2 Top Canadian Dividend-Growth Kings to Buy Right Now

### Description

Dividend-growth stocks are tough to grab at bargain-basement prices. Whenever there's a modest discount to be had, investors should look to accumulate shares, as some of the best dividend growers tend to sport premium price tags. The top Canadian dividend growers tend to be well worth any premiums over the long haul.



Like wine, dividend-growth stocks tend to get better with age. Although the upfront yields of dividend-growth stocks may not seem meaningful at the time of purchase, they do tend to make more of a difference each year that goes by. Thus, in decades down the road, one's top dividend-growth kings can actually be a source of considerable passive income, as the yield based on one's invested principal grows like a snowball rolling down a snowy hill.

Without further ado, let's have a look at two top Canadian dividend-growth stocks to buy and hold for the long haul.

## CN Rail

**CN Rail** (TSX:CNR)(NYSE:CNI) is a dividend-growth stock that deserves a premium price tag. The dividend-growth king may be economically sensitive, but don't count on the name to plunge to the same extent as the broader markets whenever there's a brutal crash. CN Rail holds its own because its high barriers to entry protect its growing slice of economic profits.

The 1.8%-yielding dividend may not seem meaningful right now. Still, given its payout is capable of growing at an above-average annualized rate, investors would be wise to accumulate shares anytime they're given a dip. Moreover, CN Rail stock doesn't stay discounted for very long, as many wise investors are quick to scoop up the name on any temporary setbacks.

The acquisition of **Kansas City Southern** in a deal worth around US$34 billion recently sent CN Rail stock tumbling. I find the dip to be nothing short of a great buying opportunity for investors who recognize the power of running through two borders and many coasts. With a sky-high moat surrounding north-south freight movements, I don't think investors are giving CN's managers the benefit of the doubt with the deal. Sure, it's a bit pricey, but is it really, given how rare such big rail deals are? Probably not. When you consider the "Roaring '20s" environment and how much better KSU's assets will be in the hands of CEO J.J. Ruest and company, I think it's a mistake to sleep on CNR stock while it's still off 10% from its high.

## Bank of Montreal

Just a year ago, investors were quick to ditch **Bank of Montreal** (TSX:BMO)(NYSE:BMO) stock for its commercial loan book and larger-than-average exposure to oil and gas loans. A year and a half later, and the tables have turned, and BMO stock has surged above and beyond its all-time highs. Oil prices are ridiculously strong, and I think the recent action in the bank suggests rate hikes are afoot.

With a roaring economy and a means to expand upon net interest margins (NIMs), the banks look to be on the cusp of a multi-year bull run. And with less exposure to the frothy Canadian housing market, BMO stock may very well be the best bank for your buck, just a year after it was one of the least loved for its slightly higher vulnerability to COVID-19's impact.

BMO is a Dividend King, with dividends being paid for well over a century. At 13.9 times trailing earnings, the stock may not seem cheap, but given the magnitude of earnings growth on the horizon, I'd argue that the risk/reward scenario is close to the best it's been in many years.



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