



How High Could Nutrien Stock Go in 2023?

Description

Global crop inputs and fertilizer giant **Nutrien** ([TSX:NTR](#)) has a cyclical business that could rely on export growth and a North American and Brazilian demand rebound to lift its stock price higher in 2023, even as fertilizer prices normalize internationally. How high Nutrien stock could go may depend on early 2023 earnings performance, management's shareholder policies, the market's evolving positive sentiment, and a potential valuation multiple expansion on the [agricultural stock](#) back to historical averages.

Nutrien stock has gained more than 9% in value so far this year. The company is a \$56 billion business with a solid global footprint in the fertilizer and crop inputs market. Global stocks across 13 primary crops, excluding China, were at their lowest levels last seen in four years exit of 2022. Growers may need to plant new acres under crops to alleviate any supply shocks should there be any more disruptions in the near future. Nutrien's business shall remain relevant for decades to come, and I'd buy shares any day.

Shares could rise more in 2023 to provide investors with sizeable capital gains.

Why I'd buy NTR stock for 2023 gains

Although the general market outlook is for fertilizer prices to stabilize and normalize in 2023, the company could continue to thrive in a normal market environment as it recovers lost customer volumes in North America, continues to consolidate its market share in Brazil, and retains robust export markets this year.

Nutrien reported record revenue, and gigantic earnings, and banked huge cash flows, as fertilizer prices skyrocketed in 2022 at the onset of the Ukraine conflict, which disrupted traditional commodity flows. Fertilizer supplies may remain tight, as the war rages on. Nutrien's stable supply chain could help it retain strong export volumes this year.

In the near term, Nutrien's stock price could respond to any unexpected news, as the company releases its fourth-quarter 2022 earnings results on February 16. A potential US\$500 million goodwill

write-down [discussed](#) in November could take effect; however, that risk is currently priced into NTR stock and could thus fail to drag investor sentiment any lower. But solid exports and a North American sales recovery could drive earnings higher and lift investor spirits.

Moreover, Nutrien has investor-friendly capital management policies. The company has committed to a share-repurchase program that reduces future equity claims on its cash flows and supports high NTR stock prices.

NTR stock will join the **S&P/TSX Canadian Dividend Aristocrats Index** on February 1. The index includes TSX stocks that have consistently increased their dividends every year over the past five years. Nutrien's quarterly dividend yields 2.4% annually. Management raised the dividend by an average of 13.9% annually over the past half-decade. Shares can still fit well in a long-term [dividend investing](#) strategy.

How high could Nutrien stock go in 2023?

Nutrien's stock price has the potential to soar by a further 21% to above \$130 in 2023.

Market analysts forecast NTR's revenue to decline by 10% sequentially from record highs in 2022 to around US\$33.8 billion (CA\$45 billion) this year. Normalized earnings should remain strong above US\$5.8 billion (CA\$7.7 billion) and GAAP earnings per share (EPS) may fall 21% sequentially to US\$10.77 (CA\$14.35). The unusually great times of 2022 are gone, but Nutrien's revenue and earnings run rate will be significantly higher than what the market witnessed during pre-pandemic periods.

Most noteworthy, Nutrien's net earnings margins could remain in the double-digit range in 2023. Net earnings margins soared from 5.1% in 2020, hit 13.2% in 2021, and surged towards 20% in 2022. Analysts expect net margins above 17% for 2023 to mark the third consecutive year of double-digit earnings margins. Free cash flow could be a record US\$6.6 billion for the year.

Despite good earnings and cash flow outlook, Nutrien's forward price-to-normalized EPS (P/E) multiple of 6.7 is far below the 2020 market crash levels of 11.4. Shares in this profitable cash monger appear too cheap to ignore.

A steady expansion in NTR's P/E multiple just halfway toward 2020 lows could see an easy \$130 Nutrien stock price print before 2023 comes to an end. Anything better could even see shares touching prior record highs near \$150.

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