



2 Reasons to Buy Canadian National Railway Company in the New Year

Description

With the New Year festivities behind us, it's time to get down to business and set up 2016 to be a successful one for our portfolios. There are plenty of great companies out there that will do wonders for your portfolio, but I think the very first company that you should look at is **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)).

If we look at how the company did in 2015, we can see it was relatively muted. However, in comparison to other companies in its sector and across the entire market, Canadian National actually did pretty well. This leads me to believe that this stock could be one of the best in 2016.

Here are two reasons why.

The first has to do with its hyper-efficient operation. Due to low oil and labour costs, operating income increased by 16% in the first nine months of 2015. When the company reports on the fourth quarter, we'll see how it did. These low costs helped send its operating ratio down to 53.8% in the third quarter.

Going forward, I expect the low operating ratio to last because oil prices don't appear to be turning around any time soon, which will allow Canadian National to continue transporting goods for cheap. And Canadian National has one of the most efficient businesses on the market. Every railroad has faced low oil prices, yet Canadian National has the best operating ratio.

The second reason why this stock could be one of the best stocks in 2016 has to do with the money it returns to shareholders. For hardcore dividend investors, Canadian National is not quite worthy of attention. However, Canadian National has increased its dividend every single year for 19 straight years. In 2015 it increased the dividend by 25%, which is quite significant, to \$1.25 per share per year.

But it is the company's long-term dividend goals that make this company even more beneficial to investors. Right now, Canadian National has a payout ratio of 28% of its profits. Management has told investors that its target goal for dividends is 35% of its profits. As the company continues to grow its business, that 35% will be a bigger and bigger number.

On top of its dividend, Canadian National has been working to reduce the outstanding shares on the

market. It recently announced that it is going to buy back 4.9% of its shares. This helps investors over the long term because the fewer shares there are, the more earnings per share.

All told, Canadian National is one of the top railroad stocks on the market. It has a wide moat and can make the right moves to grow its business and reward its investors at the same time. Further, with its operation expenses staying so low, I expect that profits are going to continue getting stronger. Investing in Canadian National Railway Company in 2016 would be a smart move, especially for those looking for portfolio stability.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/08/24

Date Created

2016/01/04

Author

jaycodon

default watermark

default watermark