Nutrien Stock Fell 8% in November – Is it a Buy Today?

Description

Nutrien (TSX:NTR) had quite the year, and it's not over yet. Shares of the company reached all-time highs this year when Russia invaded Ukraine. This resulted in sanctions against Russia, including potash, of which Nutrien stock is a major provider.

But what went up soon came down, and down it's gone since earlier this year. Shares of Nutrien stock remain up 11.3% year to date, but have fallen another 8% in November alone. So does this mean there's a deal to be had? Or should you avoid Nutrien stock for now?

Why did it fall?

The major climb in Nutrien stock was definitely out of proportion. The sanctions against Russia were absolutely something that should be considered. However, once interest rates and inflation started to rise, those all-time highs were far too enticing for investors to ignore.

Yet nothing really changed! In fact, the company continued to create more contract agreements during that time. Furthermore, it continues to grow both organically and through acquisitions. And this was demonstrated yet again during its most recent earnings report.

You think 2022 was strong? Wait for 2023

That's at least what Nutrien stock stated during its recent earnings report. The potash and crop nutrient producer revised its full-year earnings guidance, reporting net earnings of $1.6 billion for the quarter, which came in at record earnings. This happened despite a reduction in potash production.

For 2023, Nutrien believes demand will remain strong, as fertilizer challenges remain prevalent the world over. Now, it expects it full-year adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) to reach between $12.2 and $13.2 billion for 2022. The company also bought back 40 million shares in 2022 up to the time of the report for $3.5 billion. It expects to extend this and put $4 billion towards share repurchases in total for 2022.

Fundamentals reflect a deal

Clearly, given the buybacks, management believes shares trade for a steal right now. And looking at fundamentals, they could be right. Nutrien stock currently trades at just 5.5 times earnings and 1.6 times book value. It would also take just 52.5% of its equity to cover all of its debts right now. With so much cash on the books and buybacks underway, more acquisitions could also be in the company's future.

And yet, shares continue to trade in the low $100 range. Right now, this offers you a dividend yield of 2.48%, which was increased earlier this year and recently reaffirmed. And should shares reach that all-time high once more, that would see today's $104 per share reach $147 per share, a potential upside of 41% as of writing.

Bottom line

Nutrien stock is a solid long-term buy for investors seeking passive income and stellar returns in 2023. Right now, the stock is a bit volatile given its history as a recent growth stock. But to me, that just put it on the map. And honestly, it should have been on the map a lot sooner.

With so much growth in its immediate future, it's the long-term that investors can really sink their teeth into. By combining its dividends with solid yearly growth from the stable sector of crop nutrients, this is a company you'll be happy to have even a decade from now.

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