



TFSA Value Investor Alert: An Oversold Industry Leader at a 12-Month Low

Description

The TSX Index is trading near its record high, making things a bit more challenging for value investors who are searching for top-quality stocks to put in their [TFSA](#) retirement fund.

Fortunately, there are a few deals out there that might be running under the market's radar. Let's take a look at one Canadian giant that appears oversold right now.

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is a leader in the production and supply of potash. It also produces nitrogen and phosphate for the global wholesale market. In addition, the company has a retail division that provides more than 500,000 farmers with seed and crop protection products.

The merger of Potash Corp. and Agrium formed Nutrien in early 2018. The combination of the two Saskatchewan-based firms made sense after an extended slump hit the industry and drove down commodity prices. The advantage for investors has been better-than-expected synergies through the integration process and a more balanced business that has strong retail and wholesale operations.

Potash and Agrium both completed multi-year capital programs before getting together. This is important, because it means Nutrien already has the world-class facilities it needs to compete on a global scale and doesn't have to borrow billions of dollars or dilute the share base to raise funds for major development projects.

As a result, the business has the potential to generate significant free cash flow when crop nutrient prices move higher.

The stock currently trades at \$59.50 per share, which is just 6.5 times its trailing 12-month earnings. The share price was as high as \$75 in 2018, so there is decent upside potential on a rebound.

The current weakness is due to a series of factors beyond the company's control and are part of the package when you own commodity stocks. A very wet spring in the United States hit fertilizer sales in

that country. In India, the monsoon came late, causing a lack of sales for the opposite reason. Weak palm oil prices in Indonesia and Malaysia also kept buyers out of the crop nutrient market.

China suspended potash imports in September, adding to the already challenging market conditions.

Opportunity

The company expects demand to rebound in 2020, as customers work through stockpiles. Near-term turbulence could continue , but the long-term prospects for the business should be strong.

The global population is expected to rise to 10 billion by 2050 from the current level of about 7.7 billion. As middle-class wealth expands around the globe, people are eating more meat, and that means food has to be grown to feed the animals. Farm land is disappearing as urban centres expand, so we have a situation where growers need to feed more people and more animals with less farmland.

This bodes well for crop nutrients demand in the coming decades, and Nutrien should benefit.

Nutrien continues to expand its retail reach through strategic acquisitions and is investing in new technology to help farmers operate their businesses more efficiently.

The stock provides a solid 4% [dividend yield](#), so investors who buy today get paid well to wait for the market situation to improve.

If you are searching for a quality buy-and-hold value stock for a TFSA pension fund, Nutrien deserves to be on your radar today.

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