



Is Nutrien Ltd. (TSX:NTR) an Attractive Stock Pick for Your Dividend-Focused RRSP?

Description

Canadian investors are searching for top-quality companies to hold inside their self-directed [RRSP](#) portfolios.

The strategy makes sense, especially when dividends are invested in new shares to take advantage of the power of compounding. Over a few decades, investors can see reasonably modest initial investments turn into large nest eggs.

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

A new company

Nutrien was formed through the recent merger of Potash Corp. and Agrium. The two companies realized they would be stronger together than to remain as independent businesses, and the early signs appear to suggest the decision was a good one for investors.

In the Q1 2018 earnings report, Nutrien said it has already achieved US\$150 million of US\$500 million in targeted annual synergies. Management also upgraded the 2018 full-year earnings per share (EPS) from operations to US\$2.20-2.60 from US\$2.10-2.60.

The crop nutrients sector went through a multi-year downturn, but the situation is improving. Nutrien raised its global potash shipment forecast for 2018 to 64.5-66.5 million tonnes.

In addition to stronger demand, spot prices are improving in key markets. As a result, Nutrien raised its guidance range for both potash sales volumes and potash EBITDA for this year.

Nitrogen guidance was also increased, and Nutrien said the phosphate and sulphate results should be in line with 2017.

Growth

The combined wholesale operations of Potash Corp and Agrium put Nutrien in a strong position to compete with global competitors. Both companies wrapped up major capital programs before the merger, so the company has the modern facilities it needs to ramp up output as needed.

Agrium also brought its global retail operations to the new company, and Nutrien is expanding that business. The company acquired 29 retail locations through the first four months of 2018, and investors could see the trend continue.

The retail group provides seed and crop protection products to farmers around the globe.

Dividends

Nutrien declared a quarterly dividend of US\$0.40 per share. As market conditions improve, investors should see a nice increase to cash flow to support dividend growth.

At the time of writing, the stock provides a yield of 3%.

Should you buy?

Global fertilizer demand is expected to increase in the coming decades, as farmers are pushed to produce more with less land.

If you are searching for a buy-and-hold dividend stock to add to your RRSP portfolio, Nutrien looks attractive today.

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