1 Large-Cap TSX Stock to Buy if the Market Crashes Again

Description

As North America gets ready to bear the brunt of the second wave of the pandemic, it is reasonable to expect another market crash (hopefully not as bad as the one in March) shortly. If this does come to pass, there is one stock that you need to add to your portfolio that will act as a buffer during tough times.

Canadian National Railway (TSX:CNR)(NYSE:CNI) covers from Canada coast to coast. It extends through Chicago and all the way to the Gulf of Mexico. The company delivered almost five million carloads (comprising everything from petroleum to forest products to minerals to grain) in 2019. Obviously, the numbers for 2020 are not at similar levels thanks to the pandemic that impacted the top-line in March. Just as it seemed that business would get back to normal, a second wave of the pandemic has reared its head up.

The second wave impacted Q3 results

Third-quarter revenue for Canadian National fell by 11% to $3.4 billion from $3.8 billion in the same period for 2019. Net income came in at $985 million, down almost 17.6% from $1.19 billion in 2019. The company saw a fall in six of the seven verticals that it operates in.

Automotives revenue fell 18% to $177 million from $217 million, while intermodal sales fell 3% to $992 million from $1.01 billion. Revenue from the coal business fell the most, down 30% to $118 million from $168 million, a clear marker that fossil fuels are on their way out, irrespective of the pandemic.

Forest products were down 6% to $421 million from $450 million. Metals and minerals were down 20% to $342 million from $425 million while petroleum and chemicals fell 25% to $591 million from $788 million. The only vertical that saw an increase was grain and fertilizers that rose 10% to $608 million from $552 million.

Canadian National Railway is cautiously optimistic

Canadian National officials have said that they are “cautiously optimistic” about the company for Q4 and 2021. October 2020 volumes are up 6% to 7% compared to 2019. The railroad has reopened training centers in Chicago and Winnipeg, Manitoba, as it anticipates rising volumes in 2021.

Canadian National cut its headcount by 12% that saved it $32 million in labor and fringe benefit expenses for Q3. Further, as oil prices went south, the company saved $10 million in the third quarter. It also utilized 12.8 million fewer gallons compared to 2019.

Apart from reducing headcount, the company had also shuttered and stored locomotives and railcars. Now as volumes rise, CNR is bringing back some of these resources but not its workforce. Chief Financial Officer Ghislain Houle said, “We’re not adding people one-for-one, and we have done some permanent changes during the pandemic. Therefore, you can expect our margins to continue to improve.”

The company hasn’t given any guidance for the rest of 2020 and has said that it will provide annual guidance for 2021 in its January call. Even though Canadian National missed analyst estimates when it reported results, there hasn’t been a major change to Wall Street predictions for the company. Analysts tracking the stock have a 12-month average target price of $108 which is 6% higher than its current trading price.

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