



Why Buy Canadian National (TSX:CNR) Right Now?

Description

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is full of potential and for some investors, confusion. At a first glance, investing in a railroad stock in 2021 doesn't seem like a sound long-term strategy. The stereotypical view of railroads is that are low-tech remnants from the last century with no place in the digital economy. That begs the question of whether investors should buy Canadian National at this juncture.

Let's try to answer that question while dispelling some of those stereotype myths.

What Canadian National really offers, few can match

When evaluating Canadian National, there are three main points that investors need to consider.

First, we have volume. Railroads haul considerably more freight than other means can support, with a much more stable frequency. That freight can be anything from automotive components and chemicals to paints, raw materials, and finished components. Additionally, Canadian National is a well-diversified investment. This means that there's never going to be a single type of freight that accounts for a majority of the railroad's business.

Speaking of which, the railroad hauls over \$250 billion worth of freight each year. The underlying necessity of those goods and the impact it has on the overall economy is huge. That might be reason enough for some to buy Canadian National.

The second point to note relates to Canadian National's track network. CN is the largest railroad in Canada and one of the largest on the continent. The railroad is also the only one on the continent with direct access to three coastlines.

This is an important and often overlooked consideration. Railroad networks are established and incredibly expensive to build out. In fact, many of today's railroad networks developed well before the cities that surround them. This also means that new would-be competitors are limited in where railroad networks can be built out.

In other words, Canadian National, with its massive network that spans over 32,800 kilometers, is one of the most impressive defensive moats on the market.

But wait – there's more (income)

The third point which is also overlooked by prospective investors relates to Canadian National's dividend. The 1.91% yield on offer may not sound like much at first glance when compared to some [high-yield income stocks](#).

What Canadian National's dividend does offer however is an established record of growth. The Dividend Aristocrat has provided a quarter-century of annual, consecutive upticks to its dividend. Further to this, factoring in growth reveals a growth rate of upwards of 15% over that period.

Should you buy Canadian National now or hold off?

There's still another reason to hop on the Canadian National train. Specifically, the stock has dropped over 10% in recent weeks. Much of that drop was attributed to the offer on the table to acquire **Kansas City Southern**.

Both Canadian National and Canadian Pacific have put in bids for Kansas City Southern. Canadian National's US\$33 billion is the sweeter of the two offers right now, but anything can still happen. Irrespective of whose offer gets accepted, there are plenty of regulatory hoops to jump through before this is a done deal.

For prospective investors of CN, it's a win-win. If the offer is rejected, expect nearly all of the double-digit gap in stock price to close. If the offer is accepted, the long-term impact of the deal will fuel significant growth.

In either scenario, CN's growing dividend and stable business remains remain the primary reasons for investors to consider [buying at this juncture](#).

In short, buy Canadian National and hold it for decades.

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