. 31 % in 2018.
- Capital expenditures were MAD 13,964 million (US\$ 1.45 billion), above the MAD 10,801 million (US\$ 1.15 billion) reported last year.



- Fourth Quarter 2019

- Revenues amounted to MAD 11,639 million (US\$ 1.21 billion), compared with MAD 14,808 million (US\$ 1.55 billion) in the comparable quarter of 2018.
- EBITDA was MAD 2,256 million (US\$ 233 million), compared with MAD 4,247 million (US\$ 446million) in the fourth quarter 2018.
- EBITDA margin was 19 %.

OPERATING AND FINANCIAL RESULTS**- Full Year 2019**

In 2019, OCP was able to achieve strong financial performance and maintain good profitability despite softer market conditions, thanks to its scale as the world's largest fertilizer exporter and its position as a low cost producer.

During the year, fertilizer prices decreased from a quarter to another and dropped by 35%, dragged down by the combined effect of a strong supply, lower raw material prices- namely sulfur, unfavorable weather conditions as well as the impact of Renminbi devaluation.

Imports were higher from most regions, but mostly materialized in inventory buildup, particularly in the U.S and India. In fact, the U.S. market was impacted by two consecutive bad agricultural seasons while India frontloaded most of its purchases during first half of 2019 on the back of an anticipated good monsoon.

Within these challenging market conditions, OCP's revenues decreased by 3% year-over-year in local currency to MAD 54,092 million (US\$ 5.62 billion).

In 2019, rock revenues were down 4% in local currency compared to previous year and represented 18% of OCP's total revenues. Lower volumes, mainly caused by lackluster demand in North America due to capacity closures, and lower sales in Latin America, affected this segment. Our rock prices increased slightly compared to previous year, benefitting from favorable product mix.

Phosphoric acid revenues represented 17% of total revenues and decreased 4% year-on-year in local currency, primarily reflecting lower acid prices. Sales volumes were broadly stable supported by higher year-on-year acid exports to India, where demand was driven by increased local fertilizer production.

Fertilizer revenues decreased by 4% in local currency compared to the previous year and accounted for 54% of OCP's 2019 revenues. The year-on-year decline in fertilizers prices was partly offset by higher export volumes particularly in Latin America and Europe. Specifically, demand picked up in Brazil driven by low level of inventories, as well as in Argentina, which benefitted from government subsidies. In Europe, improved weather conditions resulted in stronger demand compared to the previous year.



Raw material prices declined throughout the year and reached record lows during the fourth quarter, primarily for sulfur, due to the ramp-up of new capacities. Ammonia followed the same downward trend with lower prices compared to last year, mainly prompted by lower demand in the U.S. and increased available production capacities.

Gross Margin for the period was 63 %, similar to 2018 level and gross profit amounted to MAD 34,225 million (US\$ 3.56 billion) compared to MAD 35,236 million (US\$3.75 billion) a year earlier, as lower raw material costs were largely offset by lower fertilizer prices.

EBITDA decreased by 10% in local currency and totaled MAD 15,333 million (US\$ 1.59 billion), compared to MAD 17,076 million (US\$ 1.82 billion) a year ago, mainly due to lower revenues over the period.

OCP sustained strong EBITDA margin levels at 28% thanks to its cost control strategy, and its operational efficiencies resulting from its investment program.

2019's Operating Profit amounted to MAD 6,362 million (US\$ 663 million), down from MAD 10,006 million (US\$ 1.04 billion) in 2018 mainly reflecting higher depreciation costs linked to new investments coming on line.

Net financial debt was MAD 45,499 million (US\$ 4.74 billion) and the adjusted leverage ratio (excluding IFRS 16) was 2.93 as of December 31, 2019.

- Fourth Quarter 2019

Revenues for the fourth quarter of 2019 decreased to MAD 11,639 million (US\$ 1.21 billion) from MAD 14,808 million (US\$ 1.55 billion) in the year-ago-period, mainly impacted by lower fertilizer prices over the quarter.

Gross profit decreased to MAD 7,239 million (US\$ 750 million) from MAD 9,397 million (US\$ 988 million) in the Q4 2018.

Fourth quarter EBITDA amounted to MAD 2,256 million (US\$ 233 million), representing a 47% decrease from MAD 4,247 million (US\$ 446 million) for the same period last year, resulting in an EBITDA margin of 19 %.

SUMMARY AND OUTLOOK

OCP Group achieved a good financial performance despite a difficult market environment, benefitting from its cost leadership, its industrial flexibility, and its commercial agility.

Looking ahead, notwithstanding the current situation, the fundamentals of the market should slightly improve. Demand is expected to grow in all regions with relatively stable prices in 2020, supported by higher crop prices and a favorable farmer's affordability index.



On the supply side, the capacity ramp-ups in Saudi Arabia, Morocco, Turkey and Egypt should be partially absorbed by the plant closures. Chinese export levels will be reflective of domestic demand and remain a key metric to monitor over the coming months. Finally, raw material prices are likely to continue to decline, primarily sulfur mainly due to additional capacities in Saudi Arabia & China.

These forecasts remain subject to the potential impact of the COVID-19 pandemic, the effects of which are expected at this stage to be temporary and affecting mainly logistics.

OCP is strongly committed to supporting the world's food security. We believe we have a responsibility towards farmers, making sure they have the resources they need to ensure the long-term food supply as the world emerges from this pandemic. The Group is confident that its industry leadership position, its financial strength and the dedication of its employees will contribute to its ability to weather this storm and emerge as an even stronger organization.

CONTACT

Mrs. Ghita LARAKI
Head of Investor Relations
Phone : (+212) 5 22 92 41 83
E-mail : G.laraki@ocpgroup.ma

