



North America  
Canada  
Industrials  
Railroads

Industry  
**Canadian Rails**

Date  
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Initiation of Coverage

## Flipping the Script - Buy CP, Sell CNI



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### Initiating Coverage of Canadian Rails

We are expanding our coverage of Transportation companies with initiation of coverage of the Canadian railroad industry. We are positive on **Canadian Pacific** (CP, Buy) and cautious on **Canadian National** (CNI, Sell), as we see overall market share and earnings trajectory driving a reversal in recent relative value trends. All told we forecast CP to grow EPS at double the rate of CNI (+30% for CP vs. +15% for CNI cumulatively through 2019), which together with capex and free cash trends should drive re-rating at CP and de-rating for CNI. In this report we present a primer on the Canadian rail industry, with deep dives on Canadian Pacific and Canadian National.

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