



## 1 Battered Canadian Stock to Buy Before a Correction to the Upside

### Description

**CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)) stock just can't get a [break](#) this year, with the name sharply pulling back nearly 9% from its September peak in just a few trading sessions. With CN Rail officially out of the race and a bidding war win for its rail rival **CP Rail** for the right to acquire **Kansas City Southern**, it's time to move on. On the latest news that KSU terminated CN Rail's merger agreement, CN Rail stock recovered some of the ground lost in prior trading sessions, bouncing around 4% on the day before retreating into the close, ending up just over 1.4%.

### CN Rail loses the bidding war and a win for shareholders

It's been a roller coaster [ride](#) for CN Rail shareholders this year, and that's no understatement. Heading into the late stages of September, a historically choppy month, investors should expect more of the same. As investors shrug off CN Rail's bidding war loss, which is actually a "win" in my books, given the hefty price tag that CN would have had to pay, focus will be on the road ahead and a proxy fight that could cost CN Rail CEO J.J. Ruest his spot in the driver's seat. Undoubtedly, TCI, an activist shareholder, is frustrated, as are many CN Rail shareholders after a year of severe underperformance and stress as a result of the KSU pursuit, which ultimately ended in nothing.

Indeed, in numerous prior pieces, I urged investors to buy CN Rail stock as it dipped on its pursuit of KSU, which I predicted would fall through due to high regulatory hurdles. As it turned out, I was spot on. CP Rail looks to be walking away with its prize, and all that volatility in the first half of 2021 turned out to be just a bunch of near-term noise.

### From bidding war to proxy battle

I thought CN Rail was just looking to make life harder on its Canadian rail peer, given I saw the odds of a CN-KSU merger as ridiculously low. In any case, the merger bust and the end of the historic bidding war could bring forth some major change in the c-suite. I have no idea if TCI will get its way. In any case, I view activist involvement as a positive for CN Rail stock over the long run.

Not to take anything away from Mr. Ruest, but the CN-KSU merger was rather confusing and probably unnecessary if management actually thought it had a slim shot of it actually amounting to anything. Moreover, Ruest's track record at CN Rail certainly hasn't been anything to write home about, with shares being outpaced by the broader **TSX Index** over the past year. CN stock's slump certainly does not help Ruest as activists aim to push for major change.

## Who does TCI want to replace Ruest with?

Rail veteran Jim Vena has been mentioned as a great candidate to put at the helm of CN Rail. Regardless of what ends up happening next, I think investors would be wise to be a buyer on any dips. CN Rail is the ultimate wide-moat dividend grower. And unlike a bidding war, activist involvement, I believe, should be viewed as a good thing.

Could CN Rail lose the proxy battle as it did the bidding war? Only time will tell. Should it lose the battle and the war, I'd argue that the stock could easily continue moving higher over the next year. CN has way too much going for it.

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