



This Canadian Agricultural Giant Is a Must-Have Stock If You Want to Retire Rich

Description

Investors are used to Canadian companies having a tough time finding success in a world dominated by deeply entrenched U.S. titans. For every Canadian success story, there are at least two dozen in the U.S., which can sometimes be disheartening for patriotic Canadians who bleed maple syrup.

However, every now and then, we find a company that overshadows its U.S. and European counterparts to blaze a new trail and lead so that others around the world may follow.

The stock and the play

One of those rare examples is Nutrien ([TSX:NTR](#))([NYSE:NTR](#)), a global leader in agriculture solutions with the goal of feeding the future. Well, that's a good thing because the global population in 2030 will reach almost nine billion people — and they will need to be fed.

For those Fools who are familiar with my investing style, I like to find companies that are aligned to global macro-trends with a unique proposition that solves the biggest problems facing humanity. A recent example of that was [my view on the clean energy trend](#) and how to play it profitably.

Nutrien aims to lead the food industry in innovation and bold new thinking with agricultural nutrients and solutions to grow a better world.

While it may not be apparent to many Canadians who shop at grocery stores brimming with fresh produce, the world is under-nourished and there is a significant increase in demand for food.

According to the Food and Agricultural Organization of the United Nations, more than 820 million globally suffer from chronic hunger; the cost of malnutrition in the U.S. alone is \$3.5 trillion.

Fixing the world's nutrition problem is in Nutrien's wheelhouse, which is why I am ultra bullish on it as a long-term investment.

Nutrien takes advantage of the whole “food chain”

Nutrien starts with the basic building blocks of good crop nutrition: Potash, Nitrogen, and Phosphate. These nutrients are essential to crop growth and Nutrien is a top producer for two of the three.

It's the world's largest Potash producer and the third-largest Nitrogen producer.

This scale alone is a big advantage, but Nutrien doesn't stop there. It then moves to seeds solutions, which is a fancy way of saying that it carries all seed brands that growers would ever be interested in, including proprietary seed breeding capabilities in crops the world is demanding more of, like canola, rice, and cotton.

In short, Nutrien has built core expertise and scale in the entire food growing supply chain and is now indispensable to the global food industry. Smart investors always invest in companies that are needed to solve big problems like world hunger and nutritional deficiency.

The financial firepower to back up the food expertise

Nutrien isn't just a collection of smart people wanting to solve the world's food problems. Rather, the company has also built solid financials and a strategic road map to appeal to the most discerning of long-term value investors.

The company posted \$3.9 billion in EBITDA for 2018 and management expects EBITDA to grow to almost \$7 billion at the high end over the next five years as of 2023.

In addition, Nutrien also plans to drive shareholder value over the next few years by accretive M&A activity, margin expansion and improving working capital and technology. In short, the company has a lot of levers it can pull to continue to drive EBITDA growth.

The final verdict

Nutrien is a cash powerhouse with a price to cash flow (P/CF) ratio of about 12 and a forward-looking price to earnings (P/E) ratio of about 15. These multiples and a stock price of around \$66 at the time of writing means that investors may not be getting a huge bargain-basement stock price here.

But then again, you never expect a fire sale for genuine Gucci handbags either. The point is that sometimes you have to [pay up for high-quality stocks](#) and this stock is the real deal with the scale and ability to grow cash flow and dividends reliably well into the future.

Smart investors who have their eye on the long game can start nibbling on Nutrien at these levels and slowly accumulating a position on stock price dips. Before you know it, you will have built up a nice position setting you up for a happy retirement.

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