



# 5 Things to Watch in Canadian National Railway Company's Q3 Earnings Release

## Description

**Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)), the largest railway operator in Canada, has been one of the market's top performing stocks in 2014, rising more than 19% compared to the TSX Composite Index's 4.5% return. However, the stock was once up more than 35% on the year, but has fallen nearly 12% since September 18.

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One positive news release, such as a strong earnings report, could push the stock right back to its highs, and with this in mind, third-quarter earnings are scheduled to be released on October 21. Let's take a look at five of the most important statistics and updates investors will want to watch for.

### 1. Results versus expectations

First and foremost, it will be important for Canadian National to meet or exceed analysts' earnings per share and revenue expectations. Here is a chart of the current consensus estimates.

Metric	Expected	Year Ago
Earnings Per Share	\$1.03	\$0.86
Revenue	\$3.11 billion	\$2.70 billion

Source: Financial Times

The estimates above call for earnings per share to increase 19.8% and revenue to increase 15.2% compared to the year-ago period.

### 2. Fourth-Quarter Outlook

Secondly, it will be important for Canadian National to provide outlook on the fourth-quarter that satisfies the expectations of analysts. Currently, the consensus estimates call for earnings per share of

\$0.92 and revenue of \$3.04 billion, representing growth of 21% and 10.7%, respectively, compared to the fourth-quarter of fiscal 2013.

### 3. Full-Year Outlook

While providing satisfactory outlook on the fourth quarter, it will also be important for Canadian National to reaffirm its full-year outlook on fiscal 2014; this outlook, provided in its second-quarter report, calls for double-digit earnings per share growth compared to the \$3.06 achieved in fiscal 2013 and free cash flow in the range of \$1.8 billion-\$2.0 billion compared to the \$1.62 billion reported in fiscal 2013.

### 4. Free cash flow

As mentioned in the section above, Canadian National aims to generate \$1.8 billion-\$2.0 billion of free cash flow in fiscal 2014, so investors will want to watch for the total amount generated in the third quarter. The company got off to an incredible start in the first half of the year, reporting \$1.27 billion in free cash flow, so it would be ideal for another \$265 million-\$365 million to be reported in the third quarter.

### 5. Share repurchases

Lastly, watch for the total amount of shares repurchased. The company repurchased approximately \$1.4 billion worth of its common stock in fiscal 2013, so it would be great if it were to match or build on top of this total in fiscal 2014. Canadian National reported \$712 million in repurchases in the first half of 2014, so look for another \$340 million-\$350 million to be repurchased in the third quarter.

### Should you go long Canadian National today?

Canadian National Railway is one of the fastest growing blue-chip companies in Canada and this has led it to an incredible financial performance in the first half of 2014. Its stock has had a great run as well, rising more than 19% year-to-date, but it could see another substantial rally following the release of its third-quarter earnings results on October 21. Long-term investors should take a closer look and strongly consider initiating positions in Canadian National Railway in the days ahead.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

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