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OCP Reports Fourth Quarter and Full Year 2015 Results

OCP S.A. reported today the fourth quarter and the 2015 full year financial results:

Full Year 2015 Key Figures

- Full year 2015 revenues increased in local currency terms to MAD 47,747 million (US$ 4.9 billion) from MAD 41,436 million (US$ 4.9 billion) in 2014.
- EBITDA rose to MAD 17,660 million (US$ 1.8 billion) from MAD 11,402 million (US$ 1.4 billion) last year.
- EBITDA margin expanded to 37% from 28% in the prior year.
- Adjusted operating cash flow was MAD 12,293 million[1] (US$ 1.3 billion) in the full year 2015, up from MAD 7,338 million (US$ 873 million) a year earlier.
- The investment program proceeded according to plan with MAD 14,264 million (US$ 1.5 billion) expended in the year.

Fourth Quarter 2015 Key Figures

- Fourth quarter revenues were broadly stable year-over-year, reaching MAD 10,610 million (US$ 1.1 billion), compared to MAD 10,521 million (US$ 1.2 billion) in Q4 2014.
- EBITDA increased to MAD 3,737 million (US$ 377 million), up from MAD 2,848 million (US$ 321 million) in the year-ago quarter.
- EBITDA margin increased to 35% from 27% in the prior year's period.

Management Commentary

"We achieved industry leading margins in the full year 2015, reflecting the successful execution of our business strategy and OCP's leadership position in the global phosphate industry. As anticipated, full year revenues were broadly stable year-over-year, and higher in local currency terms. Our EBITDA increased versus the prior year and our EBITDA margin expanded to 37%. These positive results were supported by OCP's scale advantages, commercial flexibility and cost reduction efforts, which have resulted in significant operating leverage and improved profitability," said Mr. Mostafa Terrab, Chairman and Chief Executive Officer of OCP.

"Our ability to deliver improved fourth quarter margins in a difficult industry environment reflects targeted investments over recent years to enhance our production optimization and achieve further cost efficiencies. In the quarter, our EBITDA margin expanded to 35% from 27% during the same period last year as we benefited from transportation and energy cost savings following the ramp up of the slurry pipeline, and realized competitive raw material sourcing. These same factors also drove higher year-over-year EBITDA in the quarter. In addition, our investment program is increasing our industrial flexibility, which enables us to quickly adapt our product mix to optimize capacity and margins."

"Backed by almost a century's production history, OCP has enduring competitive advantages which enable us to navigate near-term market headwinds, while capturing strong, long-term fundamentals for the global phosphate industry."

Full Year 2015 Operating and Financial Results

Full year 2015 revenues increased on a local currency basis to MAD 47,747 million (US$ 4.9 billion) from MAD 41,436 million (US$ 4.9 billion) in the prior year. The result reflects higher rock and acid revenues, which offset decreased fertilizer sales. During the full-year period, OCP's topline results benefited from higher prices for rock and acid, stable fertilizer prices, growing Indian demand and higher sales to Africa. These factors compensated for lower Brazilian fertilizer imports and higher Chinese exports. OCP achieved a significant increase in new product sales by advancing its vertical integration and expanding in high growth markets, notably Africa. During 2015, Africa accounted for 24% of total fertilizer exports, up from 13% in the prior year.

Gross profit increased to MAD 33,674 million (US$ 3.5 billion), compared with MAD 26,505 million (US$ 3.2 billion) a year earlier due to higher revenues as well as lower raw material costs.
Full year EBITDA was MAD 17,660 million (US$ 1.8 billion), up from MAD 11,402 million (US$ 1.4 billion) in 2014. The improvement reflects the increase in gross profit as well as higher production held as inventory, further reductions in operational costs thanks to the pipeline, and favorable exchange rate movements.

The 2015 operating profit was MAD 13,965 million (US$ 1.4 billion) compared with MAD 8,932 million (US$ 1.1 billion) in 2014.

Full Year 2015 Balance Sheet & Cash Flow

Available cash (cash, cash equivalents) was MAD 9,070 million (US$ 916 million) as of December 31, 2015. Net financial debt was MAD 35,247 million (US$ 3.6 billion) and the Net financial Debt/EBITDA ratio was 1.97 as of December 31, 2015.

Adjusted operating cash flow was MAD 12,293 million (US$ 1.3 billion) in the full year 2015, up from MAD 7,338 million (US$ 873 million) a year earlier. Capital expenditures totaled MAD 14,264 million (US$ 1.5 billion) for the year.

Fourth Quarter 2015 Operating and Financial Results

Fourth quarter net sales were broadly stable year-over-year, reaching MAD 10,610 million (US$ 1.1 billion), compared with MAD 10,521 million (US$ 1.2 billion) in the prior-year period. During the quarter, increased year-over-year rock revenues mitigated decreased acid, fertilizer and other revenues.

Gross profit reached MAD 7,769 million (US$ 786 million), up from MAD 6,402 million (US$ 720 million) in the fourth quarter of 2014.

EBITDA for the quarter was impacted by the same factors that benefited full year results and amounted to MAD 3,737 million (US$ 377 million), compared to MAD 2,848 million (US$ 321 million) in the year-ago period. /p>

Fourth quarter operating profit increased in local currency terms to MAD 2,496 million (US$ 251 million) from MAD 2,432 million (US$ 276 million) in the Q4 2014.

Full Year Corporate Highlights

The long-term investment program initiated by OCP in 2008 proceeded according to plan and achieved several key milestones in 2015:

- The continued ramp up of the Jorf Lasfar slurry pipeline further strengthened OCP's cost structure by significantly reducing transportation and energy costs. In 2015, 6.5 MT of rock was transported via the pipeline, more than double the 2.7 MT transported in 2014, resulting in a MAD 0.8 billion of cost saving.
- The first integrated fertilizer plant at Jorf became operational in 1H 2015. The second integrated fertilizer plant at JPH is expected to come on line by mid-2016.
- The first Phosphoric Acid line adapted for processing pulp was successfully launched in September 2015.
- The Desalination plant witnessed its first startup tests in July 2015 and has commenced operations.

OCP priced a US$ 1 billion offering with a maturity of 10.5 years and a 4.5% coupon. The proceeds are being directed towards the industrial capital expenditure program.

Summary and Outlook

"As the industry leader with the largest phosphate reserve base in the world, OCP is uniquely positioned in the global phosphate market. Our cost leadership, commercial and industrial agility and significant scale are enduring competitive advantages that enable us to outperform the industry average, even under difficult market conditions. With customers in over 150 countries and a presence across the value chain, we have the structural flexibility to rapidly tailor our product mix to market demand. In addition, OCP has the lowest phosphate rock cash costs in the industry, which further supports our profitability across business cycles. These key differentiators place OCP in a position to substantially outperform the industry average over the coming periods."

"Based on current visibility, we expect a progressive improvement in 2016 that will result in the second half of 2016 outpacing the first half. Even during less buoyant market conditions, our EBITDA performance should remain stable thanks to further economies of scale and cost efficiencies from the industrial projects we have underway, and the continued benefit of lower raw material costs."

"The phosphate market has been relatively stable compared with other commodities, and we expect robust supply and demand fundamentals over the longer-term. Growing global demand for food and phosphate-based fertilizers, particularly from Africa, should comfortably absorb our expanded capacity in the coming years. Our modular capital investment program provides additional flexibility to adjust capital allocation. OCP has a profitability driven model based on the maximization of value and we will continue to use our commercial agility to optimize capacity utilization and margins. Backed by our successful execution of the investment program and extensive operational experience, we expect to expand our leadership position in the coming years and remain at the forefront of the industry," noted Mr. Terrab.

Conference Call

OCP senior management will host a conference call at 11 a.m. EDT and 3 p.m. GMT/Morocco time on March 22, 2016, to discuss the financial results. Qualified institutional buyers, bondholders, securities analysts and market makers are invited to participate in the call. Conference call details are available at OCP's Investor Relations portal on the Intralinks website. Eligible parties that have not already registered for access to the Intralinks portal may do so by contacting Mrs. Ghita Laraki, Investors Relations at Investors@ocpgroup.ma

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