



Is Nutrien Inc. (TSX:NTR) Stock a Top Pick Right Now?

Description

The strong rally in the stock market to start 2019 has caught many analysts and investors by surprise and those who have been sitting on a pile of cash for the past three months are wondering where there might still be opportunities for gains through the end of 2019.

Let's take a look at **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) to see if it deserves to be on your [buy list](#).

A giant is born

Nutrien came to life last year as a result of the merger of Potash Corp. and Agrium. The two Saskatchewan-based companies already formed two-thirds of the consortium that markets its potash production through a partnership called Canpotex, so the hook-up made sense. Canpotex negotiates wholesale contracts with countries around the world for annual potash commitments.

The two companies also had nitrogen and phosphate businesses to merge, and Agrium came with its global retail division, which sell seed and crop protection products to 500,000 farmers worldwide through its 1,700 locations.

The combined company is the largest fertilizer supplier on the planet and both Potash and Agrium completed multi-year capital upgrades before getting together, so Nutrien has the state-of-the-art facilities needed to compete on the global stage and meet growing demand for its products.

Outlook

Crop nutrient prices are recovering, which that bodes well for margins in the coming years. China and India signed potash supply contracts at higher prices in 2018, and while the market is still well below the historic highs, the momentum is finally moving in the right direction.

Nutrien is also taking advantage of its size to consolidate the retail sector. The company continues to make strategic acquisitions and more deals should be on the way.

The company is anticipating solid earnings growth in 2019 compared to last year. Adjusted net earnings is expected to be \$2.80 to \$3.20 per share compared to \$2.69 per share for 2018. Global potash deliveries are estimated to hit a record 67-69 million tonnes. The nitrogen outlook also remains positive.

Dividends

The board increased the dividend by 7.5% for 2019 and investors should see steady gains in the coming years, supported by rising demand and improving margins. The current payout provides a [yield](#) of 3.2%.

Should you buy?

The stock is up about 20% from the December low, but more upside should be on the way. Global fertilizer demand is expected to grow in the coming years and decades and as prices improve, Nutrien has the potential to be a free cash flow machine. As such, the stock should be attractive today for buy-and-hold investors.

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