



Long-Term Investors: This Top Stock Should Be a Core Part of Your Portfolio

Description

As the global population continues to grow, and therefore the demand for food continues to rise, one company is becoming increasingly more important.

Many people don't think too much about where our food comes from and the farming that goes into it, but it's a massive industry and one that continues to expand.

The crops are cyclical commodities though, so minimizing exposure to crop prices is key to a successful investment.

One company that has continuously serviced the needs of the industry and is increasingly becoming more important — plus, for investors, it's one of the best stocks to anchor your portfolio — is **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)).

Nutrien is a provider of products and services to the agricultural industry. It sells mainly nitrogen, potash and phosphate products.

The company is slightly exposed to the cyclicity of the commodities market for some crops such as wheat and corn. Nonetheless, this doesn't change the [long-term](#) outlook of the stock, and, if anything, proves how strong Nutrien is for its long-term track record of solid performance.

Nutrien is a great company for long-term investors because of its operations, but also because the demand for crops is rising. Population growth has been a main contributor, but so is the growing trend of eating healthier.

Consumers are demanding higher-quality food from producers, which will additionally drive demand for agricultural products and solutions.

One thing that really benefits Nutrien is its integrated retail business, which is one of the best in the world. Its Nutrien AG Solutions is a direct-to-grower company that sells crops and other agricultural products. This drives a lot of sales for Nutrien, while keeping its margins strong.

It's able to deliver unmatched service and quality products because it's integrated in the largest nutrient and agricultural servicing company in the world.

The structure of its business allows Nutrien to scale quickly while keeping strong margins and remaining flexible to make strategic acquisitions when necessary. This gives it a number of different growth avenues.

So far in the first nine months of 2019, Nutrien has grown its adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) by 11%, driven mostly by its 19% growth in potash EBITDA and 10% increase in nitrogen EBITDA.

The growth in EBITDA to both the potash and nitrogen segments was as a direct result of increased realized selling prices for Nutrien. These are strong growth numbers, and if they can continue the year this way, that would be impressive.

The retail sales have mostly been flat so far in 2019, but Nutrien expects this won't last. It has been working to improve its retail division through digital upgrades to aid the customer experience.

The digital platform is the go-to app for its customers. It gives users the ability to pay bills, lock in crop prices, receive notifications of invoices or permits, receive weather updates, and get seasonal and local advice on spraying and water conditions.

On top of being a high-quality company that has posted impressive growth numbers, Nutrien is also a major returner of capital to shareholders.

Since the first quarter of 2018, in the last 21 months, Nutrien has returned nearly \$5.5 billion to shareholders. Roughly \$1.7 billion of that was through dividends, and more than \$3.7 billion came from share repurchases.

Its dividend yields roughly 3.7% and has a payout ratio of only 77%.

For 2019, Nutrien has guided toward net earnings per share to be between \$2.30 and \$2.55 and its total company EBITDA to be between \$4 billion and \$4.3 billion. To give you a reference, in 2018 it did EBITDA of \$3.9 billion and earnings per share of \$2.69.

It expects crop prices to improve later in the year, as harvesting has been delayed due to bad weather, which has tightened the market for a number of the commodities.

It also expects to get a boost from business as the crop acreage expands next year. It thinks an estimated 12 million additional acres of soybeans and corn will come on the market, representing a roughly 6% increase in spending.

These growth opportunities are exciting and give Nutrien tonnes of potential. It continues to be an integral part of the agricultural industry and, as such, is a highly stable company worthy of long-term investments.

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