Brexit Deals: These 2 Dividend Stocks Are Still on Sale

Description

The Brexit sell-off is giving dividend-growth investors a chance to pick up some top companies at great prices.

Here are the reasons why I think **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) are attractive picks.

Canadian National Railway

The North American rail industry is working its way through a downturn, but CN continues to deliver solid results.

The company reported Q1 2016 net income growth of 13% compared with the same period last year, despite a 4% dip in revenue. That's a testament to management's ability to control costs and improve efficiency in the company's operations.

The operating ratio for the quarter came in at 58.9%, a full 6.8 points below the Q2 2015 result. A lower number is desirable because it indicates the company's operating costs as a percentage of revenue.

Currency moves are also helping the bottom line. CN generates a significant portion of its income in the United States, and profits are getting a nice boost with each greenback now converting to CAD$1.30.

Management increased the dividend by 20% earlier this year, and investors should see strong growth continue. CN kicks off a ton of free cash flow and is raising its target payout ratio. At the moment, the stock offers a 2% yield.

CN is one of those stocks investors can simply buy and forget about for decades.

CIBC

CIBC's business is heavily focused on the Canadian market, which means the Brexit decision is unlikely to have much of an impact on the day-to-day operations. In fact, the company isn't fazed at all by the news and is moving boldly ahead with some interesting growth plans.

What's going on?

CIBC just announced a $4.9 billion deal to acquire Chicago-based **PrivateBancorp Inc.** in a move that gives CIBC a strong foothold in the U.S. Midwest.

The bank had been searching for a wealth-management acquisition in the U.S. for some time, and most analysts anticipated a deal in the $1-2 billion range. The size of the PrivateBancorp purchase is certainly much larger than the pundits expected, but the move gives CIBC a chance to diversify its operations outside of the Canadian market.

CIBC is paying for the purchase with 40% cash and the remainder in CIBC stock.

The market knocked CIBC's share price down 3% on the news, but I think the deal is a wise one. The company gets the additional wealth-management assets it was looking for as well as an opportunity to expand its retail presence into the United States.

CIBC currently pays a quarterly dividend of $1.21 per share for a yield of 5%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:CNI (Canadian National Railway Company)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:CNR (Canadian National Railway Company)

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aswalker