Iofina's newest plant helps it to achieve record first quarter

A full quarter of production from its newest plant helped Iodine producer Iofina PLC (LON:IOF) to a record start to the year.

The company, which extracts iodine from brine produced by onshore oil wells, produced 134.4 metric tonnes (MT) in the opening three months of 2019, up 14% year-on-year (Q1 18: 118.2MT).

That is the most amount of iodine Iofina has ever produced in the first quarter.

READ: Iofina Restructures its Debt

The AIM company said a full contribution from IO#7, which was commissioned this time last year, was a "significant factor" behind the record output.

On top of the solid operational performance, Iofina made the "important achievement" of restructuring its debt with its long-time backers.

The maturity date for the debt has been pushed back by another year to July 2020 and the convertibility feature - which gave the lenders the right to convert their loans into equity - was removed.

The global iodine market remains "robust", Iofina added, with iodine prices at US$28/kg, some 16% higher than the spot price of US$24/kg in the first quarter of 2018.

'Well-placed for a strong 2019'

"I am pleased with the group's solid start to the year, which has seen us successfully renegotiate the debt terms of our loan," said chief executive Tom Becker.

"The completion of the debt restructuring is an important achievement as it provides the group with flexibility to execute on its long-term business strategy."

"It is also pleasing to report that we have achieved a 14% year-on-year increase in iodine production from our four operating IOsorb plants."

He added: "The increase in production, coupled with the continued rise in iodine prices, has positioned Iofina well for a strong 2019."

H1 forecasts trimmed

Iofina's first-quarter performance could have been even better had the extreme winter weather in Oklahoma, where its plants are located, not affected production efficiencies.

Work is currently ongoing at plant IO#6 to restore expected efficiencies, while works planned for IO#4, which will enhance iodine output, have been pushed back slightly.
Iofina had previously expected to produce between 310-330MT of iodine in the first half of this year, although given the hiccups with plants IO#4 and IO#6, it now expects production of around 280-300MT.

"Whilst we are behind our aggressive production target for H1 2019, we are confident that production output will resume to normal levels once the appropriate works are completed and look forward to higher production levels in Q2 2019 with warmer weather and lower down time," said Becker.

In a note to clients, analysts at 'house' broker finnCap commented: "While we are cutting our FY19 volume estimates our EBITDA and earnings forecasts rise slightly, demonstrating Iofina's operational leverage and sensitivity to iodine prices.

"Moreover, the recently completed debt restructuring paves the way for Iofina to pursue additional expansion opportunities, with the strong performance of its new IO#7 unit raising confidence in the expected benefits of this expansion."

finnCap repeated a 34p target price on Iofina's shares, which in late morning trading were 3.9% lower at 14.35p.

-- Adds analyst comment, share price --

No investment advice

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com
You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.