



1 TSX Agricultural Stock Beginners Should Buy and Hold Forever

Description

[Warren Buffett](#) famously said that investors should [buy the stocks of great companies and hold them forever](#). At the Motley Fool, we take Buffett's advice to heart and believe in the power of a long-term perspective when it comes to investing.

Although everyone likes to [find a good undervalued stock](#), sometimes it is better to buy the stock of a great company at an okay price, as opposed to the stock of a mediocre company at a good discount. The stocks of businesses with sustainable, excellent performance make ideal buy-and-hold stocks.

For this reason, new [Canadian investors](#) should focus on the stocks of [blue-chip](#) companies with excellent fundamentals, understandable business models, essential products and services, wide economic moats, solid financial ratios, and good management.

Nutrien

My beginner stock pick this week is **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)), one of Canada's largest agricultural producers, providing an assortment of crop inputs and services such as potash, nitrogen, phosphate, and sulfate nutrients, seeds, and financing. As food costs rise due to inflation, NTR sits in a good spot.

NTR has greatly improved operating cash flow (\$3.89 billion) and total cash on the balance sheet (\$499 million) in recent years and posted incredible YoY quarterly revenue growth of 83.60%. NTR also pays a small dividend of \$1.92 per share for a 1.93% yield.

Valuation

NTR is solid enough of a company that I would not worry about trying to time a good entry price. However, new investors should always be aware of some basic valuation metrics, so they can understand how companies are valued and what influences their current share prices.

Currently, NTR is extending gains since Monday and is currently trading at \$126.71, which is somewhat near the 52-week high of \$147.93. In the current fiscal quarter, NTR's 52-week low is \$67.27. This gives us a sense of the recent trading range.

NTR currently has a market cap of \$51.41 billion with approximately 38.81 billion shares outstanding. This gives it an enterprise value of \$63.54 billion with a enterprise value-to-EBITDA ratio of 12.08, which is similar to peers in the agricultural and industrials sector.

For the past 12 months, the price-to-earnings ratio of NTR was 22.67, with a price-to-free cash flow ratio of 40.26, price-to-book ratio of 2.18, price-to-sales ratio of 2.09, and book value per share of approximately \$41.32. These metrics show that NTR appears to be fairly valued at this time.

NTR is currently covered by a total of 31 analysts. Of them, 16 have issued a "buy" rating, zero have issued a "sell" rating, and 15 have issued a "hold" rating. This is generally considered a bullish sign, as the majority of analysts deem the stock a buy with more upside on the way.

NTR has a Graham number of 60.79 for the last 12 months, a measure of a stock's upper limit intrinsic value based on its earnings per share and book value per share. Generally, if the stock price is below the Graham number, it is considered to be undervalued and worth investing in. In this case, NTR does not look undervalued.

Is it a buy?

Despite its current share price being more or less fairly valued, long-term investors should consider establishing a position if they have the capital. Over the next 10-20 years, your entry price won't matter as much if NTR continues its strong track record of growth and profitability. Consistently buying shares of NTR, especially if the market corrects, could be a great way to lock in a low cost basis.

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