Should Canadian National Railway (TSX:CNR) Stock Be in Your TFSA Retirement Portfolio?

Description

Canadian investors are searching for reliable stocks to add to their TFSA holdings in an effort to build substantial savings for their retirement.

The strategy makes sense, especially when dividends are used to purchase additional shares, as this sets off a powerful compounding process that can turn small initial investments into quite large retirement funds over a number of years.

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

Canada and U.S. coverage

CN is an important player in the workings of the Canadian and U.S. economies. The company operates 19,600 miles of tracks connecting the Atlantic and Pacific coasts to the Gulf of Mexico with a full-service network that includes intermodal, warehousing, freight, forwarding, distribution, and even trucking services.

Diversified segments

CN's customer base spans a wide range of segments in the economy. Intermodal transport represents 25% of the revenue. Petroleum and chemicals contribute 17%, as do grain and fertilizer shipments.

Forest products account for 13%, metals and minerals provide 12%, followed by automotive at 6%. Coal and other business round things out with 5% each.

Investment

CN continues to invest in network upgrades to ensure it remains competitive. The company will receive 260 new locomotives over the next three years and is adding 1,000 new lumber Centre beams, 1,000 box cars, and 1,000 grain hoppers to meet growing demand.

The company has invested $20 billion in the past decade, with $3.5 billion being spent in 2018.

Results

CN generated solid Q2 2018 numbers. Revenue increased 9% compared to the same period last year. Operating income increased 7% and net income jumped 27%. Adjusted diluted earnings per share increased 13%.

In the first half of 2018, CN generated nearly $1.3 billion in free cash flow.

Dividends

CN has a long track record of dividend growth. The company has raised the distribution every year since the company went public in 1995. Over the past two decades, the compound annual dividend growth rate is about 16%, making CN one of the top stocks on the **TSX/S&P Composite Index** regarding this metric.

The company raised the payout by 10% for 2018 and the current dividend yield is 1.6%.

Returns

Long-term holders of the stock have enjoyed impressive returns on their investments. A $10,000 purchase of CN shares 20 years ago would be worth more than $280,000 today with the dividends reinvested.

Should you buy?

There is no guarantee that CN will generate the same results over the next two decades, but the stock should continue to be an attractive buy-and-hold pick for investors who are looking to put reliable dividend-growth companies in their TFSA retirement portfolios.

Other companies in the market are also worth considering right now.

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