



Is Nutrien Stock a Buy in February 2023?

Description

Of all the stocks to buy in a period of economic turmoil, **Nutrien** ([TSX:NTR](#)) ticks all of the boxes. But after more than doubling in the last three years, what's in store for this top TSX stock? As the world's largest provider of crops inputs and services, surely, it must have a bright future.

Let's take a look at why I believe that Nutrien stock has much more upside in 2023 and beyond.

Nutrien: Undervalued and underappreciated

It's true that the agriculture business has been plagued by terrible growing conditions and weak pricing in the past — so much so that many investors have kind of shunned Nutrien stock. But it is in precisely this type of situation where we can find the [biggest and best bargains](#).

Today, Nutrien stock (NTR) [is very cheap](#). In fact, it's trading at a price-to-earnings ratio of a mere six times. Granted, the business is cyclical and can be volatile. However, the company is really firing on all cylinders and should, in my view, warrant higher multiples. For example, in the first nine months of 2022, Nutrien's earnings hit a record \$6.6 billion, up 233% versus the prior year.

It seems clear to me that little good is being priced into the stock. Also, little good is being incorporated into earnings estimates. Simply put, investors and analysts might have an overly negative bias on the stock because of its history of prolonged low prices and difficult crop seasons. That's understandable, but also, this overly negative sentiment is not appropriate anymore. Thus, we have an undervalued opportunity in Nutrien stock.

Supply is at lows and demand is growing

But let's take into account the reality of the market right now. The fact is that today, supply/demand fundamentals are very bullish. On the supply side, global grain stocks are near the lowest they've been in 25 years. Let's think about this. This is significant. And if we go back to basic economics, we'll remember that low supplies such as these often lead to sustained price increases. This is already

starting to be reflected in agricultural commodities futures, which are being priced 50% above 10-year averages.

On the demand, things look almost as good. Essentially, the global population is growing. People need to eat, and the global food supply will always be very precious and valuable. This will continue to translate into growing demand for grain, fertilizer, and crop protection products.

What catalysts are coming for Nutrien stock?

Well, all I can say is that time will tell how this thesis will play out. The company has had to decrease its earnings estimates in late 2022, but I'm keeping my eye on the long term. This long-term outlook is predicated on the supply and demand issues that I discussed earlier in the article. Essentially, investors remain worried, but I believe that the very favourable situation that Nutrien finds itself in will become increasingly obvious as the year progresses. In turn, I believe that Nutrien's stock price will soar much higher.

Nutrien will be reporting its fourth-quarter and year-end 2022 results on February 16. Meanwhile, the company has continued to expand its production capacity of fertilizers potash and nitrogen. In fact, NTR plans are to increase potash production by 20% to address the global supply crunch, thus driving earnings and cash flows.

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Author

karenjennifer

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