



CN Rail or CP Rail: Which Rail Stock to Buy for 2022?

Description

CN Rail ([TSX:CNR](#))([NYSE:CNI](#)) and **CP Rail** ([TSX:CP](#))([NYSE:CP](#)) had quite the battle in 2021, getting into a bitter bidding war earlier in the year for the right to acquire **Kansas City Southern**. Indeed, I said from early on that CN Rail's chances of winning were next to none, given the sheer size of the company and its dominance in the North American rail scene.

CN faced higher regulatory hurdles, and eventually, the railway was forced to move on, as its rival CP Rail took home the prize. Although CN lost the bidding war, I think it won the battle, given the ridiculously high price to be paid for Kansas City Southern. Such a deal would have acted as an overhang on the stock for quite some time, although it would have been more accretive longer term.

CN Rail versus CP Rail: The battle of the rails for 2022

Personally, I was no fan of the deal, nor were CN Rail investors. With CP now poised to merge with KSU's assets, creating an enviable network that runs across North America's two largest borders, I remain somewhat bearish on CP's prospects through 2022. CP is paying a pretty penny. That much we know, but it should also have a negative impact for coming quarters.

Integration risks and dilution are a potential concern. That said, longer term, CP Rail is a magnificent railway that ought to be scooped up whenever its stock [drops](#) by a considerable amount. Following CP's victory in its bidding war, its stock sagged considerably, falling into a correction. Since then, the stock has bounced back to a level that leaves a lot to be desired from a [valuation](#) perspective.

Indeed, CP Rail stock faces a tougher road ahead, as it'll be busy with integrating KSU, not to mention its greater reliance on less-desirable grain shipments. As for CN, the track ahead seems more straightforward, even if there's a bit of uncertainty regarding what's to happen with upper management.

CN Rail faces management uncertainty. CP Rail could be rocky as it digests KSU

CN Rail stock took a bit of a hit to the chin, when CEO Jim Vena was out of the running. Now, activists are on the hunt for a new top boss that can reinvigorate the firm that could be doing so much better. The strategic plan could use a boost, and under the right leadership, CN Rail stock is likely to power higher through 2022.

Personally, I think CN will find the perfect CEO. Perhaps even a top boss better than Vena. Amid CEO uncertainties, I'd look to be the buyer of the stock, as compelling tailwinds could be on the horizon, as intermodal freight could pick up traction once again.

As for CP, I'd take a raincheck, because the track ahead doesn't look nearly as good, even with a steady, proven CEO at the helm. Between the two Canadian rail giants, I'd have to go with CNR stock as being the better buy for 2022. That said, I would be open to changing my tune should the valuation on CP improve. As it stands, though, CN Rail looks considerably more undervalued, given what I believe is a far more favourable environment over the next 18 months.

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Author

joefrenette

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