



## Why CN Railway's (TSX:CNR) Latest Acquisition Is a Huge Deal for Shareholders

### Description

**The Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) has been one of the best-performing TSX dividend stocks over the past decade. Since the bottom of the great recession, the company's stock has risen more than 450% compared to the TSX's 116% in the same period.

The stock's rise has been due in no small part to CN's massive service area, which [connects three coasts](#), giving the company an edge in long distance North American transportation.

CN Railway's three coast network makes it one of the largest North American railways by service area. Recently, the company [bought the Massena line](#) from ailing railway company **CSX**, adding even more shipping routes to its network.

Although the details of the transaction haven't been disclosed yet, it's quite likely that the new line will be a significant revenue booster for CN. To understand why, we first need to look at CN's existing service area and how much new business could come from adding more locations.

### Expanding the company's already massive service area

CN Railway's network encompasses 20,000 route miles of track spanning the east and west coasts of Canada to the Gulf of Mexico. This enormous service area gives the company a competitive advantage in long distance cross-border shipping: no other company could ship freight from (for example) the southern U.S. to British Columbia as efficiently.

The more routes CN adds to its service area, the more potential areas for shipping freight.

The line that CN acquired from CSX stretches from Valleyfield Quebec to Woodward NY. Along the way, the route makes contact with Beauharnois and Huntingdon in Quebec and three locations in New York.

Although none of these are overly populous areas, there are enough of them to generate significant revenue—especially as they give CN the ability to ship from these areas to parts of its own service area

that CSX couldn't reach.

## Potential contribution to CN's bottom line

The exact amount of revenue that CN expects to earn from Massena is unknown. What *is* known is that as a result of the acquisition, CN will connect Montreal with Syracuse, New York—the line doesn't reach Syracuse by train but does with intermodal.

These are two large areas that could potentially ship significant amounts of cargo, both to each other and to other smaller areas along the route between them. So even though Massena's 350 kilometers of track is small as a percentage of CN's total system, it could punch above its weight in terms of revenue.

## Foolish takeaway

Over the years, CN Railway has delivered a lot of value to shareholders, thanks to its steadily increasing business, high profit margins and wide service area. The company's most recent acquisition promises to add to the company's ability to ship freight and generate fees.

As of now, it's not clear how much money CN will make off Massena, but with access to three coasts, the company could earn more money off the line than CSX had been earning prior to the acquisition.

### CATEGORY

1. Dividend Stocks
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