

Subject: Canadian rails rollout at DB may be of interest: Sell on CNI, Buy on CP

From: Joshua Shoshan <[REDACTED]>

Date: Wed, 01 Nov 2017 07:52:36 -0400

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Hi, Paul. DB's Seldon Clarke initiated on the Canadian Railroad industry last night with a bold call to sell CNI and buy CP as he sees an "overall market share and earnings trajectory driving a reversal in recent relative value trends" between the competitors. In a nutshell, Seldon sees each railroad on a separate track: one having gone from significant market share/top-line/EPS growth to now facing tough comps (CNI i.e. "A victim of its own success")...and the other going from investing to harvesting/growth mode, as it pivots from a cost takeout story to a revenue growth one (CP). In his 80-page Deep-Dive, Seldon includes lots of helpful data/charts to hit his point home, like how CNI's cost advantage over CP has effectively been eliminated and CP's improving service quality vs. CNI.

He also includes a refreshed primer on the NA rail industry . . . Best regards, --Josh

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