Stock Deep Dive: Canadian Pacific Railway (TSX:CP)

Description

The railway industry in Canada has been around for almost as long as the country itself. Within this industry, we find two companies that are simply head and shoulders above the rest. Today, we will be looking at **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) and why I believe it is the premier rail company in the country.

What makes this an interesting investment?

Canadian Pacific operates the second largest rail network in Canada. Currently, the company has a network of more than 20,000 km. This stretches from Vancouver to Montreal, and as far south as Kansas City in the United States. Using this network, the company transports a variety of materials (oil, fertilizer) and goods (food products, grain).

What separates Canadian Pacific's network from its competitors is that it is the only Class 1 railway with the infrastructure to support the key areas that make up the North American oil industry. The company has connections in the oil sands, the Bakken Shale formation, Marcellus shale, and ethanol production areas in the United States.

Canadian Pacific's business is also adequately diversified. As of 2018, its revenue mix was 36% global, 33% cross-border, and 31% domestic. This provides the company with stability, should any one region be hit with financial difficulties. In terms of its freight, 41% was bulk such as grain and goal, 37% merchandise like consumer products, and automotive, and 22% intermodal.

Canadian Pacific's outlook

The company is currently dedicated to growth. Canadian Pacific has recently been investing into expanding its network. In August, Canadian Pacific announced that the company had completed its acquisition of the Central Maine & Quebec Railway. This allows Canadian Pacific to re-establish a connection to the Atlantic region. The company's President and CEO, Keith Creel, believes that this provides a "generational" growth opportunity.

However, the company did not stop there. In October, it announced that Canadian Pacific had acquired full ownership of the Detroit River Rail Tunnel. This is another example of the company's commitment to expanding its reach.

Canadian Pacific is also an industry leader regarding sustainability. It places a priority towards moving towards more environmentally friendly operations. In its latest earnings report, Canadian Pacific announced that it had continued to make its trains more fuel efficient.

The company has also invested in a solar farm, which will be installed at its headquarters. Canadian Pacific has already begun construction and projects that it will be able to generate more energy than is used annually at its compound.

Performance

In its Q3 earnings report, the company did announce that it had seen a year over year decline of 6% in quarterly revenue. However, much of this could be attributed to the current economic conditions. Company management still projects mid-single digit growth in its adjusted diluted earnings-per-share.

Even with these difficulties, Canadian Pacific stock continues to rise. It has been one of the more impressive Dividend Aristocrats this year. Regarding the company's dividend distribution, it continues to increase. The company currently has a forward dividend yield of 0.91% and an attractive 20.4% payout ratio.

Foolish takeaway

Canadian Pacific is one company I have considered for my own portfolio. It is a leader in its industry and features forward-looking management. The company should see a lot of growth in the coming years and is positioning itself to adapt well as the world shifts its focus to sustainability.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. canada
2. investing
3. long term growth
4. railway stocks
5. recession proof

6. Stocks
7. tsx growth stocks

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. canada
2. investing
3. long term growth
4. railway stocks
5. recession proof
6. Stocks
7. tsx growth stocks

Date
2025/08/14
Date Created
2020/11/19
Author
jedlloren