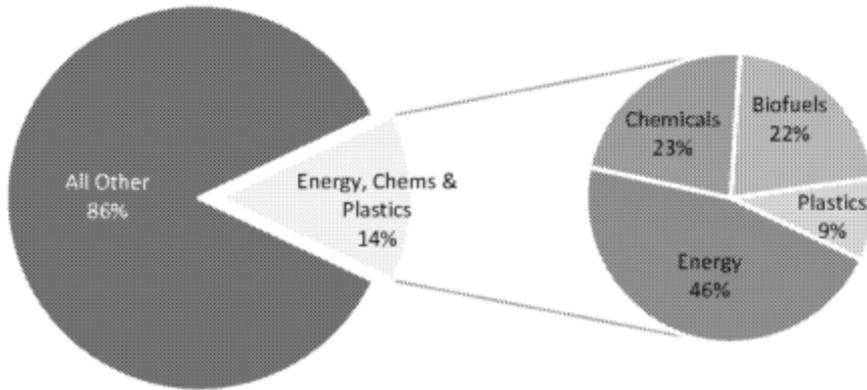




business comes from energy (46%), with chemicals (23%), biofuels (22%) and plastics (9%) making up the remainder. In 2016, energy, chemicals, and plastics revenue fell 23% yoy amidst a 65% decline in crude revenue. Recently, however things have turned around as revenue is up 2% ytd and we expect momentum to continue through 2018 & 2019 amidst strong crude by rail demand.

Figure 88: Energy, Chemicals, & Plastics as a % of Total Revenue

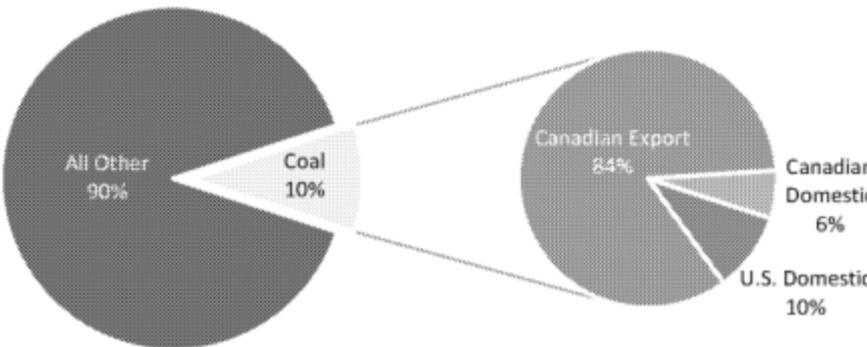


Source: Deutsche Bank, Company filings

We see significant tailwinds for energy, chemicals and plastics at CP due to increased demand for crude by rail volumes. We note that the Canadian Association of Petroleum Producers estimates that the supply of oil from Western Canada will increase at a 3.6% CAGR from 2017-2020 to over 4.5 million barrels per day, well in excess of current pipeline capacity of 4M bbl/day. We believe this dynamic will support crude by rail volumes in 2018 & 2019.

Coal - accounted for 10% of CP's revenue in 2016. The majority of coal hauled by CP is metallurgical coal which is exported to regions like Asia to be used for steelmaking. These shipments generally originate from Teck Resource Limited's coal mines located in western Canada and move to port terminals on the west coast. To this point, coal has the 2nd shortest length of haul for CP - 580 miles vs. the company avg. of 853 - which translates to a lower revenue per carload - C\$1,990 vs. company avg. of C\$2,400. The remainder of CP's coal business is largely thermal coal which is consumed domestically in North America. Coal revenue has been essentially flat since 2006 (0.2% CAGR) as volumes have fallen off in recent years due to cheaper nat gas prices. To that point, coal revenue fell 5.2% yoy in 2016 amidst a 5.7% decline in carloads.

Figure 89: Coal revenue as a % of Total Revenue



Source: Deutsche Bank, Company filings

The outlook for coal at CP is moderately better than U.S. rails given its outsized exposure to metallurgical coal, which is expected to be more stable than domestic/thermal coal in the coming years.

Metals, Minerals, Consumer Products - accounted for 9% of CP's revenue in 2016. There are a variety of commodities within this group with ties to oil and gas