



## KSU Bidding War Continues With CP Stock Offer: What Investors Need to Know

### Description

Motley Fool investors who thought the war was over between **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) and **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)) were proven wrong today. In another bully bid, CP stock looked to continue to bidding war to take over **Kansas City Southern** (NYSE:KSU).

### What happened?

The bidding war continued on August 10 when CP stock announced it had a new cash-and-stock offer for KSU, worth US\$27.2 billion (about CA\$31 billion), or US\$300 per share — a 5% increase from its current position. The company would also assume US\$3.8 billion in debt from KSU. The previous bid from CP stock was for US\$25.2 billion, or \$275 per share. CP stock also increased its share exchange ratio to 2.884.

The news sent shares of KSU up about 8% in early morning trading, with CP Rail dropping by about 1%. CNR stock also saw movement down about 1%. It seems that investors really don't know what to make of the move.

### So what?

Motley Fool investors aren't wrong if they remember that this new bid is still lower than the CNR stock offer. However, CP stock countered this argument stating that the CNR stock [merger](#) doesn't hold the value and "regulatory certainty" that a CP deal would.

"That's what this deal offers: value certainty and deal certainty," Chief Executive Officer Keith Creel stated.

The new bid came in just before the deadline of the CNR stock rival offer, with nine days still on the table to make a decision. If you're wondering why all the fuss over this one railway, the answer is clear: this would create the first railway in *North America* to stretch from Canada, through the U.S., and down into Mexico.

## Now what?

Despite still being a lower offer than the \$33.6 billion offered by CNR, CP stock still believes it has a chance. That's because before the CNR stock bid came alone, CP stock already had approval from the U.S. Surface Transportation Board (STB). The railway company continues to hope this will give the advantage that CNR stock still simply doesn't have.

And it really could be that simple. The STB has been pretty conservative in the past, and if the support by shareholders isn't there, it's likely that it will stand by its original [recommendation](#). What this means for CP stock and CNR stock, only time will tell. But it could very well be that in the short term, we could see a decline in share price for CP stock if the merger goes through. This is likely from taking on so much debt after buying the rail.

But long-term Motley Fool investors would do well to watch closely. Whichever railway comes out on top is likely to see massive long-term revenue from such a move and become the primary choice of North American surface transportation. That's an enormous advantage in this bidding duopoly. So, it's clear that both CNR stock and CP stock are literally in a race of a lifetime.

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alegatewolf

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