Canadian Pacific Railway Limited Has Some Troubles to Deal With

Description

Canadian Pacific Railway Limited (TSX:CP)(NYSE:CP) has some upside, but the company has some recent negativity that should keep investors at an arm's length for the time being.

The company's price target was recently raised to $225 from $215 on an average basis with a number of analysts increasing their targets on CP stock. Canadian Pacific Railway recently announced a quarterly dividend of 50 cents per share for shareholder on record as of Dec. 30, representing a $2 dividend and a yield of 1.04%. It will be paid on Jan. 30.

A recent trend of lower rail cars hauled by the company has hampered its financials recently. A rise in coal was expected to aid the company, but the figures were still underwhelming. Canadian Pacific Railway hauled 30,000 rail cars in the second week of December compared to 33,000 the prior year.

The company's rail cars, excluding coal, fell 10% at 24,000 units, lower than the 27,000 units in the same week last year. The figures are weaker than the industry as a whole, which has seen rail cars rise with the coal boom.

Canadian Pacific Railway is reporting its earnings in a week after the market's close. There is a 60% chance of the company failing to meet expectations in both the earnings and revenue categories. In its most recent report, the company earned $2.09 per share, missing the $2.12 per share that Wall Street was calling for. Revenue came in at $1.55 billion, lower than the $1.61 billion from the consensus estimate.

Bulls have been looking excitedly at the company's potential since it cut costs lately. However, management has been weaker as Canadian Pacific Railway's pricing power has been lower. Third-quarter revenue was a lower 7% year over year, and analysts predict CP stock is 45% overvalued. Although the company had a strong 2016, rising 8.4%, it could decline if the Trump rally slows down.

The company’s culture has taken a hit recently; it faces a lawsuit from a transgender woman who claims she was fired after she transitioned from man to woman. Rachel Lynn Peterkin said she always acted tougher than she was to appease the other men in the industry, but she always knew who she really was, and revealing this fact cost her her job.

She was investigated often for reasons that were unclear following a two-year leave of absence from 2014 to 2016. She returned a woman, leading to a number of violations, including failing to look on both directions before crossing the track and failure to end radio transmission in a proper manner. Canadian Pacific Railway has not commented on the suit.

Canadian Pacific Railway operates transcontinental railways in Canada and the United States, focusing in the rail transportation segment. It includes bulk commodities, commercial freight, and more from Montreal to Vancouver, as well as the northeast in the U.S. and the Midwest.

Overall, there is a lot going against Canadian Pacific Railway at the moment that should discourage investors from jumping in. With an overvalued stock, declining railway figures, and social problems with the company’s culture, there is a lot that needs to be sorted out for the time being.

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