Dividend Seekers: Consider Canadian National Railway Company

Description

While other railway companies are looking to mergers for growth, **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) has outlined a massive spending plan for 2016 as part of the company's annual results and once again hiked its dividend.

Here's a closer look at how Canadian National fared over the past year and what it plans to do going forward.

A great year for Canadian National

To say that 2015 was a difficult year for railway operators would be an understatement. Canadian National had a myriad of issues to overcome, such as weaker demand for freight, the decreasing price of oil, and operational efficiencies.

The company emerged from each of these challenges and reported fourth-quarter results last month that impressed analysts and investors alike. Looking at the full-year results, the company posted a record year in earnings with diluted earnings per share up by an impressive 18% to $4.44 per share.

Canadian National is already the leader in terms of efficiency, and the operating ratio for the fourth quarter improved even further to 57.2%.

More dividends please

Canadian National announced an increase to the dividend of approximately 20%. The increase, which the company announced despite the drop in freight traffic and weak economy is based on the notion that profit growth will kick in towards the latter half of the year.

Now, keep in mind that prior to the current quarter, Canadian National was already a great option for dividend-seeking investors. The company has raised the dividend consecutively over the past 20 years; that increase came in on average at 17%. For the company to step forward with a 20% increase now only makes it that much better of an investment.

Another point to consider is the defensive nature of the investment; railroads make great investments because the vast infrastructure, investment, and routing required for a railroad make the emergence of new competitors extremely unlikely. Mergers are few and are no doubt subject to severe scrutiny and regulatory approvals.

Investment in tracks and trains

As part of the most recent results, Canadian National has outlined a massive $2.9 billion in spending for the year; efficiency improvements are clearly the underlying objective.

The company earmarked $1.5 billion for track infrastructure, which is anything from replacing tracks and signals to putting up new bridges.

An additional $400 million is slated for new technology installations within the U.S. lines, and a further $400 million will be allocated to service and productivity improvements.

The rail car fleet is getting an upgrade through this investment as well in the amount of $600 million, which will be allocated towards 90 new locomotives.

Canadian National has done a great job making the company more efficient, and it has rewarded shareholders consistently with increases over the past 20 years. The fact that the company, which is reliant on freight from multiple sectors of the economy, managed to pull in record results for the year is impressive.

In my opinion, Canadian National is a great investment not only for investors seeking dividend growth, but also for those looking at long-term growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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