

MOSAIC CO
Form 10-Q
November 06, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended September 30, 2018

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission file number 001-32327

The Mosaic Company
(Exact name of registrant as specified in its charter)

Delaware 20-1026454
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3033 Campus Drive
Suite E490

Plymouth, Minnesota 55441

(800) 918-8270

(Address and zip code of principal executive offices and registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 385,470,085 shares of Common Stock as of November 2, 2018.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE MOSAIC COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In millions, except per share amounts)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net sales	\$2,928.1	\$1,984.8	\$7,066.8	\$5,317.5
Cost of goods sold	2,432.6	1,744.0	6,034.6	4,754.8
Gross margin	495.5	240.8	1,032.2	562.7
Selling, general and administrative expenses	78.5	66.1	251.4	218.2
Other operating expense (income)	23.7	(39.2)	110.5	5.9
Operating earnings	393.3	213.9	670.3	338.6
Interest expense, net	(40.9)	(36.2)	(135.4)	(98.4)
Foreign currency transaction (loss) gain	(2.2)	58.6	(113.1)	76.6
Other (expense) income	(7.6)	1.1	(15.6)	(2.0)
Earnings from consolidated companies before income taxes	342.6	237.4	406.2	314.8
Provision for income taxes	90.6	17.6	44.4	4.7
Earnings from consolidated companies	252.0	219.8	361.8	310.1
Equity in net (loss) earnings of nonconsolidated companies	(2.3)	9.8	(3.9)	15.5
Net earnings including noncontrolling interests	249.7	229.6	357.9	325.6
Less: Net income attributable to noncontrolling interests	2.2	2.1	0.2	1.7
Net earnings attributable to Mosaic	\$247.5	\$227.5	\$357.7	\$323.9
Basic net earnings per share attributable to Mosaic	\$0.64	\$0.65	\$0.93	\$0.92
Basic weighted average number of shares outstanding	385.5	351.1	384.5	350.9
Diluted net earnings per share attributable to Mosaic	\$0.64	\$0.65	\$0.93	\$0.92
Diluted weighted average number of shares outstanding	387.5	352.2	386.1	351.9

See Notes to Condensed Consolidated Financial Statements

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THE MOSAIC COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net earnings including noncontrolling interest	\$249.7	\$229.6	\$357.9	\$325.6
Other comprehensive income (loss), net of tax				
Foreign currency translation gain (loss), net of tax	0.5	177.0	(467.6)	293.0
Net actuarial gain and prior service cost, net of tax	3.4	1.3	7.4	5.2
Amortization of gain on interest rate swap, net of tax	0.6	0.6	1.7	1.8
Net gain (loss) on marketable securities held in trust fund, net of tax	1.6	0.1	(3.6)	3.8
Other comprehensive income (loss)	6.1	179.0	(462.1)	303.8
Comprehensive income (loss)	255.8	408.6	(104.2)	629.4
Less: Comprehensive income (loss) attributable to noncontrolling interest	2.8	2.9	(5.8)	2.2
Comprehensive income (loss) attributable to Mosaic	\$253.0	\$405.7	\$(98.4)	\$627.2

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,029.9	\$ 2,153.5
Receivables, net	834.9	642.6
Inventories	1,957.1	1,547.2
Other current assets	356.1	273.2
Total current assets	4,178.0	4,616.5
Property, plant and equipment, net of accumulated depreciation of \$6,794.4 million and \$6,274.1 million, respectively	11,891.6	9,711.7
Investments in nonconsolidated companies	828.5	1,089.5
Goodwill	1,753.0	1,693.6
Deferred income taxes	307.7	254.6
Other assets	1,455.9	1,267.5
Total assets	\$ 20,414.7	\$ 18,633.4
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$ 25.7	\$ 6.1
Current maturities of long-term debt	61.2	343.5
Structured accounts payable arrangements	504.1	386.2
Accounts payable	839.3	540.9
Accrued liabilities	1,072.1	754.4
Total current liabilities	2,502.4	2,031.1
Long-term debt, less current maturities	4,523.1	4,878.1
Deferred income taxes	1,195.3	1,117.3
Other noncurrent liabilities	1,540.6	967.8
Equity:		
Preferred Stock, \$0.01 par value, 15,000,000 shares authorized, none issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
Common Stock, \$0.01 par value, 1,000,000,000 shares authorized, 389,242,360 shares issued and 385,470,085 shares outstanding as of September 30, 2018, 388,998,498 shares issued and 351,049,649 shares outstanding as of December 31, 2017	3.8	3.5
Capital in excess of par value	983.8	44.5
Retained earnings	10,971.7	10,631.1
Accumulated other comprehensive loss	(1,517.7	) (1,061.6)
Total Mosaic stockholders' equity	10,441.6	9,617.5
Noncontrolling interests	211.7	21.6
Total equity	10,653.3	9,639.1
Total liabilities and equity	\$ 20,414.7	\$ 18,633.4

See Notes to Condensed Consolidated Financial Statements

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THE MOSAIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine months ended	
	September 30, 2018	September 30, 2017
Cash Flows from Operating Activities:		
Net earnings including noncontrolling interests	\$357.9	\$ 325.6
Adjustments to reconcile net earnings including noncontrolling interests to net cash provided by operating activities:		
Depreciation, depletion and amortization	648.8	493.5
Amortization of acquired inventory	(47.4) —
Deferred and other income taxes	(12.3	) 53.9
Equity in net loss (earnings) of nonconsolidated companies, net of dividends	11.0	(15.5
Accretion expense for asset retirement obligations	37.2	19.6
Share-based compensation expense	25.7	24.5
Unrealized loss (gain) on derivatives	14.3	(5.7
Other	21.2	(38.3
Changes in assets and liabilities, excluding effects of acquisition:		
Receivables, net	(31.6	) (6.8
Inventories	(198.1	) (254.6
Other current and noncurrent assets	(75.9	) (42.7
Accounts payable and accrued liabilities	466.5	(38.4
Other noncurrent liabilities	42.5	9.2
Net cash provided by operating activities	1,259.8	524.3
Cash Flows from Investing Activities:		
Capital expenditures	(665.4	) (589.9
Purchases of available-for-sale securities - restricted	(486.1	) (1,546.3
Proceeds from sale of available-for-sale securities - restricted	470.5	1,533.7
Investments in nonconsolidated companies	—	(62.5
Investments in consolidated affiliate	(3.6	) (47.7
Proceeds from sale of fixed assets	9.3	69.1
Acquisition, net of cash acquired	(985.3) —
Other	(0.3	) 0.3
Net cash used in investing activities	(1,660.9	) (643.3
Cash Flows from Financing Activities:		
Payments of short-term debt	(120.1	) (523.2
Proceeds from issuance of short-term debt	145.2	608.1
Payments of structured accounts payable arrangements	(582.4	) (238.8
Proceeds from structured accounts payable arrangements	590.2	473.8
Payments of long-term debt	(722.4	) (6.2
Proceeds from issuance of long-term debt	39.3	1.5
Cash dividends paid	(28.9	) (201.8
Other	(0.5	) (2.2
Net cash (used in) provided by financing activities	(679.6) 111.2
Effect of exchange rate changes on cash	(62.8) 22.8

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Net change in cash, cash equivalents and restricted cash	(1,143.5)	15.0
Cash, cash equivalents and restricted cash - December 31	2,194.4	711.4
Cash, cash equivalents and restricted cash - September 30	\$1,050.9	\$ 726.4

See Notes to Condensed Consolidated Financial Statements

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THE MOSAIC COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
 (In millions)
 (Unaudited)

	Nine months ended	
	September 30,	
	2018	2017
Reconciliation of cash, cash equivalents and restricted cash reported within the unaudited condensed consolidated balance sheets to the unaudited condensed consolidated statements of cash flows:		
Cash and cash equivalents	\$1,029.9	\$ 685.7
Restricted cash in other current assets	8.2	7.5
Restricted cash in other assets		