



Investors: Buy Canadian National (TSX:CNR) Now!

Description

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is the largest railroad in Canada and one of the largest on the continent. That being said, that factor alone isn't a shining case for buying the railroad at this juncture. So, why should investors consider Canadian National? Let's try to answer that question as well as a more important one: Why buy Canadian National now?

Markets are on a roll...

Despite that the pandemic continues to rage on, markets have been on a tear in recent months. Adding to this, many businesses still not operating at their pre-pandemic levels, which is a concerning thread for market watchers.

In the case of Canadian National, the railroad is still trading down over 6% year to date. This pales in comparison with the over 15% increase the overall market has seen in 2021. Looking back over the trailing 12-month period shows an equally telling story. Canadian National shows a 12% increase while the market is well over 30%.

Part of that dip can be attributed to Canadian National's deal to acquire a **Kansas City Southern** in a US\$34 billion deal. That price Canadian National is paying will be seen as a premium for some, but the long-term potential of Canadian National expanding its already advantageous network is off the scale.

In other words, there's an opportunity to pick up Canadian National at a unique price point right now.

To put it another way, given that markets haven't fully opened yet, we may be overdue for a correction. Canadian National, however, is right where it should be and about to see extended growth.

Why buy Canadian National now?

Railroads are often misinterpreted by prospective investors. They are perceived as large, slow-moving, and inefficient relics from a prior period that have no place in our modern world.

That couldn't be further from the truth.

Railroads still account for a massive amount of freight movements across the continent. They connect ports with warehouses and factories across their vast network. In the case of Canadian National, that network extends to nearly 33,000 kilometres. More importantly, Canadian National is the only railroad on the continent with direct access to three different coastlines.

Canadian National's impressive network allows it to ferry a diversified array of freight. That freight can be anything from automotive components and chemicals to wheat and crude oil. Canadian National also maintains a well-diversified approach to its freight, ensuring that a slowdown in one area can be offset by growth in another. In total, the railroad hauls approximately \$250 billion worth of freight each year.

Those large railroad networks I mentioned above also serve as a massive defensive moat. In short, rail networks traverse around and through nearly every metro area on the continent. Entire communities and cities have been built around those tracks. This means that any prospective competitor entering Canadian National's corridor would be tasked with billions in construction costs spanning well over a decade.

There's still more to love about Canadian National

Apart from the incredible growth potential and stable business offering, Canadian National offers investors one more benefit. The railroad pays out a [respectable dividend](#) on a quarterly cadence. The current yield works out to just 1.88%, which hardly makes it the most compelling offer on the market. As with all things Canadian National, investors need to look a little deeper to find that opportunity.

Canadian National is a Dividend Aristocrat, offering investors handsome gains going back nearly a quarter-century. When factoring in those annual or better bumps, the railroad offers growth well into double-digit territory going back for years.

In my opinion, Canadian National is a great long-term investment that should be a [core holding in every portfolio](#). Buy Canadian National now and hold it for that growth and income-earning potential.

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