Canadian National Railway Company, Canadian Pacific Railway Limited, and CSX Corporation: 3 Dividend-Paying Railroad Stocks for Income Growth

Description

The railroad industry offers a way to build your stock portfolio with solid companies that have a history of rewarding shareholders. Here are three companies that provide steady returns for investors via their essential services:

1. Canadian National Railway Company

Canadian National Railway Company (TSX: CNR)(NYSE: CNI) operates the largest rail network in Canada as well as the only transcontinental network in North America. Canadian National has roughly 20,600 route miles of track in North America, and serves almost 75% of the U.S. population as well as all major Canadian markets.

The company is experiencing growth in international intermodal, agriculture, and merchandise. It has 23 intermodal terminals and the intermodal shipping option means the company's customers can utilize rail, trucks, and vessels to reach their customers. Its Great Lakes Fleet has 20 million tons of annual carrying capacity. It has vessels that can deliver 15,000 to 75,000 tons in all seasons.

Bank of Montreal analyst Fadi Chamoun has raised his price target for Canadian National from $76.00 to $82.00 based on Q3 revenue growth. Canadian Its current dividend yield is 1.24% and its dividend rate is $1.00.

2. Canadian Pacific Railway Limited

Canadian Pacific Railway Limited (TSX: CP)(NYSE: CP) had record revenues of $6.1 billion in 2013. In Q2 2014, the company reported more record financial results, with total revenues of $1.681 billion, a 12% increase. For Q2, Canadian Pacific had a 48% year-over-year improvement in earnings per share.

The company is experiencing growth in its domestic intermodal and energy segments. Regarding its domestic intermodal, it is an important focus for Canadian Pacific. The company has improved its transit time between Toronto and Calgary and between Calgary and Vancouver as it focuses on speed and consistency of service for its customers. Estimated capital investments for this year for Canadian

Pacific include $200-$275 million for network capacity and productivity.

Canadian Pacific is emphasizing a pared-down fleet, infrastructure, and workforce to control operating costs. In 2013, it operated with significantly fewer locomotives and greater than 10,000 fewer railcars than the prior two years.

The company's current dividend yield is 0.62% and its dividend rate sits at $1.40.

3. CSX Corporation

CSX Corporation (NYSE: CSX) provides rail-based transportation services including traditional rail service and the transport of intermodal containers and trailers. Its network covers approximately 21,000 route miles of track in 23 states, the District of Columbia, and Ontario and Quebec.

For Q2 2014, CSX's revenue increased 7% to an all-time record $3.2 billion. The driver was volume growth of 8%. In the last 10 years, CSX has increased operating income almost 600% and EPS from continuing operations by about 2,000%.

Intermodal is also one of CSX's main growth platforms. This year, it is expanding the recently built terminal in northwest Ohio to serve growing regional demand. For Q2 2014, intermodal domestic volume growth was driven by ongoing success with highway-to-rail conversions and robust demand. The company's international volume increased because of growth with customers in global container shipments moving to inland destinations.

With dividend growth the last four years, CSX's current dividend yield is 1.99% and its dividend rate is $0.64.

Consider the railroad industry for your portfolio. It's a way to diversify and capitalize on the need for efficient transportation that keeps the North American economy moving.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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