Why Canadian National Railway Stock Climbed 34% in 2021

Description

Canadian National Railway (TSX:CNR)(NYSE:CNI) wasn't among the most impressive stocks in the last year. CNR stock only managed to climb 10% in the last year, while other companies soared around it. However, it was still quite the comeback for Motley Fool investors of 34% from its lowest point of the year.

Yet since then, shares have fallen back by 8%. It all came down to a deal that fell through with **Kansas City Southern** earlier this year. Back in September, CNR stock lost the deal to acquire KCS to **Canadian Pacific Railway**.

Isn't an acquisition good news?

Not in this case. CNR stock saw shares rebound quickly after losing the deal that would see it lose around $30 billion in the deal. That would also include taking on the debt from KCS. And frankly, there were many that believed the company couldn't afford it.

This included TCI Fund Management, a major stakeholder in CNR stock. The company accused CNR stock of making the unwise decision to try and buy KCS in the first place. Further, it stated that it believed the company's chief executive Jean-Jacques Ruest should be replaced.

The search continues

That's what led to the current downturn. Shares pulled back further and further as the drama continued. While a truce came up between CNR stock management and TCI, that has since fallen through. The company selected Jim Vena to take over CNR stock. However, Vena then stepped out of the running, leaving the role of CEO up in the air.

As CNR continues to search for a replacement, the company is in an uneasy position. And that's led analysts to rethink their target price for the stock. Most recently, Citi analyst Christian Wetherbee stated the future of rail in the next year looks poor. Volumes may continue to be "soft," leading the analyst to trim financial expectations by 6% across the industry.

Still, the analyst maintained his target price of US$140, as he believes the KCS deal going sideways will be good for the company. It can now focus on its operating ratio and earnings-per-share growth instead.

Focus on growth

CNR stock has indeed been focusing on growth in other areas. And that includes its bottom line. CNR stock recently sold its Michigan and Wisconsin rail lines to Watco, which was announced in July 2020. It's also returned to its normal range of shipping after washouts in British Columbia affected the company.

CNR stock announced to Motley Fool investors last month that it should find a new CEO sometime in January 2022. So, investors interested in the company could see another boost should a strong candidate present itself.

Until then, CNR stock is still a strong company, with now a strong bottom line run by its stable shipping. It's also raised its dividend every year for the last 25 years. You can now pick up the stock with a 1.58% dividend yield, trading at 23.25 times value.

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