



Time to Buy Nutrien Stock?

Description

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) recently pulled back from the 2022 high. Investors who missed the big rally earlier this year are wondering if Nutrien stock is now a good buy for their [retirement](#) portfolios.

Nutrien Q1 2022 earnings

Nutrien continues to benefit from the surge in commodity prices. The company is the planet's largest producer of potash and a leading supplier of nitrogen and phosphate. Farmers around the globe use these crop nutrients to boost yields.

Fertilizer prices were already on the rebound, but the pandemic and sanctions against Russia and Belarus have driven the market much higher. As a result, Nutrien is generating strong margins on its production, and the outlook remains positive.

Nutrien reported Q1 2022 net earnings of US\$1.385 billion compared to US\$133 million in the same period last year. Adjusted EBITDA came in at US\$2.6 billion compared to US\$806 million, and adjusted net earnings per share hit US\$2.70 — well above the US\$0.29 the company earned in the first quarter of 2021.

Free cash flow was US\$1.8 billion, up from US\$476 million.

In short, Nutrien is a cash machine in the current environment.

Nutrien sold 17% less potash in the quarter, but the average price per tonne in North America tripled to US\$684. The offshore price surged from US\$166 per tonne in Q1 last year to US\$557.

Outlook

The prices for core crops such as wheat, soybeans, and corn are 50-90% above their 10-year averages. This gives farmers an incentive to plant more acres. The result should be higher demand for

the fertilizer and seed products supplied by Nutrien.

Nutrien raised its potash production by one million tonnes in the second half of last year to fill a gap in the market caused by sanctions against Belarus. Now that sanctions are being placed against Russia, Nutrien is increasing its output by another one million tonnes in 2022 to help cover the reduced supply to the global market.

Belarus and Russia typically account for 40% of the world's annual potash supply. According to Nutrien, these countries saw a 20% drop in their exports in the first quarter of 2022 compared to the start of last year.

In addition, soaring natural gas prices around the globe have caused the reduction of nitrogen production in some countries. Natural gas prices have also moved higher in North America, but they remain much cheaper than in other markets, giving Nutrien an advantage.

Nutrien raised its guidance significantly for 2022 when it reported the Q1 results. Management now expects adjusted EBITDA to be US\$14.5-15.5 billion this year compared to the earlier guidance of US\$10 billion to 11.2 billion.

Nutrien plans to buy back up to US\$2 billion in stock in 2022.

Is Nutrien stock a buy?

Nutrien trades near \$121 per share on the TSX at the time of writing. That's still up more than 30% for the year, but well off the \$147 it hit last month. Ongoing volatility should be expected, as the market shifts between optimism for commodity stocks and the risks of a recession triggered by high inflation and aggressive rate hikes from central banks.

Investors might want to start nibbling near the \$120 mark, but I would keep the position small and look to add on additional weakness. If the broader market correction picks up steam, the big commodity winners could fall significantly lower in the near term.

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