This 15% Dip in Canadian National Railway Company Is a Gift

Description

On May 12, 2015, an Amtrak train traveling from Washington to New York derailed. The train had 243 people on board. At least five passed away and many were injured. On May 13 the major railroad companies dipped over 3%. Of those, **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) dipped more than 3%.

I'm saddened to hear the news, but at the same time, this is an example of an event causing a temporary dip on high-quality companies that haven't changed fundamentally.

What Canadian National Railway is doing to improve safety

Canadian National Railway has the vision to be the safest railroad in North America by establishing a culture of safety. Every year the railroad invests a substantial percentage of revenue in safety training, technology, and infrastructure to ensure a safe environment for work and customer shipment delivery.

Canadian National Railway's Safety Management System is a proactive, comprehensive program designed to minimize risk and continually reduce injuries and accidents.

Returns comparison

Although the railroad pays a seemingly low yield of 1.7%, it's known to outperform the market as well as its peers. Below, we can compare the performance in different periods between Canadian National Railway and its peers.

Company	1-Year	3-Year	5-Year	10-Year
Canadian National	19%	25%	20.9%	16.2%
Canadian Pacific	24.8%	45%	29.6%	18%
S&P/TSX 60	7.5%	12.9%	7%	7.9%

Source: Data from Morningstar.com. Performance includes dividend reinvestment

I'm surprised to find that **Canadian Pacific Railway Limited** beat Canadian National Railway in all four periods. I've been ignoring Canadian Pacific because it has lower credit ratings than Canadian National Railway. The former has an S&P credit rating of BBB+, while Canadian National has a rating of A.

Additionally, Canadian National Railway has lower debt levels than Canadian Pacific. The former has a debt-to-capital ratio of 35%, while the latter's is 53%.

So, yes, you can probably get higher returns from Canadian Pacific because you're taking on more risk comparatively.

You can count on Canadian National Railway to increase its dividends on schedule; it has an impressive record of hiking its dividend for 19 years in a row at a double-digit rate. On the other hand, Canadian Pacific has frozen its dividend at $0.35 per share per quarter since September 2012.

Is now the time to buy Canadian National Railway?

Just two months ago, Canadian National Railway cost $87 a share with a price-to-earnings ratio (P/E) of over 22. After what I believe to be a temporary dip today, it now only costs $74 or a P/E of 18.7. This 15% dip is certainly a nice opportunity to own more shares in Canadian National Railway.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/22
Date Created
2015/05/14

Author
kayng