Canadian National Railway Company's Shares Could Soar After a Strong Q3

Description

Canadian National Railway Company (TSX:CNR)(NYSE:CNI) released its third-quarter results.

The operator posted revenues of $3.2 billion, which were up 7% from a year ago. Net income for the quarter of $958 million was down just over 1% from a year ago, but adjusted earnings per share of $1.31 increased from $1.25.

At first glance, the stock looks to have had a strong performance and seems to have benefited from a growing economy.

However, let's take a closer look at the stock to determine whether or not it is a good buy today.

Freight revenue up 7%

A look at the different segment-based revenues tells us a bit of a different story from what we saw in **Canadian Pacific Railway Limited's** (TSX:CP)(NYSE:CP) earnings. While CP Rail had a more mixed bag of results among its segments, CN Rail saw just two areas where sales were down.

Grain and fertilizers brought in 1% less in revenue from the prior year, while forest products were down 2%. CP Rail saw declines for its grain and forest segments as well, but it also saw revenues drop for automotive, fertilizer, and intermodal segments. CN Rail groups fertilizer with its grain segment, and its automotive and intermodal segments were both up for the quarter.

Automotive was one of the most-improved segments for CN Rail, while CP Rail saw a sizeable drop. Coal revenues also saw a small increase for CP Rail, while CN Rail's sales were up 23%, and were only bested by the performance of metals and minerals.

Overall, CN Rail saw very good results from its different segments with only slight setbacks overall, providing quite a contrast from the results that CP Rail posted.

Operating expenses rose as a percentage of revenue

Operating income was up 3.7% for the quarter as higher operating expenses prevented more of the company's top line from flowing through to the bottom line. A year ago, operating expenses represented 53.3% of total revenue, while this quarter, that percentage rose slightly to 54.7%.

Foreign currency impact

CN Rail estimates that unfavourable currency fluctuations cost the company $22 million in profits, or $0.03 in per-share earnings.

Where the stock might go

CP Rail reported earnings earlier in the month; it also saw strong growth, and the stock has risen over 7% since then. CN Rail might be positioned for a similar result and could reach a new 52-week high as well.

Is the stock a buy today?

If CP Rail was a good indicator of what a strong result could do for a railway, then investors would be wise to buy shares of CN Rail before the stock takes off.

As the economy continues to grow, we will see more products transported across the country using these railway operators, which will result in greater freight-related revenues and the possibility for further growth down the road.

Although the stock does not offer a strong dividend with a yield just north of 1.5%, in five years the stock price has risen over 380% and could offer investors excellent growth opportunities.

If you believe that the economy is going to continue to grow, then you will likely be bullish on CN Rail's stock as well.

CATEGORY

1. Dividend Stocks
2. 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)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/29
Date Created
2017/10/25
Author
djagielski