



## All Aboard! Canadian National Railway Company Is a Great Buy on Weakness

### Description

**Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) is one of the best dividend-growth stocks not only on the TSX, but in North America. There's a reason why Bill Gates owns so many shares; the rails have a gigantic moat, and CN Rail has arguably the best rail network and best operational efficiency of all North American railroads. Over the past decade, it's been a very smart long-term move to be a buyer on any weakness, as CN Rail always finds a way to surge out of any temporary issues the company may face in a given quarter.

CN Rail recently released its second-quarter 2017 results, which saw strength across the board. Adjusted net income increased to \$1.013 million, which was up 17.1% year over year. Adjusted earnings per share, total revenue, and free cash flow was clocked in at \$1.34, \$3.33 million, \$811 million, respectively; all those metrics are up compared to the same quarter last year by 20.7%, 17.1%, and 38.6%, respectively. The operating ratio improved by 0.6% with revenue per carload increasing by 3.2%, both on a year-over-year basis.

It was a fantastic quarter for CN Rail, which saw substantial improvements across nearly every area. The management team reiterated its fiscal 2017 outlook by forecasting an adjusted EPS between \$4.95 and \$5.10.

Although the quarter was outstanding, the general public was still not impressed. Shares of CNR took a dip and are now off over 7% from the all-time high. I believe the strong second-quarter results deserved a rally, but investors didn't seem to think so, as shares continued to take a dip along with its peers in the industry.

Sometimes Mr. Market doesn't make sense, and that's exactly when an opportunistic investor should be looking to pick up shares at a discount to the intrinsic value. CN Rail isn't a huge value play right now based on traditional valuation metrics, but I believe it is still a very smart buy when you consider macroeconomic tailwinds that will send CN Rail flying over the medium to long term.

I also believe CN Rail deserves a large premium over other rails because of the management team's incredible ability to consistently deliver operational excellence. Train productivity, yard productivity,

locomotive utilization, and car velocity are just some of the metrics CN Rail uses to achieve superior operational efficiency results. Operating margins have been trending upwards, and this means more cash to return to shareholders in the form of generous dividend increases.

CN Rail is firing on all cylinders, and the recent dip is nothing more than a buying opportunity. All aboard!

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