



## CP Stock or CNR Stock: How Did Earnings Stack Up This Week?

### Description

**Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)) and **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) may both be railway companies, but the similarities ended there this month.

They both have a lot to prove to shareholders in the coming months, even years. One, to prove management knows what it's doing. And the other, to prove a multi-billion investment was the right move.

So let's look at CP stock and CNR stock and see how these companies stacked up against each other, and which Motley Fool investors should consider on the **TSX** today.

### The reports

CNR stock came out with its [report](#) on October 19. The company declared a “strong quarter” despite the headwinds of wildfires, supply chain issues, and of course COVID-19 disruptions. Revenue was up 5% year over year, with diluted EPS coming in at \$2.37 and an increase of 72% year over year! This was all helped by the deal to take over **Kansas City Southern** falling through but to the pleasure of at least short-term investors on the **TSX** today.

CNR stock reaffirmed it can deliver both enhanced results this year and beyond, achieving its target of between \$3 and \$3.3 billion in free cash flow for 2021, which would be on par with 2020.

Meanwhile, CP stock came out with its earnings the next morning on October 20. The company saw revenue increase 5% year over year to \$1.94 billion, but a 20% decrease in EPS. Furthermore, the KCS acquisition will up future costs as well, hurt even more from supply chain issues that hurt the company's performance for the quarter.

That being said, [management](#) also remains confident it can deliver “double-digit adjusted EPS growth” for 2021. It continues to target full-year EPS of \$3.53, which would be down from 2020's \$3.59.

## The response

CNR stock was hit with an attack even before it announced earnings on Tuesday. One of the company's largest investors announced it believes management should be completely replaced. But while the report targeted several issues with the company, it didn't have that many solutions.

But that didn't seem to stop CEO Jean-Jacques Ruest from announcing his "planned" retirement. Whether this means the new CEO will be the choice of TCI Fund Management or not, only time will tell. But clearly, there are a lot of issues at play here that the company needs to solve on the TSX today.

And while CNR stock came in around expectations, CP stock fell below them across the board. EBITDA was 9% below, EPS 9% below, and revenue 4.4% below analyst expectations. Further, given the massive acquisition it has on hand, it doesn't look like much growth will happen for the company, at least not in the near future.

## Foolish takeaway

Still, long-term Motley Fool investors need to consider both of these stocks carefully. CNR stock could have a major shakeup soon that investors should be wary of. That said, it's in a stronger financial position compared to CP stock.

CP stock on the other hand is now in a fairly poor financial position, especially given the poor performance of this year. Now it has this KCS acquisition to handle. And *that* being said, long-term investors should see massive revenue a decade or less from now, given the grain and oil KCS runs through.

Both of these stocks are solid long-term plays, with shares likely to continue climbing for years to come. But the choice really falls on your goals. If you can wait, CP stock might be the one for you. If you can't, CNR stock may be a good option, but I would recommend Motley Fool investors merely add it to a watch list for now amidst all this turmoil.

### CATEGORY

1. Coronavirus
2. Investing

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