Canadian National Stock: 3 Top Reasons to Buy This Safe Dividend Stock Now

Description

Canadian National Railway (TSX:CNR)(NYSE:CNI) stock is trading largely on a mixed note in the ongoing year after consistently posting strong double-digit gains in the previous three years. While CN stock is up only by 2.3% year to date, it's still continuing to outperform the broader market as the **TSX Composite** benchmark has seen nearly 7% value erosion in 2022. With macroeconomic uncertainties continuing to haunt investors, investing in safe dividend stocks like Canadian National could be a wise decision.

In this article, I'll talk about three key reasons why I find CN stock to be one of the safest stocks with low volatility investors can bet on right now.

Improving financial growth trends

Canadian National is the largest railway company in Canada, with its huge rail network across Canada and the United States. In 2021, the company generated about 35% of its total revenue from its overseas operations, while the remaining came from its transborder, Canadian domestic, and U.S. domestic transportation segments. Based on business segments, intermodal transport was CN's largest segment based on its last year's revenue figures. At the same time, sectors like petroleum and chemicals, green and fertilizers, forest products, and metals and minerals also accounted for a large portion of its total revenue, making its rail transportation business well diversified.

In 2020, CN's revenue fell 7.4% YoY (year over year) to $13.8 billion, as the global pandemic badly affected the physical movement of goods and the supply chain sector. Nonetheless, the company reported notable financial recovery the next year as its 2021 revenue rose by 4.8% YoY to $14.5 billion. Despite facing the negative impact of the polar vortex, the summer forest fires in Western Canada, and severe rain and flooding in British Columbia, its adjusted earnings for the year jumped by 11.9% YoY to $5.94 per share in 2021.

Its financial growth trend is continuing to strengthen in the ongoing year, as the company reported a record quarterly revenue of $4.2 billion in the second quarter (Q2) of 2022 — also taking its quarterly operating income to a new record. As the global supply chain crisis gradually improves in the coming quarters, you could expect the demand for CN's services to increase further.

The other two key reasons that make it a safe stock to buy now

While you can't expect Canadian National's stock to make you a millionaire overnight, its strong track record of delivering healthy returns on investment each year makes it a safe stock to own amid rising macroeconomic uncertainties. CN stock has yielded positive returns eight out of the last 10 years. Overall, the stock has risen by 250% in the last 10 years combined. The main Canadian stock market index delivered only 61.6% returns during the same period.

Besides its strong fundamentals and strong track record of delivering consistent returns to investors, Canadian National's stable dividends make it even more attractive. While many investors might not find its 1.8% dividend yield very attractive, its consistent dividend growth makes it worth considering to generate stable dividend income. Interestingly, its dividend per share increased by about 64% in the five years between 2016 and 2021.

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Date

2025/08/28
Date Created
2022/09/12
Author
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