



## CN Rail Stock Downgraded: Why I'd Be a Buyer Anyways!

### Description

Don't look now, but **CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)) stock just received a downgrade courtesy of **BMO** analyst Fadi Chamoun, who stated that the firm's latest plan does not live up to its "full potential." Undoubtedly, the strategic plan did not [impress](#) many of the folks on the Street. This latest bearish event is the latest news to weigh shares of CN Rail down. I know; the company just cannot catch a single break in 2021.

It's been a ferocious and choppy start to the year, plagued by COVID pressures and a bidding war that eventually fell through at the hands of regulatory authorities (I called that in many of my prior pieces covering CN) and activist investor pressure. This latest analyst downgrade has just served to exacerbate the negativity going on at the top Canadian railway. My takeaway? I think the pessimism and [selling pressure](#) are overblown beyond proportion. As such, investors looking to back up the truck on a sizeable position in the long-time Dividend Aristocrat now have a chance to do so at a fairly reasonable price.

It's easy to find a reason to throw in the towel on CN stock these days. The company hasn't dragged its feet like this in quite some time. And to many, including activists, CN has not lived up to its full potential. Now, it's a truly wonderful business in the right hands. CEO J.J. Ruest's track record thus far has not been incredible. And that's a major reason why an activist in TCI wants to have him ousted in a proxy vote in favour of someone who can get CN Rail stock back on track.

The bidding war was a confusing move to many. But now that it's in the rear-view mirror, it's time to focus on the track ahead. It looks really good, especially if activists push for positive change.

## CN Rail's strategic plan comes up short

Whether we're talking about investors, activists, or analysts, few people are impressed with the company these days. Personally, I think the company could use a bit of change so that it can be all that it can be and drive better shareholder returns. Moreover, the operating ratio has not been anything to write home about over these past several quarters. I expected better. And over the coming quarters, I think shareholders will be rewarded for their patience after enduring what's been pretty stressful past

few quarters.

As a part of CN's strategic plan, the company plans to cut capital spending, beef up profits, repurchase shares, and fend off activists. Analysts at BMO were not enthused, and I can't say I am either as a shareholder.

Regardless, I'm likely to continue accumulating shares on weakness. Management is under considerable pressure, and at the end of the day, TCI may get what it wants. There's room for improvement on the operating ratio front. And if Ruest can't get CN Rail stock moving in the upward direction, I don't see activists backing away anytime soon, especially not after a strategic plan that supposedly came up short.

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