



Rebound Hunters: Can This Fertilizer Stock Help Your TFSA Portfolio Grow?

Description

Nutrien Ltd. ([TSX:NTR](#))([NYSE:NTR](#)), formed in the merger of Potash Corporation of Saskatchewan and Agrium Inc., is now the world's largest fertilizer company. The stock is now off 14% from its high and appears to be a very compelling value play for those looking to profit off a [rebound in agricultural commodities](#). The stock has a safe 2.67% dividend yield that will be rewarded to shareholders while they wait for such a rebound to happen; however, investors need to realize that they could be waiting a lot longer than a year for the rebound story to come to fruition.

As such, I believe Nutrien remains an untimely investment, despite its attractive valuation. The long-term thesis is sound for those bullish on potash and nitrogen prices; however, near-term pains are still in the cards and the lower-than-average dividend yield may not be enough of an incentive for many investors to remain in the stock over the short to medium term before any agricultural commodities have the opportunity to take off.

What could send shares higher this year?

Nitrogen prices have begun to pick up over the past year, and with Chinese urea exports to North America on the decline, it's likely that nitrogen prices could continue to see strength over the next year. That should provide Nutrien shares with a modest boost; however, the outlook for potash isn't nearly as bright, so investors should maintain realistic expectations when it comes to a rebound.

In addition, the company may begin a share-repurchase program at some point in 2018. I think it's highly likely, especially when you consider the remarkable amount of insider buying activity of late. Management believes Nutrien shares are undervalued, and that's typically the best time for a company to begin a share-buyback program.

The stage for a [rebound](#) isn't quite there yet

Management believes that \$500 million worth of cost-saving synergies can be realized by the conclusion of 2019, but due to the low amount of overlap between the two legacy businesses, I think \$500 million may be too optimistic, especially since unexpected integration issues may catch the company off guard.

Furthermore, a potash glut may continue for years with competitors like **Uralkaliy PAO** moving forward with a volume-over-price strategy. Nutrien's potash operations may enjoy extremely low operating costs, but that won't mean anything if potash prices are further weakened by competing producers.

Bottom line

Investors shouldn't expect too much over the near term. Over the next five years and beyond though, there appears to be substantial upside and a relative margin of safety in Nutrien. If you're looking for a buy-and-hold-forever stock for your TFSA, Nutrien may be what you're looking for, but over the short to medium term, there are other opportunities out there with far superior dividend yields than Nutrien. So, unless you're keen on obtaining exposure to fertilizer, I'd look elsewhere.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:NTR (Nutrien)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/14

Date Created

2018/04/27

Author

joefrenette

default watermark

default watermark