2 Solid TSX Stocks That Are Practically Immune to Competition

Description

Two **TSX** stocks with economic moats have endured the challenging environment in 2022. **Canadian Pacific Railway** (TSX:CP) and **Stella-Jones Inc.** (TSX:SJ) are outperforming the broader market because of their competitive edge over competitors. If you own one or both stocks, it would be best to hold them long term.

Unique railroad network

Canadian Pacific shares the centre stage with **Canadian National Railway** in Canada's railway industry, but it's performing better year to date, +15.39% versus +10.32%, respectively. The Canadian railway operator won over its chief competitor in the bid to acquire **Kansas City Southern**. The merger is awaiting final approval by the Surface Transportation Board (STB) in the United States.

According to the $97 billion company, the deal will create Canadian Pacific Kansas City (CPKC). The unique network will be a single-line railroad linking the U.S., Mexico, and Canada.

Keith Creel, CP's President and CEO, said, "CPKC will become the backbone connecting our customers to new markets, enhancing competition in the U.S. rail network, and driving economic growth while delivering significant environmental benefits."

CP likewise commits to reducing greenhouse gas (GHG) emissions from locomotive operations through the Hydrogen Locomotive Program. The program aims to develop the first line-haul hydrogen-powered locomotive in North America as it transitions to a low-carbon future in the freight rail sector.

In Q3 2022, revenue (freight and non-freight) and net income increased 19.1% and 88.8% to $2.31 billion and $891 million, respectively, compared to Q3 2021. Creel said, "CP's unique growth initiatives coupled with a robust Canadian grain harvest provide a strong volume backdrop as we finish the year." The rail chief is proud of the results and excited about the opportunities ahead.

Creel adds, "We are well-positioned to carry the momentum we gained in the third quarter through the rest of the year and beyond." CP trades at $104.36 per share and pays a modest but safe 0.7%

dividend. Market analysts covering the railroad stock have set a high price target of $130 (+24.6%) in 12 months.

Infrastructure play

If you're looking for a solid infrastructure play, Stella-Jones is the one. The $2.9 billion company also operates in the railway business, providing railway ties to short-line and commercial railroad operators. It also distributes premium-treated residential lumber to Canadian and American retailers and supplies wood utility poles.

The financial results in Q3 2022 were impressive. Sales and net income rose 24% and 31.2% year over year to $842 million and $65 million, respectively. Management said the strong quarterly results reflect robust growth in infrastructure-related product sales and note the normalization of residential lumber sales.

For 2022 to 2024, Stella-Jones projects the compound annual sales growth rate to be in the mid-single range (2019 pre-pandemic level to 2024). The $90 to $100 million capital investment should also support the growing demand of its infrastructure-related customer base.

Stella-Jones will likely end 2022 in positive territory. If you invest today, the share price is $48.40 (+23.44% year to date), while the dividend yield is 1.65%.

Wide MOAT stocks

The heightened market volatility this year could extend to 2023. However, Canadian companies like Canadian Pacific and Stella-Jones are solid investments due to their wide economic moats.

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2. TSX:SJ (Stella-Jones Inc.)

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