



Model updated: 24 October 2017

Running the numbers

North America

Canada

Railroads

Canadian Pacific

Reuters: CP.N

Bloomberg: CP US

Buy

Price (30 Oct 17) USD 174.7

Target Price USD 209.0

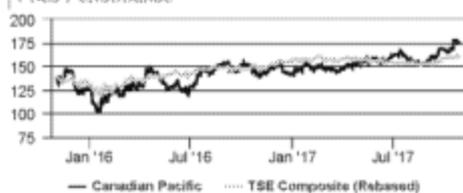
52 Week range USD 139.33 - 177.61

Market cap (m) USDm 25,418
EURm 21,861

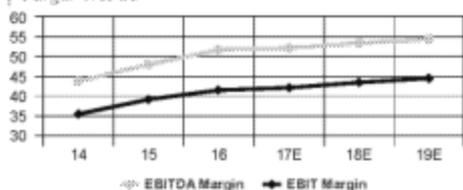
Company Profile

Canadian Pacific, headquartered in Calgary, Canada, provides rail and intermodal freight transportation services over 12,000 route miles spanning six Provinces in Canada and 13 states in the U.S. Its network consists of four primary corridors: Western, Eastern, Central, and the Northeast United States. In 2016, the company generated C\$6.2bn of revenue and C\$2.6bn of EBIT.

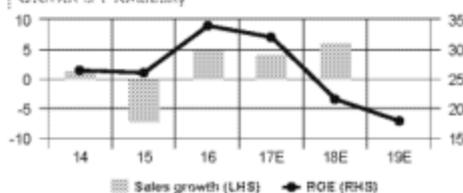
Price Performance



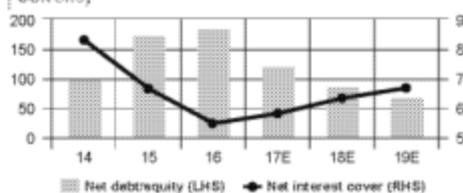
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec

Financial Summary

	2014	2015	2016	2017E	2018E	2019E
DB EPS (CAD)	8.52	10.09	10.29	11.44	13.14	14.95
Reported EPS (CAD)	8.49	8.40	10.62	12.98	13.14	14.95
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (CAD)	32.47	30.01	30.93	49.56	70.64	95.11

Valuation Metrics

	2014	2015	2016	2017E	2018E	2019E
Price/Sales (x)	5.0	4.9	4.3	5.0	4.8	4.5
P/E (DB) (x)	22.4	20.2	17.5	19.6	17.1	15.0
P/E (Reported) (x)	22.5	24.3	17.0	17.3	17.1	15.0
P/BV (x)	6.7	5.8	6.2	4.5	3.2	2.4
FCF yield (%)	2.2	3.1	3.8	3.5	4.6	5.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales	5.8	6.1	5.7	6.3	6.0	5.6
EV/EBITDA	13.3	12.7	11.0	12.1	11.3	10.4
EV/EBIT	16.4	15.6	13.7	15.0	13.9	12.7

Income Statement (CADm)

	2014	2015	2016	2017E	2018E	2019E
Sales	6,620	6,712	6,232	6,543	6,831	7,265
EBITDA	2,891	3,215	3,218	3,407	3,643	3,945
EBIT	2,339	2,620	2,578	2,747	2,960	3,226
Pre-tax profit	2,050	2,245	2,098	2,271	2,492	2,743
Net income	1,480	1,352	1,599	1,893	1,832	2,016

Cash Flow (CADm)

	2014	2015	2016	2017E	2018E	2019E
Cash flow from operations	2,123	2,459	2,089	2,385	2,716	2,983
Net Capex	-1,397	-1,449	-1,086	-1,235	-1,275	-1,325
Free cash flow	726	1,010	1,023	1,150	1,441	1,658
Equity raised/(bought back)	-1,988	-2,744	-1,189	-1,000	-1,115	-1,300
Dividends paid	-244	-226	-255	-309	-328	-349
Net inc/(dec) in borrowings	588	2,013	-46	120	120	95
Other investing/financing cash flows	668	371	-19	5	40	25
Net cash flow	-250	424	-486	-34	158	129
Change in working capital	-124	275	-55	11	-10	7

Balance Sheet (CADm)

	2014	2015	2016	2017E	2018E	2019E
Cash and cash equivalents	226	650	164	130	288	416
Property, plant & equipment	14,438	16,273	16,689	17,264	17,856	18,462
Goodwill	176	211	202	202	202	202
Other assets	1,800	2,503	2,166	4,456	6,582	9,153
Total assets	16,640	19,637	19,221	22,052	24,928	28,233
Debt	5,793	8,957	8,684	8,804	8,924	9,019
Other liabilities	5,237	5,884	5,911	6,038	6,176	6,420
Total liabilities	11,030	14,841	14,595	14,842	15,100	15,439
Total shareholders' equity	5,610	4,796	4,626	7,210	9,828	12,794
Net debt	5,567	8,307	8,520	8,674	8,636	8,603

Key Company Metrics

	2014	2015	2016	2017E	2018E	2019E
Sales growth (%)	nm	1.4	-7.2	5.0	4.4	6.4
DB EPS growth (%)	na	18.5	2.0	11.2	14.8	13.8
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	43.7	47.9	51.6	52.1	53.3	54.3
EBIT Margin (%)	35.3	39.0	41.4	42.0	43.3	44.4
ROE (%)	26.4	26.0	33.9	32.0	21.5	17.6
Net debt/equity (%)	99.2	173.2	184.2	120.3	87.9	67.2
Net interest cover (x)	8.3	6.6	5.5	5.8	6.3	6.7

DuPont Analysis

	2014	2015	2016	2017E	2018E	2019E
EBIT margin (%)	35.3	39.0	41.4	42.0	43.3	44.4
x Asset turnover (x)	0.4	0.4	0.3	0.3	0.3	0.3
x Financial cost ratio (x)	0.9	0.8	0.8	0.8	0.8	0.9
x Tax and other effects (x)	0.7	0.6	0.6	0.6	0.7	0.7
= ROA (post tax) (%)	8.9	7.5	8.2	9.2	7.8	7.6
x Financial leverage (x)	3.0	3.5	4.1	3.5	2.8	2.3
= ROE (%)	26.4	26.0	33.9	32.0	21.5	17.8
annual growth (%)	na	-1.5	30.6	-5.8	-32.8	-17.1
x NTA/share (avg) (x)	32.2	32.3	31.3	40.6	61.1	83.9
= Reported EPS	8.49	8.40	10.62	12.98	13.14	14.95
annual growth (%)	na	-1.0	26.5	22.2	1.2	13.8

Source: Company data, Deutsche Securities estimates