Why Billionaire Bill Gates Owns Canadian National Railway Company

Description

Bill Gates is the largest shareholder of **Canadian National Railway Company** (TSX: CNR)(NYSE: CNI), with a massive 13% stake in Canada's flagship railroad operator.

The **Microsoft Corp.** co-founder and world's richest person first declared his ownership position in Canadian National Railway back in 2000. The bet has paid off handsomely, with a stock-price gain of nearly 900% on the investment.

Here are three reasons why I think you should invest like Bill Gates and buy shares of Canadian National Railway Company.

1. Intermodal transport growth

The business of moving goods across Canada and the United States is undergoing an unprecedented change. Historically, the transport of shipping containers over long distances has been dominated by the long-haul trucking industry.

Trucks have always been considered the most cost-effective and efficient way to move goods. For short distances, that still holds, but for longer distances, railways are winning more of the business.

The rising cost of diesel fuel and tighter restrictions on driving hours have pushed truck transport prices higher.

At the same time, railroads are becoming better at moving goods over long distances in a timely and cost-competitive manner.

Canadian National is benefiting from this transition. As North America's only railway with access to three coasts, Canadian National continues to win intermodal transport contracts. The company owns 32,000 kilometres of rail lines serving both Canada and the U.S. and manages more than 20 strategically located intermodal terminals.

In its Q2 2014 earnings statement, Canadian National reported intermodal freight revenues of $716 million or 24.3% of the total freight revenues of $2.94 billion.

The growth in intermodal transport by train should continue to deliver strong results for Canadian National shareholders as the company focuses on developing its end-to-end competitive advantage in the supply chain.

2. Crude oil and frac sand deliveries

The pipeline bottleneck in Western Canada has meant lower realized prices for Western Canadian Select (WCS) crude. In fact, the current price difference between West Texas Intermediate (WTI) and WCS is about $18 per barrel. ($C/bbl).

Oil companies are increasingly using railways as a means to move the crude oil to markets where they can sell the oil at the higher WTI or Brent Crude prices. Canadian oil companies also rely heavily on Canadian National Railway to deliver their crude to refineries.

Another big development in the oil and gas industry has been the boom in shale gas production using hydraulic fracturing. The process works by pumping a mix of water and sand under high pressure into the shale formations to create fissures that allow trapped natural gas to be released.

Canadian National delivers the large volumes of sand required by the companies producing the shale gas.

3. U.S. economic recovery

The U.S. economy continues to recover from the great recession. Housing construction and renovations drive demand for lumber transportation and the resurgence in automobile sales means Canadian National will carry more vehicles to core markets in the U.S.

The bottom line

Bill Gates is not only a software guru, he is also a smart investor. I think Motley Fool readers looking for a great stock to buy and hold for decades should consider Canadian National Railway Company.

CATEGORY

1. Investing

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