



Canadian National Railway Company or Canadian Pacific Railway Limited: Which Is the Better Buy Today?

Description

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#)) and **Canadian Pacific Railway Limited** ([TSX:CP](#))([NYSE:CP](#)) are two of the largest owners and operators of rail networks in Canada and the United States, and both of their stocks represent great long-term investment opportunities today.

However, in order to stay diversified, we must only buy one, so let's take a closer look at each company's earnings results in the first nine months of fiscal 2015, their stocks' valuations, and their dividends to determine which is the better buy today.

Canadian National Railway Company

Canadian National's stock has fallen about 4.5% year-to-date, including a decline of more than 3% since it released its earnings results after the market closed on October 27 for its three- and nine-month periods ending on September 30, 2015. Here's a summary of 10 of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net income increased 17.2% to \$2.64 billion
2. Adjusted diluted earnings per share increased 19.9% to \$3.26
3. Total revenues increased 5.8% to \$9.45 billion
4. Total carloads decreased 0.4% to 4.16 million
5. Total rail freight revenue per carload increased 6.1% to \$2,144
6. Operating income increased 16.3% to \$3.91 billion
7. Operating ratio improved 370 basis points to 58.6%
8. Net cash provided by operating activities increased 18.5% to \$3.85 billion
9. Free cash flow decreased 14.9% to \$1.74 billion
10. Repurchased 16.2 million shares of its common stock for a total cost of approximately \$1.25 billion

At today's levels, Canadian National's stock trades at 17.4 times fiscal 2015's estimated earnings per

share of \$4.38 and 16.2 times fiscal 2016's estimated earnings per share of \$4.72, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.5 and the industry average multiple of 22.1.

In addition, Canadian National pays a quarterly dividend of \$0.3125 per share, or \$1.25 per share annually, which gives its stock a 1.6% yield. It is also important to note that it has raised its dividend for 19 consecutive years.

Canadian Pacific Railway Limited

Canadian Pacific's stock has fallen over 19% year-to-date, including a decline of more than 4% since it released its earnings results before the market opened on October 20 for its three- and nine-month periods ending on September 30, 2015. Here's a summary of 10 of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net income increased 18% to \$1.21 billion
2. Adjusted earnings per share increased 27% to \$7.39
3. Total revenues increased 3.4% to \$5.03 billion
4. Total carloads decreased 0.8% to 1.98 million
5. Total revenue per carload increased 4.2% to \$2,480
6. Adjusted operating income increased 19.4% to \$1.94 billion
7. Adjusted operating ratio improved 530 basis points to 61.3%
8. Cash provided by operating activities increased 25.2% to \$1.84 billion
9. Free cash flow increased 60.5% to \$979 million
10. Repurchased 12.97 million shares of its common stock for a total cost of approximately \$2.64 billion

At today's levels, Canadian Pacific's stock trades at 17.8 times fiscal 2015's estimated earnings per share of \$10.19 and 15.4 times fiscal 2016's estimated earnings per share of \$11.75, both of which are inexpensive compared with the its five-year average price-to-earnings multiple of 26.8 and the industry average multiple of 22.1.

Additionally, Canadian Pacific pays a quarterly dividend of \$0.35 per share, or \$1.40 per share annually, which gives its stock a 0.8% yield, but it has not increased its payment since 2012.

Which stock is the better buy today?

Here's how each company ranks when directly comparing their earnings results, their stocks' valuations, and their dividends:

Metric	Canadian National	Canadian Pacific
Earnings Strength	2	1
Forward Valuations	2	1
Dividend Yield	1	2
Average Ranking	1.7	1.3

As the chart above shows, Canadian National has a better dividend, but Canadian Pacific reported stronger earnings results in the first nine months of fiscal 2015 and its stock trades at more attractive

forward valuations, giving it the win in this match up. Foolish investors should take a closer look and strongly consider making it a core holding today.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

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)

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Date

2025/08/22

Date Created

2015/11/16

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