



CN Rail (TSX:CNR) Is Nearing a Massive Buy Signal

Description

CN Rail ([TSX:CNR](#))([NYSE:CNI](#)) may have the widest [moat](#) of all publicly traded businesses. The railway's coast-to-coast-to-coast rail network is virtually impossible for even the most deep-pocketed of firms to reproduce. It's these sky-high barriers to entry, I believe, that makes CN Rail an ideal [foundation](#) for any portfolio.

In addition to having a wide moat, CN Rail also has a simple, easy-to-understand business model and steadily uptrending earnings over the course of many decades. Not many firms have such an impressive and extensive track record, and as we enter an age of technological disruption, where few traditional industries are safe, CN Rail's massive moat will serve to protect its above-average top- and bottom-line growth over time. Thus, leading to outsized dividend growth through the best and worst of times.

The secret is out on CN Rail though. Many Canadian institutions, passive-investment products, mutual funds, and even Bill Gates own a boatload of shares. If you sell your shares today, odds are, you'll likely be selling to one of these entities.

Because CN Rail is known to be one of the best Canadian Dividend Aristocrats for long-term investors to own, the stock has seldom traded at multiples that are anything short of a rich. You've got to pay a premium price tag for a premium business, after all!

CN Rail doesn't just have one of the most enviable rail networks in the continent; its stellar management team also continues to raise the bar on efficiencies, with a best-in-class operating ratio (in the mid-50s) that other rails continue to shoot for. What's even more remarkable about CN Rail is the fact that its operating ratio recovered in just a quarter after its tough Q1. Talk about roaring out of the gate!

A fantastic management team with one of the widest moats out there — sounds like a wonderful business. And today, the stock appears to be trading at a wonderful price amid the geopolitical turmoil.

At the time of writing, CN Rail stock trades at 17.4 times next year's expected earnings, slightly lower than the five-year historical average forward P/E of 18.2. While the economy has been a rockier road

over the past year, CN Rail looks poised to continue improving upon its operating ratio as it prepares for a potential volume increase.

Not only is CNR stock cheap based on traditional valuation metrics, but the stock is also close to a strong level of support at around \$118. Today, shares trade at \$120 and change and could be positioned to bounce off its support level after consolidating for the last two quarters.

The dividend yield of 1.8% is also on the high end. With a generous dividend hike likely around the corner, I'd say now is as good a time as any to hop aboard CN Rail. It's rare that the stock trades at a slight discount with such promising technicals.

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