



3 Reasons to Buy and Hold Canadian National Railway Company

Description

The market mayhem has clobbered equity prices, and no stock has felt the pain more than **Canadian National Railway Company** ([TSX: CNR](#))([NYSE: CNI](#)). Since September 22, shares of the country's largest railroad operator have dropped 10%.

Time to run? Hardly. If you believe in buying wonderful businesses when they're on sale, then now's a great time to buy. Here are three reasons to add this stock to your portfolio.

1. An irreplaceable asset

What do ports, pipelines, and toll roads all have in common? No, it's not a bad joke. They're all irreplaceable assets.

A rival can't simply come along and build a competing business. These assets can't be replaced by some new technology. That's why these companies tend to deliver more stable returns over the long run.

CN's network of track is exactly that. Built over a century ago, these tracks cut right through densely populated cities from coast to coast. If you wanted to build a competitor today, it would cost billions of dollars to buy out landowners and purchase right-of-ways. This forms a nearly impenetrable barrier to entry.

2. Big cost advantage

In his letters to shareholders, Warren Buffett has mentioned this business trait more than 20 times. He calls it "an essential ingredient for sustained success." You won't find it on any balance sheet, but that doesn't mean it's not a company's most valuable asset.

That advantage is a term Buffett himself popularized — an economic moat. In the market, rivals will repeatedly assault any business "castle" that is earning high returns. Therefore, a competitive edge is key to lasting success.

CN's low-cost advantage is a good example. Today, trains can move a ton of freight 430 miles on a gallon of diesel. Shipping by rail is four times cheaper than trucking. That means CN can essentially shut rivals out of a market.

3. Steady dividends

You can tell whether management cares about your interests when it pays a big dividend. It's common sense, right? But studies show that companies that return the most cash to investors tend to outperform over the long haul.

CN has a great history of rewarding investors. Since 1996, management has hiked the dividend 18 years in a row. Remember, this period included two major recessions.

Year to date, CN has paid out \$1.1 billion in combined dividends and share buybacks. That huge amount of cash shows just how dedicated it is to lining investors' pockets.

The one stock for the next 100 years

The bottom line, over time there'll be more people living in this country. They will demand an ever-growing number of products. CN will play a critical part in moving those goods. If you've been waiting for an opportunity to buy this stock, Mr. Market has just handed you a chance.

CATEGORY

1. Investing

TICKERS GLOBAL

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