



## Time to Buy Canadian National Railway Company Stock Before the Gravy Train Leaves the Station

### Description

**Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) is one of the few stocks you can buy on weakness without the slightest of worries about where shares will be headed over the short-term.

The dividend growth king has consistently crushed the markets over the long haul, and although the [recent quarter](#) saw a slight decrease in operational efficiency, CN Rail is still one of the most efficient railways out there. It would be a huge mistake to believe that one or two weak, inefficient quarters signal the start of a prolonged downward trend on the efficiency front — or upward in the case of the operating ratio, where lower is better.

CN Rail is suffering from a bad case of congestion. Customers are becoming frustrated, and while it may seem like the shipment backlog is going to cause many customers to lose loyalty, the fact of the matter is that there are very few (if any) economical alternatives means of transportation for many clients who need bulk shipments to get from point A to point B.

### A moat like no other

Sure, an aggravated customer could opt for trucking or another rail firm, but doing so would probably imply heftier shipping expenses depending on the logistics required for their unique route.

CN Rail has the broadest rail network in North America, spanning the two Canadian coasts in addition to the Gulf Coast. The reason so many customers are upset over the congestion is that there really are no other cost-effective alternatives given their unique situations. They're going to need to up their expenses to get shipments moving in a timelier manner or remain patient until CN Rail can get back on the right track.

In time, the shipment glut will inevitably decline, and CN Rail will be chugging along just as it has in the past. With that in mind, I think most customers will forget about the nasty start to 2018 and continue to give CN Rail its business.

## A premium business at a non-premium price

Major hiccups like the massive shipment backlog are quite rare, and so is the opportunity to pick up shares at a meaningful discount to their intrinsic value. The stock has a trailing P/E and P/B that are both lower than the company's five-year historical multiples.

Moving forward, management is doing everything it can to increase its capacity in order to meet demands from a "very strong economy, especially in Western Canada." It's going to be a very busy rest of the year for CN Rail, and although the operating ratio may increase, I do believe it will be temporary as the company floors it.

I suspect the discount on CN Rail shares will not last long and that shares [could make up for lost time](#) as earnings stand to pop once after management's capacity to beef up efforts are completed. Once this happens, it'll be full speed ahead for CN Rail.

All aboard!

Stay hungry. Stay Foolish.

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## Author

joefrenette

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