



ICL

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Neel Kumar: Please note that important disclosures including my personal holdings disclosure and Morgan Stanley disclosures all appear in the handouts available in the registration area and the Morgan Stanley public website. Some of the statements we will be making may be considered forward-looking. These statements involve a number of risks and uncertainties that could cause the actual results to differ materially. Any forward-looking statements made are based on assumptions as of today, and ICL undertakes no obligations to update them. Please refer to ICL's Form 10-K for discussion of risk factors that may affect results.

Kobi, do you want to start out with some prepared comments?

Kobi Altman: Sure, I'll just go very, very quickly. ICL in 2018 is kind of in a tipping point in the life of the company. Many important things happen in 2018 that really build the company for the next step that we are going to take into the future. I will mention just a few events that happened in 2018.

In January, Nutrien sold their stake in ICL. This was a significant overhang on our share price in 2017 and overnight they were able to sell their stake to a series of very important and good funds. It increased significantly the volume trade of the share in New York as well as in the Tel Aviv stock exchange.

End of first quarter we finished the divestment of the fire safety business for over \$1 billion, and this helped us to reduce significantly our debt level so year-over-year if you compare September '18 to September '17, our debt rolled down by over \$1 billion.

In May, we have done a kind of an optimization of our debt structure where we bought back \$600 million of our public bonds for 2024, and we reissued \$600 million of bonds for 2038, 20-year bonds, which makes for us a kind of debt structure that we don't have any significant principal debt payments over the next many, many years. In May, we also announced the incoming of our new CEO that is already in place for the last six months, and during the last few quarters we have solidified our strategic directions. We also recently aligned our organizational structure with this strategy based on four divisions -- three divisions that are based on the three main minerals value chains that we have. It is the bromine, it is the potash, and the phosphate value chain. And the fourth division, which is currently the smaller division that we have in ICL, the innovative absorption. It is currently a division that is relatively small in terms of the contribution to our bottom line, but we believe that this can be a very important growth engine for the company in the future.



So, this is the alignment that we are doing, and as evidence of that we have a great momentum in 2018. Every quarter looks better than the previous quarter. Also, the business environment around us in the commodity markets is healthy, and it looks like we are about to end the year with a very good momentum and also quite a good visibility into at least the first half of 2019, with the commodity contract prices in potash that were signed in India and in China until summer 2019 gives us also pretty good visibility at least the first half of 2019.

So this is kind of an overall summary or opening remarks for the moment, and we can go now to the questions.

Neel Kumar: Great. Yes, so it seems like there's been a lot of change recently with the new CEO, portfolio moves, organizational realignment. How should we think about your strategic priorities now going forward over the next couple years? And what generally sets apart ICL from some of the fertilizer peers that you typically get compared with?

Kobi Altman: So, ICL is based on the three main mineral chains. In bromine, our strategy is very simple and our leadership position is simple. We are the world leader in the bromine space. We supply today about a third of the world's consumption of bromine. And here the strategy is very simple and very clear. We want to continue to be the leader. Our actions are influencing the entire market. Price increases that we are taking are influencing the entire prices of the bromine in the market. We have the largest fleet of isotanks that enable us to send and to sell elemental bromine. We also have the largest facility of bromine compounds. And the optimization between selling bromine as an elemental bromine and as bromine compounds, is something that enables us to really lead the market. Going into the future, from a strategic perspective, we would like to try to find more and more solutions that are based on bromine, because as the market leader we would be able to benefit from that the most. From our perspective, the bromine is a key strategic play. This is the unit that generated the highest amount of profit for ICL in the last two years. While other players, even the western players that are playing in the bromine industry, it looks like for them it's becoming kind of a second priority. For us it's a very high priority and we are going to maintain this leadership.

In potash, the way we define the leadership from our perspective is that we want to continue to be exposed to this commodity market, but as a commodity market where unlike bromine, in the potash area we can not influence the prices in the market as we are price-takers. As a result of that, we are looking at our leadership as being the most competitive player in this industry. So we define for ourselves strategically to be among the top three most competitive players in terms of cost structure in each of the key markets where we play; in China, in India, and in Brazil. We are already there, and we will continue to work on the competitiveness of our assets.

The competitiveness of our operation is coming from, on one hand, the production process in the Dead Sea, for example the evaporation ponds. But it's not only that, it's also the logistic benefits that we have. Land transportation for us is relatively short. We are about 100 miles from the ports in the Red Sea going into the Asian markets and in the Mediterranean Sea going into Europe and the Americas, compared to our Canadian peers that needs to shift their potash from Saskatchewan all the way to Vancouver port, it's around 1,000 miles. So this is a significant logistic advantage that we have.



Our strategy here also is very simple. We are happy with the, more or less, 5 million tons of potash that we have. We are not looking to expand into additional mines of potash or to expand our capacity in a significant way. We are looking to be the most competitive player and the recent CRU report suggests that by 2023, with the anticipated increase in transportation costs, we will reach this mark and we will become the most competitive player in the potash industry.

In the phosphate value chain, the third leg of the company, here the strategic direction is also pretty simple. Unlike in potash, we are not looking at ourselves as a strategic commodity player. We do not believe that we can demonstrate leadership there. We leave the leadership to the Moroccans, to the Saudi Arabians. We are not looking to play there. The way we define leadership is to be the leader in the phosphate specialties businesses. We want to take as much as we can from the 5 million tons of phosphate rock that we mine in China and in Israel, and to transform that as much as we can into the specialty businesses. This is our largest value chain in Israel, it goes all the way to the food area, into industrial area, and into the agriculture area, and we want to continue and enhance our leadership position in specialty phosphate.

So those are the strategies in the three key mineral chains. In the Innovative Ag Solutions division, our strategy is to become a leader. We are not a leader yet. This is something that we are now just developing. We have a very good and solid base of the specialty fertilizer business. It is a business that is selling already today something like \$750 million. But here, we're still not a leader. Our target is to build the leadership, around innovation and around technology in the future. It is something that is a little bit more of a longer-term play. It is not going to influence our next quarter, or not even the next year, but it's something that we want to develop into the future.

Unidentified Participant: Thanks for that helpful review. So you know, you talk about Innovative Ag Solutions being a growth engine in the company. Can you just give us a sense of the growth profile going forward and what some key drivers would be?

Kobi Altman: Yeah. So we look at the Innovative Ag Solutions because we are looking at the agriculture space and what we see is a technology boom that is going to approach at last to the agriculture space. Today still a lot of the agriculture industry is being done manually, is being done with technologies that are relatively old, machinery that are not so far from the same tractors that people used 50 years ago. And we believe that over the next 10 to 15 years, all of this is going to change by technology. So the entire business model, the entire go-to-market model, the use of technology will help growers with their number one goal of the world, which is to increase yields to feed the world population.

So the focus will be in how to use technology to reduce cost on one hand, and to increase yields on the other hand. Precision agriculture and many things like that will help the grower to do a better job.

We believe that we are uniquely positioned to take advantage of this and ride on this huge wave that is approaching the agriculture space. Our proximity to the high-tech industry in Israel as well as to the high-end agriculture that we have in Israel and the knowledge that we have gathered over more than 25 years that we are playing in the specialty fertilizer space, will enable us to take advantage of this technology boom that is coming. And how, exactly, where we display what is going to be exactly our model is something that we are developing right now, but we believe that we have some unique assets. For



example, the data that we have about the crops and the knowledge that we have, we have 300 agronomists that are working in our specialty fertilizer division. They have an enormous amount of data, intimate connection with the farmers, and we would like to leverage that and to enable them to use technology to do a better job and to better advise to the farmers. But again, this is something that we are now building.

Neel Kumar: And then turning to potash, we've seen some record demand over the last couple years, some new capacity taking longer than expected. Can you just talk about how you see the SMB picture going forward?

Kobi Altman: It looks like what happened over the last few years in the potash market, is that everyone waited for new capacity to come. It was previously announced to the market that this capacity will come already in 2018, so what we felt that happened in 2017 and then in the beginning of 2018, is that potash customers allowed themselves to work on a very low inventory level because they were waiting for the new capacity to come, newcomers to come to the negotiation table, and bring their capacity at almost any price because they would want to get into the market.

Since this new capacity eventually did not come in 2018, and it looks like it will also not come at least in the first half of 2019, the customers, the Chinese government that is negotiating, all the Indian negotiators, found themselves in a situation where they have very low inventory and they must sign contracts and the new capacity is not available and this is why they signed contracts in a price that surprised even us a little bit. We didn't anticipate such a big increase in the contract prices in China and India that happened this year.

It is also interesting to see two additional factors. The first one is that India signed before China. This is something that is new and is because India found themselves with a very, very low inventory level, they were almost forced to sign contracts even before the Chinese.

The second thing that happened this year for the first time is that China signed contracts all the way to the middle of 2019, so not a calendar contract but all the way to the first half of 2019. And in our view, this suggests that they anticipate that the new capacity will not come, at least in the first half of 2019, so they had to secure themselves all the way into the beginning of the season of 2019 and this helped the increase in prices.

Then looking forward into 2019, 2020, our belief is that the new capacity will come eventually. After so many billions of dollars that were invested in those new mines in Russia or in Saskatchewan, this capacity will come eventually. It looks like it will come much more gradually. It will be introduced into the market in a way that will less influence, or should less influence, the prices in the market. The most recent CRU report suggests that in 2020 there will be a slight reduction in prices as a result of this introduction of new capacity, and then it will continue to grow into 2021. It might be that if the capacity will come even slower than currently expected, that we will not even see this slow reduction in 2020 and we will continue to see this trend of moderate price increase over the next few years.

Neel Kumar: And on China, you know, you recently signed a three-year agreement for 3.75 million tons including options. So that's 10% higher than your last three-year agreement in 2016. So how should we think about this additional volume commitment to China? And then I



guess how do you balance that versus maybe selling to higher net back markets like Brazil?

Kobi Altman:

So, here you need to look at the capacity that we define in terms of what is the basic volume and then the options. The basic volume is more or less like what we were selling over the last two years, a small increase to that. And this is the basic contractual volume that we kind of commit to our customers that we will make available for them. Those options are mutual options. It is mainly coming from their perspective to enable them to get quantities, even when contractual prices are still not set, because they are not negotiating but are waiting for the government or for the bigger companies to negotiate. And as a result of that, there are sometimes almost stuck in between -- we saw it this year -- that they didn't have inventory left, and they were not allowed by the government to buy more quantities without a contract, so they were a little bit under pressure.

This option enables us, if both sides agree, to sell them additional capacity under the old contract. So this is the issue with the options. The base volume is more or less what we had over the last three years. If you combine China and India, this is something around 1.5, 1.7 million tons out of close to 5 million or 4.8 million tons that we are selling. So we still have around 3 million tons and more that go into the spot market, and we believe that this is a good mix. We like to keep those long-term relationships with our Chinese and India customers. We are also happy to be exposed to spot markets, and we believe that this is the right balance.

Neel Kumar:

Okay. And then with polysulphate, you talked about ramping to 1 million tons by end of the decade. So, you know, how, generally, has that been tracking relative to your long-term ambitions there?

Kobi Altman:

Yeah. So polysulphate for us is kind of the future of our UK mine. We stopped mining potash in the UK in the second quarter of this year. This was a very expensive mine, and the potash was depleting so we stopped potash production there, and we are building this as a polysulphate mine. In order to be profitable, we need to reach about 1 million tons. So today we are not making money, we are losing money this year in our UK facility, and we are ramping up Polysulphate. We are going to sell this year around 300,000 tons. We want to double this in 2019 and then reach kind of a run rate of 1 million tons in 2020.

We are in a little bit of a wait-and-see mode there in the UK because we have a neighbor that has a license that wants to maybe find funding to build a huge capacity of polysulphate mine next to us. If eventually this will happen, we, as we want to be leaders in everything that we play, if eventually people will give them the funding and they will build a 10-million ton capacity polysulphate mine, we will probably try to exit this market because we will not be able to be leaders. The chances that this will happen are currently unknown. But we believe that during 2019 we will know better whether they are able to raise the funds or not. So we continue with our plan, but also looking to see what is happening there next to us.

Neel Kumar:

Okay. And then turning to bromine, you've had strong pricing and volume growth year-to-date. Has that really been a result of taking share away from Chinese producers going through environmental issues? Or has overall bromine demand been growing?

Kobi Altman:

Overall demand in bromine is not growing much. There is a small growth of maybe 1% per year. The growth that we have experienced in our quantities over the last few years is



mainly because of Chinese players that are exiting this market, because they are not competitive enough and the Chinese government is enforcing some environmental and regulatory burden on those small producers that requires them to invest significantly in order to stay in the market, and they are not staying. So this is our ability to grow our quantities.

As I said before, in the bromine space, we see ourselves as the leaders so we have a vested interest to try to find more bromine-based solutions. As an example, energy storage. Today, most of the energy storage in the world is based on technology that is using lithium. Because the lithium prices went up so much, there are now some ideas to try to find solutions that are based on bromine batteries that will store energy. It's currently been on an R&D mode, still not a commercially proven technology, but those type of things we are trying to encourage obviously.

So looking into the future we do not see significant change or increase in the volumes over the next three to five years. Beyond that, we can see also in the flame retardant, the introduction of electric cars or autonomous cars, that are going to be full of electronics, which will require significant amounts of flame retardant. So this can be also a potential growth for this market. But it's something that will be toward the middle of the next decade.

Neel Kumar: Okay. and then you know, assuming some environmental pressures continue in China, do you have a lot of excess bromine capacity that you could sell?

Kobi Altman: Yes. We are today producing less than our potential maximum capacity. We can always increase our capacity with a relatively small investment in the Dead Sea because the concentration of the bromine in the Dead Sea is very, very high. So it doesn't cost so much to build further capacity if we will want. Today we are producing less than our overall capacity because we want to maintain the market leaders and to continue to act as what we call, a kind of responsible leader. We don't want the market to get out of control and to overheat too much. We want to ramp up capacity only to the extent that the demand is suggesting.

Neel Kumar: Okay. And then turning to phosphate, you mentioned earlier that you have 5 million tons of phosphate rock capacity that goes into both commodity and specialty applications. So what's that mix currently, and what are you targeting going forward?

Kobi Altman: Yeah. So our strategic direction is to channel as much as we can into specialties. Today, we are, more or less, 60% still in the commodities and 40% into specialties. The mix is different between Israeli operation and the Chinese operation. In China, in the joint venture, still the vast majority of what we produce there is kind of commodity or semi-commodity - the basic acid that we are producing there. Our focus is to increase this more and more into specialties. We just recently started to build a facility of white phosphoric acid in China. It's a relatively small investment, but we are doing that in order to enhance our offering in specialty phosphates also in China.

Neel Kumar: Okay, great. Let's see if the audience has any questions? Okay. I have another one for you. Just turning to capital allocation, you discussed cash flow generation as being a strategic focus going forward. How should we think about CapEx needs and your ability to reduce working capital?



Kobi Altman:

Yes. So our approach around capital allocation is very simple. We want to try to optimize between a triangle, where one angle is to continue to invest in the future growth engines of the company. We are investing today in our Spanish potash operation and in the Dead Sea. As I said, our strategic direction is to be a competitive player in terms of our cost structure, so this is why we are consolidating two mines in Spain into one mine that will be competitive in terms of cost structure. So we will continue to invest in the growth engines of the company.

The second angle is our dividend yield or shareholders' return. We are paying today over 3% dividend yield which puts us among the highest in our industry, and we want to continue to maintain that. And the third angle is our debt structure. We want to continue to maintain our investment grade rating. This is something that we defined as strategically-important for us. So, we are following the kind of the guidance of the rating agencies. Now, after the divestments, we have a very strong balance sheet and relatively low net debt-to-EBITDA ratio, much below the lower end of the range that the rating agency suggests for us, which means that we can allow ourselves today also to capture opportunities of inorganic moves, if and when they will come. Inorganic moves also here, the direction is pretty clear and simple. In the bromine and in the potash front, we don't see inorganic moves happening. In the bromine, we are already the leader, probably no one will let us buy additional assets so we are not looking there. Potash, as we said, 5 million tons. We are happy with that. We are not looking to expand that. So, no inorganic moves in the potash as well.

In the phosphate value chain, where we want to move more and more into the specialty, if we will find some specialty phosphate solutions that can use our back integration into our core asset rock, this is something that we can look at, as well as a geographical expansion. Innovative Ag Solutions will probably require in the future also to some extent some inorganic moves that we will look at.

So, we have solidified our balance sheet and we now have the ability also to take advantage of inorganic opportunities.

Neel Kumar:

Okay, great. I think we're about out of time, so we'll just end it there. Thanks a lot.

Kobi Altman:

Thank you very much.