Is Canadian National Railway Company or Bank of Montreal Best for Dividends?

Description

Dividend investors are constantly searching for top stocks to add to their portfolios.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Bank of Montreal** (TSX:BMO)(NYSE:BMO) to see if one is attractive today.

CN

CN is the only rail operator in North America with tracks connecting three coasts. The advantage is an important one, and investors should feel confident things will stay that way.

Why?

Attempts to merge railways tend to run into regulatory roadblocks, and the odds of new tracks being built along the same routes are pretty slim. CN still has to compete with trucking companies and other railroads on some routes, so it is investing in network upgrades and new locomotives to ensure it remains competitive.

The company gets a significant part of its revenue from the United States, providing a nice hedge against a downturn in the Canadian economy. CN also operates in many business segments, and when one division has a bad quarter, the others normally pick up the slack.

The company has a strong history of dividend growth supported by rising revenue, and CN generates carloads of free cash flow. At the time of writing, the stock provides a 1.8% yield.

Long-term CN investors have done well. A $10,000 investment in the stock 20 years ago would be worth more than $185,000 today with the dividends reinvested.

Bank of Montreal

Bank of Montreal has paid a dividend every year since 1829, and it has increased the distribution by a compound annual growth rate of 8% over the past 15 years. That's an impressive track record that should continue.

The company has a balanced revenue stream with personal and commercial banking, wealth management, and capital markets operations.

The bank is primarily known for its Canadian business, which generates 68% of the net income, but Bank of Montreal also has a large presence in the United States that dates back to the 1980s, with most of the roughly 570 U.S. branches located in the Midwest. As with CN, the U.S. operation provides a nice revenue stream that is outside the home market, and investors can see a solid boost to the bottom line when the U.S. dollar strengthens against the loonie. The U.S. segment generated 25% of Bank of Montreal's fiscal Q1 2018 net income.

A $10,000 investment in Bank of Montreal 20 years ago would be worth more than $55,000 today with the dividends reinvested.

Is one more attractive?

Both CN and Bank of Montreal should continue to be solid picks for buy-and-hold dividend investors.

That said, I would probably make CN the first choice today. The Canadian and U.S. economies are doing well, and the company appears to have turned the corner after a rough winter.

Bank of Montreal currently trades at 13 times trailing earnings, which makes it a bit expensive compared to some of its Canadian peers.

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