

Nutrien

3Q21: record prices and sales, retail and potash in focus

- Nutrien reported a record adjusted consolidated EBITDA of \$1.6bn in 3Q21, up 145% YoY.** The company generated \$135mn EBITDA in Phosphates (+193% YoY), \$532mn in Nitrogen (+173%), \$808mn in Potash (+131%), and \$291mn in Retail (+80%) in 3Q21. Nutrien's Retail EBITDA was driven by a 23% YoY sales growth to \$3,336mn on the back of a 45% crop nutrients price increase offsetting a 4% decline in sales volumes. The company's online retail sales reached \$1.9bn in 9M21. The retail business generates a 27% proprietary portion of gross margin stabilizing the company's cash flow during the cycle. The adjusted EBITDA as per US selling location improved from \$1.075mn in 2020 to \$1.362mn in 3Q21. Potash net sales increased by 101% YoY to \$1,188mn supported by a 94% YoY increase in average potash price. Nutrien reported 104% YoY nitrogen sales growth to \$1,101mn driven by a 110% price increase in the nitrogen segment in 3Q21. Phosphate sales were up 53% YoY in 3Q21 to \$1,684mn with the realised phosphate price up by 73% YoY. Nutrien's sales reached \$6,024mn in 3Q21, up 43% YoY. The company had a relatively modest COGS growth of 21% YoY despite soaring ammonia prices and a strong Canadian dollar. Net income reached \$726mn in 3Q21.
- Nutrien raised FY2021 adjusted EBITDA guidance to \$6.9-7.1bn and adjusted EPS to \$5.85-6.10 per share.** The ramp-up of low-cost potash production on six mines will help the company to increase sales by c.1mt in 2021. Nutrien's potash sales may reach 13.6-13.9mt KCl in 2021, while global demand is expected at 69-71mt. The company acquired 16 locations in the US and Australia and announced 5 transactions in Brazil which shall contribute to the retail business growth in the next several quarters. Brownfield projects in the nitrogen segment shall add 0.5mt to its 7.1mt capacity in 2022-23. We believe, Potash sales volume growth and Retail operations expansion are growth factors to support Nutrien's valuation in 2022-23. Nutrien repurchased 2.4mn shares in 3Q and plans to cut its debt by \$2bn by April 2022.
- We review our forecasts for Nutrien.** Strong crop market fundamentals may remain in place in 4Q21-2Q22 as US corn and soybean ending stocks and stock-to-use ratios remain low due to high demand and production issues. Elevated US prices for corn, soybean, wheat, and cotton are forecasted for 2022, supporting the demand for fertilisers. Potash 2021 year-end inventories are expected low in China and India, and slightly below 2020-level in Brazil. The high level of global gas and coal prices contributes to higher ammonia costs, also supporting the global fertilizer price level. However, we expect the recovery of the global gas and oil production to result in fuel prices correction in 2022-23, weakening fertilizer price environment by 2023-24. Raising inflation globally, on the other hand, is likely to support mid-term fertiliser prices above pre-COVID levels. We review our forecasts for Nutrien based on the 3Q2021 report. We rate the stock HOLD with a 12-month price target of \$74.8/share. The stock is valued at a 6.3x EV/EBITDA'22 based on consensus, in line with the sector average.

Report date:	16 November 2021
Main exchange	NYSE
Rating	HOLD
Price, \$	68.9
12M target price, \$	74.8
MCap, \$ mn	39,261

Description:

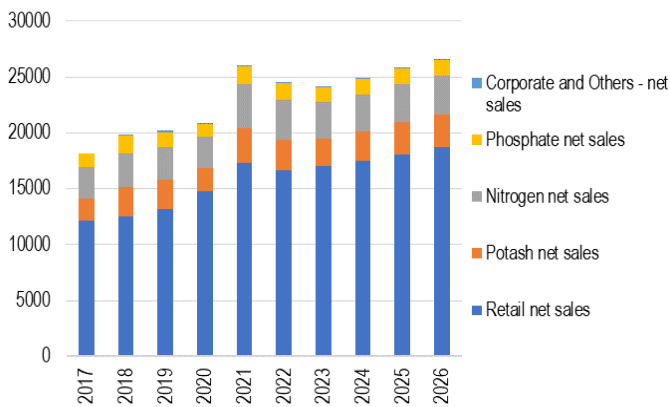
Nutrien is the largest by capacity global fertilizer producer. The company is a result of the merger of Agrium and PotashCorp.

*as of 16/11/2021

Marina Alekseenkova
Research analyst

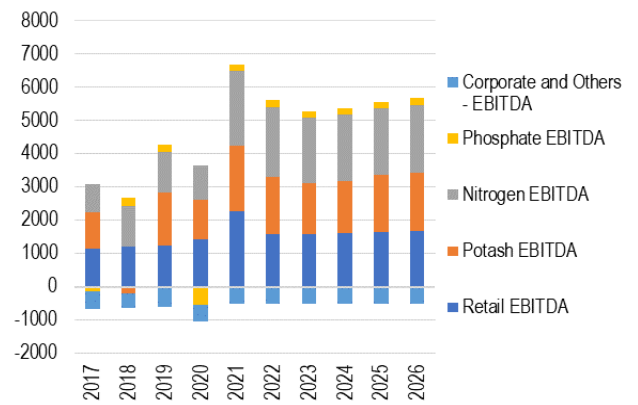
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Figure 1. Nutrien revenue dynamics by segment, \$mn



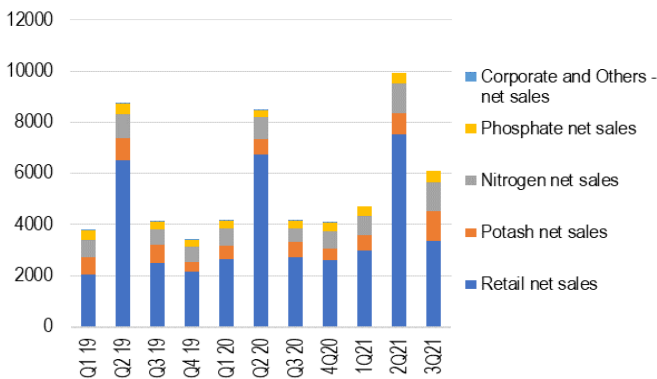
Source: company data, Hypothesis Research

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



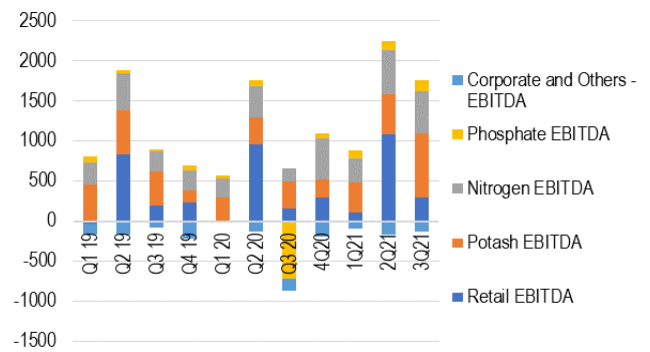
Source: company data, Hypothesis Research

Figure 3. Nutrien revenue dynamics quarterly, \$mn



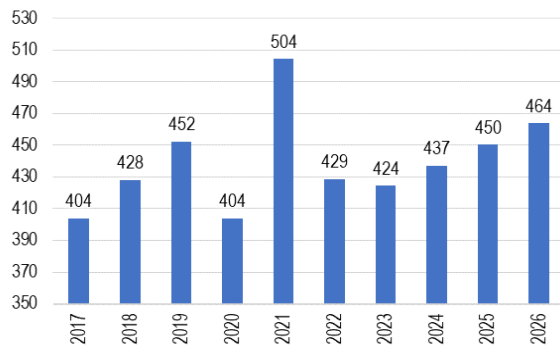
Source: company data

Figure 4. Nutrien EBITDA dynamics quarterly, \$mn



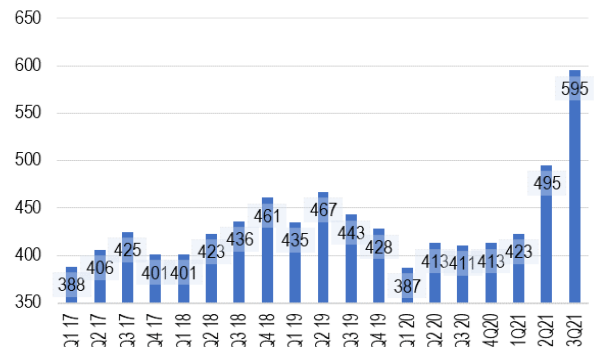
Source: company data

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



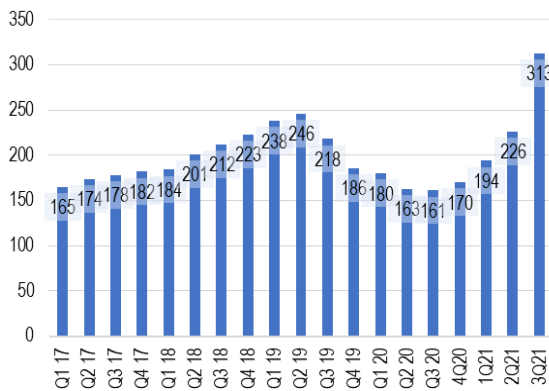
Source: company data, Hypothesis Research

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



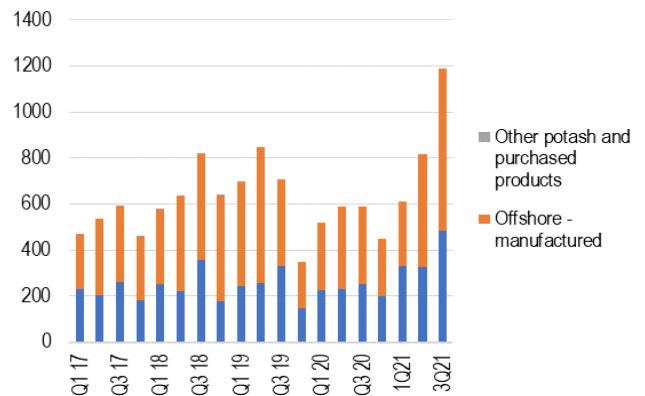
Source: company data

Figures 7. Potash selling price, \$/t



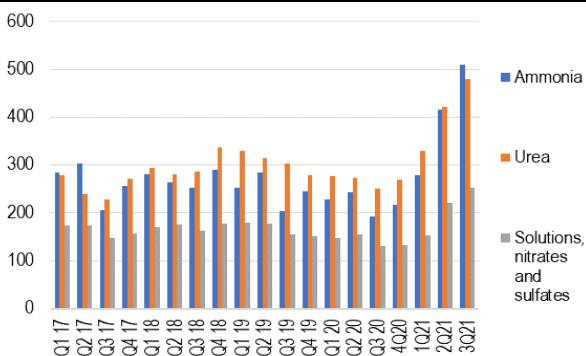
Source: company data

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



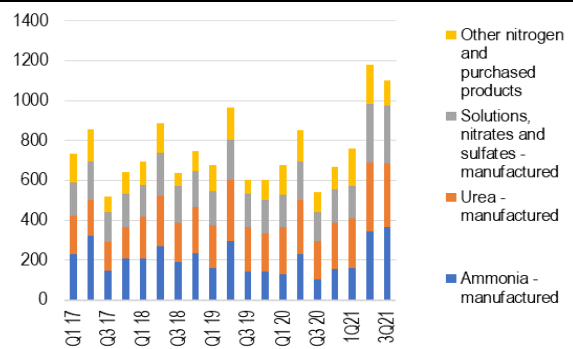
Source: company data

Figure 9. Nitrogen selling price, \$/t



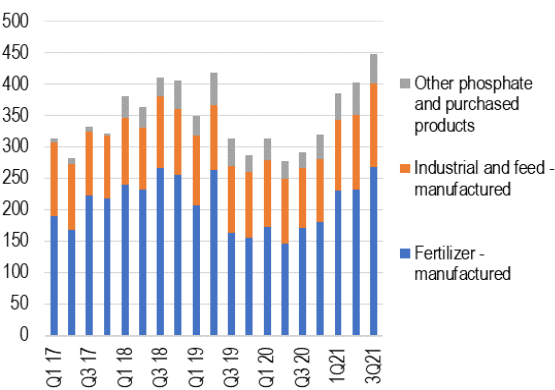
Source: company data

Figure 10. Nitrogen sales dynamics quarterly, \$mn



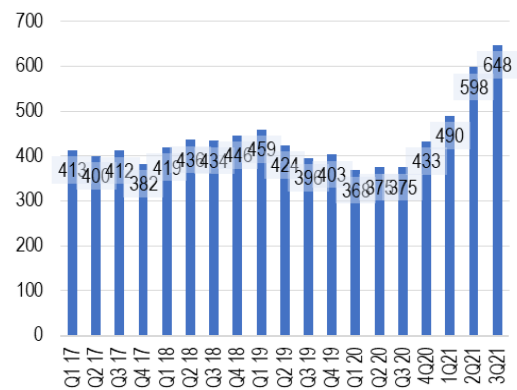
Source: company data

Figure 11. Phosphate net sales dynamics, \$mn



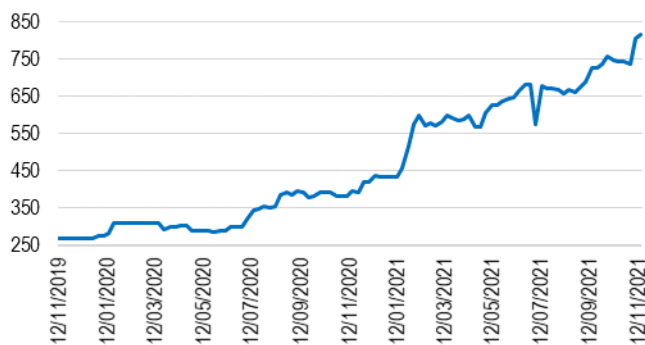
Source: company data

Figure 12. Phosphate average price, \$/t



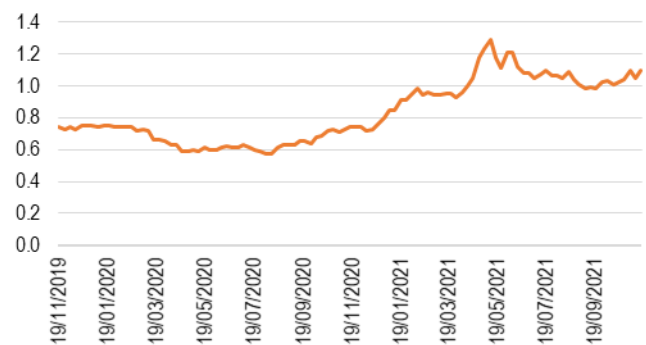
Source: company data

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



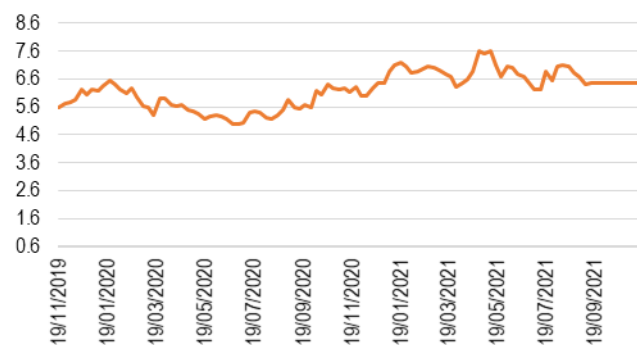
Source: Refinitiv - Datastream

Figure 14. Corn Wisdomtree commodity securities ETC



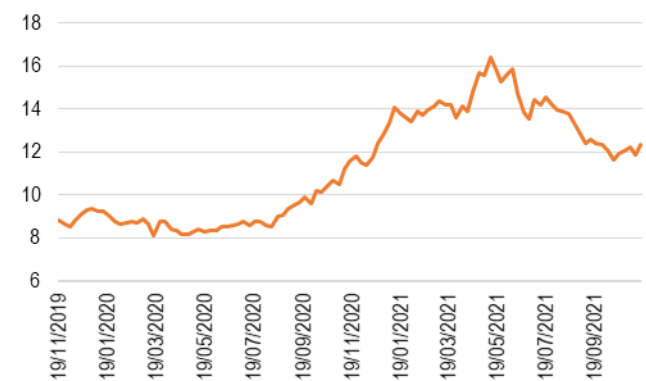
Source: Refinitiv - Datastream

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	25993	24446	24139	24863	25807
Freight , transportation and distribution	885	864	768	855	1063	1000	987	1017	1055
Cost of goods sold	13133	13380	13814	14814	17414	17110	17100	17608	18197
Gross margin	4151	5392	5502	5239	7517	6336	6052	6238	6554
Selling expenses	2043	2337	2505	2813	3318	3194	3247	3352	3461
General and administrative expenses	411	423	404	429	435	440	446	452	458
Provincial mining and other taxes	159	250	292	204	290	254	237	245	273
Share-based compensation	92	116	104	69	62	56	50	45	41
Impairment of assets	0	1809	120	824	0	0	0	0	5
Other expenses (income)	255	43	215	-2	233	237	242	247	252
Earnings (loss) before finance costs and income taxes	1191	414	1862	902	3179	2155	1829	1898	2065
Finance costs	515	538	554	520	524	535	545	556	567
Earnings (loss) before income taxes	676	-124	1308	382	2655	1620	1284	1342	1497
Income tax expense (recovery)	20	-93	316	-77	641	391	310	324	362
Net earnings (loss)	642	3573	992	459	2014	1229	974	1018	1136
EPS Basic		-0.05	1.70	0.81	3.53	2.16	1.71	1.79	1.99
EPS Diluted		-0.05	1.70	0.81	3.53	2.16	1.71	1.79	1.99

Source: company data, Hypothesis Research

Figure 18. Nutrien Balance sheet, \$mn

\$mn	2018	2019	2020	2021	2022	2023	2024	2025
Cash and cash equivalents	2314	671	1454	1153	2225	3498	5074	6549
Receivables	3342	3542	3581	4584	4311	4257	4385	4551
Inventories	4917	4975	4930	6271	6162	6158	6341	6554
Prepaid expenses and other current assets	1089	1477	1505	1862	1829	1828	1883	1946
Total current assets	11662	10665	11470	13871	14528	15742	17682	19600
Property, plant and equipment	18796	20335	19660	20577	20698	20319	19482	18726
Goodwill	11431	11986	12198	11588	11009	10458	9935	9439
Other intangible assets	2210	2428	2388	2388	2388	2388	2388	2388
Investments	878	821	562	562	562	562	562	562
Other assets	525	564	914	914	914	914	914	914
Total assets	45502	46799	47192	49900	50098	50383	50964	51628
Total current liabilities	8335	9129	8480	10628	10462	10456	10732	11054
Long-term debt	7579	8553	10047	10047	10047	10047	10047	10047
Lease liabilities	12	859	891	891	891	891	891	891
Deferred income tax liabilities	2907	3145	3149	3149	3149	3149	3149	3149
Pension and other post-retirement benefit liabilities	395	433	454	477	501	526	552	579
Asset retirement obligation and accrued environmental costs	1673	1650	1597	1565	1534	1503	1473	1444
Other non-current liabilities	176	161	171	174	178	181	185	189
Total liabilities	21077	23930	24789	26931	26761	26753	27029	27353
Total shareholders' equity	24425		22365	22969	23338	23630	23935	24276
Total liabilities and shareholders' equity	45502	46799	47192	49900	50098	50383	50964	51628

Source: company data, Hypothesis Research

Figure 19. Nutrien DCF sensitivity table, 12-month fair Market capitalization, \$mn

	6.2%	7.2%	8.2%	9.2%	10.2%
0.0%	43650	37896	33499	30020	27193
0.5%	47596	40848	35801	31873	28722
1.5%	57975	48288	41423	36291	32299
2.5%	73881	58851	48994	42012	36794
3.5%	101349	75040	59743	49715	42613
4.5%	160234	102996	76217	60652	50450

Source: Hypothesis Research

Figure 20. 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	14,358	17,671	7.4	6.2	9.4	4.9	4.2	5.6	1.4	1.3	1.5
Nutrien	39,345	51,517	11.6	9.2	13.8	7.4	6.3	8.3	2.0	1.8	2.0
CF Industries	14,059	19,443	17.9	7.7	12.6	8.1	5.8	8.1	3.2	2.6	3.3
Yara International	13,185	16,716	10.9	11.2	10.9	6.0	6.2	6.1	1.0	1.0	1.1
ICL	11,399	14,227	15.9	11.3	14.6	9.2	7.2	8.4	2.1	1.9	1.9
PhosAgro	10,419	12,121	5.9	5.7	8.8	5.1	5.1	6.9	2.3	2.2	2.6
K&S AG	3,239	3,966	6.3	6.2	13.3	5.3	3.4	4.4	1.1	0.9	1.1
SQM	17,166	17,211	39.3	21.3	22.3	17.6	10.7	10.9	6.9	4.7	4.5
FMC Corp	13,480	16,558	15.6	13.9	11.9	12.5	11.6	10.6	3.3	3.1	2.9
Intrepid Potash	575	550	19.5	9.9	89.2	8.4	5.3	11.3	2.2	1.8	2.9
Average			15.0	10.3	20.7	8.4	6.6	8.1	2.6	2.1	2.4

Source: ThomsonReuters

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