



COMPASS MINERALS INTL (CMP)

Business Model

Compass Minerals International Inc's origins go back to 1844, but its IPO happened in 2003 after several mergers & acquisitions. CMP is associated with the mining industry. It produces minerals, including salt, sulfate of potash specialty fertilizer and magnesium chloride. The firm's fertilizer products are used by growers of high-value crops that are sensitive to standard potash. CMP also provides secure records storage in a retired mine in the U.K. Products from Compass Minerals serve a variety of applications in industrial, agricultural, commercial and consumer markets.

The Company in a Nutshell

- CPM's business model revolves around keeping people safe (de-icing, water treatment), ensuring food growth (crops and nutrients) and culinary/commercial food salt.
- CMP had to pause its dividend growth policy in 2017 and is not ready to resume it.
- Management focuses on growing the business through both organic and acquisitions avenues.

Investment Thesis

Compass Minerals enjoys a strong position in many markets due to its portfolio of cost-advantaged assets. For example, The Goderich rock salt mine in Ontario offers lots of potential on top of having access to a deep-water port. This enables CMP to ship de-icing salt to most of its customers at a very cheap price. Highway de-icing is a very stable business because you can count on winter to keep coming back each year. As demand grows, the commodity price for this business continues to rise. Demand for industrial and commercial salt will remain strong in the future which enables great price stability for CMP.

VALUATION

Dividend Growth Rate Years 1-10: 3%

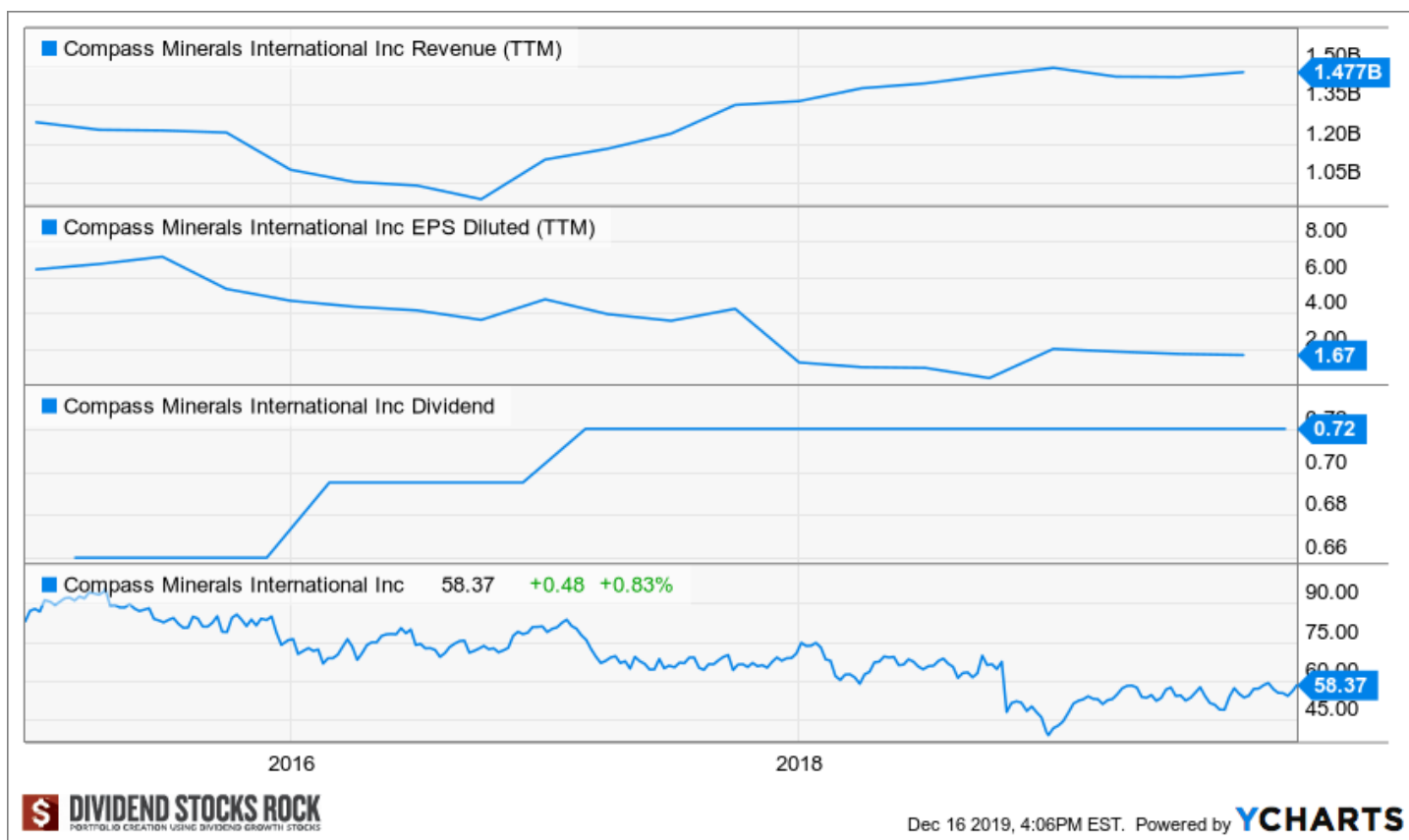
Terminal Dividend Growth Rate: 4%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$66.46	\$55.54	\$47.74
10% Premium	\$60.92	\$50.91	\$43.76
Intrinsic Value	\$55.38	\$46.29	\$39.78
10% Discount	\$49.84	\$41.66	\$35.80
20% Discount	\$44.30	\$37.03	\$31.83



DSR STOCK CARD

12/16/2019



Potential Risks

Although we all agree that winter comes back each year, climate change may affect one of CMP's most stable business segments. With global warming, winter in the U.S. and Canada may not be as cold in the upcoming years. Mother Nature is not on CMP's side lately and CMP 2019 results are also disappointing. CMP has to increase its price to keep up, but volumes are dropping accordingly. This doesn't look like a growth company.

Dividend Growth Perspective

Unfortunately, management has other priorities than raising its dividend going forward. CMP focuses on investing in their existing business (plants, R&D, production etc.) and keep cash for potential acquisitions. Then, CMP targets debt repayment along with credit rating improvement. If there is anything left after all this, shareholders may receive a paycheck raise. We can't exactly talk about a dividend growth policy here.