



Potash Corporation of Saskatchewan Inc Earnings Preview: 3 Updates You Can't Afford to Miss

Description

Potash Corporation of Saskatchewan Inc (TSX:POT)(NYSE:POT) investors are headed for a crucial week ahead. The stock has been under considerable pressure this year, down almost 10% year to date as of this writing.

Interestingly, Potash Corp. gave out optimistic guidance for potash markets for 2017 during its last earnings release, with peer **Mosaic Co** ([NYSE:MOS](#)) also calling out the bottoming of potash markets. The market, however, seems unsure, which is why Potash Corp.'s upcoming first-quarterly earnings release on April 27 is so crucial for investors. Here are three key updates you must watch for this week to know where the company and its stock are headed.

What are the phosphate impairments?

When Potash Corp. reported its Q4 and 2016 numbers earlier this year, it reported "preliminary" earnings per share of US\$0.4 for the full year, having excluded any impact of potential phosphate asset impairments. Later, Potash Corp. released its Annual Report and reported final 2016 EPS of US\$0.38 per share, which means the company wrote down a portion of its phosphate assets.

Mind you, phosphate is not a small business for the company – It accounted for almost 30% of Potash Corp. total sales last year. So any trouble at its phosphate business could deal a blow to Potash Corp. at a time when potash markets are already under severe pressure.

Interestingly, Mosaic outlined optimistic volumes and price outlook for the first quarter, so it remains to be seen why Potash Corp. wrote down assets. Whether it is weak end market conditions or factors like cost overruns is what investors need to know this week.

Is Rocanville on schedule?

Potash Corp. last projected its 2017 potash gross profit to range US\$550 million-US\$800 million, versus 2016 gross profit of US\$437 million. That improvement largely depends on Rocanville coming online per schedule.

The key to Potash Corp.'s turnaround depends a great deal on how efficiently it can curtail costs even as it awaits end markets to recover. The company is striving to bring its lowest-cost mine at Rocanville online soon – a move projected to cut down Potash Corp.'s potash production costs by nearly US\$10 per tonne this year, which will be a big deal if achieved.

Will Potash Corp. stick to its outlook?

Potash Corp. set a terrible precedent last year when it downgraded its full-year outlook earnings every quarter. While management might've adopted a more cautious approach now, you still might want to take the company's guidance with a grain of salt.

Last quarter, Potash Corp. projected its FY 2017 EPS to be US\$0.35-US\$0.55, including US\$0.05 per share worth of potential costs related to its impending merger with **Agrium Inc.** (TSX:AGU)(NYSE:AGU). At midpoint, Potash Corp.'s guidance represents 15% improvement over 2016, which might still be slightly optimistic. If Potash Corp. misses consensus EPS estimates of US\$0.11 this week, investors should remain cautious. With Indian competition regulators also raising concerns over its Potash Corp.'s merger with Agrium, don't miss any updates that management might provide this week.

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