TFSA Investors: This Dividend Heavyweight Is Stupidly Undervalued!

Description

If you save your TFSA for your best investment ideas, you'll likely be pleased with your results over time. One strategy that's effective for those with a super-long investment horizon is loading up on stocks that are ridiculously undervalued.

Deep-value investing isn't without its challenges, though, as it requires a tonne of homework to avoid being caught in a "dead money" stock that may result in below-average results over time.

Fortunately, the risks of being left holding the bag with a dud go down with a hefty dividend that can continue growing over time.

Consider **Nutrien** (TSX:NTR)(NYSE:NTR), the fertilizer kingpin that was formed in the merger between Agrium and Potash Corporation of Saskatchewan. The company produces tonnes of potash, nitrogen, and phosphate, all three of which are essential crop nutrients that have seen unfavourable prices in recent years.

The company has been treading water over the past year, inciting many investors to throw in the towel on a name that appears to be lacking in catalysts. Although Nutrien stock lacks direction, it does have a nice dividend (it currently yields 3.8% at the time of writing) that can grow over the years with a payout ratio of around 77%.

While Nutrien may not soar in price anytime soon, I am a huge fan of the severely depressed valuation and think there's a considerable margin of safety to be had for those willing to wait and collect the dividend. The stock currently trades at 9.5 times EV/EBITDA, 1.2 times book, and 1.4 times sales. The valuation is so depressed that I think it's worthwhile for investors to ride out the challenging environment with ridiculously low fertilizer prices.

More recently, Nutrien announced that it's shutting down its Rocanville potash mine in response to the **Canadian National Railway** strike. According to unions familiar with the matter, over 500 employees are to be temporarily laid off. Indeed, the CN strike has served as salt in the wounds of a company that's already endured its fair share of unfavourable exogenous conditions.

Moving forward, I expect Nutrien could fall to $60 and sport a yield above the 4% mark. I'd buy such a dip because shares are just too cheap, even given all the headwinds facing the firm. If potash prices (Nutrien is the world's largest potash producer) move higher, Nutrien could correct the upside, and the opportunity to lock in a 4% yield will be gone.

If you consider yourself a patient investor, Nutrien is a stock worthy of adding to your TFSA radar.

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