



RRSP Investors: Is Nutrien (TSX:NTR) a Cheap Stock to Buy Today?

Description

Canadian savers are searching for ways to build self-directed pensions funds to help cover living expenses in retirement.

One popular strategy involves buying dividend stocks and using the distributions to acquire additional shares. The best companies to buy tend to be market leaders with strong businesses that have attractive long-term growth opportunities.

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

Global leader

Nutrien is the planet's largest supplier of potash and is among the leaders in nitrogen and phosphate production. These commodities are known as crop nutrients and farmers use them to help boost the productivity of the plants.

Nutrien was formed at the start of 2018 through the merger of Potash Corp. and Agrium. The two companies already marketed their potash production through a joint-owned company, Canpotex.

Agrium brought a strong retail division to the marriage and both companies had completed major capital programs before getting together to create Nutrien.

Management has done a good job of realizing strong efficiency gains through the integration process. Annual run rate synergies should hit US\$650 million in 2019.

Opportunity

The world population is expected rise from the current level of about 7.7 billion to 10 billion by 2050. With more mouths to feed, global farmers will need to produce increasing amounts of food.

Urban expansion is consuming farms, so growers will have to boost production with less land. The result should be strong demand for fertilizer products.

Crop nutrient prices went through a rough patch in recent years, but the negative trend has stopped and prices are recovering.

Potash spot prices improved last year and wholesale contracts signed with major buyers India and China also came in at higher prices than 2017. The 2019 agreements are expected to see another jump.

Nutrien owns world-class operations with the potential to generate significant free cash flow on an expanded recovery. The company expects to generate 2019 earnings of US\$2.70-3.00 per share, compared to full-year 2018 earnings of US\$2.69.

Dividends

Nutrien initially paid a quarterly dividend of US\$0.40 per share, but has increased it twice and currently pays US\$0.45. Investors should see steady hikes in the coming years as revenue expands and prices rebound. At the time of writing, the distribution provides an annualized [yield](#) of 3.5%.

Should you buy?

The stock is down this year as a result of a wet spring in the United States and the ongoing trade battle between the U.S. and China. The diplomatic tensions between China and Canada might also be part of the story. As a result, the stock is down to about \$67.50 per share, compared to \$76 last August.

At this price, Nutrien appears oversold. Investors with a buy-and-hold strategy might want to start adding the stock to their self-directed RRSP portfolios and further downside should be viewed as a buying opportunity.

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