Nutrien Ltd. (NTR)

Updated November 21st, 2024 by Felix Martinez

Key Metrics

Current Price:	$46	**5 Year CAGR Estimate:**	5.4%	**Market Cap:**	$22.7 B
Fair Value Price:	$44	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	12/31/24
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.9%	**Dividend Payment Date:**	01/17/25
Dividend Yield:	4.7%	**5 Year Price Target**	$49	**Years Of Dividend Growth:**	6
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**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 $22.7 billion, more than 20,000 workers, and produced roughly $29 billion in revenue in 2023.

On August 7th, 2024, Nutrien reported its second quarter results for Fiscal Year (FY)2024. The company reported net earnings of $25 million ($0.04 per share) and an adjusted EBITDA of $1 billion. Despite challenges, record Potash sales volumes and lower operating costs bolstered performance. President and CEO Ken Seitz emphasized strong demand for crop nutrients in North America and Nutrien's strategic focus on cost savings, fertilizer volume growth, and retail expansion to enhance earnings and cash flow. The company has also raised its full-year Potash sales forecast to 13.5–13.9 million tonnes, reflecting robust global demand.

For the first nine months of 2024, Nutrien achieved net earnings of $582 million and adjusted EBITDA of $4.3 billion. Retail EBITDA rose to $1.4 billion, driven by higher product margins, though full-year guidance was lowered due to reduced pest pressure. Potash EBITDA declined to $1.6 billion as lower prices offset record sales volumes of 11.1 million tonnes. Nitrogen EBITDA decreased to $1.4 billion due to weaker pricing, despite higher production and lower natural gas costs. The company accelerated efficiency initiatives, targeting $200 million in annual savings by 2025, while maintaining capital expenditure guidance of $2.2–$2.3 billion.

Looking ahead, Nutrien projects global potash shipments to reach 71–74 million tonnes in 2025, driven by demand growth and limited new capacity. Fertilizer demand remains strong in North America following an early harvest, while global markets for ammonia, urea, and phosphate are tight due to supply disruptions. Nutrien adjusted its guidance for Retail, Nitrogen, and Phosphate sales volumes but anticipates continued strength in Potash. Management remains committed to optimizing its operations, sustaining growth, and navigating fluctuating market conditions.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	---	---	---	---	$2.69	$2.17	$1.80	$6.23	$13.19	$4.44	***$3.55***	***$3.92***
DPS	---	---	---	---	$1.66	$1.75	$1.81	$1.85	$1.92	$2.12	***$2.16***	***$2.38***
Shares[1]	---	---	---	---	609.0	573.0	569.0	571.0	540.0	496.0	***496.0***	***496.0***

We expect EPS to be much lower in 2024 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 8% of its market capitalization in 2023. We expect a 2% earnings growth over the next five years, but earnings are expected to be down for 2024. Dividend growth is expected to be 2% as it normalizes its payout ratio.

[1] Share count is in millions.

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Significant increases or decreases in fertilizer prices would substantially affect the growth rate and are mostly outside the company's control. The most recent dividend increase was 1.9%, which was announced on February 21, 2024.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	---	---	---	17.2	22.1	26.6	12.1	5.5	12.6	***13.1***	***12.5***
Avg. Yld.	---	---	---	---	3.5%	3.7%	3.8%	2.5%	2.6%	3.8%	***4.7%***	***4.9%***

One of Nutrien's primary industry peers with a long history as a unified company, 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 decrease to 12.5 as a baseline. Thus, the company has a higher valuation at the current price with a current PE of 13.1x based on 2024 earnings.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	61.7%	80.6%	100%	29.7%	14.6%	47.7%	***61%***	***61%***

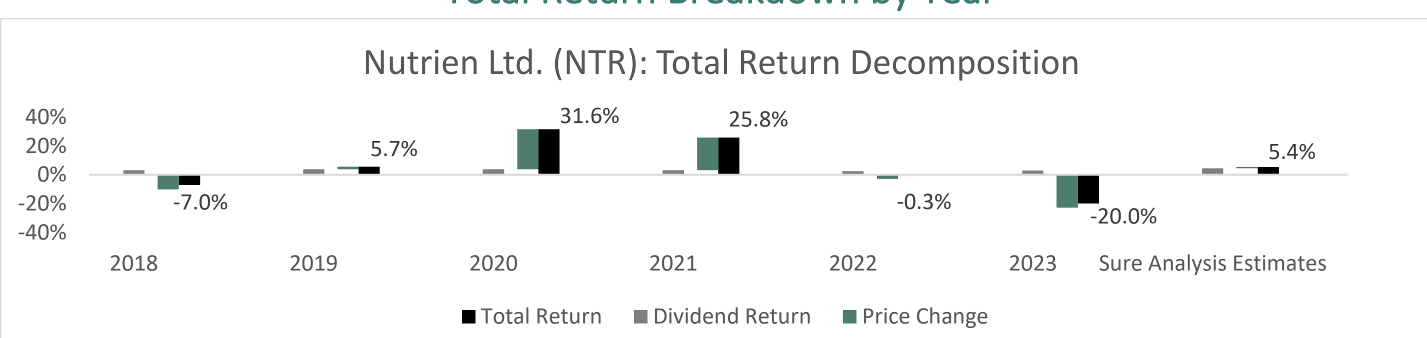
Nutrien has an economic moat from its potash and nitrogen production operations resulting in relatively high returns on invested capital in most years compared to the broader materials sector. The company has geographically significant production assets in Canada that sit on the bottom half of the global 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 0.4 and an interest coverage ratio of 3.6. The company currently has an S&P credit rating of BBB, an investment-grade rating.

Final Thoughts & Recommendation

With an expected 5.4% 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



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	7115	6279	4456	4547	19636	20084	20908	27712	37884	29060
Gross Profit	2647	2269	830	694	5392	5502	5239	9409	15424	8474
Gross Margin	37.2%	36.1%	18.6%	15.3%	27.5%	27.4%	25.1%	34.0%	40.7%	29.2%
SG&A Exp.	245	239	212	214	2876	3013	3311	3817	4071	4064
D&A Exp.	701	685	695	692	1592	1799	1989	1951	2012	2169
Operating Profit	2127	1681	477	317	2215	2143	1691	5135	10175	3860
Operating Margin	29.9%	26.8%	10.7%	7.0%	11.3%	10.7%	8.1%	18.5%	26.9%	13.3%
Net Profit	1536	1270	323	327	3573	992	459	3153	7660	1258
Net Margin	21.6%	20.2%	7.2%	7.2%	18.2%	4.9%	2.2%	11.4%	20.2%	4.3%
Free Cash Flow	1454	1054	365	574	545	1774	1774	2103	5672	2395
Income Tax	628	446	44	-183	-93	316	-77	989	2559	670

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	17724	17469	17255	16998	45502	46799	47192	49954	54586	52750
Cash & Equivalents	215	91	32	116	2314	671	1454	499	901	941
Accounts Receivable	708	468	427	390	2746	3047	3019	4705	5596	4668
Inventories	646	749	768	788	4917	4975	4930	6328	7632	6336
Goodwill & Int. Ass.	142	192	180	166	13641	14414	14586	14560	14665	14330
Total Liabilities	8932	9087	9056	8695	21077	23930	24827	26255	28723	27550
Accounts Payable	457	426	340	255	3053	4016	4415	5179	5797	5477
Long-Term Debt	4246	4227	4591	4441	9203	10031	10220	9626	10724	11240
Shareholder's Equity	8792	8382	8199	8303	24425	22869	22365	23652	25818	25160
LTD/E Ratio	0.48	0.50	0.56	0.53	0.38	0.44	0.46	0.41	0.42	0.45

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	8.6%	7.2%	1.9%	1.9%	11.4%	2.1%	1.0%	6.5%	14.7%	2.3%
Return on Equity	16.7%	14.8%	3.9%	4.0%	21.8%	4.2%	2.0%	13.7%	31.0%	4.9%
ROIC	11.5%	9.9%	2.5%	2.6%	15.4%	3.0%	1.4%	9.6%	21.9%	3.5%
Shares Out.	---	---	---	---	609.0	573.0	569.0	571.0	540.0	497
Revenue/Share	21.06	18.75	13.27	13.53	31.42	34.44	36.70	48.51	70.2	58.5
FCF/Share	4.30	3.15	1.09	1.71	0.87	3.04	3.11	3.68	10.5	4.8

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