



How You Can Boost Your Portfolio: Buy Agrium Inc.

Description

Investors are often told to diversify and look for long-term growth opportunities from the current crop of companies. One such company that has massive long-term growth potential is **Agrium Inc.** (TSX:AGU)(NYSE:AGU)

Here's a look at the company and why I think it is a great long-term investment for any portfolio.

Diversification of products and locations

Agrium is a producer of agricultural products and services across both retail and wholesale divisions. From a retail perspective, Agrium has over 1,200 locations spanning North America, South America, and Australia across a variety of brands.

One of Agrium's many strengths lies in both the brands and products that it offers. Unlike some other companies, Agrium has operations for nitrogen, phosphate and potash, meaning that a dip in pricing over any of these three (as was witnessed with potash) will not necessarily derail the bottom line of the company considerably.

The same can be said about the company's footprint across multiple countries; a downturn in one area can be offset by a boom in another.

This diversification is one of the prime reasons why Agrium reported a jump in profits by 9% in the most recent quarter, despite sales being down by 8%.

Strong results

In Agrium's most recent quarterly report, the company posted net earnings of US\$200 million, or US\$1.45 per share. To consider how much of a great investment this is, consider that for the prior year, the company posted net earnings of just US\$70 million. And that wasn't even the company's best-ever quarterly result.

Free cash flow was another metric that saw a huge increase for the year, ballooning up from US\$841

million to US\$1.2 billion.

The best part of all of this? Forecasts for 2016 are starting to come in, and they are showing an increased demand for the company's products. Expanding demand for potash should see wholesale operations grow with volumes expected to expand well in to 2017.

On the supply side, Agrium's Vanscoy potash mine is expected to generate an additional million tonnes, which should propel sales upwards to 2.4 million tonnes for the year, and then even higher in 2017.

If the growth prospects were not enough, Agrium pays out a dividend of US\$1.20 per share, giving the company a very healthy yield of 3.99%. This should continue to grow as the demand increases for Agrium's products into new markets.

Growth prospects

The next few years should be particularly lucrative for Agrium. The company is in a prime position to capitalize on market growth around the world, having the largest to-grower distribution network.

One final factor is that as the developing world continues to grow, diets in those countries evolve, and consumers look more towards the foods that require the fertilizers that Agrium offers. As those markets expand, demand for Agrium will increase.

Agrium currently trades at just over \$120. The company is up by 6% in the past month, but is currently down by nearly 3%.

In my opinion, Agrium represents one of the best long-term options on the market. The company's strong results, dividends and prospects for growth ensure that investors will be particularly pleased with the company over the long term.

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