

Notore

Notore Chemical Industries Plc Unaudited Results for the Half Year Ended March 31, 2020

SIGNIFICANT PROGRESS IN EXECUTION OF STRATEGIC TAM PROGRAMME IN H1 2020 WITH FURTHER MOMENTUM INTO H2 2020. REPORTS REVENUE GROWTH OF 3% AND ~~N~~2.7 BILLION OPERATING INCOME.

Notore Chemical Industries Plc announced its unaudited 2020 Half Year Financial Results, showing gross revenue of ~~N~~13.1 billion, operating income of ~~N~~2.7 billion and net loss before tax of ~~N~~5.7 billion, for the six months ended March 31, 2020.

Highlights of the Result:

Income Statement

- Gross Revenue: ~~N~~13.12 billion, compared to ~~N~~12.68 billion in 2019H1 (3% YoY growth).
- EBITDA: 46%, a reduction from 60% in 2019H1 representing the impact of Naira devaluation on operating expenses.
- Operating Income: ~~N~~2.67 billion, compared to ~~N~~4.63 billion in 2019H1 (down by 42% YoY) representing increased cost of Plant equipment repairs and maintenance and the impact of Naira devaluation.
- Debt Service Cost: ~~N~~8.47 billion, compared to ~~N~~6.57 billion in 2019H1 (29% YoY growth) representing the impact of Naira devaluation on foreign currency denominated loans.
- Loss before Tax: ~~N~~5.79 billion, compared to ~~N~~1.94 billion for 2019H1(199% YoY increase).

Balance Sheet

- Total Assets: ~~N~~216.35 billion, compared to ~~N~~196.58 billion as at 2019FY (10% YTD growth).
- Bank Loans: ~~N~~100.08 billion; compared to ~~N~~79.97 billion as at 2019FY (25% YTD growth reflecting majorly an additional borrowing from Afrexim Bank (US\$37 million) to finance the TAM programme.
- Shareholders' Funds: ~~N~~63.97 billion, compared to ~~N~~69.56 billion, a decrease of 8% from 2019FY.

Group Financial Highlights

Notore recorded revenue of ₦13.12 billion for the Six-Month Period Ended 31st March 2020, a 3% growth compared to ₦12.68 billion for the corresponding period in 2019H1. The modest growth in revenue is attributable to some improvements in Plant reliability derived from the on-going Turn-Around Maintenance (“TAM”) programme, which has begun to impact positively on Plant operations and resulting in some marginal increases in production volume during the period. Operating expenses increased by 29% to ₦10.43 billion during the period from ₦8.05 billion for the corresponding period of 2019H1 due mainly to a combination of increases in production activities, Plant repair and maintenance expenses and the impact of Naira devaluation. Operating income for the period was ₦2.67 billion, a decrease of 42% as compared to ₦4.63 billion in 2019H1. This was as a result of increased cost of Plant equipment repairs and maintenance and the impact of Naira devaluation. The Group however reported a net loss before tax of ₦5.79 billion during the period as compared to ₦1.94 billion for 2019H1 (an increase of 199% YoY) due mainly to the increase in debt service costs and exchange losses from Naira devaluation.

Market & Operational Developments

Whilst the Covid-19 Pandemic and the attendant measures/restrictions put in place by various governments aimed at halting the further spread of the Virus has had a negative impact on businesses globally, the impact of the pandemic on the fertilizer market and Notore in particular, remains minimal, as it operates in the “essential goods” industry. Nigerian fertilizer demand is quite robust and is expected to continue to grow considering the Federal Government’s strong and decisive policy focus on agriculture as one of the keys to unlock the diversification of the Nigerian economy. The domestic fertilizer market is yet to reach its full potential as the consumption of fertilizer per hectare of arable land in Nigeria is still far below the 200kg per hectare recommended by Food & Agriculture Organization. Furthermore, the demand for urea and compound fertilizers, such as NPK, from the West African markets and Sahel African states is also quite significant. For the period under review, Notore sold all the urea that it produced in both domestic and international fertilizer market.

As part of measures to return the Group and the Company to profitability and improve working capital, management has embarked on a TAM programme of its production Plant and Equipment to improve its reliability and increase production output. The TAM programme was funded with a seven-year tenured loan of \$37 million US Dollars, obtained from the African Export-Import Bank.

The early works done under the TAM programme have begun to have some positive impact on Plant reliability, in the form of sustained production and increased output.

Outlook for the Year

The TAM programme once completed at the end of Q4 2020 as anticipated, is expected to improve significantly the Plant's reliability and production output to meet and sustain its 500,000MT per annum design nameplate capacity. Achieving this level of production output will not only lead to significant improvements in the Group and Company cash flows from operations, but also significant increases in revenues annually, thereby returning the Company to profitability post the TAM programme.

Despite the negative worldwide impact of the spread of Covid-19 pandemic, with government announcements of partial or total lock down in a number of our markets, we envisage very little or no interruption in our business operations. Fortunately, with our classification by the government as an "essential goods industry operator" coupled with our robust distribution channels and market reach, we are well positioned to continue to serve our customers in all our markets.



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About Notore Chemical Industries Plc

Notore is a vertically integrated agro-allied and chemicals business situated in Onne (near Port Harcourt), Rivers State in South-South Nigeria and is engaged primarily in the production and sale of fertilizer products. Notore's vision is to be the number one Company by market share and profitability in our chosen businesses and a significant contributor to the development of Africa and our mission is to enhance the quality of life.

The Group's current business comprises fertilizer production, supply and trading of fertilizer, and power. The Group's primary fertilizer products are granular Urea and Ammonia. The Group operates from its Onne Complex in the heart of the Niger Delta, Africa's most prolific oil and gas producing region.

The Onne Complex is located within the Notore Chemical Industries Free Zone, which provides significant tax benefits and advanced logistics solutions for international distribution of products. The Onne Complex comprises of approximately 560 hectares of land owned by the Group with a 2km of waterfront including the Notore Port and a dedicated jetty (with a capacity to accommodate vessels with a maximum volume of between 25,000 MT and 35,000 MT) owned by the Group. The Notore Port gives the Group easy access to the Atlantic Ocean for easy import of raw materials and export of the Group's products.

The Group produces Urea and Ammonia and owns a Urea producing plant in Onne, Rivers State with a current annual design production capacity of approximately 500,000 MTPA of Urea and 330,000 MTPA of Ammonia. The Group currently supplies and sells its fertilizer products in all thirty-six (36) States and Abuja, the Federal Capital Territory. The Group trades and exports its manufactured fertilizer products to West Africa, South Africa, South America, and Europe.

For more information visit www.notore.com

Disclaimer

This announcement contains or will contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend", "estimate", "project", "target", "risks", "goals" and similar terms and phrases have been used to identify the forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. Notore Chemical Industries Plc cautions readers that several factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Company's disclosure materials filed from time to time with Securities & Exchange Commission in Nigeria. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.