



## Is Nutrien (TSX:NTR) a Strong Buy After Promising to Step Up?

### Description

The extreme volatility to start the third quarter of 2022 caused the **TSX** to fall below the 19,000 level. **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)), the world's largest crop nutrient producer, also ended its blazing rally that started when the war in Eastern Europe broke out.

On July 4, 2022, the [large-cap stock](#) closed below \$100 for the first time since February 24, 2022. As of this writing, Nutrien trades at \$98.48 per share, with the year-to-date gain reduced to only 4.7%. In the last 3.01 years, the total return is 67.63% (18.76 CAGR).

The primary concern now besides the tightening oil market is food security. Ken Seitz, Nutrien's interim CEO, said, "Obviously this terrible conflict in Eastern Europe is causing challenges in food supply chains." Because of a potential shortage following Russia's invasion of Ukraine, potash prices soared.

### Promise to step up

Nutrien announced last month that it will increase production, although it won't be enough to fill the gap left by Russia. Seitz said, "That's still probably going to fall short of some of the gap that's going to exist but again, we're stepping up to help our farmer customers really all over the world."

About 40% of global potash production comes from Russia and Belarus but financial sanctions and restrictions by the West and have constrained supply significantly. Nutrien plans to increase potash production from 15 million tons to 18 million tons by 2025.

Seitz said that beyond 2025, management will look at the market and assess whether there's still a need increase production. He added, "We have the ability to invest and expand from 18 to 23 million tons over the following years."

### Glowing numbers

Seitz said during the earnings release for Q1 2022, "Global agriculture and crop input markets are

being impacted by a number of unprecedented supply disruptions that have contributed to higher commodity prices and escalated concerns for global food security.”

Management sees the need for long-term solutions that support a sustainable increase in global crop production. In Q1 2022, Nutrien’s total sales increased 64.4% to US\$7.65 billion versus Q1 2021. But the quarter’s highlight was the 941.4% year-over-year increase in net earnings to US\$1.38 billion.

Because of higher realized prices and strong Retail performance, Nutrien generated record adjusted EBITDA of US\$2.6 billion during the quarter. The results were enough to offset the lower fertilizer sales volume.

## Higher earnings and cash flows

Management raised its full-year adjusted EBITDA and adjusted net earnings per share due to several factors. It expects higher realized selling prices, increased potash sales volumes, higher Retail crop nutrients, and crop protection products gross margins.

A plan to allocate a minimum of \$2 billion for share repurchases this year is on the table. Meanwhile, the search for a permanent CEO is ongoing. The board is considering internal and external candidates for the position that they will appoint by the latter half of 2022.

## Strong buy

Market analysts covering Nutrien are bullish. Their 12-month low and average price targets are \$126.86 (+28.8%) and \$160.21 (+62.7%). The potential overall return should be higher if you include the 2.51% dividend yield.

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