



1 of the Best Dividend Stocks Is Selling Cheap: Time to Buy?

Description

Markets continue to be volatile, and as policymakers start to talk more about cutting rates against the backdrop of some analysts saying recession is still a clear risk, we may feel the urge to shore up our portfolios.

The bright side of this volatility is that it has resulted in some very interesting opportunities, as it always does. If we are level-headed, we can sniff them out and profit from these opportunities — opportunities that are selling cheap, such as **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)), which was formed through the January 2018 merger of Potash Corp and Agrium. It is a global giant that is churning out massive amounts of cash flow, ramping up cost savings related to the merger, and benefiting from its diverse, vertically integrated agricultural business.

Management has put out its expectations for the next few years, and it looks good — really good.

Here are the key points that should lead us to the view that there are strong years ahead filled with shareholder value creation.

Strong cash flow generation

We can expect the company to generate \$22-25 billion in operating cash flow over the next five years, as it benefits from rising margins, additional synergies from the merger, additional acquisitions, and demand growth.

Leading position

As the world's largest fertilizer producer and agricultural input retailer, Nutrien has a vertically integrated business that benefits from scale, a robust cash flow profile, and a solid balance sheet.

Nutrien is revolutionizing the agriculture industry and has the industry's only integrated digital platform, which is driving efficiencies and better operational performance for itself and its customers.

Returning cash to shareholders

With a [dividend yield](#) of 3.44%, a recent 7.5% increase in its dividend, and an aggressive share-buyback program, we can see how Nutrien is delivering shareholder value already. Also, trading at low valuations of 23 times this year's expected earnings and only 20 times next year's expected earnings, this stock is cheap.

There is high visibility to earnings, strong cash flow growth drivers, and a strong desire to return cash to shareholders, which we will increasingly see.

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

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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