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S&P Global Market Intelligence Estimates

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Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the ICL Fourth Quarter 2024 Earnings International Conference Call. [Operator Instructions] This call is being recorded on Wednesday, February 26, 2025.

I would now like to turn the conference over to Peggy Reilly Tharp, Vice President of Investor Relations. Please go ahead.

Peggy Reilly Tharp
Vice President of Global Investor Relations

Thank you, Joelle. Hello, everyone. I'm Peggy Reilly Tharp, Vice President of Global Investor Relations for ICL. I'd like to welcome you and thank you for joining us today for our earnings conference call. This event is being webcast live on our website at icl-group.com, and there will be a replay available a few hours after the live call, and a transcript will be available shortly thereafter.

Earlier today, we filed our reports and our presentation with the securities authorities and the stock exchanges in Israel and the U.S. Those reports as well as the press release and our presentation are available on our website. Please be sure to review the disclaimer on Slide 2 of the presentation.

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 information discussed on this call at any time. We will begin today with the presentation by our CEO, Mr. Raviv Zoller; followed by Mr. Aviram Lahav, our CFO. Also joining us today is Elad Aharonson, our incoming President and CEO. Following the presentation, we will open the line for a Q&A session.

I would now like to turn the call over to Raviv.

Raviv Zoller
President & CEO

Thanks, Peggy, and welcome, everyone. Thank you all for joining us for our 2024 annual earnings call. This will be my final call as ICL's CEO and I'm pleased to reflect on the past 28 quarters and to share our results with you once again today. While there are still some challenges related to the situation in Israel, we successfully managed to minimize the impact of war-related disruptions throughout 2024 and the situation is getting better now.

Please turn to Slide 3 for a brief overview of 2024, which wrapped up the year of continued market share gains for our specialties driven business. Sales were $6.841 billion, while adjusted EBITDA was $1.469 billion, representing a margin of 21%. Adjusted diluted earnings per share was $0.38 for 2024. Throughout the year, we maintained our overall momentum despite persistent potash pricing headwinds. For 2024, potash prices decreased 24% versus the prior year. However, our sustained focus on our specialties driven businesses helped drive annual EBITDA up 8% to these three segments: Industrial Products, Phosphate Solutions and Growing Solutions. In total, our specialties businesses represented 70% of 2024 EBITDA and 73% of fourth quarter EBITDA.

As always, we continue to focus on strong cash generation which resulted in free cash flow of $758 million for the full year. Additionally, we wrapped up the year by delivering a total of $242 million dividend distribution with an industry-leading dividend yield of 3.8%. Once again, even in a very challenging year, we delivered a total return ahead of our peers in 2024. We had a number of big wins in 2024 as we expanded strategic relationships and accelerated the launch of innovative new products across all of our specialties driven business. We also delivered on our efficiency plans for targeted cost savings. Finally, as I mentioned, we contained war-related disruptions in 2024 and maintained good production. And for 2025, we expect to move it [indiscernible] overall.

I would ask you to turn now to Slide 4 and a look at some key fourth quarter and full year financial metrics. As you can see, we ended the year close to the high end of our upgraded guidance with fourth quarter specialty-driven EBITDA of $253 million, up 20% year-over-year. We also delivered an increase in consolidated adjusted EBITDA margin for the fourth quarter, which came in at 22%, even as EBITDA decreased by $10 million year-over-year. Meanwhile, operating cash flow in the fourth quarter for this year was in line with the fourth quarter of 2023. And in my view, our balance sheet as we exited 2024 was the strongest in recent years.

Let's start with the review of our divisions and begin with our Industrial Products business on Slide 5. For 2024, sales of $1.239 billion were up slightly versus 2023, as was EBITDA of $281 million. For the traditionally soft fourth quarter, sales were down versus the prior year. However, EBITDA of $70 million improved significantly, up 25% on cost efficient. While EBITDA margin also showed a

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dramatic increase and moved up from 19% to 25%. For 2024, we continue to strengthen our partnerships and customer relationships as these long-term alliances contribute to our market share gains when it counts. We had another solid year for specialty minerals as sales increased year-over-year. Annual sales of clear brine fluids, which are used in the oil and gas industry, decreased versus the prior year due to drilling segments. However, these may begin to vary in a positive way due to recent policy shift.

Importantly, Industrial Products delivered a gain in its sales for its phosphorus based additive flame retardants in the fourth quarter. This business has begun to benefit from new antidumping measures implemented in the EU in 2024 and U.S. customers are also expected to be influenced for antidumping proceedings now pending in the U.S. As a result of this, we saw good customer uptake for our sustainable very phosphorus-based flame retardants with some key partners already transitioning production lines to this innovative product. In other new product news, industrial products recently unveiled a revolutionary sustainable solution for the treatment of biofilm.

On Slide 6, you will see our potash division results for 2024 with sales of $1.656 billion and EBITDA of $492 million. Our average potash price was down nearly $100 CIF per ton versus '23, while total sales volume was down approximately 127,000 metric tons at the same time. In total, we sold 4.6 million metric tons of potash in 2024, and we expect to benefit from our decision to defer some fourth quarter sales into 2025. In Spain, we had record potash production at our Suria site delivering more than 800,000 metric tons. Despite the war and while somewhat short staffed, we were able to maintain fairly normal as production levels in Israel. And while we still continue to face operational and logistical challenges at our Dead Sea operations, we adopted some long-term risk mitigation measures or related infrastructure issues.

In 2024, we saw a significant improvement in annual cost per ton at our Spanish operations and in total. For potash overall, we benefited from our ongoing operational and efficiency efforts in 2024 and we expect to see continued improvements in 2025.

Turning to Slide 7 in our Phosphate Solutions division where 2024 sales were $2.215 billion. Results in general, were ahead of our expectations despite lower white phosphoric acid prices as we benefited from favorable volume and mix as well as lower raw material costs. Commodity prices were also higher than expected in 2024, but lower versus the prior year. For the fourth quarter, we saw a slight year-over-year decrease in phosphate solutions sales as an increase in external sales do not offset lower internal sales. Annual EBITDA of $559 million (sic) [$549 million] also slightly decreased on a year-over-year basis. However, EBITDA margin expanded to 25%. We were able to improve this rate as we prioritize cost savings and production efficiencies through 2024. We also significantly benefited from higher volumes and lower raw material costs.

Our Phosphate Specialties results were aligned with market dynamics as expected. North America and Europe were relatively stable, but remained competitive, while South America was influenced by significant imports from China. Overall, we maintained our focus on market share and volume gains, while delivering new products and expanding our reach, including into cosmetics. We're also looking into additional food specialty opportunities, including geographic expansion, and in 2024, we introduced a new alternative dairy solution.

Our YPH joint venture in China delivered multiple production records, including another overall record year, continued strong demand for battery grade phosphate material. One of the strengths of our YPH facility is the ability to flex between customer demand for battery and agriculture solutions, and our team there does an excellent job of optimizing between the two.

In North America, we've been hosting customer meetings at our Battery Materials innovation and qualification Center in St. Louis, which became operational in less than 1 year. For our commercial LFP plant in the U.S., we are now finalizing the detailed engineering profit. As mentioned in previous earnings calls, we continue to align this capital spend to match anticipated customer demand time. For Europe, in January of this year, we signed a strategic agreement with Dynanonic, currently #2 in the world in capital material capacity to produce lithium iron phosphate at our existing site in [Sallent] Spain. While this project is currently only in its planning stages, it demonstrates our commitment to developing high-quality solutions for sustainable supply chain.

Turning now to Slide 8 and our Growing Solutions business division for 2024 sales of $1.950 billion were down year-over-year. EBITDA of $202 million increased 70% for the same time frame, while EBITDA margin of 10% expanded significantly versus the prior year. For the fourth quarter, we saw a similar improvement in EBITDA, which was up significantly and margin rate, which improved 12% from 3% in the fourth quarter of 2023. Overall growth and profitability was driven by efficiency efforts and improved product mix as well as lower raw material costs. In 2024, the business continued to target market share growth via both M&A and new product innovation. In the U.K., we completed a bolt-on acquisition toward the end of the year to strengthen our position in the surf and landscape market. While based in the U.K., GreenBest is reknown for its specialty granular and liquid nutrition products serving all global markets.

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In North America, we had record sales volumes in 2024 with strong growth in Mexico and Canada. In Asia, we achieved record-breaking annual sales volumes for Specialty Agriculture Fertilizers. Fourth quarter sales in Brazil were lower than expected due to significant currency fluctuations, site liquidity and soft soybean crop economics given lower commodity prices and margins. However, for the full year, we saw improved profitability and further market share growth in Brazil. In 2024, Growing Solutions entered the biological fertilizer business, delivered new product sales of more than $250 million and expanded its R&D efforts and innovation partnerships.

I would now like to wrap up with a few highlights on Slide 9. Once again, solid execution from across the entire company helped deliver winning results for ICL. We continue to drive long-term growth in specialties driven EBITDA, which meaningfully sets us apart from our commodity-based peers. We enhanced our partnerships across three of our specialty-driven businesses, Industrial Products, Phosphate Solutions and Growing Solutions as we strive to work with the best to achieve our goals and expand our presence globally. In some instances, this means extending customer relationships over the long term so we can both benefit during the good times and whether the bad times together. In other situations, we bring our expertise to our customers to help them succeed.

And of course, we are always working to find the best partners to help get our products to market in every region. We made three complementary acquisitions while also driving new product innovation. We will continue to innovate as it is an inherent part of ICL's DNA and one of the key areas that helps distinguish us. We advanced our battery material aspirations into Europe and receive partnership support as well as government funding, and we remain on track to strengthen our leadership positions in 2025. We are already leaders in bromine and specialty phosphates, and we are now moving to the top of Growing Solutions by consistently improving our market share and position.

As you can see on Slide 10, we delivered shareholder value ahead of our peers once again and a very challenging year for our industry, and in spite of geopolitical challenges well beyond our control. In 2024, we also actively managed various concession renewal efforts. And for the Dead Sea specifically, we provided feedback on the draft government report and participated in Knesset Committee meeting. During 2024, we also successfully settled a large portion of outstanding legal items. We also continue to advance our sustainability efforts and improved our rankings across multiple key global metrics.

And finally, on the occasion of my final earnings call with ICL, I want to thank my hard-working and dedicated team spread across the globe. Together, we shared the achievements of the past 7 years, and I would not have been able to reach this point without the support from each and every ICL employee. Thank you.

I also want to congratulate Elad Aharonson, our new CEO. Elad has earned his promotion by delivering proven business performance and clear demonstration of leadership skills. He is passionate about ICL's future opportunities, and he will join us today for our Q&A session so that you can get to know him. Good luck, Elad, from all of our ICL colleagues.

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 12 and take a look at some key market metrics. It's a truly global company, serving a variety of end markets, we look beyond fertilizer prices to a wider area of macro indicators.

Starting with inflation, where rates were fairly stable with the exception of Brazil, which saw a 40 basis point increase in inflation in the fourth quarter. Looking into January, inflation rates picked up in the U.S., EU and Israel, while China was flat, Brazil decreased slightly versus year-end rates. Interest rates increased in Brazil in the fourth quarter up approximately 150 basis points, while rates in the U.S., Israel and India was flat as rates in the EU and U.K. declined. For 2025, quarter-to-day interest rates are flat to declining for all countries with the exception of Brazil, which saw a 100 basis point increase versus the fourth quarter. Global industrial production growth of 2.4% was up approximately 70 basis points in the fourth quarter, with quarterly rates expected to be in the 2.9% to 3.3% range throughout 2025.

On a sequential basis, fourth quarter housing starts in the U.S. were up 11%. However, they trended back down to third quarter territory in January. Turning to Slide 13 and key fertilizer market metrics. Grain prices were mixed in the fourth quarter, with corn up 7% on a quarterly basis, while other core prices fell versus the third quarter. However, oil crops have improved quarter-to-date in 2025 versus the year-end with the exception of rights. Farmer sentiment in the fourth quarter improved dramatically over the third quarter, up more than 50%. The positive trend continued into 2025 as U.S. farmers retained the postelection optimism and sentiment rose another 5 points in January. Potash and foster prices continue to [diverge] as potash prices declined again in the fourth quarter, while phosphate prices increased versus the third quarter. Potash prices stabilized in January, while phosphate prices continue to climb up 4% since year-end.

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Like others in the industry, we expect global quota shipments for 2025 to be roughly in line with 2024 with a range of 71 million to 75 million metric tons. While there is a lot of global chatter in the industry, overall dynamics look good for 2025 and potash prices have gone up since the beginning of the year. Ocean freight rates decreased significantly in the fourth quarter, down approximately 22% versus the third quarter. In January, this dropped even further and for the month, daily rate it closed not seen since early in COVID.

On Slide 14, you can see some key market metrics for energy storage and electric vehicles and also overall demand trends for technical MAP and LFP phosphate, which continue to grow. For North America, we see expected future demand continued to shift more towards ESS users. For this quarter, we are also highlighting demand in Europe following the announcement of our joint venture agreement with Dynanonic to establish LFP production at our existing sites in Spain, where we are seeking government funding for our efforts.

If you will now turn to Slide 15, where we look at our full year sales bridges. On the left side, you can see the year-over-year change for each of our business divisions with potash once again, having an outsized impact on the year-over-year decrease in sales. However, I would like to point out the positive impact Industrial Products had on overall annual sales.

Turning to the right side of the slide, you can see the benefits received from higher quantities and also the impact of lower prices, once again, especially for potash and the FX exchange rate as on sales. On Slide 16, you can see the impact, lower potash prices had on our 2024 EBITDA of $1.469 billion. We were, however, able to [set] some of this impact higher quantities, lower raw material costs and improved production efficiencies.

Slide 17 provides a look at our fourth quarter sales bridges with potash once again having the biggest impact. In total, sales for the fourth quarter came in at $1.601 billion. On the right side of the slide, you can see the impact on prices and exchange rates.

On the left side of Slide 18, you can see the year-over-year change in quarterly EBITDA by segments. On the right side, the impacts from lower prices is apparent with increased quantities and lower raw material costs unable to offset the decline in pricing. Oil [indiscernible], the fourth quarter of 2024 EBITDA came in at $347 million, quite similar to the fourth quarter of 2023. Turning to Slide 19. Once again, ICL remained the leader in terms of average realized potash price as we continue to maximize the profitability of our cost-efficient resources.

On Slide 20, I would like to remind you of ICL's leadership position in the global bromine market, while roaming prices remain under pressure. The Dead Sea continues to be the most cost competitive source of bromine and accounts for approximately 2/3 of global supply capacity. If you turn to Slide 21, you can see how our business breaks down on both a regional basis and by division. For the fourth quarter, Asia and Europe were equally represented at 27% of sales while North South America were both around 20%.

Before we wrap up, I would like to share a few highlights on Slide 22. As Raviv mentioned, our balance sheet is strong and we ended the year with available resources of approximately $1.6 billion. Our net debt to adjusted EBITDA rate at quarter end remained at 1.2x. Once again, we are distributing 50% of adjusted net income to our shareholders, which translates to a total dividend of $52 million this quarter resulting in a trailing 12-month dividend yield of 3.8%. During the fourth quarter, we continued to prioritize test generation as we do consistently. Throughout 2024, we also remain focused on cost savings and efficiency efforts with results ahead of our expectations. Importantly, we maintain a consistent and disciplined approach to capital allocation which you can see demonstrated on Slide 23, which is the view I do not typically present.

As you can see, we have been able to deliver more consistent performance versus our peers during the [indiscernible]. Thanks to our focus on specialties and cash generation, which has resulted in more predictable growth and fewer surprises. Finally, if you turn to Slide 24, I would like to update you on our 2025 guidance. For our specialties driven business decisions, which include Industrial Products, Growing Solutions and Phosphate Solutions, we expect EBITDA to be between $0.95 billion to $1.15 billion in 2025. We expect total sales volumes to be between 4.5 million and 4.7 million metric tons and we expect our effective annual tax rate for 2025 to be approximately 30% in anticipation of higher potash prices.

I would, however, remind everyone that in the first quarter, our potash sales will be more heavily weighted toward our annual contracts with China and India, which are at lower prices than current market rates. Now before we begin the Q&A, I want to thank Raviv for his leadership over the past 7 years. I am proud to have served with them, and I look forward to partnering with Elad in 2025 and beyond. And with that, I would like to turn the call back over to the operator for Q&A.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from Ben Theurer with Barclays.

Benjamin M. Theurer
Barclays Bank PLC, Research Division

First of all, Raviv, all the best for your upcoming retirement in a few weeks. It was a pleasure working with you all the best and Elad, welcome on your new expanded role from growing solution into CEO. So I wanted to get that off first. Great, great stuff. So 2 questions I had for you. So number one was really just a more general maybe if you could talk a little bit about the demand drivers that you've been seeing and you just been laying out with the Phosphate Solutions business. I mean it feels like it was a very strong 2024. It was like one of the, call it, more commoditized still exposed ones but holding in fairly well over a year-over-year basis. So just wanted to understand like the underlying demand, be it what goes into food, what goes into fertilizer, what goes into battery materials. If you could share some incremental thoughts as to how you think about 2025 in Phosphate Solutions in particular. That would be my first question.

Raviv Zoller
President & CEO

All right. Thanks. So we had headwinds coming from WPA prices, which were trending down. But at the same time, we overcame that by increasing volumes. And the increase of volumes of specialty products has come primarily from expansion with additional innovation, innovative products to the food products in China where we set up a new production facility for specialties, new products in pharmaceuticals and for cement applications. We had a good pipeline of products, so we still have a great pipeline going forward into 2025. We expect now that prices forecasting has stabilized, and we expect continued volume growth in 2025. The overall market hasn't grown very much probably by 2% or 3%, but we've grown our market share through volume.

Benjamin M. Theurer
Barclays Bank PLC, Research Division

Okay. Got it. And then just a minor question. I would like to like kind of like understand what's behind that. And it's kind of like just general trade noise, et cetera, related. So in your press release, you highlighted that within Industrial Products, you've got better volumes, particularly in Europe because of certain duties on TCPP from China. So just wanted to understand what's behind that and how do you think about just the general setup on trade disputes, be it between Europe and China, U.S. and China, how you think this is going to play out? And just given your global footprint, how you're positioned in a market that seems to be more exposed to certain tariff or duty risks going forward?

Raviv Zoller
President & CEO

Okay. So thanks for that question. We have local production facilities in Europe and in the States that suffered injury from dumping prices from China. The product -- the Chinese product is also under threat, meaning that within the next 3 to 4 years, you won't be able to use that product anyway because of sustainability issues. And we have a new line product that meets all the sustainability requirements, and the injury and the antidumping taxation that comes with it allows us to replace the Chinese product currently in Europe because the antidumping has already ruled. And there's an ongoing process in the U.S., which at least our customers are pretty confident that we'll end our way because the -- some of them are already considering turning their production lines into -- with adaptations to using our product.

So the nice thing is that typically, antidumping processes are good for the short term for a year or 2 years or 3 years here. It's a whole new family of products that we call [very] well. That will replace the Chinese product and because they meet the sustainability requirements, they will stay for the long run. So this is a new market opportunity for us that has short-term implications for 2025 and more beyond that. This is for -- mainly for construction applications, and it's a good development for us. Actually, the P4-based products have been suffering for the past 1.5 years or so. Construction is also, as you know, has been -- has seen a very moderate demand. So overall, gaining market share in the construction application with a sustainable product that will give us the long-term sales with a very nice profitability is a very good development for us.

Operator

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Your next question comes from Kevin Estok with Jefferies.

Kevin Estok
Jefferies LLC, Research Division

I guess real quick, I mean, have you guys seen any Chinese bromine capacity exiting the market?

Raviv Zoller
President & CEO

We haven't seen the bankruptcies in the past 3 or 4 quarters. We saw 1 bankruptcy before that, but we have seen significant reductions of use of capacity both in China and also in [indiscernible]. And of course, we've replaced that -- we replaced a lot of that capacity that's coming out of the market. So again, reductions in production, not any significant bankruptcies yet.

Kevin Estok
Jefferies LLC, Research Division

Okay. Understood. And you touched on some more related issues and then also sort of tariff impact on trade flows. You got more local production. But I guess just -- I just wanted to get a sense of how you were thinking about the potentially rapid changes in the, I guess, situation in Eastern Europe politically for you guys as it relates to fertilizers?

Raviv Zoller
President & CEO

So from the perspective of demand, the demand is very solid for all types of major fertilizers. We expect, as Aviram said before, we expect above $70 million -- 70 million tonnes of potash, anywhere between 70 to 75 this year, which correlates with 2024. And in terms of what's happening in Eastern Europe, we don't expect that changes in the war situation or a significant impact things going forward because Belorussian and Russian products are entering into the market. Other volumes entering in the market. And actually, they have made supply-side decisions to limit some of that production coming into global trade. Belorussian has announced a million tons that are not coming into the market this year and just recently, a few days ago, Russians also said that they were going to go through unexpected maintenance operations and also limit some of the supply globally because of additional domestic needs.

So that and the potential tariffs in the U.S. They're much more significant than the change in the worst situation in the East. As far as the war in Israel, as you know, it's -- we're in a much better situation now. There is some of the issues we've had, had to do with people being on reserve duty and that means getting out of our maintenance routines. And getting back to our maintenance routines is quite a challenge, and it will take us a little more time to be completely back to normal probably until April when we have our annual shutdown and then we can actually finalize some of the processes. So that's a very significant thing. The other thing is, of course, transporting through the Red Sea, which has been a real problem to solve during the past recent months. I was trying not to say problem, to say challenge, but it's been a problem.

And of course, things look a lot better now. So supply chain, maintenance, production, Red Sea, all those things are looking much brighter for next year. Of course, potash prices are down trending up like we expected at the end of the year. And coming back to the beginning of the question, the Ukraine, Russian conflict is not going to be a major issue for global supplies. I'll just ask my colleagues if they want to add in if I miss something. Okay. I hope that answers.

Operator

[Operator Instructions] Your next question comes from Joel Jackson with BMO Capital Markets.

Joel Jackson
BMO Capital Markets Equity Research

It's been such a pleasure to work with you all these years. Good luck in your next chapter. A couple of questions for me. You obviously reiterated your specialty guidance or EBITDA guidance for the year, and we're talking about, of course, higher potash prices lately. Can you talk about -- in potash, like I imagine your outlook is better than it was 3 or 4 months ago when you gave your initial specialty guidance. But -- which is reiterate, like I said, I imagine you have a better potash outlook now than you did a few months, so is that fair?

Raviv Zoller
President & CEO

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We have a better outlook on pricing. If that was the question, on pricing and -- yes, look, what we have now is that prices are trending up, and they've actually gone up about 15% in the U.S. in the past month and a bit. And it looks like Chinese and Indian contracts that is going to happen very soon. And of course, they're going to -- at least it looks like they're going to show a nice increase in price. To give you exact numbers, it would be too early for that at this point.

Aviram Lahav
Chief Financial Officer

Maybe to add, Raviv, if I may. Just to add that we need to clear out of the way existing contracts that we have. So the average price, which will be obtained in Q1 is not necessarily indicative of the better effective prices that we have going forward. That you always need to take into account that there's a pipeline that we need to clear first. After that, of course, we are all watching and seeing the same things and there is good potential that prices will go up as we all know.

Raviv Zoller
President & CEO

And to give more flavor, typically, at this point, which is the end of February, we'd be sold out at least until the end of June. And we're not even sold out until the end of May and not because we don't have orders or demand, we have plenty. But every time we close the deal, we feel sorry that we didn't wait another week. So we're trying to manage that carefully and maximize our price opportunity this way.

Joel Jackson
BMO Capital Markets Equity Research

Would you say your lag is 3 months in the price books versus what we're seeing in the benchmark in the market, 2 months, 4 months? What would you say is kind of the lag?

Raviv Zoller
President & CEO

It's hard to say. It's mixed because in some geographies, it's way more than 2 or 3 months like in China because it's annual contract. And in the U.S., it's probably less than a month. So I would say mix probably less than a quarter.

Joel Jackson
BMO Capital Markets Equity Research

Okay. And then finally, we're obviously seeing -- it seems like we're seeing a lot of like incremental interest in ESS, even in what a lot of battery industry people might have thought 6 months ago, 12 months ago, I think we're seeing ESS-related lithium demand, for example, a 40%, 50% CAGR. Can you talk about what's going on in secondary storage, things you're seeing versus 3 months ago or 6 months ago? Like is this churning? At what rate and how fast it is going?

Raviv Zoller
President & CEO

I think there's a lag between government will and futuristic needs of major suppliers and the ability of the supply chain to adjust to the Western, the Western incentives, plans, governmental decisions. There's a lot of uncertainty around future policy, et cetera. So I think what we're seeing is that everybody is looking to see an inflection point to be assessed sometime in the next 2 or 3 years. And everybody is trying to time themselves. We ourselves are in the same situation where we're trying to time our large capital investments around LFP and not to make them too early before the market is ready to consume our product on the one hand. And on the other hand, not to make mistakes vis-a-vis potential policy changes that can hurt us.

So if we didn't have those uncertainties, we would have acted sooner as well. We understand the reason that the inflection point is not touchable yet. Nobody knows it's going to be in 2 years or 2.5 years or 3 years, but ultimately, EVs, the storage, the revolution has happened, the threshold, the 30% market share, what has been crossed in enough countries. So it's clear that things are happening. And the question is how dominant will the Chinese be. How dominant will government regulations be. And I think there are a lot of different opinions but ultimately, it's a matter of -- it's all a matter of timing. The demand is there. So it's just a matter of the timing and the behavior of commodity markets.

Joel Jackson
BMO Capital Markets Equity Research

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If I may follow up on that with one more on the same topic. Would you say, if you look at LFP demand for EVs versus LFP demand for ESS, would you say the transparency of the EV situation -- EV dynamic is much more transparent and it's much less transparent ESS? Would you characterize it that way?

Raviv Zoller
President & CEO

Maybe the insight that I can bring into the picture and you can see it on one of the wrong slides, was that the U.S. is more dominated by non-EV storage. And Europe is much more EV storage. And EV also, there's no united policy for all of Europe. So maybe things will happen faster at the country level. But that's the main difference between EV and non-EV storage. Very high demand in the U.S. unless -- and more easy in Europe. [indiscernible].

Aviram Lahav
Chief Financial Officer

Just one thing is, Joel, you need to we need to also understand that the end market for ESS, a static one and EVs, which is basically private citizens is quite different. So on the ESS side, I think it's now, let's put it this way. It would be more straight line in EVs. There's many questions. By the way, geographies can be quite different. And I have been told in certain meetings, not internal, in terms that the golden number is that in Europe, for instance, they need to get the car below the EUR 25,000 benchmark price Also, people are still -- they need to see how the cars age, and what it means, et cetera. And so the EV market, the regression line is, as Raviv said, it's very clear but around the can be quite a lot of pumps that we need to see [indiscernible].

Raviv Zoller
President & CEO

And there was also a significant shift to LFP technologies. So I mean as a raw material provider for [chem] material, we're actually selling a lot more this year than we sold last year due to the -- and it's not because the overall market for [chem] material has grown much. It's because the market share for LFP has increased considerably, and that's also a factor in everybody else [indiscernible].

Operator

Your next question comes from Laurence Alexander from Jefferies.

Laurence Alexander
Jefferies LLC, Research Division

I wanted to touch on the battery market from a different angle, which is -- to what degree do you think -- do you see you need to pull forward investments in the LFP downstream in order to hit your market share goals? I mean what -- in other words, to what extent are you seeing competitors ramp up capacity in response to the market opportunity?

Raviv Zoller
President & CEO

It's a great question. We see things are happening very slowly in the U.S. We don't see too many competitors moving forward, although everybody knows where the market is going because it requires significant CapEx. It requires committed customers. So we've pulled up our plans. I guess, so far by 14 or 15 months, and it could be more because we're not going to supply capital material before the cell factories are ready to produce. So that is the timing that is necessary. So some of that in the U.S. has to do with the adaptation of the adaptation to non-Chinese technology, which is not trivial. There are not a lot of competitors out there that are able to do that at this point.

I think in Europe, they actually started slower, but things may move faster because Europe is keen on allowing the Chinese to be involved, and they're not excluding Chinese technologies. So for us, for example, the safest place to partner with a #2 player in the world, Dynanonics, and go after the European market. So we may end up going after the European market faster than we originally expected and the U.S. market moves slower than we expected at the beginning. And it all has to do with making certain that we acted in a disciplined way with our CapEx and with our strategy.

Laurence Alexander
Jefferies LLC, Research Division

And if I may just -- go ahead.

Aviram Lahav

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Chief Financial Officer

No, no, Laurence. Go ahead, [indiscernible], if you have another follow-up on the LFP side, ask it, and then I'll try to answer.

Laurence Alexander
Jefferies LLC, Research Division

So it was just -- I just wanted just to touch on kind of the investment cycle for you. If you -- for you from going from the decision to go ahead with a new tranche of LFP capacity to being fully qualified and commercial. Can you give a sense for what that time frame is compared to the time frame it takes for the customer to convert their capacity to be able to use your non-Chinese supply? In other words, is your investment loop shorter or longer than the customer's decision, qualification, warranty loop? Do you see what I'm getting at?

Raviv Zoller
President & CEO

Yes, I do. And I think the answer is that for customers that are already in the market and producing cells, does the cycle is much shorter than some of the very large OEMs that have not done that yet. So the question is, who is the customer, the timing, once you have the technology and you have a qualified product, it takes anywhere between 18 to 36 months in order to have production set up after all the testing and the ramp-up and everything else. And it may be shorter with an experienced customer and longer with nonexperienced customer and also longer if you're using the new technology versus proven technologies. So obviously, to set up a new plant based on most advanced technology, partnering with Dynanonic is less complicated in setting up a new plant with a new technology that this work for the first time in the world. Please go ahead.

Aviram Lahav
Chief Financial Officer

I think, Laurence, the picture is, to some degree, more complicated because currently, the non-Chinese car manufacturers are not having a great success, one after the other and there are many reasons. Out of it is obviously the cost points that they can sell. Second is they're still trying to retrofit existing gasoline or diesel cars into electric, where well as the Chinese basically built a car around the computer and battery. And I believe if you look at the whole ecosystem of the non-Chinese car manufacturers, what they would have to do in order to survive is we take a fresh look at the full design of the cars, they are talking about, what they have to hit certain price points, and it's quite a natural that they need to go to. I'm sure you'll [indiscernible] for the industry. And therefore, I believe that now touching to [indiscernible] looking left and right, what we need to do is obviously do all the preparatory steps in order to have the shortest way once we decide to go to manufacture, but added in that [indiscernible] what is our entry when we start putting in the big dollars, and this is exactly what we're doing.

Raviv Zoller
President & CEO

And as far as the U.S. is concerned, just so we don't get fixated on EVs, stationary storage is our primary opportunity and also from the perspective of the expected timetable.

Operator

There are no further questions at this time. I will now turn the call over to Raviv Zoller for closing remarks.

Raviv Zoller
President & CEO

Okay. So I want to thank you for joining us again for our conference call, and ICL is entering 2025 in a good way. Some of our markets are stabilized. Some of our markets are looking up. The worst situation is more or less behind us and we're getting back to normal. We're going through a management transition, and it looks like we've managed through it in a good way. Very proud to give the ranges over to a very talented Elad Aharonson. And I suggest that in order to start your tradition, maybe you'll finish this conference call thanking our employees and, of course, introducing yourself, saying a few words. So please, Elad, and thanks to all of you for -- it's been great working with you, and ICL is a great company. It's a privilege to be part of it, and it's a privilege to launch shares income.

Elad Aharonson
President of Growing Solutions

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Thank you, Raviv, and hello, everyone. I'm happy to be here, happy and excited to be here. I'm with ICL for the last 4 years, mainly focus on fertilizers. Those days, I mean, my learning phase, onboarding process, which will be completed soon. I'd like to take this opportunity to thank Raviv for the significant transformation. ICL has undergone under his leadership. And specifically, for the support you provided to me also in this onboarding phase. And my last comment is to say thank you very much for the entire ICL employees all across the globe, which responsible for those results, and I'll be with you in the next quarter. Thank you.

Raviv Zoller
President & CEO

Thank you very much, everybody.

Operator
Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.

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