



## My Top Value Stock Pick for 2023

### Description

The Canadian equity markets have made a bright start this year. Leaping into the new year, the **S&P/TSX Composite Index** has risen around 5%. However, economists are projecting an economic slowdown this year, as they worry that monetary tightening initiatives taken by central banks worldwide to stem inflation could hurt global growth. So, given the [uncertain outlook](#), investors are better to invest in value stocks, as these companies tend to outperform growth stocks in a volatile environment.

Meanwhile, I have selected **Nutrien** ([TSX:NTR](#)) as my top pick for this year, given its solid quarterly performances, healthy growth prospects, and attractive valuation. First, let's look at its recent performance.

### Nutrien's performance in 2022

In a favourable environment, Nutrien has posted a solid performance in the first three quarters of its fiscal 2022. Its revenue grew 48.5% in the first nine months to \$30.4 billion. The realization of higher prices and increased volumes drove the company's sales. Amid the global supply uncertainties across nutrient businesses, potash, nitrogen, and phosphate prices have increased, benefiting the company. Besides higher prices, the company's operating margins and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) have increased.

During the first nine months of this year, the company generated an adjusted EBITDA of \$10 billion, representing a year-over-year increase of 116%. Meanwhile, its adjusted EPS (earnings per share) grew by 196% to \$11.1. Supported by its higher net earnings, the company generated solid free cash flows of \$6.8 billion in the first nine months of 2022, representing a 146% increase over the year-ago period. From these solid cash flows, the company repurchased 40 million shares in 2022, as of November 1, for \$3.5 billion. It closed the third quarter with cash and cash equivalents at \$823 million. So, Nutrien's financial position looks healthy.

Now, let's look at its growth prospects.

## Nutrien's outlook

Amid the ongoing geopolitical tensions, Nutrien's management expects potash exports from Belarus and Russia to decline by 40–60% and 15–30%, respectively, this year. Also, solid agricultural fundamentals could drive potash demand this year. Additionally, higher natural gas prices in Europe and the restriction of urea and phosphate exports from China could boost nutrient prices, thus benefiting Nutrien.

To meet the rising demand, Nutrien is strengthening its production capacity. The leading fertilizer producer has announced plans to ramp up its potash production to reach 18 million tonnes by 2025. The company is evaluating building an ammonia facility at Geismar, Louisiana, with an annual production capacity of 1.2 million tonnes. Additionally, it has signed an agreement to acquire Brazilian company Casa do Adubo, which can strengthen its presence in Latin America. The acquisition could add 5 industrial plants, 4 fertilizer blenders, 39 retail locations, and 10 distribution centres. So, given the favourable environment and Nutrien's growth initiatives, I expect upward momentum in the company's financials to continue.

## Bottom line

Amid the recent sell-off, Nutrien has lost around 32% of its stock value compared to April highs. The steep correction has dragged its valuation down, with NTR stock trading at 1.1 times [projected sales for the next four quarters](#). Also, with a quarterly [dividend](#) of US\$0.48/share, its yield for the next 12 months stands at 2.55%. So, considering its healthy growth prospects and cheaper valuation, I believe Nutrien would be an excellent buy right now despite the challenging environment.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:NTR (Nutrien)

### PARTNER-FEEDS

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

### PP NOTIFY USER

1. cleona
2. rnanjapla

**Category**

1. Investing

**Date**

2025/08/14

**Date Created**

2023/01/16

**Author**

rnanjapla

default watermark

default watermark