Israel Corporation Ltd.

July 20, 2025

Rating Affirmation

'ilA+' Rating Affirmed, Outlook Stable

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Overview

Key Strengths	Key Risks
• Creditworthiness underpinned by the performance of the main holding, ICL Group Ltd. ("ICL"), one of the leading global potash producer and the largest global bromine producer. • ICL’s competitive advantage, inter alia due to the Dead Sea mining concession, which provides access to unique high-quality raw materials, logistical advantages, proximity to ports, and a more favorable cost position for potash and bromine than peers. • Large cash reserves and a financial policy which includes maintaining net stand-alone debt of up to $1 billion. • High financial flexibility resulting from low LTV ratio.	• Cyclical and competitive nature of the fertilizer industry. • Exposure to regulatory changes and political pressure in Israel pertaining to extending the Dead Sea mining concession, which is valid until 2030. • Large non-discretionary capital expenditures (capex) requirements at ICL related to its Dead Sea operations. • Some exposure of the bromine segment to cyclical end-markets such as oil and gas, auto, and construction. • Dependence on a major asset.

There is a correlation between the value of Israel Corp Ltd.’s (“the Company”) holding portfolio and ICL Group Ltd.’s (“ICL”) performance and Israel Corp’s consolidated financial statements. We therefore analyze Israel Corp's business risk profile based on ICL’s operating performance and its financial risk profile based on its consolidated reports.

We expect ICL to maintain robust financial ratios despite heightened market volatility. In line with our expectations, ICL delivered resilient performance in Q1 2025. Its adjusted EBITDA was broadly flat at about $340 million, compared to $351 million over the same period last year, and EBITDA for the 12 months ended March 31, 2025, was $1,425 million, compared with $1,393 million in the previous 12 months. The results were underpinned by higher sales and earnings in most segments, partly offset by lower prices and adverse currency movements. We forecast ICL's adjusted EBITDA to increase modestly in 2025 to $1.45 billion-$1.50 billion, supported by marginal growth in its Industrial Products, Phosphate and Growing Solutions segments. For potash, we anticipate flat- to higher prices and modest growth in sales volumes.

As a result, we project credit metrics will remain solid for the rating, with adjusted debt to EBITDA at 1.5x-2.0x in 2025-2027 from 1.5x in 2024. Our forecast does not factor in any unforeseen disruptions to ICL's operations, logistics, or liquidity arising from the current geopolitical tensions with Iran, which we are monitoring closely.

Stable potash fertilizer demand fundamentals will contribute to ICL's earnings resilience. MOP prices have increased through Q1 2025 thanks to seasonal demand and tightening supply owing to announced maintenance works by Russian and Belarusian producers. While potash remains good value for farmers, it should not be viewed in isolation from other nutrients. particularly nitrogen. This is because demand for potash (and phosphate) fertilizers is more elastic than for nitrogen fertilizers, which is prioritized by farmers. Overall, we forecast modest volume growth as overall fertilizer affordability remains weak, which impacts demand for potash too. In addition, while there is no direct impact from tariffs on potash, demand could weaken due to slowing economic activity and pressure on fertilizer affordability. We expect prices to find support at moderately higher levels in 2025 compared to 2024, as the conclusion of negotiations on Indian and Chinese tenders at higher prices of about $70 per ton will provide a floor on potash prices.

We expect ICL will continue to allocate cash towards growth initiatives, both organic and inorganic. Specifically, we estimate that capital expenditure (capex) spending will stay high at about $800 million in 2025, of which $600 million-$700 million is for maintenance.

As part of the Company's strategic investment plan, in March 2025 it completed the acquisition of 27.5% (fully diluted) of the shares of Prodalim Investments Ltd. for about $116 million. Prodalim is engaged in creating natural solutions for a variety of industries. Among its products are concentrates, flavors, beverage bases and other natural functional ingredients. We believe that despite this acquisition, it is not material to the Company's investment portfolio, which remains concentrated and based overwhelmingly on ICL’s operations.

Outlook

The stable outlook reflects our assessment that Israel Corp will maintain an adjusted debt-to-EBITDA ratio of 1.5x-2.0x in the next 12 months. Our outlook is underpinned, among other things, by management’s intention to make acquisitions in accordance with its strategic plan. We expect Israel Corp will present adjusted EBITDA of $1.45 billion-$1.50 billion on a consolidated basis in 2025, supported by ICL's solid position in the fertilizer markets and low production costs in Israel.

Downside Scenario

A negative rating action may be possible if Israel Corp’s adjusted debt-to-EBITDA exceeds 4.0x with no short-term prospects of improvement, or if ICL’s operating performance weakens beyond our base case assumptions. In the first instance, this could occur due to weaker market conditions – for example, if potash or phosphate prices remain low for a prolonged period because of sluggish demand or ongoing oversupply in either market. We could also lower the rating if ICL deviated from its publicly stated dividend policy or embarked on sizable leveraged acquisitions.

Dividend distribution that is not in accordance with the Company's policy or acquisitions that are not in accordance with its strategic plan, which will weaken its liquidity profile, may also lead to a downgrade.

Over the medium term, the rating could come under pressure if uncertainty continues regarding the renewal of the Dead Sea concession. Given the benefits inherent to operating in the Dead Sea, ICL's business risk profile could weaken in this scenario, even though ICL would receive the replacement value of these assets as compensation.

Upside Scenario

We may consider a positive rating action if the Company strengthens its financial risk profile such that its debt-to-EBITDA drops below 1.5x on a sustainable basis and as part of management policy, while ICL maintains at least its current operating performance in accordance with our base case scenario.

Company Description

Israel Corp. is traded on the Tel Aviv Stock Exchange and holds about 44% in ICL Group Ltd. (ilAA/Stable), about 18% in AKVA Group ASA (“AKVA”), about 9% in Nordic Aqua Partners A/S (“NOAP”) and about 27.5% (fully diluted) in Prodalim Investments Ltd. Israel Corp's main shareholders are Millennium Investments Elad Ltd. and Mr. Idan Ofer.

ICL is an international company producing and marketing fertilizers and specialty chemicals based on potash, phosphate and bromide. ICL has four major divisions: Industrial Products, Potash, Phosphate Solutions and Innovative Ag Solutions.

AKVA and NOAP are public companies traded on the Oslo Stock Exchange. AKVA is engaged in providing technological aquaculture solutions and services, and NOAP is engaged in the construction of an on-land salmon farm in China. Prodalim is a private company engaged in creating natural solutions for a variety of industries. Among its products are concentrates, flavors, beverage bases and other natural functional ingredients.

Base Case

Key Assumptions

- Consolidated revenues of $6.9 billion-$7.0 billion in 2025 and 2026 supported by stable- to rising potash prices alongside moderate growth in sales volumes.
- Modest EBITDA growth in 2025 to $1.45 billion-$1.50 billion, supported by marginal growth in the Industrial Products, Phosphate and Growing Solutions segments.
- Investments of about $300 million in the coming years, in accordance with the Company's strategic plan.
- Dividend receipts from ICL of up to 50% of adjusted net profit in 2025-2026, in accordance with its dividend policy.
- Dividend distribution of 45% of total net dividends received in practice minus $75 million, in accordance with the Company's dividend policy.

- Consistently maintaining net stand-alone debt of about $1 billion in accordance with company policy.

Key Metrics

Financial Ratio	2024A	2025E	2026E
Debt/EBITDA	1.5x	1.5x-2.0x	1.5x-2.0x
FFO/debt	56.2%	40%-45%	40%-45%

A - actual. E – Estimate. FFO – funds from operations.

Business Risk

Our assessment of Israel Corp's business risk profile and creditworthiness is underpinned by the operating performance of its main holding, ICL. We estimate that ICL's performance directly affects the value of Israel Corp's holding portfolio, the size of dividends it receives from ICL, and its financial flexibility as reflected in its LTV (loan to value) ratio.

Our assessment of ICL's business risk, and accordingly of Israel Corp's business risk, reflects ICL's position as the sixth-largest global potash producer and the largest global bromine producer. Both markets are concentrated with high barriers to entry. Not only is there a lack of economically viable deposits with a high mineral concentration, but also new players would incur substantial construction costs and developing a new greenfield potash mine involves long lead. In addition, the bromine industry is characterized by stringent regulatory requirements, which translate into expensive and complex logistics systems. The high barriers to entry mean more stable sales volumes and give ICL the ability to defend its market share.

ICL is a leader in the phosphates and industrial products market, and over time has strengthened its position in the plant nutrition sector – one of the fastest growing agricultural markets in the world, both organically and through acquisitions in Brazil. ICL's Industrial Products segment also provides important end-market and cash flow diversity, due to the less-than-perfect correlation between agricultural and industrial demand.

ICL's sound cost position underpins the quality of its earnings. ICL benefits from access to high-quality and cost-efficient resources based on a concession from Israel to extract minerals from the Dead Sea until 2030. As a result, production costs are lower than underground potash mining operations or places where bromine is extracted from resources that have a lower mineral concentration (the lower the concentration, the more difficult and expensive it is to extract). This translates into higher margins and more robust earnings and cash flow performance during down cycles.

There are additional benefits directly related to the Dead Sea operations, such as the hot and dry climate, which allows ICL to store large amounts of potash outdoors at a low cost and utilize the less energy-intensive solar evaporation production process. In addition, the strategic location of ICL’s Dead Sea assets ensures proximity to key markets such as China, India and Brazil, which reduces shipping costs and allows ICL to fill short lead-time orders; this strengthens its bargaining power.

Given that 80% of the potash produced is exported, transportation cost is a key element in potash prices. ICL's ongoing shift from the production of commodity fertilizers to value-added complementary products is an important strategic step that will also help the company to stabilize profits through the cycle.

Our view of ICL's credit profile is further supported by its geographical sales spread, which reduces exposure to changes in demand caused by regional factors, such as extreme weather. The balanced geographic profile also exposes ICL to different planting calendars, which smooth the effects of seasonality in earnings.

ICL's main business risk relates to its dependence on the extension of its Dead Sea concession by the Israeli government in 2030, and its exposure to political pressures and regulatory changes. This translates into uncertainty as to whether ICL’s operations will continue in their current form beyond 2030. There have been no clear developments in this area.

Our view of ICL's business is further constrained by the highly cyclical nature of the fertilizer industry. The industry's changing supply-demand balance is difficult to predict because it depends on fertilizer price expectations, harvests, the crop mix, farmers' earnings (which depend on crop prices), the weather, and inventory levels. When new supply comes on stream, higher-cost capacities tend to be curtailed. Political decisions influence both demand and supply, through export allowances or taxes and subsidies in various core markets, especially India and China.

Finally, demand for potash and phosphate is more volatile that for nitrogen fertilizers, as farmers can skip or reduce their application for one or more seasons, without immediately affecting yield.

Financial Risk

ICL's performance is correlated with the market value of Israel Corp's holding portfolio, its LTV ratio and financial metrics based on its consolidated statements. We analyze Israel Corp's financial risk profile on the basis of its consolidated statements while adjusting its EBITDA to reflect any dividend receipts from AKVA. At the same time, we examine its LTV ratio as an indicative metric for its financial flexibility and ability to refinance its debt.

As of the date of this report, the Company presents a negative LTV ratio, since it has negative net debt. We believe that Israel Corp's financial flexibility remains adequate, and that it can refinance its debt if needed.

We expect ICL to remain the Company's core holding and thus our base case scenario is underpinned by our assumptions regarding ICL. ICL's dividend policy since 2016 includes distribution of up to 50% of adjusted net income.

The fertilizer industry's cyclicality is a structural constraint to ICL's financial risk profile, and therefore to Israel Corp's financial risk profile, because it translates into volatility in profits outside of the Company's control, as well as large seasonal working capital swings.

Liquidity

We examine the Company's liquidity profile on a stand-alone basis. We assess the Company's liquidity as strong, reflecting our expectations that its sources to uses ratio will exceed 1.5x in the 12 months starting April 1, 2025. Our liquidity assessment is based on Israel Corp's cash balance and on expected dividends from ICL on the one hand, and on debt maturities and G&A expenses on the other hand. We note that in our liquidity calculation we excluded any unannounced dividend distributions and unannounced dividend receipts from ICL for the H2 2025 and the Q1 2026.

Following are the Company's liquidity sources and uses on a stand-alone basis for the 12 months beginning April 1, 2025:

Principal Liquidity Sources	Principal Liquidity Uses
• About $781 million in cash and cash equivalents. • About $160 million in unutilized credit facilities committed for over a year. • $24 million in dividends received from ICL in June 2025.	• Ongoing maturities of long-term loans and bonds of about $224 million. • Interest, general and administrative expenses of about $25 million-$30 million. • $15 million in dividends distributed in April 2025.

Stand-Alone Debt Maturities

Year	2025	2026	2027	2028	2029 and onwards
Maturities (Mil. $)	172	179	172	122	108

Covenant Analysis

We expect the Company to maintain adequate headroom (over 15%) on all its financial covenants.

Modifiers

Diversification/portfolio effect: Neutral (no impact)

Capital structure: Neutral (no impact)

Liquidity: Adequate (no impact)

Financial policy: Neutral (no impact)

Management and governance: Neutral (no impact)

Comparable ratings analysis: Negative impact

The fact that most of the Company's operation is performed through the holding of public companies and not through direct ownership of assets adversely affects the rating.

Environmental, Social, And Governance

We capture environmental factors, including risks posed to natural capital, as a moderately negative consideration in our credit rating analysis of Israel Corp, as reflected in the operations of its main subsidiary, ICL, since our assessment of the Company’s creditworthiness is based on ICL’s operating performance.

ICL's Dead Sea operations account for less than 20% of revenue and its share of responsibility for the region's water depletion is about 23%, with the balance due to evaporation, increased use of upstream water by all neighboring countries, and less rain in general. ICL's mining concession in the Dead Sea is valid until 2030.

There are occasional discussions with the Israeli government on environmental issues. We understand to date, these discussions have not related to the 2030 concession.

Over the longer term, we anticipate water scarcity may force ICL to reduce its use of Dead Sea minerals, which could undermine its business and the rating, and thus also Israel Corp.’s rating.

Social factors are a moderately negative consideration, as ICL's operations could indirectly damage the foundations of buildings located near the shoreline, as well as other shoreline infrastructure. Although this has not created social tensions or led to material claims to date, ICL continues to engage with the local communities and businesses.

ICL's ability to preserve its natural and social capital are key factors in maintaining the viability of its business model.

Governance factors are an overall neutral consideration in our credit rating analysis of Israel Corp.

Recovery Analysis

Key Analytical Factors

- We are affirming our ‘ilA+' issue rating, identical to the issuer rating, on Israel Corp's unsecured bond series (Series 12, 13, 14, 15).

- The recovery rating for these series is 3, reflecting our assessment that in the case of default, the recovery rate would be 50%-70%.
- Our recovery rating assessment is supported by the holding of tradable shares of three companies from different areas of operation that are not necessarily correlated.

Simulated Default Assumptions

- Simulated year of default: 2030
- A deep recession in various economies will lead to competitive pressure and price drops in the chemicals and energy industries, materially devaluating the Company's holdings.
- The Company will be liquidated, an assessment based on the fact that there is no activity at the holding company level and its entire value at the time of default will be based on the shares it holds.
- In the deterioration process, the Company will use 40% of its signed credit facilities.
- On the day of the default, the Company's LTV ratio will be close to 100%, following a sharp drop in the market value of ICL and AKVA. We also assume an additional 30% reduction in share value at liquidation (amounting to a total reduction of about 70%).

Simplified Waterfall

- Gross enterprise value according to DAV method: about $480 million
- Administrative costs: 5%
- Available value to cover secured debt: about $455 million
- Secured debt claims: about $220 million
- Net value available for unsecured debt: about $235 million
- Unsecured debt claims: about $360 million
- Secured debt recovery expectations: 50%-70%
- Unsecured recovery rating (1 to 6): 3

All debt amounts include six months' prepetition interest.

Mapping Recovery Percentages To Recovery Ratings

Recovery expectations (%)	Description	Recovery rating	Notching above/below issuer rating
100%	Full recovery	1+	+3 notches
90%-100%	Very high recovery	1	+2 notches
70%-90%	Substantial recovery	2	+1 notch
50%-70%	Meaningful recovery	3	0 notches
30%-50%	Average recovery	4	0 notches
10%-30%	Modest recovery	5	-1 notch
0%-10%	Negligible recovery	6	-2 notches

Recovery ratings are capped in certain countries to adjust for reduced creditor recovery prospects in these jurisdictions. Recovery ratings on unsecured debt issues are generally also subject to caps (see Step 6, paragraphs 90-98 of Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016, for further detail). ICR--Issuer credit rating.

Related Criteria And Research

- Principles Of Credit Ratings, February 16, 2011
- Methodology: Industry Risk, November 19, 2013
- Country Risk Assessment Methodology And Assumptions, November 19, 2013
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, December 16, 2014
- Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016
- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Group Rating Methodology, July 1, 2019
- Environmental, Social, And Governance Principles In Credit Ratings, October 10, 2021
- Methodology For National And Regional Scale Credit Ratings, June 8, 2023
- Corporate Methodology, January 7, 2024
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, January 7, 2024
- Sector-Specific Corporate Methodology, April 4, 2024
- S&P Global Ratings Definitions, December 2, 2024

Ratings List

Israel Corporation Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
Issuer rating(s)			
Long term	ilA+/Stable	03/07/2005	17/07/2024
Issue rating(s)			
Senior Unsecured Debt			
Series 12,13	ilA+	13/03/2018	17/07/2024
Series 15	ilA+	27/04/2021	17/07/2024
Series 14	ilA+	02/12/2019	17/07/2024
Issuer Credit Rating history			
Long term			
July 04, 2023	ilA+/Stable		
November 22, 2016	ilA/Stable		
January 26, 2016	ilA+/Negative		
September 21, 2009	ilA+/Stable		
February 12, 2009	ilAA-/Negative		
November 30, 2008	ilAA/Watch Neg		
December 31, 2006	ilAA/Stable		
July 12, 2006	ilAA		
July 03, 2005	ilAA/Negative		

Additional details	
Time of the event	20/07/2025 11:18
Time when the event was learned of	20/07/2025 11:18
Rating requested by	Issuer

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