



FEATURED OPTIONS RADAR REPORT



Nutrien Calls See New Highs Ahead of Big Planting Season

Ticker/Price: NTR \$50

Analysis:

Nutrien (NTR) with 2,000 January \$60 calls bought for \$2.85 to \$3 and follows buyers of 2,750 June \$65 calls on 1/14 and sellers of 3,000 Feb. 26th (W) \$50 puts last week. NTR shares have pulled back to the 55-MA and trend support of the strong trend since August and above \$52 can make a run at recent highs. NTR targets \$60 on a breakout. The \$28.4B company trades 27.6X earnings and 2X sales with expectations for 15% EBITDA growth and high-single-digit revenue growth in FY21. NTR held an investor day in late November and positive on the 2021 crop outlook with inventories the tightest in years while potash spot pricing has improved greatly over the last six months as well. NTR has been executing a major cost-saving and manufacturing efficiency plan with investments in automation and expects to see their cost of production fall to \$50/\$55 per ton by 2023 after hitting record lows in 2020. NTR has a potential catalyst next week with a potential tariff on fertilizer imports from Morocco and Russia, a plan rolled out in November and there will be a final decision on 2/8 by the Dept. of Commerce. The ITC will rule on 3/25. Analysts have an average target for shares of \$49 with a Street High \$58 from TD. RBC raising estimates on 1/15 citing strong ag market fundamentals with crop prices at 6-year highs that likely resulted in a strong fall application season. The firm also speculates that higher fertilizer demand and prices should improve free cash flow generation, with prospects for dividend increases for Nutrien anticipated later in the year. Short interest is small, less than 1%. Hedge fund ownership fell 2.5%.

Hawk Vision:



Hawk's Perspective: NTR is a great name in a space that should continue to do well in 2021 given the underlying ag fundamentals and like this pullback to the 55-MA with plenty of near-term drivers

Confidence Ranking: \$\$