



7 Reasons to Hop Aboard Canadian Pacific Railway

Description

Incorporated in 1881, **Canadian Pacific Railway** ([TSX: CP](#))([NYSE: CP](#)) is a Canadian business and investment stalwart. Here are seven reasons to hop aboard.

1. Diversified geographic distribution

Canadian Pacific's 2013 freight revenue included 34% from domestic operations, 36% from global operations, and 30% from trans-border operations.

2. Operational efficiency

Canadian Pacific's operating plan is centered on longer trains. Last year, train lengths were up 9%. It had a 13% increase in train weight. Its fuel efficiency improved 8%. The company is operating with considerably fewer locomotives and over 10,000 fewer railcars than in 2011.

3. Strong leadership

In May, Canadian Pacific's board announced that CEO E. Hunter Harrison agreed to extending his contract by one year. Board Chairman Gary Colter, said, "In seeing CP's rapid turnaround under Hunter's leadership, the Board was unanimous in wanting him to stay on until 2017 and we are extremely pleased he has accepted."

4. Record 2013 revenues

For 2013, the company reported revenues of \$6.1 billion — a record. This represents an 8% increase over 2012. Its adjusted net income was \$1.1 billion, or \$6.42 per diluted share in 2013. This represents a 48% improvement in comparison to 2012. For Q1 2014, Canadian Pacific's total revenues were \$1.51 billion, a 1% increase.

5. Its domestic intermodal service

Canadian Pacific is focusing on its domestic intermodal operations, which consist chiefly of moving

manufactured consumer products in containers within North America. It has improved transit time between Toronto and Calgary by 27%. It improved transit time between Calgary and Vancouver by 22%.

Recently, **Canadian National Railway** ([TSX: CNR](#))([NYSE: CNI](#)) said that its transportation of western Canadian grain in the 2013-2014 crop year has now exceeded its previous historical record. When the numbers come in, it's expected that its hopper car deliveries to western Canadian grain elevators in May 2014 will average 5,500 carloads per week. This represents 50% more than the eight-year historical average, and 38% more than the best May ever.

6. Dividends

Recently, Canadian Pacific declared a quarterly dividend of \$0.35 per share on its outstanding common shares. Its dividend rate is \$1.40.

In April, Canadian National Railway announced a Q2 2014 dividend on its common shares outstanding. It will pay a quarterly dividend of \$0.25 per common share on June 30, 2014.

7. Boxcars of cash

Canadian Pacific has the funds to invest in its operations going forward. The company produced \$530 million in free cash flow in 2013. This represents an increase of \$93 million from 2012. For 2014, its estimated capital investments include \$200-\$275 million for network capacity and productivity.

Canadian Pacific Railway is consistently and calmly chugging along. It's not flashy, just dependable, as an investment vehicle for investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
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Author

mugulini

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