



3 Reasons Why Now Is the Time to Buy Canadian National Railway Company

Description

For those investors looking to invest in a company that is reasonably priced, pays a lucrative dividend, and is not going to be going anywhere for decades to come, they should look no further than **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)). I believe that this company is such a great buy and you should look to buy shares right now.

Here are three reasons to support my claim about Canadian National Railway.

1. It is really efficient

The company is investing money wisely in an effort to make it an even more efficient company than it already is. According to the company, its Q1 2015 operating ratio was 65.7%, which is quite a bit lower than the 69.6% it reported in the first quarter a year prior.

There are a few ways that it is able to do this. It is investing \$800 million for intermodal terminals, which will help it to unload product much faster. The longer it takes to get one of these containers on or off the train is time that could be better spent actually transporting the goods.

The company is also spending \$1.4 billion to improve track infrastructure. This will allow trains to run without delay. And finally, it is spending \$500 million on equipment; 90 new locomotives will be joining the fleet, which will ensure up-time for the trains.

2. Earnings and dividends

Because its operating ratio has been going down, it has been able to generate more profit. According to the company, its net income this first quarter was \$0.86/share compared with last year's \$0.75/share. All of this occurred while there was a drop in the amount of crude shipped by rail.

This increase in earnings has allowed the company to continue paying out a lucrative dividend. As of this writing, the company pays a 1.66% yield, which is \$1.25/share split up into four quarterly payments. On the surface, that sounds small until you realize that the company also buys back shares, which pushes the price of the stock even higher. To top it off, it continues to raise the dividend. Ever

since 1996, the dividend has been raised, and this past year it increased by 25%.

3. Its moat is wide

Companies that can prevent competition from popping up are the most likely to succeed. That's why Canadian National has existed for as long as it has. If I wanted to launch a competitive railroad, I would need a lot of money. It's not feasible.

Warren Buffett argues that the wider the moat, the better. And Canadian National has one of the best moats in the business. It has one other Canadian competitor and it is the only railroad that goes coast to coast in Canada and all the way down to the Gulf of Mexico.

Is it time to buy?

Right now the shares are down from an all-time-high of \$88.89. While the stock is a little expensive, I believe the dividend and its moat more than make up for that premium. You are paying for a company that you will own for years, if not decades. Therefore, buying now would definitely not be a bad move.

CATEGORY

1. Investing

TICKERS GLOBAL

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