



## CN Rail Stock Could Be Ready to Lead the TSX Higher in 2022

### Description

**CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)) stock has been quite the choppy ride over the past year or so. Indeed, big spikes and sharp plunges have been the new normal for the firm since the pandemic started. Undoubtedly, last year's failed pursuit of Kansas City Southern did not help the cause. In any case, immense volatility may be suggestive of a higher magnitude of risk. That is hardly the case, in my humble opinion.

If anything, last year's choppiness is based mainly on "noise" relating to activist investor involvement, the hunt for a new leader, and the bidding war for the right to scoop up KSU. I correctly predicted that CN Rail's pursuit of KSU was doubtful to happen and that it was merely looking to drive up the price for its top rival **CP Rail** in the Canadian rail arena.

It was ultimately regulatory hurdles that proved too high for the \$111 billion rail behemoth. In 2022, CN Rail is ready to move on from the noise of 2021. Undoubtedly, the operating ratio isn't at an optimal level. Still, with a new CEO at the helm and potential tailwinds that could propel earnings per share (EPS) to the high teens, I think that CNR stock is one of the few bargains that are at or around their all-time highs.

### Bullish on the rails? Join the club

Billionaire investor Bill Ackman is back in CP Rail shares, with a huge \$1.8 billion stake. CP is at a fresh high, and you could argue that the man is running the risk of overpaying over the near term. However, over the next three to five years, I think it's apparent that he recognizes the value to be had in the neglected Canadian rails, even near their highs. There are profound tailwinds up ahead, and both CN and CP could be on the cusp of a significant upside move in 2022, as volumes bounce back and commodity prices remain robust.

Down around 7% from its all-time high, just shy of \$170 per share, I view CN Rail stock as a huge [bargain](#). The 22.9 times trailing earnings multiple seems rich for such a boring company. But given the magnitude of improvement on the horizon, I'd argue that a great deal of earnings multiple compression

as a result of 15-20% bounce in this year's earnings that could be in the cards. So, the multiple does not do the firm justice as it looks to move on with its new CEO Tracy Robinson, a woman who could take CN Rail to the [next level](#), perhaps even re-earning CN Rail the title of North America's most efficient railway.

## CN Rail's new CEO could propel shares to the next level!

CN Rail is in good hands. I've said it before, and I'll say it again: CN looks to have the stage set for a glorious rebound after years of sluggish returns. The 1.9% dividend yield is handsome and likely to grow further, as management bets on the firm's brighter medium-term future.

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