



## Buy This Undervalued TSX Stock Before Everybody Else Does

### Description

Undervalued TSX stocks are underappreciated and often misunderstood. This is the case for **Nutrien Ltd.** ([TSX:NTR](#))([NYSE:NTR](#)). Nutrien was formed through the January 2018 merger between PotashCorp. and Agrium. It's the world's largest provider of crop inputs (fertilizer) and services. NTR is also one of the most grossly undervalued TSX stocks today.

### A TSX stock with little sensitivity to the economy

Nutrien provides fertilizers and other inputs that help maximize returns on farms. For example, Nutrien supplies potash, which is a fertilizer that helps increase crop yields and resist disease. It's just one of a handful of products that Nutrien's global supply chain provides to help "feed the world".

Given the importance of its products in food production, Nutrien is largely sheltered from macroeconomic weakness. After all, people need to eat. Money spent on food is one of the only expenditures that is extremely sticky. Consumers might opt for cheaper versions, but this expenditure will always take priority.

### Business is booming

Looking back at Nutrien's past results, this company is impacted by the state of the growing season as well as by supply issues. However, on a longer-term basis, demand is pretty stable, predictable, and reliable. For example, a few years ago, Nutrien was negatively impacted by late maturing crops and weather delays. This resulted in weak pricing power for fertilizer producers like Nutrien.

While those were a few rough years, Nutrien is now experiencing impressive gains as pricing power has returned. For example, in the last five years, revenue has increased 53%. Also, net income has grown 390% and cash flow from operations has increased 89%. This kind of growth is becoming increasingly rare in the TSX stock market today.

## This undervalued stock trades at ridiculously low multiples

Here's the fun part – the discovery of the huge opportunity in front of us. The disconnect between Nutrien's performance and the [stock's valuation](#) is massive. For example, Nutrien trades at 4.7 times this year's expected earnings. Also, it's trading at a mere 1.7 times book value.

What multiples should we expect Nutrien stock to be trading at? Well, considering its growth rates and returns, a lot higher. I mean, Nutrien posts top of the line margins and returns – its net margin is 17.5%, while its return on equity is above 27%. On top of this, the company's balance sheet is strong and its future is bright.

## The future is looking good for this TSX stock

Looking ahead, global fertilizer prices are expected to remain strong. Strong demand, supply disruptions, and higher input costs are driving prices higher. Moreover, exports out of Europe and China have been curtailed, and the market is supply constrained. Nutrien is in a good position in this environment, as it can pretty easily add additional production to make up for all of this.

As a result of these improving fundamentals, analysts have been increasing their outlooks and estimates on Nutrien. For example, the consensus EPS estimate in 2024 has increased to US\$10.83 from US\$10.78. And when estimates are on the rise, the stock price is not far behind.

## Motley Fool: The bottom line

This is a cyclical industry, and right now fundamentals are strong. While a [cyclical industry often does and should trade at somewhat discounted multiples](#), Nutrien stock is trading at too much of a discount given current strong results and the positive outlook.

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