



## Why Shares of Agrium Inc. Are Getting Crushed

### Description

**Agrium Inc.** (TSX: AGU)(NYSE: AGU), one of the largest retailers of agricultural products and services in the world, released an update to its outlook for the second half of fiscal 2014 and its shares have responded by making a sharp move to the downside. Let's take a closer look at this update to decide if this decline is an opportunity to initiate a long-term position or if we should avoid an investment for the time being.

### The lackluster outlook

After the market closed on October 1, Agrium released the following outlook for the second half of fiscal 2014:

1. Third-quarter earnings per share in the range of \$0.45-\$0.55 versus \$0.52 reported in the third quarter of 2013.
2. Fourth-quarter earnings per share similar to what was reported in the fourth quarter of 2013 (\$0.74).
3. Wholesale earnings before interest, taxes, depreciation, and amortization in the second half of 2014 is expected to be in line with the results from the second half of 2013.
4. Retail EBITDA in the second half of 2014 is expected to be in line with the results from the second half of 2013.

As you can see, Agrium's outlook for the second half of 2014 calls for little to no growth compared to the same period a year ago. The company went on to note that this weak outlook is a result of lower grain prices, lower crop protection sales due to the "excellent growing conditions experienced across the U.S. this summer," and production time that will be lost while it replaces a "major piece of equipment" at one of its largest production facilities. It added that it will provide more guidance for the fourth quarter in its third-quarter earnings release in November. Overall, this news is very disappointing, so I think the market has reacted correctly by sending shares lower.

### Should you consider buying on the decline?

Agrium is trading at very inexpensive valuations, at less than 18 times trailing-12-months earnings and

less than 12 times forward earnings. It also has a very healthy dividend yield of more than 3.4%, but I would avoid an investment for now. Shares may trade erratically for the next few days or weeks, so it would be best to wait for the company's third-quarter earnings release on November 4 to consider an investment. By waiting, you will be able to use the most up-to-date financials and outlook to make an educated decision on whether Agrium belongs in your portfolio.

## CATEGORY

1. Investing

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