TFSA Passive Income: A Dividend Stock Trading at Unprecedentedly Cheap Valuations

Description

Even though the market has mostly recovered from the 2020 stock market crash, TFSA passive-income investors still have a lot of cheap dividend stocks to buy today. For many hard-hit stocks, the yield bar is still high, and if you conduct a careful analysis of the balance sheet and cash flow statement, you can lock in a huge yield alongside potentially outsized capital gains, as the COVID-hit business looks to heal in conjunction with the Canadian economy.

This piece will have a closer at an unprecedentedly cheap dividend payer that I believe is a strong buy for TFSA passive-income investors right now. Shares of both firms are heavily out of favour, but if you've got the patience to hang onto your position for years at a time, then you too can have your cake (a big dividend yield) and eat it too (capital gains potential)!

TFSA passive-income investors: This unprecedentedly cheap stock looks too cheap to ignore

Without further ado, consider agricultural commodity kingpin **Nutrien** (TSX:NTR)(NYSE:NTR), which has been treading water ever since it came to be from the merger between Agrium and Potash Corporation of Saskatchewan. While fertilizer prices are massively out of favour thanks in part to part to the COVID-19 pandemic, with no signs of recovering anytime soon, I think that shares of Nutrien are buyable today for the well-covered dividend and a shot at long-term gains that could come alongside a rebound in agricultural commodities like potash.

Buying stocks in industries at a cyclical low point can come with substantial long-term rewards. But you're going to need to be patient with the name, because shares have a considerable amount of negative momentum, making near-term losses likely to arise before sustained gains.

Moreover, I think Mainstreet is underestimating Nutrien's potash production edge. In the meantime, Nutrien's robust retail business is capable of keeping the dividend secure and the business afloat amid this unprecedented crisis. Given the sustainable 4.7%-yielding dividend and longer-term upside potential you'll get from the name, I'd say now is a great time to start accumulating shares, as you look to build your way into a full position over time.

At the time of writing, Nutrien shares trade at 0.96 times book, 1.1 times sales, and 9.4 times EV/EBITDA, all of which are considerably lower than NTR stock's five-year historical average multiples of 1.7, 2.4, and 17.1, respectively. Yes, Nutrien has significant headwinds to overcome, and it could take years for the fertilizer kingpin to see its stock get back on the right track. But given the long-term tailwind of a growing global population that will increase the need for higher crop yields, I find few reasons for passive-income investors not to own shares while they're close to the cheapest they've ever been.

Foolish takeaway

For now, near- to medium-term headwinds are overpowering the long-term secular tailwinds. How long this will last is anyone's guess. Nutrien has been able to maintain reasonably decent results, despite lower fertilizer prices, and is likely to rise out of this pandemic one its own footing thanks to its outstanding balance sheet (1.34 current ratio, 0.54 debt to equity).

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