



Potash Corporation of Saskatchewan Inc.'s Ex-CEO Thinks Merger With Agrium Inc. Destroys Value

Description

Shares of **Potash Corporation of Saskatchewan** (TSX:POT)(NYSE:POT) have gone nowhere over the past two years. Although it seems like a bottom has finally formed, many deep-value investors hoping for a rebound may have to wait years before they see any form of a sustainable upward movement.

There's no question that Potash Corp. is the cheapest it has been in many years, and over the course of the long term, it's probably a wise move to buy shares and hold on to them for the next decade. After all, potash is still a necessary commodity that'll likely be around for a really long time. Although shares are dirt cheap, Potash Corp. doesn't have any real catalysts to bring shares out of their funk over the short to medium term, so if you're buying shares, then you've better be prepared for fluctuations around the \$22 levels.

Ex-CEO of Potash Corp. isn't a big fan of leadership or the recent merger

To add more salt in the wound, the ex-CEO of Potash Corp., Bill Doyle, went on BNN to discuss the bleak outlook for the potash industry. Mr. Doyle thinks that the industry "lacks leadership" and believes the merger with **Agrium Inc.** (TSX:AGU)(NYSE:AGU) is a very bad deal for shareholders of Potash Corp.

Mr. Doyle stated, "I think it's a great deal for Agrium, I think they negotiated really well on behalf of their shareholders. I'd say it was a grand slam homerun for them. For Potash, not so much ... When you look at the facts, it really is a reverse takeover. Agrium is clearly going to be running the operation."

Mr. Doyle then stated that he thought the Agrium merger was "sad" for shareholders of Potash Corp. and that "there was a tremendous amount of destruction of shareholder value."

Potash shareholders will only receive 0.4 of a share in the combined companies (Nutrien Inc.), which is not a great deal for shareholders who'd bought Potash Corp. as a quick rebound play.

Does it still make sense to be a buyer at these levels?

Mr. Doyle isn't a fan of the merger with Agrium, but it's worth noting that the combined companies will be better equipped to deal with volatility in the fertilizer industry. There are also synergies to be realized, and I believe investors will see better long-term results with Agrium running the show.

Sure, the deal isn't great for Potash Corp., but it was really backed into a corner after shares lost over half of their value since early 2015. Mr. Doyle hates the deal, but I don't think it's as bad as he makes it sound, especially considering how ridiculously cheap shares of POT are at current levels.

If you're a patient long-term investor who wouldn't be inclined to sell after a year or two of lacklustre returns, then buying shares at current levels is probably a very smart decision, but be warned, you'll probably need to hang on to shares for a really long time before you get the returns you were hoping for.

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