

The Mosaic Company: A Strategic Stake on Hold

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On April 30, The Mosaic Company announced an agreement to exchange its 25% interest in Ma'aden Wa'ad Al Shamal Phosphate Company (MWSPC) for 111,012,433 shares of Saudi Arabian Mining Company, known as Ma'aden. Mosaic described the shares as worth approximately \$1.5 billion at announcement. The agreement remained subject to approvals and closing.

The shares would not be immediately transferable. Under the announced terms, Mosaic would generally hold them for at least three years; one-third would become transferable after each of the third, fourth and fifth anniversaries of closing. The closing date was not yet known. The stated value therefore did not represent cash Mosaic could use today, and the eventual value of the shares could differ from the announcement reference.

Mosaic's chief executive described the transaction as an "evolved structure" that would provide a transparent value for the investment and greater capital flexibility over time, while allowing Mosaic to contribute expertise to Ma'aden's phosphate operations. Those benefits were prospective. The announcement did not describe a use-of-proceeds commitment or quantify future investment returns.

A fertilizer producer with several demands on capital

Mosaic produced and marketed phosphate and potash crop nutrients, as well as phosphate-based animal feed ingredients. It operated mines and processing plants in North America and Brazil, and held interests in non-consolidated operations. Its business also included a crop-nutrient distribution network in South America. The company reported that fertilizer prices and volumes were shaped by global supply and demand, while delivered price was a key competitive factor. Fixed facility costs and raw material prices affected unit costs.

MWSPC comprised a phosphate mine and two chemical complexes in Saudi Arabia. Mosaic's 2023 Form 10-K reported annual capacity of 3.0 million tonnes and actual phosphate production of 3.1 million tonnes in 2023. Mosaic then owned 25%, marketed approximately 25% of MWSPC production and recognized its share of earnings with a one-quarter reporting lag. The reviewed transaction announcement did not confirm which marketing or other commercial rights, if any, would continue after closing.

Mosaic's stated capital allocation priorities included maintaining investment-grade financial strength, sustaining safety and reliability, investing in growth and returning excess cash to shareholders. The company was working through a volatile year. In the first quarter of 2024, revenue fell 26% from the prior-year quarter, and operating cash flow was negative \$80 million. Mosaic reported adjusted EBITDA of \$576 million and defined free cash flow of \$203 million

after its working-capital-financing adjustment. It also reported \$178 million of capital returned through the quarter, including \$108 million of share repurchases.

At the same time, Mosaic had identified projects in phosphate conversion, potash milling and Brazilian blending. It estimated full-year 2024 capital expenditure at \$1.1-1.2 billion and expected \$150 million in annualized cost reductions by the end of 2025. These plans competed with debt reduction, liquidity needs and shareholder returns for capital. Required environmental and closure spending added to the claims on cash, although Mosaic's disclosures did not establish that every such estimate should be added directly to the headline capital expenditure range.

What could the exchange change?

The transaction would replace an operating equity-method interest with a minority shareholding in Ma'aden, the company that was already the majority owner of MWSPC. Mosaic would still have economic exposure to Ma'aden through the shares, but direct ownership and its influence within the joint venture would change. The transaction was not a cash sale, and the shares' staged transfer restrictions limited near-term liquidity.

That structure left several strategic questions open. Should Mosaic retain the shares as a long-term investment? Should it plan to sell shares as they become transferable, then prioritize debt and financial flexibility, required asset spending, selected growth projects or shareholder distributions? Or should it use a mixed policy, retaining some exposure while reviewing each tranche against explicit conditions? The evidence available at the cutoff did not establish a uniquely correct allocation.

Mosaic's Q1 outlook expected global potash supply constraints to ease while phosphate markets remained tight in 2024. It also expected Brazil fertilizer shipments near peak levels despite regional credit challenges. The company supplied price sensitivities based on 2023 realized prices and volumes. Those estimates gave students a way to discuss exposure, but not a forecast for the Ma'aden shares or a return estimate for Mosaic's projects.

Assignment

Assume Mosaic's directors have asked you to recommend a policy for the Ma'aden shares if the transaction closes. Specify what Mosaic should do before the shares become transferable, how it should review each released tranche, and what evidence should trigger a change in policy. Explain how your recommendation balances portfolio exposure, liquidity, operating and environmental needs, growth investment, debt and shareholder returns. Distinguish known transaction terms from assumptions; do not treat the announcement value as realizable cash.

Exhibit 1. Announced Ma’aden transaction

Item	Information available at the cutoff
Mosaic asset to be exchanged	25% interest in MWSPC
Consideration	111,012,433 Ma’aden shares
Mosaic’s stated reference value	Approximately \$1.5 billion at announcement
Transfer restrictions	Generally restricted for at least three years; one-third transferable after each of the third, fourth and fifth closing anniversaries
Status	Agreement announced; pending approvals and closing
Future commercial rights	Not confirmed in the reviewed announcement

The announced share value is not cash proceeds, a guaranteed value at closing or a valuation of Mosaic’s retained exposure.

Exhibit 2. Selected financial and capital allocation information

Measure	Amount / statement	Period and basis
Cash and cash equivalents	\$348.8 million	Dec. 31, 2023; reported
Long-term debt, including current maturities	\$3.4 billion	Dec. 31, 2023; reported
Short-term debt	\$399.7 million	Dec. 31, 2023; reported
Available revolving credit	\$2.49 billion of \$2.5 billion	Dec. 31, 2023
FY2024 capital expenditure estimate	\$1.1-1.2 billion	May 1, 2024 company guidance
FY2024 environmental capital expenditure	About \$360 million	February 2024 estimate; excludes certain consent-decree capital expenditure
FY2024 land reclamation, gypstack closure and water treatment expenditure	About \$340 million	February 2024 estimate
Q1 2024 cash from operating activities	\$(80) million	Three months ended March 31, 2024; reported
Q1 2024 free cash flow	\$203 million	Company-defined non-GAAP measure, adjusted for working-capital financing
Q1 capital returned to shareholders	\$178 million, including \$108 million in share repurchases	Through March 31, 2024

Environmental and closure estimates have different scopes and may overlap with reported capital expenditure. Reconcile scope before combining them. The \$683.6 million of marketable securities Mosaic reported at year-end was held in trusts for future obligations and is not included above as unrestricted cash.

Exhibit 3. Segment results and selected prices

Segment	Q1 2023 sales volume (million tonnes)	Q1 2024 sales volume (million tonnes)	Q1 2023 selected selling price (\$/tonne)	Q1 2024 selected selling price (\$/tonne)	Adjusted EBITDA Q1 2023 (\$m)	Adjusted EBITDA Q1 2024 (\$m)
Potash	1.9	2.2	MOP: 421	MOP: 241	474	281
Phosphates	1.8	1.6	DAP: 660	DAP: 598	382	277
Mosaic Fertilizantes	2.1	1.7	Finished product: 646	Finished product: 517	3	83

Sales volume is finished-product tonnes. Selected selling prices are Mosaic's reported average price measures: MOP, f.o.b. mine; DAP, f.o.b. plant; and Fertilizantes finished product. Adjusted EBITDA is a company-defined non-GAAP measure; figures may not be directly comparable with

peers.

Exhibit 4. Company sensitivity estimates

Variable	Company estimate of annual adjusted EBITDA impact	Basis / qualification
\$10/tonne change in average MOP price	\$60 million	Based on 2023 realized prices and sales volumes; includes Canadian resource tax impact
\$10/tonne change in average DAP price	\$70 million	Based on 2023 realized prices and sales volumes
0.10 change in BRL/USD	\$10 million unhedged	Based on 2023 realized prices and sales volumes; approximately 20% of DAP and 5% of MOP sensitivity was expected in Fertilizantes

Mosaic said it had hedged about 50% of the annual BRL/USD sensitivity. The company did not state that its MOP or DAP price sensitivities were hedged. It cautioned that over longer periods, inflation could offset part of currency benefits.

Sources

1. The Mosaic Company, 2023 Form 10-K, filed February 22, 2024, business section “Investment in Ma’aden Wa’ad Al Shamal Phosphate Company” and MD&A “Liquidity and Capital Resources,” [SEC filing](#).
2. The Mosaic Company, “Mosaic Enters Share Purchase and Subscription Agreement with Ma’aden,” April 30, 2024, [company announcement](#); and Form 8-K, April 30, 2024, [SEC filing](#).
3. The Mosaic Company, Q1 2024 results release, May 1, 2024, [SEC Exhibit 99.1](#).