Why Canadian Pacific Railway (TSX:CP) Is the Most Attractive Buy in 2019

Description

Publicly listed companies, especially those that provide vital services that are regarded as economic drivers, never escape scrutiny. **Canadian Pacific Railway** (TSX:CP)(NYSE:CP), the owner of CP Rail, which is the second-largest railway in Canada and one of the largest in North America, is no exception.

The transportation services CP Rail provides through a large network of tracks — all 12,400 miles of them — matter. Many businesses are dependent on this mode of transport to deliver commodities and merchandises. It is cost effective, too. Thus, the stock has always been an investment prospect of value investors.

CP Rail's earnings beat

On January 23, 2019, CP Rail reported and boasted a record fourth-quarter result for the company. The Q4 earnings data is an improvement from the previous quarter. Percentage-wise, revenue increased 17.0%, and most notably, operating income rose by 28%.

For the full year 2018, revenue increased by 12 %. The operating ratio of 61.3% was the meanest record and the lowest-ever yearly operating ratio. Every financial analyst knows that the operating ratio is a key measure of financial success. While the earnings beat isn't eye-popping, it should be enough to evoke investor interest.

Keith Creel, president and CEO, didn't hide his elation. He said, "Each day I look at our team of railroaders and I am proud to be their CEO … We are entering 2019 with tremendous momentum and a commitment to operating the precision scheduled railroading model in its true form."

Stock performance

CP Rail is off to a good start this year after December's sell-off, which affected global markets. The lowest dip CP Rail had in the recent quarter was $228.35, which was a day before Christmas. At present, the price per share stands at $271.50, which is an 18.9% ascent. Obviously, the company has risen above the maelstrom.

Given the steady climb, analysts believe the stock could rise again by the same degree or more. Barring any economic downturns, the company’s goal to achieve double-digit EPS growth is not a pipe dream.

Canada’s oil producers will definitely prefer to ship by rail. CP Rail will benefit from the current pipeline glut and consequently see an increase in oil shipments.

An attractive investment prospect

Overall, the strength of CP Rail is the operating model, which, by all indications, shows the efficient use of capital resources. What could “derail” the company is the ease in the pipeline. When transporting volumes drop, it will have a material impact on CP Rail’s top and bottom lines.

Nevertheless, positive trends are developing in favour of CP Rail. The company is off to a good start. And, as the CEO emphasized, the company continues to focus on a disciplined approach to sustainable and profitable growth. If you’re looking for a sound investment, you can include this on your shopping list.

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