



Nutrien Ltd. (NTR)

Updated November 18th, 2023 by Felix Martinez

Key Metrics

Current Price:	\$57	5 Year CAGR Estimate:	6.2%	Market Cap:	\$28.4 B
Fair Value Price:	\$59	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	12/28/23
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	0.9%	Dividend Payment Date:	01/12/23
Dividend Yield:	3.8%	5 Year Price Target	\$65	Years Of Dividend Growth:	5
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Hold

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 \$28.4 billion, more than 20,000 workers, and produced roughly \$37.9 billion in revenue in 2022.

On November 1st, 2023, Nutrien reported its third quarter results for Fiscal Year (FY)2023. For the quarter, reported net earnings of \$82 million (\$0.15 diluted net earnings per share), with adjusted net earnings per share at \$0.35 and adjusted EBITDA at \$1.1 billion. The positive results were attributed to the robust agriculture and crop nutrient markets in North America, leading to record potash sales volumes. Nutrien's President and CEO, Ken Seitz, expressed optimism about increased demand in H2 2023 and emphasized strategic initiatives to enhance operational efficiency and drive free cash flow, while also returning capital to shareholders.

In the first nine months of 2023, Nutrien faced a decline in adjusted EBITDA to \$5.0 billion, primarily due to lower net realized fertilizer prices and reduced earnings in the Nutrien Ag Solutions ("Retail") segment. Despite record potash sales volumes, the Potash segment saw adjusted EBITDA drop to \$611 million, driven by lower selling prices. Nitrogen adjusted EBITDA declined to \$294 million in Q3 due to lower selling prices and decreased sales volumes resulting from production outages. Nutrien returned \$1.8 billion to shareholders through dividends and share repurchases. Looking ahead, the company revised its full-year 2023 adjusted EBITDA guidance to \$5.8 to \$6.4 billion and adjusted net earnings per share guidance to \$4.15 to \$5.00 per share.

Nutrien's strategic focus remains on strengthening its integrated business, optimizing operational efficiency, and ensuring a disciplined approach to capital allocation. The company aims to capitalize on targeted investment projects for sustainable growth while navigating market dynamics and meeting customer demands.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	---	---	---	---	---	\$2.69	\$2.17	\$1.80	\$6.23	\$13.19	\$4.74	\$5.23
DPS	---	---	---	---	---	\$1.66	\$1.75	\$1.81	\$1.85	\$1.92	\$2.08	\$2.30
Shares¹	---	---	---	---	---	609.0	573.0	569.0	571.0	540.0	540.0	540.0

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 lower in 2023 due to slowed commodity demand and pricing. Share repurchases are expected to contribute several percentage points per year on top of baseline growth. Nutrien repurchased approximately 1% of its market capitalization in 2022. We expect a 2%

¹ Share count is in millions.

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earnings growth over the next five years, but earnings are expected to be down for 2023. Dividend growth is expected to 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	---	---	---	---	---	17.2	22.1	26.6	12.1	5.5	11.9	12.5
Avg. Yld.	---	---	---	---	---	3.5%	3.7%	3.8%	2.5%	2.6%	3.8%	3.5%

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 19.5 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. Thus, the company has a lower valuation at the current price with a current PE of 11.9x based on 2023 earnings.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	---	---	---	---	---	61.7%	80.6%	100%	29.7%	14.6%	44%	44%

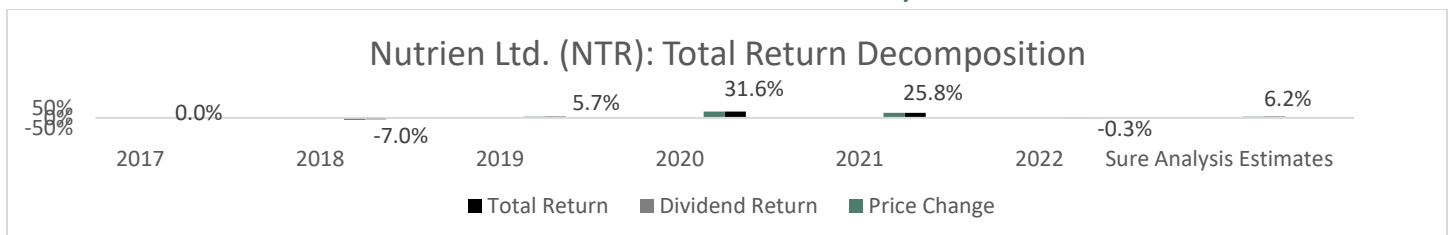
Nutrien has an economic moat from its potash and nitrogen production operations resulting in relatively high returns on invested capital in most years compared to the broader materials sector. The company has geographically significant production assets in Canada that sit on the bottom half of the global production cost curve. 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 \$518/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 0.6 and an interest coverage ratio of 5.8. The company currently has an S&P credit rating of BBB, an investment-grade rating.

Final Thoughts & Recommendation

With an expected 6.2% annualized return over the next five years, we consider Nutrien a hold. 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	7305	7115	6279	4456	4547	19636	20084	20908	27712	37884
Gross Profit	2790	2647	2269	830	694	5392	5502	5239	9409	15424
Gross Margin	38.2%	37.2%	36.1%	18.6%	15.3%	27.5%	27.4%	25.1%	34.0%	40.7%
SG&A Exp.	231	245	239	212	214	2876	3013	3311	3817	4071
D&A Exp.	666	701	685	695	692	1592	1799	1989	1951	2012
Operating Profit	2301	2127	1681	477	317	2215	2143	1691	5135	10175
Operating Margin	31.5%	29.9%	26.8%	10.7%	7.0%	11.3%	10.7%	8.1%	18.5%	26.9%
Net Profit	1785	1536	1270	323	327	3573	992	459	3153	7660
Net Margin	24.4%	21.6%	20.2%	7.2%	7.2%	18.2%	4.9%	2.2%	11.4%	20.2%
Free Cash Flow	1588	1454	1054	365	574	545	1774	1774	2103	5672
Income Tax	687	628	446	44	-183	-93	316	-77	989	2559

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	17958	17724	17469	17255	16998	45502	46799	47192	49954	54586
Cash & Equivalents	628	215	91	32	116	2314	671	1454	499	901
Accounts Receivable	500	708	468	427	390	2746	3047	3019	4705	5596
Inventories	728	646	749	768	788	4917	4975	4930	6328	7632
Goodwill & Int. Ass.	137	142	192	180	166	13641	14414	14586	14560	14665
Total Liabilities	8330	8932	9087	9056	8695	21077	23930	24827	26255	28723
Accounts Payable	450	457	426	340	255	3053	4016	4415	5179	5797
Long-Term Debt	3937	4246	4227	4591	4441	9203	10031	10220	9626	10724
Shareholder's Equity	9628	8792	8382	8199	8303	24425	22869	22365	23652	25818
LTD/E Ratio	0.41	0.48	0.50	0.56	0.53	0.38	0.44	0.46	0.41	0.42

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	9.9%	8.6%	7.2%	1.9%	1.9%	11.4%	2.1%	1.0%	6.5%	14.7%
Return on Equity	18.3%	16.7%	14.8%	3.9%	4.0%	21.8%	4.2%	2.0%	13.7%	31.0%
ROIC	13.0%	11.5%	9.9%	2.5%	2.6%	15.4%	3.0%	1.4%	9.6%	21.9%
Shares Out.	---	---	---	---	---	609.0	573.0	569.0	571.0	540.0
Revenue/Share	20.90	21.06	18.75	13.27	13.53	31.42	34.44	36.70	48.51	70.2
FCF/Share	4.54	4.30	3.15	1.09	1.71	0.87	3.04	3.11	3.68	10.5

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

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