



## Mosaic Calls Heat Up After Tough 2019

Ticker/Price: MOS (\$18.8)

### Analysis:

**Mosaic (MOS)** with buyers earlier of 7,000 January \$19 calls up to \$0.97 and now volumes running over 16,500X with buyers at \$1. MOS has recently seen buyers of the March \$20 calls as well as the June \$23 calls and December \$15 and \$16 short puts. Shares are just above the August lows and multi-year lows, pretty ugly chart with the declining 20- and 50-MA above around \$19.50. A move above cloud resistance at \$20 has room out to the 200-day at \$23. The \$7.1B company trades 12.76X earnings and 0.76X sales with strong FCF and a 1% yield. MOS recently slashed estimates for 2020 but did note some optimism around the recent India potash contract showed some stabilization in prices. They also saw China port inventories falling for the first time in several quarters, a sign of potential inflection in potash demand in early 2020. These checks along with recent production curtailments (both MOS and K+S) set up for a better pricing environment against low expectations. Analysts have an average target for shares of \$27. JP Morgan cutting to Sell on 11-13 with a \$18 PT and assuming lower potash and phosphate returns. Cowen positive with a \$25 PT seeing a better 2020 from a combination of better product prices and volumes, a return of Brazilian phosphate facilities to normal operations, and a further increase in market gains from both organic growth and further acquisition synergy capture. CSFB with a Buy rating and \$26 PT. They think the recent guidance reset sets up the stage well for a 2020+ recovery as the bar is now more appropriate and lower sulfur input pricing will be a massive tailwind in 2020 (running 4Q spot), a theme many investors are overlooking. Short interest is 3.5%. Hedge fund ownership fell 13.5% in Q3. Slate Path Capital a buyer of 1.275M shares and now with over 4.2M, a 5.72% weight. MOS has seen a number of smaller insider buys in 2019 including a director adding \$250k at \$19.20 in August. The CEO bought \$250k in stock at \$24 in May. MOS could move with WASDE on 12-10 and more info. on Spring planting expectations in North America.

### Hawk Vision:



**Hawk's Perspective:** MOS is a cheap value name but still persistent concerns with its market and prefer CF in the Fertilizer space and FMC in Agribusiness.

**Confidence Ranking:** \$