

Q3 2023 Results

OCI Global Reports Q3 2023 Results

Financial Highlights

- OCI reported Q3 2023 revenues of \$1.1 billion, a 54% decrease YoY, and adjusted EBITDA of \$242 million, a 75% decrease YoY, primarily due to lower selling prices and offsetting an 8% increase in own-produced volumes YoY.
- Adjusted net loss was \$95 million in Q3 2023, versus adjusted net profit of \$257 million in Q3 2022.
- Reported Operating Free Cash Flow was an outflow of \$3 million in Q3 2023, with no minority distributions.
- Net debt was \$2.3 billion at 30 September 2023, with consolidated net leverage of 1.5x.
- OCI's cost optimization initiative to reinforce its first quartile positioning on the global cost curve remains on track to achieve run-rate savings of at least \$100 million per annum, of which at least \$50 million to be achieved at Fertiglobe, by the end of 2024.
- OCI's 1.1 million tons per year Texas Blue Ammonia project remains on track to start production in early 2025, with active discussions ongoing for long-term product offtakes and potential equity participation.
- Following a constructive dialogue with Inclusive Capital, OCI has hired financial advisors to explore potential asset monetisation opportunities, with a view to bridging the gap between the combined value of the individual assets in the Company's portfolio and the holding company discount. As a result of this process, the Company is engaged in active discussions with a focus on attractive value propositions. We will provide further updates if and when appropriate.

Market Outlook

- **Nitrogen:** Nitrogen prices bottomed in late Q2 2023/early Q3 2023; ammonia and urea prices are now up ~150% and ~35% respectively from trough levels, supported by demand recovery and tightening supply. Limited incremental capacity additions in the next several years, and elevated marginal production costs provide long term support for the market.
- **Methanol :** Prices reached trough levels in early Q3 2023 but have since recovered ~45%. Methanol markets are expected to be supported in the medium term by a recovery in the global macro environment as and when this materializes, higher oil prices and improving MTO affordability, boosted by accelerating delivery of methanol-fuelled ships.

Hydrogen growth initiatives

- **Texas Blue Ammonia :** OCI's 1.1 mtpa project remains on track to commence production in early 2025. We are currently in advanced discussions regarding long-term offtakes and potential equity participation, reflecting strong commercial interest. Any future expansion at the site will benefit from enhanced project economics, with cost benefits deriving from early-mover advantage as well as the ability to leverage existing infrastructure and utilities.
- In September, OCI announced a green hydrogen supply agreement with New Fortress Energy's (NASDAQ: NFE) ZeroParks, which allows OCI to **scale up its green ammonia production capacity** by c.80,000 metric tons per year in 2025, to reach c.160,000 metric tons per year capacity by 2026, or almost half of OCI's current ammonia production capacity in Beaumont, Texas.
- The first ever green methanol container vessel, owned by AP Moller Maersk, completed its maiden voyage from Korea to Copenhagen in September, with **fuel supplied by OCI HyFuels green methanol** . OCI HyFuels recently completed another green methanol sale to the marine sector for delivery early 2024.
- During the quarter OCI also announced a **doubling of its green methanol production capacity** to c.400,000 metric tons per year. This will come from a mix of renewable feedstocks, including renewable natural gas (RNG), green hydrogen and other over the fence feedstock partnerships. The scale up plans include supply agreements for RNG exceeding 15,000 MMBtu per day, as well as securing the waste and development rights from the City of Beaumont to obtain biogas from landfill. This will be OCI's first upstream RNG production facility, with production expected to start in Q1 2025.

OCI Global (Euronext: OCI) , a global producer and distributor of hydrogen products providing fertilizers, fuels, and feedstock to agricultural, transportation, and industrial customers around the world, today reported third quarter 2023

revenues of \$1.1 billion and adjusted EBITDA of \$242 million. These results reflect lower selling prices compared to the same quarter last year, planned and unplanned production downtime in the US with an estimated financial impact of c.\$44 million, and realized hedging losses of \$35 million. Own-produced sales volumes increased 8% during Q3 2023 compared to the same quarter last year. Operating free cash flow (before minority distributions) was neutral in Q3 2023, and consolidated net debt increased slightly from \$2.2 billion as of 30 June 2023 to \$2.3 billion as of 30 September 2023.

Ahmed El-Hoshy, CEO of OCI Global commented:

“Nitrogen prices have maintained their positive momentum into the fourth quarter, with recent significant price increases for ammonia, following the earlier recovery for urea. Nitrogen prices have now increased by 36% on average since the troughs in the second and third quarters, and we expect the benefits from these increases to materialize in the fourth quarter. The nitrogen outlook in the medium to longer term remains favourable, with limited incremental supply additions, healthy farm economics, and elevated energy prices raising marginal cost floors. Conversely, methanol markets have remained challenged by macroeconomic drivers, and prices declined during the third quarter. Encouragingly, recent weeks have seen some methanol price recovery due to a combination of supply outages and an improvement in MTO rates.

We continue to cement our position as an early mover and a pivotal player in the energy transition economy and have made considerable progress on our hydrogen fuels initiatives during the third quarter. We are on target to increase our green and low carbon ammonia and methanol portfolio from around 200,000 metric tons combined today, to c.1.7 million metric tons combined by 2025. We remain the leading green (bio) methanol producer globally, with projected incremental demand growth of more than seven million tonnes by 2028. Cumulatively, these growth initiatives place us well ahead of our peers, are supportive of OCI's future EBITDA and free cash flow growth and enable us to meet the increasing demand for ammonia and methanol from emerging applications such as shipping fuel and power generation, as well as further decarbonizing existing agricultural and industrial end markets.

Separately, our 1.1 million tons per year Texas Blue ammonia project remains on track to start production in early 2025. We are engaged in active discussions regarding both long-term offtakes and potential equity participation in the project, reflecting strong commercial interest from multiple parties. Critically, any future expansion will likely be achieved at significantly reduced investment cost due to first mover advantage and our ability to leverage the site's existing infrastructure and utilities.

Our strategic review is nearing conclusion and has focused on the identification of value accretive monetization opportunities, whilst prioritizing growth in our fast-growing clean fuels business.

Finally, I would like to extend my thanks to the OCI team for their tireless focus on operational and process safety, which remains our top priority, and overall manufacturing excellence.”

Market outlook

OCI believes the outlook for nitrogen markets remains positive, supported by crop fundamentals, elevated European gas pricing and tightening supply dynamics in the medium term.

- **Nitrogen demand outlook for 2024 and beyond is underpinned by several factors:**
 - Despite the recent increase in nitrogen prices, farmer affordability levels remain robust (+26% since Q3 2022), incentivizing nitrogen demand and supporting the rebuilding of global grain stocks. Global grain stock-to-use ratios remain below the 10-year average, and it will likely take at least until 2025 to replenish stocks.
 - Forward grain prices (US corn futures >\$5/bushel to the end of 2025 compared to \$3.7/bushel during 2015-2019, and US wheat futures >\$6-7/bushel compared to \$4.8/bushel during 2015-2019) are supporting farm incomes and incentivizing nitrogen demand above historical trend levels.
 - Industry consultants expect a recovery in global ammonia trade from trough levels of ~17 million tons in 2022/2023 towards historical levels of 19+ million tons per year, as demand for downstream fertilizers driven by improved affordability recovers and industrial demand picks up.
 - There is also significant potential incremental demand in the medium term from new applications for ammonia such as its use as a fuel for power generation, especially in Japan and Korea. These two markets alone could generate incremental demand for ammonia of six to nine million tons by 2030.
- **Nitrogen supply is expected to be tighter over 2023 - 2027 :**
 - No major large-scale greenfield urea supply additions are expected in the remainder of 2023 and 2024, with limited additions from 2025 to 2027, generating a global supply/demand gap of ~4 million tons.
 - Chinese urea exports are expected to remain in the range of three to four million tons per year over the medium term, as China continues to curb exports to ensure sufficient availability of urea for the domestic market.
- **Feedstock pricing is expected to remain well above historical averages :**
 - 2023 - 2025 forward European gas prices are c.\$17/MMBtu (or three times higher than 2015 - 2019) with higher prices anticipated for next winter. This implies marginal cost support levels for ammonia of c.\$770/t

(including full impact CO2) and ~\$605/t (excluding CO2).

OCI believes methanol fundamentals remain positive in the medium term, dependent upon recovery in the global macro environment, and supported by oil prices, new marine fuel demand and limited new supply additions.

- **Key methanol end markets continued to be weak. However, prices have recently recovered with support from higher oil prices and improved MTO rates:**
 - Despite the lack of an immediate recovery amid on-going macro-economic challenges, methanol prices are supported by the marginal cost producer in China, and higher oil prices.
 - In addition, improved methanol affordability should support higher methanol-to-olefins (MTO) utilization rates, which have remained at low levels YTD.
- **There is meaningful upside from demand for hydrogen fuels as a cleaner alternative for road and marine fuel applications:**
 - Incremental demand from the maritime sector is expected to exceed seven million tons per year from the mid-to-late 2020's, based on current orders for more than 275 new vessels.
 - We also expect further incremental demand to arise from methanol dual fuel retrofit projects.
 - Limited new methanol greenfield supply additions in the medium term should result in tightening methanol markets as and when end markets recover, and as demand from the maritime sector accelerates.

Dividends

OCI paid an interim dividend of €0.85 per share in October 2023, bringing the total cash distributions to c.\$1 billion during calendar year 2023. This is in line with OCI's capital allocation policy, with a balanced focus on capital allocation priorities including management of our Investment Grade credit rating, growth opportunities and shareholder returns.

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Attachments

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Results and Trading Reports

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