



Is Nutrien Stock a Buy in December 2022?

Description

The U.S. stock market has been down over the past few years. The recent war in Europe saw massive sanctions placed on two prominent potash producing nations: Russia and Belarus. Accordingly, potash prices have been volatile, with these sanctions proving to be a key benefit to global companies operating outside these regions.

For investors in **Nutrien** ([TSX:NTR](#)) stock, this has meant significant relative outperformance. On a year-to-date basis, Nutrien stock has surged roughly 15% higher at a time when most stocks are down. Thus, as far as a market hedge is concerned, this is a stock many investors like right now.

Let's dive into whether Nutrien is still a buy at these now-elevated levels or if a selloff could be in the cards for 2023.

Nutrien stock driven by strong earnings and fundamentals

This past year, most of Nutrien's move higher has been driven by commodity prices. While global prices for various goods are outside of producers' control, this tailwind has certainly been welcome for investors. Thus, betting on Nutrien stock at these levels is a bet on where commodity prices are headed.

Many investors see the potential for underperformance in 2023 more likely than not. That's because central banks are intent on driving demand for goods lower. Most commodity prices have taken the hint, selling off.

However, the potash and other agricultural inputs produced by Nutrien are different. These are food inputs, and food demand tends to be relatively inelastic. We all have to eat. Accordingly, until the population begins to decline, this is a sector that should see rather steady growth.

Nutrien's recent earnings and fundamentals appear to reflect this reality. The company brought in \$6.6 billion in net earnings, along with adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) of \$10.1 billion in the first nine months of 2022 alone. For a company with a [valuation](#) of

only \$52 billion, that's some pretty impressive performance.

Accordingly, this is a company with a rock-bottom valuation, trading as if commodity prices are going to fall off a cliff. While geopolitical tensions could certainly abate, the market appears to be pricing in such a scenario as a near certainty. Those taking a more cautious view of the geopolitical landscape may thus look at these numbers and wonder how this stock can trade at these levels. I'm one such investor.

Is Nutrien a good stock to buy?

Nutrien's extremely defensive business model, robust cash flows, and market-leading position makes this company one I think is worth considering. If we add in the clearly [undervalued](#) nature of this stock, this is one I think could certainly be put in the "screaming buy" category.

Until traditional agriculture is upended by other forms of farming, we'll need companies like Nutrien to provide food security. I think this is a company with solid long-term secular catalysts that's been hit extremely hard by negative investor sentiment of late.

Thus, for investors looking for a top pick for 2023, Nutrien stock is certainly on my list.

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