



Why CP (TSX:CP) Stock Should Double in the Next 3 Years

Description

Canadian Pacific Railway ([TSX:CP](#))([NYSE:CP](#)) has had quite the year. Whereas the **TSX** today is up 17.5% year to date, shares of CP stock are actually down 3% compared to the [beginning](#) of the year. And a lot of this has to do with a recent battle — one which CP stock actually won.

What happened?

CP stock was in a battle with **Canadian National Railway** to acquire **Kansas City Southern**. The acquisition would make the winner the largest rail line in North America, stretching from Canada down to Mexico. But despite coming in at a lower price compared to CNR stock, CP stock won the day. This came after the United States Surface Transportation Board stated a CP deal would be more favourable.

Yet shares of CP stock actually went down after the news. This is likely because now is had a US\$31 billion bill to pay to take over KCS and its debts. But still, long-term investors should [definitely](#) use this as an opportunity to pick up the stock.

So what?

CP stock now has access to several lucrative routes through KCS. It's adding 20,000 miles of rail that go through agriculture and oil fields that will produce strong revenue for the rail. But now is definitely the time to pay attention, as CP stock will come out with its earnings report very soon on Oct. 20.

During the last report, CP stock reported revenue up 15% year over year to \$2.05 billion, achieving a record for the company. It also saw a 27% increase in adjusted earnings per share and remained confident to achieve full-year guidance of double-digit adjusted EPS growth.

Yet shares are still down for CP stock, and it's definitely not based on analyst recommendations. Ahead of the third quarter, analysts continue to believe the stock will outperform the sector in the next year. While short-term, weaker traffic in agriculture due to low grain supply and semiconductor shortages could be tight, long term, there is certainly a benefit.

Now what?

Some analysts believe CP stock could see earnings below estimates, though they're still up year over year. If this is the case, shares could drop even further. But if you're to believe other analysts, short-term risk will make long-term investors worth today's investment.

The recent purchase of KCS provides investors with a solid reason to see CP stock outperform the sector. Even should the company come below estimates, analysts on the low side believe shares could still reach \$105 in the next year, a potential upside of 22%.

If you go with other analysts, shares of CP stock could indeed double in the next year. By 2023, sales could almost double to around \$14 billion from this year's \$8.5 billion. As KCS comes online, earnings could [explode](#), sending shares potentially doubling within the next three years. Today, you can pick up the stock for a deal with a P/E ratio of just 17.71 and a dividend yield of 0.89% to boot.

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alegatewolfe

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