



Is Agrium Inc. the Missing Piece of Your Portfolio?

Description

Agrium Inc. (TSX:AGU)(NYSE:AGU), one of the largest producers and distributors of agricultural products and services in the world, has been one of the market's top performing stocks in 2015. It has risen more than 22% and it could continue higher for the next several years. Let's take a look at three of the main reasons why you should consider buying shares today. All figures are in U.S. dollars.

1. A very positive outlook on fiscal 2015

In its 2014 annual report, Agrium provided its outlook on fiscal 2015 and called for the following performance:

1. Earnings per share in the range of \$7-8.50, an increase of 27-54.3% from the \$5.51 earned in fiscal 2014
2. Retail earnings before interest, taxes, depreciation, and amortization (EBITDA) in the range of \$1.15-\$1.25 billion, an increase of 2.7-11.6% from the \$1.12 billion reported in fiscal 2014
3. Retail nutrient sales volume in the range of 9.7-10.2 million tonnes, an increase of 0-5.2% from the 9.7 million tonnes sold in fiscal 2014
4. Potash production in the range of 1.9-2.2 million tonnes, an increase of 79.2-107.5% from the 1.06 million tonnes produced in fiscal 2014
5. Total capital expenditures in the range of \$1.2-\$1.3 billion, a decrease of 35.6-40.6% from the \$2.02 billion spent in fiscal 2014

2. The stock trades at inexpensive current and forward valuations

At current levels, Agrium's stock trades at just 24.4 times fiscal 2014's earnings per share of \$5.51, only 17.3 times its median earnings per share outlook of \$7.75 for fiscal 2015, and a mere 14.9 times analysts' estimated earnings per share of \$9.03 for fiscal 2016, all of which are very inexpensive compared to its long-term growth potential.

I think Agrium's stock could consistently command a fair multiple of at least 20, which would place its shares around \$155 by the conclusion of fiscal 2015 and upwards of \$180.50 by the conclusion of fiscal 2016, representing upside of more than 15% and 34%, respectively, from today's levels.

3. A dividend you can count on

Agrium pays a quarterly dividend of \$0.78 per share, or \$3.12 per share annually, which gives its stock a 2.3% yield at today's levels. It is also important to note that the company has increased its dividend for three consecutive years, showing that it is dedicated to maximizing shareholder returns, and its increased amount of free cash flow could allow for another increase in fiscal 2015.

Is today the day to buy shares of Agrium?

Agrium represents one of the market's best long-term investment opportunities because its outlook on fiscal 2015 calls for double-digit earnings growth, because its stock trades at inexpensive valuations, and because the company has shown a dedication to maximizing shareholder value through the payment of dividends. All long-term investors should take a closer look and strongly consider establishing positions.

CATEGORY

1. Investing

Category

1. Investing

Date

2025/10/01

Date Created

2015/04/14

Author

jsolitro

default watermark

default watermark