



## CNR (TSX:CNR) Stock or CP (TSX:CP) Stock: Which Should You Buy?

### Description

It's a confusing time for investors interested in Canada's railway companies. **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) and **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)) continue in a locked battle for **Kansas City Southern** (NYSE:KSU). And so far, it's unclear who the winner might be. But there's more than just KCS to consider when looking at CNR stock and CP stock.

Today, I'm going to take a look at both CNR stock and CP stock and see what would happen should either win or lose the KCS bid. Then, hopefully, Motley Fool investors can figure out which they should buy, if any.

### CNR stock

CNR stock may be on the losing end when it comes to the [KCS deal](#). After the Surface Transportation Board (STC) announced it continued to favour the CP stock deal, KCS has since stated it would begin talks with CP. That deal is US\$2 billion less at US\$31 billion compared to the CNR stock deal. But it's something CNR stock will have to live with.

The deal would have made CNR stock the only one in North America that stretches from Canada down to Mexico. And the same goes for CP stock, hence the coveted rail line. But CNR stock actually climbed from the news. It looks like investors were happy that management wouldn't be taking on US\$33 *billion*, and I don't blame them. Instead, it can continue its steady cash flow system.

CNR stock has a strong mix of shipping products from agriculture to chemicals and, of course, oil and gas. It has also won contracts ahead of CP stock for things like coal, and it also boasts a rail system that stretches across both coasts of Canada and through the United States down to New Orleans. That, in fact, became an issue with KCS, as some of its rail line CNR stock already covered.

So, it doesn't look as if CNR stock will suffer without this deal. Rather than worry about how the company will make ends meet, Motley Fool investors can look forward to perhaps further acquisitions, product delivery, and more.

Shares are up 14% year to date, with a dividend yield of 1.55%. Shares continued to climb after news it wouldn't be taking on the US\$33 billion deal.

## CP stock

Where CNR stock may not win the KCS deal, it looks like CP stock will. In this case, CP stock will have to pay US\$31 billion at this point and is in talks with KCS as of writing after the STB approval. But just like CNR stock, CP stock has more than just this new rail line to win over investors. In fact, it's been a strong buy for years.

The rail's profitability and efficiency is nothing short of [impressive](#) during the last decade. After management cut costs and turned the company around, CP stock has since become one of the best rail lines in the world from one of the worst a decade before. Like CNR stock, the company now has a large mix of products such as agriculture nutrients and coal, and it also offers a truck shipping service. Yet CP stock has lagged behind CNR stock when it comes to growth, and that's why KCS could be huge for the company.

The deal would really put CP stock ahead of CNR stock for once, and that's where Motley Fool investors can be excited. But in the meantime, we're glad the company cut costs. It's come up with methods to pay down debt and put cash where it needs to be. Its long-term contracts and profitable network can pay down the US\$31 billion deal for KCS should it go through.

Shares of the company dropped due to the news, and it's clear it's over investors worried about how the company will pay down the cost. Still, shares are up 3% year to date, with a dividend yield of 0.84% as of writing.

## Foolish takeaway

Which should Motley Fool investors choose? If you're looking long term, I would pick CP stock for the KCS deal. However, short-term investors or retirees may do better with CNR stock and its secure cash flow in the coming years.

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#### **Date**

2025/08/25

#### **Date Created**

2021/09/07

#### **Author**

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