Why 2018 Should Prove to Be a Great Year for This Dividend Aristocrat

Description

Companies that warrant consideration as dividend aristocrats are those that are considered to be high-quality or “blue-chip” companies with healthy balance sheets and long track records of consistent dividend increases.

Technically speaking, however, what meets the official definition of being a dividend aristocrat in Canada is somewhat different than in the United States.

In the U.S., to be a dividend aristocrat and included in the S&P Dividend Aristocrat Index, a company needs to have consistently raised its dividend each year for the preceding 25 years.

Meanwhile, to be considered a dividend aristocrat on the Canadian index, the standards are a little looser. The company must have increased its dividend for at least five consecutive years; there’s also the allowance that the company could have simply maintained, but not raised its payout for a two-year period within the last five years.

It’s easy to see that the criteria to be considered a Canadian dividend aristocrat is considerably less stringent than in the U.S., which somewhat takes away from the value of the title.

However, **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is a Canadian dividend aristocrat that has such a great track record that the company could — but quite not quite — almost be considered a dividend aristocrat as evaluated by the more strict U.S. criteria.

Thanks to its financial strength and industry-leading rail network, CN Rail has raised its dividend payout in each of the last 22 years, capped off by a big 10.3% hike this past January.

The company is coming off a strong 2017 calendar year that saw its revenues increase by 8% to $13,041 million and adjusted net earnings gain 6% year over year to $3,778 million.

However, the fourth quarter was a little weaker than some had wanted to see, with adjusted earnings for the quarter down 6% to $897 million. Despite that, revenues in the fourth quarter were up 2% to $3,285 million, revenue tonne-miles increased by 1%, and car loads were up by 7%.

The catch was that operating expenses jumped 9% in the quarter, outpacing the gain of sales.

Despite a strong year for investors that saw CNR stock gain 18%, shares sold off on the weaker Q4 results. The good news: that has actually created a solid buying opportunity for long-term investors.

CNR shares are now 9% off where they traded at the start of 2018, even following a 5.6% gain since the last week of March.

The timing is right to make your move

CNR stock has gained in recent trading sessions, as the energy market has shown signs of a recovery.

Thanks to temporarily depressed prices for Canadian oil, the market has seen a resurgence in the crude-by-rail strategy, which had previously led to record performance by CN Rail and peer **Canadian Pacific Railway Limited**.

While the railways may not be as cheap today by historical standards as they were 10 years ago, now may still be a good to add to your long-term holdings in CN Rail on short-term weakness.

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