TFSA Investors: This Top TSX Dividend Stock Is a Must-Buy Amid Market Crash

Description

Many top **TSX s**tocks have corrected by about 10% to 60% amid the horrible fall in the last couple of weeks. Tax-Free Savings Account (TFSA) investors can seek opportunities that offer both dividends and capital appreciation, as the total return for them is tax-exempt. The timing is certainly appropriate, as most of such stocks are available at large discounts.

One such stock that offers both dividend growth as well as capital gain potential is **Canadian National Railway Co.** (TSX:CNR)(NYSE:CNI). The transportation company connects three coasts– the Atlantic, the Pacific, and the Gulf of Mexico, with its 19,600-mile network. It generates stable cash flow and thus compensates investors with steady dividends.

Competitive advantage

The recent weakness has made Canadian National Railway stock very attractive. It has fallen approximately 20% amid broader market weakness in the last couple of weeks. The stock is currently trading close to its December 2018 levels.

Even if the CNR stock has pummeled to its multi-year lows, the fundamentals of the company remain strong. Canadian National Railway is a backbone of the North American economy and supports trade across the U.S. and Canada. As well, its unique access to three coasts gives it a much-needed competitive advantage.

Railroad transportation remains a high barrier industry that deters new entrants. This provides a wide moat, which investing legend Warren Buffett looks for while making his long-term bets.

The transportation industry is facing multiple challenges such as driver shortages and highway congestion, which makes the railroad a better and lucrative option for shipping and logistics.

Canadian National Railway transports a range of products. Notably, petroleum and chemicals form the largest chunk, just 20% of its total revenues. For instance, even if energy markets suffer through turmoil, only 20% of its revenues will be at stake, making its rest of the top-line safe. Thus, its diversified portfolio bodes well for long-term growth and stability.

Stable dividends

Canadian National Railway has been generating stable revenues and earnings for the last several years. Both were in the higher single digits in the same period.

However, investors might not bother much about its slower earnings growth. What's important is its earnings stability, as the same has been a key driver of shareholders' stable dividends.

The company offers a dividend yield of 2%, which isn't as juicy as one would expect. However, its dividend growth was close to 17% compounded annually in the last five years.

In 2020, Canadian National Railway is expected to pay dividends of $2.32 per share. Its long dividend payment history indicates stability and predictability.

CNR stock has notably outperformed broader markets over the long term. If you had invested $10,000 in CNR a decade ago, the investment would have accumulated $42,500 with dividends reinvested. In the same period, the **S&P 500/ TSX Composite** Index would have made only $12,000.

That could discourage growth investors, as some top tech stock delivered significantly higher returns in this period. However, an investment into Canadian National Railway stock would give a defensive tilt to the portfolio and a long-term hedge against broad market volatility.

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