



Notore Chemical Industries Plc

Investor & Analyst Presentation

Half-Year ended March 2019

Notore

May 2019

Champion of the African Green Revolution

		Page #
1	Operating Environment	3
2	Key Performance Highlights	6
3	Corporate Strategy & Outlook	11
A	Appendix	17

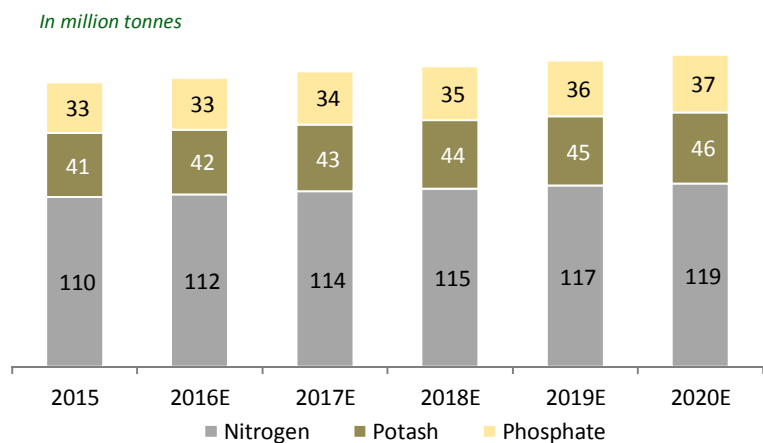
1. Operating Environment



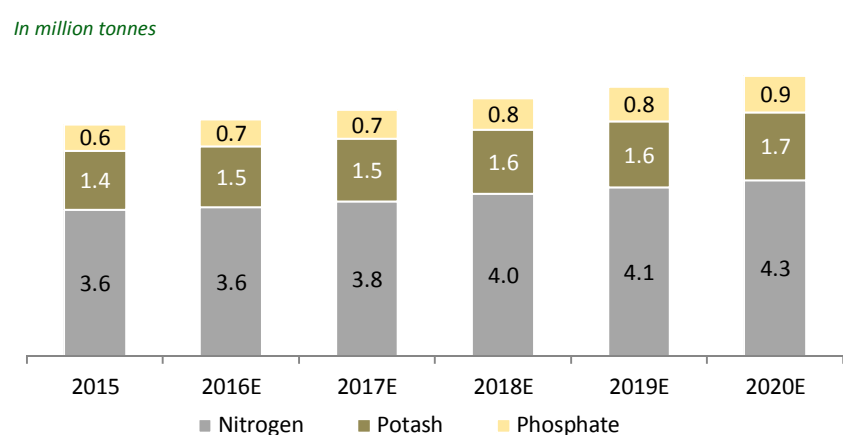
Global market demand for fertilizer

- The agriculture sector remains key to providing food security to the over 7bn people across the globe
 - Total fertilizer nutrient demand was estimated at 184.02million tonnes in 2015 and is estimated to grow at 1.9% per annum between 2015 and 2020, to reach an estimated 201.66million tonnes by the end of 2020
 - The demand for Nitrogen, Phosphate and Potash is estimated to grow annually by 1.5%, 2.2% and 2.4% respectively for the individual nutrients from 2015 to 2020
- In 2016, Sub-Saharan Africa (SSA) consumed an estimated 3.7million tonnes of fertilizer nutrients, with South Africa, Ethiopia, Nigeria and Kenya being the main consumers of fertilizer within the region, accounting for over 50% of fertilizer consumption
- Africa is expected to have the highest growth rate in fertilizer demand in the medium term, given the large expanse of arable land and great agricultural growth potential in the decade to come
- More specifically, it is estimated that the demand for fertilizers in SSA would rise ~8% annually by 2021, with Nigeria and Ethiopia contributing 28% and 18% respectively of regional demand growth

Global Demand for Fertilizer Nutrients



African Demand for Fertilizer Nutrients

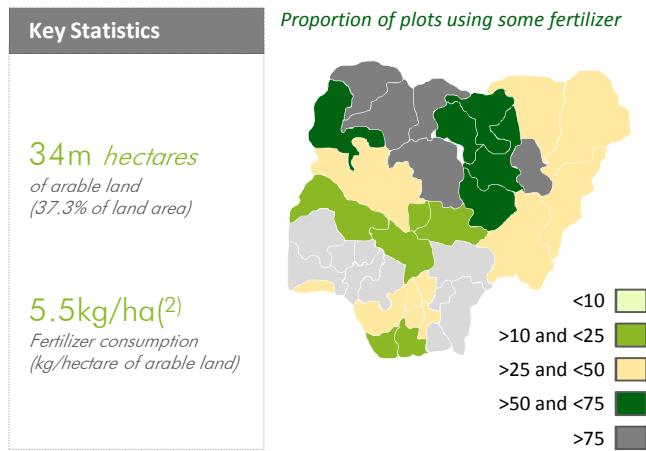


- Agriculture accounts for 20% of Nigeria's GDP and statistics shows how far the sector has declined over the last 50 years, as Nigeria ramped up its reliance on oil exports.

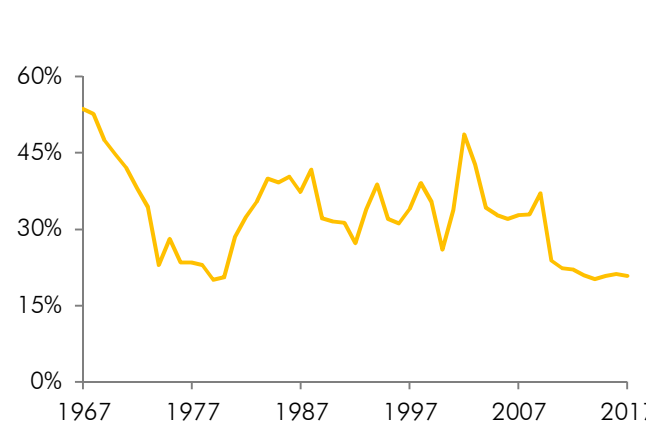
 - Crop production accounts for the largest contribution to Nigeria's agriculture GDP, delivering an average of 88% between 2012 and 2017.
- Due to low production of fertilizers within the country and high prices of imported fertilizers, the annual application amount of fertilizer in Nigeria is well below the Sub Saharan African average of c. 16.2kg/ha.⁽¹⁾
- The FG continues to make efforts to increase both the supply and demand for fertilizers, through provision of subsidies, grants, loans, amongst others.

 - More recently, through the implementation of the Presidential Fertilizer Initiative(PFI) program in 2017, in partnership with the Fertilizer Producers and Suppliers Association of Nigeria, fertilizer blends have become available all year round

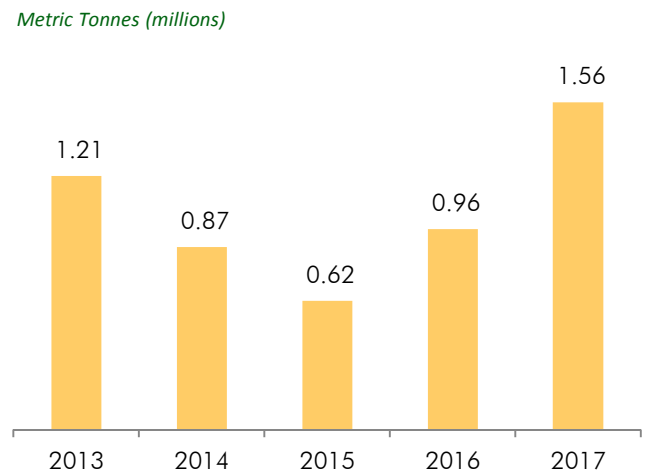
Fertilizer usage across Nigeria



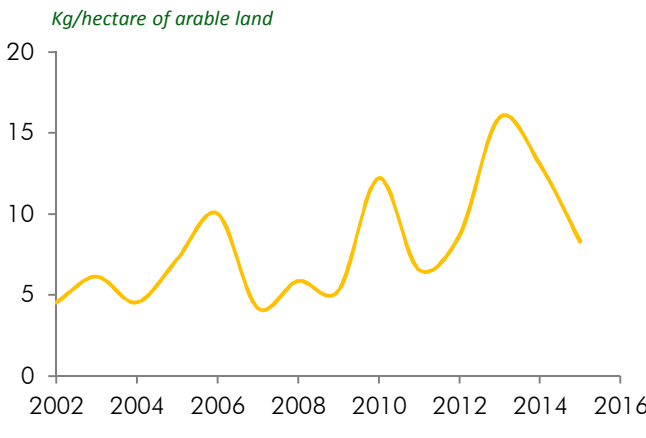
Agriculture as a % of Nigeria's GDP



Fertilizer Demand in Nigeria ⁽³⁾



Fertilizer Consumption in Nigeria ⁽⁴⁾



(1), (2) & (3) - Sources: world bank development indicator 2016;

(4) – Source: AfricaFertilizer.Org



Notore

2. Key Performance Highlights



1



Operations – Plant Reliability

- Our plant achieved a capacity utilization of 49% of its production design capacity, 1500MTPD, during the 6 Month period under review, averaging 734MTPD
- The Turn-around Maintenance (“TAM”) program of the plant which will restore it to its design production capacity of 1,500mtpd will be completed by Q1 2020

2



Gas Supply

- Gas is the major feed stock in the production of urea fertilizer. It accounts for 95% of the inputs
- Notore has enjoyed uninterrupted supply of gas to its facilities since March 2016 when it signed a 20 Year Gas Supply and Purchase Agreement with Eroton Exploration and Production Company Limited

3

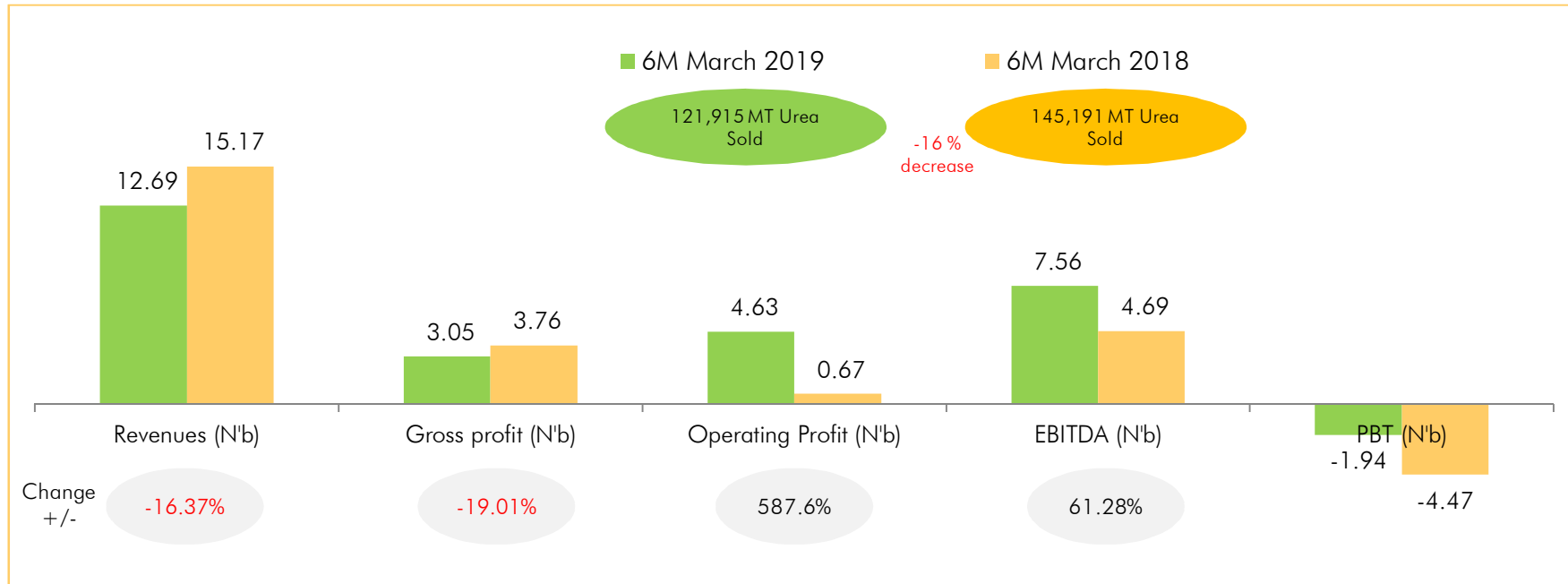


Financing Cost

- Finance cost dampens Notore’s current profitability because of the current plant capacity utilization. Post TAM, Notore will increase its revenues to N50billion, consequently, its earnings before interest and tax (“EBIT”) will sufficiently accommodate its finance cost and yield robust net income

Key performance indicators review

Notore



Notes:

- Revenue was impacted by 16.03% decline in urea sold due to production of 122,150 MT urea during the period under review compared to 142,952 MT during the 6 Month period ended March 2018
- Reduction in Gross profit reflects the impact of the drop in revenues; cost of sales margin variation was quite negligent at 80bps
- Operating Profit & EBITDA improved significantly due to recognition of asset revaluation gains valued at approximately N4.76billion. In addition, operating costs were managed effectively as they decreased by 0.82% from N3.20billion to N3.17billion in H1, 2019

6M 2019 FY Income Statement

Notore

Financial Year	October 2018 – March 2019	October 2017 – March 2018
Period	6 Months	6 Months
Production Figures – 6 Month Design Capacity	250,000 MT	250,000 MT
Urea Produced	122,150 MT	142,952 MT
Urea Sold	121,915 MT	145,191 MT
Income Statement	Naira'million	Naira'million
Revenue	12,685	15,168
Cost of Sales	(9,637)	(11,405)
Gross Profit	3,048	3,764
Operating Expenses	(3,173)	(3,199)
Other Income	4,758	109
Operating Profit	4,633	674
Finance Income	19	3
Finance Cost	(6,595)	(5,147)
Net Finance Cost	(6,575)	(5,144)
Profit / (Loss) Before Tax	(1,942)	(4,470)
EBITDA	7,564	4,690
EBITDA Margin	43.4%	30.7%

Balance sheet as at end March 2019 and end September 2018

Notore

Financial Year	March 2019	September 2018
Period	Naira' millions	Naira' millions
Non Current Assets	142,099	140,212
Current Assets	16,495	12,626
Total Assets	158,594	152,838
Non Current Liabilities	79,657	83,020
Current Liabilities	32,170	21,110
Total Liabilities	111,827	104,130
Equity	46,768	48,708
Equity & Liabilities	158,594	152,838

3. Corporate Strategy & Outlook





Strengthening our agricultural extension services network

Africa's estimated annual food import bill was \$35 billion in 2017 and it is expected to rise to \$110 billion by 2025



Notore's Intervention

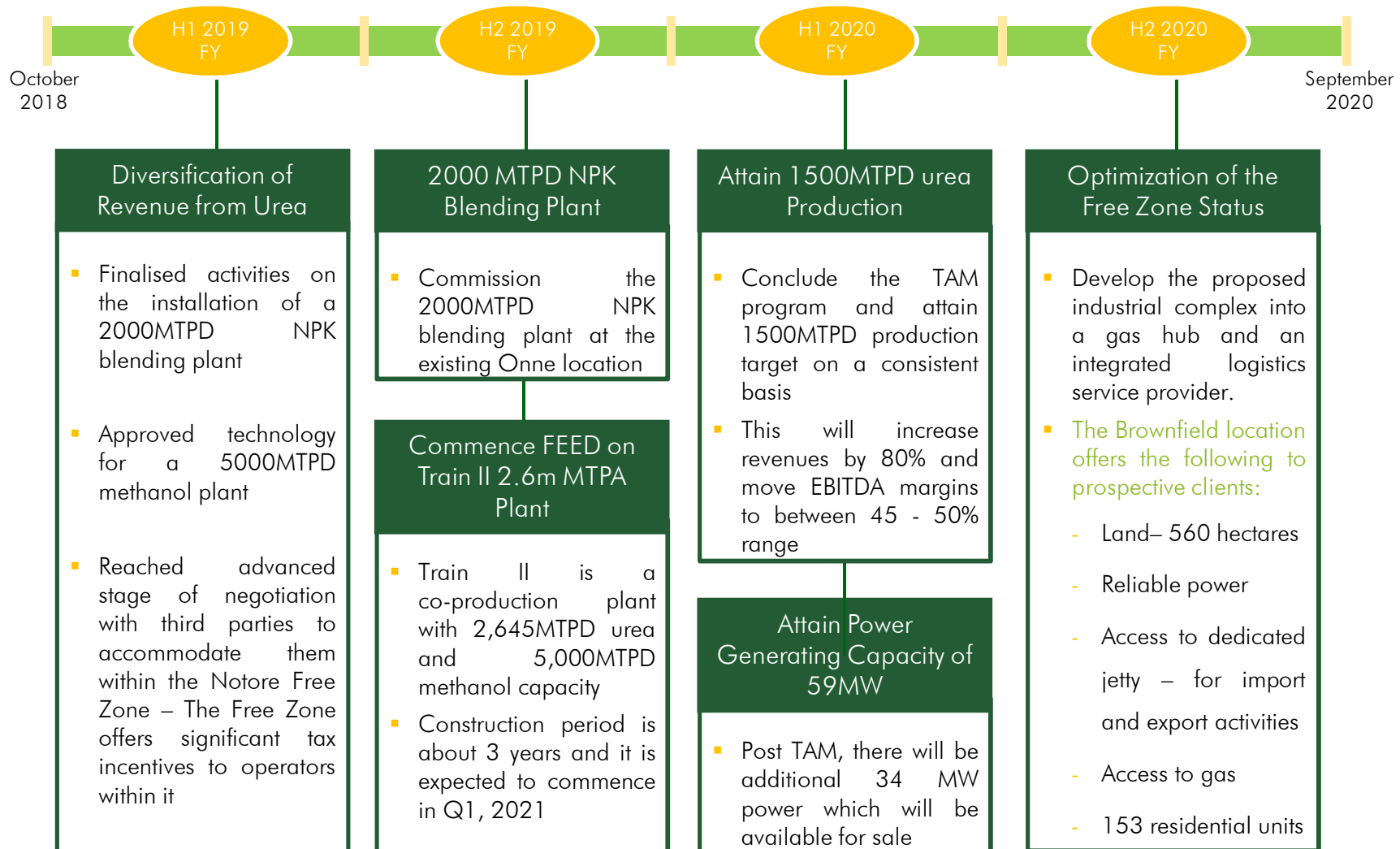


Promotion of Farm Input Utilization

- Large-scale dissemination of farm inputs such as fertilizer and improved seeds
- Establishment of more farm demonstration plots and video viewing centres in Nigerian farming communities to educate farmers on best farming practices for increased yields



Value creation and revenue diversification



Projected financial outlook post TAM

Notore

Year	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Period	12 Months	12 Months	15 Months	12 Months	12 Months	12 Months
Production Figures						
Ammonia (MTPA)	258,660	323,400	323,400	323,400	323,400	323,400
Urea (MTPA)	421,200	495,000	495,000	495,000	495,000	495,000
Income Statement						
	Naira'billion	Naira'billion	Naira'billion	Naira'billion	Naira'billion	Naira'billion
Revenue	48.82	57.20	57.20	57.20	57.20	57.20
Other Income	-	3.67	4.10	4.57	5.00	5.47
EBITDA	24.88	33.41	33.77	34.25	34.67	35.14
Ratio						
EBITDA Margin	51.0%	54.9%	55.1%	55.4%	55.7%	56.1%

Notes

- Other income accounts for revenues from sale of captive power and rental income from lease of available land to third parties
- TAM program is expected to be completed by Q1, 2020, hence full year post TAM revenues will be achieved in 2021 FY

- Nigeria has about 34 million hectares of arable land (FAO, 2017) requiring a minimum of 7 million MT of NPK & urea fertilisers annually
- Nigeria's fertilizer consumption per hectare is approximately about 5.5kg compared to the FAO global recommendation of 200kg, confirming that there is still latent demand
- Fast growing cash crops segment with a minimum 1.2 million MT annual demand of crop specialty fertilizer blends locally
- Rising importation of fertilisers by neighbouring West African markets from Nigeria (estimated at approximately 500,000 MT annually)
- Global warming
 - “ Flooding and desertification causing food shortage
 - “ Overall arable land mass declining



Notore

A. Appendix



Snapshot of Nigerian agricultural space and opportunities

Notore

Agricultural land



76.2 million ha

Arable land



34 million ha (42% harvested)

Tree-crop land



2.9 million ha

Land cultivated for cereal



14.3 million ha

Irrigated land



259,000 ha

Cassava & tuber Land



7.2 million ha

Sources: FAO; world bank development indicator 2015; FEPSAN, FMARD records

Nigerian apparent fertilizer consumption 2013 - 2017

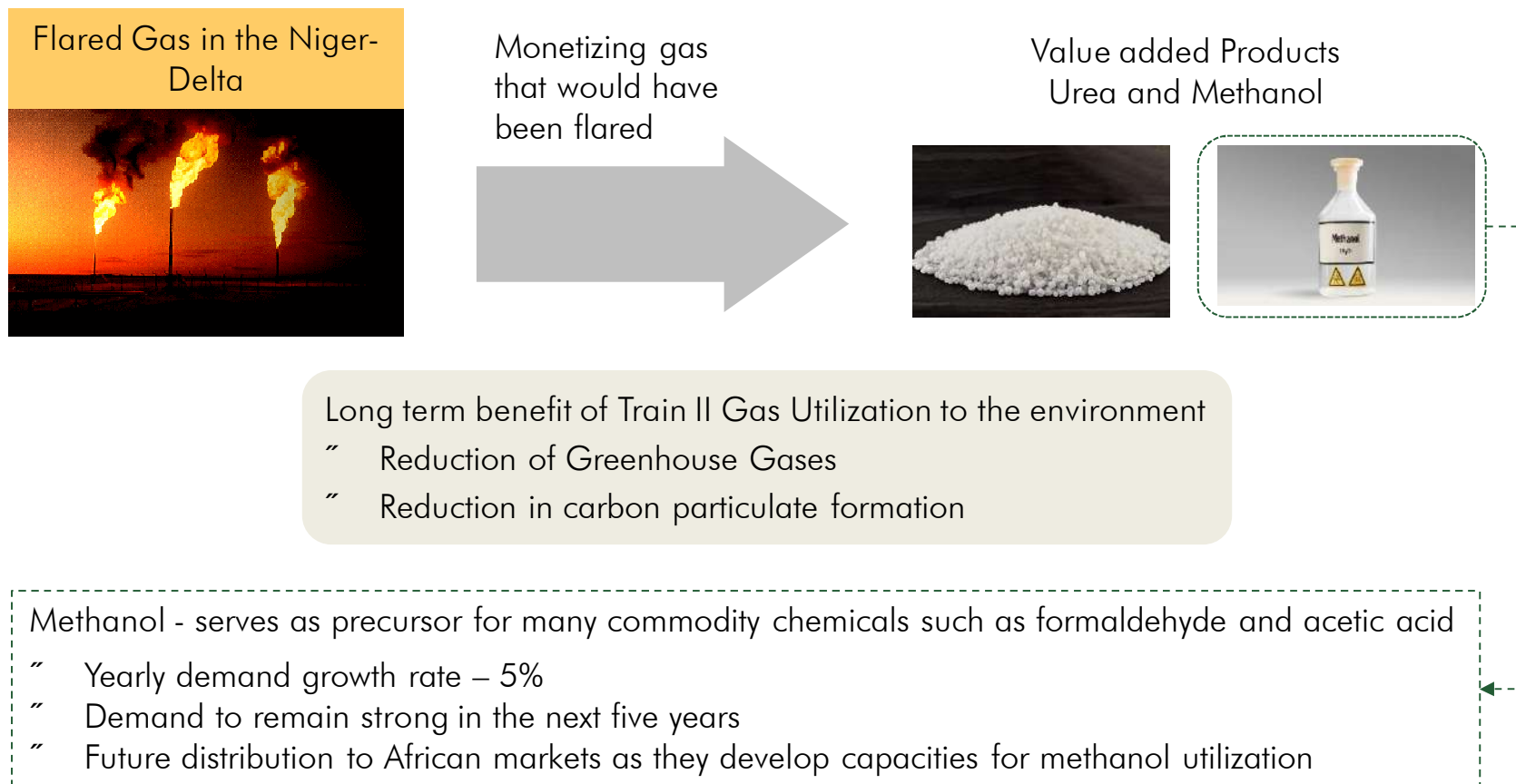
Notore

The table below provides information on the apparent consumption of fertilizer in Nigeria between 2013 – 2017, according to AfricaFertilizer.Org:

Fertilizer	2013	2014	2015	2016	2017
Urea	765,731	423,966	319,656	386,383	760,734
NPK	270,919	344,879	165,684	380,455	399,949
NP Compounds	87,988	68,535	47,986	115,845	96,984
Ammonium Sulphate	12,301	2,321	10,483	27,450	40,248
Other Phosphate Fertilizers	6	-	50,596	22,452	224,616
Other Fertilizers	77,014	34,517	23,492	26,779	42,285
Total (Metric Tonnes)	1,213,959	874,216	617,897	959,364	1,564,816
Growth	n.a	(28%)	(29%)	55%	63%
Notore Urea Production	235,000	170,000	254,156	268,740	344,597

Fertilizer Apparent Consumption = Production + Imports – Exports – Non Fertilizer Use

One of the key objectives of Train II is the stimulation of the gas sector in the Niger-Delta through utilization of some of the abundant gas within the region that is untapped



Seyi Odeinde

Head, Investors Relations

Phone: +234 908 741 8746

Email: investorrelations@notore.com

Thank You