



1 Canadian RRSP Stock Warren Buffett Would Favour

Description

Railroads in general have been some of the steadiest stocks to own through this pandemic. [Warren Buffett's](#) long-term buy and hold strategy with respect to railroads is one that has proven to be successful from both a growth and defensiveness standpoint.

This remains the case for one of Canada's two railroads, **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)). This is a stock that is essential to the North American economy, and is one of the safest on the **TSX**. For those looking to load up their RRSP portfolios, Warren Buffett would definitely approve this pick.

Fundamentals solid

There's simply a lot to like about CN's impressive fundamentals. For long-term investors, these are numbers worth paying attention to.

CN's operating margin is near 40%. The company's return on equity is around 18%. Historically, the company has grown its earnings at around 10% a year, an impressive rate for a "low tech" stock. This is a stock that is trading around 18-times operating cash flow with a stable and growing dividend yield around 1.6%.

Additionally, CN has consistently raised its dividend distribution by double-digits over the past five years. I think this company is poised to do much of the same long-term. Despite a relatively low yield, those holding over the long-term have generated very reasonable income streams over time.

A business model Warren Buffet would like

CN is indeed a highly cyclical name, which is both good and bad for investors. For those worried about a significant recession on the horizon, CN stock could dip as economic activity ramps down. That said, the cyclical recovery many expect from this coronavirus pandemic could provide another shot in the arm for companies like CN. This company has great growth potential long-term, so short-term peaks

and valleys ought to be looked at as “hold” and “buy” opportunities for truly long-term investors.

Additionally, a dip would provide a nice buying opportunity for long-term investors betting on the strength of the North American economy. This is one of the things Warren Buffett has done so well over the years — that is, picking great companies with durable competitive advantages that are trading at unreasonably low levels, and loading up. CN is a company that isn’t cheap today, but reflects growth at a respectable price.

Bottom line

Personally, I think CN is one of the safest stocks to own out there. For those looking to add this stock in their RRSP and have a multi-decade long time horizon, any time is a good time to buy this stock. For those looking for better entry points, adding this stock to one’s watch list and buying on weakness is a great strategy as well.

CATEGORY

1. Dividend Stocks
2. Investing

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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

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