

MOSAIC CO
Form 10-Q
August 07, 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 June 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 x

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 385,457,882 shares of Common Stock as of August 3, 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		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net sales	\$2,205.0	\$1,754.6	\$4,138.7	\$3,332.7
Cost of goods sold	1,910.4	1,562.3	3,602.0	3,010.8
Gross margin	294.6	192.3	536.7	321.9
Selling, general and administrative expenses	79.3	71.2	172.9	152.1
Other operating expense	19.0	26.5	86.8	45.1
Operating earnings	196.3	94.6	277.0	124.7
Interest expense, net	(45.1)	(36.4)	(94.5)	(62.2)
Foreign currency transaction (loss) gain	(78.7)	9.1	(110.9)	18.0
Other (expense) income	(2.4)	1.4	(8.0)	(3.1)
Earnings from consolidated companies before income taxes	70.1	68.7	63.6	77.4
Provision for (benefits from) income taxes	3.7	(22.6)	(46.2)	(12.9)
Earnings from consolidated companies	66.4	91.3	109.8	90.3
Equity in net earnings (loss) of nonconsolidated companies	1.7	5.8	(1.6)	5.7
Net earnings including noncontrolling interests	68.1	97.1	108.2	96.0
Less: Net income (loss) attributable to noncontrolling interests	0.2	(0.2)	(2.0)	(0.4)
Net earnings attributable to Mosaic	\$67.9	\$97.3	\$110.2	\$96.4
Basic net earnings per share attributable to Mosaic	\$0.18	\$0.28	\$0.29	\$0.27
Basic weighted average number of shares outstanding	385.4	351.0	384.0	350.8
Diluted net earnings per share attributable to Mosaic	\$0.18	\$0.28	\$0.29	\$0.27
Diluted weighted average number of shares outstanding	387.2	352.0	385.5	351.8

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		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net earnings including noncontrolling interest	\$68.1	\$97.1	\$108.2	\$96.0
Other comprehensive (loss) income, net of tax				
Foreign currency translation (loss) gain, net of tax	(328.8)	78.6	(468.1)	116.0
Net actuarial gain and prior service cost, net of tax	1.9	1.2	4.0	3.9
Amortization of gain on interest rate swap, net of tax	0.7	0.6	1.1	1.2
Net (loss) gain on marketable securities held in trust fund, net of tax	(1.3)	1.3	(5.2)	3.7
Other comprehensive (loss) income	(327.5)	81.7	(468.2)	124.8
Comprehensive (loss) income	(259.4)	178.8	(360.0)	220.8
Less: Comprehensive loss attributable to noncontrolling interest	(5.7)	(1.7)	(8.6)	(0.7)
Comprehensive (loss) income attributable to Mosaic	\$(253.7)	\$180.5	\$(351.4)	\$221.5

See Notes to Condensed Consolidated Financial Statements

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THE MOSAIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

(Unaudited)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$1,035.3	\$ 2,153.5
Receivables, net	624.9	642.6
Inventories	2,168.3	1,547.2
Other current assets	341.9	273.2
Total current assets	4,170.4	4,616.5
Property, plant and equipment, net of accumulated depreciation of \$6,563.8 million and \$6,274.1 million, respectively	11,559.6	9,711.7
Investments in nonconsolidated companies	837.8	1,089.5
Goodwill	1,738.0	1,693.6
Deferred income taxes	515.7	254.6
Other assets	1,576.5	1,267.5
Total assets	\$20,398.0	\$ 18,633.4
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$20.2	\$ 6.1
Current maturities of long-term debt	261.2	343.5
Structured accounts payable arrangements	384.5	386.2
Accounts payable	774.8	540.9
Accrued liabilities	1,154.2	754.4
Total current liabilities	2,594.9	2,031.1
Long-term debt, less current maturities	4,736.5	4,878.1
Deferred income taxes	1,163.6	1,117.3
Other noncurrent liabilities	1,487.3	967.8
Equity:		
Preferred Stock, \$0.01 par value, 15,000,000 shares authorized, none issued and outstanding as of June 30, 2018 and December 31, 2017	—	—
Common Stock, \$0.01 par value, 1,000,000,000 shares authorized, 389,230,157 shares issued and 385,457,882 shares outstanding as of June 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	981.7	44.5
Retained earnings	10,734.1	10,631.1
Accumulated other comprehensive loss	(1,523.2)	(1,061.6)
Total Mosaic stockholders' equity	10,196.4	9,617.5
Noncontrolling interests	219.3	21.6
Total equity	10,415.7	9,639.1
Total liabilities and equity	\$20,398.0	\$ 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)

	Six months ended	
	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities:		
Net earnings including noncontrolling interests	\$108.2	\$96.0
Adjustments to reconcile net earnings including noncontrolling interests to net cash provided by operating activities:		
Depreciation, depletion and amortization	434.3	324.7
Amortization of acquired inventory	(45.9)) —
Deferred and other income taxes	(95.6)	) 34.0
Equity in net loss (earnings) of nonconsolidated companies, net of dividends	1.6	(5.8)
Accretion expense for asset retirement obligations	24.5	13.1
Share-based compensation expense	22.7	20.9
Unrealized loss (gain) on derivatives	26.3	(3.2)
Other	7.0	10.2
Changes in assets and liabilities, excluding effects of acquisition:		
Receivables, net	132.2	51.4
Inventories	(369.6)	) (305.7)
Other current and noncurrent assets	(50.9)	) (71.3)
Accounts payable and accrued liabilities	517.1	219.2
Other noncurrent liabilities	24.1	5.3
Net cash provided by operating activities	736.0	388.8
Cash Flows from Investing Activities:		
Capital expenditures	(424.4)	) (392.3)
Purchases of available-for-sale securities - restricted	(257.6)	) (1,266.3)
Proceeds from sale of available-for-sale securities - restricted	249.4	1,256.1
Investments in consolidated affiliate	(3.6)	) (38.9)
Acquisition, net of cash acquired	(985.3)) —
Other	4.4	18.8
Net cash used in investing activities	(1,417.1)	) (422.6)
Cash Flows from Financing Activities:		
Payments of short-term debt	(88.9)	) (265.2)
Proceeds from issuance of short-term debt	107.2	343.4
Payments of structured accounts payable arrangements	(438.2)	) (155.8)
Proceeds from structured accounts payable arrangements	331.0	247.4
Payments of long-term debt	(313.9)	) (3.4)
Proceeds from issuance of long-term debt	39.2	1.5
Cash dividends paid	(19.2)	) (149.1)
Other	(0.4)	) (1.9)
Net cash (used in) provided by financing activities	(383.2)	) 16.9
Effect of exchange rate changes on cash	(51.6)	) 4.5
Net change in cash, cash equivalents and restricted cash	(1,115.9)	) (12.4)
Cash, cash equivalents and restricted cash - December 31	2,194.4	711.4

Cash, cash equivalents and restricted cash - June 30

\$1,078.5 \$699.0

See Notes to Condensed Consolidated Financial Statements

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

	Six months ended	
	June 30,	June 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	\$1,035.3	\$ 660.6
Restricted cash in other current assets	8.5	7.2
Restricted cash in other assets	34.7	31.2
Total cash, cash equivalents and restricted cash shown in the unaudited condensed consolidated statement of cash flows	\$1,078.5	