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Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the ICL analyst conference call. Our presentation today will be followed by a question-and-answer session [Operator Instructions]. I must advise you that this call is being recorded today. I'd like to hand the call over to our first speaker today, Peggy Riley Tharp, Vice President of Global Investor Relations. Please go ahead.

Peggy Reilly Tharp
Vice President of Global Investor Relations

I'm Peggy Reilly Tharp, Vice President of Global Investor Relations. I'd like to welcome you and thank you for joining us today for our quarterly earnings call. The event is being webcast live on our website at icl-group.com. Earlier today, we filed our reports with the securities authorities and the stock exchanges in the U.S. and in Israel. Those reports as well as the press release are available on our website. There will be a replay of the webcast available after the meeting, and a transcript will be available shortly thereafter. The presentation, which will be reviewed today was also filed with the securities authorities and is available on our website.

Please be sure to review the disclaimer on Slide 2. Our comments today will contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are not guarantees of future performance. The company undertakes no obligation to update any financial information discussed on this call at any time. We will begin with the presentation by our CEO, Mr. Raviv Zoller; followed by Mr. Aviram Lahav, our CFO. Following the presentation, we will open the line for the Q&A session. Raviv, please.

Raviv Zoller
President & CEO

Thanks, Peggy, and welcome, everyone. Similar to the recent quarter, I would like to provide a brief update on the situation in Israel. While there are still challenges caused by the war, we have continued to minimize disruptions to our business operations and for our employees, while various operational challenges related to the war persisted, including higher logistics costs, we have been able to maintain good production levels, thanks in part to the return of most of our employees who have called up for reserve duty. Despite the unique challenges, we were able to execute according to plan in the first quarter, resulting in a good start to 2024.

For the first quarter, ICL delivered solid sequential improvement as global demand appears to have stabilized and as most of the multiple end markets we serve have begun to show signs of recovery. While there are some exceptions based on location and other factors, gradual improvement should start becoming apparent in the various channels we serve. So, as we've said in the past, we will be agile and work to effectively manage the areas under our control and react with appropriate swiftness when necessary. Now if you will please turn to Slide 3 for a brief overview of the first quarter. Sales of $1.735 billion and adjusted EBITDA of $362 million, both showed quarter-over-quarter improvement, although down versus the prior year as expected.

For the first quarter, we delivered $0.09 of adjusted earnings per share and will distribute a dividend of about $0.05 per share. Our long-standing policy is to pay out up to 50% of adjusted net income each quarter. We continue to focus on cash flow and generated operating cash flow of nearly $280 million in the first quarter, with free cash flow of more than $130 million. We continue to carry out efficiency efforts in the first quarter and manage through some logistics themes. Aviram will discuss our efficiency and cost savings initiatives in more detail later in the call, but our commitment to these efforts has not been our focus on innovation. We continue to expand our specialties product portfolio, both to the launch of innovative new products and via an acquisition in the first quarter.

I would ask you to turn now to Slide 4 and to look at recent trends for some key financial metrics. While first quarter sales were down, as expected, they were up 3% sequentially. Adjusted EBITDA also improved on a sequential basis, while earnings per share were slightly down from the same time frame. Our consistent focus on increasing contribution from our specialty-driven businesses resulted in sequential improvement based on volume growth. First quarter specialties-driven sales were up 6% versus the fourth quarter of 2023, while EBITDA improved approximately 17% quarter-over-quarter. Our specialty-driven divisions also delivered a quarterly sequential improvement in gross margin, a trend that began in the third quarter of 2023. Let's start with the review of our divisions and begin with Industrial Products on Slide 5.

For the first quarter of 2024, sales were $335 million, with EBITDA of $72 million [indiscernible]. As expected, sales and EBITDA have improved sequentially since the third quarter of last year. For the first quarter of 2024, sales were up approximately 12% sequentially, while EBITDA was up nearly 30% on higher volumes. Overall, we were able to gain market share and maintain key

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customer accounts while continuing to drive contribution from cost savings and efficiency efforts. For our key end markets, demand was mixed as soft as continued in electronics and in building and construction.

Flame retardants sales increased versus the prior year, as higher volumes for our brominated solutions were partly offset by a decline in volumes for phosphorus-based products and lower prices overall. In early April, we received news that the EU Commission had imposed antidumping measures on phosphorus-based imports from China. And in late April, a similar petition was filed in the U.S. Global demand for clear brine fluids, which are used by the oil and gas industry was stable in the first quarter, and ICL remained a preferred supplier for the industry. On a year-over-year basis, sales were lower due to a peak market in the beginning of 2023.

Our Specialty Minerals business, which targets food, pharma and other end markets continue to perform well with sequential quarterly improvement. On Slide 6, you will see our Potash results for the first quarter of 2024 with sales of $423 million and EBITDA of $124 million. In the first quarter, we completed the annual maintenance at the Dead Sea. And in Spain, we delivered record production at our Suria mine and remain on track to meet our full year targets. One key commonality in both locations was the use of technology to optimize operations and improve production and safety as both facilities continue to focus on efficiency and cost savings efforts.

Total sales volume for the quarter was nearly 1.1 million times, up more than 120,000 tons year-over-year, but down approximately 100,000 tons sequentially as expected due to the annual rate is. The average potash price declined in the first quarter to $324 per ton, down approximately 40% year-over-year and 6% sequentially. Additionally, freight costs increased as global shipping remained under pressure. The global demand for potash is truly robust and prices have stabilized since the beginning of 2024. The outlook is generally positive with farm affordability still healthy as high levels of potassic deficiency in soil have become a clear threat to yields for growers in most regions.

Turning to Slide 7 and our Phosphate Solutions division where first quarter sales of $559 million improved sequentially, while EBITDA was down slightly for the same time frame. Volumes were higher in the first quarter and prices remained relatively stable, both on a sequential basis. In the first quarter, phosphate prices were at a crossroad and supply dynamics are expected to influence future quarters. For our phosphate specialties business, lower raw material costs were offset by lower sales prices and mixed demand across end markets and regions. In the first quarter, our YPH joint venture in China continued to deliver strong results and set production records for both food grade WPA and for MAP 73, which is used for cathode material production.

Turning to Slide 8 in our growing solutions business, where first quarter 2024 sales of $479 million were roughly flat sequentially. EBITDA of $42 million improved significantly on a sequential basis with an improved product mix. Efficiency efforts have continued to advance in the first quarter, even as the team navigated logistics and weather challenges. Regionally, North American sales improved year-over-year on higher volumes, while sales in Asia improved sequentially on higher prices. For Brazil and Europe, the start of the year was a little slower than expected in both markets. First quarter sales in Brazil decreased versus the prior year, but product optimization helped deliver higher gross margin.

For Europe, a significant increase in volumes was offset by lower prices and higher logistics costs as weather conditions on the continent were less than ideal across key growing regions. Changing legislation and farm protests were additional obstacles during the quarter. Before we move on from Global Solutions, I would like to highlight a recent change in leadership. Gustavo Vasques, who has ably held our Brazilian business in 2021 has been nominated as the head of our European business. This move attests to the successful integration of our Brazilian acquisitions and the ongoing potential for additional synergies to continue to drive growth.

Speaking of Brazil, if you will turn to Slide 9, I would like to review a few quarterly highlights, including the accreditation of our third plant nutrition innovation center in that country. This endorsement by the Ministry of Agriculture life stock and supply will benefit ICL as we develop, register and launch innovative technologies for the national and international agricultural markets. It will also be used to obtain registrations for new fertilizers, biofertilizers and inoculants among others. Also in Brazil, we announced the acquisition of Nitro 1000 in late February and the acquisition of this manufacturer, developer and provider of biologicals marks another meaningful step into the biologicals market. It also helps expand our product offerings and to position us for further expansions into new and adjacent end markets.

In North America, our battery materials expansion is gaining momentum. We recently signed 3 new MOUs and our customer innovation and qualification center in St. Louis is expected to be commissioned by year-end. The acceleration of the customer innovation and qualification center is our first priority as it will allow us to take advantage of technological innovations with our business partners. This will influence both future costs and product performance for our overall business plan, including for our first commercial scale plant. While this will extend the project time frame, it will also result in long-term benefits to our competitive position, which is aimed at achieving LFP leadership in North America. On the sustainability front, we improved our Sustainalytics ESG risk rating.

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We also received an upgrade from CDP with our climate change rating improving to A lines. Additionally, we repositioned our Prolactal dairy protein business. As we focused on efficiency efforts, it clearly made sense to [indiscernible] Prolactal, a non-phosphate related business out of the Phosphate Solutions division, especially as our battery materials aspirations continue to advance. This will allow the division to focus on building its battery materials business, which is core to the phosphate value chain while also allowing Prolactal to get the attention it deserves. With this change, Prolactal's new leadership is focused on aligning strategy with current market conditions and optimizing operations.

I would also like to point out that the ICL innovation accelerate that is creating significant value for our shareholders was recently featured in a Harvard Business School case published earlier this week. Finally, as I do every quarter, I want to thank the entire ICL family of employees all around the world for their hard work, dedication and support. And with that, I would now like to turn the call over to Aviram.

Aviram Lahav
Chief Financial Officer

Thank you, Raviv, and to all of you for joining us today. Let us get started on Slide 11 with the external macro environment. While some of these metrics have moderated slightly and others are unchanged, there has been a steady uptick in geopolitical tensions regardless, experts and [funded] still anticipate a global outlook to begin improving in the second half of 2024. As Raviv mentioned earlier, global demand appears to have stabilized and most of the end markets we serve have begun to show signs of recovery. Turning to Slide 12. Inflation remained stable as did interest rates, while housing starts in the U.S. declined in the first quarter, global industrial production is expected to improve as the year progresses.

On Slide 13, you can see a slight decline in most grain prices with the exception once again of rice. Farmer sentiment is generally stable and prices for potash and phosphate appear to have stabilized. [Grain] rates have also stabilized, albeit at an elevated level. On Slide 14, you can see the expected trend over roughly the next decade or not only electric vehicles but also for energy storage. In North America, the demand for cathode active materials used in both of these products is expected to become nearly equivalent by 2030. This trend is expected to result in gradually increasing demand for white phosphoric acid, technical MAP and for global LFP.

If you will now turn to Slide 15 and our first quarter sales bridges. On the left side, you can see the decline for each of our segments versus the first quarter of 2023, resulting in first quarter of 2024 sales of $1.7 billion. Turning to the right side of the slide, you can see a year-over-year increase in quantities, which was offset by lower prices, especially for potash. On a quarterly sequential basis, sales increased as higher quantities offset lower prices. For the first quarter, we saw general improvement in our inventory position in line with internal targets. On Slide 16, you can see the impact potash had on our first quarter 2024 EBITDA of $362 million, and this is evident on both the left and right-hand side of the slide.

Conversely, we benefited from higher quantities, lower raw material and energy costs and also from our cost savings and efficiency programs. While the year-over-year impact from transportation costs look roughly flat on the slide, this amount excludes approximately $8 million related to the war in Israel. Once again, even as potash prices declined gap 17. We continue to maintain the flexibility that allows us to rapidly shift in and out of markets based on profitability and to maximize our cost-efficient resources. I would also like to remind everyone where ICL is positioned in the global bromine market, which you can see on Slide 18. The dead sea is the premier and most cost competitive source of bromine and accounts for approximately 2/3 of global supply capacity.

For the first quarter, we reduced SG&A by approximately 5% quarter-over-quarter. As you can see on Slide 19, we also remain focused on our savings and efficiency efforts, and these actions included supply chain and production initiatives in the Industrial Products division, mining optimization and technology efforts in our Potash division and labor costs as well as supply chain optimization in the phosphate solutions and growing solutions divisions. The cost efficiency efforts helped in part to drive our effective cash conversion, and we ended the quarter with available resources of approximately $1.7 billion. Our net debt to adjusted EBITDA rate at quarter end was 1.3x. In March, we repaid approximately $108 million of our Series E bonds as scheduled, which resulted in an increase in cash used for financing activities.

In June, we will pay out $59 million as a dividend to our shareholders, bringing our trailing 12-month dividend yield to approximately 4%. For the first quarter, our effective tax rate was 25%. This was lower year-over-year due to a lower surplus profit live and as we had increased profits in regions with lower effective tax rates. Additionally, as Raviv mentioned, in the first quarter, we carved the product a dairy protein business out of the phosphate solutions business, financials for Prolactal can now be found in other activities, and we have restated historical results to reflect this change.

Finally, if you will turn to Slide 20, I would like to reiterate our 2024 guidance. As we discussed on our fourth quarter call, we will be providing EBITDA guidance for all of our businesses other than potash, which we call our specialties-driven business segments. This

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includes industrial products, growing solutions and all of phosphate solutions as our [PEA] business is now predominantly specialty focused. For 2024, we continue to expect adjusted EBITDA for these 3 businesses to be between $0.7 billion to $0.9 billion.
For our potash business, we ritterate sales volume guidance for 2024, and we expect this to be between 4.6 million metric tons and 4.9 million metric tons. For 2024, we expect our effective tax rate to be approximately 30%. And with that, we can begin the Q&A.

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Question and Answer

Operator

[Operator Instructions] Our first question today will come from the line of Ben Theurer of Barclays. Please go ahead.

Benjamin M. Theurer
Barclays Bank PLC, Research Division

Yes. So 2 questions actually. So the first is you had a very good start within your specialties driven businesses, right? If we take a look just at these 3 and you've just reiterated that potash not being part of that, it was almost $250 million in EBITDA just in the first quarter, which sometimes seasonality-wise shouldn't be the strongest one. So just wanted to understand, within your expectations of the EUR 700 million to EUR 900 million for that segment, having had such a good start, what are the risks you're seeing of that sequentially throughout the year to kind of slow down? Because otherwise, we wouldn't even get to the $700 million to $900 million would actually be run rate-wise higher. So I wanted to understand that. That would be my first question, and then I have a quick follow-up.

Raviv Zoller
President & CEO

Ben, thanks for your question. basically, yes, we started the year in good fashion. And obviously, the probability that we end up at the lower end looks quite low at this time. But at the same time, as you know, our country is currently at war. And the world is sort of turbulent. So I think we want to take a conservative position. I think the general direction now in our Industrial Products division is positive moving forward, and we expect price increase and accretion in the near future. potash, you probably know as well as we do. So there is uncertainty there, but that has nothing to do with your question, just in general, turbulence in the world, we want to give a conservative view, and that's where we are. You want to add anything Aviram?

Aviram Lahav
Chief Financial Officer

Maybe one thing, Ben, first of all,. What I want to add is the question mark around behavior of phosphate during this year. We ended -- we started the year on a very good note on both the specialty side or basically [indiscernible] speciality driven. Basically, all our phosphate business started on a very high accord. What we are seeing is a little bit the moderation in the price of the commodity side. The specialty side surprise us for the better because as we've talked about this before, there is some attrition in prices, but it was significantly less than we anticipated. And the commodity had a very good run late last year and in the first quarter. And we are not that certain about the continuation, how this will behave. So pegging along to what Avi said, we're probably within the range be in a better place, but it's a quarter, and we want to take it with a little bit of -- with a pinch of salt, if you might say, and wait for another at least another 1 quarter to see where this is heading.

Benjamin M. Theurer
Barclays Bank PLC, Research Division

Okay. Perfect. And then just coming back as it relates to some of the innovation pipeline and the investments, particularly around just the battery technology and the opportunities you're seeing there. How much of like -- how should we think about your dedication to research and development expenses, right, which I think falls within the broader SG&A and you've highlighted some of the cost savings. And is it fair to assume that research and development is going to be unaffected from that?

Raviv Zoller
President & CEO

It's a great question. Our aspiration on battery materials that -- we want to be a significant technology player and capture significant market share. And therefore, we are taking the position that our business plan is not about creating a plant with the assistance of the Department of Energy, but rather becoming a leading technological player. And the main thing that we're doing with regard to that is we're putting up our innovation and qualification centers so that we can work together with our future customers on qualifying their product. Clearly, the demand -- the long-term demand is out there. And so that center is going to be the basis for a lot of the R&D activity. Some has already started.

As I mentioned in the past, 80% of the physical part of the LFP Material is phosphate, and we are experts on phosphate. We're already making significant progress in our labs. But in order to be in a position to become a technology-driven growth business plan in North

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America, we need to expedite the qualification center, the overall investment there is between $20 million to $30 million, $30 million is including the operating costs. And that is an effort that we intend to complete in basically no time. We intend to finalize that by the end of this year.

Aviram Lahav
Chief Financial Officer

If I can take it. Raviv, the permission a little bit further and broaden the question, I think that Ben was referring to R&D, not only in the LFP but generally, and we are -- the answer is that we are fully committed to the R&D efforts. And actually, even if you look at the way we define ourselves, we are specialty or specialty driven company and the efforts they really come in the R&D division, in the PS division and also in the GS division, where we put a lot of effort into differentiation in the agriculture side. So basically, our committed commitment to really bring the innovation, applicable innovation has not changed at all, and we are consistent in applying that.

Operator

[Operator Instructions] Our next question today comes from the line of Alexander Jones, Bank of America. Please go ahead.

Alexander Jones
BofA Securities, Research Division

Two, if I can. The first following up on EVs. You talked about 3 new MOUs for the battery materials expansion. Could you expand a bit on those? And also give us more detail on when you would expect to convert those into sort of firm contracts or what are the key hurdles to doing so? And then the second question is just a quick follow-up on the guidance commentary. On the phosphate pricing side, are you seeing any erosion so far in Q2? Or is this more of a concern about what could happen in future quarters, but nothing you're seeing in the books so far.

Raviv Zoller
President & CEO

Okay. Thanks. On the commodity side, on the eastern side of the globe, we see a certain erosion of prices having to do with Chinese exports that are coming out of China that didn't come out of China in the first quarter. So far, it's been rather limited, but there is potential for additional erosion. There was some start to an erosion in the U.S. It seems like it's stopped now with the new tax ruling in the U.S. So right now, we don't see significant erosion, but we have seen some erosion in the second quarter versus the first quarter. If it stays like this, it will be -- it will have a marginal effect, but it could continue.

Aviram Lahav
Chief Financial Officer

And the first question was about the MOU...

Raviv Zoller
President & CEO

Sorry. And to go back to your first question on MOUs. The difference between an offtake agreement and an MOU agreement is basically reaching the qualification of product for the customer. And as we work on technological innovation, we're working with customers in order to meet future qualification. So it means that some of these are going to get deferred until we can actually create living samples that come out of the qualification center. In one case, we've already signed an offtake agreement. We can't afford to sign more than maybe one offtake agreement because basically, most of the product from the first plant is already accounted for. So we need to leave flexibility and not commit too much because once we have a qualified product, it will be for more than more than just one plan.

I hope that explains things. It also means that we're not very concerned about the schedule of the first ton that we sell. We're more concerned about having a client list and technological capabilities that allow us to qualify various specifications of different customers and also use the most advanced technology that's out there.

Operator

Our next question today comes from the line of Dan Rizzo from Jefferies.

Daniel Rizzo
Jefferies LLC, Research Division

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You mentioned the ruling in EU for antidumping. And I was wondering in the past how effective release like this have been and when you might see a benefit from that within the region.

Raviv Zoller
President & CEO

These kinds of -- these kinds of things are very effective. They basically immediately caused the market price to go up. And so it makes us much more competitive. It also allows to pass a hurdle of introducing new solutions that, for example, are more environmental friendly or more sustainable for the long run, that if the price is at a certain level, it may not be sufficiently economic to introduce into the market, the ones who know that the average price in the market goes up, then suddenly you can actually replace the old product and then the effectiveness of such a move from being very, very long term.

Daniel Rizzo
Jefferies LLC, Research Division

Okay. And then, I mentioned.

Raviv Zoller
President & CEO

A similar petition was also initiated in the U.S. So we expect it within a year or so the same thing could happen in the U.S.

Daniel Rizzo
Jefferies LLC, Research Division

That's really helpful. I do appreciate that. And then what potash demand, I mean, or demand in general, things are generally improving. But I was wondering if customers are still kind of keeping inventories very tight or if there are signs of a restock cycle or early signs of restock cycle, I should say.

Raviv Zoller
President & CEO

I think it differs in different parts of the world. If you take China, then China has a lot of current inventory. It's managed centrally. India has also meant relatively central, but there, the inventory is not high enough at the moment. And then in other regions, we're not seeing the same heavy stock loads that we saw in the U.S. and in Brazil in recent couple of years. So the demand is robust. There's nutrient deficiency of potassium for sure. So we see very healthy demand this year.

Aviram Lahav
Chief Financial Officer

Maybe glad to do it that with the current interest rates, the way they are, especially high in Brazil and also higher than expected in most resistant the world, the carrying cost is obviously a bigger issue than before. And therefore, what potentially we can witness is that people, especially the chain will be buying closer to the event of usage. So Bilahas a cost today. So what we can see, obviously, the demand projected for 2024 is significantly higher than '23, which in itself was higher than '22, but it can be more close to the event than general restocking at a very high level.

By the way, apart from China it's the other way around because in China, the interest rates in the last -- because of the issues with the stimulus there are the lowest they have been in many, many years. In fact, it used to be that the Western world was low, very low interest rate for years and China was high. Now it's completely on the flip side.

Operator

Our next question today comes from the line of Anthony Tedlar of BMO. Please go ahead.

Unknown Analyst

You hear me?

Raviv Zoller
President & CEO

Yes, Anthony, go ahead.

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Unknown Analyst

No, I'm Paul.

Okay. A few questions. Can you talk about -- like do you see in IT earnings greater in the second quarter than the first quarter? Maybe talk about some of the puts and takes in Q1?

Raviv Zoller
President & CEO

Yes. On IP, typically, the first quarter is seasonally higher. So we don't see a big difference between Q1 and Q2 this year, but we will see continued sequential growth. So we do expect higher prices and better results in the second quarter for IP. Second half, sorry.

Aviram Lahav
Chief Financial Officer

Yes.

Unknown Analyst

Right.

Okay. And then -- that's helpful. And then in potash, it's pretty stable for you there. A couple of things. So do you think pricing will be similar in the second quarter versus first quarter? And I know we talked about China India before a little bit on this call, but if we're not getting seaborne contracts in either country because there's out of rail shipments going to China and there seems to be a cargo like cargo-by-cargo more spot deals in India. As a company that sells a lot to both, do you think that the markets are changing and how potash will be sold to those countries, no longer seaborne contracts, maybe more [spar] cargoes? Or what do you think?

Raviv Zoller
President & CEO

We don't really see a significant shift. We don't see that -- I mean, railway deliveries sort of peaked last year. I don't think they're that economical anymore. So I don't really see them growing. Always there's regions that carry higher prices and that's how deliveries move. As you know, we're a price taker in the market, so we capitalize on maximum price opportunities that we have, and there is ample demand this year. So from our perspective, we don't see any significant change still Europe is a smaller market, but less of the suppliers are active in Europe. And obviously, the long-term trend is that China is becoming more dependent on [indiscernible]. So there'll be less Western product going to China. But other than that, we don't see any short-term shifts.

Unknown Analyst

And just on the Q2 price in Q2 for potash being similar to Q1 or not?

Raviv Zoller
President & CEO

So yes, Q2 is -- in our case, at this moment where we're almost sold out for Q2 were a few dollars less than I think we're about $6 to $7 less than first quarter. It's not final, but it shouldn't change more than 1% or 2%.

Aviram Lahav
Chief Financial Officer

And it's on the mix of the to -- the mix of sales can have a significant.

Raviv Zoller
President & CEO

Yes. Keep in mind that in the second quarter, our mix to Europe is a little lower. So that sort of tick prices up in the first quarter, our mix of sales.

Unknown Analyst

Okay. So my final question is on the polysulfide which we look for over a decades. It's something that you really try to push. And there's reasons why maybe you don't want to close the mine, play reclamation cost, you want to see what happens with Sirius Minerals

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and now Woodsmith. Question I have is -- a couple of questions. One, is polysulphate losing money this year again. assuming it is, at what point do you say the experiments over, we gave it a shot. And to what extent -- and we know what's going on in the news at Anglo and Woodsmith to what extent would Anglo either being bought or closing down Woodsmith or which have closed because it gets bought by someone else. To what extent would your decision on Boulby, Cleveland Potash to determine whether Woodsmith does get built or doesn't get built?

Raviv Zoller
President & CEO

First of our assumption is that it doesn't get built, to be honest, in the long run. Just the demand for the product is not enough to justify that kind of investment. As far as Working's done, we're looking at shorter term, we're looking a few years down the road. And right now, the product is about breakeven, which is disappointing, but it was very profitable in 2022, and it was marginally profitable in 2023. So we're looking for ways to further go downstream and turn it into a viable, sustainable business. But to tell you that we're 100% sure that it's going to be part of ICL 10 years from now. I can't say that yet.

Unknown Analyst

Just sorry for being greedy, following up on that, yes, it made money in '22, Raviv, but that was on potash price was 3x higher and not sustainable, right? So isn't that sort of the answer to the question that after 10 years, does it make sense going with it? I mean the other way to look at it would be -- how can you -- how much cash can you free up or how can you improve the balance sheet? Or how can the company be more simple if you did divest it or close it?

Raviv Zoller
President & CEO

The answer is yes and no. Because in some regions in the world, it's looked at for its commodity -- for the -- some of the commodity parts prices. But in other regions, and for example, in most of Europe, the product commands a premium because of it's being organic and also specific attributes that create the additional yields and additional profitability. So I would say the product is very well received in Europe. It's well received in some other regions, but it's still very much a commodity outside of Europe and North America. In Europe, the market opportunity is still -- that still exists is not that large. The opportunity in North America is larger.

I would say probably hundreds of thousands of tons, but not millions like something. So yes, the price of potash, obviously, is very significant in crazy times like 2022 because then those that buy the product as a commodity are also willing to pay a lot. But in normal years, the question is how much of a premium can the product demand. And ICL has been very successful in penetrating with the product in Europe, less so in the U.S. just in terms of the amount of penetration we've actually achieved, but the product is doing very well and the customers are very happy. So I do see a future for the product, but to tell you that we've made a final decision. The burden on the cash flow is relatively negligible. It doesn't move the clock on ICL.

Operator

Thank you. You have no further questions. Please proceed.

Raviv Zoller
President & CEO

Okay. So with that, thank you very much for participating in our call this quarter. We're happy to report to you on our progress and looking forward to reporting again next quarter. Thanks again to all of ICL employees for their great contribution, and we appreciate our shareholders and their trust in us. Thank you very much, and take care.

Aviram Lahav
Chief Financial Officer
Thank you.

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