



Billionaire Bill Gates Owns Canadian National Railway Company: Should You?

Description

Through his investment company and the charitable trust are run by his wife, Microsoft founder Bill Gates controls almost 14% of the outstanding shares of **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)).

The world's richest man first declared an ownership position back in 2000 and has slowly increased his stake since that time. The investment has been extremely profitable with CN's shares rising roughly 1,000% over the past 15 years.

At first glance, it might be surprising that a software guy would want to own a train set, but it makes a lot of sense when you look at the company's operations.

Here's why I think you should join Bill and buy a bit of Canadian National Railway Company.

1. Wide competitive moat

Canadian National owns 32,000 kilometres of rail lines serving both Canada and the U.S., and is the only rail operator in North America that can offer access to three coasts.

The likelihood of someone building a new rail network along the same routes is virtually nil. This means Canadian National just has to focus on improving efficiency and finding ways to win more business from its limited pool of competitors.

2. Intermodal growth

Intermodal freight is becoming a bigger part of the company's revenue mix and that trend should continue. Canadian National manages more than 20 strategically located intermodal terminals along its vast network. These facilities enable Canadian National to offer both international and domestic customers an efficient and cost-effective alternative to trucks when shipping goods over long distances. In fact, the terminals provide access to 75% of the U.S. population and every major market in Canada.

Some analysts say lower diesel costs are helping the trucking industry regain lost ground, but Canadian National still increased its Q2 intermodal carloads by 6% compared with the same period last year. This segment of the business now accounts for nearly 25% of the company's total rail freight revenues.

3. Efficient operations

Canadian National is often cited as North America's most efficient railway. The company continues to invest in operational improvements, and the results have been stellar. Canadian National's operating ratio for Q2 2015 dropped to 56.4%, down from 59.6% in Q2 2014. A low operating ratio is important because it indicates the amount of revenue the company is using to run the railway.

4. Dividend growth and share buybacks

Canadian National has a strong track record of returning cash to its shareholders. The company has raised its dividend every year since 1996, and management plans to increase the payout ratio to 35%. The current distribution of \$1.26 per share yields about 1.6%. Canadian National bought back 5.3 million shares during the second quarter.

Should you invest like Bill Gates and buy Canadian National Railway?

The world's richest man isn't just a software guru; he is also a very smart investor. Canadian National is a fantastic business with a strong management team and limited competition. This is the kind of stock you can comfortably buy and hold for decades.

CATEGORY

1. Investing

TICKERS GLOBAL

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Author

aswalker

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