CP Stock Could Be the Best Buy on the TSX Today

Description

Canadian Pacific Railway (TSX:CP) recently hit all-time highs recently, with shares soaring to just shy of $110 per share. With everything else falling around it, what makes CP stock so special these days?

Strong present and stronger future

Analysts continue to admire CP stock for the long path to growth it's taken. After years of cost cutting, the company is seeing incredible improvements and record shipments. It now sees the future as bright for this stock, with its strong place in the railway duopoly secure to support pricing that should rise above inflation in the long term.

Then, of course, there is the accepted merger of **Kansas City Southern**, with the company simply awaiting approval by the Surface Transportation Board (STB). The company completed the purchase in December 2021, but it remains in trust until the STB fully approves the merger.

But it's not just the future opportunity that has investors excited. No, CP stock continues to produce strong earnings as well. So, let's see just how strong that's has been.

Stellar earnings

Analysts continue to believe that CP stock will be an outperformer in the market at large. This comes from several avenues, including the potential for the STB to approve the merger in 2023. This would also create synergies that remain conservative, in the view of analysts. These synergies will continue to provide an upside for years to come, with CP stock likely to see "industry-leading earnings per share [EPS] growth through this decade."

Meanwhile, CP stock believes it will continue to achieve its US$1 billion earnings before interest, taxes, depreciation, and amortization (EBITDA) synergies over the next three years. That comes from a combination of opportunities and cost improvements.

Revenue increased 19% year over year during its latest earnings report, with its reported diluted EPS at $0.96, up 37% from the year before. Further, it managed to achieve record grain and grain product shipments in October.

Some important points

While CP stock is very likely to continue this strong path of growth, it cannot be ignored that the trucking industry is still a strong competitor. This is where CP stock could receive some problems. That being said, it's made partnerships to try and edge in on the industry, which could help achieve further growth.

However, rail remains less expensive than trucking. So, there could be even more long-term opportunities here should companies find ways to use rail over trucking in the years to come.

As for the next year and even next few months, there could be ups and downs to watch for. CP stock tends to dip over the winter months with winter weather proving difficult to continue shipping at high levels. However, this should improve once more once an approval comes down from STB for the KCS merger.

Bottom line

CP stock remains a stellar choice for investors seeking long-term growth. While shares remain at all-time highs, analysts continue to push their price targets higher. The company has proven time again that it underpromises its growth and then overdelivers. And I expect we'll continue to see this in the years and even decades to come.

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