

Deal of the Week: Mosaic to Buy Vale Fertilizer Business for \$2.5B

Announcement Date	<ul style="list-style-type: none"> December 19, 2016 	
Acquirer	<ul style="list-style-type: none"> The Mosaic Company (NYSE: MOS) 	
Acquirer Description	<ul style="list-style-type: none"> Produces and markets concentrated phosphate and potash crop nutrients primarily for the agricultural industry worldwide Incorporated in 2004 and headquartered in Plymouth, Minnesota 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$10.7 billion EV: \$14.0 billion LTM Revenue: \$7.5 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$1.3 billion LTM EV / Revenue: 1.9x LTM EV / EBITDA: 11.1x
Target Company	<ul style="list-style-type: none"> Vale SA's fertilizer business 	
Deal Overview	<ul style="list-style-type: none"> Mosaic will acquire Vale's phosphate assets in Brazil, excluding those in Cubatão; its potash assets in Brazil; the Kronau potash project in Canada; and its shareholding position in Bayóvar, Peru. A Rio Colorado potash project will also be included after due diligence 	
Acquirer Advisors	<ul style="list-style-type: none"> J.P. Morgan and UBS 	
Price / Consideration	<ul style="list-style-type: none"> \$2.5 billion 	<ul style="list-style-type: none"> Cash and stock
Rationale	<ul style="list-style-type: none"> The deal will help Vale reduce its debt, a major problem plaguing many Brazilian companies struggling with a prolonged recession and a weaker local currency. Earlier this year, Vale's chief executive, Murilo Ferreira, said he wanted to reduce the company's debt by \$10 billion For Mosaic, the acquisition gives it a foothold in Latin America's largest economy, which boasts a strong agriculture sector Mosaic's CEO, James C. O'Rourke, said that he was drawn to the deal in part because "Brazil's farm economy has grown at remarkable rates over the past two decades and that growth continues today." The acquisition is expected to be accretive to Mosaic's earnings per share in 2018 and generate over \$80 million of after-tax synergies In a video on Vale's website, Chief Executive Murilo Ferreira said the company never had the opportunity to become a world leader in fertilizers as it has with iron ore and nickel. "So we opted for an association with a highly competitive international company," he said 	
Deal Points	<ul style="list-style-type: none"> Half of the \$2.5 billion will be in cash, while Mosaic will issue roughly 42.3 million shares of common stock The purchase price represents 5.4x the assets' adjusted EBITDA for 2015, Mr. O'Rourke said Vale stands to earn an additional \$260 million if certain objectives are met over the two years following the close of the deal 	
Of Note	<ul style="list-style-type: none"> Vale will receive an 11% stake in Mosaic, bigger than those held by investment companies such as Vanguard, Franklin Advisers and BlackRock Inc 	