



## RRSP Investors: Is Canadian National Railway Company a Top Pick?

### Description

Canadians are searching for reliable stocks to hold inside their RRSP portfolios.

Let's take a look at **Canadian National Railway Company** ([TSX:CNR](#)) ([NYSE:CNI](#)) to see if it deserves to be on your buy list.

### Diversified business segments

CN essentially operates as the backbone of the Canadian and U.S. economies, carrying everything from grains and coal to lumber, oil, and cars.

The wide number of business segments covered by the company provides a hedge for investors. When one business group has a rough quarter, the others normally pick up the slack.

In addition, CN generates a large part of its income in the United States, which also helps offset any downturn in the Canadian operations.

### Competitive advantage

CN is the only rail operator that owns tracks connecting three coasts. This is a huge competitive advantage for the company, and the situation is unlikely to change.

Why?

Attempts to merge rail carriers tend to run into regulatory roadblocks, and the odds of another company installing new tracks along the same routes are pretty slim.

### Efficient operations

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 railway often reports an industry-leading operating ratio, and many pundits consider CN to be the

top company to own in the sector.

### **Impressive numbers**

CN reported Q2 2017 net income of \$1.03 billion, representing a 20% increase over the same period last year.

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

### **Strong dividend growth**

Some investors skip CN because the dividend yield is only 1.7%, but they are missing the bigger picture.

CN has an annualized dividend-growth rate of about 16% over the past 20 years, so long-term holders of the stock are looking at some nice returns on their initial investments.

When you add in the share price appreciation, the results are even more impressive.

In fact, a \$10,000 investment in CN just two decades ago would be worth more than \$200,000 today with the dividends reinvested.

### **Should you buy?**

There is no guarantee that CN will generate the same results in the next 20 years, but I think the stock remains an attractive pick for buy-and-hold RRSP investors.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

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