

CAD Rails Dashboard: July 2024 Monthly Review

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Note Overview

In this month's edition, we outline the Class 1 CAD rail traffic and their outlook. The CAD rails remain the bedrock holdings for TRUSIF, and we still recommend a hold rating despite street ratings based on trends.

Canadian National Railway

RTMs and Carloads – Overall, CNR's RTMs were up (3.5%) y/y, driven by mainly by Metals & Minerals (16.1%), Petro & Chemicals (15.2%), and Grains & Fert (12.2%) while being offset by Coal (-18.2%). However Carloads are down (-6.8%) y/y due to Food & Kindred Products (-21.4%), Intermodal (-17.8%), and Coal (-7.5%), offset by Grain (28.2%).

Outlook – Revenue synergy opportunities from the acquisition of Iowa Northern Railway (IANR) add to CN's strong growth pipeline. The intramodal segment will continue to grow as CN has interline partnerships with UNP and GMXT, as CN is the only Canadian EMP partner. Key areas to focus for H2/24 volumes expectations for Forest Products, Grain, and Intermodal, alongside potential work stoppage.

Canadian Pacific Kansas City

RTMs and Carloads – Overall, CPKC's RTMs were up (7.2%) y/y driven mainly by Automotive (34.8%), followed by Potash (16.2%), and Grain (14.4%); offset by Metals, Minerals & Consumer Product (-4.8%). Carloads however were down by (-1.0) y/y, due to Forest Products (-9.8%), Intermodal (-5.6%) and Metals & Consumer Product (-1.6%); offset by Automotive (14.9%).

Outlook – CPKC forecasts that core adjusted combined diluted earnings per share will grow in the double digits this year from \$3.84 per share. CPKC plans to spend \$2.75 bln on infrastructure upgrades and purchases throughout 2024. During recent presentations, management holds their positive outlook for on volume and pricing conditions. Key areas to focus for H2/24 would be Grain and Intermodal volumes and potential work stoppage.

Notable CAD News

Potential Work Stoppage CNR & CPKC - The collective agreement between Teamsters Canada and CNR, CPKC has been expired since December 31, 2023 and has not come to a conclusion. Since the formally requested Labour Minister Steven MacKinnon to mediate both two sides, no progress has been made. Teamsters are unhappy about the rail compaines proposals said they would give 72 hours advance notice of any strike action.

CPKC said it would start locking out employees on Aug. 22 to protect Canada's supply chains from more widespread disruption that could create a larger work stoppage during peak shipping periods in the fall.

CN Rail Cuts Earnings Forecast - CNR has lowered its forecast for earnings growth as it faces the threat of a worker strike. CEO Tracy Robinson said the prolonged nature of the negotiation process is impacting particularly in international intermodal as customers have taken actions to reroute vessals away from Canadian ports untill the labour question is resolved. CNR now expects EPS to grow at mid-to-high single digits. The rerouting mentioned already weighed on its earnings in Q2 missing estimated revenue of \$3.14 bln and EPS of C\$1.84.

Notable US News

Federal Hearing for All Class 1 Railroads - Federal regulators are summoning executives from all class 1 railroads for a public hearing in Washington on Sept. 16 and 17. To explain how their companies plan to invest and grow their business short -, medium-, and long term. Amid the concern over a recent report done by the Surface Transportation Board outlining a 28% decline in railroad carload traffic from May 2014 to May 2024.

KEY METRICS

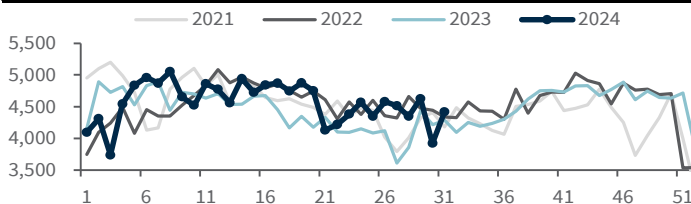
CNR Carloads: Week 30	Weekly	QTD	'24 YTD
Forest Products	-6.8%	0.2%	-1.6%
Petro & Chemicals	18.9%	7.6%	5.1%
Metals & Minerals	-1.6%	-4.2%	-0.4%
Automotive	-14.9%	-16.2%	-5.9%
Coal	-7.5%	0.1%	-10.7%
Grain & Ferts	28.2%	13.7%	3.8%
Intermodal	-17.8%	10.0%	6.7%
Total	-6.8%	3.8%	1.4%

Source: Company reports; TRUSIF

CPKC Carloads: Week 30	Weekly	QTD	'24 YTD
Forest Products	-9.8%	2.5%	-7.7%
Energy, Chem. & Plastics	18.9%	13.6%	8.7%
Metals, Minerals & Con.	-8.6%	-13.0%	-8.3%
Automotive	14.9%	26.8%	17.2%
Coal	-19.0%	-2.7%	-12.4%
Grain & Ferts	37.0%	28.6%	-5.2%
Intermodal	-5.6%	10.0%	4.5%
Total	-1.0%	2.9%	4.9%

Exhibit 5: Total RTMs

CNR: ▲ 13.8%



Source: Company reports; TRUSIF

CPKC: ▲ 4.6%

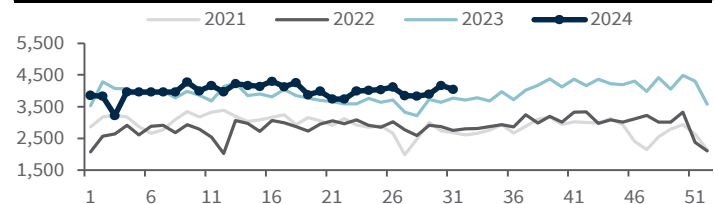
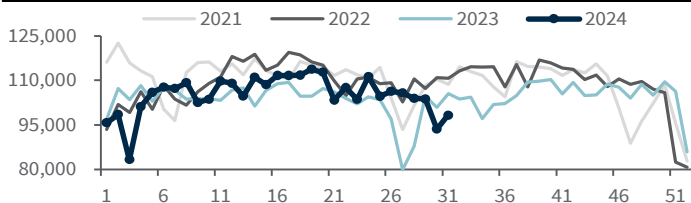


Exhibit 6: Total Carloads

CNR: ▲ 5.3%



Source: Company reports; TRUSIF

CPKC: ▼ -0.8%

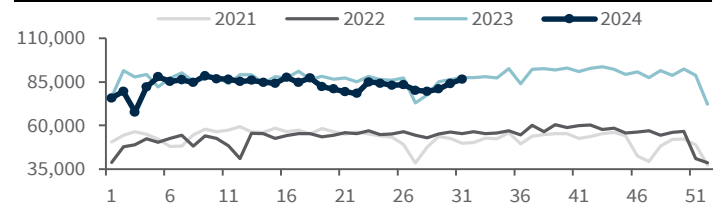
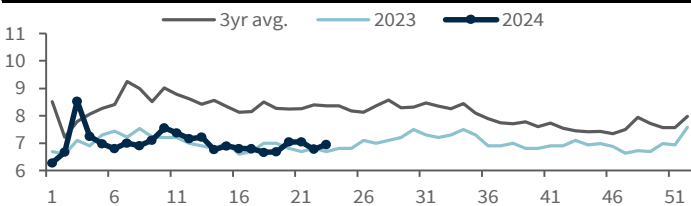


Exhibit 7: Terminal Dwell

CNR: ▼ -8.3%



Source: Company reports; TRUSIF

CPKC: ▼ -19.3%

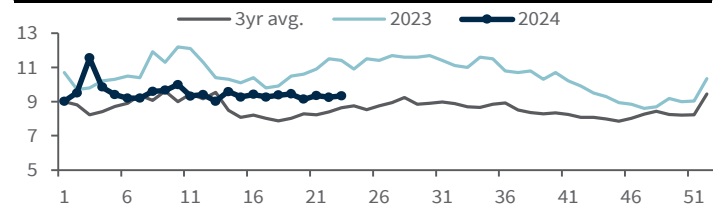
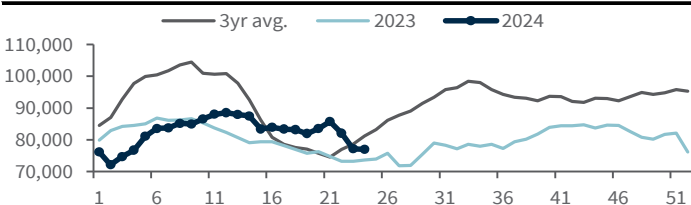


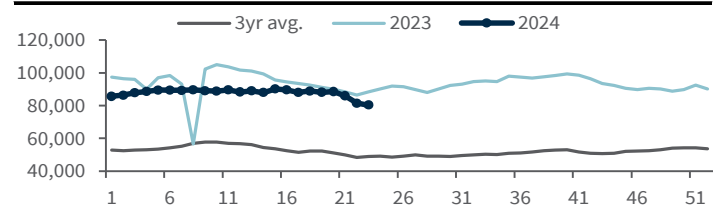
Exhibit 8: Cars Online

CNR: ▼ -1.6%



Source: Company reports; TRUSIF

CPKC: ▲ 58.0%

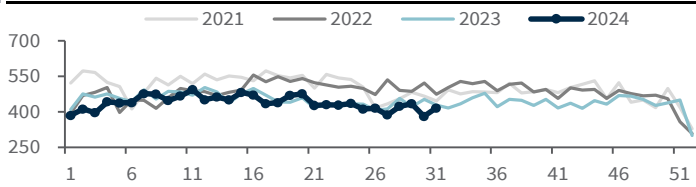


APPENDIX ITEMS

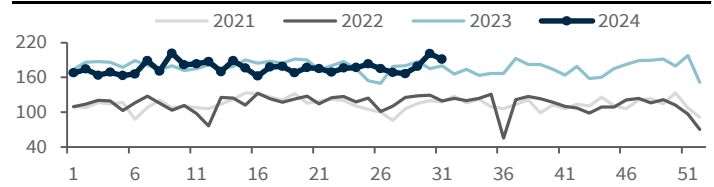
Exhibit 9: RTM Breakdown

Weekly

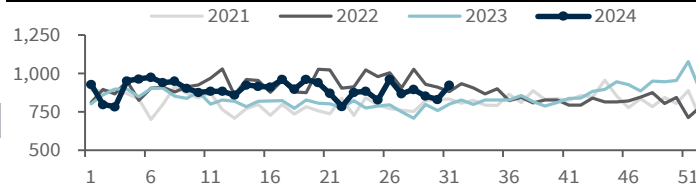
CNR Forest Products: ▲ 4.3%



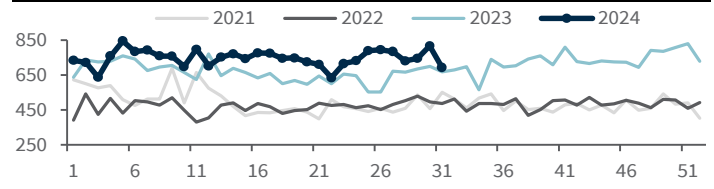
CPKC Forest Products: ▼ -1.2%



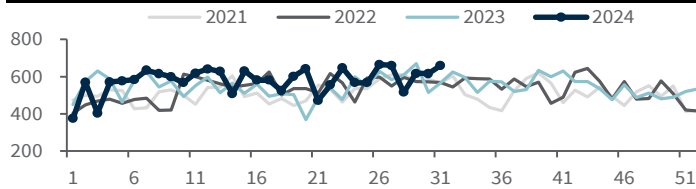
CNR Petro & Chemicals: ▲ 11.2%



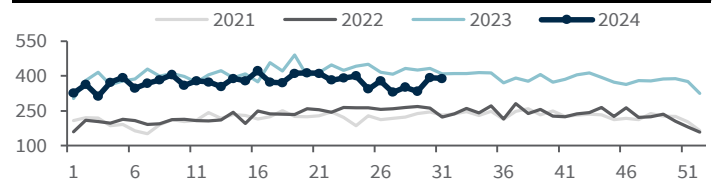
CPKC Energy, Chem. & Plastics: ▲ 9.1%



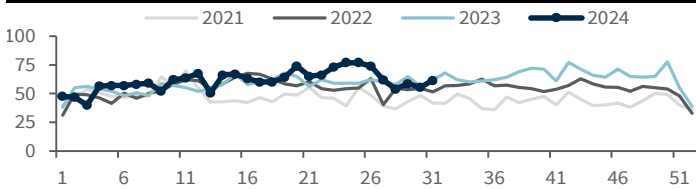
CNR Metals & Minerals: ▲ 13.0%



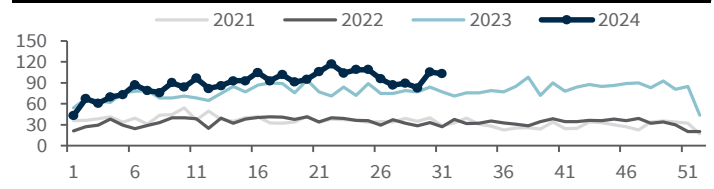
CPKC Metals, Minerals & Con.: ▼ -4.0%



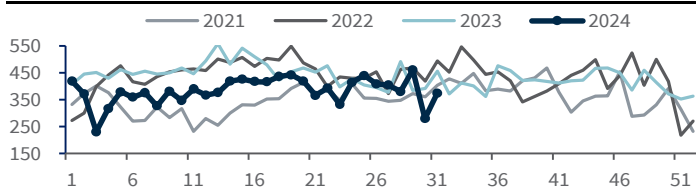
CNR Automotive: ▲ 22.1%



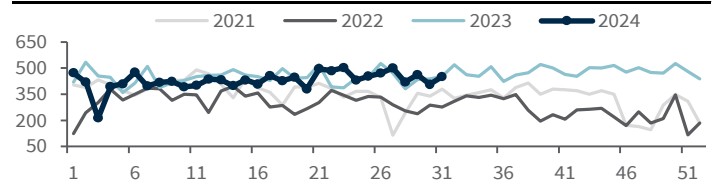
CPKC Automotive: ▲ 11.8%



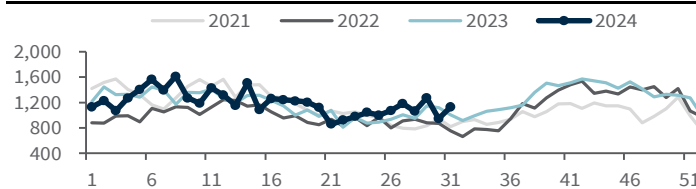
CNR Coal: ▼ -26.5%



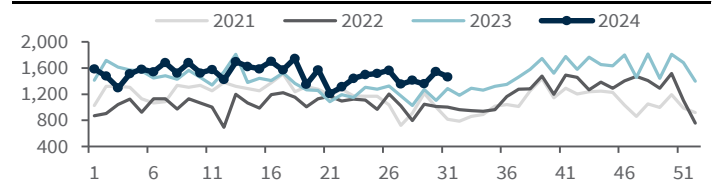
CPKC Coal: ▲ 7.4%



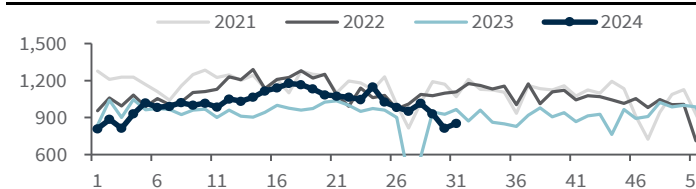
CNR Grain & Ferts: ▲ 37.2%



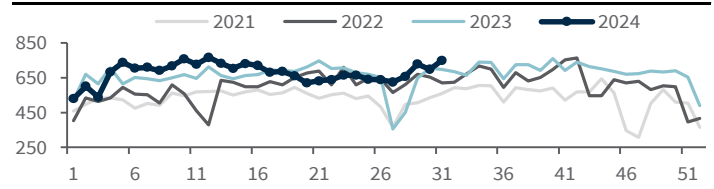
CPKC Grain & Ferts: ▲ 6.8%



CNR Intermodal: ▲ 10.5%



CPKC Intermodal: ▲ 9.2%



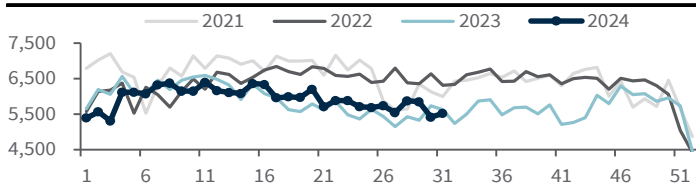
Source: Company reports; TRUSIF

APPENDIX ITEMS

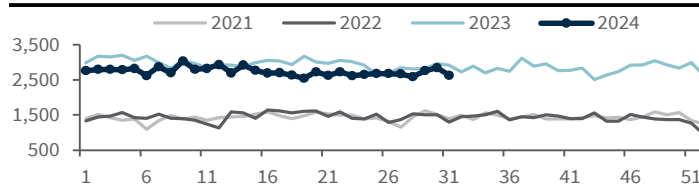
Exhibit 10: Carload Breakdown

Weekly

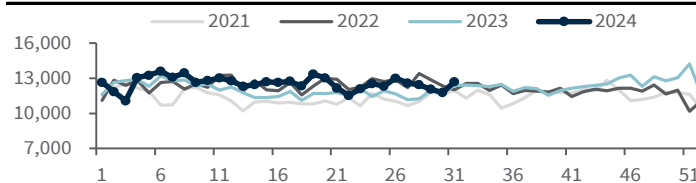
CNR Forest Products: ▲ 2.9%



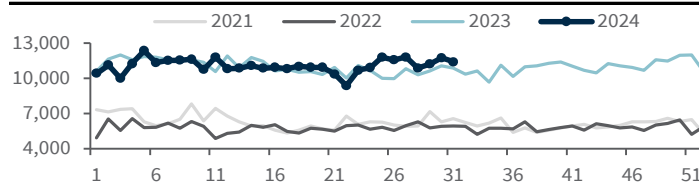
CPKC Forest Products: ▼ - 4.5%



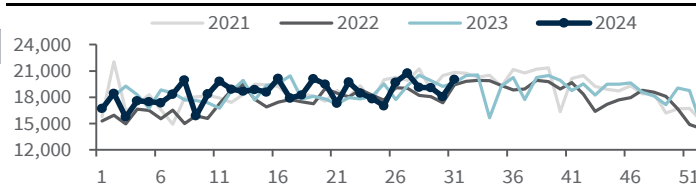
CNR Petro & Chemicals: ▲ 4.6%



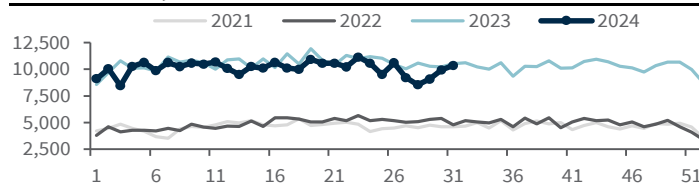
CPKC Energy, Chem. & Plastics: ▲ 0.4%



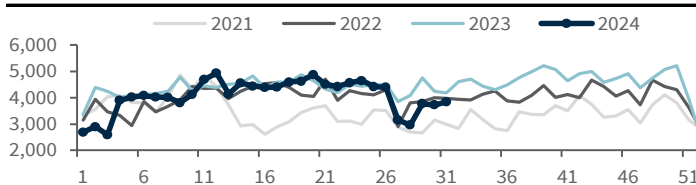
CNR Metals & Minerals: ▲ 12.8%



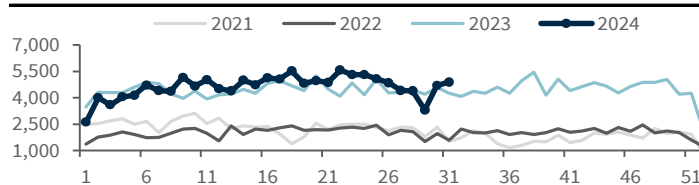
CPKC Metals, Minerals & Con.: ▼ - 3.8%



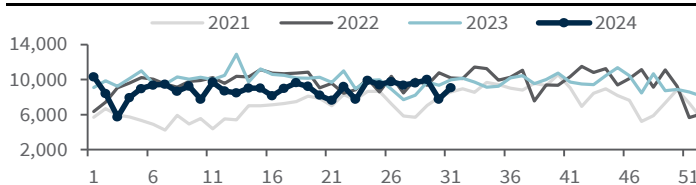
CNR Automotive: ▼ - 5.3%



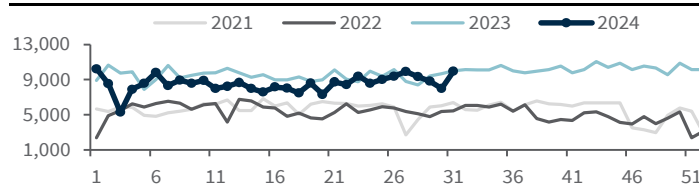
CPKC Automotive: ▲ 3.4%



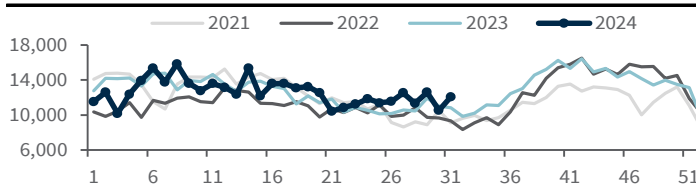
CNR Coal: ▼ - 16.0%



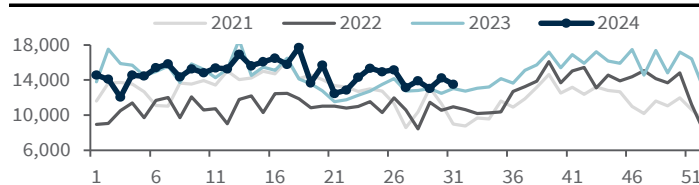
CPKC Coal: ▼ - 3.0%



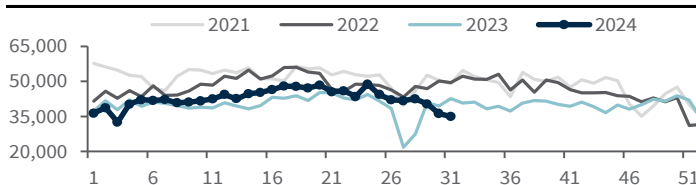
CNR Grain & Ferts: ▲ 23.1%



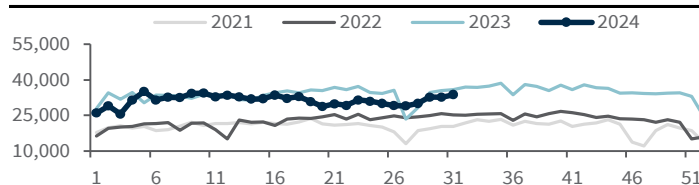
CPKC Grain & Ferts: ▲ 4.4%



CNR Intermodal: ▲ 3.4%



CPKC Intermodal: ▼ - 2.0%



Source: Company reports; TRUSIF

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