This Growth/Dividend Stock Is a Great Buy for 2019

Description

When markets plunge, not everyone loses. The majority of investors run away as volatility spikes and risks grow, but some smart investors look for bargains when they see blood.

In Canada, there aren't many stocks that one could confidently buy on the dip. One of my favourites is **Canadian National Railway** (TSX:CNR)(NYSE:CNI), one of the largest transportation giants connecting the North American economy.

But before I convince you that CN Rail is a great bargain for your growth and income portfolio, I would like to make it clear that my admiration for this stock is basically driven by my belief that North American economy won't go into a recession in 2019.

The companies that move freight from one place to another are very much tied to the general direction of the economy. If you believe the recession is just around the corner, then CN Rail might not yet offer a good bargain for you.

Here are the main factors that I think will continue to fuel growth in CN Rail earnings, its share price, and dividend.

A dominant market position

For long-term investors, CN Rail is a great growth play to consider. This transportation giant has a dominant position in North America, running a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico.

This unique position in the region's logistics makes CN Rail a stock that poised for excellent growth. The company is benefiting from a strong North American economy and the capacity constraints in Canadian energy pipelines.

Early in 2018, CN Rail faced some capacity issues after the company's former CEO failed to get the network prepared for the massive jump in demand for shipments from both commodity and energy companies.

But that short-term setback was fixed quickly, as the railroad undertook a huge expansion plan, aiming to spend a record $3.4 billion to expand its western section, which includes a network from the British Columbia ports of Prince Rupert and Vancouver to Chicago.

Earnings momentum

The company's most recent earnings statement showed that the CN Rail has begun to reap the benefits of its investments. In the third quarter, CN Rail made the highest quarterly revenues of its 99-year history. The Montreal-based railway earned a net income of $1.13 billion in the quarter ended Sept. 30 — an 18% year-over-year increase.

Adjusted earnings rose to $1.1 billion, or $1.50 per diluted share, marking a nearly 15% jump from a year earlier and beating the analyst expectations.

With a strong growth potential, CN Rail is also a solid dividend stock. The company has paid uninterrupted dividends since going public in the late 1990s.

This year, management boosted the quarterly payout by 10% to $0.46 per share, totaling $1.84 annually for a yield of 1.83%. The company has been increasing its dividend with a five-year CAGR of 14% and has plans to continue with the double-digit growth in its payouts going forward.

Trading at $100.51, CN Rail stock trading almost 15% lower than its record high in September and at the level it was in the spring of 2018. With the company's strong earnings momentum and its growing payouts, I believe CNR stock is an attractive option for long-term investors.

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Author
hanwar