



Buy Canadian National Railway Company

Description

The railroad industry is one of the most mature, established, and reliable performers in the market. Starting up a new railroad takes a significant amount of time, logistics, and planning—not to mention the amount of capital needed to lay down tracks from one coast to another. Some might say the barriers to entry at this point in time are prohibitive, so new players can't emerge.

Canadian National Railway Company ([TSX:CNR](#)) ([NYSE:CNI](#)) is a company that already has the infrastructure built. With over \$250 billion worth of cargo moving across Canada and the U.S. each year, this is the company investors should be investing in. Let's take a look at a couple of reasons why.

Aggressive expansion

The Port of Prince Rupert is the fastest-growing port for transpacific traffic in North America, serving as a primary gateway for North American goods to Asia—particularly China. Canadian National is benefiting greatly from this as the company is the exclusive railway of the port.

Turning south, the port of Mobile, Alabama, is another area of aggressive expansion that Canadian National is focused on. The port is undergoing a renovation which will see cargo capacities increase by nearly 90%. If the success of Prince Rupert could be replicated in Mobile, Canadian National will reap significant revenues.

Diversification efforts

Canadian National is uniquely positioned as a very diversified company. With access to three different coastlines in North America, the railway can haul cargo in either direction from all coasts, to and from all major Canadian markets, and over 75% of the U.S. population.

Canadian National hauls many products, from grain and coal to automotive parts and oil. The distinguishing factor that sets Canadian National apart from competitors, however, is that the cargo is highly diversified, so any one product category is not responsible for a significant part of the total cargo.

For example, coal and fertilizers only account for approximately 5% and 16% of Canadian National's

revenue, whereas those two product categories will easily represent over 50% of all revenues for some competitors.

If one of these industries were to lag behind, as grains and crude have over the past year, the effects are minimized at Canadian National because of this highly diversified mix.

Strong results

Canadian National has performed nicely over the past few quarters, and expectations for the next quarter are no different. The company posted record revenues of just over \$3 billion. Quarterly results are slated to be announced after the close on October 27, with analysts expecting the company to once again beat expectations. At the current price of just over \$81, Canadian National can be purchased at a bargain price.

In my opinion, Canadian National represents one of the best opportunities for investors in the current market. The company is experiencing a period of growth, it has a strong balance sheet, and it pays out a healthy dividend. Canadian National makes a great part of any portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

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