



Should You Buy Potash Corp./Saskatchewan Today?

Description

Potash Corp./Saskatchewan (TSX: POT)(NYSE:POT), the world's largest manufacturer of fertilizer and the company responsible for one-fifth of the global capacity of potash, announced fourth-quarter earnings before the market opened on January 29 and its stock reacted by making a slight move to the upside. Let's take a closer look at the most important statistics and updates from the report to determine if this could be the start of a sustained rally higher.

The fourth-quarter breakdown

Here's a summary of Potash's fourth-quarter earnings results compared to what analysts had expected and its results in the year-ago period.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.49	\$0.47	\$0.26
Revenue	\$1.90 billion	\$1.67 billion	\$1.54 billion

Source: *Financial Times*

Potash's earnings per share increased 88.5% and its revenues increased 23.4% compared to the fourth-quarter of fiscal 2013, driven by net income increasing 77% to \$407 million and sales volume of potash reaching a fourth-quarter record of 2.5 million tonnes. The company went on to note that offshore sales volumes of potash represented the largest increase during the quarter, as it was up 80% from the year ago period.

Here's a quick breakdown of six other highly important statistics from the report compared to the year ago quarter:

1. Gross profit from the sale of potash increased 95.2% to \$445 million
2. Gross profit from the sale of nitrogen and phosphate increased 29.7% to \$301 million
3. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 31.3% to \$793 million

4. Adjusted EBITDA margin expanded 250 basis points to 41.7%
5. Cash provided by operating activities increased 8.7% to \$713 million
6. Free cash flow increased 107.5% to \$332 million

Potash provided its outlook on fiscal 2015, calling for the following performance:

- Earnings per share in the range of \$1.90-\$2.20
- Sales volume of potash in the range of 9.2 million-9.7 million tonnes
- Gross profit from the sale of potash in the range of \$1.5 billion-\$1.8 billion
- Gross profit from the sale of nitrogen and phosphate in the range of \$1.1 billion-\$1.3 billion
- Capital expenditures of approximately \$1.2 billion

Is now the time to buy shares of Potash?

Potash Corp./Saskatchewan is the largest manufacturer of fertilizer in the world, and record sales volumes of potash led it to a very strong fourth-quarter performance. The company achieved year-over-year growth of more than 20% in net income, earnings per share, revenue, and EBITDA, while generating \$332 million of free cash flow and providing solid outlook on fiscal 2015, and its stock reacted accordingly by rising.

I think Potash's stock represents a great long-term investment opportunity today, because it still trades at very inexpensive valuations, including just 22.2 times the company's median earnings per share outlook on fiscal 2015 and only 19.8 times analysts' estimated earnings per share of \$2.30 for fiscal 2016. Furthermore, the company now pays an annual dividend of \$1.52 per share, following its 8.6% increase on January 28, giving its stock a very generous 3.3% yield and making it both a value and dividend play today.

With all of this information in mind, I think Potash Corp./Saskatchewan represents one of the best long-term investment opportunities in the market today, so investors should take a closer look and consider initiating positions.

CATEGORY

1. Dividend Stocks
2. Investing

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