



Should Canadian National Railway Company (TSX:CNR) Stock Be on Your TFSA Buy List Today?

Description

Investors are constantly searching for top-quality stocks to add to their self-directed [TFSA](#) 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 right now.

Earnings

CN reported strong Q4 and full-year 2018 results. Revenue in the final three months of the year came in at \$3.8 billion, representing a 16% increase over Q4 2017. Full-year revenue rose 10% to \$14.3 billion. Operating income rose 19% in the quarter and 5% for the year compared to 2017. Full-year adjusted diluted earnings per share increased 10%.

Overall, CN had a solid 12 months and management is forecasting good results in 2019. Earning per share are expected to grow by at least 10% this year, supported by strong demand for its services across the various business segments. Despite some weak economic data in recent months, the company believes the overall economic backdrop in Canada and the United States remains positive.

Investment

CN's 2019 capital program is set at a record \$3.9 billion. The company is investing in new locomotives that are more efficient. CN is also adding new rail cars to meet rising demand in areas such as grain and crude oil transportation. In addition, CN is investing in technology to help drive efficiency in the scheduling system and continues to upgrade its routes and expand its intermodal hub services.

Wide moat

CN has to compete with trucking companies and other railroads on some routes, but it enjoys a

competitive advantage with its unique rail network that connects three coasts. New tracks won't be built by a competitor to serve the same routes and merger attempts in the rail sector normally run into strong regulatory headwinds.

Cash machine

CN generates significant free cash flow and shares the profits with investors through dividend increases and share buybacks. The company just raised the dividend for 2019 by 18% and intends to repurchase as many as 22 million shares through the end of next January.

The current distribution provides a [yield](#) of 1.6%.

Returns

CN has made some long-term investors quite wealthy. A \$10,000 investment in the stock 20 years ago would be worth about \$250,000 today with the dividends reinvested.

Should you buy?

The stock has rallied from the December low of \$96 to the current price near \$116, which isn't too far off the high it hit last year. CN isn't as cheap as it was just before the holidays, but still remains an attractive pick for buy-and-hold investors who simply want a quality stock they can add to their portfolios and forget for two or three decades.

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