



Why Your Portfolio May Grow Better With This Nutrient

Description

The merger of Potash Corp. and Agrium early this year created **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)), a formidable world leader in providing crop nutrients, inputs, and services.

Nutrien is the global leader in crop inputs (i.e., seeds, fertilizers, and crop protection and services); it is more than double the market cap of its next competitor.

About half a year into the integration, Nutrien achieved run-rate synergies of US\$246 million. Management estimates Nutrien can achieve annual synergies of US\$500 million by the end of next year.



The diversified portfolio

The combined company has a diversified portfolio with adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) mix of roughly 35% retail, 33% potash, 25% nitrogen, and 7% phosphate and sulfate.

Nutrien is the world's largest direct-to-grower provider of products, services and solutions with annual sales of about US\$12 billion. It has about 1,600 retail locations in seven countries and serves about

500,000 retail grower customers. This retail business is essentially a stabilizer — it helps to reduce the impact of volatile commodity prices of potash, nitrogen, and phosphate.

Nutrien is the largest potash producer, third-largest nitrogen producer, and second-largest North American phosphate producer selling about 12 million tonnes, 10 million tonnes, and 3.5 million tonnes of products, respectively, per year.

Growth

Nutrien forecasts earnings growth across all its business units with combined adjusted EBITDA growth of about 30-35% this year. There are a number of factors that will boost growth.

First, synergies of the integration will lead to lower costs, which will improve margins and boost the bottom line. Second, any improvement in commodity prices will boost sales and earnings.

Third, management anticipates stable EBITDA growth of US\$50-140 million per year for its retail business. The launch of an integrated digital platform this year for growers should increase sales.

Fourth, Nutrien estimates to get net proceeds of about US\$5 billion from selling some of its non-core assets by the end of this year. The proceeds can then be reinvested elsewhere in higher-growth opportunities.

Fifth, Nutrien has a normal course issuer bid that extends to February 2019 to buy back shares, which can boost profitability on a per-share basis.

Dividend

Nutrien estimates to generate about US\$3 of free cash flow per share this year. However, based on the average nutrient price in the past eight years, it would generate about US\$8 of free cash flow per share.

The company pays out an annualized dividend per share of US\$1.60 right now. So, the payout ratio is about 53% of free cash flow. This means that the [dividend has good coverage](#) and has [strong growth potential](#).

At \$69.14 per share as of writing, Nutrien offers a safe yield of about 3%.

Investor takeaway

Nutrien offers a decent dividend yield of roughly 3% with growth prospects (potentially double-digit growth) from a number of factors.

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Date

2025/08/05

Date Created

2018/10/24

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