



Canadian National Railway Company (TSX:CNR) Is Ready for Business

Description

When **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) failed to meet the vast majority of its shipments earlier this year, farmers and investors alike were distraught and baffled as to how the rail behemoth could have failed to that level.

Specifically, Canadian National managed to meet just 17% of its orders in February, and that weakness took its toll on [Q1 results](#) this past spring. During the earnings announcement, the company announced a series of measures that were both already taken and slated to be done later this year to both alleviate the backlog as well as ensure that it never happens again.

Has Canadian National improved over the course of the past few months?

Despite the disastrous start to the year, Canadian National remains an excellent long-term investment option, and that point came across strongly in the quarterly report on the second fiscal announced last week.

In that most recent quarter, Canadian National saw net income climb 27% over the same quarter last year to \$1.31 billion, and an equally impressive gain of 30% to diluted earnings per share over the same period, which came in at \$1.77. Overall revenues surged by 9% \$3.63 billion, while operating expenses also increased by 10% over the same quarter last year, coming in at \$2.11 billion.

Canadian National is often regarded as the leader in the rail sector when it comes to efficiency. In the most recent quarter, Canadian National saw the operating ratio come in at 58.2%. This latest update is not only an uptick of 9.6 points over the disastrous first quarter, but also surpass the figure noted in the same quarter last year by 0.7%.

Canadian National is back in growth mode

Much of Canadian National's revenue gain can be attributed to higher volumes, which were 7% stronger in the quarter, and look to continue being strong throughout the rest of the quarter.

A good portion of that growth is attributed to hauling petroleum and chemicals that saw an impressive

12% gain to \$616 million in the quarter, surpassing grains and fertilizers as well as forestry products, which clocked in at \$591 million and \$490 million, respectively.

While the ramp-up in crude volume may at least worry some farmers that have the delays of last winter still fresh in their minds, Canadian National's previously announced infrastructure spending is adding more staff, locomotives, and tracks to the western areas of the country, where the delays were felt the most.

Is Canadian National a good investment?

Year-to-date, Canadian National's stock has risen nearly 18%. Since the disastrous first quarter and subsequent sell-off, the company has seen an uptick of over 19%. As impressive as that sounds, this could be the first stop on a much higher run.

Keep in mind that railroads are like arterial veins for the overall economy, hauling more freight and hauling it further than any other medium. Canadian National is a leader in this regard, as it is the only railroad on the continent with access to three coastlines.

Then there's Canadian National's quarterly dividend, which currently provides a respectable 1.65% yield.

In my opinion, Canadian National remains an [excellent long-term opportunity](#) for investors looking to diversify their portfolio.

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