DISCLAIMER

Limit of Liability and Disclaimer of Warranty: The publisher has used its best efforts in preparing this book, and the information provided herein is provided "as is." TRAIN2INVEST Inc or its agents or its employees or its principals makes no representation or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaims any implied warranties of merchantability or fitness for any particular purpose and shall in no event be liable for any loss of profit or any other commercial damage, including but not limited to special, incidental, consequential, or other damages.

Trademarks: This book identifies product names and services known to be trademarks, registered trademarks, or service marks of their respective holders. They are used throughout this book in an editorial fashion only. In addition, terms suspected of being trademarks, registered trademarks, or service marks have been appropriately capitalized, although TRAIN2INVEST Inc. cannot attest to the accuracy of this information. Use of a term in this book should not be regarded as affecting the validity of any trademark, registered trademark, or service mark. TRAIN2INVEST Inc. is not associated with any product or vendor mentioned in this book.

TRAIN2INVEST INC does NOT provide investment advice or investment recommendations. All participants are fully aware that examples & other instructions (verbal – implicit or explicit and any other form of communication) will not and cannot be constituted as a recommendation or advice for investment purposes.

FOR EDUCATION PURPOSES ONLY

NTR.TO - Nutrien Appoints Ken Seitz as Permanent CEO; Shares Fairly Valued

Created in 2018 as a result of the merger between PotashCorp and Agrium, Nutrien is the world's largest fertilizer producer by capacity. Nutrien produces the three main crop nutrients--nitrogen, potash, and phosphate--although its main focus is potash, where it is the global leader in installed capacity with roughly 20% share. The company is also the largest agricultural retailer in the United States, selling fertilizers, crop chemicals, seeds, and services directly to farm customers through its brick-and-mortar stores and online platforms.

Morningstar's Analysis Summary | Competitors | Bulls Say/Bears Say

Bulls Say

- Declining arable land per person will force growers to be more productive and should drive growth in a variety of crop inputs.
- Potash application rates in China and India lag scientifically recommended levels. With these two countries working to secure food supply, increasing potash application is a relatively pain-free way to raise crop yields and food production, which will result in higher demand growth for potash.
- Fertilizer prices will remain well above the marginal cost of production over the next several years due to the supply shock from Russia and China.

Bears Say

- Volatile pricing and demand for crop nutrients have characterized Nutrien's business during the past few years, highlighting the cyclical nature of the company's cash flows.
- Long-term oversupply threatens to reduce the marginal cost of production in potash and lower long-term prices. This includes BHP's Jansen greenfield project and brownfield expansions from existing producers.
- Fertilizer prices are currently at cyclical highs. As prices moderate to midcycle levels, Nutrien's profits will fall accordingly.

Morningstar Analysis

Analyst Note Updated Aug 08, 2022

On Aug. 8, Nutrien announced interim CEO Ken Seitz would become the company's next CEO. Seitz will also join the board of directors. Seitz has been interim CEO since January. We see no reason to change our outlook for the company. We maintain our $85 (CAD 109) per share fair value estimate and narrow-moat rating for Nutrien. We also maintain our exemplary capital allocation rating. At current prices, we view Nutrien shares as fairly valued with the stock trading roughly in line with our fair value estimate.

When Seitz took over as interim CEO, we saw no reason to change our capital allocation rating. Given Seitz's experience leading the potash business, we expect no change to the company's strategy. We think Nutrien will likely continue to focus on the reduction of its fertilizer unit production costs, while expanding its retail business through the development of proprietary products and increased digital offerings.

We continue to expect Nutrien to see record results in 2022, driven by cyclically high fertilizer prices. However, as supply returns to the market over the next couple of years, we expect prices will moderate, eventually falling from record highs to more in line with our midcycle forecast. Accordingly, we expect Nutrien's profits will fall from lower prices.

Business Strategy and Outlook

Nutrien, the world's largest crop nutrient company by capacity, was formed in early 2018 as a result of the merger between Potash Corp. of Saskatchewan and Agrium.

The company is the largest agricultural retailer in North America and Australia, with a growing presence in Brazil. Its retail business sells crop inputs and services directly to farmers. In the highly fragmented farm retail industry, Nutrien is pursuing an acquisition strategy to expand its retail store base, which should improve bargaining power with suppliers.

The company benefits from selling proprietary and private-label products at its newly acquired stores. Nutrien is also investing in its online retail platform, which should generate sales growth as a greater proportion of farm retail sales move online. The shift should allow Nutrien to optimize its store count, which will boost profit margins over the long term. We expect the retail segment, which should account for a little over half of gross profits in midcycle conditions, to generate relatively steady cash flows.

In addition to its retail operations, Nutrien produces all three primary crop nutrients. With over 20% market share, Nutrien is the world's largest potash producer by capacity. Its Canadian mines mostly sit on the lower half of the cost curve and have generated profits even when prices are at cyclically low levels below the marginal cost of production.

Nutrien is also one of the largest nitrogen fertilizer producers globally. The nitrogen business includes both high- and low-cost assets, much of it depending on the cost of natural gas. Roughly a third of production uses natural gas from Trinidad, which is cost-disadvantaged relative to North American competitors. However, another third uses low-cost U.S. natural gas. The remaining third of nitrogen is produced in Alberta and has historically benefited from cost-advantaged natural gas as well as low transportation costs serving Alberta and neighboring regions.

By contrast, Nutrien currently sits on the higher end of the phosphate fertilizer cost curve. Although it is a fully integrated phosphate producer, its cash costs of production sit above those of low-cost producers such as OCP.

Economic Moat

Nutrien possesses a narrow economic moat due to its cost advantage in potash and nitrogen. We expect potash to account for nearly one third of midcycle profits. Nutrien’s potash mines are located in Canada and sit on the low end of the global cost curve due to favorable geological. Although Uralkali and Belaruskali are slightly lower cost, Nutrien nonetheless has a maintainable cost advantage relative to the marginal producer. Legacy PotashCorp management invested in a new low-cost potash mine and completed an asset optimization before the merger to reduce unit production costs and solidify PotashCorp’s low-cost position on the cost curve. We think Nutrien will undergo a similar optimization of the legacy Agrium assets and maintain the company’s low-cost position on the cost curve.

Nutrien’s nitrogen business, which we expect to account for less than 10% of midcycle profits, also benefits from a low-cost position. Roughly two thirds of the company’s nitrogen is produced using low-cost North American natural gas, which is the cheapest nitrogen fertilizer input globally. The nitrogen assets in Alberta, which account for a third of production, benefit further from low transportation costs serving Alberta and neighboring provinces and states. Over time, we expect Nutrien to produce a greater proportion of nitrogen fertilizers from low-cost U.S. and Canadian natural gas, which will reduce the company’s overall cost position. As such, we expect the company to remain a low-cost nitrogen producer.

We don’t think the retail business, which we expect to account for a little over 50% of Nutrien’s midcycle profits, warrants an economic moat. The retail business buys fertilizers, crop chemicals, seeds, and other merchandise from wholesale producers and sells them to farmers at a slight markup. As the largest agricultural retailer in North America, Nutrien can offer a better selection of products than regional chain and local co-op competition. That said, we don’t think a better product selection translates into significant pricing power with customers or bargaining power with suppliers due to the commoditized nature of crop inputs. While a better product offering may lead farmers to choose Nutrien over smaller competitors, the lack of pricing power prevents us from awarding the retail business an economic moat based on brand intangibles. All in all, the retail business’ profits should benefit from selling a greater proportion of proprietary products.

Nutrien has also been investing heavily in its digital retail offerings, including an application by which farmers can plan their crop production. This includes field planning, digital agronomy, carbon credit management, and the ability to purchase supplies. Given that a farmer's field data is contained in the app, we think the digital retail business offers traces of switching costs as farmers are unlikely to switch as the app will become an integral part of their business. However, while the app may increase the likelihood that farmers continue to purchase products from Nutrien, we don't think this will translate into long-lasting pricing power. As such, we don’t think the retail business has an economic moat as the business has yet to show maintainable margin improvement. That said, we view the retail business as a steady cost of capital business that should generate neither economic profits nor economic losses over a cycle.

The phosphate business has a middling position on the cost curve, and as such, we don't think it warrants an economic moat. However, we expect the business to account for less than 5% of Nutrien's midcycle profits.

Fair Value and Profit Drivers

Our fair value estimate is CAD 109 per share. Our discounted cash flow valuation uses a 9.5% weighted average cost of capital and a terminal value multiple of 10.0 times enterprise value/EBITDA to value cash flows after our 10-year explicit forecast. We anticipate consolidated operating margins will expand to 13.5% in the long term, from 9% in 2019, due largely to slightly higher prices and lower expenses. We use an exchange rate of CAD 1.28/$1 as of Aug. 4 to convert our fair value estimate.

In the retail business, we expect mid-single-digit profit growth on average through 2030, as the company expands store count though small acquisitions and sells a greater proportion of proprietary and private-label products, which carry higher margins.

Our long-term price forecast for potash is $310 per metric ton in 2022 real terms on a China contract basis. Our forecast is based on our outlook for the marginal cost of production. Our long-term outlook is well below our 2022 forecast of $590 per metric ton, based on the contracts signed earlier in the year between Canpotex (Mosaic and Nutrien's potash marketing JV) and China and India. We see higher prices in the next couple of years due to sanctions against Belarus and Russia that caused a supply shock. Longer term, we expect Russian and Belarusian exports to ramp back up and for global trade flows to shift, resulting in prices faling as the market returns to balance. We expect Nutrien to increase production from 15 million metric tons in 2022 to 18 million by 2025.

Our 2022 average urea nitrogen fertilizer price forecast is $700 per metric ton, in line with current spot prices. This is above our long-term urea nitrogen fertilizer price forecast of $320 per metric ton in 2022 real terms. Our price forecast is based on the marginal cost of urea production. Historically, Chinese coal-based or European natural gas-based nitrogen producers have been the marginal cost players, and we expect this to remain the case. As European natural gas prices eventually stabilize and fall to our midcycle assumptions, we expect nitrogen prices will follow. We also assume Canadian natural gas continues to sell at a discount to Henry Hub. Longer-term, Nutrien's margins should benefit from increasing volumes and producing an increasing proportion of nitrogen using low-cost North American natural gas.

Risk and Uncertainty

A number of risks could affect Nutrien's future profits. Fertilizer prices have fluctuated wildly in the past and are prone to do so again when supply and demand are out of balance. While fertilizer demand has historically been steady over a number of years, supply tends to come on line in large chunks, such as when a new potash mine begins production, which can cause prices to fall quickly from oversupply. Demand declines in a single year, due to weather issues that result in fewer planted acres, can weigh on fertilizer prices. Crop prices, which take their cues from demand and weather, shape farmer incomes, which in turn determine fertilizer purchases for a given year. Fertilizer demand and prices are at risk from disruption from genetically modified crops and biologicals that allow a crop to use less fertilizer.

On the fertilizer production cost side, the health of Nutrien’s nitrogen business is closely tied to the price of natural gas, which is the largest component of nitrogen production costs. The company is also exposed to underground mining risks associated with potash assets.

Nutrien's largest environmental, social, and governance risks come from potential regulation of the company's carbon and other emissions, effluents, and waste. We view potential new regulation as having a moderate probability of occurring. We see a low materiality impact, as Nutrien already has a plan to reduce carbon emissions in its nitrogen operations and increase the use of more-renewable energy at its potash operations. In the phosphate mining business, we see a risk for environmental remediation, similar to other phosphate producers. We see a moderate probability and moderate materiality should this occur.

ESG risks include the potential for a labor strike. There have been strikes in the past, and another one could disrupt future mining operations and hurt profits if it is not quickly resolved. We see a low probability but a moderate materiality if this were to occur.

Capital Allocation

We assign an Exemplary capital allocation rating to Nutrien based on our framework that assesses the balance sheet, investment decisions, and shareholder distributions.

We rate the balance sheet as sound. Nutrien's revenue is subject to high cyclicality. However, with a healthy balance sheet and few near-term debt maturities over the next few years, Nutrien is not in danger of being unable to meet its financial obligations.

We view management's investments as exceptional. We are in favor of the decision to invest in cost reductions and capacity expansions in the low-cost potash and nitrogen operations, as these businesses underpin our narrow moat rating. We are also in favor of management's focus on the reduction of unit production costs for the already cost-advantaged potash and nitrogen operations. We expect Nutrien to continue to focus on lowering fertilizer production costs and follow a disciplined approach to fertilizer production. Before the merger, Agrium and PotashCorp historically chose to support prices instead of chasing volume. While we expect Nutrien to increase volume when demand rises, we think it’s better for a low-cost producer to temporarily reduce volume to support prices instead of trying to maintain market share and possibly causing prices to decline by a greater magnitude. Further, we think the decision to expand the retail business through the acquisition of smaller retail businesses, proprietary products, and digital platforms has contributed to the company’s relatively stable profits compared with wholesale-only peers. In our view, the focus on increasing stores' proportion of proprietary products has created value for shareholders. We also think the investments in Nutrien's digital platform will allow the retail business to smoothly transition to the increasing digitalization of the ag input market.

We see shareholder distributions as appropriate. The dividend can generally be paid using free cash flow generated by the more stable retail business. As a result, Nutrien should be able to maintain the dividend even when fertilizer prices are at cyclically low levels.

Ken Seitz is Nutrien's CEO and also serves on the board of directors. He was previously interim CEO starting in January 2022 following the resignation of former CEO Mayo Schmidt. Seitz had been the CEO of the potash business since 2019 and brings over 25 years of management experience, including being the former CEO of Canpotex, the potash marketing joint venture between Nutrien and Mosaic.

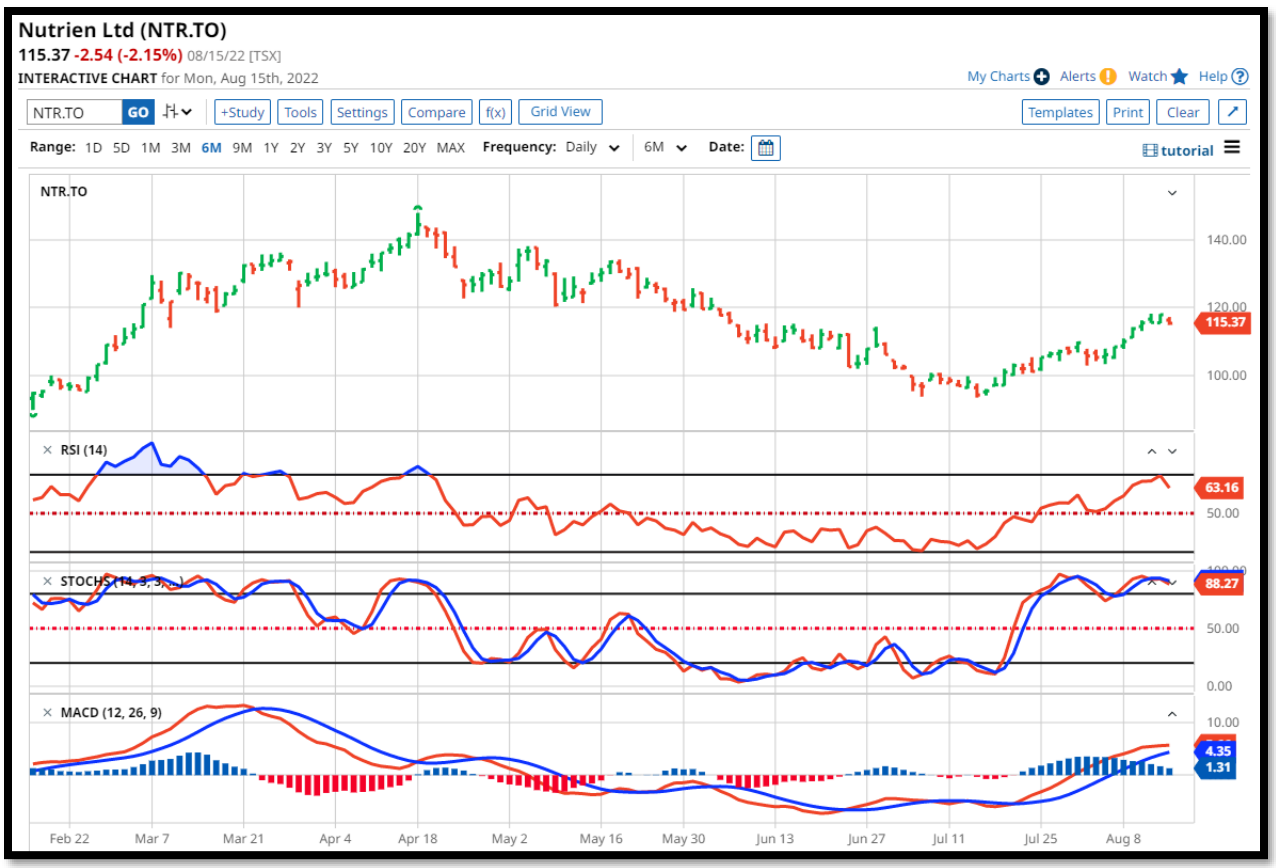
Dividend Information	
Dividend Yield:	1.60 %
Projected 10yr Dividend Yield:	1.60 %
Dividend Yield 5yr Avg:	2.20 %
Dividend Rate:	$ 1.92
Dividend Payout Ratio:	34.00 %
Dividend Payout Ratio 5yr Avg:	0.00 %
Dividend Growth Rate 3yr Avg:	3.64 %
Dividend Growth Rate 5yr Avg:	0.00 %
Dividend AllStar™ Ranking:	☆☆★★★
Consecutive Div. Increases:	3 years
Dividend Payment Type:	None
Dividend Declaration Date:	Aug-04-2022
Dividend Ex Date:	Sep-28-2022
Dividend Record Date:	Sep-30-2022
Dividend Pay Date:	Oct-14-2022
Dividend Amount Current:	**$ 0.4800**
Dividend Amount Previous:	$ 0.4800
Dividend Payments:	Last 12 months payments: 4
Dividends Paid Since:	2018

Nutrien Ltd (TSXV : NTR)

Year	Declaration Date	Ex-Dividend Date	Record Date	Payable Date	Dividend $ Amount
2022	Aug 04, 2022	Sep 28, 2022	Sep 30, 2022	Oct 14, 2022	0.4800
2022	May 18, 2022	Jun 29, 2022	Jun 30, 2022	Jul 15, 2022	0.4800
2022	Feb 16, 2022	Mar 30, 2022	Mar 31, 2022	Apr 14, 2022	0.4800
2022	Nov 01, 2021	Dec 30, 2021	Dec 31, 2021	Jan 14, 2022	0.4600
2022 Total:					**1.9000**
2021	Aug 09, 2021	Sep 29, 2021	Sep 30, 2021	Oct 15, 2021	0.4600
2021	May 17, 2021	Jun 29, 2021	Jun 30, 2021	Jul 16, 2021	0.4600
2021	Feb 17, 2021	Mar 30, 2021	Mar 31, 2021	Apr 15, 2021	0.4600
2021	Dec 10, 2020	Dec 30, 2020	Dec 31, 2020	Jan 14, 2021	0.4500
2021 Total:					**1.8300**
2020	Aug 10, 2020	Sep 29, 2020	Sep 30, 2020	Oct 16, 2020	0.4500
2020	May 06, 2020	Jun 29, 2020	Jun 30, 2020	Jul 17, 2020	0.4500
2020	Feb 19, 2020	Mar 30, 2020	Mar 31, 2020	Apr 16, 2020	0.4500
2020	Dec 13, 2019	Dec 30, 2019	Dec 31, 2019	Jan 16, 2020	0.4500
2020 Total:					**1.8000**
2019	Jul 30, 2019	Sep 27, 2019	Sep 30, 2019	Oct 17, 2019	0.4500
2019	May 10, 2019	Jun 27, 2019	Jun 28, 2019	Jul 18, 2019	0.4300
2019	Dec 14, 2018	Mar 28, 2019	Mar 29, 2019	Apr 18, 2019	0.4300
2019	Nov 05, 2018	Dec 28, 2018	Dec 31, 2018	Jan 17, 2019	0.4300
2019 Total:					**1.7400**
2018	Jul 19, 2018	Sep 27, 2018	Sep 28, 2018	Oct 19, 2018	0.4000
2018	May 23, 2018	Jun 28, 2018	Jun 29, 2018	Jul 18, 2018	0.4000
2018	Feb 20, 2018	Mar 28, 2018	Mar 29, 2018	Apr 20, 2018	0.4000
2018 Total:					**1.2000**

Stock Information	
Latest Close Price:	$ 60.27
52 Week Low - High:	$ 54.73 - $ 65.26
Revenue:	$ 2,835,000,000
Net Income:	$ 366,000,000
Cash Flow:	$ 813,000,000
EPS:	$ 0.74
Market Cap:	$ 10,572,683,940
PE Ratio:	29
PE Ratio to Industry:	32 %
Debt/Equity Ratio:	136 %
Debt/Equity to Industry:	183 %
Total Return Last 12mths:	7.85 %
Total Return Last 3yrs:	23.03 %
Total Return Last 5yrs:	52.09 %
Latest Trade Date:	Aug-12-2022

6M daily (Aug 15, 2022)



Long Term (12 Month Target) – TFSA/RRSP

Buy $ 115+/-
Sell $ 125+/-

END