



# Fourth Quarter 2015 Results

February 23, 2016



# Safe Harbor

- During the course of this presentation, management may make forward-looking statements regarding financial performance and future events.
- We will attempt to identify these statements by use of words such as expect, believe, anticipate, intend, and other words that denote future events. You should understand that, even though our forward looking statements are based on assumptions we believe are reasonable when made, they are still subject to uncertainties that could cause actual results to differ materially from those in the forward-looking statements.
- We caution you to consider the important risk and other factors as set forth in the forward-looking statements section and in Item 1A risk factors in our Annual Reports on Form 10-K as filed with the U.S. Securities and Exchange Commission that could cause actual results to differ from those in the forward-looking statements as contained in this presentation.
- Forward looking statements made herein are summaries of previous public disclosures, do not represent revised guidance, and we do not undertake to revise or update them from the date or dates of previous disclosure.



# Introduction



Kim Ann Mink, Ph.D.  
*Chief Executive Officer and President*

# Strategic Pillars



## Operational Excellence

- Corporate scorecard
- Revitalized executive S&OP
- End-to-end supply chain visibility
- Lean manufacturing



## Commercial Excellence

- Customer segmentation
- Sales channel
- Pricing discipline
- Margin management



## Strategic Growth

- Portfolio management
- Growth adjacencies
- New products & Innovation
- Robust Marketing/R&D

Strategic pillars supported by strong organization and cultural transformation

# Immediate Priorities

- 1 Implementation of Operational and Commercial Excellence initiatives
- 2 Complete restructuring efforts
- 3 Find solution for GTSP business
- 4 Maintain dividend
- 5 Identify longer-term strategic priorities and key business goals

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## Strengthen the Foundation

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# Industry Outlook

- 1 Underlying demand throughout most of the markets we serve will remain soft
- 2 Volumes overall in 2016 expected to be flat with 2015
- 3 Pricing expected to remain very competitive
- 4 Raw material costs are trending favorably

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**Take responsibility for controlling what we can control**

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# Financials



Mark Feuerbach  
*VP – Investor Relations &  
Interim Chief Financial Officer*

# 4Q and Full Year 2015 Highlights

## Fourth Quarter

- Net sales of \$171 million, down 12% year-over-year
  - Diluted EPS a loss of \$0.24
    - Adjusted EPS of \$0.32, down 51% year-over-year
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## Full Year 2015

- Net sales of \$789 million, down 6% year-over year
  - Diluted EPS of \$1.29
    - Adjusted EPS of \$2.27, down 27% year-over-year
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## Performance driven by

- Weak demand
- Unfavorable customer mix on pricing
- Competitive pricing pressures due to strength of USD



# Specialty Phosphates Highlights

**Specialty phosphates generated sales of \$166 million in the fourth quarter and \$733 million for the full year 2015**

**US/Canada Specialty Phosphates 4Q sales of \$128 million, down 8% YOY**

- 5% lower prices due to unfavorable customer mix
- 3% lower volumes due to weak demand in food and asphalt markets

**Full year US/Canada Specialty Phosphates sales of \$569 million, down 4% YOY**

- 3% lower prices; pressures from EU competitors due to USD strength
  - 1% lower volumes
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**Mexico Specialty Phosphates 4Q Sales of \$38 million, down 2% YOY**

- 3% lower prices due to continued competitive pressures
- 1% higher volumes

**Full year Mexico Specialty Phosphates sales of \$164 million, down 2% YOY**

- 2% lower prices due to competitive pressures

# Specialty Phosphates Highlights

**Total Specialty Phosphates generated \$8 million in operating income for the fourth quarter, down \$15 million versus the prior year**

- US/Canada **\$3 million**, down \$13 million YOY on lower prices and higher costs
- Mexico **\$5 million**, down \$2 million YOY on lower prices and unfavorable mix

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**Operating income margin for the fourth quarter was 5%, below expectation of 11%**

- US/Canada **3%**, down 940 bps YOY
- Mexico **13%**, down 500 bps YOY

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**For the full year 2015, Specialty Phosphates generated \$71 million in operating income, down \$39 million compared to 2014**

- US/Canada **\$48 million**, down \$33m YOY on lower prices and higher costs
- Mexico **\$23 million**, down \$6m YOY on lower prices and higher costs

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**Operating income margin for the full year was 10%, short of the 11% expectation**

- US/Canada **9%**, down 530 bps YOY
- Mexico **14%**, down 340 bps YOY



# GTSP & Other

## Revenues

- \$5 million in revenue for the fourth quarter, down 68% year-over year due to lower volumes amid weakest fertilizer market demand conditions in two years
  - \$56 million in revenue for the full year, down 27% due to weak market demand
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## Adjusted Operating Income

- Break-even in the fourth quarter 2015 despite \$1 million lower of cost or market reserve
- \$1 million operating profit for full year 2015, up \$5 million versus 2014

# Tax Rate and D&A

## Effective Tax Rate

- Our fourth quarter effective tax rate was 17%
  - Our full year 2015 effective tax rate was 34%
  - 2016 effective tax rate expected to be in the range of 32% to 34%
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## Depreciation & Amortization

- Fourth quarter D&A was \$9 million, flat with the year ago period
- Full year 2015 D&A was \$38 million, an increase of \$3 million over 2014

# Balance Sheet

## Net Debt

- Decreased sequentially by \$5 million in the fourth quarter to \$195 million
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## Gross Debt

- Reduced by \$73 million during the quarter primarily due to advanced payments from foreign entities in conjunction with a cash repatriation program optimizing foreign tax credits and enabling \$266 million of future cash flows to the United States

# Capital Allocation

## Capital Expenditures

- \$10 million in fourth quarter 2015; 80% maintenance, 20% strategic
  - \$32 million for the full year 2015; 75% maintenance, 25% strategic
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## Maximizing shareholder value

- Returned \$164 million, more than 6x our full year net income, to our shareholders via dividends and share buybacks

# Update on Restructuring

- Results are in line with 50% realization expectation for fourth quarter 2015
- \$1.6 million of sequential cost reduction achieved
- 75% of the \$13 million annual savings still expected to be realized at the start of 2016

# 2016 Outlook

- **Expect 2015 headwinds to persist in 2016**
- **Specialty Phosphates volumes expected to decline 1-2% due to some STPP reformulation affecting our Mexico segment**
- **Full year 2016 Specialty Phosphates margins expected to improve from 10% in 2015 to 11-12% in 2016**
  - Restructuring savings and lower raw material costs expected to exceed pricing pressures and volume declines
  - Market phosphate rock prices declined approximately 12% in first quarter 2016
  - Market sulfur prices settled 14% lower for first quarter 2016 after declining 20% in the previous quarter
  - Expect \$4 million reduction in annual supply contract recouping two-thirds of the increase experienced in 2015 compared to 2014
- **Expect GTSP & Other to record an operating loss of \$1-2 million in the first quarter 2016 due to weak fertilizer market pricing conditions**



# Final Remarks



Leading position in many product markets



Top-tier customers



Strong cash generation



Disciplined capital allocation policy