



RRSP Investors: Is Canadian National Railway Company (TSX:CNR) Stock a Top Pick Right Now?

Description

Canadian savers are searching for ways to set aside ample funds to enjoy a comfortable retirement.

Using the RRSP to own [top stocks](#) and build up savings is one way to achieve the goal. Investors in higher tax brackets can use the contributions to reduce taxable income today, and take advantage of dividend reinvestment to grow the position over time.

The top stocks tend to be market leaders with long track records of dividend growth supported by rising earnings.

Let's take a look at **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) to see why it might be an interesting pick.

Earnings

CN just reported solid results for Q3 2018. The company delivered an 18% increase in net income to \$1.13 billion, compared to the same period last year. Diluted earnings per share rose 21% and the company generated \$1.9 billion in free cash flow.

A significant part of the company's earnings come from the U.S. operations, which can give the results a nice boost when the American dollar rises against its Canadian counterpart.

Growth

Strong economies on both sides of the border are driving higher demand for CN's services. All of the company's core segments saw better sales numbers compared to Q3 2018, led by revenue increases of 25% in the coal and petroleum groups. Revenue rose by 15% in the metals, forestry products, and grain and fertilizer segments. Intermodal revenue increased 8% and automotive revenue rose 3%.

CN is spending \$3.5 billion in 2018 on new locomotives, additional rail cars, and infrastructure upgrades.

The company also just announced the acquisition of Winnipeg-based trucking company TransX in a deal that adds depth to CN's supply chain focus in the intermodal segment.

Dividends

CN has raised its dividend by a compound annual rate of about 16% per year over the past two decades. That is one of the best track records in the TSX Index and is a big reason investors have done so well with the stock. The current payout provides a yield of 1.6%.

Returns

An investor who bought \$20,000 of CN stock just 20 years ago would be sitting on more than \$460,000 today with the dividends reinvested.

Should you buy?

CN has a wide moat and generates significant profits. Revenue will fluctuate with economic activity, but the overall long-term trajectory should be upward, which bodes well for buy-and-hold investors. If you have some room in your RRSP, CN should be a solid pick.

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2. Stocks for Beginners

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