



Contrarian Investors: Should Potash Corporation of Saskatchewan Inc. Be in Your Portfolio?

Description

Potash Corporation of Saskatchewan Inc. (TSX:POT)(NYSE:POT) is working through a downturn in the fertilizer market.

Let's take a look at the current situation to see if the crop nutrients giant should be on your buy list.

Bad numbers

Potash Corp. reported some rough numbers for Q4 2016 and gave a mediocre forecast for 2017.

What's the scoop?

Fourth-quarter earnings came in at just US\$0.07 per share, and full-year 2016 earnings ended up at US\$0.40 per share.

That's a far cry from the US\$1.52 the company earned in the previous year.

Looking ahead, management expects the situation to remain challenging in the coming months with 2017 full-year earnings guidance of US\$0.35-0.55 per share.

Based on those numbers, there isn't much to get excited about, but contrarian investors tend to take the long view, and that's where things start to get interesting.

Potash demand

Global potash shipments could hit record levels in 2017, as Potash Corp. sees strong demand coming from buyers in North America, Latin America, and Asia.

Of particular interest are India and China, where purchases are projected to outpace 2016 levels.

In the decades to come, rising global population numbers should drive demand growth for crop

nutrients as farmers attempt to meet global food needs using less and less agricultural land.

Capital plan complete

Potash Corp. completed a multi-year expansion program in 2016. As a result, the business is well positioned to prosper when markets recover, and investors shouldn't have to worry about big capital projects eating up valuable cash flow.

Agrium merger

In addition, Potash Corp. is in the process of merging with **Agrium Inc.** in a deal that will create a global giant with strong operations in both the wholesale and retail segments of the market.

The deal provides a more balanced revenue stream and is expected to deliver as much as US\$500 million in synergies on an annual basis.

Should you buy?

The stock has been on an upward trend over the past six months, but it's still close to the multi-year lows.

Volatility should be expected in the near term, so I don't think there is a rush to buy the stock today. However, contrarian investors with a buy-and-hold strategy might want to start nibbling on further weakness.

CATEGORY

1. Investing
2. Metals and Mining Stocks

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/02

Date Created

2017/02/08

Author

aswalker

default watermark