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Grupa Azoty Group posts stable financial results despite ongoing pandemic

The Grupa Azoty Group booked a second-quarter net profit of PLN 57m, up PLN 22m year on year. Consolidated revenue came in at PLN 2,269m in the second quarter, which is PLN 469m less than in the corresponding period of 2019. EBITDA stood at PLN 315m, with EBITDA margin at 13.9%, a year-on-year increase of PLN 29m and 3.4pp, respectively.

The second-quarter results were largely driven by the current market conditions brought on by the COVID-19 pandemic. Despite the challenging market environment, the second quarter saw completion of the work to raise funding for the Grupa Azoty Group's landmark capital investment project Polimery Police.

The Group's revenue for the first six months of 2020 was PLN 5,373m, with EBITDA at PLN 753m and EBITDA margin at 14.0%, down PLN 730m (revenue), PLN 123m (EBITDA) and 0.3pp (EBITDA margin) year on year.

'Over the past few months the Grupa Azoty Group faced a number of challenges relating to the ongoing coronavirus pandemic. No major disruptions in the execution of our contractual sales plan and no delays in payments from trading partners were reported by our key Fertilizers segment. The situation remains stable, supported by continued low gas prices. As expected, the plastics market, already marred by problems in the automotive and electrical engineering industries, was badly hit by the pandemic. More plant shutdowns by manufacturers along the segment's value chain further upset the demand-and-supply balance, dragging down prices and revenue from sales of caprolactam and polyamides. The situation is more complex in Chemicals, where prices and demand for NOXy, OXO alcohols and melamine are trending downwards, whereas titanium white prices remain largely unaffected by the pandemic. The pandemic has demonstrated how important it is to diversify business activities. This is particularly worth noting because, despite the extremely challenging time, we have managed to secure funding for the Polimery Police project. Construction work is currently under way on all of the five subprojects, and our priority is to maintain the project delivery momentum,' **said Wojciech Wardacki, President of the Management Board of Grupa Azoty S.A.**

Fertilizers

In the second quarter of 2020, Fertilizers posted revenue of PLN 1,401m (including PLN 365m contributed by Compo Expert), compared with PLN 1,572m a year earlier, with EBITDA margin at 11.6% (compared with 11.8% in the same period last year). Total revenue for the first and second quarters of 2020 reached PLN 3,328m (including PLN 844m contributed by Compo Expert) and EBITDA margin came in at 13.6%, down on the previous year's figures (revenue of PLN 3,669m and EBITDA margin of 16.0%). As expected, sales volumes decreased slightly in the second quarter of the year. Given the year-on-year volume growth reported in the first quarter, the combined volume of fertilizers sold in the first and second quarters slightly rose year on year. Lower prices on most of the segment's products (except for Compo Expert, which sold products at higher prices in each product category) had only a minor adverse impact on margins.

Plastics

Revenue dropped by ca. 10% in the first quarter of 2020, and declined further in the following months, by 44%, to PLN 218m (down PLN 163m year on year), with EBITDA margin at -6.3% (down 11.4pp year on year). Year to date, total revenue was PLN 591m (down PLN 199m year on year), and EBITDA margin came in at -2.0% (down 10.9pp year on year). The plastics market was particularly hard hit by the pandemic. The prices of natural polyamide and caprolactam fell year on year, by 19% and 40% respectively, in the second quarter. Demand was soft in both Europe and Asia. Sales volumes shrank by a third year on year in the second quarter.

Chemicals

Year on year, segment revenue fell 22.2%, to PLN 531m, in the second quarter, with EBITDA margin up 13.0pp, to 20.5%. Year to date, revenue and EBITDA margin amounted to PLN 1,216m (down 15.2% year on year) and 16.6% (up 6.3pp year on year), respectively. Sales volumes and prices of all of the segment's key products (except for titanium white) fell during the period. Prices of key feedstocks used in the production of alcohols and plasticizers (propylene and terephthalic acid) markedly declined. Despite a decline in sales volumes and prices, the segment's margin rose year on year, reflecting impairment losses on property, plant and equipment recognised in operating expenses in the second quarter of 2019 and compensation for higher electricity costs caused by the increased cost of CO_2 emission allowances, which was booked in the reporting period(compensation income was also recognised in other segments).