

CAD Rails Dashboard: October 2024 Monthly Review

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October 2024

Note Overview

In this month's edition, we outline the Class 1 CAD rail traffic, earnings, and their refreshed outlook. The CAD rails remain the bedrock holdings for TRUSIF, in line with the outperform from street consensus.

Canadian National Railway

RTMs and Carloads — Overall, CPKC's RTMs are down (-1.7%) y/y driven mainly by Coal (-27.2%), Metals, Minerals & Consumer Products (-8.3%), and Automotive (-6.6%), offset by Intermodal (+9.6%) and Forest Products (+3.1%). Carloads however were up (+4.6%) y/y mainly due to Petro & Chemicals (+11.3%), Intermodal (10.9%) Grains & Fertilizer (+10.2%), offset by Coal (-22.0%), and Automotive (-13.1%).

Earnings — CNR posted 3Q24 revenue, and Adj. Diluted EPS came in at \$4.1bln and \$1.72 (+3%), slightly beating street consensus of \$4.1bln and \$1.70 (+2%). CNR operations are back running well after 3Q wildfires and labour issues, expecting a more positive 4Q.

Outlook — CNR expects to invest \$3.5bln in its capital program while expecting low single-digit diluted EPS growth. The intramodal segment will continue to grow as CNR has interline partnerships with UNP and GMXT and is the only Canadian EMP partner. A critical area is International Intermodal, which is expected to increase in Q4 after 3Q headwinds. CNR moves forward in a \$250mln rail-and-truck hub project in Milton, Ontario. It is aiming to double CNR's existing line of tracks.

Canadian Pacific Kansas City

RTMs and Carloads — Overall, CPKC's RTMs are up (+4.4%) y/y driven by Fertilizer & Sulphur (+32.2%), Automotive (+20.8%), and Forest Products (+20.1%), offset by only Coal (-13.9%) and Metals, Minerals & Consumer Products (-1.2%). Carloads however were down (-4.5%) y/y mainly due to Coal (-27.4%), Intermodal (-8.7%) Fertilizer & Sulphur (-7.6%), offset by Automotive (+10.7%), and Energy, Chemicals & Plastics (+10.4%).

Earnings — CPKC printed 3Q24 revenue, and Adj. Diluted EPS came in at \$3.5bln and \$0.99 (+6%), slightly underperforming street consensus of \$3.6bln and \$1.01 (+8%). CPKC continues to see revenue growth amongst headwinds from 3Q and is ready for a better 4Q.

Outlook — CPKC now expects RTMs to increase mid-single digits versus 2023 on a combined basis. While maintaining growth in core adjusted combined diluted earnings per share in the double digits this year from \$3.84, Core Adj. Diluted EPS 2023. CPKC plans to spend \$2.75bln on infrastructure upgrades and purchases throughout 2024. During recent presentations, management maintained a positive outlook on volume and pricing conditions. Key areas for growth in 4Q24 for CPKC are Intermodal volumes, specifically international intermodal volumes.

US Earnings Quick Take

Union Pacific — Posted 3Q24 revenue of US\$6.09bln (+2.5% y/y), Adj. Diluted EPS of US\$2.75.

CSX Corp — Posted 3Q24 revenue of US\$3.62bln (+1% y/y), Adj. Diluted EPS of US\$0.46.

Northfolk Southern — Posted 3Q24 revenue of US\$3.05bln (+2.69% y/y), Adj. Diluted EPS of US\$4.85.

VALUATION & TRADING

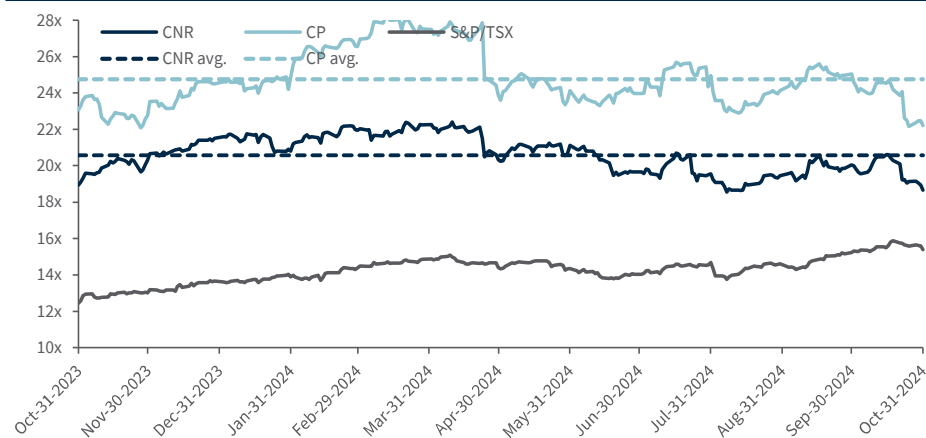
Exhibit 1: Rail Comps

Company	Ticker	Current Price	Dividend	EV (\$mln)	Mkt. Cap. (\$mln)	EV/EBITDA			EPS			P/E		
						2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Canadian National Railway	TSX:CNR	150.35	2.25%	115.3	94.5	13.7x	13.7x	12.4x	\$7.26	\$7.37	\$8.28	17.6x	20.4x	18.1x
Canadian Pacific Kansas City	TSX:CP	107.41	0.71%	122.6	100.3	18.3x	16.8x	14.7x	\$3.78	\$4.24	\$5.00	25.8x	25.3x	21.4x
Average (CAD rails)						16.0x	15.2x	13.6x				21.7x	22.9x	19.8x
Union Pacific	NYSE: UNP	232.07	2.31%	172.4	140.7	15.0x	14.3x	13.2x	\$10.30	\$10.94	\$12.15	22.0x	21.2x	19.0x
CSX Corp.	NASDAQ: CSX	33.64	1.43%	82.4	64.9	11.4x	11.6x	11.0x	\$1.83	\$1.85	\$2.05	18.0x	18.2x	16.4x
Norfolk Southern	NYSE: NSC	250.43	2.16%	73.4	56.7	13.8x	13.3x	12.1x	\$11.78	\$11.83	\$13.60	30.9x	21.2x	18.4x
Average (US rails)						13.4x	13.1x	12.1x				23.6x	20.2x	18.0x
Average (CAD & US rails)						14.7x	14.1x	12.9x				22.7x	21.5x	18.9x

Source: Capital IQ; TRUSIF

Exhibit 2: Forward P/E (CAD vs. TSX)

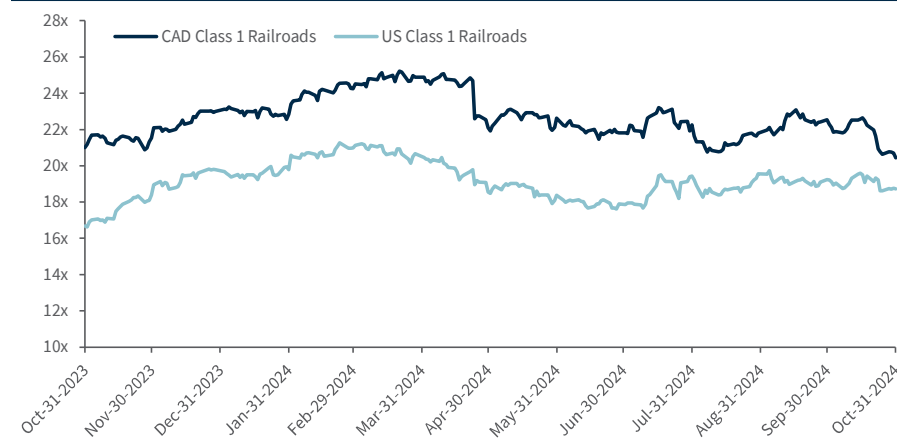
X.X



Source: Capital IQ; TRUSIF

Exhibit 3: Forward P/E (CAD vs. US)

X.X



Source: Capital IQ; TRUSIF

Exhibit 4: Share Performance Since Inception

%



Source: Capital IQ; TRUSIF

KEY METRICS

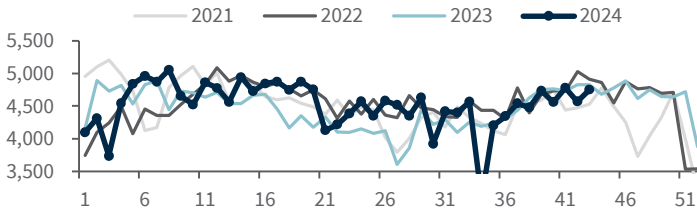
CNR Carloads: Week 43	Weekly	QTD	'24 YTD
Forest Products	-1.2%	-2.9%	-2.8%
Petro & Chemicals	-5.0%	-3.9%	2.3%
Metals & Minerals	10.3%	-0.6%	-1.8%
Automotive	-13.0%	-14.1%	-8.4%
Coal	-22.0%	-5.7%	-10.4%
Grain & Ferts	10.2%	1.8%	1.8%
Intermodal	11.2%	2.4%	4.2%
Total	3.8%	-1.1%	-0.1%

Source: Company reports; TRUSIF

CPKC Carloads: Week 43	Weekly	QTD	'24 YTD
Forest Products	8.3%	-2.8%	-7.4%
Energy, Chem. & Plastics	10.4%	3.0%	2.2%
Metals, Minerals & Con.	-4.8%	-2.2%	-3.0%
Automotive	10.7%	8.2%	7.2%
Coal	-27.4%	-8.5%	-9.0%
Grain & Ferts	4.4%	5.8%	3.1%
Intermodal	-8.7%	-8.1%	-7.4%
Total	-4.5%	-1.7%	-3.3%

Exhibit 5: Total RTMs

CNR: ▼ -1.7%



Source: Company reports; TRUSIF

CPKC: ▲ 4.4%

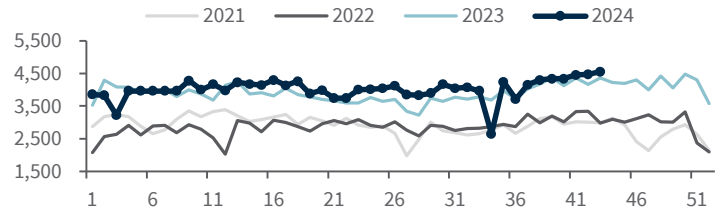
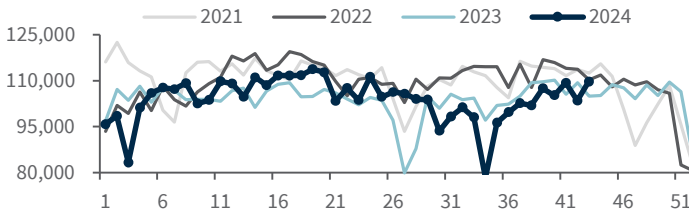


Exhibit 6: Total Carloads

CNR: ▲ 4.6%



Source: Company reports; TRUSIF

CPKC: ▼ -4.5%

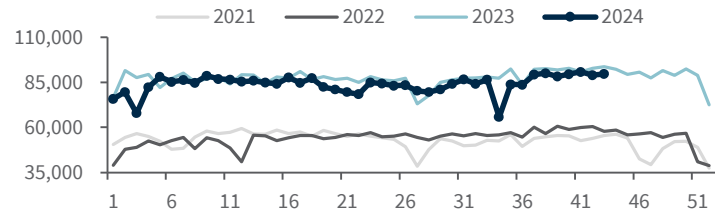
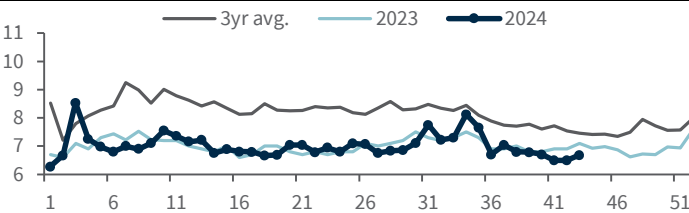


Exhibit 7: Terminal Dwell

CNR: ▼ -5.9%



Source: Company reports; TRUSIF

CPKC: ▲ 2.7%

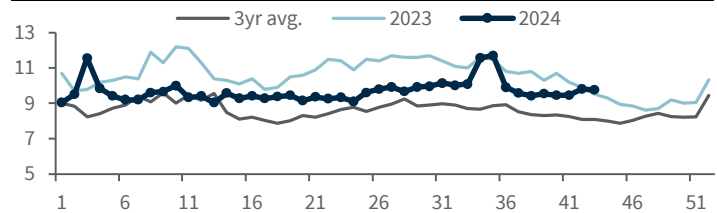
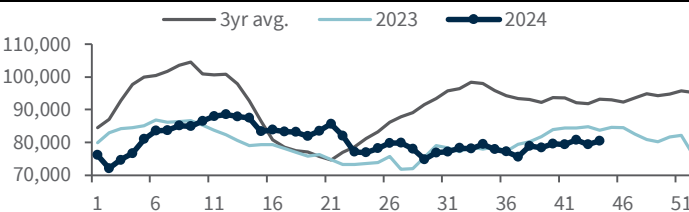


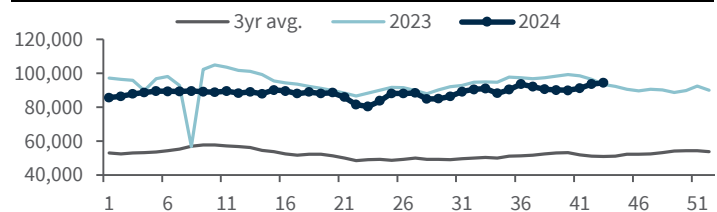
Exhibit 8: Cars Online

CNR: ▼ -5.0%



Source: Company reports; TRUSIF

CPKC: ▲ 1.0%

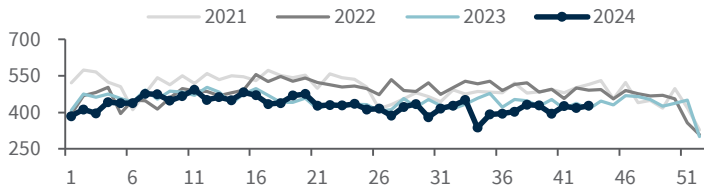


APPENDIX ITEMS

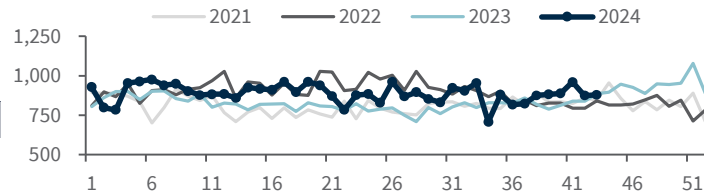
Exhibit 9: RTM Breakdown

Weekly

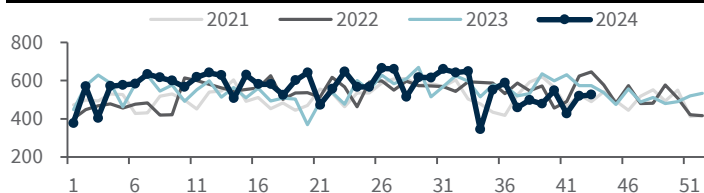
CNR Forest Products: ▲ 3.1%



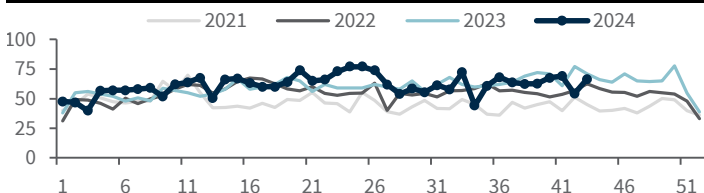
CNR Petro & Chemicals: ▼ - 0.6%



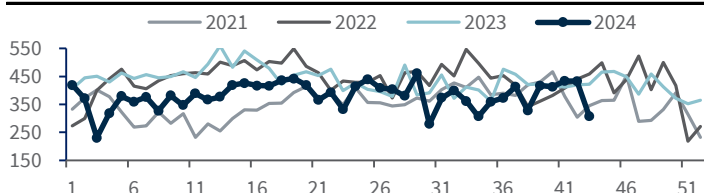
CNR Metals & Minerals: ▼ - 8.3%



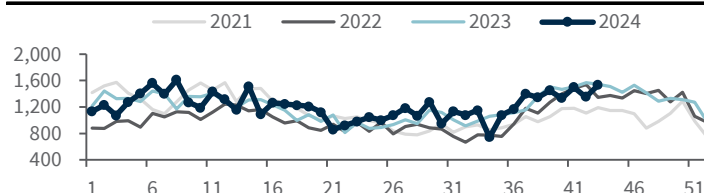
CNR Automotive: ▼ - 6.6%



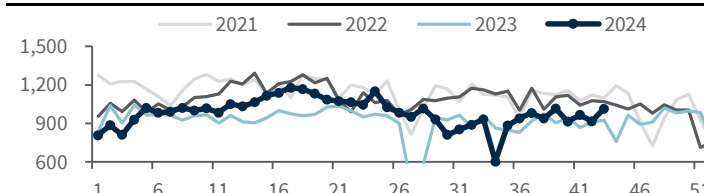
CNR Coal: ▼ - 27.2%



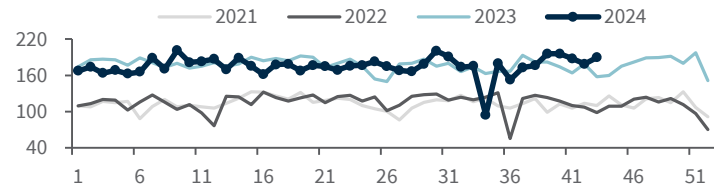
CNR Grain & Ferts: ▼ - 0.7%



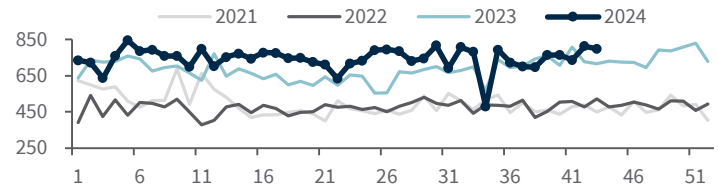
CNR Intermodal: ▲ 9.6%



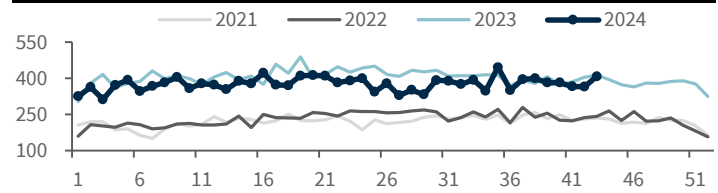
CPKC Forest Products: ▲ 20.1%



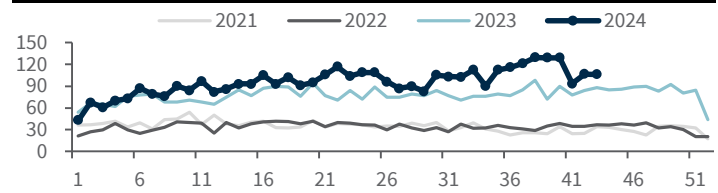
CPKC Energy, Chem. & Plastics: ▲ 11.3%



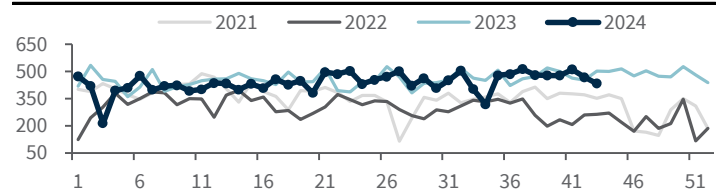
CPKC Metals, Minerals & Con.: ▼ - 1.2%



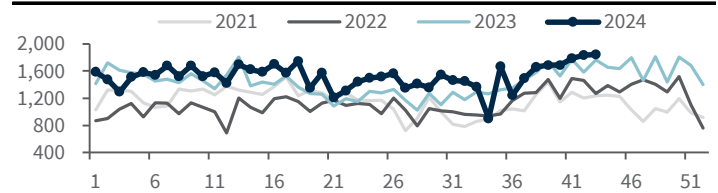
CPKC Automotive: ▲ 20.8%



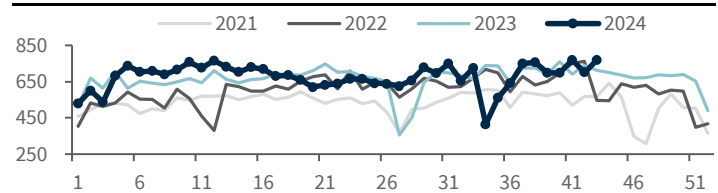
CPKC Coal: ▼ - 13.9%



CPKC Grain & Ferts: ▲ 4.3%



CPKC Intermodal: ▲ 7.9%



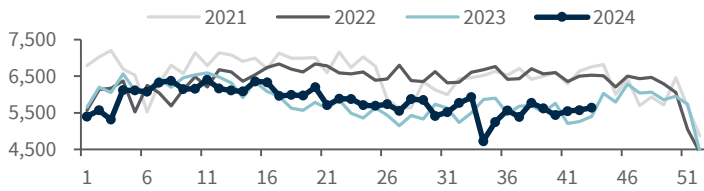
Source: Company reports; TRUSIF

APPENDIX ITEMS

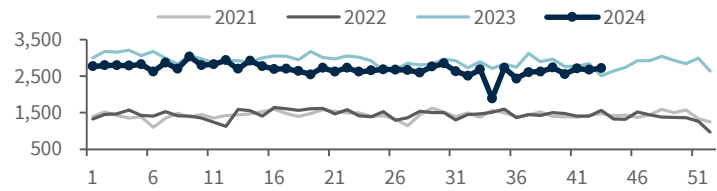
Exhibit 10: Carload Breakdown

Weekly

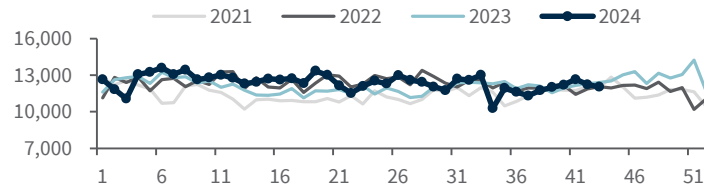
CNR Forest Products: ▲ 4.4%



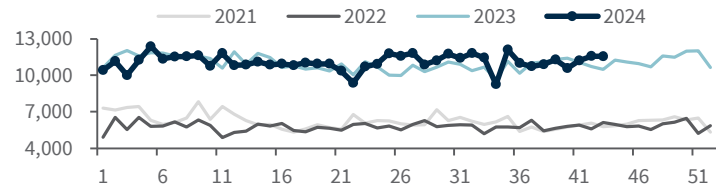
CPKC Forest Products: ▲ 8.3%



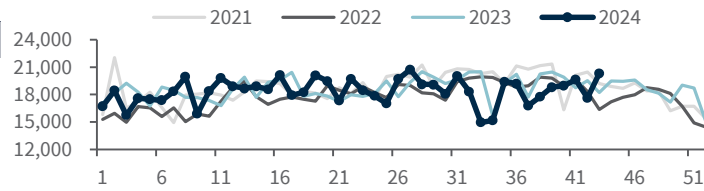
CNR Petro & Chemicals: ▼ - 2.8%



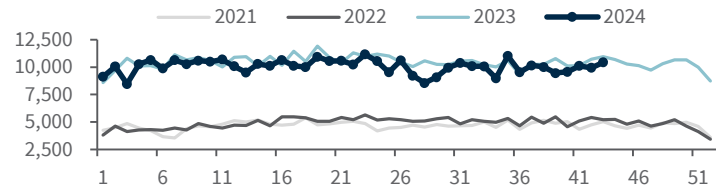
CPKC Energy, Chem. & Plastics: ▲ 10.4%



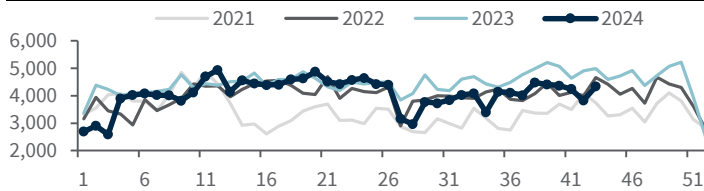
CNR Metals & Minerals: ▲ 11.3%



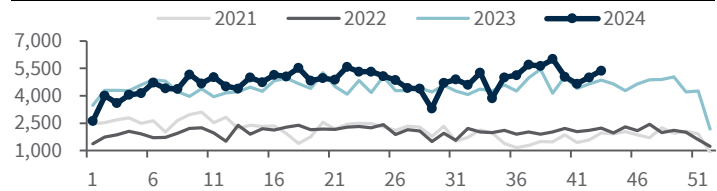
CPKC Metals, Minerals & Con.: ▼ - 4.8%



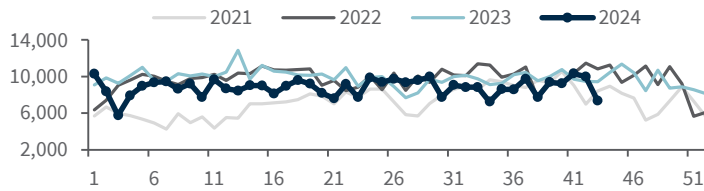
CNR Automotive: ▼ - 13.1%



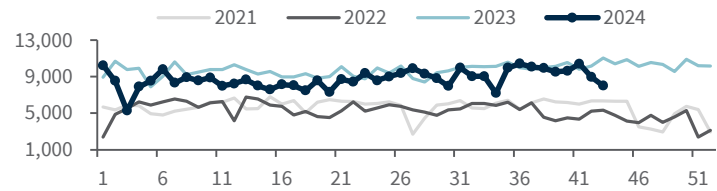
CPKC Automotive: ▲ 10.7%



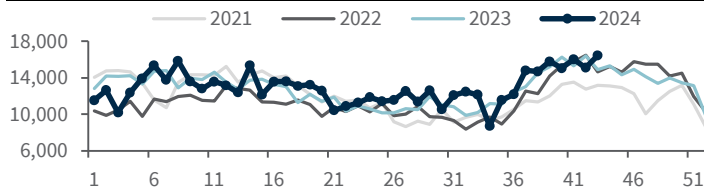
CNR Coal: ▼ - 22.0%



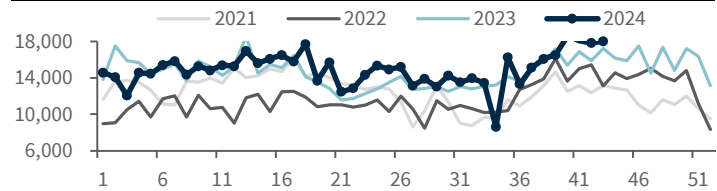
CPKC Coal: ▼ - 27.4%



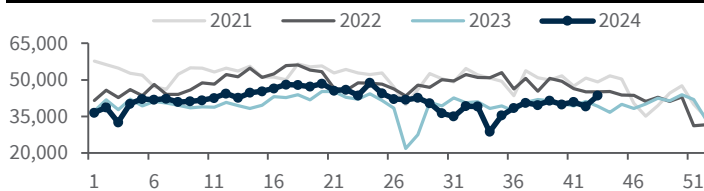
CNR Grain & Ferts: ▲ 10.2%



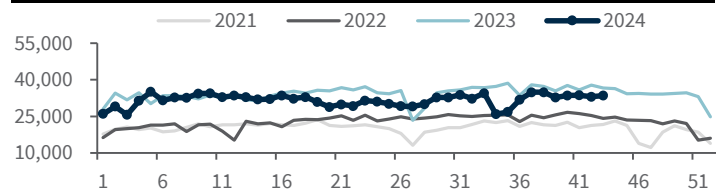
CPKC Grain & Ferts: ▲ 4.4%



CNR Intermodal: ▲ 10.9%



CPKC Intermodal: ▼ - 8.7%



Source: Company reports; TRUSIF

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