



Nutrien Ltd. (NTR)

Updated March 15th, 2022 by Felix Martinez

Key Metrics

Current Price:	\$97	5 Year CAGR Estimate:	8.8%	Market Cap:	\$55.7 B
Fair Value Price:	\$138	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	03/30/22
% Fair Value:	71%	5 Year Valuation Multiple Estimate:	7.2%	Dividend Payment Date:	04/14/22
Dividend Yield:	1.9%	5 Year Price Target	\$138	Years Of Dividend Growth:	4
Dividend Risk Score:	C	Retirement Suitability Score:	D	Last Dividend Increase:	4.3%

Overview & Current Events

Nutrien Ltd. (NTR) is a Canadian company formed through Agrium and PotashCorp's merger in a closed transaction on January 1, 2018. The company produces and markets crop nutrients to agricultural, industrial, and feed customers worldwide. The company has over 1,700 retail locations in North America, South America, and Australia and is one of the world's largest manufacturers and suppliers of potash, nitrogen, and phosphate. The company provides over 20% of the global market on potash, 3% nitrogen, and 3% phosphate. Nutrien has a market capitalization of approximately \$55.7 billion, more than 20,000 workers, and produced roughly \$27.7 billion in revenue in 2021.

On February 16, 2022, Nutrien reported its fourth-quarter and full-year results for Fiscal Year (FY)2021. Total sales increased 79.3% Year over Year (YoY) to \$7,267 million for 4Q21 compared to \$4,100 million in 4Q20. The increase came mainly from the Crop nutrients segment, which saw sales increase by 84% for the quarter. The Seed segment also saw significant growth for the quarter, which saw sales increase by 24% and 34% for the Crop protection products segment. For the year, total sales are up 32.5% compared to 2020. Crop nutrients and Nutrien Financial led the way, with the highest year-over-year sales growth for the fiscal year compared to 2020. Net income came in at \$1,207 billion for the quarter, compared to a profit of \$316 million in 4Q20. Also, the net gain is up from \$459 million to \$1,972 million for the year compared to the 2020 fiscal year. The company prioritized the use of cash in 2021 to strengthen and reposition the balance sheet, reducing its long-term debt by \$2.1 billion. NTR also deployed \$2.1 billion to dividends and share repurchases in 2021, repurchasing 15 million shares during the year. The company also announced a dividend increase of 4.3%.

Management provided their full-year earnings guidance for 2022. They expect the company to make \$10.20-\$11.80 per share for the year. Thus, we will use the midpoint of \$11.00 per share for our calculation. This is 76.6% higher than what the company earned in FY2021.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	---	---	---	---	---	---	\$2.69	\$2.17	\$1.80	\$6.23	\$11.00	\$11.00
DPS	---	---	---	---	---	---	\$1.66	\$1.75	\$1.81	\$1.85	\$1.92	\$2.12
Shares¹	---	---	---	---	---	---	609.0	573.0	569.0	571.0	571.0	571.0

Nutrien does not have a long history as a combined company, and neither PotashCorp nor Agrium represent directly comparable predecessors. PotashCorp was primarily involved in its potash production side, while Agrium mainly represented the agricultural retail. As a combined company, Nutrien now has a significant stake in both sides, and with a 52/48 split, the merger was one of the equals. Analysts expect an EPS to be much higher in 2022 due to renewed commodity demand and pricing. Share repurchases are expected to contribute several percentage points per year on top of baseline growth. Nutrien repurchased approximately 0.7% of its market capitalization in 2021. We expect a 0% earnings growth over the next five years as earnings are expected to be up 76% for 2022. Dividend growth is expected to

¹ Share count is in millions.

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be 2% as it normalizes its payout ratio. Significant increases or decreases in fertilizer prices would substantially affect the growth rate and are mostly outside the company's control.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	---	---	---	---	---	---	17.2	22.1	26.6	12.1	8.8	12.5
Avg. Yld.	---	---	---	---	---	---	3.5%	3.7%	3.8%	2.5%	1.9%	1.5%

One of Nutrien's primary industry peers with a long history as a unified company, The Mosaic Company, has had an average P/E ratio of 19.9 over the past ten years with a high of 31 and a low of 13. With an anticipated significant recovery in agriculture commodity prices, which have been in a multi-year bear market, we expect Nutrien's P/E ratio to increase to 12.5 as a baseline potentially. Thus, the company has a low valuation at the current price with a current PE of 8.8 based on 2022 earnings.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	---	---	61.7%	80.6%	100%	29.7%	17%	19%

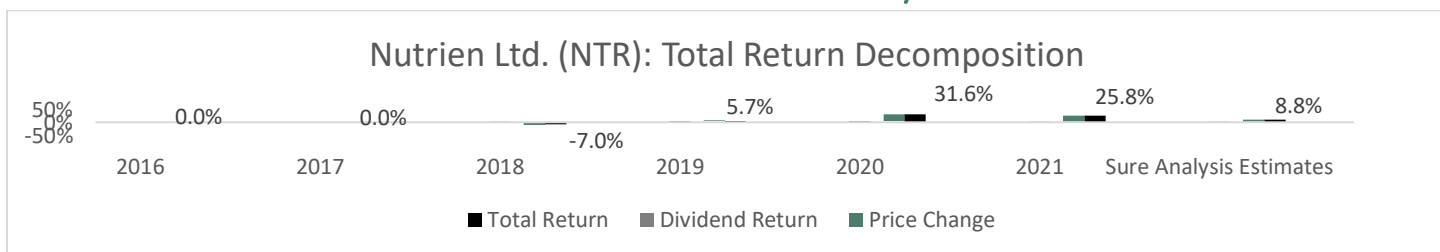
Nutrien has an economic moat from its potash and nitrogen production operations resulting in relatively high returns on invested capital in most years compared to the broader materials sector. The company has geographically significant production assets in Canada that sit on the bottom half of the global production cost curve, meaning that even in a low-price environment, the company can outlast its competitors and survive to see periods of higher commodity prices. On the other hand, the company's phosphate production operations are in the upper half of the global cost curve. Its retail agriculture business, being the largest in North America, may have mild cost advantages, but several competitors are similar in scale. Therefore, these aspects of the business lack economic moat.

Agricultural commodities, especially fertilizer, are not very economically sensitive because people need to eat through recessions and expansions. However, the agricultural and fertilizer industries have cycles, and the supply/demand relationship in agricultural commodity production due to weather and other factors can dramatically affect prices. For example, potash spiked to over \$800/ton in 2009 but is currently under \$314/ton. Nutrien enormously benefits from higher potash rates, nitrogen, and phosphate and is hurt by lower prices. Nutrien's balance sheet is strong, with a debt/equity (D/E) ratio of 0.5 and an interest coverage ratio of 9.5. The company currently has an S&P credit rating of BBB, an investment-grade rating.

Final Thoughts & Recommendation

With an expected 8.8% annualized return over the next five years, we consider Nutrien a Buy. However, Nutrien has a high-performance variance based on crop nutrition commodity prices and could deliver significantly higher or lower returns than this expected baseline.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	7927	7305	7115	6279	4456	4547	19636	20084	20908	27712
Gross Profit	3410	2790	2647	2269	830	694	5392	5502	5239	9409
Gross Margin	43.0%	38.2%	37.2%	36.1%	18.6%	15.3%	27.5%	27.4%	25.1%	34.0%
SG&A Exp.	219	231	245	239	212	214	2876	3013	3311	3817
D&A Exp.	578	666	701	685	695	692	1592	1799	1989	1951
Operating Profit	2962	2301	2127	1681	477	317	2215	2143	1691	5135
Operating Margin	37.4%	31.5%	29.9%	26.8%	10.7%	7.0%	11.3%	10.7%	8.1%	18.5%
Net Profit	2079	1785	1536	1270	323	327	3573	992	459	3153
Net Margin	26.2%	24.4%	21.6%	20.2%	7.2%	7.2%	18.2%	4.9%	2.2%	11.4%
Free Cash Flow	1021	1588	1454	1054	365	574	545	1774	1774	2103
Income Tax	826	687	628	446	44	-183	-93	316	-77	989

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	18206	17958	17724	17469	17255	16998	45502	46799	47192	49954
Cash & Equivalents	562	628	215	91	32	116	2314	671	1454	499
Accounts Receivable	716	500	708	468	427	390	2746	3047	3019	4705
Inventories	762	728	646	749	768	788	4917	4975	4930	6328
Goodwill & Int. Ass.	126	137	142	192	180	166	13641	14414	14586	14560
Total Liabilities	8294	8330	8932	9087	9056	8695	21077	23930	24827	26255
Accounts Payable	623	450	457	426	340	255	3053	4016	4415	5179
Long-Term Debt	4081	3937	4246	4227	4591	4441	9203	10031	10220	9626
Shareholder's Equity	9912	9628	8792	8382	8199	8303	24425	22869	22365	23652
LTD/E Ratio	0.41	0.41	0.48	0.50	0.56	0.53	0.38	0.44	0.46	0.41

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	12.1%	9.9%	8.6%	7.2%	1.9%	1.9%	11.4%	2.1%	1.0%	6.5%
Return on Equity	23.4%	18.3%	16.7%	14.8%	3.9%	4.0%	21.8%	4.2%	2.0%	13.7%
ROIC	15.8%	13.0%	11.5%	9.9%	2.5%	2.6%	15.4%	3.0%	1.4%	9.6%
Shares Out.	---	---	---	---	---	---	609.0	573.0	569.0	571.0
Revenue/Share	22.63	20.90	21.06	18.75	13.27	13.53	31.42	34.44	36.70	48.51
FCF/Share	2.91	4.54	4.30	3.15	1.09	1.71	0.87	3.04	3.11	3.68

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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