



## Efficiency and Dividends Make Canadian National Railway Company a Buy

### Description

When it comes to railroads, **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) is, hands down, my favourite. It is a consistent company that continues to grow and rarely makes it into the media, proving to investors that it is a company worth trusting to grow your wealth. And despite the fact oil prices are in constant fluctuation, the company appears to be doing just fine.

When comparing its net income year over year, Canadian National increased from \$2.61 billion in 2013 to \$3.16 billion in 2014. That incredible growth in revenue comes from a very well-diversified business in many different sectors. In grain & fertilizer, the company saw a 21% increase in revenue from \$1.63 billion to \$1.98 billion. And oil also increased by 21% from \$1.92 billion to \$2.35 billion.

But can the company continue to generate so much revenue from oil with the way the market currently is? Canadian National believes it can. The company believes that it will increase the total number of carloads carrying oil by 75,000. Even if it doesn't, there are plenty of other sectors that Canadian National can work with to generate the revenue needed to grow the business.

### Efficiency is Canadian National's golden area

A big reason Canadian National is able to generate so much income is because it is ridiculously efficient. One of the important data points that an investor should look at when analyzing a railroad is its operating ratio. The smaller the number, the more likely the company will be able to generate profit from the revenue it brings in.

The company has been able to drop its operating ratio down to 61.5%, which is an industry best. This gives the company a competitive advantage over others because it can lower its costs and still generate significant amounts of income—a position many other railroads might not have.

### Dividends

Now, this is what you really need to be thinking about when it comes to investing in Canadian National: Will the dividends continue to grow? The yield is 1.48%, which means you'll get \$1.25 per share of stock owned each year.

It's not the best dividend, but it is a consistent one. And it is growing. Every year for 19 years, it has grown and it just had a record 25% increase. The company should continue to experience more growth.

At the end of the day, Canadian National Railway Company is really efficient and pays a consistently growing dividend. It wouldn't be a bad idea to start a position in the company.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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