

# Notore

## Notore Chemical Industries Plc Unaudited Results for 4<sup>th</sup> Quarter Ended September 30, 2020

NOTORE RECORDS ~~N~~9.33 BILLION OPERATING PROFIT FOR Q4 2020 FY

Lagos, 20<sup>th</sup> November 2020 - Presented below are the highlights of the Unaudited Financial Statement of Notore Chemical Industries Plc ("Notore") for the Twelve-Month Period Ended 30<sup>th</sup> September 2020.

### Financial Highlights

Notore recorded revenues of ~~N~~18.80 billion for the twelve-month period ended 30<sup>th</sup> September 2020 (30 September 2019: ~~N~~21.42 billion), a 12% decline in revenue due largely to an increased plant downtime caused by equipment maintenance during the period under review. This was also exacerbated by the outbreak of the COVID-19 pandemic, which has caused supply chain and logistics disruptions for our company, particularly with respect to acquisition of new equipment spares. The travel restrictions put in place by governments globally also further constrained our sourcing of technical resources and engineering support services, which resulted in prolonged Plant downtimes with consequential negative impact on production volumes and sales.

Notore, however, recorded an Operating Profit of ~~N~~9.33 billion for the twelve-month period ended 30<sup>th</sup> September 2020 (30 September 2019: ~~N~~3.42 billion), an increase of 172%. The increase was mainly attributable to surpluses from the professional revaluation of investment properties class of its asset. Despite the positive Operating Profit, Notore recorded a Net Loss before tax of ~~N~~13.37 billion during the period (30 September 2019: ~~N~~10.25 billion). This was due to the offsets caused by Finance cost of ~~N~~15.70 billion (30 September 2019: ~~N~~13.69 billion) and an Exchange loss on US dollar denominated loans of ~~N~~7.01 billion as a result of the CBN's devaluation of the Naira from ~~N~~306/\$ to ~~N~~380/\$ during the period.

### Market & Operational Developments

Our business was faced with many challenges during the period under review. Despite the harsh economic situation (largely due to the COVID-19 global pandemic) and the political climate in Nigeria, Notore achieved several important milestones to position the company for a great future. First, was the disbursement of the ~~N~~13.32 billion Afreximbank facility on 31<sup>st</sup> December 2019, which set the stage for the commencement of the Turn Around Maintenance programme (TAM) for our Plant. A significant part of all the equipment and spares ordered during the year for the TAM programme have been delivered, while most of the others are in transit. Although disruptions to global economies as a result of the outbreak of the COVID-19 pandemic has resulted in supply chain and logistics interruptions, particularly with respect to acquisition of parts and spares occasioned by the various restrictions and health advisories put in place by governments globally,

the TAM is on course and expected to be completed at the end of January 2021, barring any further shutdowns or restrictions occasioned by the COVID-19 pandemic.

Once completed, we expect significant improvement in the Plant's reliability and production output to meet and sustain its 500,000MT per annum nameplate design capacity. Achieving this level of production output will not only lead to significant improvements in the company's cash flows from operations, but also significant increases in revenues annually post-TAM. It is worth noting that about 70% of the additional post-TAM revenue will contribute straight to the company's bottom line, a major key to returning the company to profitability.

Secondly, the unforeseen devaluation of the Naira as a result of economic effects of the pandemic adversely affected the company by drastically increasing its finance costs and contributed significantly to the company's Net Loss position in the 2020 FY. However, the company had during the period under review, successfully restructured a substantial part of its short-term loans into fixed long-term loans effective Q1 2021FY, thereby considerably reducing its financing costs. The company will continue to aggressively work on other financial initiatives to further reduce finance cost, such as the restructuring of its capital structure to achieve an optimal mix of debt and equity. The projected cost savings from the restructuring is expected to boost the company's profitability.

Production of Notore NPK fertilizers has begun to ramp up gradually with some local market introduction achieved in Q4 2020 FY, while anticipating significant increases in NPK production output and sales in the coming 2021 FY. Sale of Notore seeds to Nigerian farmers has continued in furtherance of our corporate vision to be a significant contributor to the development of Africa. Additionally, while leveraging the company's seeds business, robust supply chain and distribution network, Notore intends to expand further into other products. It is expected that these additional initiatives will further diversify the company's revenue stream, boost profitability and help consolidate customers' loyalty.

## **Outlook for the Year**

With respect to fertilizer market dynamics, the 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.

Notore believes that 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 neighbouring countries bordering the northern part of the country is also quite significant.

Notore's products are well positioned for effective shipment and distribution across the Atlantic coast, and Notore has positioned itself as the major distributor of fertilizer in Africa. Notore fertilizer is made readily available to farmers through the company's well-developed distribution and supply network, thereby ensuring increased output leading to hunger reduction and guaranteeing food security on the continent.

For 2021 FY, after the successful completion of the TAM programme, Notore expects to significantly exceed its 2020 FY production volumes, revenue and operating cash flows, thereby returning the company to profitability.



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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)

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