RRSP Investors: Should You Buy Nutrien (TSX:NTR) or TC Energy (TSX:TRP) Stock?

Description

The market rally over the past two months erased many of the best deals in the **TSX Index**, but some stocks still appear cheap right now.

Let's take a look at two companies that might be interesting picks for a self-directed RRSP portfolio.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) is a major player in the global agriculture industry with an integrated business model that is somewhat unique in the sector.

Nutrien's wholesale group produces potash, nitrogen, and phosphate. These crop nutrients help growers around the world get the best yields possible out of their land. The retail division sells seed and crop protection products. Nutrien also has a growing digital solutions group that helps farmers manage their businesses more efficiently.

Agriculture is considered an essential service in all of Nutrien's core markets. That said, the economic impact from the pandemic is still going to hit Nutrien's results in 2020. The company reduced earnings guidance for the year from US$1.90-$2.60 per share to $1.50-$2.10.

Despite the near-term headwinds, Nutrien has strong growth prospects over the coming decades. The global population is expected to rise from 7.8 billion in 2020 to 10 billion by 2050, which means farm output will need to increase, even as arable land gets gobbled up by urban expansion.

Nutrien trades at $47.50 per share compared to the 12-month high of $73, so there is decent upside potential when markets improve. The current quarterly dividend of US$0.45 per share provides an annualized yield of 5.4%.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) used to be called TransCanada. The company is a major energy infrastructure player in the North American market with assets in Canada, the United States, and Mexico.

TC Energy is best known for its natural gas pipelines and storage assets, but is also a player in the liquids pipelines segment and has power generation facilities. Pushback on the development of major new oil pipelines is a headwind for the industry and that is expected to continue.

TC Energy's Keystone XL project in the U.S. received another potential blow last month when Joe Biden said he would cancel the project if he wins the election in November.

While Keystone is important, it is just one part of the growth portfolio. In total, TC Energy has $43 billion in secured capital projects lined up through 2023.

Overall, TC Energy's business should perform well in the coming years. About 95% of comparable EBITDA comes from rate regulated assets or long-term contracts, which means cash flow should be predictable and reliable over the long term.

The company expects to raise the dividend by 8-10% in 2021 and by 5-7% annually beyond next year. The current quarterly distribution of $0.81 per share provides an annualized yield of 5.3%.

TC Energy trades at $61.50 per share at the time of writing. The stock price was $76 in February.

Is one a better buy?

Nutrien and TC Energy are leaders in their respective industries and pay attractive dividends. The stocks appear cheap today and should both be solid buy-and-hold picks for a self-directed RRSP.

At this point I would probably split a new investment between the two companies. Nutrien probably offers better upside potential in the share price, while TC Energy is attractive for its dividend outlook.

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Date
2025/08/26
Date Created
2020/06/02
Author
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