



Should You Ring In the New Year With Nutrien Ltd.?

Description

The much-anticipated Potash Corporation of Saskatchewan and Agrium Inc. merged company, **Nutrien Ltd.** ([TSX:NTR](#))([NYSE:NTR](#)), is now available at an exchange near you. The fertilizer behemoth has over 1,500 farm retail centres with over 20,000 employees across 14 countries and a number of potential synergies that should lighten the impact from the weak demand for agricultural commodities such as potash. Nutrien stock surged to \$69 in the first trading day, up ~5.8% from its opening price of \$65.23, as many investors pulled the trigger on the brand-new stock to start off the new year.

The outlook for agricultural commodities continues to look bleak, but what about synergy opportunities?

Approximately \$500 million worth of annual savings are expected to be generated from operational improvements, but such synergies are quite meagre when you consider that there's no fundamental reason why potash prices will recover in 2018. It looks like this year will be more of the same, so early investors expecting major moves in the stock will likely be disappointed, as the merged companies integrate to better weather the storm.

Not everyone is a fan of the mega-merger

Fellow Fool contributor Chris MacDonald [isn't convinced](#) that the merger will result in meaningful synergies in the near term, stating the lack of overlap between the two operations would make it very difficult to deliver accretive synergies that'll live up to the expectation of investors.

Mr. MacDonald isn't the only one who's not a fan of formation of Nutrien. Potash Corp.'s former CEO, Bill Doyle, stated that the entire industry "lacks leadership" and that the [merger destroyed value](#) for Potash Corp. shareholders, many of whom were incredibly patient with a company that has been in decline for quite some time.

There's no question that Potash Corp. shareholders got the short end of the stick, especially since the stock was a deep-value play that would likely have paid off over the long term. The merger was definitely one-sided and punished those who were patient and on the right track.

Bottom line

The fertilizer industry is still experiencing tough times; nothing has changed about that. While the Potash-Agrium merger has been frowned upon by some pundits, I do believe the combined companies are better equipped to deal with industry-wide weakness.

The synergies from the merger will be modest in the near term; however, as the industry gradually shows signs of improvement, I suspect the real benefits from the merger will gradually begin to show further down the road. Unless you're an extremely long-term investor with a buy-and-forget mentality who's really keen on obtaining exposure to the fertilizer industry, I'd recommend sitting on the sidelines.

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