



## 5 Things to Know About Nutrien Stock in December 2022

### Description

**Nutrien** ([TSX:NTR](#)) was formed through the January 2018 merger between Potash Corp. and Agrium. It's the world's largest provider of crop inputs (fertilizer) and services. It's also one of the most interesting opportunities on the TSX today.

Please read on as I go through the many reasons that NTR stock is a great opportunity on the TSX today.

### Grossly undervalued

Nutrien stock is trading at six times this year's expected earnings and a mere 1.6 times book value. We would assume that a stock trading at six times earnings would have a weak earnings growth profile. We would also assume that a stock trading at 1.6 times book value has an average return on equity.

But nothing is further from the truth. In fact, Nutrien's [depressed multiples](#) do not adequately reflect its very positive fundamentals or outlook. For example, did you know that Nutrien generates a return on equity of over 30%? This is an exceptional return, yet Nutrien's stock price has brushed it off.

### Extremely favourable supply/demand fundamentals

According to Nutrien's management, the company expects record earnings in 2022. Also, global grain supply is tight, with supply constraints increasingly problematic. In fact, global grain stocks are expected to decline to the lowest level in more than 25 years. Economics 101 tells us that this situation will be followed by sharp price increases in grain and consequently, fertilizer, and crop protection prices.

### Nutrien stock on the TSX is a great place to hide from the economic turmoil

Nutrien provides fertilizers and other inputs that help maximize returns on farms. In short, Nutrien's global supply chain provides products that help "feed the world." As you can see, this is the type of business that is relatively unaffected by economic troubles. I mean, people must eat. It's the spending that must always go on. On a longer-term basis, demand is pretty stable, predictable, and reliable.

## Long-term trends are supportive for Nutrien stock

While Nutrien had some rough years, with supply issues and difficult growing seasons. However, it's now experiencing impressive gains, as pricing power is returning. For example, in the last five years, revenue has increased 53%. Also, net income has grown 390%, and cash flow from operations has increased 89%.

Agriculture commodities futures are trading at pricing that's 50% above the 10-year averages. This is partly a reflection of the supply constraints that exist today as exports out of Belarus and Russia have plummeted. As for Nutrien, it's very well positioned to pick up the slack and bring in new low-cost volumes to the market.

## It's only a matter of time for Nutrien stock

Sometimes, a company can be benefiting from [the most attractive fundamentals](#), but the market is just not recognizing it. This can be due to many factors. In Nutrien's case, I think it's just a matter of a bad reputation. Nutrien has been through the ringer in recent years, as the agriculture market can be quite volatile. This translated into a dismal performance for Nutrien — and investor skepticism and even fear translated into a dismal performance for Nutrien stock on the TSX.

Now, I think we just have to play the waiting game: wait for the market to recognize the value in Nutrien's stock price. I'm reminded of the situation that oil and gas stocks went through not too long ago. Commodity prices were at lows. Also, investors did not want to hear about energy stocks — they effectively counted them out. Yet supply was heading toward dangerously low levels, setting the sector up for massive gains.

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