



Why This Top TSX Stock Could Soar Post-Earnings

Description

Railways are as far from emerging industries as one can imagine. Indeed, these are highly mature businesses with some of the longest track records in the stock market.

However, the economic sensitivity of these stocks provides an intriguing growth thesis I think is hard to ignore right now. Given the current market setup, railways like **Canadian National Railway** ([TSX:CNR](#)) ([NYSE:CNI](#)) could continue to soar in this environment. After all, Canadian National has already done so. This railroad operator broke its own records 13 months in a row. That speaks volumes.

However, I think more upside could be on the horizon for this stock following its upcoming earnings call. Here's why.

Record-breaking volumes unlikely to cease

In the first quarter of this year, CN Railway overcame the challenges inflicted by the pandemic, and various winter headwinds, with flying colours. The company moved record amounts of Canadian grain in this period, with March being the 13th consecutive month of this impressive feat.

Beating the previous record of 2.74 million tons, the final reported numbers for this quarter stood at 2.95 million tons of grain. This represents 8.8% year-over-year growth and represents 19% growth over the company's three-year average.

Montreal-based CN Rail reported that it moved over eight million tons of grain in Q1 2021, despite extreme temperatures over large parts of its operating network. Yearly grain transportation increased 19% from 19.1 million tons to 22.7 million tons.

Such impressive numbers just before an earnings call paint a very promising picture for the investors. Moreover, volumes may pick up in the coming months, as pandemic-related catalysts provide another demand surge for commodities.

An upcoming acquisition?

Another key factor I think is likely to play into CN Rail's price moving forward is the potential for an acquisition.

Recently, it's been noted that CN has made an [unsolicited offer](#) for **Kansas City Southern**. Kansas City Southern has said it would review the deal in accordance with the stipulations set out in its previous offer from **Canadian Pacific Railway**.

I think this whole situation is interesting. CN Rail boosted its offer for KSU, substantially beating the previous offer by CP. If a deal is ultimately approved by regulators (which remains the big question mark here), the combined entity would be massive. Indeed, if CN can pull this off, investors could reap some serious long-term growth benefits. The deal would create a railroad linking Canada, the U.S., and Mexico — the first of its kind.

Now, this is all speculation at this point. However, CN's offer is quite generous. Investors have another catalyst to consider with this stock today.

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Date

2025/07/21

Date Created

2021/04/21

Author

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