Should Nutrien Ltd. (TSX:NTR) or Canopy Growth Corp (TSX:WEED) Be on Your Buy List?

Description

One company sells products to farmers who hate weeds, while the other is betting the farm on the most popular weed on the planet.

Let's take a look at **Nutrien** (TSX:NTR)(NYSE:NTR) and **Canopy Growth** (TSX:WEED)(NYSE:CGC) to see if one deserves to be in your portfolio.

Nutrien

Nutrien is result of the merger of the former Potash Corp and Agrium. The company's wholesale operations sell potash, nitrogen, and phosphate to help growers around the world boost crop yield. The retail business sells seed and crop-protection products.

The Canadian company is a giant in the global market, and strategic decisions made at Potash Corp. and Agrium in the years that led up to the merger should deliver strong returns for investors. Both companies completed major capital programs that set the business up with modern facilities capable of meeting anticipated demand growth in the coming decades. Potash, nitrogen, and phosphate prices went through a multi-year slump, but it appears the worst is over. As market prices rise, margins should expand, and Nutrien should generate significant free cash flow.

The company continues to make strategic acquisitions, adding retail locations and boosting its digital capabilities. At the same time, the integration of Agrium and Potash is generating run-rate synergies that are on track to exceed the original guidance.

Nutrien pays a quarterly dividend of US$0.40 per share. Investors should see steady annual increases, as the global crop nutrients market continues to recover. At the time of writing, the stock provides a yield of 3%.

Canopy Growth

A year ago, Canopy Growth traded for about $9 per share. Today it trades for $49. Investors who got in around $10 are certainly happy campers, and the stock continues to take out new highs.

What’s the scoop?

Constellation Brands is largely responsible for the rally. The company initially took a 9.9% position in Canopy last fall for a cost of about $245 million, or $13 per share. That deal, announced in late October, triggered a rush to buy the stock, as skeptical investors saw the move by the beverage giant as a vote of confidence for Canopy and the marijuana industry. Constellation obviously likes what it sees and just agreed to inject an additional $5 billion to boost its position in Canopy to 38%.

Canopy is doing all the right things in the run-up to the launch of the recreational market in Canada. It has made smart acquisitions to give it a lead on both the retail and branding opportunities across the country. In addition, Canopy is building strategic partnerships around the world, as governments go through the process of adjusting their marijuana legislation.

If you are going to bet on a pot stock, Canopy is probably the top name to buy. That said, the current valuation of about $11 billion is quite expensive, and investors should anticipate ongoing volatility.

Is one more attractive?

Canopy might be more exciting, and the stock could very well continue to climb to new highs. However, the market might be getting ahead of itself, given the current revenue stream and the fact that the company isn’t yet profitable. As such, I would probably direct new funds into Nutrien today. Buy-and-hold investors can pick up a global leader with strong cash flow and an attractive dividend that should steadily increase in the coming years.

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Date
2025/06/29
Date Created
2018/08/22
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