Attention TFSA Investors: Forget Cryptocurrencies and Buy Canadian National Railway (TSX:CNR) Stock

Description

Long-term investors look for companies with strong earnings growth today coupled with the ability to drive returns tomorrow and long into the future. This is the "secret sauce" of successful investing, but alas, it is easier said than done.

Often, a company that appears to be a good investment only has positive momentum in the short term but may be stuck in a declining industry, like paper products, or dealing with crushing competition that could make it irrelevant in a few years. Any retail company that is now competing with Amazon knows that unfortunate situation all too well.

On the contrary, discovering a rock-solid company with earnings momentum that understands long-term market forces and stays one step ahead of the curve can feel like finding a needle in a haystack. But these elusive companies exist and can serve as the platform to create generational wealth.

The stock and the play

Enter **Canadian National Railway** (TSX:CNR)(NYSE:CNI), a leading North American transportation and logistics powerhouse with a 20,000-mile network in North America, connecting ports on three coasts. CN Rail uses that unparalleled network to transport more than $250 billion worth of goods annually for a wide range of business sectors, ranging from coal and oil to everyday consumer goods.

While there are many reasons to love CN Rail's shares, including strong earnings momentum, I will focus on a different angle that will make it a powerhouse for decades to come. That angle is the company's use of technology to drive efficiencies and reduce costs, which will supercharge its earnings for years to come.

Massive technology transformation underway

The way CN Rail speaks about its technology roadmap makes it sound like a start-up with bubbling excitement about the “art of the possible,” which is refreshing. Implementing new technology projects over the next few years will significantly improve inspection reliability, data analytics, and safety.

CN Rail clearly understands that data analytics is the new digital-age currency that can serve as an important strategic asset if harnessed to enhance profitable decision making in real time.

Before deepening its technology focus, the company made a savvy decision in hiring a top-tier business leader, Michael Foster, from FedEx in the role of chief information and technology officer. Michael came on board in 2018 with broad geographical experience gained in Europe, the Middle East, Africa, and the Asia-Pacific region with one of the world’s most sophisticated logistics leaders.

CN Rail’s shrewd talent acquisition was no accident. Michael’s profile made him an ideal candidate to help execute CN Rail’s master plan of marrying technology with logistics and supply chain enablement.

Technology is great, but will it benefit shareholders?

CN Rail has delivered a 551% cumulative return to shareholders over the last decade. This means that the company is fantastic at delivering long-term returns to its owners. A simple example of a common safety and security check illustrates how the company plans to use automation to deliver real, tangible value.

A typical railcar inspection takes about two minutes for a mechanic who needs to shine a flashlight on the railcar’s undercarriage to spot areas in need of repair. The mechanic may not spot all areas, because we are human and can sometimes make mistakes, get sloppy, or simply get tired.

CN Rail has correctly figured out that automated inspection can evaluate 120 railcars in the same time it takes a worker to manually check a single car. This quantum leap in efficiency will save the company between $200 million to $400 million from 2020 to 2022. Every dollar in cost savings will go straight to the bottom line, all else being equal. Smart investors should pay attention to this beautiful math.

The final verdict

CN Rail’s share price has stalled around $122 a share for the last three months, after a 25% run-up in the first six months of the year. This means smart TFSA investors have an opportunity to dip their toes in at a reasonable price and own a piece of a company that has consistently delivered double-digit returns.

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