



It's Time to Buy Canadian National Railway Company

Description

Canadian National Railway Company ([TSX: CNR](#))([NYSE: CNI](#)) reported very strong earnings on its call yesterday, citing strong gains in the grain, energy, and metal markets shipment business. "We're clearly growing much faster than economy, which is our game plan," CEO Claude Mongeau said on the earnings call.

These strong results leave the company in a great place, especially since **Canadian Pacific Railway Limited** ([TSX: CP](#))([NYSE: CP](#)) fell short of analyst estimates. There are many reasons why I believe Canadian National Railway is a strong buy, especially with the recent dip in the price of the stock.

Time to buy the railroad express

Oil producers are increasingly relying on railroads to transport crude, which is why Canadian National doubled the number of cars carrying oil to 135,000 carloads. The benefit here for Canadian National is that this isn't likely to change. Some are expressing concern due to the drop in oil prices, but so long as this doesn't last long, oil producers aren't likely to decrease shipment.

Revenues grew 16% from \$2.7 billion, which allowed profit to rise a tremendous 21% to \$853 million.

Further, Canadian National is the top railroad in Canada, with far more miles than its smaller but more discussed competitor, Canadian Pacific. That gives it more reach and, in my opinion, more potential to survive any economic downturn and also to grow even faster.

Canadian National also reported an improvement in its operating ratio. While there are a lot of factors that should be weighed when discussing railroads, the operating ratio is one of the key measures of its performance. Canadian National's ratio improved to 58.8% from 59.8%.

Canadian National is a strong, stable company that continues to pay out dividends each quarter to reward investors. Furthermore, its reaches into Northern Canada and all the way down to New Orleans in the United States give it the ability to be a one-stop shop. With all the talk of creating a transcontinental railroad, Canadian National gets the closest.

All of these factors really drive my opinion that Canadian National Railway is a strong buy for the coming days and weeks.

A word of caution, though: Canadian Pacific still has acquisitions on its mind. This is likely to increase volatility for railroad stocks as a whole. While it pulled out of talks to acquire **CSX Corporation** (NYSE: CSX), I expect it to make an offer on another railroad. That could result in volatility, both up and down. Find the right point of entry on price and your profits could be great.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CP (Canadian Pacific Railway)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:CP (Canadian Pacific Railway)

Category

1. Investing

Date

2025/08/16

Date Created

2014/10/22

Author

jaycodon

default watermark

default watermark