2 Stocks I'd Buy Ahead of Canadian National Railway (TSX:CNR)

Description

As the market sold off on Wednesday's trading session, including the TSX Index, down over 330 points, or 2.1%, Canada's largest railway by market capitalization, **Canadian National Railway** (TSX:CNR)(NYSE:CNI), didn't fare much better.

In fact, it actually fared a lot worse.

The rail operator lost 5.45% of its value on Wednesday. If you're learning about this for the first time, maybe you're scratching your head or asking yourself, how that could be?

After all, railway operators have long been lauded by investors for their stability, their solid dividend payouts, and the central role they play in North America's economy.

CNR, moreover, is probably be viewed by many investors as being at the top of the class, as North America's most profitable, stable, and efficient railway network.

What exactly went wrong on Wednesday?

The fact of the matter is, CNR has been on a tremendous roll (ahem) since the 2008-09 financial crises — a roll that's seen the value of the company grow by more than five-fold over that stretch from a low of under $20 on the TSX in March of 2009 to an all-time high earlier this year; at one point, the shares appeared to be flirting with the $120 mark.

But the reality is that railways and CNR just haven't changed all that much since 2009.

The extremely stable nature of the railway industry, which is exactly what makes it and others such solid long-term buy-and-hold investments, also means that it's been difficult for the company over the past 10 years to keep pace with the growth in its share price.

Today, the shares only yield 1.63%, while the stock trades at a multiple of more than 17 times its expected forward earnings. Neither measure is exactly cheap for a mature, slow-growing company like CNR.

One stock I happen to like a lot more than CNR right now is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP).

On Wednesday, when CNR dropped 5.45%, BEP stock was down less than 1%.

If that doesn't give you a good indication about how the market feels about the relative value of these two companies, I'm not sure what will.

Not only does BEP's dividend of 6.55% easily trump CNR's yield, the company is invested in several exciting renewable power projects around the world.

Ask yourself now which company you think has a brighter future in front of it.

The other company I like better than Canadian National Railway on a relative value basis is **Sienna Senior Living** (TSX:SIA).

Like BEP, SIA shares are paying a much better dividend right now, offering shareholders a 5.6% dividend yield.

And like BEP, I'd argue the case for SIA is stronger than for CNR right now.

Sienna owns and operates seniors home properties in British Columbia and Ontario and is the largest long-term care (LTC) provider in the Ontario market.

Not only does SIA stand to benefit from the aging baby boomer population, but the government makes it pretty difficult to obtain licences to run the province's LTC facilities, adding a considerable moat, or barrier to entry, around its existing book of business.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:SIA (Sienna Senior Living Inc.)

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