



Potential Turnaround Value Play: Potash Corporation of Saskatchewan Inc.

Description

Potash Corporation of Saskatchewan Inc.'s (TSX:POT)(NYSE:POT) stock price has bounced around in recent weeks. Investors have experienced volatility related to the company's recent positive earnings announcement coupled with continued headwinds for the potash market.

While the global potash market is somewhat out of Potash Corp.'s control, the company has made a lot of positive moves on its cost base, reducing its overall production costs and bolstering its margins and profit numbers during the last quarter.

Earnings stability bolstered by improving conditions, cost-cutting measures

With the price for potash appearing to have bottomed just above the US\$200-per-metric-tonne price, and "potash market fundamentals continued to improve in the first quarter," the company noted in its recent earnings release at the end of April that "improved consumption trends and nutrient affordability in key markets [will continue] to support potash demand and our results through the remainder of 2017."

The bullish outlook by Potash Corp. on its ability to continue to cut costs and optimize its portfolio led it to announce improved guidance for the fiscal year 2017: its target range for 2017 earnings increased by \$0.10 per share, or approximately 22%.

Potash Corp. has engaged in an aggressive cost-reduction strategy, centred on ramping up production of its low-cost Rocanville mine. The company noted that it anticipates it will be able to bring increased potash production from the Rocanville mine into the market during the last half of the year, which should help boost earnings further, pending an allocation audit from Canpotex.

Market size set to increase with merger

The long-awaited **Agrium Inc.** (TSX:AGU)(NYSE:AGU) merger is also proceeding well, according to the company's earnings release. Potash Corp. anticipates that the transaction will complete mid-2017, bringing Agrium's strong retail sales arm into Potash Corp.'s production-focused business model. With the integration expected to provide significant synergies over time, Potash Corp. stands to benefit from both increased margins as well as downstream diversification.

Bottom line

Potash Corp. is a long-term play for investors with a long time horizon and the ability to wait out cyclical downturns. This most recent protracted downturn has proved to be a difficult one for many long-term investors to stomach; however, it appears Potash Corp. has the ability to continue to increase its profitability over the medium to long term, providing value investors with an interesting entry point at current levels.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

Date

2025/08/01

Date Created

2017/05/24

Author

chrismacdonald

default watermark

default watermark