



Make \$20K in One Year by Buying CNR and CP Ahead of Earnings

Description

It's not often that a monopoly is shared between two companies and investors *still* come out of it winning. But that seems to be the case with the two railroad titans of Canada, **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) and **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)).

The pair's stocks have been as steady as a train for decades, with both moving full speed ahead through the last recession — the worst since the Great Depression.

So two things are clear:

These companies aren't going anywhere, and with a potential recession in our near future, now is the time to buy, especially with earnings so close at hand.

Now you'll see from my title that you could be making \$20,000 in one year from these stocks, and I'll get to that. But honestly, these stocks could make you a heck of a lot richer if you hold onto them for a few more decades. Don't worry: I'll get to that too.

Canadian National

There is really only one big difference when it comes to Canadian National and Canadian Pacific. Canadian National is the only truly transcontinental railway connecting all three coasts in North America.

This already puts it in a competitive position, as it would be nearly impossible for any railway to come in and set up the necessary infrastructure to provide the company with any type of competition.

This provides the company with an enormous economic moat already, but it's the railway's excellent performance that has investors buying and holding for pretty much forever.

Celebrating its one hundred-year history this year, Canadian National has a strong history of excellent performance in both its financial sector and reinvestment.

Its books are incredibly solid, with all railways admiring its operating ratio and free cash flow. It also offers a less expensive option to shipping rather than using trucking companies. It's safer, cleaner, and cheaper — and just better all around!

Despite putting a lot of that money to reinvestment, the company holds a strong balance sheet. Over the next five years, the company plans on putting 20% of its revenue toward improvements; revenue that most recently outperformed analyst expectations of \$3.77 billion by reporting \$3.81 billion.

But analysts believe that this will hardly put a dent in Canadian National's expenditures. In 2019 alone, Canadian National will spend a record \$3.9 billion on new locomotives, additional rail cars, and network upgrades to continue its excellent performance.

Shareholders hoping to get in on the action should do so quickly. The next earnings report will be released April 29, and in the meantime you'll get a piece of a dividend pie worth 1.78% at the time of writing.

Canadian Pacific

It may not hit all three coastlines, but definitely don't underestimate the other half of this titanic pair of railways.

Since 2012, Canadian Pacific has been making some huge changes to put money back in investor pockets. The company has sold assets, reduced staff, right-sized its fleet, closed yards, changed its headquarters and changed its leadership.

Now that new Chief Executive Operator Keith Creel has taken over, investors have been confident that this constant analysis will continue, as the company now moves to expansion. This will likely be through the company's inter modal business that aims to compete against truck shipping.

Needless to say, Canadian Pacific pumps out positive earnings reports consistently. Last earnings report, the company beat all analysts' expectations, earning \$2.01 billion and \$4.55 earnings per share. That was well above the \$1.94 billion in earnings and \$4.22 earnings per share estimated by analysts.

With the next earnings report so [close at hand on Apr. 23](#), investors can look to this company's historic performance and pretty much feel guaranteed that it will continue. And like Canadian National, investors can also take part of another strong dividend of 0.94%.

Bottom line

So as mentioned, if you're investing here, you could make \$20,000 in the next 12 months by investing \$47,000 in Canadian National and \$40,500 Canadian Pacific today according to analysts' expectations.

However, given the steady rise of both companies, I would buy and hold these for as long as I could.

CATEGORY

1. Investing

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2. NYSE:CP (Canadian Pacific Railway)
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