



TFSA Investors: This Former Market Darling Just Hit a Massive Buy Signal

Description

Although dollar-cost averaging is an effective way to gain exposure to your favourite stocks, I prefer another way.

What I like to do is patiently wait until a high-quality Canadian stock hits a fresh 52-week low. I'll do some analysis to make sure the company isn't permanently broken — spoiler alert: it usually isn't — and then plunk my cash down.

Sometimes I'll invest only half my intended investment, knowing there will likely be a downturn and I can put the other half to work at a more attractive price.

I believe such an opportunity is presenting itself in one leading Canadian stock today, an agricultural powerhouse that's reeling because Canadian farmers have had a rough time lately. If you're a long-term bull on the sector, you'll want to check out this company today.

A bet on the Canadian farmer

As populations swell worldwide, getting better crop yields isn't just a luxury. We need to coax more production from farmland just to feed these people.

There's another, more selfish reason why farmers need to keep production high. [Farmland](#) has never been more expensive. In order to afford land, farmers must be able to profit from it. Fertilizers and other high-value crop inputs become an important investment to maximize the value of a farmer's ultimate asset.

Despite this obvious long-term trend, however, Canadian agri-product giant **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) has just set a new 52-week low. In fact, shares are almost the lowest they've been since the merger was official in early 2018. What's going on?

First off, 2019 was not a great year for farmers around North America. Remember, China stopped buying Canadian canola, as well as soybeans from U.S. farmers. Poor weather also had an impact,

especially on the Canadian prairies.

This led to some disappointing short-term results. The company has missed earnings estimates in three of its last four quarters. Analysts have responded by cutting their estimates for 2019's bottom line. Three months ago, Nutrien was expected to earn \$3.18 per share in 2019. These days, analysts figure the company will earn \$2.84 per share.

But it's not all bad news: 2020's results are expected to improve. Analysts estimate this year's bottom line will rebound to \$3.86 per share, putting Nutrien at just 15.3 times forward earnings.

Shares are also cheap on a price-to-free cash flow basis, with the company on pace to generate approximately \$3 billion in free cash flow in 2019, putting shares at just 11 times free cash flow.

The company is also making growth outside North America a priority. It has expanded significantly in both Australia and South America, including announcing an additional acquisition in Brazil earlier this month.

Taking care of shareholders

One thing I really like about Nutrien's management is the company recognizes its shares are undervalued and are taking concrete steps to do something about it. The firm has bought back a mountain of shares over the last couple of years.

Through the first three quarters of 2019, Nutrien spent US\$1.8 billion on its share buyback, or about \$2.4 billion in Canadian currency. Add in the company's dividend — which currently yields 4% — and it translates into the company returning about 10% back to shareholders in 2019.

This should also continue. From 2019 to 2023, the company estimates it'll generate US\$22 to US\$25 billion in cash flow. Approximately half of that is earmarked to go back to investors, either through share buybacks or dividends. Another quarter will be spent on maintenance capital expenditures, while the other quarter is slated to be invested into growth projects.

To put that into perspective, the stock has a current market cap of US\$26 billion. It will generate almost its entire market cap in cash flow in just the next five years.

The bottom line

No matter how you slice it, Nutrien shares are cheap. If you're bullish on both Canadian and American farmers — as I am — then the stock looks to be a no-brainer buy today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:NTR (Nutrien)

2. TSX:NTR (Nutrien)

Category

- 1. Dividend Stocks
- 2. Investing

Date

2025/08/06

Date Created

2020/01/25

Author

nelsonpsmith

default watermark

default watermark