

# Itafos Reports Strong Q1 2021 Results, Raising Full-Year 2021 Guidance

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## Q1 2021 Key Highlights

- revenues of \$90.1 million
- adjusted EBITDA of \$20.7 million
- net income of \$1.9 million
- free cash flow of \$14.8 million

## Revised FY 2021 Guidance

- increased adjusted EBITDA guidance to \$95-105 million
- maintained maintenance capex guidance at \$20-25 million
- increased growth capex guidance to \$12-17 million
- increased free cash flow guidance to \$40-50 million

## CEO Commentary

"We delivered excellent operational and financial performance during Q1 2021, generating adjusted EBITDA at Conda of \$24.2 million and \$20.7 million on a consolidated basis," said G. David Delaney, CEO of [Itafos](#). "Our Q1 2021 results reflect significantly improved market fundamentals and continued strong operational performance at Conda. We expect these positive trends to continue and have increased our full year guidance for 2021 accordingly."

"In addition, we continue to advance our plans to optimize the cash returns of the business through capital-lite spending alternatives and evaluation of strategic alternatives for our assets outside of North America," added Mr. Delaney.

TORONTO, May 13, 2021 -- [Itafos](#) (TSX-V: IFOS) (the "Company") reported today its Q1 2021 financial results and operational highlights. The Company's financial statements and management's discussion and analysis for the three months ended March 31, 2021 are available under the Company's profile at [www.sedar.com](#) and on the Company's website at [www.itafos.com](#). All figures are in thousands of US Dollars except as otherwise noted.

## Q1 2021 Market Highlights

DAP NOLA prices averaged \$500/st in Q1 2021 compared to \$272/st in Q1 2020, up 84% year-over-year driven by strong agriculture and phosphate fertilizer market supply and demand dynamics. Specific factors driving the year-over-year improvements were as follows:

- no significant phosphate fertilizer supply capacity additions, which resulted in continued drawdown of global phosphate fertilizer inventory levels;
- steady phosphate fertilizer demand growth underpinned by higher global crop prices; and
- CVD orders confirmed by the US ITC on phosphate fertilizer imports to the US from Morocco and Russia.

## Q1 2021 Financial Highlights

The Company's revenues, adjusted EBITDA, net income and free cash flow were all up in Q1 2021

compared to Q1 2020 as follows:

- revenues of \$90,142 in Q1 2021 compared to \$75,361 in Q1 2020;
- adjusted EBITDA of \$20,658 in Q1 2021 compared to \$(788) in Q1 2020;
- net income of \$1,901 in Q1 2021 compared to net loss of \$(18,289) in Q1 2020; and
- free cash flow of \$14,774 in Q1 2021 compared to \$(7,886) in Q1 2020.

The Company's total capex spend in Q1 2021 was \$2,823 compared to \$3,325 in Q1 2020 with the decrease driven by timing of activities related to extending Conda's mine life through permitting and development of H1/NDR and gyp stack expansion during 2020.

The Company's net debt at the end of Q1 decreased to \$228.3 million from \$233.9 million at the end of 2020 with the decrease primarily a result of higher cash and cash equivalents, which was partially offset by in-kind interest related to the Credit Facility and Promissory Note.

## Q1 2021 Business Highlights

### *EHS*

- continued corporate-wide risk mitigation measures to address potential impacts to employees, contractors and operations as a result of the COVID-19 pandemic resulting in no material impact on operations; and
- sustained environmental, health and safety excellence, including no environmental releases and one recordable incident, which resulted in a TRIFR of 0.89.

### *Conda*

- generated revenues of \$90,142 in Q1 2021 compared to \$70,932 in Q1 2020 with the increase primarily due to higher realized prices, which were partially offset by lower sales volumes due to timing of MAP lifting and lower SPA production;
- produced 145,191 tonnes in Q1 2021 compared to 138,896 tonnes in Q1 2020 with the increase primarily due to ramp up of MAP+ production and higher APP production, which were partially offset by lower MAP and SPA production;
- generated adjusted EBITDA at Conda of \$24,164 in Q1 2021 compared to \$8,295 in Q1 2020 with the increase primarily due to higher realized prices, which were partially offset by lower sales volumes and higher input costs;
- recorded net income at Conda of \$14,764 in Q1 2021 compared to \$955 in Q1 2020 with the increase primarily due to the same factors that resulted in higher adjusted EBITDA and lower depreciation and depletion, which were partially offset by higher finance and income tax expenses;
- advanced activities related to extending Conda's mine life through permitting and development of H1/NDR, including advancement of the NEPA EIS preparation and public engagement process;
- advanced activities related to the optimization of Conda's EBITDA generation, including:
  - continuation of the ramp up of MAP+ production and sales volumes,
  - advancement of a new initiative to produce and sell HFSA, including completion of a concept study, initiation of detailed engineering and design and advancement of a potential long-term offtake agreement (see Financial Guidance below); and
  - advancement of the MgO reduction initiative to enhance SPA production, including test work with the use of enhanced grinding, attrition scrubbing and flotation.

### *Other Segments*

- maintained the idling of Arraias following best practices;
- maintained Farim at construction ready state while optimizing costs; and
- continued corporate-wide cost savings initiatives.

### Market Outlook

The Company expects the current global agriculture and phosphate fertilizer fundamentals to remain bullish throughout the remainder of 2021. Accordingly, the Company has increased its previously provided adjusted

EBITDA and free cash flow guidance for H1, H2 and FY 2021 (see Financial Guidance below). Specific factors the Company expects to influence the continued strength in the phosphate fertilizer markets are as follows:

- no significant phosphate fertilizer supply capacity additions, resulting in continued drawdown of global phosphate fertilizer inventory levels;
- continued strong phosphate fertilizer demand underpinned by global coarse grains and oilseeds reaching multi-year low stocks-to-use ratios and the highest prices in nearly a decade, the effects of which are expected to continue beyond the current growing season; and
- continued strong pricing and volume fundamentals in the North American phosphate fertilizer markets reflecting the solid demand fundamentals, depleted inventory levels and higher crop prices.

## Financial Guidance

The Company has revised its guidance for 2021 as follows:

<i>(in millions of US Dollars)</i>	H1 2021	H2 2021	FY 2021
Adjusted EBITDA	\$ 45-50	\$ 50-55	\$ 95-105
Maintenance capex	16-20	4-5	20-25
Growth capex	4-6	8-11	12-17
Free cash flow	20-25	20-25	40-50

The Company's revised guidance for FY 2021 is explained as follows:

- increased adjusted EBITDA guidance to \$95-105 million (previously \$80-90 million) to reflect the Company's view of expected H2 2021 prices at Conda, including the current DAP NOLA prices (100% of Conda's MAP is sold under a long-term offtake agreement with pricing indexed to DAP NOLA on an average three-month trailing basis) and higher reset prices for SPA;
- maintained maintenance capex guidance;
- increased growth capex guidance to \$12-17 million (previously \$8-13 million) to include the capex investment at Conda to produce and sell HFSA; and
- increased free cash flow guidance to \$40-50 million (previously \$25-35 million) to reflect the increase in adjusted EBITDA guidance.

## Business Outlook

The Company continues to execute on its strategy, which is focused on the following:

- advancing capital raising initiatives;
- extending Conda's current mine life through permitting and development of H1/NDR;
- optimizing Conda's EBITDA generation;
- maintaining the idling of Arraias following best practices while evaluating strategic alternatives;
- maintaining Farim at construction ready state while evaluating strategic alternatives;
- maintaining the integrity of the concessions of Santana and Arax? while evaluating strategic alternatives;
- advancing the wind down of Paris Hills and Mantaro; and
- continuing corporate-wide cost savings initiatives.

## About Itafos

The Company is a phosphate and specialty fertilizer platform with strategic businesses and projects located in key fertilizer markets.

The Company's businesses and projects are as follows:

- Conda - a vertically integrated phosphate fertilizer business with production capacity of approximately 550kt per year of monoammonium phosphate ("MAP"), MAP with micronutrients ("MAP+"), superphosphoric acid ("SPA"), merchant grade phosphoric acid ("MGA") and ammonium polyphosphate ("APP") located in Idaho, US;

- Arraias - a vertically integrated phosphate fertilizer business with production capacity of approximately 500kt per year of single superphosphate ("SSP"), SSP with micronutrients ("SSP+") and approximately 40kt per year of excess sulfuric acid located in Tocantins, Brazil;
- Farim - a high-grade phosphate mine project located in Farim, Guinea-Bissau;
- Santana - a vertically integrated high-grade phosphate mine and fertilizer plant project located in Par?, Brazil;
- Arax? - a vertically integrated rare earth elements and niobium mine and extraction plant project located in Minas Gerais, Brazil;
- Paris Hills - a high-grade phosphate mine project located in Idaho, US; and
- Mantaro - a phosphate mine project located in Junin, Peru.

The Company's principal shareholder is CL Fertilizers Holding LLC ("CLF"). CLF is an affiliate of Castlelake, L.P., a global private investment firm.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the trading symbol "IFOS". The Company's registered office is at Uglund House, Grand Cayman, Cayman Islands KY1-1104.

For more information, or to join the Company's mailing list to receive notification of future news releases, please visit the Company's website at [www.itafos.com](http://www.itafos.com).

### Non-IFRS Financial Measures

The Company considers both IFRS and certain non-IFRS measures to assess performance. Non-IFRS measures are a numerical measure of a company's performance, that either include or exclude amounts that are not normally included or excluded from the most directly comparable IFRS measures. In evaluating non-IFRS measures, investors, analysts, lenders and others should consider that non-IFRS measures do not have any standardized meaning under IFRS and that the methodology applied by the Company in calculating such non-IFRS measures may differ among companies and analysts. The Company believes the non-IFRS measures provide useful supplemental information to investors, analysts, lenders and others in order to evaluate the Company's operational and financial performance. These non-IFRS financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with IFRS.

Non-IFRS measures included in this news release are defined as follows:

- "EBITDA" as earnings before interest, taxes, depreciation, depletion and amortization;
- "Adjusted EBITDA" as EBITDA adjusted for non-cash, extraordinary, non-recurring and other items unrelated to the Company's core operating activities;
- "Total capex" as additions to property, plant, and equipment and mineral properties adjusted for additions to asset retirement obligations, additions to right of use assets, capitalized interest and technical studies;
- "Maintenance capex" as portion of total capex relating to the maintenance of ongoing operations;
- "Growth capex" as portion of total capex relating to development of growth opportunities;
- "Cash growth capex" as growth capex less accrued growth capex;
- "Free cash flow" as cash flows from operating activities, which excludes payment of interest expense, plus cash flows from investing activities less cash growth capex; and
- "Net debt" as debt less cash and cash equivalents plus deferred financing costs.

Reconciliations of non-IFRS measures to the most directly comparable IFRS measures are included in the Company's management's discussion and analysis available under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.itafos.com](http://www.itafos.com).

### Other Defined Terms

Other defined terms included in this news release are as follows:

- Diammonium phosphate ("DAP") New Orleans ("NOLA");
- Countervailing duty ("CVD");

- International Trade Commission ("ITC");
- Coronavirus disease 2019 ("COVID-19");
- Total recordable incident frequency rate ("TFIFR").
- Husky 1/North Dry Ridge ("H1/NDR");
- National Environmental Policy Act ("NEPA");
- Environmental Impact Statement ("EIS");
- Magnesium oxide ("MgO"); and
- Hydrofluorosilicic acid ("HFSA").

#### Forward-Looking Information

Certain information contained in this news release constitutes forward-looking information. All information other than information of historical fact is forward-looking information. Statements that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future include, but are not limited to, statements regarding estimates and/or assumptions in respect of the Company's financial and business outlook are forward-looking information. The use of any of the words "intend", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "should", "would", "believe", "predict" and "potential" and similar expressions are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. No assurance can be given that this information will prove to be correct and such forward-looking information included in this news release should not be unduly relied upon.

Forward-looking information is subject to a number of risks and other factors that could cause actual results and events to vary materially from that anticipated by such forward-looking information. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Factors that may cause actual results to differ materially from expected results described in forward-looking statements include, but are not limited to, the duration and spread of the COVID-19 pandemic and its severity; uncertainties of estimates of capital and operating costs and production estimates; the ability of the Company to meet its financial obligations and minimum commitments, fund capital expenditures and comply with covenants contained in the agreements that govern indebtedness; the Company's ability to advance capital raising objectives; fluctuations in foreign exchange or interest rates and stock market volatility; the continued supply of sulfuric acid supply at Conda from its primary supplier and those risk factors set out in the Company's management discussion and analysis and other disclosure documents available under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ltafos.com](http://www.ltafos.com). Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. The forward-looking information included in this news release is expressly qualified by this cautionary statement and is made as of the date of this news release. The Company undertakes no obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

This news release contains future oriented financial information and financial outlook information (together, "FOFI") about the Company's prospective results of operations, including statements regarding expected adjusted EBITDA, maintenance capex, growth capex and free cash flow. FOFI is subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraph. The Company has included the FOFI to provide an outlook of management's expectations regarding anticipated activities and results, and such information may not be appropriate for other purposes. The Company and management believe that the FOFI has been prepared on a reasonable basis, reflecting management's reasonable estimates and judgements; however, actual results of operations and the resulting financial results may vary from the amounts set forth herein. Any financial outlook information speaks only as of the date on which it is made and the Company undertakes no obligation to publicly update or revise any financial outlook information except as required by applicable securities laws.

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