



4 Reasons to Own Nutrien Ltd. (TSX:NTR) Stock Right Now

Description

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) was formed through the merger of Potash Corp. and Agrium at the start of 2018. The company had a successful first year and investors should see strong [returns](#) for decades to come.

Synergies

Nutrien achieved run-rare synergies of US\$521 million in 2018, well above the initial target. This is encouraging for investors, as it indicates that the integration of the Potash and Agrium assets is going well. Management expects to see synergies of US\$600 million by the end of 2019. The combined company is now the largest provider of crop nutrients to countries and growers around the world.

Strong demand

Population growth and rising income levels in developing nations bode well for Nutrien in the coming years. Analysts predict that the number of people on the planet could rise from about 7.7 billion today to 10 billion by 2050.

As urban sprawl wipes out arable land, farmers are forced to squeeze better yield out of less space, which should support fertilizer demand. In addition, the growing middle class in emerging markets is driving rising demand for meat. Producing hay and corn to feed the animals requires additional crop nutrients and takes up valuable land.

Nutrien says global potash deliveries are expected to hit record levels in 2019, and additional market growth is expected.

Rising earning

Nutrien generated strong results for 2018 that came in well above the initial guidance the company

gave at the beginning of the year. Adjusted net profits hit US\$2.69 per share. For 2019, management is targeting adjusted net earnings of US\$2.80-3.20 per share.

Fertilizer prices are recovering after a cyclical downturn. While the market is still well below historical highs, Nutrien is doing well.

Dividend growth

Nutrien raised its dividend by 7.5% for 2019, and steady annual payout growth should be on the way. At the time of writing, the stock provides a [yield](#) of 3.2%.

As commodity prices rise, free cash flow could balloon for this company, which should support growing distributions and stock price appreciation. Potash and Agrium each completed multi-year capital programs before the merger, so Nutrien already has the updated facilities needed to meet demand growth in the coming decades.

The bottom line

Nutrien should be a solid buy-and-hold pick for your portfolio.

At the current price of \$72 per share, the stock appears attractive. The market might not be pricing in the potential free cash flow bonanza that should arrive with rising crop nutrient prices.

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Date

2025/08/28

Date Created

2019/04/08

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