



Is it Time to Buy Nutrien Ltd. (TSX:NTR)?

Description

A strengthening global economy bodes well for Canada's top [commodity](#) stocks.

Let's take a look at **Nutrien Ltd.** ([TSX:NTR](#))([NYSE:NTR](#)) to see if it deserves to be on your buy list.

New company

The merger of Potash Corp. and Agrium Inc. earlier this year created a global crop nutrients powerhouse now called Nutrien.

The combined company is better positioned to compete on the global wholesale fertilizer stage, with merged potash, nitrogen, and phosphate operations. In addition, Agrium's large international retail business added a strong revenue stream that sells seed and crop-protection products to farmers around the world.

Nutrien is arguably more attractive for investors than the two companies were separately, given the added scale on the wholesale side and the revenue hedge provided by the retail division.

Leading up to the merger, the companies had identified at least US\$500 million in annual synergies. At the end Q1 2018, Nutrien had already achieved US\$150 million in run-rate synergies, so things are moving in the right direction.

Markets

The fertilizer industry went through a multi-year slump, but the situation is improving.

In fact, Nutrien recently raised its overall 2018 earnings guidance to US\$2.20-2.60 per share from US\$2.10-2.60 per share, due to stronger potash demand and rising spot prices in key markets, such as Brazil. Global potash shipments in 2018 are expected to improve to 64.5-66.5 million tonnes.

Nutrien also upgraded its EBITDA guidance for the nitrogen business and said phosphate and sulphate EBITDA should be in line with 2017 results.

Dividends and buybacks

Nutrien declared a quarterly dividend of US\$0.40 per share in Q1 and repurchased 10.3 million shares through the first three months of the year.

Both Potash Corp and Agrium completed multi-year capital programs before the merger, which means Nutrien already has the modern facilities needed to meet growing demand. As a result, investors shouldn't have to worry about major capital programs in the medium term that could eat up cash flow available for distributions.

At the time of writing, the stock provides a [yield](#) of 3%.

Should you buy?

As the world's population continues to increase, urban sprawl is eating up farmland. Growers are required to produce more with less property, and one way to get better yield is to use more fertilizer. Rising wealth in developing countries is also boosting demand for meat, and that means more food has to be grown to feed the animals that people want to eat.

Overall, the long-term demand outlook for seed and crop nutrients should be positive.

If you have a buy-and-hold investing strategy and are looking for a global leader to stick inside your TFSA or RRSP, Nutrien deserves to be on your radar.

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1. Dividend Stocks
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