# Third Quarter 2020 Business Update

**Nov. 4, 2020**

Compass Minerals

# Forward-Looking Statements

*Certain statements in this presentation, including without limitation statements about demand; pricing; yield; the company's enterprise wide optimization efforts, including expected benefits and ability to increase SOP feedstock and lengthen evaporation season; the company's growth trajectory and continued growth; the company's 2020 strategic priorities, including its ability to build a sustainable culture, deliver on commitments and its strategic assessment; ability to meet demand and serve customers; the company's outlook for the fourth quarter of 2020 and full-year 2020, including revenue, EBITDA, sales volumes, corporate and other expense, interest expense, depreciation, depletion and amortization, capital expenditures and tax rate; foreign currency rates; liquidity; free cash flow; capital expenditures; spending; leverage ratio; and ability to achieve success at Goderich Mine, including increasing efficiency of mining systems, decreasing maintenance needs, providing greater optionality and key features; are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. We use words such as "may," "would," "could," "should," "will," "likely," "expect," "anticipate," "believe," "intend," "plan," "forecast," "outlook," "project, " "estimate" and similar expressions suggesting future outcomes or events to identify forward-looking statements or forward-looking information. These statements are based on the company's current expectations and involve risks and uncertainties that could cause the company's actual results to differ materially. The differences could be caused by a number of factors, including without limitation (i) impacts of the COVID-19 pandemic, (ii) weather conditions, (iii) pressure on prices and impact from competitive products, (iv) foreign exchange rates and the cost and availability of transportation for the distribution of the company's products, (v) any inability by the company to successfully implement its strategic priorities or its cost saving or enterprise optimization initiatives, and (vi) the outcome of the company's strategic evaluation of the Plant Nutrition South America business. For further information on these and other risks and uncertainties that may affect the company's business, see the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the company's Annual Report on Form 10-K for the year ended December 31, 2019 and its Quarterly Report on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2020, filed or to be filed with the SEC. The company undertakes no obligation to update any forward looking statements made in this presentation to reflect future events or developments. Because it is not possible to predict or identify all such factors, this list cannot be considered a complete set of all potential risks or uncertainties.*

# 3Q20 Highlights

Compass Minerals

**YTD Operating Earnings** + **19%** vs. 2019*

**YTD Adjusted EBITDA**** + **10%** vs. 2019

**YTD Cash Flow from Operations** **$188.5M** + 93% vs. 2019

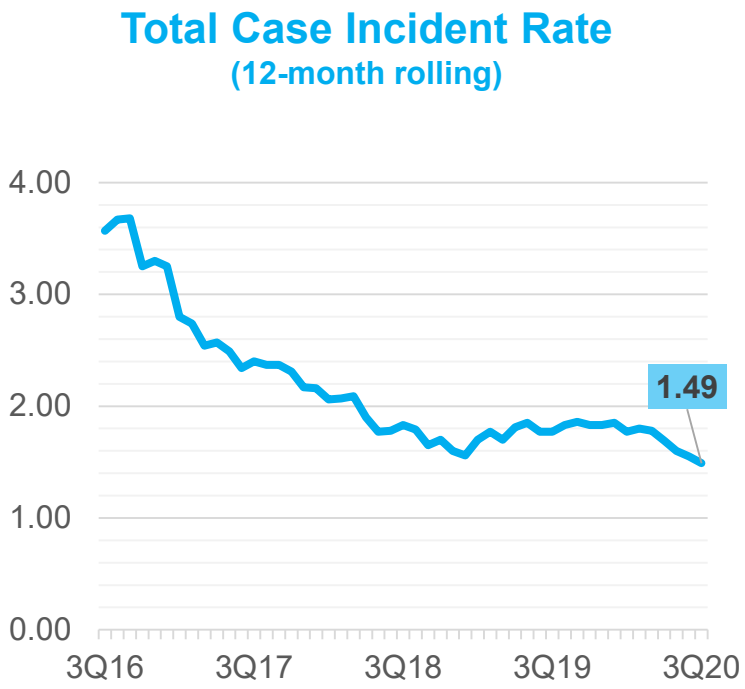
- Year-to-date performance remains strong despite short-term challenges in 3Q20
  - Multiple hurricanes striking Louisiana mine
  - Dry weather and extreme fires in key agriculture markets
  - Continued weakening of Brazilian currency
- Improvements in execution continued
- Strong cash flow generation achieved



*3Q19 YTD results include $2.8 million in expense related to Mississippi river flooding and $2.3 million of executive transition expense.
**Earnings before interest, taxes, depreciation and amortization and adjusted for special items. See appendix for reconciliations.

# Taking Care of People First

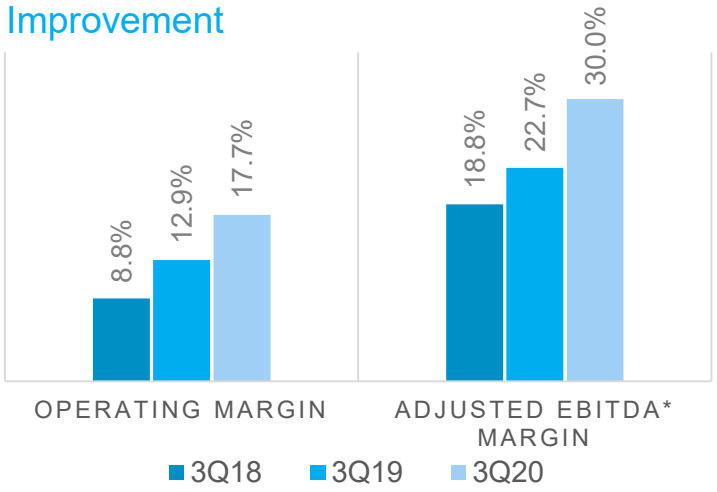
- Excellent progress with safety improvement throughout the company
  - 3Q20 among the safest quarters in Compass Minerals history
  - Our Ogden, Utah facility nearing 1 million working exposure hours without a lost time injury incident
- COVID-19 mitigation efforts continue
  - Staggered shift starting times at larger operations to facilitate social distancing
  - Thermal scanners installed at sites for pre-shift temperature screenings
  - PPE provided for all employees
  - Heightened controls placed on contractors and truck drivers entering our sites



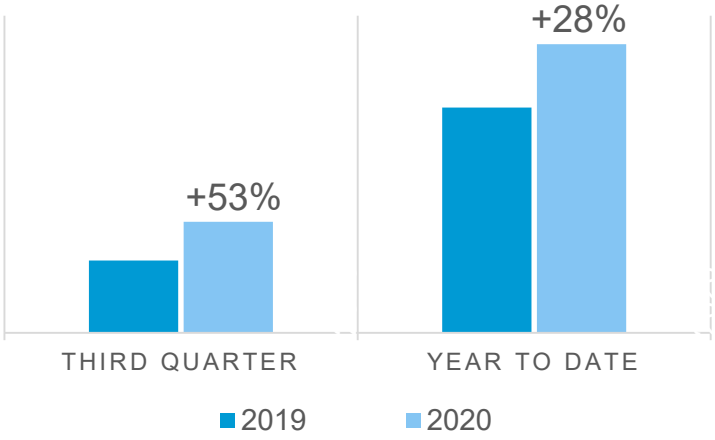
# Salt Segment Demonstrating Benefits of Improved Execution and Optimization

Compass Minerals

## Significant Margin Improvement




## Strong Production Performance Delivered at Goderich Mine




- Strong operational execution at North American mines in 3Q20
  - Record-setting performance with continuous mining at Goderich
  - Excellent preparation and recovery following 4 hurricanes at Cote Blanche
    - Expects to make up most of lost production by year end
- 3Q20 Margin expansion also supported by incremental benefits from enterprise-wide optimization efforts
  - Logistics benefits from maximizing purchasing power across full enterprise and more efficient ship loading from Goderich
  - New pricing strategy lifting Consumer and Industrial pricing on non-deicing products
- Performance helps offset 2020-2021 NA highway deicing bid season results
  - Bid volumes up 4% vs. market wide decline of 15%; average contracted price down 11%

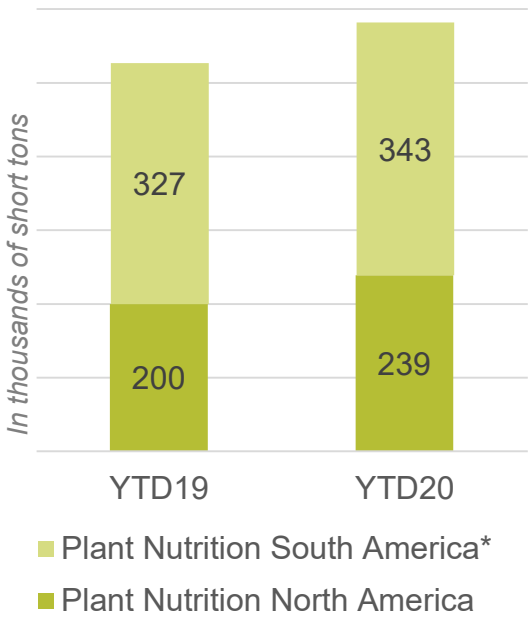


*Earnings before interest, taxes, depreciation and amortization and adjusted for special items. See appendix for reconciliations.*

# 3Q20 Plant Nutrition Results Impacted by Dry Weather in Brazil and Wildfire in Western US

- Both North and South America Plant Nutrition businesses faced timing challenges in sales due to dry weather conditions
- North America sales additionally slowed by extreme fire activity
  - Most acres impacted in California's history with four of the largest fires ever experienced occurring in 2020
    - Colorado and Oregon also facing wildfire challenges
- Soybean planting in Brazil progressing at slowest pace in 10 years due to drought
- Underlying fundamentals remain supportive of demand for 4Q20 and into 2021
  - Improving pricing for many specialty crops including tree nuts and citrus
  - Need for robust yield remains strong in Brazil due to historic level of forward-sales of soybean crop

+10% Year-Over-Year Sales Growth for Plant Nutrition Products

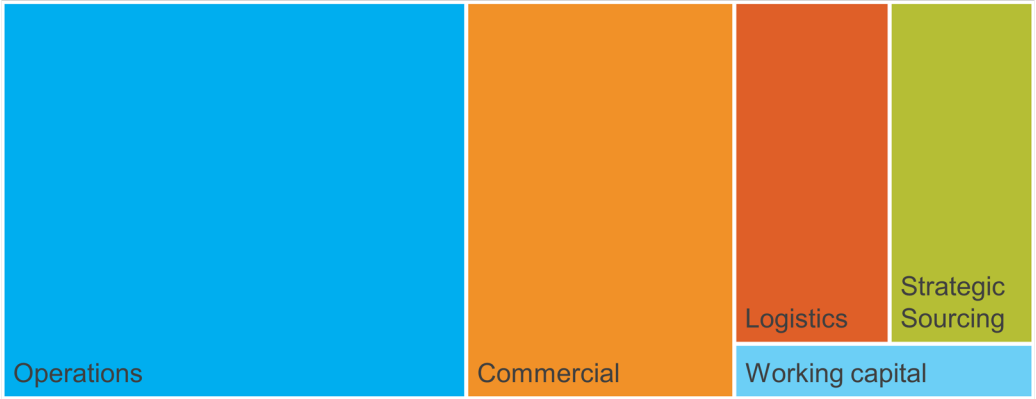



*Agriculture product sales only.

# Enterprise-Wide Optimization Highlight – Ogden SOP Harvest Project

- Project underway expected to materially increase available pond-based SOP feedstock through new approach to harvesting
  - Insourcing all harvest and haul activities
  - Upgrading to pond-appropriate equipment which increase safety, efficiency and speed
  - Expected to lengthen the evaporation season by reducing the time required for harvesting

## Full Enterprise-Wide Optimization Effort Expected to Benefit Multiple Value Streams

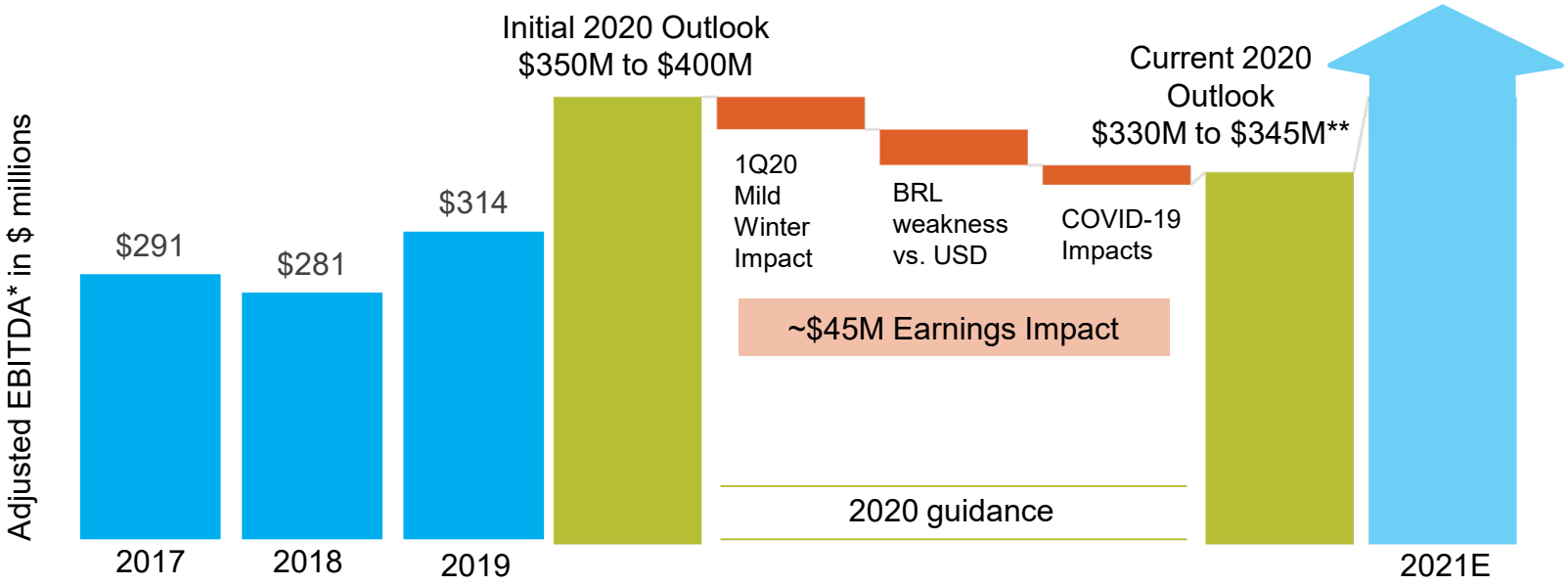



## Innovating Our Harvest & Haul Process

**Replacing Dozer/Graders & Loaders + On-Road Haul Trucks**

**Introducing Pan Scrappers, Articulated Truck & Excavators**

# Remaining on a Strong Growth Trajectory




- Strategic priorities remain in place
  - Building a sustainable culture
  - Delivering on our commitments
  - Strategic assessment
- Our enterprise-wide optimization effort has helped offset challenges beyond our control
- We remain close to our customers and ready to meet demand quickly as the sales season becomes compressed for agriculture products
- Setting up for solid 4Q20 and continued growth in 2021

**Earnings before interest, taxes, depreciation and amortization and adjusted for special items. See appendix for reconciliations.*
***Excludes $7.4 million Ogden inventory adjustment*

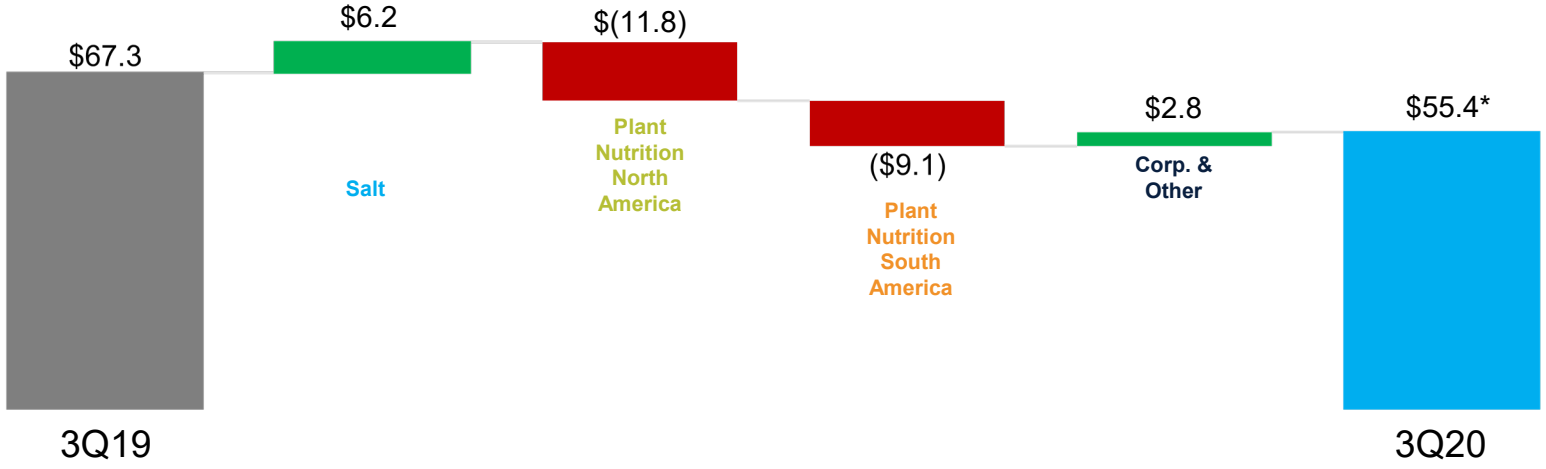
# 3Q20 Consolidated Results Snapshot

| Consolidated Results (Dollars in millions) | vs. 3Q19 |
|---|---|
| Revenue | -17% |
| Operating earnings | -46% |
| Adjusted EBITDA* | -18% |
| Adjusted EBITDA* margin | -20% |
| Year-to- Date Cash flow from operations | $188.5 |

**Commentary**

- Lower sales volumes across Salt and both Plant Nutrition North and South America
  - YTD20 sales volumes up 20% vs. prior year for Plant Nutrition North America and 5% for Plant Nutrition South America, while Salt volumes declined 9% on mild winter weather for the period
- Improved Salt earnings partially offset weak Plant Nutrition North and South America earnings results
- Strong cash flow from operations, up ~$91million vs. YTD2019
- Free cash flow* of ~$126 million including 2020 U.S. tax refund vs. ~$26 million in YTD19

## Adjusted EBITDA*
(in millions)





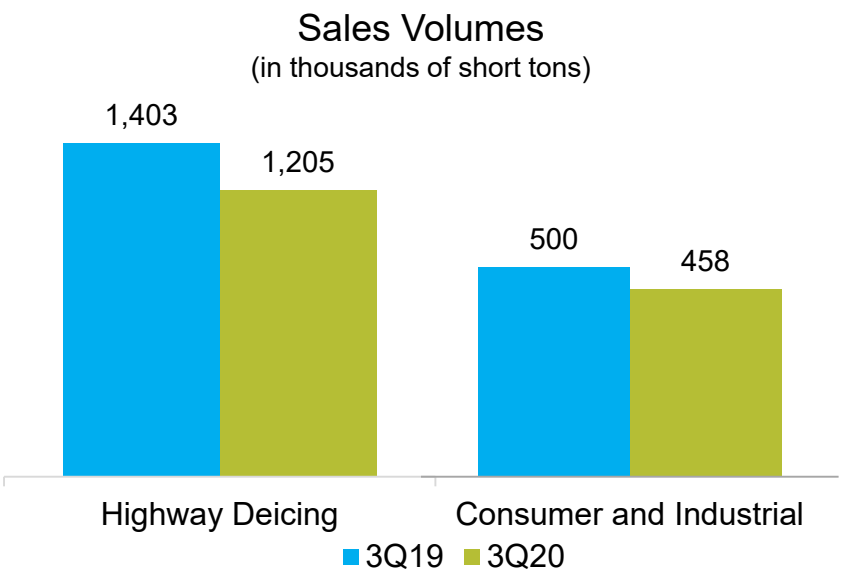

*Non-GAAP measure. See appendix for reconciliations.

# Strong 3Q20 Salt Segment Earnings

- Salt segment 3Q20 revenue down 11% vs. 3Q19
  - Sales volumes dropped 13% driven with 14% lower volumes in Highway Deicing and 8% lower volumes for Consumer & Industrial sales
    - Pre-season bulk and packaged deicing demand depressed vs. prior year
    - Consumer & Industrial sales also impacted by COVID-19 related demand disruptions
  - Average selling price up 1% primarily due to product mix vs. 3Q19
    - Highway deicing average selling price down 8% due to highway bid price results and sales mix
    - C&I average selling price up 8% primarily due to pro-active price actions for non-deicing products
- 3Q20 earnings lifted by lower per-unit costs
  - Per-unit logistics costs and product cash cost both down 9% from prior year
    - Product costs benefiting from improved Goderich production with NA Highway Deicing cash costs down 36% vs. 3Q19
    - Logistics costs driven lower by optimization efforts and fewer lock closures in 2020
  - Adjusted EBITDA* margin expanded 7 percentage points, despite impact of lower sales volumes

| Salt Segment Results ($ in millions) | 3Q20 | 3Q19 | %Δ |
|---|---|---|---|
| Revenue | $141 | $160 | -11% |
| Operating earnings | $25 | $21 | +21% |
| Operating earnings margin | 18% | 13% | +5 pts |
| Adjusted EBITDA* | $42 | $36 | +17% |
| Adjusted EBITDA* margin | 30% | 23% | +7 pts |
| Average price per ton | $85/ton | $84/ton | 1% |

**Non-GAAP measures. See appendix for reconciliations.*



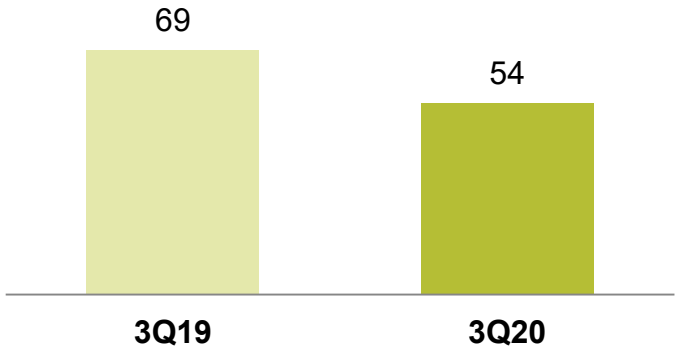
# Plant Nutrition North America Segment Pressured by Sales Timing in 3Q20

- 3Q20 revenue down 21% vs. 3Q19 on 22% lower sales volumes partially offset by 2% higher average sales price
  - SOP sales volumes impacted by extreme fires and drought conditions in western U.S. delaying applications
  - SOP-only sales price remained stable sequentially at $575 per ton
- Operating earnings and EBITDA* driven lower in 3Q20 by inventory adjustment as well as reduced sales volumes
  - Error identified with bulk stockpile measurement at Ogden SOP plant
    - No impact on 2020 cash flow or future profitability of the segment
  - Excluding $7.4 million impact from adjustment, EBITDA* totaled $11.3 million, 28% lower vs. 3Q19, generating an EBITDA* margin of 32%

| Plant Nutrition North America Segment Results *($ in millions)* | 3Q20 | 3Q19 | %Δ |
|---|---|---|---|
| Revenue | $35 | $44 | -21% |
| Operating earnings | $(6.1) | $4.7 | -230% |
| Operating margin | (17)% | 11% | -28 pt |
| EBITDA* | $3.9 | $16 | -75% |
| EBITDA* margin | 11% | 35% | -24 pts |
| Average price per ton | $651/ton | $641/ton | 2% |

**Non-GAAP measures. 3Q20 includes impact of ($7.4 million) inventory adjustment. See appendix for reconciliations.*

Sales Volumes
(in thousands of short tons)

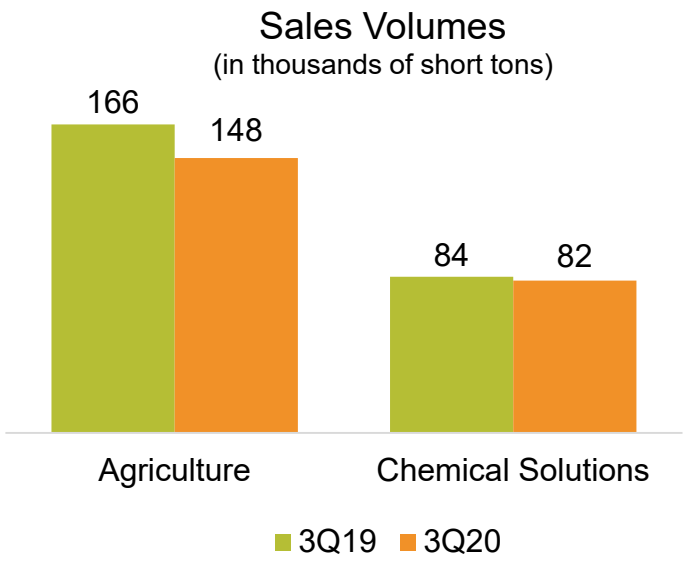


# 3Q20 Plant Nutrition South America Results

- 3Q20 revenue down 23% vs. 3Q19 while up 5% in local currency
  - Agriculture sales volumes down 11% due to early season demand filled in 2Q20 and weather driven delays in 3Q20
  - Chemical solutions sales volumes declined 2% on slow recovery of industrial process sales
  - In local currency, average selling price up 15% with agriculture pricing up 19% and chemical solutions up 8% due to improved sales mix
- Operating earnings and EBITDA* pressured by increased per-unit costs and some pricing pressure on B2B agriculture sales
- BRL weakened significantly vs. prior year, reducing reported earnings
  - Average 3Q20 USD-BRL rate 5.39 vs. 3.92 in 3Q19

| **Plant Nutrition South America Segment** *($ in millions)* | **3Q20 USD** | **vs 3Q19 USD** | **3Q20 BRL** | **vs 3Q19 BRL** |
|---|---|---|---|---|
| Revenue | $103 | -23% | R$558 | +5% |
| Operating earnings | $15 | -33% | R$81 | -9% |
| Operating earnings margin | 15% | -2 pts | 15% | -2 pts |
| EBITDA* | $20 | -32% | R$106 | -7% |
| EBITDA* margin | 19% | -2 pts | 19% | -3 pt |
| Average price per ton | $449 | -17% | R$2,426 | +15% |

*Non-GAAP measures. See appendix for reconciliations.*



# 4Q20 Outlook

| | Salt | Plant Nutrition North America | Plant Nutrition South America |
|---|---|---|---|
| 4Q20 Revenue | $310M – $335M | $65M – $85M | $100M – $120M |
| 4Q20 EBITDA | $85M – $100M | $20M – $30M | $20M – $30M |

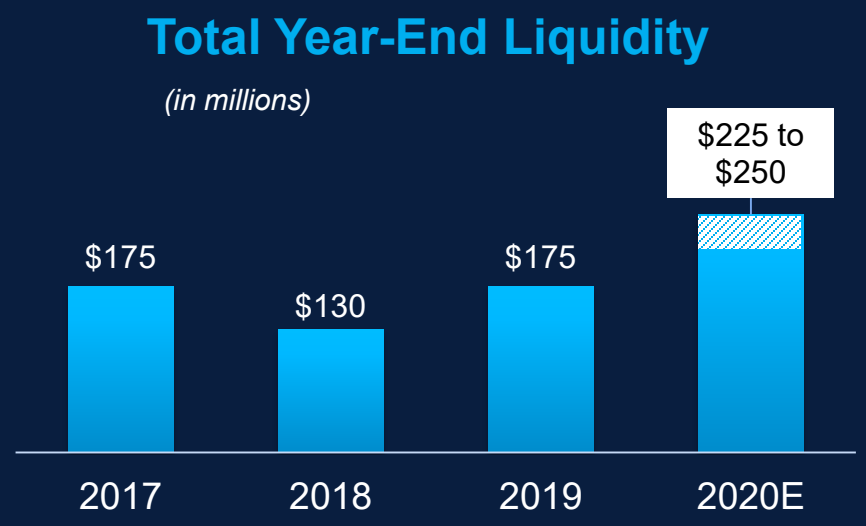
- Continue to expect increased 4Q20 sales volumes vs. 4Q19, although pricing anticipated to decline due to highway deicing bid season results
- Continue to anticipate strong end to 2020 for Plant Nutrition North and South America given underlying demand fundamentals for specialty plant nutrients
  - Ready to serve a compressed application season in North America
  - Strong soybean demand supporting robust farmer economics in Brazil
  - Weak Brazilian currency expected to continue pressuring year-over-year reported results
    - Current 4Q20 USD-BRL exchange rate assumption @ ~ 5.5

# 2020 Full-Year Guidance Items

| **Key Metrics** (in millions of dollars unless otherwise noted) | **Current** | | **vs. Prior Guidance** (Aug. 4, 2020) | |
|---|---|---|---|---|
| **Segment Outlook** | **Low** | **High** | **Low** | **High** |
| Salt Segment sales volumes (in millions of tons) | 10.5 | 10.8 | 10.7 | 11.1 |
| Plant Nutrition North America Segment sales volumes (in thousands of tons) | 340 | 365 | unchanged | |
| Plant Nutrition South America Segment sales volumes (in thousands of tons) | 800 | 900 | unchanged | |
| **Consolidated and Corporate Outlook** | **Low** | **High** | **Low** | **High** |
| **Consolidated EBITDA** | **$330** | **$345** | **$330** | **$370** |
| Corporate and other expense* | $50 | $52 | unchanged | |
| Interest expense | ~$72 | | $76 | $78 |
| Depreciation, depletion and amortization | $135 | $138 | unchanged | |
| Capital expenditures | $95 | $100 | unchanged | |
| Effective tax rate | ~29% | | unchanged | |

**Excludes non-cash items of depreciation, amortization and stock-based compensation.*

# Maintaining Strong Liquidity Position and Improving Balance Sheet




Expected FY20 FCF
~ $125 million

- $34 million of cash on hand and more than $220 million of total liquidity at end of 3Q20
  - Additional ~$72 million available from accounts receivable securitization facility
- Proactively reduced cap ex and discretionary spending as part of balance sheet risk management
- Anticipate ending 2020 with adjusted net-debt-to-EBITDA leverage ratio of ~3.8x

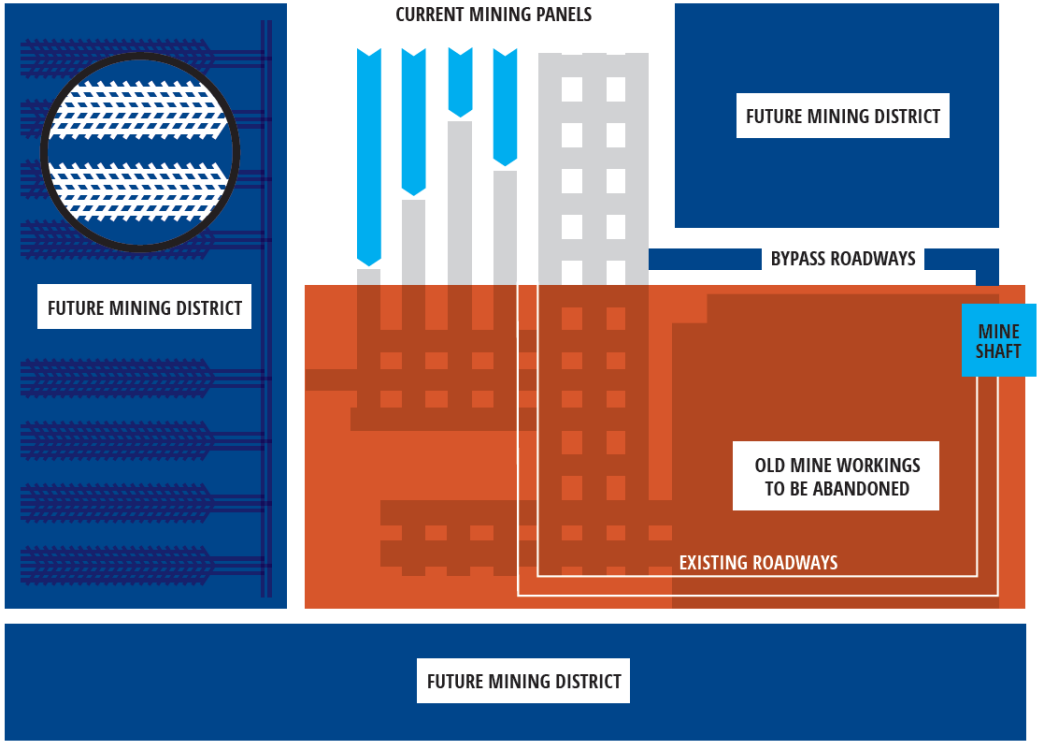
# Appendix

# Paving the Way for Long-Term Success at Goderich Mine

- Expected to increase efficiency of mining systems, decrease maintenance needs of previously mined space and provide greater optionality to address potential variability in geology and deposit quality

- Key features include:
  - Built-for-purpose roadways to mining area which are designed for 50-year life span, have lower ceilings and require less scaling
  - Five-year panels designed to be shuttered with minimal long-term maintenance

## Long-Term Goderich Mine Illustration




*Note: Not to scale, for illustrative purposes only.*

# Reconciliation of Non-GAAP Information

Compass Minerals

| Reconciliation for EBITDA and Adjusted EBITDA (unaudited) (in millions) | | |
|---|---|---|
| | Three months ended September 30, | |
| | 2020 | 2019 |
| Net (loss) earnings | $ (2.1) | $ 10.6 |
| Interest expense | 17.1 | 17.7 |
| Income tax (benefit) expense | (1.3) | 4.8 |
| Depreciation, depletion and amortization | 35.6 | 33.9 |
| EBITDA | $ 49.3 | $ 67.0 |
| Adjustments to EBITDA | | |
| Stock-based compensation – non cash | 2.1 | 0.6 |
| Loss (gain) on foreign exchange | 4.1 | (1.8) |
| Executive transition costs(1) | 0.0 | 2.3 |
| Other income, net(2) | (0.1) | (0.8) |
| Adjusted EBITDA | $ 55.4 | $ 67.3 |
| Total Revenue | $ 282.4 | $ 341.3 |
| Adjusted EBITDA margin | 20% | 20% |

(1) The company incurred severance and other costs related to executive transition.
(2) Primarily includes interest income.

# Reconciliation of Non-GAAP Information

| Reconciliation for Salt Segment EBITDA (unaudited) (in millions) | | |
|---|---|---|
| | Three months ended September 30, | |
| | 2020 | 2019 |
| Segment GAAP operating earnings | $ 25.0 | $ 20.6 |
| Depreciation, depletion and amortization | 17.4 | 14.3 |
| Segment EBITDA | $ 42.4 | $ 34.9 |
| Executive transition costs | 0.0 | 1.3 |
| Segment adjusted EBITDA | $ 42.4 | $ 36.2 |
| Segment sales | 141.3 | 159.6 |
| Segment adjusted EBITDA margin | 30.0% | 22.7% |

(1) The company incurred severance and other costs related to executive transition

# Reconciliation of Non-GAAP Information

Compass Minerals

| Reconciliation for Plant Nutrition North America Segment EBITDA (unaudited) (in millions) | | |
|---|---|---|
| | Three months ended September 30, | |
| | 2020 | 2019 |
| Segment GAAP operating (loss) earnings | $ (6.1) | $ 4.7 |
| Depreciation, depletion and amortization | 10.0 | 11.0 |
| Segment EBITDA | $ 3.9 | $ 15.7 |
| Segment sales | 35.2 | 44.4 |
| Segment EBITDA margin | 11.1% | 35.4% |

| Reconciliation for Plant Nutrition South America Segment EBITDA (unaudited) (in millions) | | |
|---|---|---|
| | Three months ended September 30, | |
| | 2020 | 2019 |
| Segment GAAP operating earnings | $ 15.0 | $ 22.4 |
| Depreciation, depletion and amortization | 4.4 | 6.0 |
| Earnings in equity method investee | 0.3 | 0.4 |
| Segment EBITDA | $ 19.7 | $ 28.8 |
| Segment sales | 103.3 | 135.0 |
| Segment EBITDA margin | 19.1% | 21.3% |

# Reconciliation of Non-GAAP Information

| Reconciliation for Free Cash Flow (unaudited, in millions) | | |
|---|---|---|
| | Nine months ending Sept. 30, | |
| | 2019 | 2020 |
| Cash Flow From Operations | $98 | $189 |
| Capital Spending | (72) | (63) |
| Free Cash Flow | $26 | $126 |