



Should Potash Corporation of Saskatchewan Inc. Be on Your Buy List Today?

Description

Potash Corporation of Saskatchewan Inc. (TSX:POT)(NYSE:POT) has enjoyed a nice rally in the past three months, and investors are wondering if more gains are on the way.

Let's take a look at the current situation to see if the fertilizer giant deserves to be in your portfolio.

Agrium deal

Potash Corp. is merging with **Agrium Inc.** (TSX:AGU)(NYSE:AGU) in a deal that will create a crop nutrients powerhouse.

The two companies have received government approvals from Canada, China, India, Brazil, and Russia. The U.S. is expected to give the merger the green light in the coming weeks, and the companies expect to close the transaction by the end of 2017.

Once all the hurdles are cleared, the new company, Nutrien, will be a fertilizer wholesale and retail giant.

The addition of Agrium's global retail business should provide more stability to Potash Corp.'s revenue stream, which fluctuates with the ups and downs of global wholesale prices for potash, nitrogen, and phosphate.

Demand outlook

Fertilizer prices have been in a [slump](#) in recent years, and that has taken a toll on cash flow and profits.

Potash Corp. reported Q3 2017 earnings of US\$53 million, or US\$0.06 per share, compared to US\$81 million, or US\$0.10 per share, in the same period last year.

The numbers are ugly, but market conditions are improving. In fact, global potash prices increased for the fifth straight quarter, supported by strong demand in all of the company's major markets.

Nitrogen prices also appear to have bottomed out, and phosphate is showing early signs of a possible

recovery.

Heading into 2018, Potash Corp. is projecting record potash demand. Total 2017 global shipments are expected to be 62-65 million tonnes, and next year should see the strong trend continue.

Longer term, global farmers will have to produce more from less arable land, and that bodes well for the fertilizer producers.

Should you buy?

Potash Corp. was a \$45 stock in 2015. Today, investors can [pick it up](#) for less than \$25 per share. Once the Agrium merger is complete, the new company will benefit from both wholesale and retail strength and have a better competitive position in the global market.

As a result, there is a chance the market will provide the company with a higher multiple, and investors who buy now could see a nice pop in the value of their holdings once the deal is finalized.

In addition, fertilizer prices appear to be bottoming out, so the timing might be right for buy-and-hold investors to add a bit of the stock to their portfolios.

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