

CN Rail earnings miss forecasts, stock drops

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Canadian National Railway Co. said Tuesday its underlying profit rose slightly less than expected as higher fuel and other expenses ate into a 12 per cent revenue gain, sending its stock lower. CN,

Canada's biggest railway, forecast double-digit growth in earnings per share in 2011 although it said it expects North American economic growth to slow.

The company also raised its dividend by 20 per cent and approved a new program to buy back up to 16.5 million shares.

"CN had a very solid report considering the environment they faced. They continued to make gains on the top line. It's just a question of delivering more of it to the bottom line," said Jeffrey Kauffman, an analyst at Sterne Agee.

The railroad narrowly avoided a strike by some 4,000 unionized clerical, mechanical and truck driver workers this week, after it reached last-minute tentative agreements on Monday with the Canadian Auto Workers union. CN's stock was down 80 Canadian cents, or 1.17 per cent, to \$67.65 on the Toronto Stock Exchange.

The railroad's net income for the fourth quarter fell 13.6 per cent to \$503 million.

But excluding a gain on a sale and an income tax recovery in the fourth quarter of 2009, CN said its adjusted earnings increased 19 per cent to \$424 million. Diluted earnings per share of \$1.08 were a penny below the \$1.09 that analysts were expecting, according to Thomson Reuters. Revenue rose 12 per cent to \$2.1 billion, helped by strong volumes, and in line with market expectations.

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