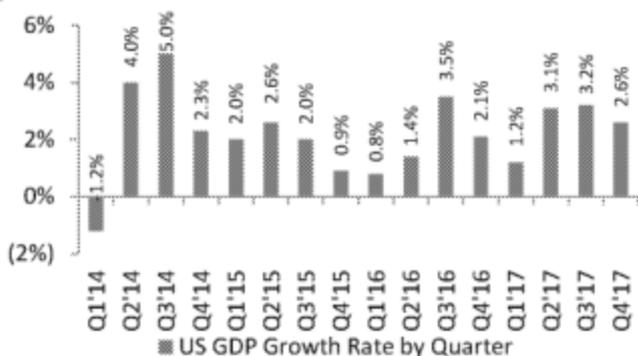


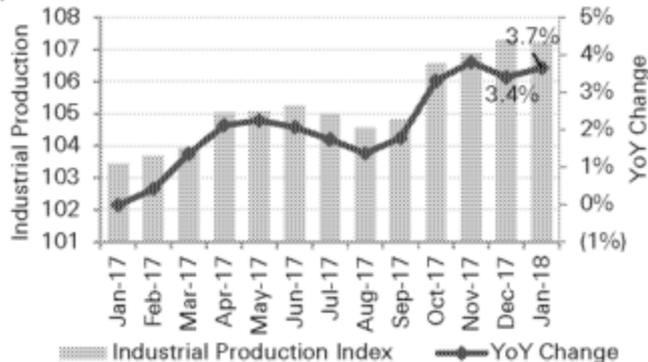


Figure 11: U.S. GDP growth has picked up in recent quarters...



Source: Deutsche Bank, Federal Reserve

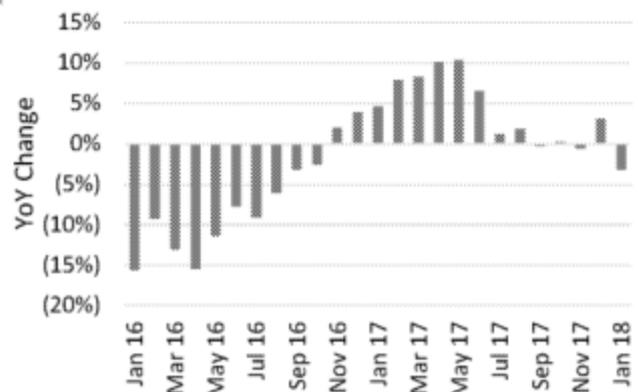
Figure 12: ...Amidst an acceleration in U.S. Industrial Production



Source: Deutsche Bank, FactSet

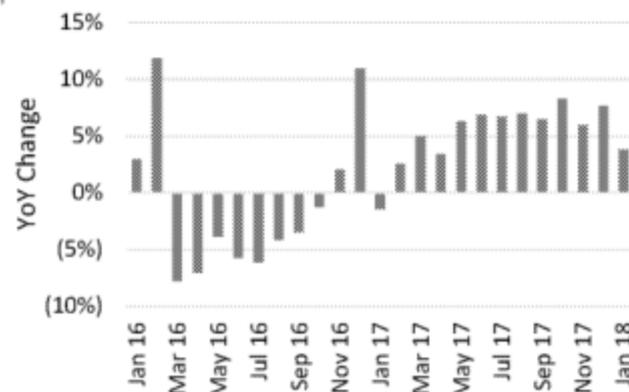
Rail volumes tell a moderately different story as weakness in certain commodities such as agricultural products, coal, and auto's are weighing on overall carload growth. However, demand for intermodal, which is more truck competitive, has been growing steadily and is expected to remain strong in 2018 amidst tight truck capacity.

Figure 13: Carload traffic ex-intermodal has been somewhat constrained due to weakness in ag, coal, and auto's



Source: Deutsche Bank, AAR

Figure 14: While Intermodal traffic (more truck competitive) has been growing solidly



Source: Deutsche Bank, AAR

We are also playing a bit of catch-up following a busy 4Q reporting season by putting our final touches on select models. See details below and updated models within this report.

- GWR Est./PT revisions:** We are lowering our estimates for GWR post 4Q results to \$3.75 (from \$4.20) in 2018 and \$4.60 (from \$4.84) in 2019. Our price target moves to \$84, reflecting an unchanged 18.3x our 2019E EPS estimate. Although mgmt. gave a favorable outlook for all three markets (North America, UK/Europe, and Australia), we remain on the sidelines due to uncertainties largely around operational execution and our preference remains for CSX and CP within our rail coverage. Risks to the upside include accretive acquisitions, better than expected