

Nutrien

1Q22: global supply uncertainties support strong outlook

- **Nutrien reports \$2.6bn adjusted EBITDA and \$1.4bn net earnings in 1Q22 due to a high average realized prices offsetting lower sales volumes. The delayed planting in North America and geopolitical risks affected both volumes and prices.**

In 1Q22, the company's sales reached \$7,657mn, up 64% YoY. This growth exceeded a 28% YoY increase in costs of goods sold. The company generated a \$3,257mn gross margin, up 182% YoY, and a \$2,615mn of adjusted EBITDA, up 224% YoY. Diluted net earnings per share increased from \$0.29 in 1Q21 to \$2.49 per share in 1Q22. Net earnings of the company reached \$1,385mn in 1Q22 compared to \$133mn last year. Free cash flow increased from \$476mn in 1Q21 to \$1,814mn in 1Q22. Nutrien Ag Solutions (Retail segment) reports \$3,861mn sales in 1Q22, up 30% YoY, driven by crop nutrients sales increase by 56% YoY to \$1,587mn, and crop protection products sales increase by 28% YoY to \$1,387mn. The segment's adjusted EBITDA reached \$240mn in 1Q22 compared to \$109mn a year ago. The potash segment reported \$1,850mn sales, up 203% YoY despite a 4% decline in sales volumes to 3.043mt. The lower volume was offset by a 213% average potash price increase to \$608/t in 1Q22. The cost of goods sold per ton was \$100/t, up by 9% YoY. The potash sales structure via Canpotex, the trading vehicle for Canadian potash producers, shows an increased share of deliveries to Latin America (from 30% in 1Q21 to 32% in 1Q22) and other Asian markets ex-China and India (to 45% from 37%), and decreased share of deliveries to China (to 13% from 15%) and to India (to 1% from 6%). The re-distribution of volumes by Canpotex was probably driven by the geopolitical changes with American and European markets taking fewer volumes from Belarus and Russia, while China and India delivered from CIS. Potash adjusted EBITDA reached \$1,406mn, up 270% YoY in 1Q22. The nitrogen segment reports \$1,462mn sales, up 155% YoY in 1Q22 on the back of a 6% volume decline and 171% YoY average price increase to \$645/t. Ammonia price increased by 238% YoY to \$940/t, while urea price jumped 138% YoY to \$783/t in 1Q22. The nitrogen segment adjusted EBITDA reached \$995mn, up 232% YoY in 1Q22. The company said the reduced volumes in the nitrogen segment were due to unplanned plant outages that impacted ammonia and urea production and delayed planting in North America. The company reported a 116% increase in overall gas cost excluding realized derivative impact to \$6.86/MMBtu compared to \$3.17/MMBtu a year ago. The phosphate segment reported \$563mn sales, up 64% YoY in 1Q22, driven by a 77% YoY price climbing to \$865/t and offsetting a 7% decline in volumes. The phosphate adjusted EBITDA reached \$239mn, up 146% YoY in 1Q22. Overall strong financial results on the back of high historical product prices boosted the company's earnings expectations for FY22.

- **Uplifted grain prices and higher energy costs due to the conflict between Russia and Ukraine create uncertainty.**

Nutrien raises FY22 adjusted EBITDA guidance to \$14.5-16.5bn from \$10.0-11.2bn, driven by higher potash sales volumes and increased prices. The company expects its potash volumes to reach 14.5-15.1mt in FY22 up from 13.7-4.3mt previously expected. Potash Adjusted EBITDA is estimated at \$7.5-8.3bn versus the \$5.0-5.5bn previous estimate. Nitrogen volumes are down to 10.7-11.1mt from 10.8-11.3mt before. The energy and food inflation drives price expectations higher, while the scale of the conflict in Eastern Europe does not allow us to predict any short-term changes. The current fertilizer price environment, however, carries a downside risk in case of energy prices decline, including caused by COVID-related factors. The increasing market share of North American fertiliser producers in premium markets of the Americas and South-Eastern Asia is pushing up our mid-term price forecasts. We update our forecasts and maintain a HOLD rating due to the risk of product price downside. However, seasonal demand growth will drive the results. We keep our 12-month price target at \$126.2/share. The stock is valued at a 5.8x EV/EBITDA'23 based on consensus.

Report date:	13 May 2022
Main exchange	NYSE
Rating	HOLD
Price, \$	93.6
12M target price, \$	126.2
MCap, \$ mn	53,535

Description:

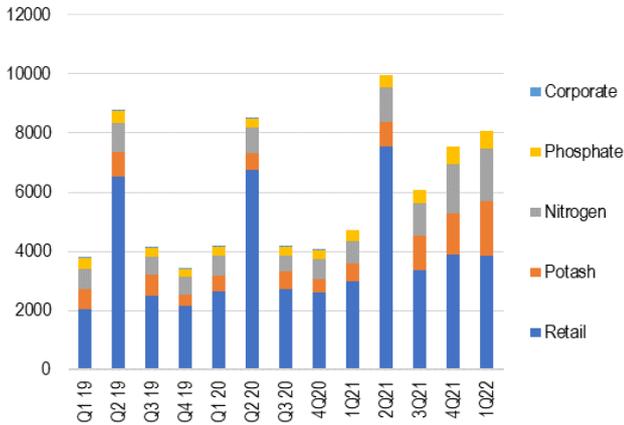
Nutrien is the largest by capacity global fertilizer producer. The company is a result of the merger of Agrium and PotashCorp.

*as of 12/05/2022

Marina Alekseenkova
Research analyst

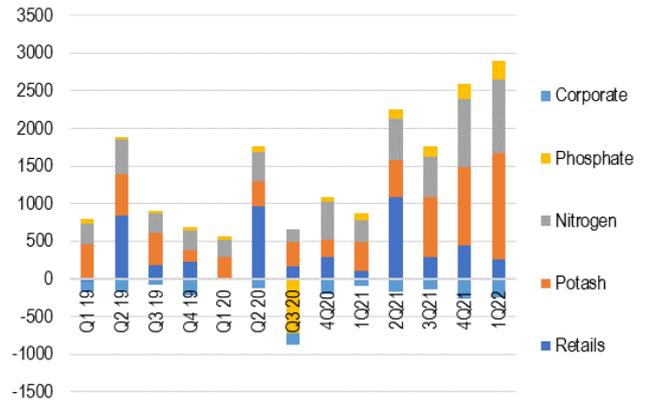
ma@hypothesisresearch.co.uk

Figure 1. Nutrien revenue dynamics quarterly, \$mn



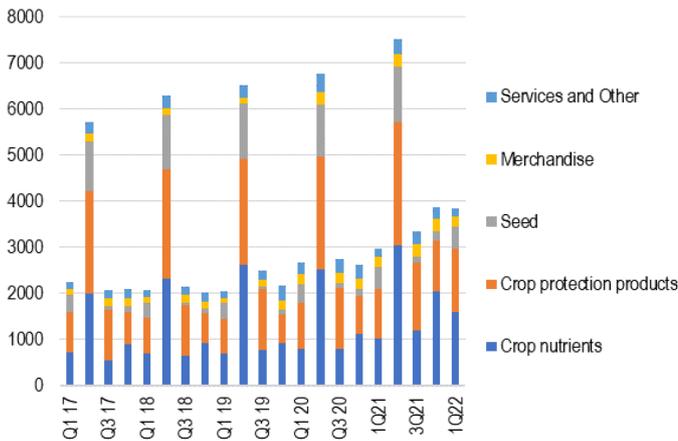
Source: company data

Figure 2. Nutrien EBITDA dynamics quarterly, \$mn



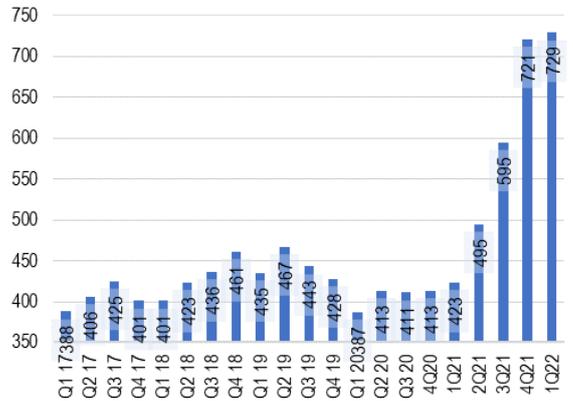
Source: company data

Figure 3. Retail revenue by segment, \$mn



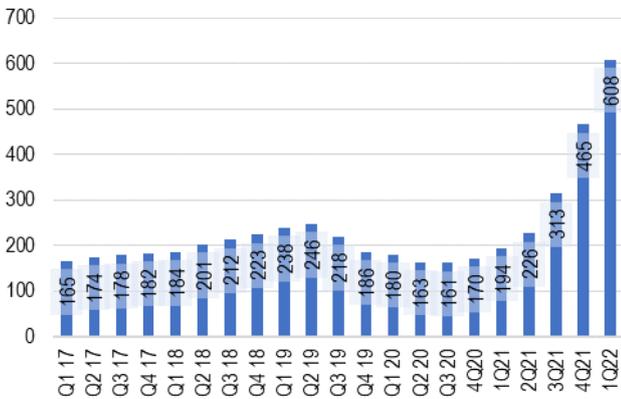
Source: company data, Hypothesis Research

Figure 4. Crop nutrients selling price, \$/t



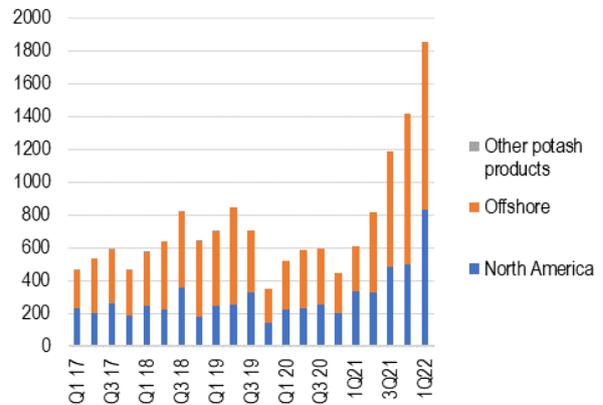
Source: company data

Figure 5. Potash selling price, \$/t



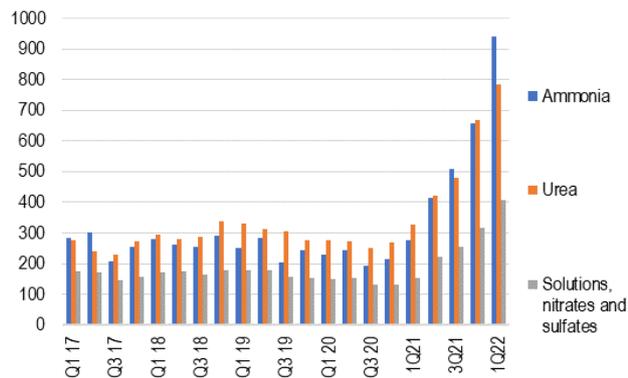
Source: company data

Figure 6. Potash net sales dynamics quarterly, \$mn



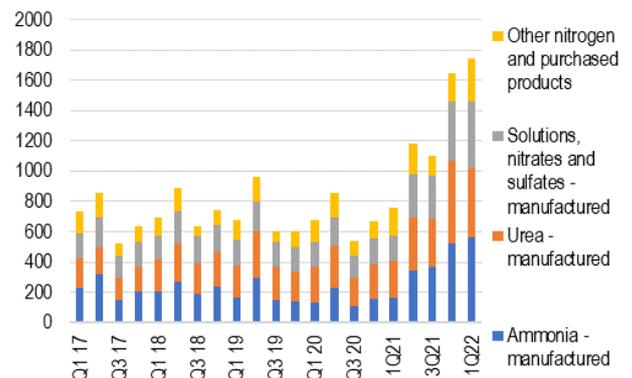
Source: company data

Figure 7. Nitrogen selling price, \$/t



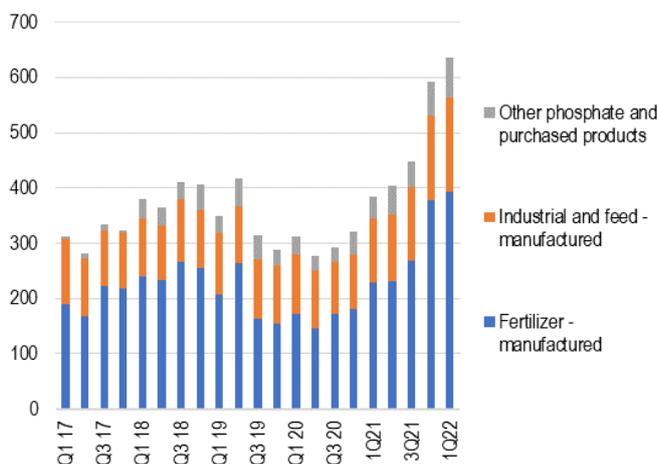
Source: company data

Figure 8. Nitrogen sales dynamics quarterly, \$mn



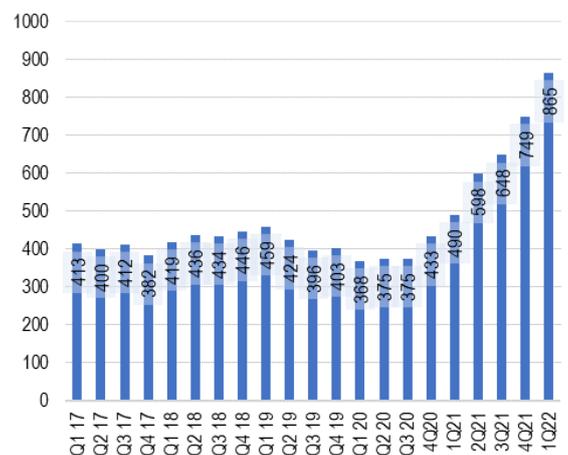
Source: company data

Figure 9. Phosphate net sales dynamics, \$mn



Source: company data

Figure 10. Phosphate average price, \$/t



Source: company data

Figure 11. Nutrien Profit and Loss statement, \$mn

\$mn	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sales	18169	19636	20084	20908	27712	35293	32563	30902	31280
Freight & transportation	885	864	768	855	851	1084	1000	949	961
Cost of goods sold	13133	13380	13814	14814	17452	22279	21133	20551	20842
Gross margin	4151	5392	5502	5239	9409	11930	10430	9402	9478
Selling expenses	2043	2337	2505	2813	3142	3376	3365	3374	3462
General and administrative expenses	411	423	404	429	477	483	490	497	503
Provincial mining and other taxes	159	250	292	204	466	858	728	633	639
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 before finance costs and taxes	1191	414	1862	902	4781	6775	5423	4486	4470
Finance costs	515	538	554	520	613	625	638	651	664
Earnings (loss) before income taxes	676	-124	1308	382	4168	6150	4785	3835	3806
Income tax expense (recovery)	20	-93	316	-77	989	1459	1135	910	903
Net earnings (loss)	642	3573	992	459	3179	4691	3650	2925	2903
EPS Basic		-0,05	1,70	0,81	5,53	8,23	6,41	5,13	5,10

Source: company data, Hypothesis Research

Figure 12. Nutrien Balance sheet, \$mn

\$mn	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total current assets	10763	11662	10665	11470	13846	19008	20443	22322	24594
Total assets	34940	45502	46799	47192	49954	54054	54458	54976	55997
Total current liabilities	7776	8335	9129	8480	12443	15199	14519	14168	14325
Total liabilities	20516	21077	23930	24789	26255	29005	28320	27967	28122
Total shareholders' equity	14424	24425	22869	22365	23652	25050	26137	27009	27874
Total liabilities and shareholders' equity	34940	45502	46799	47192	49954	54054	54458	54976	55997

Source: company data, Hypothesis Research

Figure 13. 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	21 524	25 252	4,2	5,5	10,3	3,2	4,2	6,5	1,1	1,4	1,7
Nutrien	53 535	65 326	5,6	7,1	12,7	4,3	5,5	8,8	1,6	1,9	2,1
CF Industries	19 940	23 536	4,8	7,5	11,8	3,5	5,3	8,6	2,0	2,6	3,7
Yara International	11 456	14 893	4,6	7,5	10,8	3,3	4,3	5,1	0,6	0,8	0,8
ICL	14 330	16 988	6,9	8,4	16,7	4,3	5,1	9,8	1,6	1,7	1,9
PhosAgro	15 429	17 820	0,0	0,0	NaN	5,5	6,9	NaN	2,4	2,9	NaN
K&S AG	5 659	6 052	3,9	5,3	10,7	2,3	3,1	5,2	1,1	1,2	1,4
SQM	21 295	21 517	11,2	11,1	10,3	6,8	6,7	6,1	3,6	3,0	2,9
FMC Corp	14 547	17 978	15,1	13,1	11,9	12,6	11,5	10,8	3,3	3,1	3,0
Intrepid Potash	847	787	6,6	9,7	17,2	3,8	5,2	8,0	2,1	2,5	3,1
Average			6,3	7,5	12,5	5,0	5,8	7,7	1,9	2,1	2,3

Source: Refinitiv

Important disclosures

Analysts certification and disclaimer

This report has been prepared and issued by Hypothesis Research Limited (“Hypothesis”) in accordance with Hypothesis policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Hypothesis is authorised and regulated by the Financial Conduct Authority (“FCA”). This report has been prepared by the analyst whose name appears on the front page of this report.

The information contained within the report is intended for use by professional clients and eligible counterparties as defined in section 3 of the FCA Conduct of Business rules. Our research must not be acted on or relied upon by persons in the UK who would be categorised as retail clients.

The report must not be distributed in any other jurisdictions where its distribution may be restricted by law. Persons into whose possession this report comes into should inform themselves about, and observe, any such restrictions.

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of Hypothesis and the analyst at the time of publication.

Hypothesis does not offer or provide personalised advice. The information provided is not intended to be, and should not be construed in any manner whatsoever as, personalised advice as it does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. The information provided by us should not be construed by any subscriber or prospective subscriber as Hypothesis’ solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned in this report. Investors should make their own investment decisions based upon their own financial objective and resources.

Hypothesis has a restrictive policy relating to personal dealing and conflict of interest. Hypothesis does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Hypothesis may have a position in any or related securities mentioned in this report, subject to Hypothesis’ policies on personal dealing and conflict of interests. Hypothesis may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

To the maximum extent permitted by law, Hypothesis, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.

Please find further information and disclaimer on <http://www.hypothesisresearch.co.uk/disclaimer>.