



## Potash Corporation of Saskatchewan Inc.: Should You Buy the Latest Dip?

### Description

**Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) just released some ugly results, and the stock has pulled back as a result.

Let's take a look at the current situation to see if this is an opportunity to buy the shares.

### Earnings

The global fertilizer market continues to struggle.

Potash just reported Q4 2016 earnings of US\$0.07 per share, bringing the full-year 2016 total to US\$0.40 per share.

That's quite a drop from earnings of US\$1.52 per share in 2015.

Potash Corp. didn't exactly paint a rosy picture for the current year either, as full-year 2017 earnings guidance is now US\$0.35-0.55 per share.

At least things aren't expected to get much worse.

Weak prices are responsible for most of the pain, as Potash Corp. reported an averaged realized potash sale price of US\$157 per tonne in Q4 2016. That's compared to US\$238 per tonne in the same period in 2015.

The company received US\$182 per tonne for its nitrogen — down from US\$288 per tonne in Q4 2015.

Phosphate didn't fare well either, bringing in US\$404 per tonne as compared to US\$522 per tonne a year earlier.

### Positive developments

There are some positive signs that contrarian investors should note.

Potash demand remains strong with global shipments expected to be 61-64 million tonnes in 2017. North America, Latin America, and Asia are all expected to see rising or record demand, and Potash Corp. predicts both China and India will buy more potash than they did in 2016.

Potash Corp. continues to shift production to its lowest-cost sites, while aligning overall operating levels to match expected market conditions.

The company completed its multi-year expansion program in 2016 and is well positioned to benefit when the market finally improves.

### **Agrium merger**

Potash Corp. and **Agrium Inc.**, are working through their planned merger, which is expected to close in mid-2017.

The match-up is being marketed as a merger of equals and will create a global crop nutrients powerhouse with both wholesale and retail operations.

Potash Corp. says the merger should deliver up to US\$500 million in annual operating synergies.

### **Should you buy?**

The long-term outlook for the global fertilizer market is positive, and the addition of Agrium's retail business should make Potash Corp. a stronger overall company.

Tough market conditions are expected to persist in the near to medium term, so I wouldn't look for huge moves in the stock this year, but contrarian investors who have some patience might want to add a bit of Potash Corp. to their portfolios while the name is still out of favour.

### **CATEGORY**

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