How to Build a Second Income Source, Part 2: Transportation

Description

In the first article of this series, I discussed the defensive industries of food retail and utilities. Today, I will continue with transportation-related companies that offer needed products and services to build a secure second income source with a dividend portfolio.

Transportation comes in many forms. When driving a car we need to fill it up with gas. That gas needs to be transported by pipelines. Then there are rail companies that transport a diverse range of products, including petroleum.

Pumping the gas at these energy companies

The top companies where we fill our gas tanks includes **Suncor Energy Inc.** (TSX:SU)(NYSE:SU), which is sold under the Petro-Canada brand, and **Husky Energy Inc.** (TSX:HSE).

Ticker	* Price	* Market Cap	* Yield	S&P Credit Rating	Debt-to-Capital
SU	$36.8	53.1B	3%	A-	24%
HSE	$25.2	24.8B	4.8%	BBB+	20%

* As of the close of May 8, 2015

Suncor has a 12-year record of growing dividends annually, while Husky has frozen its quarterly dividend since it cut its dividend from $0.50 per share to $0.30 per share in 2008. Further, Suncor has a more solid balance sheet.

I’m biased towards Suncor as a dividend-growth investor, but other investors may be attracted to Husky’s higher yield and lower debt.

Pipelines to transport the oil

With all that oil being pumped out of the ground, we need infrastructure to transport it. One way is to use the pipelines. The top companies in the industry are **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **TransCanada Corporation**

(TSX:TRP)(NYSE:TRP).

Ticker	* Price	* Market Cap	* Yield	S&P Credit Rating	Debt-to-Capital
ENB	$62	53.1B	3%	A-	60%
TRP	$54	38.4B	3.8%	A-	50%

* As of the close of May 8, 2015

My regular readers know that I'm bullish on Enbridge, but both companies generate stable cash flows and should continue increasing dividends at rates higher than inflation. Historically, though, Enbridge showed higher dividend growth with a five-year dividend-growth rate of 13.6%, while TransCanada's growth in the same period was 4.8%.

Rail companies transport many things

Rail companies such as **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Canadian Pacific Railway Limited** (TSX:CP)(NYSE:CP) transport products including petroleum & chemicals, grain & fertilizers, forest products, and metals & minerals.

Here's a comparison of the two:

Ticker	* Price	* Market Cap	* Yield	S&P Credit Rating	Debt-to-Capital
CNR	$78.8	63.2B	1.6%	A	35%
CP	$228	37.4B	0.6%	BBB+	53%

* As of the close of May 8, 2015

I like Canadian National with its bigger scale, higher dividend, rock solid balance sheet, and lower debt levels. Canadian Pacific also stopped growing its dividends, while Canadian National has been raising it every year for the past 19 years at a double-digit rate.

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POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CP (Canadian Pacific Railway)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:SU (Suncor Energy Inc.)
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Date
2025/08/24
Date Created
2015/05/13
Author
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