

Nutrien

Record EBITDA in FY21, higher forecasts for FY22

- Nutrien reports \$27.7bn sales, up 33% YoY, and a record Adjusted EBITDA of \$7.1bn, up 94% YoY in FY21. High nutrient prices resulted in a record EBITDA in the retail segment and record potash sales volumes.** In FY21, the company's revenue was \$17.7bn (+20% YoY) in retail segment, \$4.4bn (+75%) in potash segment, \$5.1bn (+61%) in nitrogen segment, \$2.0bn (+42%) in phosphate segment. Potash segment generated EBITDA of \$2.7bn (+134% YoY) in FY21 compared to \$2.3bn (+76%) in nitrogen segment, \$1.9bn (+36%) in retail and \$0.5bn in phosphates (vs loss \$0.5bn in FY20). The company sold 13.4mt of nutrients in retail, up 5% YoY at an average price 34% above last year's level. In 4Q21, the retail price grew 75% YoY generating a record margin of \$152/t. The sales volume in the potash segment reached 13.6mt, up 6% YoY at an average selling price of \$296/t in FY21. In 4Q21, the selling potash price reached \$465/t, up 77% YoY. The potash cash cost was \$70/t in 4Q21 compared to the \$63/t average for FY21, however, Nutrien targets a lower level of \$53-58/t in 2022-23. The nitrogen sales volume was at 10.7mt in FY21, down 2% YoY. The average price in the nitrogen segment was \$371/t, up 83% YoY in FY21. The average price reached \$514/t in 4Q21, up 164% YoY. The gas cost increased by 134% YoY to 6.4\$/MMBtu in 4Q21 compared to 2.74 \$/MMBtu in 4Q20 and 4.61 \$/MMBtu average for FY21. The sales volume was 5% below last year's level in the phosphate segment, while the average phosphate product price was up 61% YoY to \$622/t in FY21. The average prices by segment were 7-21% above our forecasts. The company returned \$2.1bn of capital to investors via dividends and repurchases of shares in 2021 and plans to return another \$3.0bn in 2022.
- Fertiliser prices remain at their elevated levels in 2022 supported by a good margin and strong demand of farmers, higher energy costs, tight supply, and political risks.** Nutrien expects \$10.0-11.2bn Adjusted EBITDA for FY22, including \$1.7bn for retail, \$5.0bn for potash, \$3.2bn for nitrogen, and \$0.5bn for phosphate segments. The accelerated inflation globally pushes up the mid-term price projection curve for soft commodity and fertilizer prices. Tight potash supply due to restricted market access for CIS suppliers and possible delay of potash projects in Russia may shift the potash price curve even higher. Russian fertilizer suppliers received a recommendation from the government to restrict their exports. Political turbulence resulted in the high volatility of energy prices staying at elevated levels. The fertilizer demand, however, is supported by increased soft commodity prices, low global stock-to-use ratios for corn and soybean, and the risk of diminishing wheat imports from Russia and Ukraine. Nutrien plans to maintain high financial targets in 2022-23. The company's guidance includes Retail Adjusted EBITDA above 10.5% in 2023 (10.9% in 2021), over 50% Retail Digital platform sales to total sales in 2023 (17% in 2021), over 14mt potash sales in 2023 (13.6mt in 2021), 96% ammonia operating rate (90% in 2021), and over 11.5mt nitrogen sales (10.7mt in 2021). The growth of volumes is planned via expansion of retail chain in Brazil, and brownfield investments in 0.5mt nitrogen capacity by 2024.
- We review our forecasts for Nutrien.** We review our forecasts following the recent developments in the energy and agriculture markets. The political situation remains responsible for most of the price deviation from mid-cycle averages for soft commodities and energy products, carrying a potential downside risk for energy, fertilizer, and agriculture product prices. Raising inflation globally, on the other hand, is likely to support mid-term fertiliser prices above pre-COVID levels. We rate Nutrien HOLD due to the highly speculative nature of the current product pricing while updating our 12-month price target to \$126.2/share from \$74.8/share. The stock is valued at a 7.9x EV/EBITDA'23 based on consensus, in line with the sector average.

Report date:	16 March 2022
Main exchange	NYSE
Rating	HOLD
Price, \$	98.1
12M target price, \$	126.2
MCap, \$ mn	55,941

Description:

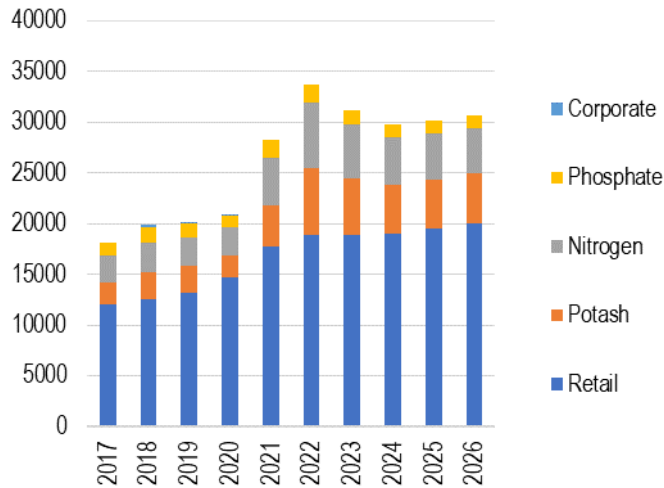
Nutrien is the largest by capacity global fertilizer producer. The company is a result of the merger of Agrium and PotashCorp.

*as of 15/03/2022

Marina Alekseenkova
Research analyst

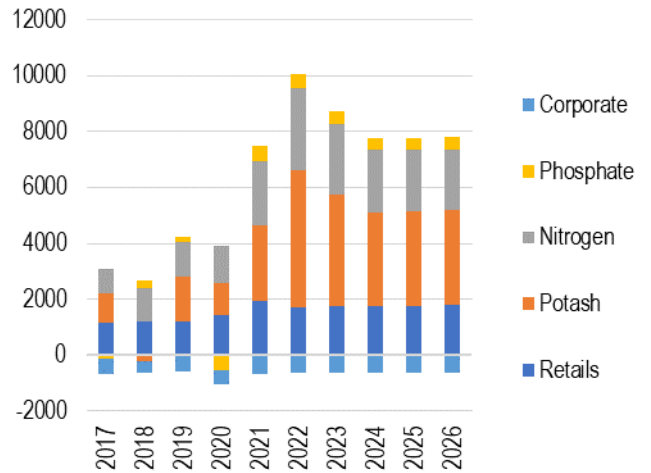
ma@hypothesisresearch.co.uk

Figure 1. Nutrien revenue dynamics by segment, \$mn



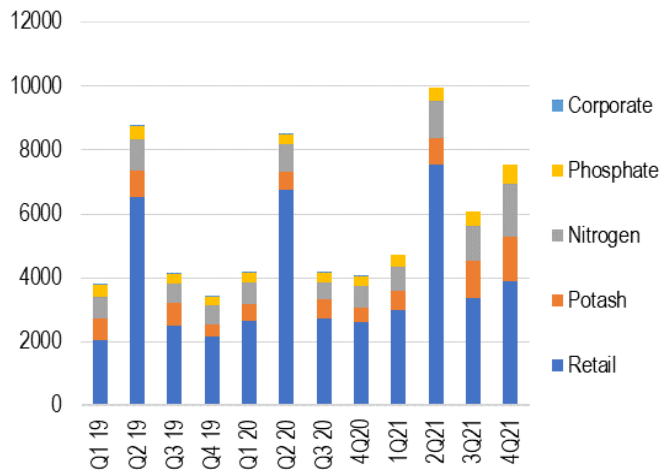
Source: company data, Hypothesis Research

Figure 2. Nutrien EBITDA dynamics by segment, \$mn



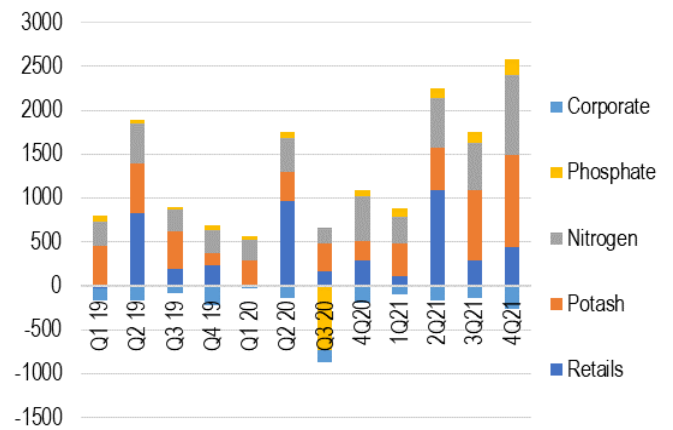
Source: company data, Hypothesis Research

Figure 3. Nutrien revenue dynamics quarterly, \$mn



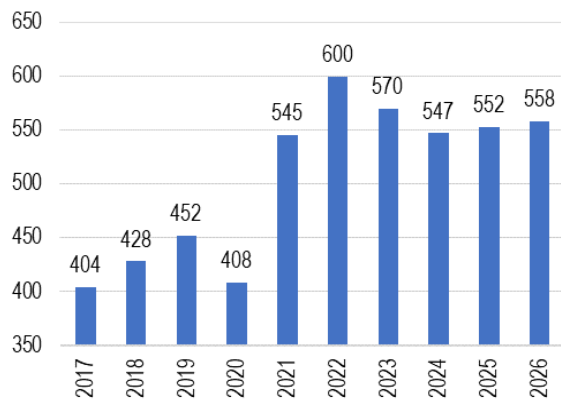
Source: company data

Figure 4. Nutrien EBITDA dynamics quarterly, \$mn



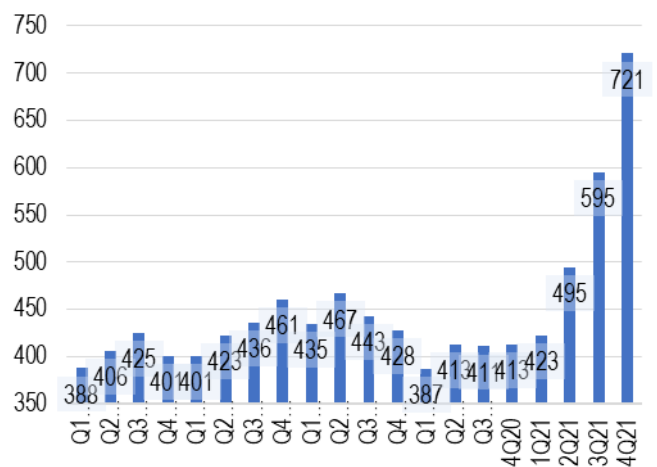
Source: company data

Figure 5. Crop nutrients selling price, \$/t



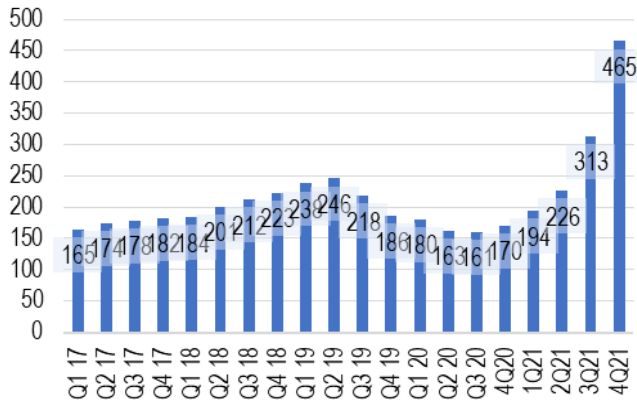
Source: company data, Hypothesis Research

Figure 6. Crop nutrients selling price, \$/t



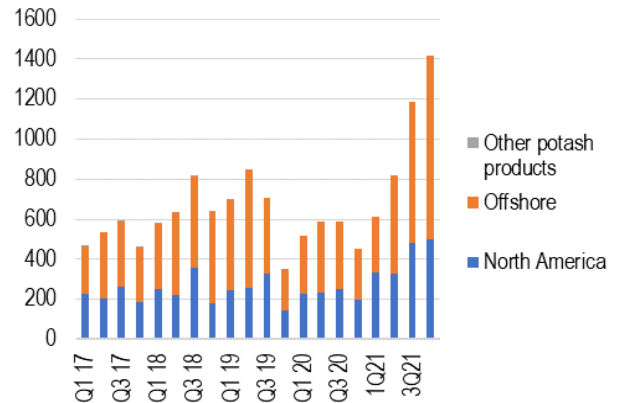
Source: company data

Figures 7. Potash selling price, \$/t



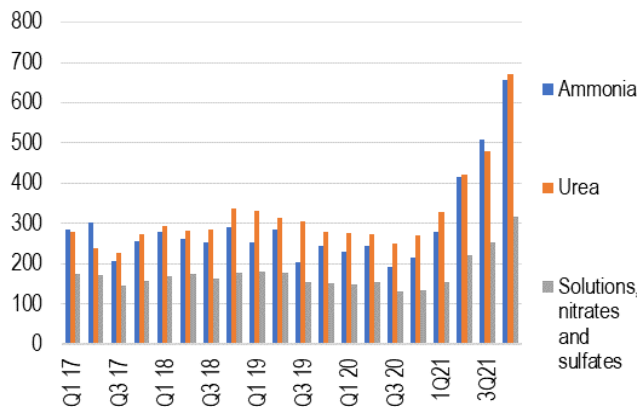
Source: company data

Figures 8. Potash net sales dynamics quarterly, \$mn



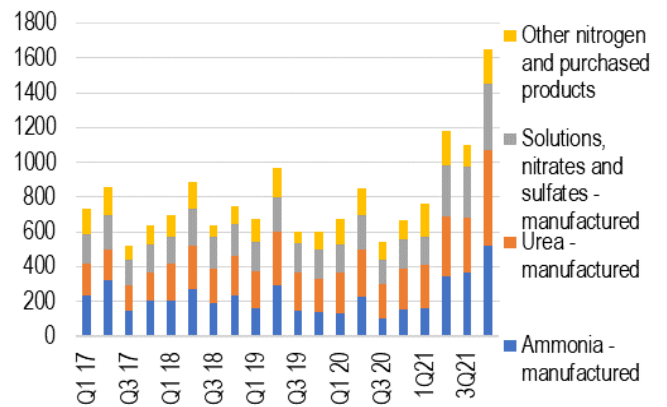
Source: company data

Figure 9. Nitrogen selling price, \$/t



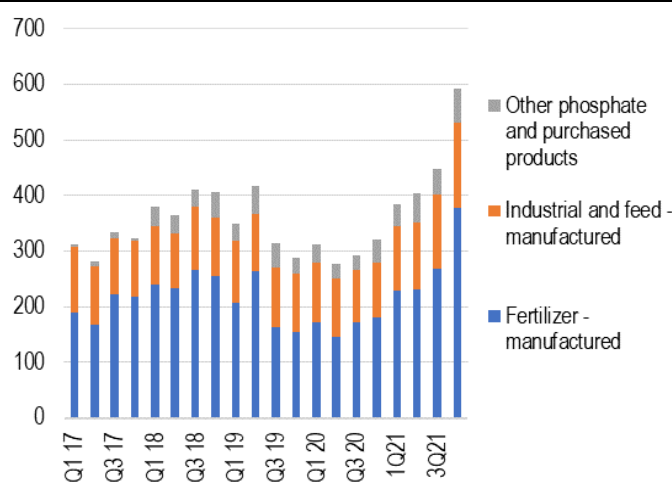
Source: company data

Figure 10. Nitrogen sales dynamics quarterly, \$mn



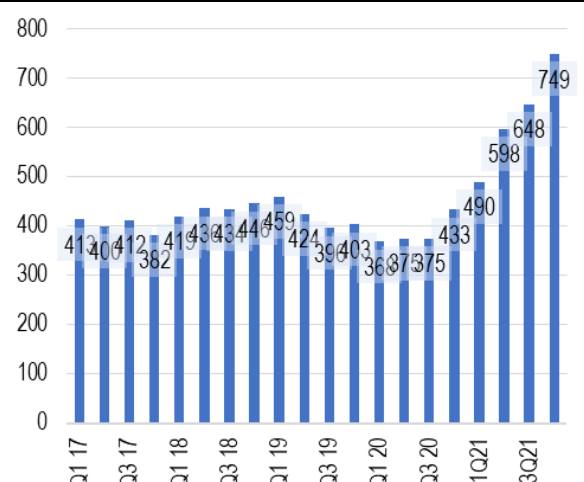
Source: company data

Figure 11. Phosphate net sales dynamics, \$mn



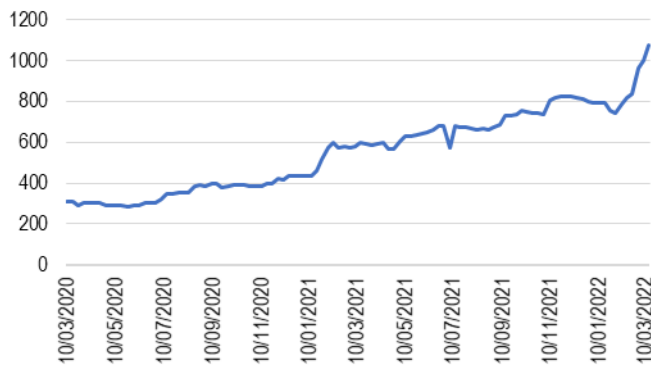
Source: company data

Figure 12. Phosphate average price, \$/t



Source: company data

Figure 13. DAP, New Orleans CFR Barge U\$/MT



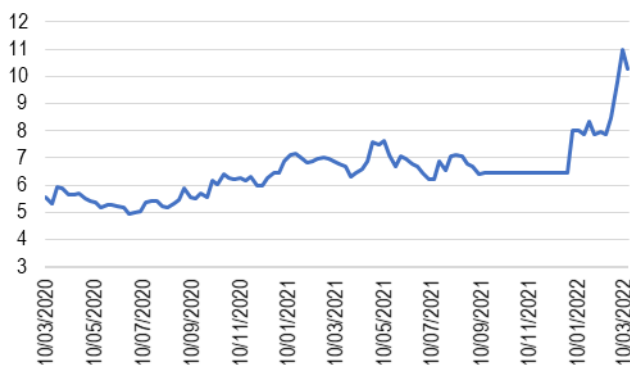
Source: Refinitiv - Datastream

Figure 14. Corn Wisdomtree commodity securities ETC



Source: Refinitiv - Datastream

Figure 15. Wheat No.2, Soft Red U\$/Bu



Source: Refinitiv - Datastream

Figure 16. Soybeans, No.1 Yellow \$/Bushel



Source: Refinitiv - Datastream

Figure 17. Nutrien Profit and Loss statement, \$mn

\$mn	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sales	18169	19636	20084	20908	27712	32900	30583	29184	29577
Freight , transportation and distribution	885	864	768	855	851	1010	939	896	908
Cost of goods sold	13133	13380	13814	14814	17452	21151	20204	19736	20040
Gross margin	4151	5392	5502	5239	9409	10738	9440	8552	8628
Selling expenses	2043	2337	2505	2813	3142	3367	3358	3368	3455
General and administrative expenses	411	423	404	429	477	483	490	497	503
Provincial mining and other taxes	159	250	292	204	466	750	636	553	558
Share-based compensation	92	116	104	69	198	178	160	144	130
Impairment of assets	0	1809	120	824	33	0	0	0	0
Other expenses (income)	255	43	215	-2	312	258	263	268	274
Earnings (loss) before finance costs and income taxes	1191	414	1862	902	4781	5701	4532	3722	3707
Finance costs	515	538	554	520	613	625	638	651	664
Earnings (loss) before income taxes	676	-124	1308	382	4168	5076	3895	3071	3044
Income tax expense (recovery)	20	-93	316	-77	989	1204	924	729	722
Net earnings (loss)	642	3573	992	459	3179	3871	2971	2342	2321
Basic		-0.05	1.70	0.81	5.53	6.80	5.21	4.11	4.08

Source: company data, Hypothesis Research

Figure 18. Nutrien sales and EBITDA forecast by segment

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Net sales										
Retail	12103	12520	13221	14736	17734	18931	18928	19017	19518	20033
Potash	2057	2667	2604	2146	4036	6497	5512	4789	4837	4886
Nitrogen	2746	2965	2848	2740	4689	6562	5401	4739	4552	4552
Phosphate	1250	1561	1368	1202	1829	1687	1395	1222	1236	1241
EBITDA										
Retails	1145	1206	1231	1430	1928	1731	1741	1753	1778	1803
Potash	1083	-203	1593	1167	2727	4906	4011	3346	3361	3376
Nitrogen	859	1215	1239	1299	2286	2924	2502	2262	2194	2193
Phosphate	-122	255	194	-537	536	523	456	417	420	421

Source: company data, Hypothesis Research

Figure 19. Nutrien Balance sheet, \$mn

\$mn	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total current assets	10763	11662	10665	11470	13846	18115	19461	21232	23339
Total assets	34940	45502	46799	47192	49954	53161	53476	53886	54741
Total current liabilities	7776	8335	9129	8480	12443	14549	13983	13699	13863
Total liabilities	20516	21077	23930	24789	26255	28355	27785	27497	27661
Total shareholders' equity	14424	24425		22365	23652	24806	25691	26389	27081
Total liabilities and shareholders' equity	34940	45502	46799	47192	49954	53161	53476	53886	54741

Source: company data, Hypothesis Research

Figure 20. Nutrien DCF sensitivity table, 12-month fair Market capitalization, \$mn

GROWTH RATE	WACC				
	6.8%	7.8%	8.8%	9.8%	10.8%
0.0%	67,198	59,898	54,199	49,615	45,838
0.4%	70,919	62,743	56,450	51,445	47,359
1.4%	82,611	71,393	63,131	56,776	51,723
2.4%	99,566	83,218	71,880	63,532	57,112
3.4%	126,392	100,367	83,838	72,378	63,943
4.4%	175,286	127,498	101,180	84,470	72,888

Source: Hypothesis Research

Figure 21. Fertiliser stocks comparable multiples

Company Name	MktCap, \$ mn	EV, \$mn	P/E Fwd 1Y	P/E Fwd 2Y	P/E Fwd 3Y	EV/ EBITDA 1Y fwd	EV/ EBITDA 2Y fwd	EV/ EBITDA 3 fwd	EV/ Revenues 1y fwd	EV/ Revenues 2y fwd	EV/ Revenues 3y fwd
Mosaic	21,399	25,055	5.6	8.2	11.0	4.1	5.7	7.3	1.4	1.7	2.0
Nutrien	54,996	65,390	8.4	9.3	15.7	5.8	7.9	9.4	1.9	2.0	2.3
CF Industries	19,679	24,346	5.7	12.7	19.5	4.4	6.5	11.1	2.3	3.1	4.0
Yara International	12,058	16,004	7.8	8.8	11.0	4.9	5.3	6.1	0.8	0.9	1.0
ICL	13,555	16,213	12.8	19.1	NaN	5.4	5.7	NaN	1.7	1.7	NaN
PhosAgro	5,695	7,036	0.0	0.0	0.0	3.1	5.2	6.8	1.6	2.1	2.2
K&S AG	5,176	5,703	6.0	12.3	20.6	2.5	5.3	6.0	1.0	1.2	1.3
SQM	21,041	21,264	12.6	13.2	16.1	8.0	8.0	9.4	4.0	3.9	4.0
FMC Corp	15,864	18,539	16.3	14.4	12.9	13.0	11.9	11.0	3.4	3.3	3.1
Intrepid Potash	1,050	1,014	12.0	48.6	52.1	6.6	15.2	15.7	3.2	4.4	4.6
Average			8.7	14.7	17.7	5.8	7.7	9.2	2.1	2.4	2.7

Source: Refinitiv

Important disclosures

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