



## Should You Buy, Sell, or Hold Agrium Inc. Today?

### Description

**Agrium Inc.** (TSX:AGU)(NYSE:AGU), one of the largest providers of agricultural products and related services in the world, announced first-quarter earnings results before the market opened on May 6 and its stock has responded by rising about 1%. Let's take a closer look at the quarterly results and the company's outlook going forward to determine if we should consider establishing long-term positions today, or if we should avoid the stock for the time being.

#### A quarter of mixed growth

Here's a summary of Agrium's first-quarter earnings results compared with its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q1 2015	Q1 2014
Earnings Per Share	\$0.08	\$0.02
Revenue	\$2.87 billion	\$3.08 billion

*Source: Agrium Inc.*

Agrium's earnings per share increased 300% and its revenue decreased 6.7% compared with the first quarter of fiscal 2014. The company noted that its strong earnings-per-share growth can be attributed to "strong margins and operating rates for nitrogen products," while its weak revenue performance can be attributed to a "delayed start to the spring season in the U.S. this year."

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Net earnings increased 366.7% to \$14 million
2. Crop nutrient sales increased 1.7% to \$911 million
3. Crop protection product sales increased 8.6% to \$793 million
4. Seed sales increased 3.4% to \$308 million
5. Gross profit increased 5% to \$584 million
6. Gross margin expanded 220 basis points to 20.3%
7. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 2.2% to \$190 million
8. Earnings before finance costs and income taxes increased 41.5% to \$75 million
9. Cash provided by operating activities decreased 7.4% to \$705 million
10. Ended the quarter with \$780 million in cash and cash equivalents, a decrease of 8% from the beginning of the quarter

On a very positive note, Agrium announced a 12.2% increase to its annual dividend to \$3.50 per share. The first quarterly installment of \$0.875 per share will be paid out on July 16 to shareholders of record at the close of business on June 30.

Agrium also lowered the high end of its full-year outlook on fiscal 2015, calling for earnings per share in the range of \$7-8.25 and EBITDA in the range of \$1.15-1.22 billion, which is down from its previous outlook of earnings per share in the range of \$7-8.50 and EBITDA in the range of \$1.15-1.25 billion.

### **Should you buy shares of Agrium today?**

The first quarter was far from impressive for Agrium, so I do not think the slight post-earnings pop in its stock is warranted. However, I do think the stock represents a very attractive long-term investment opportunity today.

First, Agrium's stock trades at just 16.5 times its median earnings-per-share outlook of \$7.63 for fiscal 2015 and only 14 times analysts' estimated earnings per share of \$9 for fiscal 2016. I think the stock could consistently command a fair multiple of at least 18, which would place its shares upwards of \$137 by the conclusion of fiscal 2015 and around \$162 by the conclusion of fiscal 2016, representing upside of more than 8% and 28%, respectively, from today's levels.

Second, Agrium now pays a quarterly dividend of \$0.875 per share, or \$3.50 per share annually, giving its stock a 2.8% yield at current levels. The company has also increased its dividend for four consecutive years, making it one of the top dividend-growth plays in the industry today.

With all of the information provided above in mind, I think Agrium represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### 3. Stocks for Beginners

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