



Will Nutrien (TSX:NTR) Stock Change its Course?

Description

Canadian crop nutrient stock **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) has lost its sheen of late, even though the war in Europe has reached no solution. The war and ensuing supply chain issues put Nutrien in the limelight, sending its stock to record highs of close to \$150 in March.

However, declining fertilizer prices have weighed on the stock, bringing it back below \$100 levels this week. With the recent decline, NTR stock has lost the entire value that it gained since the beginning of the war in late February. Fertilizer prices were so high early this year, which led to demand destruction and subsequently a fall in prices.

What's next for Nutrien?

Nutrien is the biggest potash producer globally. It has seen its price soar to record levels amid the war. In addition, many developed economies dumped Russian fertilizers as a part of sanctions. The demand-supply imbalance weighed on fertilizer prices but boosted Nutrien's margins and earnings in the last few quarters.

Nutrien has a nameplate capacity of 21 million metric tons of potash. In 2021, it produced 15 million metric tons, and it plans to increase to 18 million metric tons of potash by 2025. Notably, despite the ramp-up, global potash demand will likely surpass supply due to the gap created by the war.

These are indeed some of the great times for Nutrien. In Q1 2022, it reported earnings of \$1.4 billion, more than 10 times its earnings in Q1 2021. Its gross margins have expanded from a historical average of 30% to well above 40% in the last couple of quarters. Interestingly, we might continue to see margin expansion considering the strong price environment and higher production. Its free cash flows also jumped to \$4.3 billion in 2021 compared to \$1.8 billion in 2020.

Superior earnings growth potential

Nutrien management upped its earnings guidance in May based on higher demand and supply

constraints in Europe. It now expects adjusted earnings of \$17.45 per share in 2022, up from \$11 per share forecasted previously. That's a massive 180% growth year over year.

But it is still not an easy win for long-term investors. Nutrien is a commodity business, and a significant [element of cyclical](#) is there. Thus, it will likely see margin moderation as fertilizer prices calm, probably in the next two, three, or maybe even five years. Businesses that have a significant commodity exposure are relatively risky and see huge drawdowns when the cycle inverts.

The Foolish takeaway

Nutrien will report its Q2 earnings early next month. The stock could again chase its recent highs on superior earnings-growth potential. The short- to medium-term outlook looks rosy for NTR stock, but the cyclical element makes it a less appealing bet for the long term.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:NTR (Nutrien)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vinitkularni20

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/09/08

Date Created

2022/07/12

Author

vinitkularni20

default watermark

default watermark