

Corporate Credit > U.S. High Yield



Compass Minerals

Updated: November 6, 2015

Trade Idea:

- ▶ Buy Compass Minerals 4.875% Sr Notes due 2024

Investment Rationale:

- ▶ Compass Minerals produces minerals including salt, sulfate of potash specialty fertilizer (SOP) and magnesium chloride.
- ▶ Company operates 12 packaging and production facilities including the largest rock salt mine in the world in Goderich, Ontario, Canada and the largest rock salt mine in the U.K. in Winsford, Cheshire.
- ▶ Fundamentals are not significantly impacted by macro global economic conditions as ~80% of revenues are derived from the salt segment which is used largely for road de-icing purposes.
- ▶ While the company is unlikely to achieve investment grade ratings due to the relatively limited scope and size of the business, Compass Minerals maintains a very strong credit profile with leverage <2.0x and very strong liquidity and FCF generation.
- ▶ Company generates mid-20% EBITDA margins, with fairly significant seasonality to the business.
- ▶ Key risks include weak winter weather patterns in customer geographic regions and an ~\$90MM annual dividend (~26% of LTM EBITDA)
- ▶ Debt is cushioned by an ~\$2.8Bn equity market capitalization (total debt \$625MM)

Recommendation(s):

View	Trade Horizon	Ticker	Cpn	Maturity	Ratings		Ccy	Issue Size	YTW	OAS	Cash		ISIN	
					S&P	Moody's					Price	Target		
+1	6 Months	CMP	4.875%	7/15/2024	BB+	Ba2	USD	250	5.13%	295	98.250	101	90	US20451NAE13

* Levels as of 9/8/2015