



## 3 Reasons to Buy PotashCorp

### Description

Phosphate miner and agricultural chemicals company **PotashCorp** (TSX: POT)(NYSE: POT) offers investors one of the highest dividend yields among Canada's 60 largest listed companies, the **S&P TSX 60 Index** (^OSPTX). However, it was only a year ago when investors in PotashCorp were feeling significant pain as its price plunged on the back of weaker potash prices.

With potash prices having now stabilized at \$300 per ton and its outlook having improved, coupled with PotashCorp still being down 10% over the last year, now may be the time for investors to take the plunge.

#### 1. Its most recent financial results were better than expected

For the first quarter of 2014, PotashCorp delivered better-than-expected financial results, reporting earnings of \$0.38 per share, or almost 9% higher than analysts' consensus earnings per share. This can be primarily attributed to potash demand and spot prices strengthening during the quarter, as demand from emerging markets in Latin America, notably Brazil, and Asia grew.

These better-than-expected financial results also indicate that PotashCorp is well positioned to achieve its full-year 2014 guidance of \$1.50 to \$1.80 EPS.

#### 2. Demand for agricultural chemicals is expected to grow strongly

For 2014, the company expects potash prices to improve as demand in Asia and North America grows. This growing demand, coupled with recent potash contracts in China and India, as well as a strong order book in key spot markets, is expected to support revenue growth for the remainder of 2014.

Furthermore, the overall consensus is that a growing global population will create further and significant long-term demand for agricultural chemicals, including fertilizers, as agricultural production becomes more intensive to cope with growing food demand.

This certainly bodes well for PotashCorp's long-term outlook and its ability to boost financial results and unlock value for investors over time. It also bodes well for the industry as a whole and its peers,

including **Agrium** (TSX: AGU)(NYSE: AGU) and **Mosaic** ([NYSE: MOS](#)). However, I believe PotashCorp is the best positioned of the three due to its size and the scale of its operations, giving it greater market presence and the ability to access greater economies of scale.

### 3. It has a juicy dividend yield

In the past, its dividend yield wasn't particularly noteworthy, but with its quarterly dividend now yielding a juicy 4%, it is one of the highest yields in the S&P TSX 60. When its dividend payout ratio of 74% is considered in conjunction with the improved outlook for potash prices and the company's better-than-expected financial results, its dividend appears sustainable.

This yield is also superior to those of many of its peers, including Agrium's 3% and Mosaic's 2%, though like PotashCorp both are well positioned to benefit from growing demand for agricultural chemicals and firmer potash prices, which may see further dividend increases across the industry.

With growing signs of stronger-than-expected economic recovery in the U.S. and an expected surge in demand for potash and agricultural fertilizers from Asia, now is the time for investors to consider a position in PotashCorp. Not only can they benefit from better-than-expected financial results but they will also continue to be rewarded by one of the highest dividend yields in the S&P TSX60.

#### CATEGORY

1. Investing

#### TICKERS GLOBAL

1. NYSE:MOS (The Mosaic Company)

#### Category

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