



## Canadian National Railway Company: Buy This Forever Stock

### Description

**Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)), the largest rail network operator in Canada, has disappointed investors in 2015, falling over 9% as the TSX Composite Index has risen over 1.5%, but I think its stock has bottomed and could be one of the top performers from this point forward. Let's take a look at three reasons why this could happen and why you should be a long-term buyer today.

#### 1. Double-digit first-quarter growth to support a near-term rally

Canadian National announced better-than-expected first-quarter earnings results after the market closed on April 20, but its stock has fallen over 12% in the weeks since. Here's a breakdown of 10 of the most notable statistics from the report compared with the year-ago period:

1. Net income increased 27.8% to \$704 million
2. Earnings per share increased 30.3% to \$0.86, surpassing analysts' expectations of \$0.84
3. Revenue increased 15% to \$3.10 billion, surpassing analysts' expectations of \$3.04 billion
4. Total number of carloads increased 9.2% to 1.35 million
5. Total revenue per carload increased 5.9% to \$2,203
6. Total rail freight revenues increased 15.6% to \$2.98 billion
7. Operating income increased 29.6% to \$1.06 billion
8. Operating ratio improved 390 basis points to 65.7%
9. Net cash provided by operating activities increased 53.8% to \$992 million
10. Free cash flow increased 5.5% to \$521 million

#### 2. The stock trades at inexpensive forward valuations

At today's levels Canadian National's stock trades at just 17.4 times fiscal 2015's estimated earnings per share of \$4.16 and only 15.4 times fiscal 2016's estimated earnings per share of \$4.69, both of which are inexpensive compared with the industry average price-to-earnings multiple of 22.7.

I think Canadian National's stock could consistently command a fair multiple of at least 22, which would place its shares upwards of \$91 by the conclusion of fiscal 2015 and upwards of \$103 by the

conclusion of fiscal 2016, representing upside of more than 25% and 41%, respectively, from current levels.

### 3. A deep dedication to maximizing shareholder value

Canadian National pays a quarterly dividend of \$0.3125 per share, or \$1.25 per share annually, giving its stock a 1.7% yield at today's levels. A 1.7% yield may not seem impressive at first, but it is very important for investors to note that the company has increased its annual dividend payment for 19 consecutive years, and its increased amount of free cash flow could allow this streak to continue for another 19 years at least.

### Should Canadian National be added to your portfolio today?

I think Canadian National Railway Company represents one of the best short-term and long-term investment opportunities in the market today. Its very strong first-quarter earnings results could support a near-term rally, its stock trades at inexpensive forward valuations, and it has increased its dividend for 19 consecutive years, with a current yield of approximately 1.7%. All Foolish investors should take a closer look and strongly consider making it a core holding today.

#### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

#### TICKERS GLOBAL

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#### Author

jsolitro

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