BACK ON TRACK

Initiating Coverage of Canadian Rails



STIFEL

“The North American rail industry appears to be **inflecting**, following the prolonged freight recession and post-COVID transportation industry hangover. Industry volumes are **positive** once again, yields are trending above cost inflation, and rail service levels are **improving**.”



Daryl Young

Diversified Industrials and Special Situations Analyst

Class 1 Freight Mix is *Highly Diversified*

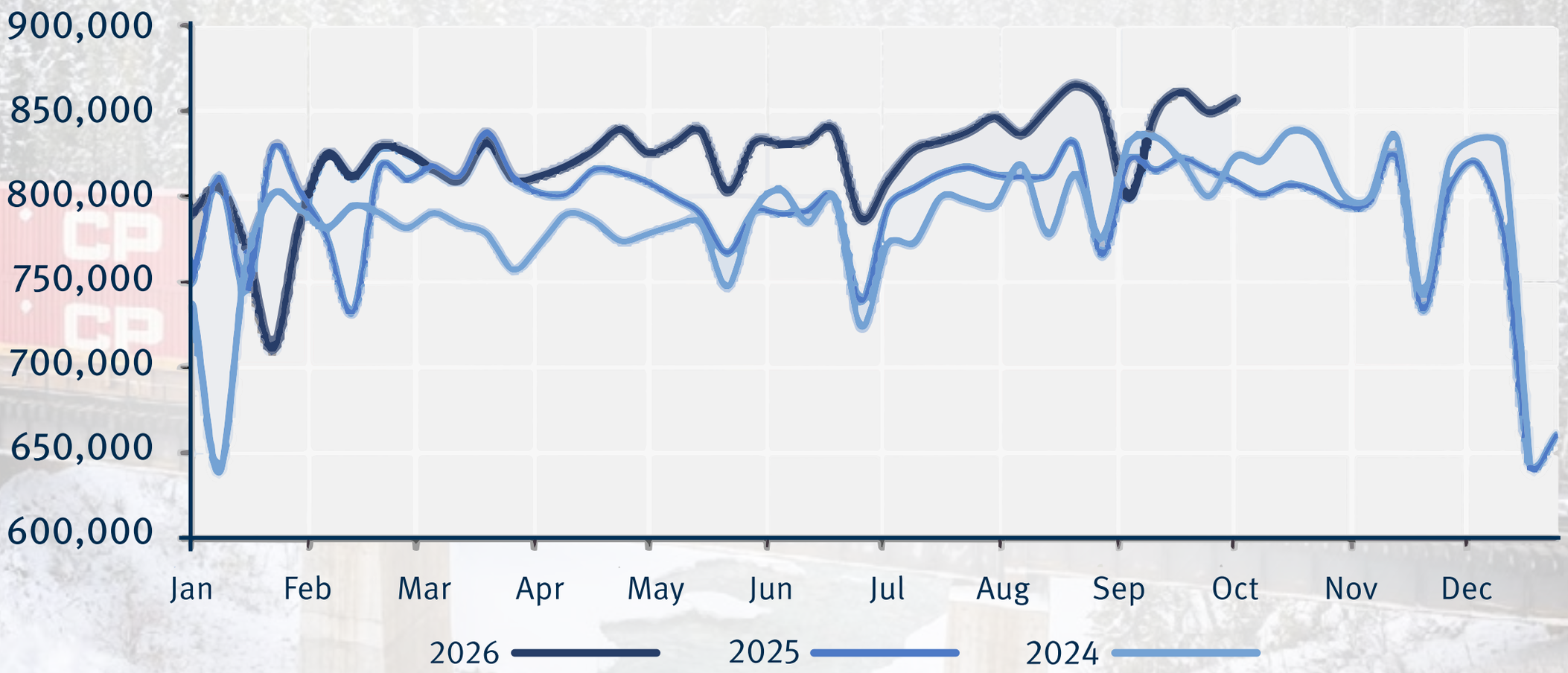
CPKC stands out as having the **largest exposure to grain and agriculture**, including through the heart of the grain belts in the Canadian Prairies and the U.S. Midwest, plus potash exposure in Canada.

CN has a very well-balanced freight mix. CN's intermodal franchise is strong given its **exclusive port access** at Prince Rupert and Halifax.



Carload Trends

Rail freight volumes have been frustratingly sluggish since 2018. However, **optimism for recovery is building.**

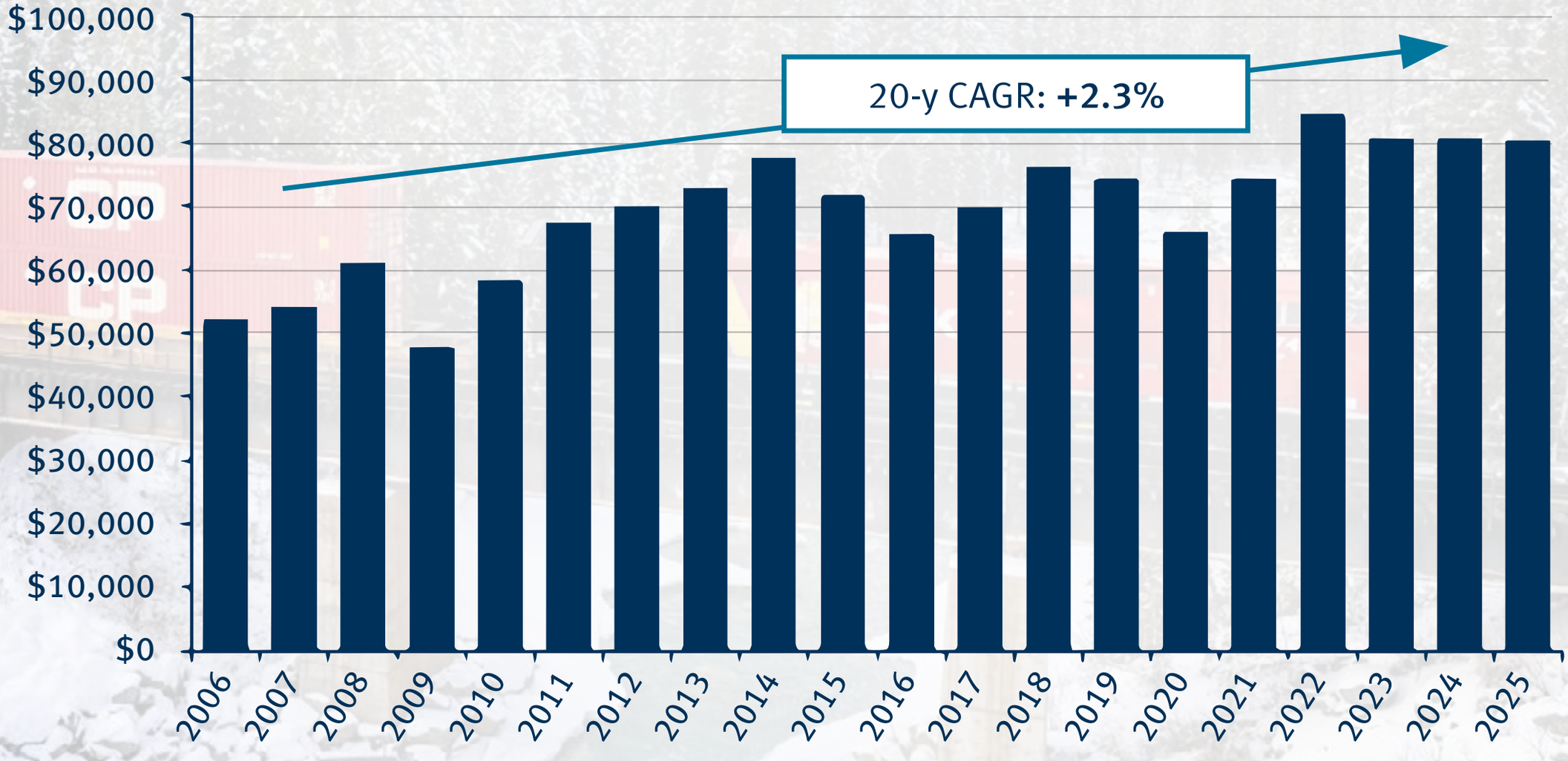


Source: AAR Weekly Rail Traffic reports, AAR Weekly Railroad Traffic, Week 52 reports 2018–2025, Stifel Research

Industry Revenue

Despite volume headwinds, the rails have continued to **grow revenue** at low- to mid-single-digit rates annually owing to strong pricing power.

20-YR. INDUSTRY REVENUE GROWTH



Source: Surface Transportation Board, Company Reports, Stifel Research

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