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Ratings

Research

Bulletin:

OCP S.A. Prioritizes Capital Discipline And Cash Preservation Ahead Of 2027 Recovery

November 19, 2026

This report does not constitute a rating action.

MILAN (S&P Global Ratings) Nov. 19, 2026--S&P Global Ratings said today that Morocco-based phosphate producer OCP S.A. (BBB-/Stable) is preserving liquidity and exercising capital discipline to navigate credit pressures ahead of a projected market recovery in 2027. The company is employing several strategic measures to maintain a robust cash buffer, including delaying growth capital expenditure (capex), exercising flexibility on dividend distributions, optimizing its product portfolio, and activating additional liquidity lines.

The Middle East conflict has disrupted sulfur supplies and dampened global fertilizer demand since March 2026. We expect this to have a significant impact on OCP's profitability, although we still project revenue growth of 5%-6% in 2026 due to higher realized prices and a weaker Moroccan dirham (MAD) offsetting lower volumes. We expect OCP's margins and credit metrics to face severe pressure throughout 2026, but project that a recovery will begin in 2027.

Unprecedented sulfur inflation has severely squeezed OCP's margins. Prices surged from an average of $100-$300 per ton in 2023-2024 to peaks exceeding $1,050 per ton this summer. Although OCP has secured supplies for the upcoming planting season, these elevated input costs have weighed heavily on its profitability. Consequently, OCP's S&P Global Ratings-adjusted EBITDA margin fell to about 28% in the first half of 2026 from 35% at year-end 2025, and we expect further compression in the second half of 2026 as the company restocks at higher prices.

Additionally, constrained affordability among farmers continues to limit phosphate demand. We now project that OCP's adjusted EBITDA margins will decline to about 15% in 2026, with a recovery to 23%-25% in 2027 as raw material prices normalize and demand rebounds. From 2028, we expect OCP's margins to expand and exceed 30% as sulfur and ammonia costs normalize.

To mitigate these risks, OCP has significantly increased the share of lower-sulfur fertilizers, such as triple superphosphate and PhosGold, in its production mix in 2026. OCP is also developing alternative supply corridors in Canada, Iraq, and Turkmenistan, while advancing its P2S project to unlock domestic sources of sulfur from phosphogypsum and pyrite by the second half of 2027. These initiatives should structurally reduce OCP's exposure to external supply shocks.

OCP has implemented several measures to support its balance sheet, including reducing capex to MAD22.7 billion in 2026 from an average of MAD35 billion and raising MAD20 billion in hybrid

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capital. While these actions will not fully offset headwinds in 2026, we expect a recovery in 2027 thanks to normalized sulfur supplies, rebounding demand, and disciplined capex of MAD20 billion-MAD23 billion through to 2028. We project that OCP's adjusted funds from operations (FFO) to Debt will improve to 18%-19% in 2027 and rise above 20% in 2028, a trajectory commensurate with the current 'bbb-' stand-alone credit profile (SACP).

Management's commitment to maintaining an investment-grade SACP and adequate liquidity continues to support the rating. Liquidity is bolstered by $655 million in committed lines and proven market access following the 2026 hybrid issuance. Dividend distributions remain fully discretionary, and management is committed to the cancellation of the dividend payable in 2027, subject to the applicable corporate governance approvals, to prioritize liquidity and leverage management.

Although the 'bbb-' SACP remains unchanged, rating headroom is limited. The SACP could come under pressure if the FFO-to-debt ratio remains below 20%, or if we assess liquidity as less than adequate. While a downward SACP revision would not directly affect our issuer credit rating on OCP, as we anchor the rating to that on Morocco, it would negatively affect the 'BB' issue rating on the non-call reset perpetual subordinated notes.

OCP S.A.--Forecast summary

Period ending	Dec. 31, 2024				
(Mil. MAD)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**
Revenue	96,989	113,943	120,352	135,380	134,854
EBITDA	35,694	39,926	18,248	32,343	42,948
EBITDA margin (%)	36.8	35.0	15.2	23.9	31.8
Capital expenditure	43,588	34,084	22,700	21,800	20,000
Free operating cash flow	-20,497	-20,281	-16,921	-1,551	11,579
Debt/EBITDA (x)	3.1	3.3	7.6	4.2	3.0
FFO/debt (%)	28	21	0	18	24

All figures are adjusted by S&P Global Ratings, unless stated as reported.
a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.
MAD--Moroccan dirham.

Related Research

- OCP's Domestic Hybrid Notes Issuance Assessed As Having Intermediate Equity Content, July 20, 2026
- Tear Sheet: OCP S.A., July 8, 2026
- Phosphate Producer OCP S.A.'s Proposed Hybrid Notes Rated 'BB', April 14, 2026
- OCP S.A. Upgraded To 'BBB-' From 'BB+' Following Sovereign Upgrade; Outlook Stable, Oct. 16, 2025

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