Here’s a Top Dividend Stock That You Can’t Afford Not to Own!

Description

Dividend stocks are one of the most valuable investments that investors can buy for their portfolios.

And when you have the opportunity to buy a dividend stock that also has significant capital gains potential, you have the best of both worlds.

Here’s a stock that investors might want to consider owning for this very attractive combination of dividends and capital gains.

Nutrien (TSX:NTR)(NYSE:NTR) stock has rallied more than 8% year to date, as the company continues to deliver solid results, an increasingly attractive cash flow profile, valuation, and balance sheet.

So, why can’t we afford to not own it?

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.

The latest earnings report from the company was as expected, with weakness in the retail segment being more than offset with strength in the potash segment due to sharply higher volumes.

Free cash flow was 59% higher than last year, $4 billion of debt was repaid in 2018 (for a healthy net debt to EBITDA of 1.5 times), and the valuation remains attractive.

A healthy balance sheet will come in handy for Nutrien, as we can 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.

Investors have an attractive entry point into the shares of Nutrien at this time, as it is trading at an attractive price-to-earnings multiple of only 17 times 2020 expected consensus earnings, offers a dividend yield of 3.3%, and offers an increasing EBITDA and cash flow profile.

Going forward, Nutrien is expecting $600 million in synergies from the merger (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 catalysts 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.

In summary, Nutrien is a dividend stock that will prove to be a solid defensive holding into the next few years.

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