



## Outperform the S&P/TSX Composite Index With This Cheap, Defensive Dividend Stock

### Description

The appeal of defensive stocks is that they provide investors with income and capital appreciation regardless of where the economy or interest rates are heading — a very compelling proposition, especially in these times of [rising rates](#) and signs of upcoming economic troubles.

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) is one such stock.

As a reflection of its [defensiveness](#), we can look at recent stock price action.

As the **S&P/TSX Composite Index** took a nosedive, with a one-year loss of approximately 11%, Nutrien stock only declined by 3%, signaling not only its defensiveness, but also its attractive valuation.

Formed through the January 2018 merger of Potash Corp and Agrium, Nutrien is a global giant that is churning out massive amounts of cash flow, ramping up cost savings related to the merger, and just benefiting from its diverse, vertically integrated agricultural business. In turn, shareholders will continue to benefit from this in the form of increasing dividend payments and share price appreciation.

The company's latest quarter, the third quarter of 2018, saw earnings come in above expectations, a 7.5% dividend raise, and an increase in guidance as synergies are coming in faster and higher than expected.

Going forward, Nutrien is expecting \$600 million in synergies from the combination (previously expected to be \$500 million). This, along with the sale of large equity investments, which are expected to generate up to \$4 billion in cash, will serve as a catalyst for the stock and for cash flow generation going forward.

The company's plans to return this cash to shareholders has already begun, with the recent announced increase in its share-repurchase program. The repurchase program was increased to 50.4 million shares, up from the 32.2 million previously announced.

The repurchase program represents 8% of total shares outstanding, so it is not an insignificant event.

We can also expect the company to make additional acquisitions as it continues to be a consolidator in North America, with a goal of \$300-500 million in acquisitions annually providing an additional boost to future cash flows and earnings.

The stock has started 2019 on a positive note, up 3.5%, and as the company continues to outperform, the stock will follow suit.

Investors have an attractive entry point into the shares of Nutrien at this time, as it is trading at attractive valuations, offers a dividend yield of 3.64%, and offers an increasing EBITDA and cash flow profile.

Nutrien is defensive stock that will prove to be a solid holding in the next few years.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

## PARTNER-FEEDS

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