



1 Top TSX Stock to Buy in November for Your Self-Directed RRSP

Description

Canadian savers are searching for top TSX stocks to put in their self-directed [RRSP](#) portfolios.

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) was formed in early 2018 through the merger of Potash Corp and Agrium. The combined company is a giant in the global fertilizer industry with wholesale potash, nitrogen, and phosphate production operations.

Agrium also brought a large retail business to the table, providing a balance for the revenue stream when fertilizer prices hit a downturn. The retail group sells seed and crop protection products to farmers around the world.

Nutrien just reported strong [Q3 2021](#) results. The company generated US\$1.6 billion in EBITDA in the quarter. Net earnings came in at US\$726 million, or US\$1.25 per share. For the first nine months of 2021, Nutrien generated US\$2.8 billion in free cash flow.

The company used part of the excess cash to repurchase 2.4 million shares in the three months through September.

Operations

Potash adjusted EBITDA rose 131% in Q3 compared to the same period last year. The company announced an additional one million tonnes of production for the second half of the year in the summer and now expects Q4 potash production to surge to a 17 million tonnes annual run rate.

Nitrogen adjusted EBITDA came in 173% higher than Q3 2020. The firm is expanding one of its facilities and that will contribute additional revenue in 2022. Another project phase will boost production capacity by an additional 500,000 tonnes annually in the next few years.

Phosphate adjusted EBITDA increased 193% in the quarter compared to the same period in 2021.

On the retail side, Nutrien is seeing the benefits of an aggressive acquisition program. The group delivered record adjusted EBITDA in Q3, as well as for the first nine months of the year. Adjusted EBITDA rose 80% in the third quarter compared to last year.

Nutrien's digital retail platform continues to attract new users. The group processed sales of US\$1.9 billion in the first nine months of 2021. The service is being rolled out in Australia as part of the next expansion.

Outlook

Nutrien says global potash prices continue to move higher in all of its core spot markets. Farmers are enjoying strong margins on their crop sales and using part of the extra profits to buy more fertilizer and plant additional acres.

Nutrien is in a unique situation in the market. Potash Corp and Agrium completed major capital programs before they merged, so Nutrien has the capacity to add production to meet rising demand. That's not the case with competitors who face a variety of challenges that include flooded mines and sanctions.

Inventories are below historical levels in key markets. China, for example, is drawing down its strategic reserves. This should result in higher prices and a strong demand tailwind in 2022.

Dividends

Nutrien just raised its 2021 adjusted EBITDA guidance from US\$6-6.4 billion to US\$6.9-7.1 billion.

As such, Nutrien will likely boost the dividend by a generous amount in 2022 given the strong outlook for fertilizer prices and the healthy free cash flow the company is generating in current market conditions.

The current payout provides a 2.7% dividend yield.

Should you buy Nutrien stock now?

The stock initially jumped on the strong results but, at the time of writing, is down about 4% from the previous close. Investors might be disappointed that the company didn't announce a payout hike.

The dip appears overdone and should be viewed as an opportunity to buy Nutrien for a self-directed RRSP. Nutrien trades near \$84 on the TSX right now. It wouldn't be a surprise to see the stock hit \$100 by the end of next year.

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Date

2025/07/26

Date Created

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