



## Nutrien (TSX:NTR) Stock: A Great Buy for July 2022

### Description

Shares of Canadian fertilizer firm **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) have been under considerable selling pressure of late, thanks in part to the recent cooling across various commodities. At around \$111.50 per share, Nutrien stock is still up an impressive 48% over the past year and 22% year to date. Though NTR stock may still have room to the downside, as Mr. Market looks to claw back even more of the impressive gains posted since the bottom in 2020, I'd argue that the bear market plunge in the name seems like more of a long-term buying opportunity than the beginning of the end.

Russia's invasion of Ukraine has sent agricultural commodities surging. As the company ramps up on fertilizer production to meet high demand, the company could enjoy a sizeable boost in free cash flow. Personally, I don't think the windfall, which may not dissipate anytime soon, is baked into the stock at these depressed valuations.

Fertilizer prices are still red hot, and as Nutrien looks to produce 18 million tonnes by 2025, the potential upside still seems enormous. Given that Russian sanctions are unlikely to go away over the medium term, Nutrien is still a firm that has both fundamentals and tailwinds intact.

## Nutrien stock: Still looks too cheap to ignore, even after a record past year of performance

At writing, the \$61.5 billion fertilizer behemoth [trades at just 11 times trailing earnings](#) to go with a modest 2.2% dividend yield. Yes, the yield is on the lower end due to recent stock price appreciation. That said, given the production ramp-up and the likelihood that fertilizer prices will remain elevated over the next several quarters, investors should expect to be rewarded via buybacks and potentially generous dividend hikes.

Indeed, Nutrien is not as appealing based on its upfront yield. However, when you consider the years' worth of dividend growth, the value proposition in the name becomes more apparent. Even if fertilizer prices were to retreat over the medium term, the long-term secular tailwind of a rising global population is likely to keep Nutrien on the right track.

## What about the risks?

What goes up must come down, right? If in the unlikely scenario that sees Russian potash return to the global markets, shares of Nutrien could take a massive hit to the chin. Right now, Nutrien is the global go-to player for potash, and it seems like it'll remain this way until Ukraine-Russia peace talks make some progress.

In the meantime, Nutrien stock appears to be a fantastic hedge for investors who've seen the rest of their portfolios get decimated by Russia's invasion of Ukraine. Understandably, commodity producers tend to boom and bust. When they go bust, they can stay in the gutter for many years. On the flip side, a boom could last a pretty long time, depending on exogenous macroeconomic variables.

Arguably, it's best to buy a commodity play while prices are at historical lows. Still, that's no guarantee of solid returns, given prices can stay at such lows for many years. Now that commodity prices are hot, there's a strong possibility they could remain this way for many years. I think they will, and that could mean much more gain to be had by Nutrien.

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**Date**

2025/07/21

**Date Created**

2022/06/22

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