

Canadian National Railway Company or BCE Inc.: Which Is the Best Investment?

Description

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#)) and **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) are both hitting new highs on the back of solid earnings reports. Investors are wondering if the good times are going to continue for these two titans, and if so, which one offers a better opportunity for dividend growth and capital appreciation.

Let's look at both companies to see if either one deserves to be in your portfolio.

Canadian National Railway

Canadian National just reported record earnings for the fourth quarter of 2014. Net income rose to \$844 million, compared to \$635 million for the same period in 2013, and earnings per share hit \$1.03, a 36% year-over-year increase. The company continues to see strong results from all of its core operations.

Canadian grain deliveries hit a record in 2014. In fact, farmers in western Canada have been complaining that not enough rail cars are available to carry their harvest to the desired markets. The Canadian government has stepped in and is forcing Canadian National and **Canadian Pacific Railway** to deliver a minimum amount of grain per week.

Canadian National is also seeing strong revenue growth in its energy business. The drop in oil prices will have a negative impact on some of Canadian National's customers operating in the shale plays, but overall demand for oil transport is set to expand.

The Canadian Association of Petroleum Producers (CAPP) expects Canadian crude-by-rail transportation to hit 700,000 barrels per day by the end of 2016. The estimated throughput for the end of 2014 was about 400,000 barrels per day.

Canadian National carried more metals and minerals in Q4, as revenues in the group increased by 34%. Automotive revenues increased by 18%.

The outlook for 2015 remains very strong. Canadian National increased the dividend by 25% when it announced its Q4 2014 earnings. The new distribution of \$1.25 per share yields about 1.4%.

Since 1995, Canadian National has increased the dividend by an average of 17% per year, and the shares are up more than 40% in the past 12 months.

BCE Inc.

Canada's largest communications company continues to deliver solid revenue growth. In its Q4 2014 earnings results, BCE reported strong results from its wireless and wireline divisions.

The company is adding significant new subscriptions to both its broadband Internet business as well as

its Fibe TV offering. Analysts say the gains are coming at the expense of the cable competitors. BCE is also winning a larger piece of the postpaid wireless market, and its wireless subscribers continue to spend more on data services.

The company's expanding media division now brings in 13% of total revenue. The media group boasts Quebec's top five specialty channels, Canada's largest radio audience, and the most visited online properties in the Canadian media industry.

BCE just increased its dividend by 5.3%. The new distribution of \$2.60 per share yields about 4.5%. The company expects free cash flow growth of 8-15% for 2015, and the stock is up 21% in the past 12 months.

Which should you buy?

Both Canadian National Railway and BCE Inc. are great long-term picks. Canadian National probably offers a better opportunity for share appreciation, and the big dividend hikes could continue. BCE Inc. is a more conservative bet and a better choice for income investors who are primarily interested in yield.

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Author

aswalker

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