



## Potash Corp./Saskatchewan Inc. or Agrium Inc.: Which Should You Buy Today?

### Description

**Potash Corp./Saskatchewan Inc.** (TSX:POT)(NYSE:POT) and **Agrium Inc.** (TSX:AGU)(NYSE:AGU) are two of the world's leading providers of agricultural products, chemicals, and services. Both stocks represent great long-term investment opportunities today, but the laws of diversification say we cannot own both, so let's take a closer look at each company's most recent quarterly release and other important statistics to determine which stock is the better buy today.

#### Potash Corp./Saskatchewan

On April 30 Potash released its first-quarter earnings results, and its stock has responded by falling over 2.5% in the trading sessions since. Here's a breakdown of six of the most important statistics from the report compared with the year-ago period:

1. Net income increased 8.8% to \$370 million
2. Diluted earnings per share increased 10% to \$0.44
3. Revenue decreased 0.9% to \$1.67 billion
4. Gross profit increased 18.1% to \$667 million
5. Gross margin expanded 650 basis points to 40.1%
6. Cash provided by operating activities decreased 3.3% to \$521 million

At today's levels, Potash's stock trades at 21.5 times its median earnings per share outlook of \$1.80 for fiscal 2015 and 18 times analysts' estimated earnings per share of \$2.15 for fiscal 2016, both of which are inexpensive compared with the industry average price-to-earnings multiple of 22.4.

In addition, Potash pays a quarterly dividend of \$0.38 per share, or \$1.52 per share annually, giving its stock a 3.9% yield at current levels. The company has also increased its dividend six times in the last four years, showing that it is strongly dedicated to maximizing shareholder value.

#### Agrium Inc.

Agrium Inc. released its first-quarter earnings results on May 6, and its stock has responded by rising over 3% in the trading sessions since. Here's a breakdown of the same six statistics we pulled from

Potash's reported compared with the year-ago period:

1. Net income increased 366.7% to \$14 million
2. Earnings per share increased 300% to \$0.08
3. Revenue decreased 6.7% to \$2.87 billion
4. Gross profit increased 5% to \$584 million
5. Gross margin expanded 220 basis points to 20.3%
6. Cash provided by operating activities decreased 7.4% to \$705 million

At current levels, Agrium's stock trades at 16.9 times its median earnings per share outlook of \$7.63 for fiscal 2015 and 14.5 times analysts' estimated earnings per share of \$8.90 for fiscal 2016, both of which are inexpensive compared with the industry average price-to-earnings multiple of 22.4.

Additionally, Agrium pays a quarterly dividend of \$0.875 per share, or \$3.50 per share annually, which gives its stock a 2.7% yield at today's levels. The company has also increased its dividend for four consecutive years, showing that it too is dedicated to maximizing shareholder value.

### **Which stock represents the better long-term investment today?**

After comparing the most recent quarterly reports, valuations, and dividend yields, I think Potash Corp./Saskatchewan represents the better long-term investment opportunity today. Agrium trades at lower valuations, but I think Potash posted stronger first-quarter earnings and it has a much higher dividend yield, which made it an easy choice between the two. All Foolish investors should take a closer look and strongly consider initiating positions in Potash Corp./Saskatchewan today.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

### **POST TAG**

1. Editor's Choice

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**Author**  
jsolito

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