Canadian Pacific Earnings Review: A Strong Quarter

Description

Canadian Pacific Railway (TSX:CP)(NYSE:CP) holds a firm position atop Canada's railway industry alongside its long-time peer, **Canadian National Railway**. With more than 20,000 km of track spanning from British Columbia to Quebec and into the northern United States, Canadian Pacific is an interesting investment option for those looking for companies with a strong moat. After hours on Wednesday, the company presented its Q2 2021 earnings report. Keep reading to find out more.

How did the company fare?

By all accounts, Canadian Pacific's Q2 was an outstanding one. In fact, the very first line in the company's earnings presentation states that Canadian Pacific achieved records Q2 results by nearly every measure. The company reported a quarterly revenue of $2.1 billion, which represents a year-over-year increase of about 15%. That comes as a relief to investors after its Q1 revenue came in 4% lower than the year previous after a difficult February.

Canadian Pacific's operating margin increased 310 basis points compared to the previous year. Finally, its diluted earnings per share came in at $1.86, representing a 100% increase. These results indicate that the company is well on its way to continued growth.

Canadian Pacific also reported that the company's safety measures have greatly improved compared to last year. It reported 0.77 personal injury incidents per 200,000 employee hours compared to 1.16 incidents last year. Further, Canadian Pacific reported 0.36 train accidents per million train miles in Q2 2021 compared to 1.19 incidents in Q2 2020. The company managed to improve on these measures by using big data, indicating that the company is willing to make use of modern analytics to improve its operations.

What's next for Canadian Pacific?

The company is dedicated to growing its rail network. In fact, the company completed two major acquisitions in 2020. The first was its acquisition of the Central Maine and Quebec Railway. The second was a majority ownership stake in the Detroit River Rail Tunnel. These two moves strategically expand Canadian Pacific’s reach in the central and northeastern regions of the continent. Expect similar moves by the company moving forward.

Canadian Pacific also continues to be a strong dividend company. It announced a dividend of $0.19 per share, payable on October 25. A Canadian Dividend Aristocrat, investors could expect to see that dividend continue to increase in the future.

Finally, I wanted to touch on Canadian Pacific’s dedication to sustainability, which is a very impressive aspect of its business. As investors may have noticed, companies around the world are increasingly becoming aware of the issues surrounding climate change. Canadian Pacific leads its industry with respect to its dedication to addressing the changes that need to be made within the rail industry.

The company has already begun work on the installation of a solar energy farm at Canadian Pacific headquarters. Upon completion, the company expects to generate more power than consumed annually at Canadian Pacific’s headquarters. In its earnings presentation, the company doubled down on its sustainability targets by stating that its hydrogen locomotive project appears on track to deliver North America’s first zero-emission freight locomotive.

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