

# Notore

## Notore Chemical Industries Plc Unaudited Results for the 3<sup>rd</sup> Quarter Ended June 30, 2020

### **NOTORE REPORTS 6% REVENUE GROWTH AND ₦3.8 BILLION OPERATING INCOME.**

Lagos, 27th July 2020 - Notore Chemical Industries Plc, a leading fertilizer and agro-allied company in Africa, has announced its unaudited Q3 2020 Financial Results, showing gross revenue of ₦17.4 billion, operating income of ₦3.8 billion and net loss before tax of ₦8.1 billion, for the nine months ended June 30, 2020. There has been good progress with the ongoing Turn Around Maintenance (TAM) programme on the existing Plant. Significant increases in production outputs and revenues are projected after TAM is completed at the end of December 2020 as expected.

### Highlights of the Result:

#### Productivity and Profitability Highlights

- Gross Revenue: ₦17.42 billion, compared to ₦16.49 billion in Q3 2019 (6% YoY growth), representing a modest increase in production output and sales.
- Operating Income: ₦3.79 billion, compared to ₦3.34 billion in Q3 2019 (an increase by 13% YoY) driven largely by increases in other income.
- Debt Service Cost: ₦11.89 billion, compared to ₦10.45 billion in Q3 2019 (14% YoY growth), due to additional term borrowing to finance the TAM programme and the impact of Naira devaluation on foreign currency denominated loans.
- Loss before Tax: ₦8.09 billion, compared to ₦7.10 billion for Q3 2019 due mainly to the off-setting effect of high finance cost.
- EBITDA: 51%, an increase from 47% in Q3 2019 as we continue the company's asset improvement trajectory, which will be further enhanced after the completion of the TAM programme.

#### Balance Sheet

- Total Assets: ₦219.13 billion, compared to ₦196.58 billion as at 2019FY (11% YTD growth) reflecting the significant investment in plant and machinery under the TAM programme.
- Bank Loans: ₦103.07 billion; compared to ₦79.97 billion as at 2019FY (28% YTD growth reflecting mainly the additional borrowing from the Afreximbank (US\$37 million) to finance the TAM programme and the impact of Naira devaluation on foreign currency denominated loans.

- Shareholders' Funds: ₦61.67 billion, compared to ₦69.56 billion, a decrease of 11% from 2019FY reflecting the impact of company's current adverse operating conditions. The TAM programme, once completed at the end of December 2020 as anticipated, is expected to improve the Plant's reliability and significantly increase production output and revenues annually, thereby returning the company to profitability going forward.

## Group Financial Highlights

Notore's gradual revenue growth 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, resulting in some modest increases in production volumes and production on-stream days during the period. Operating expenses increased by 22% to ₦16.24 billion during the period from ₦13.23 billion for the corresponding period of Q3 2019 due mainly to a combination of increases in production activities, Plant repair and maintenance expenses exacerbated by Naira devaluation. Operating income for the period was ₦3.79 billion, an increase of 13% as compared to ₦3.34 billion in Q3 2019. This was as a result of increase in other income. The Group however reported a net loss before tax of ₦8.09 billion during the period as compared to ₦7.10 billion for Q3 2019 (an increase of 13% YoY) due mainly to the increase in debt service costs and exchange losses from Naira devaluation.

## Market & Operational Developments

The COVID-19 pandemic has had a negative impact on businesses globally. Many businesses are learning to acclimatise to the changing environment and re-strategize on their various objectives. Notore continues to weather the storm during this period and has continued to produce and make sales during its 2020 financial year. For the period under review, Notore sold all the urea that it produced in both domestic and international fertilizer markets.

Although disruptions to global economies as a result of the outbreak of the COVID-19 pandemic has resulted in supply chain and logistics challenges, particularly with respect to acquisition of equipment spares and international travels occasioned by the various restrictions and health advisories put in place by governments globally. Nonetheless, our TAM programme is still on course and expected to be completed at the end of December 2020 barring any further unforeseen disruption occasioned by the COVID-19 pandemic.

Furthermore, Nigerian fertilizer demand remains 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.

## Outlook for the Year

The TAM programme once completed at the end of December 2020 as anticipated, is expected to improve significantly the Plant's reliability and production output to meet and sustain its design nameplate capacity of 500,000MT per annum. 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.

Having installed and commissioned a brand new 2,000 metric tons per day NPK Blending Plant with capacity to produce various crop specialty blends of NPK fertilizer, the company is consolidating customer loyalty by expanding its product offerings. The NPK Plant has now commenced commercial production and sale of bulk dry blended NPK fertilizer varieties. Additionally, the company entered into partnership with the NAIC-NPK LIMITED during the period for the blending, packaging, sale and distribution of NPK fertilizer for the year 2020 farming season under the Presidential Fertilizer Initiative ("PFI"). This shall significantly augment revenues from Urea sales and improve Notore's annual earnings and profitability going forward.

Despite the negative impact of the spread of the COVID-19 pandemic on businesses worldwide, we envisage minimal interruption to our business operations. Fortunately, with the classification of our company by the Federal 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, bulk blended NPK varieties 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, NPK 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, while the NPK Blending Plant has a production capacity of 2,000 metric tons per day. 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](http://www.notore.com)

## Disclaimer

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