



## Nutrien Ltd. Stock Price Soars to Kickstart 2018: Time to Buy?

### Description

**Nutrien Ltd.** ([TSX:NTR](#))([NYSE:NTR](#)) had an impressive first day of trading and investors are wondering if more gains could be on the way.

Let's take a look at the fertilizer giant to see if it deserves to be in your [portfolio](#).

### Potash and Agrium combine

Nutrien is the product of a merger of equals between PotashCorp. of Saskatchewan and Agrium. The two companies announced the agreement back in 2016 and received the final regulatory clearance last week.

The new firm is a global powerhouse in the crop nutrients sector, with potash, nitrogen, and phosphate production businesses in addition to a strong retail operation that sells seed and crop protection products to farmers around the world.

PotashCorp. shareholders received 0.4 shares of Nutrien for every common share they owned, and Agrium shareholders received 2.23 shares in the new company for each common share.

The stock opened at \$64 per share and finished the first day of trading at \$69.

### Competitive strength

Nutrien is better positioned to compete in the global fertilizer space, and investors should see more stability in the stock.

The previous PotashCorp. shareholders will likely benefit the most, as the wholesale markets have been volatile in recent years and the addition of Agrium's retail business provides revenue stability when potash, nitrogen, and phosphate prices falter.

Nutrien expects to see synergies of US\$500 million by 2019, driven by improvements in production costs and the efficiencies gained by operating as a single company.

### Improving market

Potash shipments are expected to hit record levels in 2018, and spot prices have gradually improved in recent quarters. While the overall fertilizer market is still under pressure, there are indications that better days are on the way.

### Capital investments

Potash and Agrium both completed multi-year capital programs before the merger, so investors could see significant improvements to free cash flow once fertilizer prices recover.

### Should you buy?

The world's population continues to grow, while urbanization eats up arable land. As a result, farmers will need to produce more crops from less property, which requires the use of fertilizer.

The market obviously likes Nutrien's chances. The combined company has the scale to compete on the global stage and the diversified business lines should provide more stability to the revenue stream. This might be why the market is rewarding Nutrien with a [higher multiple](#).

If you have some cash on the sidelines and are a buy-and-hold investor, it might be worthwhile to add Nutrien to your portfolio.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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