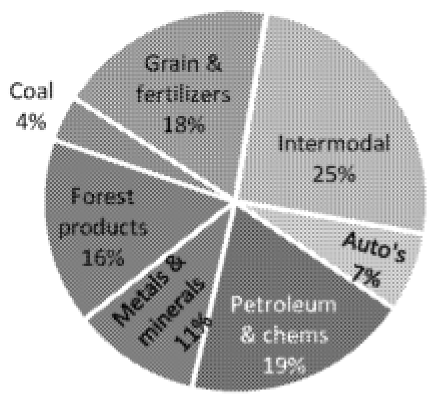
Revenue Trends

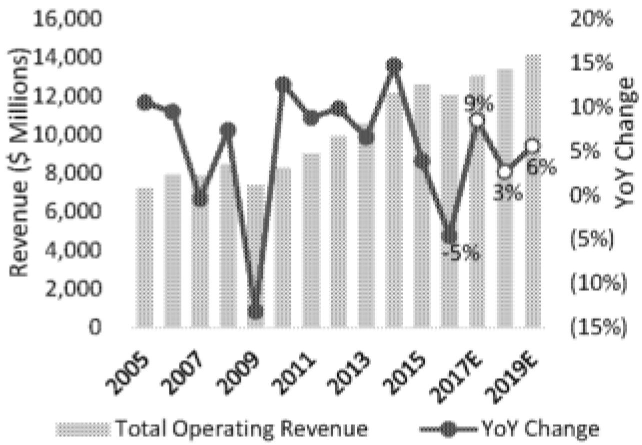
The revenue model for CNI (as well as other railroad companies) is fairly straight forward at a high level - volume (measured in carloads) x yield (measured in average revenue per carload). Revenue at CNI has increased at a 5.1% CAGR since 2000 amidst modest growth in volumes (2.0% CAGR) and yields (2.9% CAGR). The increase in yield reflects an average of 3.5%+ core pricing gains and a longer average length of haul. The largest contributors to revenue growth have been intermodal (7.3% CAGR), metals and minerals (7.3% CAGR), and petroleum and chemicals (+5.7%) while coal (1.8% CAGR) and autos (1.9% CAGR) have been laggards. CNI's network, which connects three coasts in North America, and its exceptional service levels have helped it achieve the fastest top-line growth of any railroad under our coverage universe over the past decade (4.3% CAGR vs. 1.9% on avg. for other Class I's) with growth accelerating since 2010 (6.4% CAGR vs. 2.0% on avg. for other Class I's). In 2016, CNI generated just over C$12B in revenue marking a 4.6% yoy decline from 2015.

Figure 105: CNI Revenue Breakdown FY2016



Source: Deutsche Bank, Company filings

Figure 106: CNI Revenue Trends & YoY Changes



Source: Deutsche Bank, Company filings

As we discussed above, revenue (at a high level) has essentially two inputs - carloads and yield (rev/carload). Carload yields can vary pretty significantly depending on a number of factors including mix of volume, length of haul, movements in core/underlying price, fuel surcharges, and currency. In 2016, CNI moved just over 5.2M carloads earning an average of C$2,176 in revenue per carload. Below we highlight CNI's exposure by carload and the corresponding revenue the company generated on those carload classifications.