# Better Railway Buy: Canadian National Stock or Canadian Pacific?

## Description

Canadians are fortunate that many exceptional companies trade domestically. This makes it easy for Canadians to buy shares. In some cases, investors can find great companies that operate in the same industry. Take the railway industry, for example. Within that niche, there are two excellent blue-chip stocks that Canadians should consider buying today: **Canadian National Railway** (TSX:CNR) and **Canadian Pacific Railway** (TSX:CP).



In this article, I'll discuss which of these two stocks would be a better buy for your portfolio.

## Overview

Incorporated in 1919, Canadian National is the larger of the two entities. It operates nearly 33,000 km of track, which spans from British Columbia to Nova Scotia. The company also runs track through to Mexico. In 2019, this company was known for being a large holding in Bill Gates's portfolio, with the former **Microsoft** founder being Canadian National's single largest shareholder.

Operating since 1881, Canadian Pacific is a household name around the country. Like Canadian National, this company operates a massive track network (about 20,000 km). This company has been thrust into the spotlight over the past year and a bit due to its acquisition of **Kansas City Southern**.

## Company performance

In terms of revenue, Canadian National stands out as a clear leader. Over the past 12 months, this company has reported $15.4 billion in revenue. Compare that to its revenue in 2018, which was reported as being $14.3 billion. That represents a compound annual growth rate (CAGR) of nearly 2%. This has been reflected in its stock gaining about 39% over that period.

Although Canadian Pacific's revenue is much lower, it still shows a promising trend. Over the past 12 months, this company has reported $8 billion in revenue. This compares to just over $7.3 billion of revenue in 2018. That represents a CAGR of about 2.3%, which is slightly higher than Canadian

National's growth rate. Over the past four years, Canadian Pacific stock has gained nearly 79%.

## A look at their dividends

Both of these companies are also known for being solid dividend stocks. Canadian National is one of the strongest dividend stocks in Canada. It has managed to grow its distribution in each of the past 26 years. That makes it one of only 11 TSX-listed companies to reach that mark. Over the past five years, Canadian National's dividend has grown at a CAGR of 12.2%. Investors can also take advantage of a 1.88% forward dividend yield. Although it's not the highest, it *is* near that 2% yield that I look for in dividend stocks.

Canadian Pacific isn't as well known for its dividend-growth streak. It has only managed to increase its distribution in each of the past five years. However, that is good enough to include it as a Canadian Dividend Aristocrat. If the company keeps that up, it could one day boast a dividend-growth streak as impressive as Canadian National's. Over the past five years, Canadian Pacific's dividend has grown at a CAGR of 11%. This stock offers investors a forward yield of 0.78%.

## Foolish takeaway



In my opinion, if you're looking for a stable company that could give you a reliable dividend over time, then Canadian National would be the stock for you. It's the larger of the two companies, and its revenue is nearly double that of Canadian Pacific's.

However, younger investors should strongly consider investing in the smaller company. Canadian Pacific is growing at a fast rate, as evidenced by its greater stock appreciation and fast dividend growth. Its acquisition of Kansas City Southern could also boost the company to new heights. However, it's certainly more of a bet on the future compared to the more reliable investment that you'd get in Canadian National.

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