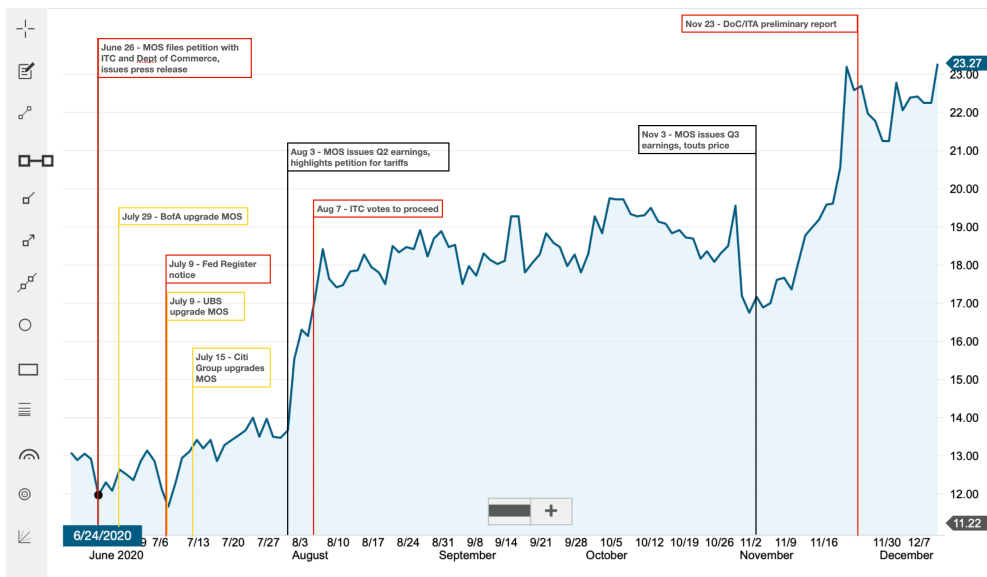


PRICE ACTION ANALYSIS

The Mosaic Company

On June 26, The Mosaic Company (NYSE: MOS) announced that it had filed petitions with the US International Trade Commission (ITC) and the US Department of Commerce (DoC) requesting the imposition of countervailing duties (CVDs) on imports of phosphate from Morocco and Russia. Mosaic’s stock has, since that date, appreciated 80.5% as of the market close on Friday, December 11, with price increases following key events related to the investigation.

While the rise was not linear, price increases followed analyst reports that highlighted upward price impacts on phosphate fertilizer as a result of the ITC/DoC, publication of petition in the federal register, Mosaic’s quarterly earnings reports and press releases after the filing and the ITC vote to proceed with the investigation. Petition and related news coverage appear to correlate with price spikes varying in size from 2% to 21%. Since the petition was filed MOS has risen 80.5% (chart below).



From its closing price of \$12.31 the day before announcing it filed the petition, to the closing price of \$18.40 the day of the ITC vote to investigate, through the DOC preliminary report issuance, Mosaic has gained pricing power and its share prices has risen 80.5%.

Price spikes followed key events in the petition process and analyst responses

Mosaic is a producer and marketer of concentrated phosphate and potash crop nutrients operating in approximately 40 countries. It produces 64% of the phosphate mined in the US, by far the leading producer. Phosphate is the primary ingredient in diammonium phosphate fertilizer (DAP) and monoammonium phosphate fertilizer (MAP). Phosphate fertilizers are the second most commonly used crop nutrients around the world. It owns and operates phosphates mines and fertilizer production, warehousing and distribution facilities in Brazil and Paraguay, and has a joint venture with the Kingdom of Saudi Arabia in the Ma’aden Wa’ad Al Shamal Phosphate Company¹, located in Saudi Arabia, which mines and processes phosphate and phosphate fertilizers.

¹ <https://www.maden.com.sa/en/about/bod>
Georgetown Capital Advisors LLC

Q3 Earnings/Oct & Nov Sales

Mosaic's dominant position in phosphate fertilizer production in the US gives it the greatest pricing power in the market, with Alexis Maxwell of Bloomberg Green Markets estimating market share at about 90% in October. While overall sales were down year-over-year, Mosaic managed to improve its margins on phosphate products by 10%, likely due to reduced competition. Reported sales and revenues for October and November continue to look strong, with year-on-year sales volumes increasing 20% and 39%, respectively, and sales revenues 37% and 66%.

CEO Joc O'Rourke affirmed this on their May 2019 earnings call, stating "Mosaic has a strong geographic competitive advantage in the U.S. over importers." On the most recent quarterly earnings call O'Rourke further highlighted their position in the market, saying "Mosaic is more competitive than ever before, and with fertilizer markets improving, we have significant earnings leverage to the future."

"...impeded fertilizer imports will support higher domestic prices."

- RICHARD WOLFE, CFRA

On the same call O'Rourke was asked by an analyst from UBS to summarize the impact of the CVD petition on costs to US farmers. He chose not to address the question directly, saying, "It is reasonable to assume that the trade flows will be altered and some product will be shifted to other jurisdictions including new suppliers coming into the U.S. and the Moroccan and Russian suppliers focusing on other markets which could be Brazil or wherever."² Mosaic has phosphate mining operations in Brazil.

Market analysts continue acknowledge the favorable impact the petition for import duties is having on Mosaic's bottomline, with many nothing it as a justification for "Neutral" and "Overweight" ratings. In his Aug 6 analysis Richard Wolfe of CFRA upgraded MOS to a "Buy" stating, "After falling to levels earlier in 2020, we believe phosphate prices will continue to rise off tightening supply and strong demand in Brazil and India, paired with MOS's countervailing duties petition." In his December 12 updated analysis, Wolfe referenced a recent Department of Commerce report on the phosphate imports, stating that it was "good news for MOS" and that "impeded fertilizer imports (due to tariffs) will support higher domestic prices."

Take-Away

Spikes in price from both intra-day and daily tracking show a connection between events associated with Mosaic's petitions to the ITC and DoC. The prospect of retroactive and prospective duties being imposed has signaled to analysts and investors that the company has gained additional pricing power in the US market due to its vertically integrated structure for DAP and MAP production, including its operations in Saudi Arabia and Brazil.

² <https://seekingalpha.com/article/4364366-mosaic-company-mos-ceo-joc-orourke-on-q2-2020-results-earnings-call-transcript?page=4>
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