



## Nutrien (TSX:NTR): A Defensive Stock for Passive Income

### Description

The stock market is off to a rough start in 2022. Inflation has ticked up to 4.8% on an annual basis. Meanwhile, the Bank of Canada is likely to raise interest rates several times this year, starting as early as next week. That's why investor sentiment is plunging right now.

In this environment, investors who rely on cash flows from their portfolios for passive income must become more defensive. Avoiding losses and dividend cuts is essential, even if it means compromising on yield temporarily.

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) is a good option for this. The Saskatoon-based company is the world's third-largest fertilizer producer. While interest rates and inflation explode, the business of growing essential crops is likely to remain stable.

In fact, Nutrien stock was one of the best performers last year. It was up 55.3% over the course of 2021, beating the **S&P/TSX Composite Index** by 33.6 percentage points! This rally could continue in 2022. Here's why.

### Robust financials

The crop nutrient company is well positioned to perform, even during times of uncertainty. For starters, it has grown to become the biggest producer of potash used by farmers to boost crop yields.

In the third quarter, Nutrien delivered [solid financial](#) results. The company also raised its full-year guidance, affirming the underlying solid fundamentals. The company expects to deliver adjusted EBITDA of roughly \$8.7 billion for the full year of 2021, significantly higher than its initial guidance. In 2022, it expects the growth rate to slow down a bit, but not drastically.

In other words, Nutrien is in a strong position to retain its gains this year.

## Dividends & buybacks

In addition to robust revenue growth, Nutrien's balance sheet is also solid. The team continues to strengthen its competitive edge and long-term prospects through acquisitions. The underlying growth has allowed the company to maximize shareholder rewards in recent years.

Nutrien currently delivers an impressive 2.47% dividend yield. In addition to dividends, the company also returns value through buybacks and is expected to bolster its repurchase program after acquiring 2.4 million shares last quarter.

There is no doubt that Nutrien is a [cash machine](#) and is well positioned to generate significant shareholder value going forward. Management has already reiterated that the company is likely to generate significant free cash flow this year. That means the buyback and dividend are reliable, despite the economic climate.

## Bottom line

2022 could be a tumultuous year for investors. Growth stocks are in a bear market while value stocks are struggling to deliver more than inflation. In such an environment, investors should seek passive income with defensive elements — in other words, companies that can reliably deliver dividends.

Fertilizer producer Nutrien is a good example. The company's bottom line is linked to the cost of essential food and crops. The company could sustain its dividend yield and buyback program in 2022, making it an ideal target for investors seeking a safe haven.

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