



Is it Time to Reconsider Canadian Pacific Railway Limited?

Description

Canadian Pacific Railway Limited ([TSX:CP](#))([NYSE:CP](#)) recently reported an impressive earnings report last week which could be the start of a sustained rally to higher levels. The stock has been a laggard for over two years now, and the stock has struggled to break through the \$200 level of resistance for a considerable amount of time. This correction was definitely needed because Canadian Pacific is no longer the growth sensation it once was with Hunter Harrison at the helm.

Canadian Pacific is undergoing a transition to a post-Hunter Harrison era with new CEO Keith Creel in charge. This transition makes the stock of Canadian Pacific more of a value play than a growth play, as all the easy cost cuts have already been made. Going forward, any operational efficiency initiatives are going to take a substantially larger amount of time and effort. Canadian Pacific is no longer the growth star of the rails anymore, and because of this, the stock is less likely to trade at a premium to its peers in the rail space like it used to.

Don't be mistaken, Keith Creel has the expertise and experience to make Canadian Pacific a fantastic rail operator. He's been Hunter Harrison's right-hand man for over 20 years, and it was just a matter of time before Keith Creel got the opportunity to run his own railroad. Just because the company isn't a high-growth play anymore doesn't mean the company is a dud. After a long correction, I think Canadian Pacific is shaping up to be an interesting value play.

Josh Duitz, a portfolio manager at Alpine Funds believes that Canadian Pacific is trading at a substantial discount to its peers south of the border on an EBITDA basis. Carloads may have finally reached an inflection point, and we may have come to a point where the rails are ripe to take off. Mr. Duitz stated that Canadian Pacific "is one of the best-run railroads globally, so we think earnings will increase by double digits over the next couple of years,".

I believe Canadian Pacific could be ripe for a major break out over the next few months. The rails are a terrific place to be right now, especially considering the Trump administration will be giving the American economy a boost, which will, in turn, be beneficial for the Canadian economy over the next few years.

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Date

2025/08/29

Date Created

2017/04/26

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