



## Is CP Rail Stock a Buy After Strong Earnings?

### Description

One of the companies many investors have on their radar of late, **CP Rail** ([TSX:CP](#))([NYSE:CP](#)) is an intriguing company to watch. Indeed, CP Rail stock has been on a nice upward trajectory since its recent earnings report this month.

Any time a stock runs nicely into earnings, expectations can take this stock lower, even following a beat. CP's [stock chart](#) over the past month is a thing of beauty to observe.

However, CP Rail stock is one that has continued to outperform, as investors bet on continued economic growth coming out of this pandemic. In other words, this is a stock that just can't seem to do any wrong.

Let's dive into why CP could be a great investment long term for investors who stay patient with this company.

### Strong earnings propel CP Rail stock higher

CP showed what could be considered mixed results from its most recent quarterly earnings report. The company maintained its full-year adjusted EPS guidance. However, the company's Q3 adjusted earnings did miss consensus analyst estimates.

Supply chain challenges and a weak grain crop weighed on the recent results of CP. Accordingly, it looks like the market is giving this railroad operator a pass. The company's expectation of low-single-digit growth in volume over the next year is also being viewed positively, given how rapidly volumes have increased this year.

In other words, CP Rail stock is acting very different from other stocks in the market right now. Much of that is likely to do with the company's relatively decent valuation. The company currently trades around 20 times earnings and is positioned well for double-digit earnings-per-share growth this year.

CP believes that macro conditions remain significantly strong. As weather conditions improve in the

coming year, its expected grain shipments could pick up. Additionally, semiconductor shortages, and supply chain issues in the automotive segment have hurt recent numbers. However, it's the view of CP (and apparently that of the market) that these shortages represent demand that will be pulled forward at some time.

## Bottom line

I think CP Rail stock continues to look attractive at these levels. The company's valuation is reasonable, and the stock still pays out a small but meaningful [dividend yield](#). For those bullish on where the North American economy is headed, this is about as economically sensitive a play as one can get right now.

Accordingly, I think the market is getting it right with this company's recent earnings. CP Rail stock is one that I think has a lot more room to run. Long term, patient investors would do well to hold this stock as a core portfolio holding.

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2. Investing

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