Sasol profit down 34% midway through fiscal year

By Lindsey Schutters

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Sasol released its financial results for the first half of fiscal year 2024 concluding on 31 December 2023. The energy and chemical company reported a mixed performance, marked by a 34% decline in half-year profit due to weaker oil and petrochemical prices, as well as increased costs.

Sasol is in for a rough fiscal. Source: Sasol

Headline earnings per share (HEPS) dropped to R20.37 from R30.90 in 2022 with the company's mining division the biggest drag after a 50% decrease in earnings before interest and taxes (EBIT).

This decline was attributed to a combination of lower export coal prices and higher operational costs, partially offset by increased export volumes.

Mining productivity, however, saw a positive trend with a 6% year-on-year improvement, but was nullified by the logistics crisis associated with Transnet's poor performance.

Sasol is the world's largest producer of fuels and chemicals derived from coal and gas and is therefore extremely sensitive to market conditions in these two sectors.

Its gas division fell 32% to R2.4bn, with negative pressure primarily driven rising cost of gas imports from Mozambique and a weaker rand, despite a 10% increase in gas production thanks to new operational wells.

Fuels an chemicals

The company's fuels division showed a more positive performance with a slight increase of 1% compared to the previous period.

This improvement was attributed to factors like higher production volumes, a weaker rand, and improved margins, although it was partially offset by lower oil prices and increased operational costs.

Notably, these market forces have affected the profitability of the Secunda liquid fuels refinery to an estimated write-down value of R3.9bn.

Worryingly, the impact of declining oil prices resulted in the African arm of Sasol’s chemicals business declining by 62% to R3.4bn, despite experiencing higher sales volumes.

Chemicals America division also faced challenges, with a loss of R1.9bn even while sales volumes increased by 12% - margins remained under pressure due to lower oil and feedstock prices.

Weak demand

The picture was similarly bleak for the Chemicals Eurasia segment, with lower sales volumes and margins resulting from continued weak market demand in Europe and China.

Despite the mixed performance, Sasol says it remains committed to its core principles of safe and reliable operations, continuous improvement in productivity, and effective cost management amidst the current economic headwinds.

The company projects an adjusted EBITDA for the full year to be between R26.2-R29.4bn, down from R32bn in the previous year.

"While we delivered a mixed set of results for the first half of FY24, we are encouraged by the positive developments in some segments, such as improved mining productivity and higher gas production," said Fleetwood Grobler, Sasol's joint CEO.

"We acknowledge the challenges faced by our chemicals businesses and the impairment of the Secunda liquid fuels refinery. We remain focused on executing our strategy and navigating through these economic difficulties."

ABOUT LINDSEY SCHUTTERS

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