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Market Intelligence

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S&P Global Market Intelligence Estimates

Call Participants

EXECUTIVES

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ANALYSTS

Rahi Parikh
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Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the ICL First Quarter 2025 Earnings Call. [Operator Instructions] This call is being recorded on Monday, May 19, 2025.

And I would now like to turn the conference over to Peggy Reilly Tharp, VP ICL Global Investor Relations. Please go ahead.

Peggy Reilly Tharp
Vice President of Global Investor Relations

Thank you. 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 both Israel and the United States. 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 with the presentation by our CEO, Mr. Elad Aharonson; followed by Mr. Aviram Lahav, our CFO. [Operator Instructions].

And I would now like to turn the call over to Elad.

Elad Aharonson
President & CEO

Thanks, Peggy, and welcome, everyone, and thank you all for joining us for the First Quarter 2025 Earnings Call. It has been an interesting and busy first few months for me, and I'm pleased to share our results with you today.

Now if you will please turn to Slide 3 for a brief overview of the quarter. Sales were $1.767 billion, up 2% year-over-year and up 10% on a quarterly basis as the company demonstrated solid strategic execution. Specialties-driven sales of $1.412 billion were up 3% versus the first quarter of last year and up 15% versus fourth quarter. Consolidated adjusted EBITDA was $359 million, while specialties-driven EBITDA of $262 million was up 7% year-over-year and 4% on a quarterly basis. Specialties-driven EBITDA margin of 19% improved approximately 70 basis points versus the first quarter of last year.

Overall, market pricing trends began to gradually improve in the first quarter. However, I would remind you that for many of our businesses, there is a timing gap between published and realized price. Nonetheless, fertilizer fundamentals are strengthening, and there seems to be a feeling of general optimism. We are, of course, monitoring the global tariff and trade situation and developing different mitigation responses. In addition, we expect to leverage our already well-established regional production to continue to drive global growth with local focus, and Aviram will elaborate on this a little bit later in the call.

Our diversified global approach allows our specialties businesses to focus on local production for our customers and to provide customized solutions for the specific needs. Additionally, at present, there are no tariffs on potash. And bear in mind that we are able to reallocate products between markets as needed.

Let's start with a review of our divisions and begin with our Industrial Products business on Slide 4. For the first quarter, sales of $344 million were up 3% versus the first quarter of last year, while EBITDA of $76 million was up 6%. EBITDA margin improved to 22%, an increase of 60 basis points. This solid performance reflects good quarterly trends, which benefited from higher volumes. Better volumes drove our overall flame retardants sales to increase year-over-year with brominated products' sales up slightly. Phosphorus-based flame retardants improved on both higher volumes, mainly in the U.S. and in Europe, and also higher prices. Some of this improvement is related to recent antidumping measures implemented in the EU in 2024 and now also in the U.S., and we will continue to protect our markets when necessary.

While trends are generally improving, some of our key flame retardant end markets such as electronics and especially building and construction are still somewhat subdued. Bromine market prices picked up in the first quarter, but there have been different price fluctuations since that time related to ever-changing global tariffs and trade news. Regardless, change creates opportunities, and this is where our focus on R&D and innovation really stands out. It allows us to create solutions to help our existing customers with issues they might be experiencing and also enables us to develop targeted solutions for new customers.

On Slide 5, you will see our Potash division results for the first quarter with sales of $405 million and EBITDA of $118 million. Our average potash price for the first quarter was $300 CIF per ton, down when compared to the first quarter of last year, but up $15 per ton over the fourth quarter. As a reminder, similar to bromine prices, potash price improvement is not immediately reflected in our results as there is a gap of anywhere from 2 to 3 months. In the first quarter, potash sales volumes of 1.103 million metric tons increased by about 20,000 tons year-over-year with higher volumes mainly to Brazil and China.

I would point out that even as we were obligated to fulfil our annual 2024 contracts with China and India, which are at lower prices than the current market rates, we still work to maximize the profitability of our potash resources and to prioritize supply to the best global markets when possible.

For the second quarter, we expect to deliver approximately another 150,000 tons to China and India under the existing contracted rates. [At the Dead Sea], in the first quarter, we addressed some operational issues related in part to the war. And in April, we completed the full and successful maintenance shutdown there. We invested to stabilize operations and expect these efforts to help to drive improved output and efficiency as the year progresses. At our potash operations in both Spain and Israel, we remain intent to driving operational and efficiency efforts. In Spain, we are focused on debottlenecking and also using innovation to optimize mining activity, improve reliability and to meet sustainability targets.

Turning to Slide 6 and our Phosphate Solutions division where first quarter sales of $573 million were up 3%, while EBITDA of $139 million increased 6% and EBITDA margin expanded to 24%. The improvement in the quarter was generally driven by strength in commodities due to firm global demand and higher prices. As expected, our Phosphate Specialties results were in line with market dynamics as pricing remained under pressure due to overcapacity of purified phosphoric acid, including TPA and WPA.

Industrial phosphate saw increases in both sales and volumes in all major regions. However, an increase in food phosphate volumes was not able to offset lower market price. In China, sales for our YPH joint venture increased year-over-year with higher prices and volumes and favorable product mix. As a reminder, our YPH operations serve both Phosphate Commodities and Specialties and also Growing Solutions business. And the team there does an excellent job of optimizing its resources. We recently had a management change in Phosphate Solutions, and Nadav Turner, who successfully served as CEO of YPH for the past 5 years, has been appointed President of Phosphate Solutions, replacing Phil Brown. The business will continue to be focused on maintaining market share and volume gains and on targeting geographic expansion for both the food and industrial specialty phosphate solutions.

Turning now to Slide 7 and our Growing Solutions business division, where first quarter sales of $495 million were up 3% year-over-year while EBITDA of $47 million increased 12%. This improvement was driven by a solid strategic execution of our growth plan including the addition of regional acquisitions in 2024, like Custom Ag Formulators in the U.S. and GreenBest in the U.K and as we expanded locally in China. We saw higher sales in China in the first quarter with strong volume growth and meaningful contributions from our biostimulant product offerings.

In North America, we saw a strong start of the year with both higher sales and profitability due to good demand for specialty fertilizers. In Brazil, sales increased year-over-year as did volumes and both B2B and B2C sales also improved. Going forward, we expect Brazil to be a beneficiary of recent uncertainty related to tariffs, and we plan to maximize our business there to benefit from any shifts in global trade. In Europe, saw good growth in our turf and ornamental business, and we expect to continue to drive growth from our innovative new offerings and a shift to biostimulant products.

As you know, biologicals have been a big focus for ICL. And in early April, we acquired Lavie Bio, a leading ag biological technology company. This acquisition further advances our goal of becoming a global powerhouse in ag biologicals and helps us to position ICL at forefront of this vibrant and sustainable new market. This is in addition to other innovative new products we have developed, including the recent launch of BEOZ in Italy, Poland, France, Spain and Germany. BEOZ is new range of biostimulants for Europe, which was engineered to ensure crops reached their full potential by improving establishment, promoting growth, increasing flowering and fruit setting and enhancing tolerance to and recovery from stress.

And with this, I would now like to turn the call over to Aviram for a brief financial overview before I share an update on our guidance and outlook for 2025.

Aviram Lahav

Chief Financial Officer

Thank you, Elad, and to all of you for joining us today.

Let us get started on Slide 9 and take a look at some key market metrics. As a truly global company, supplying a wide variety of end markets, we look at a number of macro metrics, including inflation. Rates were fairly stable for the U.S. and EU in the first quarter, while Brazil saw a 30 basis point increase. In China, inflation turned slightly negative by quarter end, as consumer prices fell by 0.1% year-over-year in March, marking the second consecutive monthly decrease.

Turning to interest rates, which increased again in Brazil this quarter, up approximately 200 basis points versus the fourth quarter of 2024. Rates in the U.S. and Israel were flat in the first quarter while the EU, U.K. and India also decreases of between 20 to 50 basis points. Global industrial production growth was 2.9% in the first quarter, up approximately 80 basis points versus the fourth quarter. Growth is forecasted to ease slightly in the second quarter and then level off to 3.1% for the remainder of 2020.

Lastly on this slide, let us look at first quarter housing starts in the U.S., which decreased 13% after improving at roughly the same rate in the fourth quarter of 2024.

Turning to Slide 10 and key fertilizer market metrics, which are clearly relevant for our Potash business, but also for our Growing Solutions and Phosphate Commodities. In the first quarter, the Grain Price Index was up slightly on a sequential basis. Corn, wheat and soybean prices all improved, with corn seeing both the biggest quarterly gain and growth on a year-over-year basis. In the U.S., corn annually uses more than 2 million tons of potash and that is about 0.5 million tons more than the amount used by soybean crops and significantly more than wheat.

Farmer sentiment in the first quarter increased slightly on a sequential basis but was up significantly versus the first quarter of last year. In April, farmer sentiment improved further with increases in both current conditions and future expectations as farmers overwhelmingly report that they expect the increased use of tariffs by the U.S. to prove beneficial to the U.S. agricultural economy in the long run. Potash and phosphate prices both increased sequentially in the first quarter, with potash prices up approximately 9%, while phosphate growth was at approximately 4% as the chart data shows. In the first quarter, ocean freight rates increased by about 8% sequentially, but were down nearly 30% versus the first quarter of last year.

Turning to Slide 11 and some new market indicators, which are more relevant for our Industrial Products and Phosphate Solutions businesses. Let us start with Chinese bromine prices, which improved in the first quarter and fluctuated down and then back up since quarter end. While there are no available forecasts for bromine prices, there are for specialty phosphate demand, which is expected to continue to increase at a steady pace over the next 5 years. Since 2020, global demand for LFP grade phosphate grew at a CAGR of more than 100%, while technical MAP improved at a more sedate but still aggressive pace of 17%. As many of you know, we currently produce LFP grade phosphates for use in EV battery in China. However, we also supply bromine and phosphate based solutions to the global auto market, which is expected to grow approximately 25% over the next 15 years.

From semiconductor chips to windshields and from seats to tires, ICL solutions make cars safer and more efficient. They even make the roads we drive on smoother and safer by extending the life of asphalt and preventing potholes. So regardless of what kind of engine your next cars have, we are an important and necessary part of the automotive end market. Our bromine and phosphate solutions are also used in many everyday consumer goods, including pharma, nutraceutical products and food and beverages. Over the past 5 years, revenues for the consumer products industry have improved more than 7%. While companies have relied on price increases for some of that expansion, they have also looked to innovation and efficiency to drive profits and growth, and our specialty solutions have helped them achieve their goals.

If you will now turn to Slide 12 for a look at our year-over-year sales bridges for the first quarter. Sales came in at $1.767 billion, up 2% versus last year. On the left side, you can see the change of each of our business divisions with all, excluding potash, demonstrating growth.

Turning to the right of the slide, you can see the benefit received from higher quantities, but also the impact of lower prices and exchange rate fluctuations on year-over-year sales growth.

On Slide 13, you can once again see the impact lower potash prices had on our first quarter EBITDA of $359 million. We were, however, able to offset some of the price impact through overall higher quantities and lower raw material and transportation costs.

Turning to Slide 14 and a look at some of our leading positions in terms of cost, quality and price, even as we continue to service our 2024 potash contracts with China and India in the first quarter, we still maintained our leadership position in terms of average realized potash price.

On the right side of the slide, you can see ICL's leadership position in the global bromine market. Bromine prices appear to be somewhat stabilizing and the Dead Sea remains the most cost-competitive source of bromine and accounts for approximately 2/3 of global supply capacity.

If you turn to Slide 15, you can see how our global business looks on both divisional and regional basis. For the first quarter, Europe represented approximately 35% of sales with Asia at 24%. North America came in at 20% and South America represented 16% of total sales.

I would like to stress the importance of our regional strategy by asking you to turn to Slide 16. Here, you can see the breadth and depth of ICL's footprint. In total, we operate more than 40 production sites in 13 different countries with many of our specialties products manufactured and sold regionally. For example, between 60% to 70% of our specialty sales in the U.S. are produced in the U.S., and this is an important strategic advantage for ICL. Additionally, as potash is currently exempt from U.S. tariffs, we believe the implication of the new global trade situation will not be material to ICL.

Before I turn the call back over to Elad, I would like to share a few highlights on Slide 17. Our balance sheet remains strong, and we ended the quarter with available resources of approximately $1.5 billion. Our net debt to adjusted EBITDA rate at quarter end remained at 1.2x, and we delivered operating cash flow of $165 million. Once again, we are distributing 50% of adjusted net income to our shareholders, which translates to a total dividend of $55 million this quarter, resulting in a trailing 12-month dividend yield of 3.2%.

In the quarter, we maintained our consistent and disciplined approach to capital allocation and also remained focused on cost savings and efficiency efforts.

And with that, I would like to turn the call back over to Elad for a review of our guidance.

Elad Aharonson
President & CEO

Thank you, Aviram. If you will turn to Slide 19, I would like to confirm that we are maintaining our 2025 guidance. For our Specialties-driven business divisions, which include Industrial Products, Growing Solutions and Phosphate Solutions, we continue to expect EBITDA to be between $0.95 and $1.15 billion in 2025. We expect potash sales volumes to be between 4.5 million to 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. However, I would remind everyone once again that we will still be fulfilling our annual potash contracts with China and India in the second quarter. In addition, our annual potash guidance does not include price parameters, however, we support the market expectation that prices will increase. Additionally, we have not made any guidance concessions for potential tariffs as we await further clarity on this topic. With that said, our calculation based on the current situation indicates any impact for 2025 would be de minimis. However, we are aware of the possibility for further changes.

On Slide 20, you can see a few of the areas we are focused on this year. While there has been a change in the leadership at ICL, and I plan to share more clarity about my vision for the company later this year, there has not been a shift in our overall strategy. We will continue to drive growth in our specialty businesses, which help to differentiate ICL from our more commodity-based peers. We will also continue to maximize our potash sales volumes by prioritizing the markets with the highest prices when possible as we have done in the past.

Market prices are improving in many areas, including for potash and bromine, and we expect to benefit from higher rates as the year progresses. But we do not intend to relay on just passing through price increases for growth, rather, we will continue to drive cost savings efficiencies. We will also look to operational enhancement to address some of our recent production issues. Innovation will remain key to ICL's future growth, and we will continue to develop new products in partnership with existing clients and to provide solutions to new clients.

Our acquisition strategy remains the same, and you can expect to see additional complementary M&A activity. Indeed, some of our recent acquisitions like Custom Ag Formulators have helped to expand our presence in regional markets and allows us to provide local production for local customers, and we have been moving in this direction for quite some time. This is one of the benefits of having a truly global workforce. It enables us to look to our trusted coworkers in different regions for their insights and to work with them on finding the right solutions. I would like to thank all of my colleagues around the world for a good quarter, and I look forward to sharing many more with them.
And with that, I would like to turn the call back over to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Benjamin Theurer from Barclays.

Rahi Parikh
Barclays Bank PLC, Research Division

This is Rahi on for Ben. First off, congrats on the results. Just wanted to move into potash. So do you see any different trade flows of your Asian players saying that to shut down capacity in 2Q? And there are some market ideas that these players, if they produce above their normal capacity utilization, maybe 96% versus the normal high 80%. And there won't be any undersupply, but just relative tightness given the low spot availability. So just wondering what you think about that. Is it likely that they would like perform by that 96% capitalization, or what do you think the tightness will be in the market in 2Q, just ideas on that in terms of pricing impact.

Peggy Reilly Tharp
Vice President of Global Investor Relations

Rahi, can you repeat the first part of that question for me please?

Rahi Parikh
Barclays Bank PLC, Research Division

Yes, of course, here. Easy if I talk like this. Right, so first, I think that if you see any different trade flows with your Asian players saying they have to shut down capacity in 2Q. So just if you see anything different happening, if you actually see the impacts from cut capacity as they had announced. And then again, there's some market ideas like some of our data platforms that if either Asian players produce above their normal capacity utilization. So I think normally, it's high 80%. But if they go to maybe high 90s, there won't be undersupply, but still relative tightness. Just maybe what you think about that, if you think high 96% is normal -- or sorry, high 96% is doable, is the word. Just maybe your thoughts on general tightness that could happen in 2Q.

Peggy Reilly Tharp
Vice President of Global Investor Relations

I guess my question would be, who are you lumping in with your Asian players, that would be very key.

Rahi Parikh
Barclays Bank PLC, Research Division

Sorry, yes, of course, like I'm going to pronounce some words. On the EuroChem you clearly -- like those three players that are coming...

Peggy Reilly Tharp
Vice President of Global Investor Relations

Okay. So Belarusian and Russian players?

Rahi Parikh
Barclays Bank PLC, Research Division

Yes, yes. Let's say both.

Peggy Reilly Tharp
Vice President of Global Investor Relations

Well, there's been a lot in the news and in even analyst reports that I'm sure you've seen, which, first, those players say they're going to be not able to keep up to production, then they actually exceed expectations. So to be honest with you at, what they say and what they do isn't always the same thing. And obviously, we do keep an eye on that. But I think it's actually kind of difficult to answer the question when they're a little bit not very transparent in their actions, if that helps at all.

But I think it looks like prices are moving in the right direction. Supply is pretty stable. Demand should be good. You heard what we said about corn and potash in the U.S. My only caution, and I think Elad made this very clear on the call, is that we know we still are supplying those India and China contracts, and we know there -- for 2024, and we know they're at much lower rates, and that will be going into the second quarter. So it would be great if we would see more of that benefit from improving pricing, but we'll be a little bit delayed for us, if that helps at all.

Rahi Parikh
Barclays Bank PLC, Research Division

Yes. And just wanted to see if you have more color on the mix shift that you mentioned for Brazil and Growing Solutions, and that would be it.

Peggy Reilly Tharp
Vice President of Global Investor Relations

Sure. Actually, yes, Brazil had obviously good B2B and B2C business. Specialties are very strong there. So it's doing very well with the acquisitions we made several years ago. And I would say we saw something a little similar in North America where we added Custom Ag Formulators, and in fact, saw higher specialty growth for Growing Solutions there as well. So just -- and that's going around actually the world. We've mentioned that in the EU, we're seeing good biostimulant sales. So I hope that helps.

Operator, do we have any further questions?

Operator

[Operator Instructions] And there are no further questions at this time. I will now hand the call back to Peggy Reilly Tharp for any closing remarks.

Peggy Reilly Tharp
Vice President of Global Investor Relations

Well, thank you all for joining us today. We really appreciate you learning more about our first quarter results, and we look forward to sharing our second quarter results with you later this summer. Take care.

Operator
And this concludes today's call. Thank you for participating. You may all disconnect.