



## RRSP Investors: 5 Reasons to Own Canadian National Railway Company

### Description

**Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) continues to be an attractive pick for a self-directed RRSP portfolio.

Let's take a look at the rail operator to see why it deserves to be on your buy list.

### Competitive advantage

CN is the only rail company in North America that owns tracks connecting three coasts.

The wide moat is likely to remain in place due to the low likelihood of competing tracks ever being built along the same routes. In addition, railway merger attempts tend to run into significant roadblocks in the United States.

### Operating efficiency

CN still has to compete with trucking companies and other railways on some routes, so management works hard to ensure the business is running as efficiently as possible.

The company regularly reports an industry-leading operating ratio, which measure the amount of money the company has to spend to generate a dollar of revenue.

### Strong results

CN just reported solid numbers for Q2 2017. The company generated net income of \$1.03 billion in the quarter, representing a 20% increase over the same period last year.

Revenue jumped 17% to a record \$3.33 billion, driven by a 14% increase in carloads and an 18% rise in revenue tonne miles.

Free cash flow came in at \$811 million compared to \$585 million in Q2 2016.

## Dividend growth

CN does a good job of sharing the profits with investors through share buybacks and dividend increases.

Some investors skip the stock because the dividend yield is only 1.7%, but that is the wrong way to look at this company.

Why?

CN has a compound annual dividend-growth rate of about 16% over the past two decades.

## Diversified revenue

CN generates a significant part of its revenue south of the border, which provides a nice hedge against tough time in Canada.

In addition, the company essentially operates as the backbone of the economy in the two countries, carrying everything from grains to cars. When one segment has a difficult quarter, the other business lines often pick up the slack.

## Should you buy today?

The share price has pulled back a bit in the past month, giving investors a rare opportunity to pick up the stock on a dip.

If you are looking for a name you can simply buy today and hold for decades, CN makes a nice anchor for an RRSP portfolio.

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1. Dividend Stocks
2. Investing

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