July 26, 2026 | 20:00 ET~

CN Railway

BMO Capital Markets

IN Fact

CNR-TSX CNI-NYSE	Rating Outperform	Price: Jul-24 $182.91	Target ↑ $195.00	Total Rtn 9%

Transportation

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Better-Than-Expected Q2/26 & Guidance Raised; Maintaining Outperform

Bottom Line:

CNR delivered better-than-expected Q2/26 results with strong incremental margins (high 60%) as network performance underpinned solid operating leverage. While the guidance raise was expected, together with better Q2/26 results, it underpinned the 3% increase in our forward estimates. Agreements with UNP extend network reach and should at the very least enable CNR to extend length of haul on some of the existing traffic. We are raising our target price to $195 and maintaining our Outperform rating.

Key Points

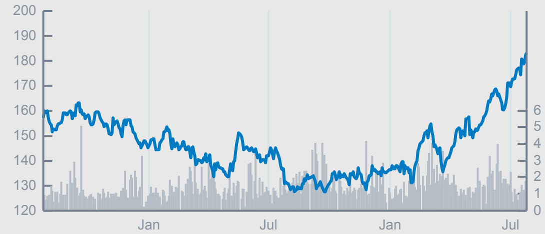
Q2/26 results above expectations on stronger yield performance. Similar to peers, Q2/26 freight revenues topped our expectations (beating our estimate by 100bps and consensus by 220bps) on stronger-than-expected yields and in-line volume growth (90bps ahead of consensus expectations). Correspondingly, reported adj. EBIT of $1,798mm (OR 62.2%) was 3.9% ahead of our estimate of $1,730mm (OR 63.1%) and 5.3% above consensus of $1,708mm (OR 63.1%). While fuel represented a 210bps headwind to OR in Q2, CN reported only a 50bps deterioration y/y, benefitting from strong productivity (labour productivity rose +9% y/y, locomotive utilization increased 6%, and CN delivered record fuel efficiency with gallons/GTM declining 3% y/y). At the EPS level, the outperformance versus expectations (adjusted EPS of $2.08 was +4.2% above BMOe of $1.99 and +5.7% above consensus of 1.96) was incrementally supported by other income.

2026 guidance raised as anticipated but still ahead of expectations. CNR now expects low-single-digit RTM growth, which compares to prior guidance for "flattish" growth—the prior guide was largely viewed as conservative (BMOe +2.8% and consensus +2.9%), and with the strength observed YTD/an improving demand outlook for H2/26, we believe the raise was reflected in expectations. However, the corresponding EPS raise for growth in the mid-to-high single-digit range (from "slightly higher than volume growth") screens favourably versus expectations (BMOe +3.6% y/y, consensus +3.8%), benefitting from a stronger volume outlook, operational execution, and commercial intensity. Should fuel hold at current levels, CNR estimates that would represent a $0.15/$0.10 tailwind to Q3/Q4 EPS respectively. CNR reiterated guidance for capex of $2.8bn (-38.4% y/y), with the company remaining well-positioned to handle near-term volume growth while delivering strong FCF/shareholder returns.

Continued on page 3.

Key Changes					
Target	Estimates	Q3 / 26E	2026E	2027E
$195.00↑	Revenue	$4,699	$18,690	$19,759
$180.00	*Previous*	*$4,565*	*$18,404*	*$19,394*
	EBIT	1,819	7,047	7,498
	Previous	*1,716*	*6,828*	*7,285*
	EPS	$2.11	$8.17	$8.95
	Previous	*$1.99*	*$7.90*	*$8.70*

2YR Price Volume Chart



LHS: Price (C$) / RHS: Volume (mm) Source: FactSet

Company Data			in C$
Dividend	$3.66	Shares O/S (mm)	606.6
Yield	2.0%	Market Cap (mm)	$110,953
AD Vol. (mm)	1.56	Net Debt (mm)	$20,114

BMO Estimates				in C$
(FY-Dec.)	2025A	2026E	2027E	2028E
Revenue	$17,304	$18,690↑	$19,759↑	$20,848↑
EBIT	6,636	7,047↑	7,498↑	8,048↑
EPS	$7.63	$8.17↑	$8.95↑	$9.87↑
EV	$107,368	$113,228↑	$117,220↑	$125,072↑

Consensus Estimates	2025A	2026E	2027E	2028E
EPS		$7.94	$8.84	$9.78

Valuation	2025A	2026E	2027E	2028E
P/E	24.0x	22.4x	20.4x	18.5x

QTR. EPS	Q1	Q2	Q3	Q4
2025A	$1.85	$1.87	$1.83	$2.08
2026E	$1.80a	$2.08a	$2.11	$2.18
2027E	$1.92	$2.30	$2.32	$2.41
2028E	$2.13	$2.54	$2.56	$2.66

Our Thesis

We believe CNR operates one of the best franchises in the rail industry. Operational performance has improved in recent years, which positions the company on a trajectory to improve margins and EPS growth when the freight cycle recovers.

CN Railway - Block Summary Model

Income Statement	2025A	2026E	2027E	2028E
Revenue	17,304	18,690	19,759	20,848
Growth y/y %	*1.5%*	*8.0%*	*5.7%*	*5.5%*
Operating Expenses	10,668	11,644	12,261	12,800
EBITDA	8,574	9,002	9,534	10,179
Growth y/y %	*4.3%*	*5.0%*	*5.9%*	*6.8%*
EBIT	6,636	7,047	7,498	8,048
Growth y/y %	*4.9%*	*6.2%*	*6.4%*	*7.3%*
Net Income	4,756	4,945	5,283	5,673
Growth y/y %	*5.5%*	*4.0%*	*6.8%*	*7.4%*
Diluted EPS	$7.63	$8.17	$8.95	$9.87
Growth y/y %	*7.4%*	*7.1%*	*9.6%*	*10.3%*
Operating Ratio	61.7%	62.3%	62.1%	61.4%
Labor Productivity (y/y % GTM/ headcnt)	4.5%	5.9%	-0.3%	0.5%
Cash Flow Statement	**2025A**	**2026E**	**2027E**	**2028E**
Cash Provided From Operations	7,049	6,886	7,269	7,745
Capex	3,658	2,750	3,000	3,350
Dividends	2,208	2,211	2,328	2,494
Free Cash Flow	3,391	4,136	4,269	4,395
Balance Sheet	**2025A**	**2026E**	**2027E**	**2028E**
Cash and Cash Equivalents	363	500	500	500
Total Current Assets	2,471	2,867	2,934	3,027
Net PP&E and Intangible Assets	49,148	50,727	51,691	52,910
Total Assets	58,555	60,779	61,709	62,920
Total Debt	21,522	22,810	23,270	24,169
Total Liabilities	36,987	38,858	39,765	41,127
Shareholders' Equity	21,568	21,920	21,944	21,793
Key Metrics	**2025A**	**2026E**	**2027E**	**2028E**
Net Debt/EBITDA	2.5x	2.5x	2.4x	2.3x
EBIT/Interest	7.3x	7.3x	7.6x	7.9x
Capex/Sales	21.1%	15.2%	15.2%	16.1%
ROIC	13.9%	14.1%	14.6%	15.4%

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

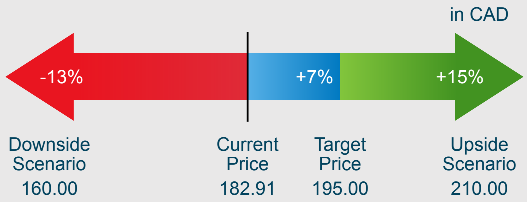
Our target price is based on a P/E multiple of 20.5x our forward estimates.

Upside Scenario $210.00

Our upside scenario assumes CNR continues to realize margin improvement with volume above our current forecast.

Downside Scenario $160.00

Our downside scenario assumes demand decline and multiple compression if a recession were to occur.



Key Catalysts

Leading macro demand indicators are key catalysts. Additionally, consistent improvement in weekly traffic trends could help improve conviction in the revenue recovery.

Company Description

Canadian National Railway Company (CNR) is Canada's largest railway system, operating approximately 20,000 route miles of track across Canada and the central U.S. between Chicago and the Gulf Coast.

CNR-TSX Research

Glossary

Company Models

CNR does not expect to see a significant impact from wildfires in British Columbia or northern Ontario, and the mainline through northern Ontario has been reopened.

CNR and UNP sign MOU; a modest positive for CNR. CNR has signed two agreements with UNP, both requiring regulatory approval.

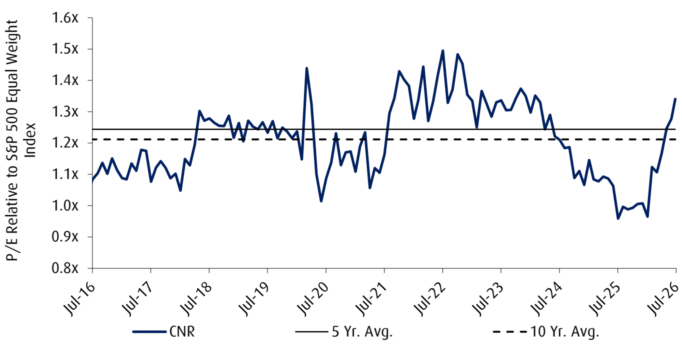
1. UNP gains operating rights over CNR's lines around Chicago (EJ&E) in exchange for CNR being granted operating rights between Memphis and Eagle Pass, Texas, connecting to FXE in Mexico. This agreement is not contingent on the outcome of the merger between UNP and NSC.
2. CNR signed a conditional MOU to cease its opposition to the UNP-NSC merger. Under the MOU, CNR gains access to shipper facilities where Class I railroad options would be reduced from 2-to-1 or 3-to-2, where commercially and operationally feasible; CNR acquires NSC's ownership interests in the Kansas City Terminal Railway Company (KCT) and the Terminal Railroad Association of St. Louis (TRRA); and CNR gains new access in the Midwest through overhead rights between Tuscola, Illinois, and East St. Louis, Illinois, as well as rights to serve customers between St. Louis, Missouri, and Kansas City, Missouri.

CNR has been granted operating rights between Memphis and Eagle Pass for volume originating in Canada and moving through to Mexico, while UNP's rights over CNR's Chicago lines are exclusive to traffic originating and terminating in the U.S.

While the two agreements are generally positive and help extend CNR's network reach, the magnitude to which they enhance the company's commercial prospects is unclear. The Mexico access MOU, which is not dependent on merger approval, has the potential to extend CNR's length of haul on existing traffic from Canada to Mexico. There is likely additional market opportunities to pursue, albeit still with competition with from CPKC's fully integrated north-south franchise. We believe the ability to serve shippers under an STB remedy scenario—the 2-to-1 and 3-to-2 shippers—has the potential to be positive, albeit it remains too early to tell at this stage in the UNP-NSC regulatory process.

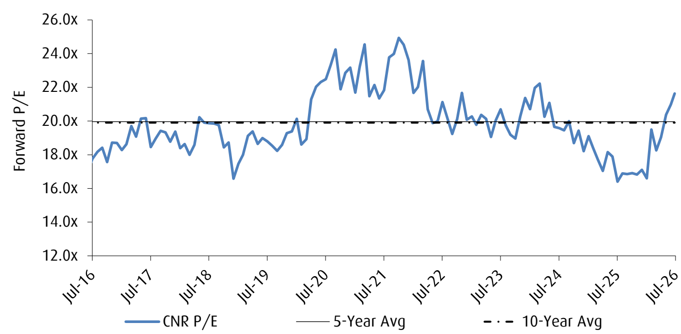
We have raised our 2026 estimates to $8.17 from $7.90 (+3.4%) and our 2027 estimates to $8.95 from $8.70 (+2.9%). We raised our target price to $195, reflecting a shift in our valuation base forward, higher estimates, and a modest increase in our valuation multiple to 20.5x from 20x previously, recognizing a more constructive freight outlook.

Exhibit 1 - CNR - Relative Valuation



Source: BMO Capital Markets, FactSet

Exhibit 2 - CNR - Absolute Valuation



Source: BMO Capital Markets, FactSet

Exhibit 3 - Summary of Results and Variance Versus Expectations

Canadian National Railway (TSX-CNR; NYSE-CNI) Income Statement Summary							
	Actual			BMOe	Actual		Actual vs.
(C$Millions, Except EPS)	Q2/25	Q2/26	YoY %	Q2/26E	vs. BMOe	Cons.	Cons
Petroleum and chemicals	808	941	16.5%	915	2.8%	934	0.7%
Metals and minerals	496	528	6.5%	528	0.1%	516	2.3%
Forest products	461	495	7.4%	484	2.2%	469	5.5%
Coal	242	243	0.4%	245	(1.0%)	241	0.8%
Grain and fertilizers	834	980	17.5%	992	(1.2%)	985	(0.5%)
Intermodal	1,008	1,087	7.8%	1,074	1.2%	1,057	2.9%
Automotive	241	285	18.3%	273	4.2%	260	9.5%
Other revenues	182	194	6.6%	182	6.6%	178	9.1%
Total revenues	**4,272**	**4,753**	**11.3%**	**4,694**	**1.3%**	**4,631**	**2.6%**
Labor and fringe benefits	862	889	3.1%	866	2.6%	872	2.0%
Purchased services and materials	576	641	11.3%	633	1.3%	618	3.8%
Fuel	413	659	59.6%	655	0.7%	638	3.3%
Depreciation and amortization	489	486	(0.6%)	500	(2.8%)	491	(1.0%)
Equipment rents	105	106	1.0%	111	(4.2%)	110	(3.4%)
Casualty and other	189	191	1.1%	199	(4.1%)	188	1.7%
Loss on assets held for sale	--	--	n/a	--	n/a		n/a
Transaction-related costs	--	--	n/a	--	n/a		n/a
Total Opex	**2,634**	**2,972**	**12.8%**	**2,964**	**0.3%**	**2,930**	**1.4%**
Total Opex - Adj.	**2,634**	**2,955**	**12.2%**	**2,964**	**(0.3%)**	**2,930**	**0.9%**
EBITDA - Adj.	**2,127**	**2,284**	**7.4%**	**2,230**	**2.4%**	**2,220**	**2.9%**
EBITDA Margin	49.8%	48.1%	(174bp)	47.5%	54bp	47.9%	13bp
EBIT - Adj.	**1,638**	**1,798**	**9.8%**	**1,730**	**3.9%**	**1,708**	**5.3%**
Operating Ratio	61.7%	62.2%	51bp	63.1%	(97bp)	63.1%	(96bp)
Interest expense	(219)	(241)	10.0%	(243)	(1.0%)	(239)	0.8%
Other components of net periodic benefit income	126	133	5.6%	133	--	120	10.9%
Other income	16	7	(56.3%)	--	n/a		n/a
Pretax Income - Adj.	**1,561**	**1,680**	**7.6%**	**1,620**	**3.7%**	**1,598**	**5.1%**
Taxes	(389)	(431)	10.8%	(413)	4.3%	(401)	7.5%
Effective Tax Rate	24.9%	25.7%	73bp	25.5%	15bp	0	2.2%
Net income - Adj.	**1,172**	**1,261**	**7.6%**	**1,207**	**4.5%**	**1,185**	**6.4%**
Net Profit Margin	27.4%	26.5%	(90bp)	25.7%	82bp	25.6%	95bp
Shares outstanding (millions)	628.0	607.5	(3.3%)	606.1	0.2%	606.8	0.1%
Diluted EPS	**$1.87**	**$2.06**	**10.2%**	**$1.99**	**3.3%**	**$1.94**	**5.8%**
Diluted Adjusted EPS	**$1.87**	**$2.08**	**11.0%**	**$1.99**	**4.2%**	**$1.96**	**5.7%**
Key Metrics:							
Operating Costs per 1000 GTM (ex. fuel) - Adj.	1.89	1.90	0.2%	1.87	1.3%	1.89	0.2%
Carloads (thousands)	1,414	1,409	(0.4%)	1,451	(2.9%)	1,414	(0.3%)
RTMs	59,215	62,250	5.1%	62,240	0.0%	61,666	0.9%
GTMs	117,335	121,082	3.2%	123,328	(1.8%)	121,106	(0.0%)
Yield (Rev per RTM)							
Petroleum and chemicals	$7.52	$7.92	5.3%	$7.71	2.8%	$7.89	0.4%
Metals and minerals	$7.01	$7.51	7.1%	$7.50	0.1%	$7.39	1.6%
Forest products	$9.02	$9.49	5.3%	$9.29	2.2%	$9.21	3.0%
Coal	$4.78	$4.79	0.0%	$4.83	(1.0%)	$4.81	(0.4%)
Grain and fertilizers	$5.05	$5.34	5.6%	$5.40	(1.3%)	$5.38	(0.8%)
Intermodal	$7.27	$7.92	8.8%	$7.82	1.2%	$7.68	3.1%
Automotive	$27.99	$29.91	6.8%	$28.69	4.2%	$27.96	7.0%
Total Freight Revenue per RTM	**$6.91**	**$7.32**	**6.0%**	**$7.25**	**1.0%**	**$7.22**	**1.4%**
Total Freight Revenue per Carload	**$2,893**	**$3,236**	**11.9%**	**$3,110**	**4.1%**	**$3,144**	**2.9%**
Employees - average for the period	25,003	23,719	(5.1%)	23,934	(0.9%)	24,087	(1.5%)
GTMs per average number of employees	4,693	5,105	8.8%	5,153	(0.9%)	5,028	1.5%
Fuel Efficiency (gallons per 1,000 GTMs)	0.865	0.836	(3.4%)	0.856	(2.4%)		

Source: BMO Capital Markets, Company Reports, Visible Alpha

Exhibit 4 - Model Summary

Canadian National Railway									
(C$ millions, except per share data)	2025	Q1/26	Q2/26	Q3/26E	Q4/26E	2026E	2027E	2028E	2029E
Revenues	17,304	4,379	4,753	4,699	4,860	18,690	19,759	20,848	22,002
Growth y/y %	1.5%	(0.5%)	11.3%	12.8%	8.9%	8.0%	5.7%	5.5%	5.5%
Labor and fringe benefits	3,510	914	889	862	910	3,576	3,764	3,964	4,176
Purchased services and materials	2,306	623	641	621	630	2,515	2,615	2,760	2,913
Fuel	1,786	483	659	633	636	2,412	2,583	2,618	2,654
Depreciation and amortization	1,938	484	486	490	496	1,956	2,036	2,131	2,190
Equipment rents	432	112	106	106	109	433	447	470	493
Other	745	214	191	166	215	787	816	857	900
Total Operating Expenses - Adj.	10,668	2,813	2,955	2,880	2,996	11,644	12,261	12,800	13,327
Growth y/y %	(0.5%)	0.7%	12.2%	12.5%	11.7%	9.1%	5.3%	4.4%	4.1%
EBITDA - Adj.	8,574	2,050	2,284	2,309	2,359	9,002	9,534	10,179	10,865
Growth y/y %	4.3%	(2.5%)	7.4%	9.6%	5.4%	5.0%	5.9%	6.8%	6.7%
EBIT - Adj.	6,636	1,566	1,798	1,819	1,864	7,047	7,498	8,048	8,675
Growth y/y %	4.9%	(2.7%)	9.8%	13.3%	4.6%	6.2%	6.4%	7.3%	7.8%
Net income - Adj.	4,756	1,102	1,261	1,276	1,306	4,945	5,283	5,673	6,110
Growth y/y %	5.5%	(5.1%)	7.6%	12.0%	1.7%	4.0%	6.8%	7.4%	7.7%
EPS diluted - Adj.	$7.63	$1.80	$2.08	$2.11	$2.18	$8.17	$8.95	$9.87	$10.94
Growth y/y %	7.4%	(2.7%)	11.0%	15.5%	4.5%	7.1%	9.6%	10.3%	10.8%
Key Assumptions									
Yield Growth (Freight rev per RTM) - y/y %	0.6%	(3.4%)	6.0%	8.9%	8.3%	4.9%	4.9%	3.3%	3.3%
Volume Growth (RTM) - y/y %	1.1%	3.0%	5.1%	3.9%	0.7%	3.1%	0.9%	2.3%	2.3%
Operating Ratio - Adj.	61.7%	64.2%	62.2%	61.3%	61.7%	62.3%	62.1%	61.4%	60.6%
Labour Productivity (GTM/headcount) - y/y%	4.5%	7.8%	8.8%	6.0%	1.1%	5.9%	(0.3%)	0.5%	0.5%
Balance Sheet									
Cash	363	586	294	500	500	500	500	500	500
Other Current Assets	2,108	2,462	2,553	2,405	2,367	2,367	2,434	2,527	2,563
Net Property, Plant & Equipment	49,148	49,394	50,013	50,323	50,727	50,727	51,691	52,910	54,319
Total Assets	58,555	59,463	60,094	60,437	60,779	60,779	61,709	62,920	64,267
Total Debt (inc. op lease)	21,522	22,516	22,616	22,645	22,810	22,810	23,270	24,169	25,335
Total Liabilities	36,987	38,012	38,193	38,545	38,858	38,858	39,765	41,127	42,759
Shareholders' Equity	21,568	21,451	21,901	21,892	21,920	21,920	21,944	21,793	21,508
Key Ratios									
Debt/EBITDA	2.5x	2.6x	2.6x	2.5x	2.5x	2.5x	2.4x	2.4x	2.3x
EBIT/Interest	7.3x	6.7x	7.5x	7.5x	7.6x	7.3x	7.6x	7.9x	8.2x
ROIC	13.9%	13.6%	13.9%	14.1%	14.1%	14.1%	14.6%	15.4%	16.2%
Cash Flow Items									
Cash flow from operations	7,049	1,265	1,611	2,129	1,882	6,886	7,269	7,745	8,299
Capex	(3,658)	(355)	(695)	(800)	(900)	(2,750)	(3,000)	(3,350)	(3,600)
Free cash flow	3,391	910	916	1,329	982	4,136	4,269	4,395	4,699

Source: BMO Capital Markets, Company Reports

Exhibit 5 - Rail Comp Table

North American Class 1 Railroads: Valuation Summary

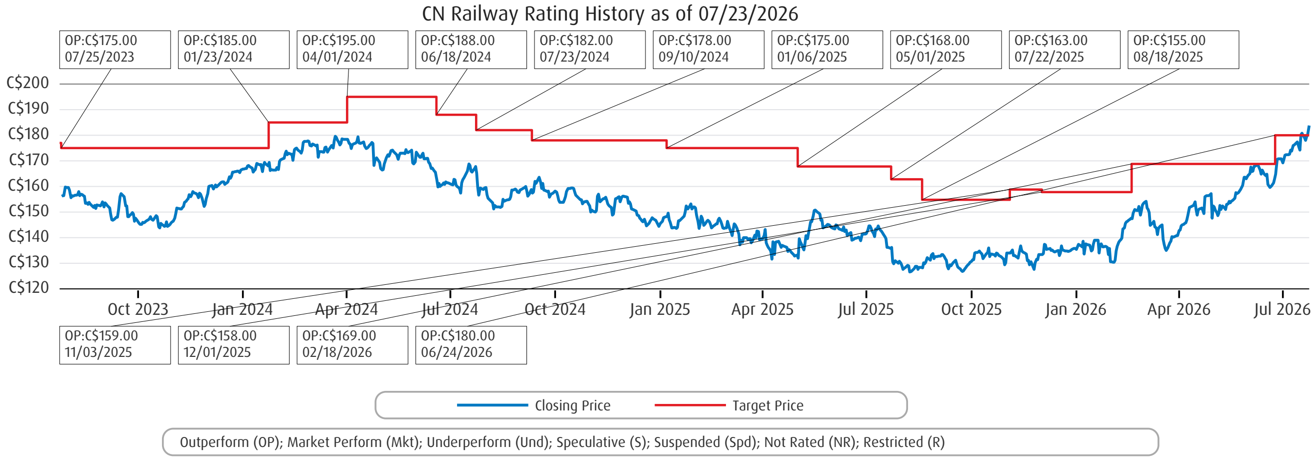
Company	BMO Rating	Price 7/23/26	BMO PT	Expected Share Upside	Dividend Yield	Expected Total Return	Market Capitalization	BMO EPS Estimates 2025A	BMO EPS Estimates 2026E	BMO EPS Estimates 2027E	Consensus EPS Estimates 2025A	Consensus EPS Estimates 2026E	Consensus EPS Estimates 2027E	EPS Q2/25A	BMO Q2/26E	Consensus Q2/26E
CN Rail (C$)	OP	$183.92	$195	6.0%	2.0%	8.0%	111,566	$7.63	$8.17	$8.95	$7.63	$8.00	$8.88	$1.87	$2.08	$2.08
CP Rail (C$)	OP	$130.06	$142	9.2%	0.7%	9.9%	115,459	$4.61	$5.17	$5.95	$4.61	$5.15	$5.95	$1.12	$1.24	$1.24
Union Pacific	Mkt	$304.33	$320	5.1%	1.8%	7.0%	180,685	$11.98	$12.74	$14.09	$11.98	$13.03	$14.13	$3.03	$3.36	$3.41
CSX	Mkt	$52.81	$52	-1.5%	1.1%	-0.5%	97,829	$1.61	$1.99	$2.25	$1.61	$2.00	$2.27	$0.44	$0.54	$0.54
Norfolk Southern	Mkt	$348.55	$355	1.9%	1.5%	3.4%	78,282	$12.49	$13.12	$14.47	$12.49	$12.81	$14.22	$3.29	$3.52	$3.52

Company	P/E (Consensus Estimates) 2026E	P/E 2027E	P/E NTM	PEG Ratio 2026E On EPS Growth 2026E	PEG 4-Yr CAGR	P/E Relative to the S&P 500 2026E	P/E Relative 2027E	P/E Relative NTM	Historical Avg Fwd P/E Relative to S&P 500 2-Yr	Historical 5-Yr	Historical 10-Yr	EV/EBITDA 2025A	EV/EBITDA 2026E	EV/EBITDA 2027E	P/FCF 2025A	P/FCF 2026E	P/FCF 2027E
CN Rail	23.0x	20.7x	21.8x	2.66x	1.99x	1.08x	1.12x	1.10x	0.85x	1.00x	1.04x	15.5x	14.8x	13.9x	33.8x	26.9x	25.4x
CP Rail	25.3x	21.8x	23.2x	2.02x	1.65x	1.19x	1.18x	1.18x	1.01x	1.14x	1.07x	18.4x	17.1x	15.7x	52.7x	34.5x	28.1x
Union Pacific	23.4x	21.5x	22.3x	2.64x	2.20x	1.10x	1.16x	1.13x	0.92x	0.98x	1.01x	17.2x	15.7x	14.9x	33.0x	25.0x	23.7x
CSX	26.4x	23.3x	24.6x	1.15x	1.87x	1.24x	1.25x	1.24x	0.90x	0.90x	0.97x	18.3x	16.0x	14.9x	55.3x	29.7x	26.6x
Norfolk Southern	27.2x	24.5x	25.6x	5.34x	2.84x	1.28x	1.32x	1.30x	1.00x	0.96x	0.99x	16.8x	16.0x	15.1x	33.8x	30.9x	27.5x
Average	**25.0x**	**22.4x**	**23.5x**	**2.76x**	**2.11x**	**1.18x**	**1.21x**	**1.19x**	**0.94x**	**1.00x**	**1.02x**	**17.2x**	**15.9x**	**14.9x**	**41.7x**	**29.4x**	**26.3x**
S&P 500	**21.2x**	**18.6x**	**19.7x**														

Company	EPS Growth y/y 2025A	EPS Growth 2026E	EPS Growth 2027E	EPS Growth 2028E	EPS Growth 4-Yr CAGR	Revenue Growth y/y 2025A	Revenue Growth 2026E	Revenue Growth 2027E	Revenue Growth 2028E	Revenue Growth 4-Yr CAGR	ROIC 2025A	ROIC 2026E	ROIC 2027E	Debt to EBITDA 2026E	FCF/EBITDA 2025A	FCF/EBITDA 2026E	FCF/EBITDA 2027E
CN Rail	7.4%	7.1%	9.6%	10.3%	9.5%	1.5%	8.0%	5.7%	5.5%	5.2%	13.9%	14.1%	14.6%	2.5x	40%	46%	45%
CP Rail	8.5%	12.1%	15.2%	16.1%	14.8%	3.7%	8.1%	7.7%	7.4%	6.7%	6.0%	6.5%	7.1%	3.1x	30%	40%	43%
Union Pacific	8.0%	8.4%	8.6%	12.8%	10.0%	1.1%	10.1%	5.4%	5.1%	5.4%	15.9%	16.9%	17.6%	2.2x	44%	53%	53%
CSX	-12.1%	23.8%	12.9%	11.4%	14.6%	-3.1%	8.3%	6.1%	5.1%	4.0%	11.5%	13.3%	14.2%	2.7x	28%	45%	46%
Norfolk Southern	5.4%	5.0%	10.3%	11.8%	9.5%	0.5%	10.1%	6.1%	5.3%	5.4%	11.0%	11.0%	11.6%	2.8x	41%	43%	45%
Average	**3.4%**	**11.3%**	**11.3%**	**12.5%**	**11.7%**	**0.7%**	**8.9%**	**6.2%**	**5.7%**	**5.3%**	**11.7%**	**12.4%**	**13.0%**	**2.7x**	**37%**	**46%**	**47%**

Source: BMO Capital Markets, Company Reports, FactSet

CN Railway Rating History as of 07/23/2026



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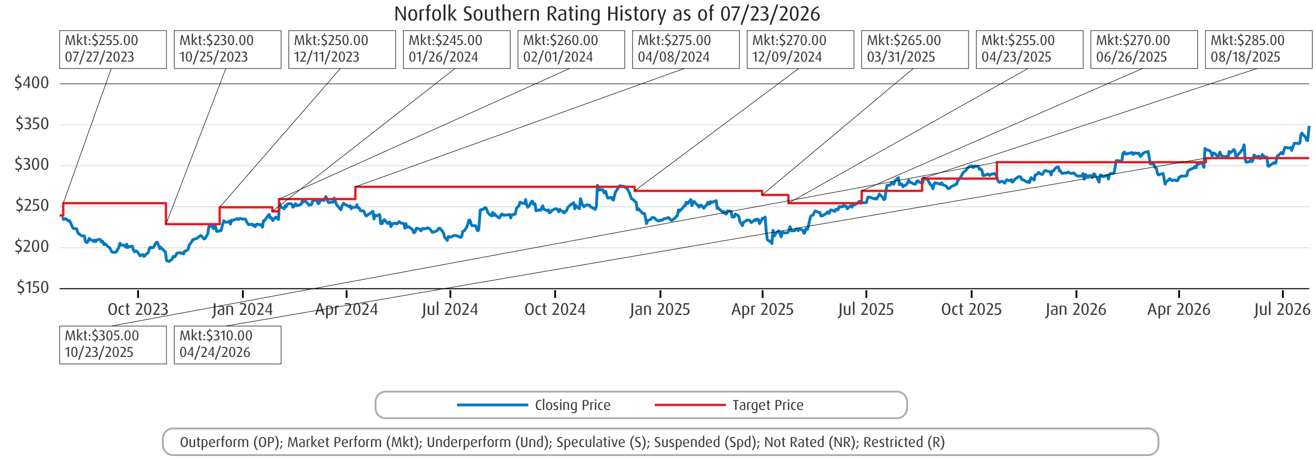

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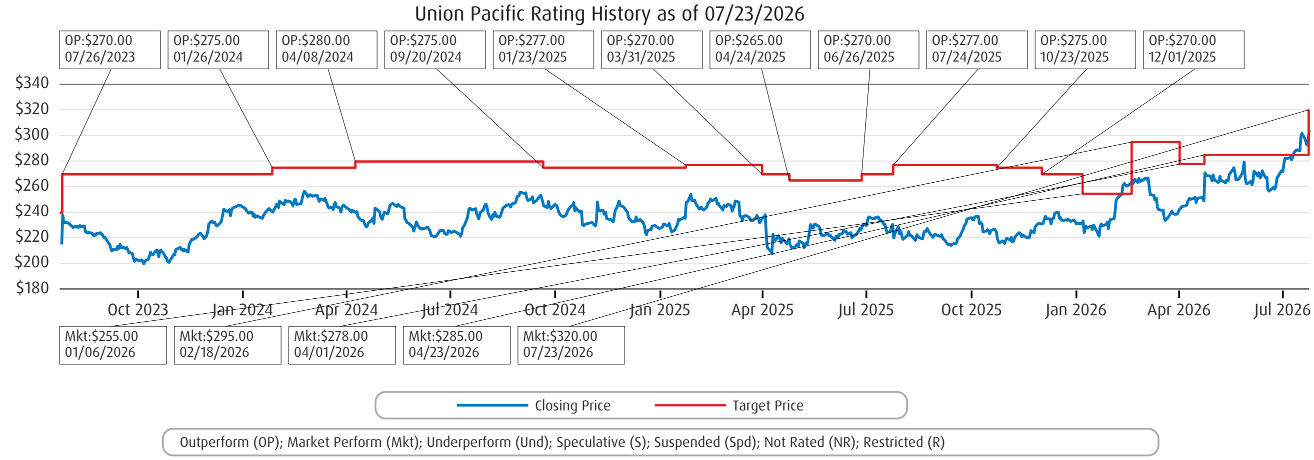

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Methodology: Our target price is based on a P/E multiple of 20.5x our forward estimates.

Risks: 1) The railroad industry is capital intensive; thus, earnings and cash flow are sensitive to volume and pricing assumptions. 2) Variances between actual and expected volume due to changes in economic activity could have a material impact on valuation. 3) Governmental changes in regulation could also have a material impact.

Methodology and Risks to Target Price/Valuation for Norfolk Southern (NSC-NYSE)

Methodology: Our $310 target price is anchored around the $320 (1 UNP share + $88 cash) bid from UNP.

Risks: 1) The railroad industry is capital intensive; thus, earnings and cash flow are sensitive to volumes and pricing assumptions. 2) Variances between actual and expected volumes due to changes in economic activity could have a material impact on valuation. 3) Governmental changes in regulation could also have a material impact.

Methodology and Risks to Target Price/Valuation for Union Pacific (UNP-NYSE)

Methodology: Our target price is based on 21.5x forward earnings.

Risks: 1) The railroad industry is capital intensive, thus earnings and cash flow are sensitive to volume and pricing assumptions. 2) Variances between actual and expected volume due to changes in economic activity could have a material impact on valuation. 3) Governmental changes in regulation could also have a material impact.

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Buy	Outperform	58.2 %	22.4 %	60.0 %	61.2 %	69.0 %	57.7%
Hold	Market Perform	40.4 %	21.5 %	40.0 %	38.0 %	31.0 %	37.5%
Sell	Underperform	1.4 %	0.0 %	0.0 %	0.9 %	0.0 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Prior BMO Capital Markets Rating System

(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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The recommendation contained in this report was produced at July 24, 2026, 19:40 ET. and disseminated at July 24, 2026, 19:40 ET.