Why This Cheap Dividend Stock is Soaring Almost 20% Since Late Last Year

Description

Dividend stocks are one of the most valuable investments that investors can make.

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.

A defensive dividend stock that will take us a long way toward our financial goals and that will serve to preserve our capital — a less talked about but equally important part of the equation when figuring out which stocks to own.

Formed through the January 2018 merger of PotashCorp and Agrium, **Nutrien Ltd**. (TSX:NTR)(NYSE:NTR) is a global giant that is churning out massive amounts of cash flow, ramping up cost savings related to the merger, and just benefitting 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 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 to $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's trading at an attractive price to earnings multiple of only 20 times 2020 expected consensus earnings , offers a dividend yield of 3.2%, and offers an increasing EBITDA and cash flow profile.

Going forward, Nutrien is expecting $600 million in synergies from the combination (was previously expected to be $500 million). This, along with the sale of large equity investments 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.

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

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