CP gideon lens

■# Canadian Pacific Kansas City Limited (CP) - Gideon-Lens Equity Research

Date: 2026-05-29. Analyst: Codex ER2. Currency: Canadian dollars unless stated. Fiscal year end: December 31. Valuation quote: C$124.86 for CP.TO, live-fetched for the synthesis appendix before the Toronto market open. Market cap and enterprise value are treated in CAD in the scoring files.

VERDICT BLOCK

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	PASS	Strong operator, aligned incentives, but KCS ROIC proof pending
Moat	PASS	Scarce rail network passes 2046 test, with regulation caveats
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base cushion -33.1%; bull case still fails
Compounder Score	Audited 49 / 100	Reject classification; diagnostic only, not an ER2 gate
Business Quality Score	Audited 48 / 80	Durable railroad, not yet dream-business return evidence
20% Return UW Score	Audited 1 / 20	Current price does not underwrite 20% annualized returns

One-line thesis (or reason to pass): CPKC is a rare and strategically valuable North American rail network, but today's price capitalizes margin recovery, Mexico/intermodal growth, buybacks, and KCS synergies before acquisition-inclusive returns and cash conversion have earned that valuation.

Kill / trigger criteria:

- BUY trigger: price below C$83.50, which is roughly 15x base-case TTM+5 EPS of C$5.57 and about 33% below the C$124.86 valuation quote.
- PASS triggers: freight revenue per RTM down YoY in both Q2 and Q3 FY2026; Q2-Q3 FY2026 reported operating margin averaging below 36.5%; intermodal revenue and intermodal revenue per RTM both down YoY in Q2 and Q3 FY2026.
- Upgrade to BUY conditions: base-case TTM+5 EPS moves above C$8.32 through observed yield recovery, margin recovery, and KCS ROIIC proof, or the stock falls below the C$83.50 base-case 15x threshold while management and moat gates remain intact.

Position sizing if bought: 0% at the current price. If the price fell below the trigger while operating evidence improved, maximum initial sizing would still be modest, around 1.5% to 2.0% of the equity book, because the business is capital intensive and KCS acquisition-inclusive returns are still not fully proven.

Stage 0 - Time anchor

Today is 2026-05-29. CPKC's fiscal year ends December 31. The most recently reported quarter is Q1 FY2026 ended March 31, 2026, reported April 29, 2026. The TTM anchor is Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026, creating a TTM period ending March 31, 2026. The forward horizon is exactly five calendar years from that TTM end date, so the ER2 TTM+5 horizon is March 31, 2031.

Stage 1 - Disqualifier sweep

ROIC is YELLOW: the railroad economics are high quality, but reported post-KCS returns remain mid-single-digit and acquisition-inclusive ROIIC is not yet proven. FCF conversion is YELLOW: the business is cash generative, but TTM free

cash flow conversion was only 50.9% of net income because rail capex is structurally heavy. Net debt / EBITDA is YELLOW: leverage is manageable for an investment-grade railroad, but adjusted net debt to adjusted EBITDA is about 3.2x and buybacks need discipline. End markets are GREEN/YELLOW: bulk, merchandise, automotive, and intermodal demand are durable but cyclical. Governance is GREEN: no auto-disqualifying governance issue surfaced, and the board/incentive structure is credible. AI disruption is GREEN: AI does not replicate physical rail corridors. Pricing power is GREEN/YELLOW: rail infrastructure has real pricing power, but Q1 FY2026 yield weakness, regulation, and truck-competitive intermodal cap the grade.

Management

Management clears the ER2 gate. Keith Creel and the senior team own the CP-to-CPKC strategy, have long rail operating histories, and have been direct enough in investor communication to make the plan auditable. The board appears strong, with 13 of 14 independent nominees, an independent chair, and a standing Integration Committee. Capital allocation has been coherent so far: heavy integration and network investment after the KCS transaction, balance-sheet repair, then a restart of dividends and buybacks. Incentives are mostly aligned, with high at-risk pay and meaningful CEO ownership. The concerns are not cosmetic. ROIC is not yet back in the live PSU scorecard, even though it is the single most important proof point after KCS; adjusted leverage remains around 3.2x; and Q1 FY2026 yield weakness needs to prove temporary. The management grade is PASS, but not a blank check.

Moat

The moat also clears. CPKC owns scarce Class I rail infrastructure and is the only single-line network connecting Canada, the United States, and Mexico. That matters because rail corridors cannot be cheaply replicated, shippers with rail-served facilities face high switching costs, and density creates scale advantages that can reinforce margins when volume is healthy. The 2046 test is GREEN: it is easy to name a plausible profit pool two decades out in grain, potash, energy/chemicals/plastics, automotive, industrial merchandise, and intermodal. The caveats matter. Coal can shrink, intermodal competes more directly with trucking, Mexico and USMCA/trade policy can disturb the corridor thesis, and regulators can preserve shipper options. Still, the business has a genuine moat. The problem is not asset quality. The problem is what the stock price already assumes about that asset quality.

Stage 5 Synthesis

The synthesis appendix converts the one-segment rail transportation model into consolidated earnings. CPKC has one reportable segment, so segment revenue and operating income tie directly to consolidated revenue and operating income. The base case reaches C$17.309B of TTM+5 revenue, C$6.837B of operating income, C$4.580B of net income, and C$5.57 of EPS on an 822.6M diluted share-count path. At the live C$124.86 quote, the required EPS for a 15x P/E at the TTM+5 horizon is C$8.32. The base-case cushion is therefore -33.1%. The bull case reaches only C$6.82 of EPS and still fails, with an -18.1% cushion. All 11 synthesis tie-out checks passed, so this is not an arithmetic rejection. It is a valuation rejection.

Case	Revenue	OI	NI	EPS	EPS x 15	Cushion
Bear	C$14.968B	C$5.164B	C$3.177B	C$3.86	C$57.93	-53.6%
Base	C$17.309B	C$6.837B	C$4.580B	C$5.57	C$83.52	-33.1%
Bull	C$18.879B	C$7.929B	C$5.608B	C$6.82	C$102.26	-18.1%

The base case assumes 2.9% annual revenue growth from the TTM base and operating margin expansion from 37.0% to 39.5%. That is plausible for a good railroad, but it requires Q1 FY2026 weakness to snap back, freight revenue per RTM to recover, Mexico/intermodal growth to add profitable density, and cost control to hold. It is not a sandbag. The model already gives CPKC meaningful credit for the KCS network. Even then, the stock does not get close to the ER2 price discipline.

Red Team

The red team's strongest point is that CPKC may be an excellent strategic railroad and still be a poor equity buy at today's price. The market is capitalizing KCS density, margin recovery, Mexico/intermodal growth, and buybacks before the enlarged capital base has proven high returns. The most fragile assumption is intermodal growth, because the base case gives intermodal the highest product CAGR even though Q1 FY2026 intermodal revenue declined and revenue per RTM has been weakening. The most likely optimistic Stage 5 number is the 39.5% TTM+5 operating margin, which is 550 bps above Q1 FY2026's reported margin. The single exit signal is freight revenue per RTM down YoY in both Q2 and Q3 FY2026 while Q2-Q3 reported operating margin averages below 36.5%.

Kill / Trigger Criteria

- Buy only below roughly C$83.50 unless the EPS base case is rebuilt materially higher from observed evidence.
- Keep PASS if Q2-Q3 FY2026 freight revenue per RTM remains negative and reported operating margin averages below 36.5%.
- Keep PASS if intermodal revenue and intermodal revenue per RTM decline together for two consecutive quarters.
- Upgrade only if KCS acquisition-inclusive ROIIC becomes observable, FCF conversion trends toward management's 75% to 90% ambition, and the P/E 15 gate clears on confident EPS rather than bull-case hope.

Analyst Flags

FMP was useful but not fully controlling: the Q1 FY2026 product endpoint was stale, the Q1 balance sheet had a currency mismatch, and official filings/releases controlled those items. CPKC does not disclose commodity-level operating income, commodity margins, commodity capital employed, or commodity ROIC, so the segment model correctly uses a one-segment rail margin rather than fabricated commodity margins. The KCS control date complicates historical organic comparisons: FY2021-FY2022 are legacy CP, FY2023 is partial KCS, and FY2024-FY2025 are full CPKC. The biggest unresolved evidence gap is clean acquisition-inclusive ROIIC for the enlarged CPKC capital base. Until that proof arrives, the right ER2 answer is PASS.

Appendix A - Company Primer

Canadian Pacific Kansas City Limited - Appendix A Primer

Time Anchor

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031. Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.

Financial figures in this appendix use `quant_foundation.md` as the controlling quantitative source unless explicitly described as operating context. The qualitative data package was checked but contained only a placeholder at the time this primer was prepared. Live official sources used for business context include CPKC's FY2025 Form 10-K, Q1 FY2026 Form 10-Q, Q1 FY2026 earnings release and transcript, CPKC service releases, and the U.S. Surface Transportation Board's March 2023 CP/KCS merger approval notice.

Business Overview

Canadian Pacific Kansas City Limited, or CPKC, is a Class I freight railroad created by the April 14, 2023 combination of Canadian Pacific and Kansas City Southern. It owns and operates the only rail network that directly spans Canada, the United States, and Mexico under one corporate system. CPKC describes its network as approximately 20,000 route miles, serving principal business centers across the three countries and connecting customers to ports from Vancouver and Atlantic Canada to the Gulf Coast and Lazaro Cardenas, Mexico. The company's 2025 Form 10-K states that it provides rail and intermodal transportation services and transports bulk commodities, merchandise freight, and intermodal traffic.

The product sold is not a physical product but movement capacity, reliability, routing, and terminal service. Customers are shippers: grain handlers, mines, energy producers, chemical producers, refiners, auto manufacturers, finished vehicle distributors, forest-products companies, steel and construction-materials producers, retailers, importers, exporters, and logistics intermediaries. A customer buys CPKC when its freight is heavy, long-haul, cross-border, port-linked, truck-convertible, or operationally tied to a rail-served facility. Rail does not usually win because it is the easiest mode to procure. It wins when distance, density, weight, fuel efficiency, border complexity, equipment availability, and terminal access make rail's lower cost per ton-mile more valuable than trucking's flexibility.

CPKC sells mainly through direct commercial relationships, contracts, tariffs, intermodal service agreements, and route-specific products. Bulk and carload customers are often relationship- and facility-driven: a grain elevator, mine, refinery, chemical plant, lumber mill, steel facility, or auto plant is served by a local rail connection, and the customer negotiates price, car supply, service design, routing, and origin-destination commitments. Intermodal is more productized. CPKC sells ramp-to-ramp capacity and premium services to retailers, international ocean carriers, domestic intermodal providers, and truckload-to-rail converters. Examples include the Mexico Midwest Express, launched in 2023 as a premium single-line intermodal service between the Midwest and Mexico, and the Southeast Mexico Express, built with CSX to connect Mexico and Texas with the U.S. Southeast.

The company's strategic pitch is that the CP-KCS combination created a rail corridor that did not previously exist at Class I scale: a single-line north-south spine across Canada, the central United States, the U.S. Gulf region, and Mexico. That matters because interline handoffs between railroads create dwell, service variability, interchange friction, and commercial complexity. CPKC is trying to turn this geography into faster service, better asset turns, higher customer wallet share, and truck conversion. The thesis is most obvious in cross-border automotive, intermodal, grain, refined products, chemicals, and industrial-development corridors where Mexico, the U.S. Midwest, Texas, Canada, and ports are all part of the same supply chain.

CPKC's operating model is precision scheduled railroading, or PSR. In plain English, PSR aims to run a railroad on a disciplined schedule, use fewer assets more intensively, build longer and heavier trains where service allows, reduce terminal

dwell, improve velocity, and take cost out of the network without breaking customer reliability. The 2025 Form 10-K frames the strategy around providing service, controlling costs, optimizing assets, operating safely, and developing people. In Q1 FY2026, management said productivity, velocity, and asset utilization continued to improve after the merger, and highlighted train weight, train length, locomotive productivity, and fuel efficiency gains since Q1 2024. This is important because the compounder case rests less on a cyclical freight upswing than on whether CPKC can sustain service and productivity while filling the new network.

Merger And Network Context

The CP-KCS merger is the event that defines the current company. The U.S. Surface Transportation Board approved Canadian Pacific's acquisition of Kansas City Southern on March 15, 2023, subject to conditions. The STB described the combined company as the first railroad providing single-line service across Canada, the United States, and Mexico, but also noted that it would remain the smallest Class I railroad, with a network shorter than the next smallest Class I and about half the size of the western U.S. railroads. The Board imposed an unusually long seven-year oversight period and conditions intended to mitigate environmental impacts, preserve competition, protect workers, and support passenger rail.

CPKC assumed control of KCS on April 14, 2023. Before that control date, KCS was owned but reported as an equity-method investment; after that date, KCS became consolidated in CPKC's results. This creates a financial history that must be read carefully: FY2023 includes partial consolidation, while FY2024 and FY2025 are the first cleaner full-year comparisons for the combined railroad. The quant foundation correctly treats FY2025 and the TTM period ending March 31, 2026 as the most useful base period for the current franchise.

The physical network is the company's moat and its constraint. CPKC's FY2025 Form 10-K says it operates approximately 20,000 miles of main track, including about 3,300 miles accessed under trackage rights. The network reaches Canada through the legacy CP system, the U.S. through subsidiaries including Soo Line and the former KCS U.S. network, and Mexico through the former Kansas City Southern de Mexico concession. The Mexican concession element matters because it creates a unique north-south corridor but also introduces country-specific political, concession, border, labor, security, tax, and trade risks.

The network has two broad strategic roles. First, it is a commodity railroad moving bulk and merchandise traffic between producers, processors, ports, and consuming regions. Second, it is a supply-chain alternative to truck and intermodal routes across North America. The first role provides base density and recurring industrial relevance. The second is the growth option. MMX, SMX, new port offerings, Mexico-related automotive flows, and industrial site development are management's efforts to translate the merger into incremental revenue rather than merely combining two existing traffic bases.

Revenue Architecture

CPKC reports one operating segment: rail transportation. Segment revenue therefore equals consolidated revenue, and segment operating income equals consolidated operating income. For business understanding, however, the company discloses freight revenue by line of business. FY2025 revenue and share of total revenue are shown below using the quant foundation, which reconciles official filings and live FMP pulls.

Revenue line	FY2025 revenue C$m	Share of FY2025 total revenue	What it represents
Grain	3,217	21.3%	Canadian and U.S. grain, food ingredients, and related agricultural flows
Energy, chemicals and plastics	2,898	19.2%	Refined products, crude, liquefied petroleum gas, chemicals, plastics, and related industrial liquids or materials
Intermodal	2,679	17.8%	Containerized domestic and international freight, including port-linked and truck-conversion lanes
Metals, minerals and consumer products	1,792	11.9%	Steel, aggregates, minerals, construction materials, and selected consumer products
Automotive	1,310	8.7%	Finished vehicles, parts, and cross-border automotive supply-chain movements
Coal	1,025	6.8%	Coal movements, including export and utility or industrial coal where applicable

Revenue line	FY2025 revenue C$m	Share of FY2025 total revenue	What it represents
Forest products	792	5.3%	Lumber, pulp, paper, panel, and other forest-product movements
Potash	640	4.2%	Potash shipments, including export-linked fertilizer supply chains
Fertilizers and sulphur	423	2.8%	Fertilizer inputs and sulphur movements
Non-freight excluding leasing	193	1.3%	Ancillary services and non-freight items
Leasing revenues	109	0.7%	Leasing revenue outside freight contract revenue
Total revenues	15,078	100.0%	Consolidated rail transportation revenue

Grain is the largest revenue line. It is anchored in Canadian grain, U.S. grain, export corridors, and increasingly north-south flows into Mexico. Grain demand depends on crop size, weather, export demand, port conditions, elevator throughput, railcar supply, and competitive route options. Q1 FY2026 showed why grain is strategically important: the Q1 10-Q and earnings materials reported higher Canadian grain volumes to Vancouver and eastern Canada, higher U.S. grain to Mexico and the Pacific Northwest, and record grain performance. Grain is still cyclical because harvests and export markets move, but it is less discretionary than many industrial categories.

Energy, chemicals and plastics is the second-largest line. It includes refined fuel, crude, chemicals, plastics, and adjacent industrial products. This business is valuable because shipments are often rail-suited: regulated, heavy, specialized, long-haul, and linked to facilities with dedicated rail infrastructure. It also carries risk. Volumes can swing with refinery outages, commodity spreads, regulatory changes, petrochemical plant closures, and customer-specific production issues. In Q1 FY2026, management cited lower refined fuel volumes to Mexico, reduced PEMEX heavy-fuel oil shipments, and a plastics plant closure as headwinds, while also pointing to crude, market share wins, and self-help initiatives as offsets.

Intermodal is the most direct expression of the truck-conversion story. It includes domestic intermodal, international containers moving through ports, and premium cross-border services. Intermodal revenue per carload is lower than automotive or many merchandise categories, but the volume opportunity can be large if service is reliable and lanes are dense. CPKC's MMX offering is designed to connect Mexico and the U.S. Midwest on a single-line, truck-competitive route. The SMX offering with CSX creates an east-west connection among Mexico, Texas, Georgia, Florida, and the U.S. Southeast. These services are strategically important because they can create new traffic rather than simply repricing existing carload business.

Metals, minerals and consumer products is a mixed industrial category. It includes construction materials, aggregates, metals, steel-related freight, and selected consumer products. It tends to follow industrial production, infrastructure activity, construction demand, and trade policy. The line can benefit from industrial development near the network and from long-haul sand, stone, steel, and other products that are costly to truck. It can be hurt by tariffs, softer construction, or lower manufacturing activity.

Automotive is smaller than grain or intermodal but strategically central because North American auto supply chains are increasingly cross-border and Mexico-linked. CPKC can move finished vehicles and parts among Mexico, the U.S. Midwest, Canada, and port gateways. The line is sensitive to production schedules, consumer auto demand, labor disruptions, tariffs, plant launches, model changes, and OEM routing decisions. The Q1 FY2026 transcript noted new business wins, land bridge shipments from Mexico to Canada, and a longer average length of haul, partly offset by difficult tariff-related comparisons.

Coal, potash, fertilizers and sulphur, and forest products are mature rail categories with distinct cycles. Coal is vulnerable to mine production issues, secular energy transition, export demand, and regulatory pressure. Potash and fertilizers benefit from the importance of agricultural inputs and export logistics but are tied to commodity demand and producer concentration. Forest products follow housing, repair and remodel, pulp and paper demand, lumber trade disputes, and tariffs. These lines add diversity but also reinforce the need to view CPKC as a cyclical industrial rather than a pure secular grower.

Unit Economics

The unit economics of a freight railroad are density economics. CPKC owns or controls a largely fixed network of track, terminals, yards, bridges, signaling, rights, locomotives, railcars, and information systems. A dollar of revenue becomes operating profit when freight can be moved across that network at high utilization, with trains long enough, heavy enough, and fast enough to absorb labor, fuel, maintenance, depreciation, dispatching, terminal, and equipment costs. The most important operating variables are price per revenue ton-mile, carloads, revenue ton-miles, train length, train weight, velocity, dwell, crew productivity, locomotive productivity, fuel efficiency, accident performance, and maintenance discipline.

FY2025 operating income was C$5.609 billion on C$15.078 billion of revenue, a 37.2% operating margin. The TTM period ending March 31, 2026 generated C$14.984 billion of revenue and C$5.550 billion of operating income, a 37.0% margin. The TTM free cash flow figure in the quant foundation is C$2.074 billion after C$3.055 billion of capital expenditures, equal to 50.9% of TTM net income attributable to controlling shareholders. That conversion is not a software-style cash model. Railroads are capital intensive: even when accounting earnings are strong, track, bridges, signals, terminals, locomotives, cars, safety systems, and capacity projects require persistent reinvestment.

The FY2025 operating expense structure illustrates the cost model. The largest expense categories were compensation and benefits, purchased services and other, depreciation and amortization, fuel, materials, and equipment rents. Compensation and benefits reflect crews, maintenance personnel, dispatchers, terminal labor, management, benefits, and stock-based compensation. Fuel is driven by locomotive consumption, diesel price, carbon tax or levy structures, fuel surcharges, train handling, route profile, and locomotive efficiency. Depreciation reflects the enormous fixed-asset base. Materials and purchased services reflect maintenance of track, locomotives, freight cars, buildings, software, contractors, and outsourced services. Equipment rents reflect the cost of using other railways' freight cars, intermodal equipment, and locomotives net of recoveries.

The operating leverage can be attractive when volume grows on an already-fluid network. Incremental freight that uses existing crews, terminals, locomotives, and track capacity can carry high contribution margins. That is the bull case behind merger synergies: if CPKC can add north-south traffic without proportionate increases in headcount, locomotives, dwell, fuel consumption, or congestion, margins and returns can rise. But the leverage cuts both ways. When volumes fall, when coal mines miss production, when tariffs pressure forest products or steel, when fuel surcharge timing lags, or when severe weather disrupts operations, the fixed cost base does not disappear.

Unit economics also vary by line. Automotive has high freight revenue per carload because finished vehicles and parts are high-value, specialized, and often longer-haul, but service failures can be costly and OEM concentration matters. Intermodal has lower revenue per unit but can be dense, repeatable, and scalable if train starts are full and terminal fluidity is good. Grain and potash are heavy, long-haul, and rail-native, with attractive density but exposure to crop and export cycles. Chemicals and energy products can be sticky because customers need specialized handling and regulated transportation, but safety, liability, and commodity risks are higher. Forest products and metals/minerals are more exposed to construction, housing, industrial production, and trade policy.

Competitive Position

CPKC competes against other Class I railroads, regional and short-line railroads, trucking companies, intermodal providers, barge and maritime options, pipelines for certain energy products, and customer self-help or alternative sourcing. Its most direct rail competitors vary by geography: Canadian National in Canada and cross-border traffic, Union Pacific and BNSF in the western and central U.S., CSX and Norfolk Southern in eastern U.S. interchange or competitive lanes, and Ferromex and other Mexican rail options in Mexico. Trucks are the most pervasive competitor because they offer flexibility, door-to-door service, faster short-haul movements, and simpler procurement.

CPKC's differentiated advantage is not network scale in the broadest sense. The STB specifically noted that CPKC would remain the smallest Class I after the merger. Its advantage is shape. The combined network creates a tri-national single-line route that can reduce handoffs for certain freight lanes. This matters for Mexico-linked manufacturing, U.S.-Mexico intermodal, Canadian and U.S. grain to Mexico, automotive flows, and port optionality. If a customer can move on one CPKC waybill rather than coordinating multiple railroads and interchange points, CPKC can sell reliability, speed, equipment coordination, border process expertise, and accountability.

The strategic risk is that shape does not automatically equal market power. Many shippers are captive to a rail-served origin or destination, but large customers also use competitive bids, trucking alternatives, transload, port choice, and route choice to discipline pricing. CPKC must prove that its service is not just theoretically shorter but consistently good enough to win freight that would otherwise move by truck, another railroad, or a multi-rail interline route. The Q1 FY2026 transcript's references to MMX double-digit growth, SMX launch improvements, Hapag-Lloyd and Loblaw contract extensions, and grain flows into Mexico are early evidence, but the network thesis still needs multi-year validation.

Regulation, Labor, And External Constraints

Freight rail is heavily regulated and politically visible. In the U.S., the Surface Transportation Board oversees major rail combinations, competitive access issues, certain service complaints, and rate reasonableness matters. The Federal Railroad Administration oversees safety. In Canada and Mexico, CPKC faces separate rail, labor, safety, environmental, customs, tax,

and concession regimes. Cross-border operations add customs and security complexity. The KCS de Mexico concession is a key asset but also a source of sovereign and legal risk that a purely domestic railroad would not face.

The STB approval conditions are not a historical footnote. The seven-year oversight period means regulators can continue watching service, competition, environmental commitments, passenger rail commitments, and merger-related effects. That oversight does not prevent CPKC from compounding, but it limits the idea that the company can simply maximize pricing or operational efficiency without public-interest scrutiny. Railroads are essential infrastructure, and service failures can quickly become political.

Labor is another structural constraint. Railroading is labor-intensive in specific crafts, and union agreements affect crew availability, wages, scheduling flexibility, and service reliability. CPKC reached new four-year collective agreements with Teamsters Canada Rail Conference divisions in 2025 with annual wage increases from 2024 to 2027. In Q1 FY2026, management discussed tentative long-term U.S. agreements covering approximately 1,700 legacy-KCS train-service employees across 11 states. These agreements can support operating stability, but they also embed wage inflation and require careful workforce planning.

Safety and environmental risk are also core to the model. CPKC moves hazardous and non-hazardous freight through communities across three countries. Accidents can create human harm, service disruption, legal liabilities, remediation costs, reputational damage, and regulatory intervention. Environmental rules can affect locomotives, fuels, carbon taxes or levies, spill response, track construction, and customer demand. Rail has a structural emissions advantage over truck on many long-haul lanes, which supports the truck-conversion narrative, but the company still operates a diesel-heavy network and must continually invest in safety and environmental compliance.

Cyclicality And Current Demand Picture

CPKC is not a defensive utility in the equity sense, even though rail assets are essential. Its freight mix is tied to agriculture, industrial production, housing, construction, energy, chemicals, automotive production, consumer imports, retail inventory cycles, trade flows, and commodity markets. The revenue base is diversified, but each line has its own cycle. Grain can be strong when harvests and export demand are favorable. Coal can decline from production issues or long-term energy transition. Forest products can be hurt by housing softness and lumber tariffs. Automotive can swing with OEM production and tariff pull-forwards. Intermodal can soften when retailers destock or trucking prices are weak.

The Q1 FY2026 picture was mixed but not thesis-breaking. The company reported C$3.701 billion of revenue, C$1.258 billion of operating income, and C$846 million of net income attributable to controlling shareholders in the quant foundation. Total revenues were down year over year in the quarter, while revenue ton-miles increased 2%. The earnings release and transcript pointed to market and macro headwinds, foreign exchange, fuel-price effects, lower fuel surcharge revenue, coal weakness, forest-products pressure, and selected energy/chemicals headwinds. At the same time, CPKC reported strong grain performance, intermodal volume growth, pricing discipline, and better network metrics.

For an ER2 reader, the key point is that CPKC can show volume growth and lower reported revenue at the same time if mix, fuel surcharge, foreign exchange, or yield pressure works against it. This is why revenue quality matters. A railroad's reported revenue is not just volume; it is carloads, revenue ton-miles, freight rate, length of haul, commodity mix, fuel surcharge mechanics, currency translation, and accessorial or ancillary items. The Q1 FY2026 transcript's comment that cents per revenue ton-mile was pressured by FX, carbon tax removal, and mix is a useful reminder that the underlying network may be improving even when reported yield metrics look soft.

Why CPKC Might Meet Gideon's Compounder Bar

The positive case starts with asset scarcity. A tri-national rail network cannot be replicated in any practical investment horizon. Rights-of-way, land, terminals, bridges, regulatory permissions, border know-how, customer sidings, and port relationships create barriers that are not captured by near-term earnings alone. The CP-KCS combination created a differentiated corridor at a time when nearshoring, Mexico manufacturing, port diversification, emissions reduction, and truck capacity cycles can all push freight toward reliable long-haul rail alternatives.

Second, the company has visible self-help. Integration is not merely a corporate cost synergy exercise. It includes operating-plan optimization, longer and heavier trains, locomotive productivity, fuel efficiency, terminal performance, route upgrades, labor harmonization, new service products, customer contracts, and industrial development. Management's Q1 FY2026 commentary emphasized that the railroad is structurally better after the merger and that productivity, velocity, and asset utilization continue to improve. If those improvements continue while the company adds volume, CPKC can compound

earnings through a combination of revenue growth, operating leverage, margin expansion, buybacks, and dividends.

Third, the business has pricing power when service is good. Rail customers are sensitive to reliability, but many heavy industrial and agricultural flows have few equally economical long-haul alternatives. CPKC's Q1 FY2026 transcript said renewals were exceeding the top end of its long-term 3% to 4% pricing outlook. Sustained pricing above cost inflation is a core compounder marker for railroads because the fixed asset base is expensive and replacement value is high.

Fourth, capital allocation is becoming more shareholder-visible after the heavy merger period. The quant foundation shows significant leverage, with long-term debt including current maturities of C$24.320 billion at March 31, 2026 and adjusted net debt to adjusted EBITDA of 3.21x. That leverage is a watch item, but management also announced a new share repurchase program and a 17.5% dividend increase around Q1 FY2026. If free cash flow grows while leverage trends down or remains controlled, buybacks can add to per-share compounding.

Why CPKC Might Not Meet Gideon's Compounder Bar

The first objection is capital intensity. TTM free cash flow conversion was only 50.9% of net income in the quant foundation. This is not a flaw so much as the nature of railroading, but it means earnings quality must be judged after sustaining and growth capex. A railroad can report high operating margins and still require billions of dollars of annual reinvestment. If merger-related capital, locomotive renewal, safety systems, terminal upgrades, bridge work, or Mexican corridor investment remain elevated, per-share free cash flow may compound slower than operating income.

The second objection is cyclicality. CPKC has a better network after KCS, but it still hauls cyclical freight. Coal weakness, forest-products tariffs, automotive production risk, industrial softness, commodity cycles, and fuel surcharge timing can all offset self-help in any given year. The company can outperform peers and still disappoint a quality-compounder investor if the cycle turns down or if the market pays too high a multiple for mid-cycle earnings.

The third objection is execution risk. The merger thesis depends on service. If CPKC tries to add volume before capacity, labor, locomotives, terminals, and border processes are ready, the network can congest. If service reliability falls, premium intermodal and auto wins become harder to keep. If regulatory agencies perceive merger-related service problems, oversight can tighten. The STB's seven-year oversight period makes this particularly relevant.

The fourth objection is cross-border complexity. The same Mexico exposure that makes CPKC special also creates risks from tariffs, customs friction, security, labor law, tax disputes, concession politics, trade-agreement uncertainty, and customer supply-chain reconfiguration. A tri-national network is strategically valuable, but it is also more exposed to policy shocks than a simpler domestic route structure.

The fifth objection is valuation discipline, which the main report must handle separately. CPKC may be a high-quality railroad with a unique network and still fail the ER2 BUY test if the stock price assumes too much synergy, too much volume growth, too much margin expansion, or too low a risk premium for leverage and cyclicality. The primer supports a serious look, not a pre-committed favorable verdict.

Primer Takeaway

CPKC is best understood as a scarce, capital-intensive, tri-national railroad with one reportable segment and a diversified freight book. The company is no longer simply Canadian Pacific plus acquired KCS; it is an attempt to create a new North American rail product around single-line service linking Canada, the U.S., and Mexico. The financial base is already large: FY2025 revenue was C$15.078 billion, FY2025 operating income was C$5.609 billion, and TTM operating margin was 37.0% in the quant foundation. The business has real compounder ingredients: irreplaceable infrastructure, density economics, pricing power, operational self-help, and a differentiated cross-border growth runway. It also has real disqualifiers if the numbers do not clear the bar: heavy capex, leverage, commodity and industrial cycles, labor and safety risk, regulatory oversight, and merger execution demands.

The downstream ER2 question is therefore precise: does the post-KCS network create enough durable incremental volume, margin, and free cash flow per share to justify underwriting CPKC as a long-term compounder from the TTM March 31, 2026 base through March 31, 2031? The primer's answer is "plausible but not proven." The company deserves full diligence because the network is unique and early operating evidence is encouraging. It should not receive compounder credit automatically because the free-cash-flow conversion, leverage, cyclical freight exposure, and regulatory complexity still have to earn that verdict in the valuation and moat work.

Source Notes

Primary quantitative source: C:\Users\Admin\OneDrive\GPT\ER 2.0\Canadian Pacific Kansas City\quant_foundation.md.

Official context sources consulted live: CPKC FY2025 Form 10-K at https://www.sec.gov/Archives/edgar/data/16875/000001687526000008/cp-20251231.htm; CPKC Q1 FY2026 Form 10-Q at https://www.sec.gov/Archives/edgar/data/16875/000001687526000015/cp-20260331.htm; CPKC Q1 FY2026 earnings release at https://www.sec.gov/Archives/edgar/data/16875/000001687526000013/exhibit991-q12026earningsr.htm; CPKC Q1 FY2026 transcript PDF at https://s21.q4cdn.com/736796105/files/doc_financials/2026/q1/Q1-2026-Transcript-Website-vF.pdf; STB CP/KCS approval notice at https://www.stb.gov/news-communications/latest-news/pr-23-07/; CPKC MMX launch release at https://investor.cpkcr.com/news/press-release-details/2023/CPKC-launches-Mexico-Midwest-Express-premium-intermodal-service/default.aspx; CPKC SMX upgrade release at https://investor.cpkcr.com/news/press-release-details/2026/CPKC-CSX-upgrade-Southeast-Mexico-Express-with-dedicated-train-faster-transit-times/default.aspx.

Data Gaps For Downstream Agents

No qualitative data package was available beyond a placeholder. Subagents should therefore pull management commentary, guidance, and transcript evidence directly from live official sources rather than assuming this primer exhausts the quote base. The primer also does not independently rebuild valuation, returns on invested capital, customer concentration, route-level share, Mexican concession legal details, or peer-relative service metrics; those should be handled in the moat, valuation, and risk appendices.

Appendix M - Management Assessment

Canadian Pacific Kansas City Limited (CP) - Management Assessment

Prepared by Subagent M on 2026-05-29. Currency is Canadian dollars unless stated otherwise. This appendix uses live official filings/releases, the 2026 management proxy circular, live FMP transcript pulls saved under the workdir raw folder, and the provided `quant_foundation.md` and `data_package.md`. No cached transcript or warehouse file was used as a substitute for a live fetch.

Stage 0 - Time Anchor

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031. Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.

1. Who Is Running the Company

CPKC is run by a rail-operator management team, not a financial sponsor team. Keith Creel is President and CEO. The 2025 Form 10-K states that he became the first President and CEO of CPKC on April 14, 2023, after serving as President and CEO of Canadian Pacific from January 31, 2017 to April 13, 2023, President and COO from February 2013, and a director from May 2015. Before CP, he was EVP and COO at CN from January 2010 to February 2013 and had earlier operating roles at CN, Illinois Central, Grand Trunk Western and Burlington Northern. That matters for this gate: Creel is not a new caretaker inheriting somebody else's strategy. He owns the pre-KCS PSR culture, the KCS acquisition thesis, the post-control integration, and the 2025-2026 pivot back toward shareholder returns.

Nadeem Velani is EVP and CFO. The 10-K and 2026 proxy state that he has served as CFO from October 2016 and joined CP in 2013 after 15 years at CN in strategic and financial planning, investor relations, sales and marketing, and the office of the president and CEO. His remit includes long-term strategic planning, financial planning, investor relations, reporting/accounting systems, procurement, treasury, and tax. The CFO has therefore also been in-seat long enough to own the KCS financing, the leverage path, the 2025 buyback restart, and the capital-spending framework.

The most relevant operating and commercial executives are John Brooks, EVP and Chief Marketing Officer, and Mark Redd, EVP and Chief Operating Officer. Brooks has served as CMO from February 2019, joined the company in 2007 through the DM&E acquisition path, and is responsible for commercial business units and growth opportunities across North America. Redd has served in the current operating role after joining CP in 2013 and previously spent more than 20 years at KCS, including network and field operations responsibilities in the U.S. and Mexico. James Clements, EVP Strategic Planning and Corporate Services, is also material because the 10-K identifies him as leading ongoing multi-year integration and change-management efforts.

Board oversight is credible. The 2026 proxy circular identifies Isabelle Courville as independent Chair and Gordon Trafton as Vice-Chair. Thirteen of 14 director nominees are independent; only Creel is non-independent because he is CEO. The board is not obviously stale: average nominee tenure is 7.1 years, six new directors joined over the past three years, and five of 14 nominees are women. The board also has a standing Integration Committee chaired by Hon. Edward Hamberger to oversee KCS integration, monitor revenue and cost synergies, and monitor STB compliance. That is exactly the committee architecture one wants after a transformational rail merger.

2. Tenure and Track Record

Creel has a nine-plus year CEO record at CP/CPKC and a thirteen-plus year operating leadership record inside the company if his COO tenure is included. The three largest decisions he owns are: pursuing and closing KCS, preserving a PSR

operating model while expanding the network, and restarting capital returns after the balance sheet recovered enough to support them.

The KCS decision is the load-bearing one. CPKC bought KCS with the stated objective of creating the only single-line railroad linking the U.S., Mexico, and Canada. Control was assumed on April 14, 2023. The financial perimeter changed materially: revenue was C$8.00B in FY2021, C$8.81B in FY2022, C$12.55B in FY2023, C$14.55B in FY2024, and C$15.08B in FY2025. Some of that step-up is acquisition math, but the integration result is not merely larger revenue. FY2025 operating income reached C$5.61B, reported operating margin was 37.2%, and the company reported a record-low core adjusted operating ratio of 59.9%. The merger has not yet proven a decade of ROIC compounding; the data package shows FY2025 ROIC around 6.1%, distorted by KCS purchase accounting and capital base expansion. But operationally, the combined company is moving in the right direction.

The second decision is running the network for service and productivity rather than just financial optics. The data package shows carloads rising from 4.37M in FY2024 to 4.51M in FY2025, RTMs rising from 211.5B to 219.4B, and average employees down modestly from 20,144 to 19,967. Q1 FY2026 was not clean financially, with revenue down 2.5% and core adjusted OR up 50 bps to 63.0%, but RTMs still rose 2%. Management attributed Q1 yield weakness to FX, fuel/carbon-tax timing, and mix rather than structural demand loss. That explanation is plausible because Q1 freight revenue per RTM declined 4% while RTM volume increased.

The third decision is capital return timing. After pausing buybacks during the KCS leverage digestion period, management bought back C$3.94B of stock in FY2025, cancelling 37.3M shares, then announced an early-renewed NCIB for up to 44.9M net new purchases through February 1, 2027. This was paired with a 20% dividend increase in 2025 and a further 17.5% quarterly dividend increase approved in April 2026. The return program is a positive only if management remains price-sensitive and leverage-aware. On the Q1 FY2026 call, Velani said the team would be strategic and could pause when needed, but also expected to complete the authorization. That is good candor, but completion language can drift toward mechanical repurchase if the stock rerates.

The main decision that has not yet fully worked is ROIC. The network is stronger, but the KCS price and purchase accounting burden mean reported/estimated ROIC is still far below a clean high-return compounder threshold. Management acknowledges this indirectly: the proxy says ROIC is appreciated by shareholders as a PSU metric and is intended to be reintroduced once the integration reaches the right stage. That is reasonable, but until ROIC is back in incentives and rising, this remains the main monitor.

3. Capital Allocation Behavior

Section 7 of `data_package.md` shows five-year capital allocation:

Year	Capex C$B	Capex / revenue	Buybacks C$B	Dividends C$B	M&A C$B
2021	1.53	19.2%	0.00	0.51	12.30
2022	1.56	17.7%	0.00	0.71	0.06
2023	2.50	19.9%	0.00	0.71	0.30
2024	2.86	19.7%	0.00	0.71	0.00
2025	3.14	20.8%	3.94	0.80	0.00

The pattern is coherent with the stated strategy. This is a capital-intensive railroad; R&D is not separately disclosed, and technology/safety capacity investment runs through capex or operating expense. Capex stayed near 18%-21% of revenue across the five years and was explicitly tied to safety, integration, locomotives, and capacity. In FY2025, capex was elevated at C$3.14B, partly for new Tier 4 locomotives and integration/capacity projects. FY2026 guidance calls for C$2.65B capex, about a 15% reduction from 2025, which is consistent with shifting from heavy integration spending to free-cash-flow recovery.

M&A is not serial. KCS was transformational, and there has been no new operating acquisition comparable to KCS over the last 12 months. The April 2025 sale of the Panama Canal Railway Company interest for U.S. $344M cash consideration and a C$333M pre-tax gain is a positive mark: it shows management can dispose of non-core assets and recycle capital rather than treat every inherited asset as strategic.

Leverage discipline is acceptable but not perfect. The Q1 FY2026 release reported long-term debt including current maturities of C$24.320B, adjusted net debt of C$24.915B, TTM adjusted EBITDA of C$7.758B, and adjusted net debt/adjusted EBITDA of 3.2x. That is no longer a crisis balance sheet, but it is not underlevered. The decision to restart aggressive buybacks while leverage is still 3.2x requires confidence in resilient cash generation. It does not fail the gate because management paused

buybacks for several years after KCS and only restarted once ratings conversations improved, but the margin for error is narrower than at a sub-2.5x railroad.

4. Compensation Alignment

Compensation is mostly aligned with shareholders and operations, with one important imperfection. The 2026 proxy says 93% of CEO target compensation and an average 82% of other NEO target compensation are at risk. The short-term incentive plan is 75% corporate performance and 25% individual performance, with corporate metrics weighted 35% STIP operating ratio, 35% STIP operating income, 15% FRA train accident frequency, and 15% FRA personal injury frequency. That is a strong railroad scorecard: it rewards productivity, earnings, and safety, not revenue growth alone.

The 2025 scorecard also shows the board exercised restraint. Despite strong headline execution, operating income missed target, safety was exceptional, and the STIP corporate factor came out at 121%. The proxy says the board capped Creel's individual performance rating at 100% because overall corporate financial results, while strong, fell short of expectations; the same cap applied to the top officers. This is a good governance signal. It is not a rubber-stamp board paying a hero CEO regardless of the scorecard.

Long-term incentives are 60% performance share units and 40% options. For 2025 and 2026, PSUs use three-year cumulative free cash flow at 60% and relative TSR against S&P/TSX 60 and S&P 500 Industrials at 20% each, with a Class I railroad TSR modifier. The issue is not the use of free cash flow; FCF is highly relevant after KCS. The issue is the absence of ROIC as a live PSU metric during exactly the period when the company needs to prove the KCS capital base earns enough. The proxy says ROIC will be reintroduced when the integration reaches the appropriate stage. That is a monitorable condition.

Actual ownership is strong. The CEO ownership requirement is 7x base salary and EVPs are 5x. As of December 31, 2025, Creel held C$26.97M of qualifying ownership, equal to 14.57x salary. Velani held C$7.84M, or 7.39x. Redd held C$5.53M, or 5.48x. Brooks was below the 5x target at 3.21x but has until January 2029 to meet the requirement. Notably, PSUs, RSUs, and options do not count toward the requirement; common shares and DSUs do. Clawback policy is also adequate: the Dodd-Frank clawback is no-fault for covered executive officers, and a broader senior executive clawback was amended effective December 1, 2023.

5. Disclosure Quality and Candor

I reviewed live FMP transcripts for Q2 FY2024 through Q1 FY2026, saved as `M_CP_earning_call_transcript_2024_Q2_live_2026-05-29.json` through `M_CP_earning_call_transcript_2026_Q1_live_2026-05-29.json`. The tone is unusually operational and direct for a railroad management team. Analysts repeatedly pressed on tariff exposure, yield/mix weakness, buyback timing, guidance, Mexico intermodal, CSX/SMX execution risk, and potential rail consolidation. Management generally answered with specific drivers rather than generic "macro headwinds."

The Q1 FY2026 call is the best candor test because the quarter had messy optics: revenue down 2%, revenue per RTM down 4%, core adjusted EPS down 2%, and OR worse year over year even though volumes rose. Velani did not deny the softness; he separated FX, fuel timing, carbon-tax removal, and mix, and stated there was "nothing structural." Brooks gave commodity-level explanations: coal mine issues, Pemex heavy fuel oil, plastics plant closure, forest products tariff/housing pressure, cross-border steel tariffs, and intermodal mix. That is substantially better than hiding behind a single macro label.

Management also gives voluntary operating detail. CPKC discloses commodity revenue, carloads, RTMs, freight revenue per RTM, freight revenue per carload, OR, core adjusted OR, FRA personal injury frequency, train accident frequency, train length/weight and locomotive productivity in presentations/calls. It does not disclose commodity operating income or capital employed, but that is normal for a one-segment rail network and not a candor failure by itself. The more relevant question is whether management names pressure points directly. Across the last eight transcripts, "headwind" language appeared frequently, but it was usually paired with itemized factors and numbers.

Guidance discipline is good, not flawless. Q4 FY2025 guidance for 2026 was low double-digit core adjusted diluted EPS growth versus C$4.61 in 2025, mid-single-digit RTM growth, and C$2.65B capex. Q1 FY2026 reiterated confidence despite the weak top-line print. That is credible if Q2-Q4 yields normalize as management said. It will be less credible if the "temporary" mix and tariff issues persist through Q3 without a reset.

6. Strategic Coherence

The strategy is simple and consistent: operate the only freight railway spanning Canada, the U.S., and Mexico; use PSR to provide service, control costs, optimize assets, operate safely, and develop people; then convert the transnational network into truck-to-rail growth. The 2025 10-K says CPKC owns and operates the only freight railway spanning the three countries and provides rail/intermodal service over about 20,000 miles. It also states the strategy remains focused on PSR embedded in five foundations: service, costs, assets, safety, and people.

The investment pattern supports the strategy. Capex stayed high during integration; 100 Tier 4 locomotives entered service in 2025 and another 100 were expected in 2026, with 36 received by Q1. The 2025 annual report describes MMX as the first truck-competitive single-line rail option between the U.S. Midwest and Mexico, and SMX as a new east-west Class I corridor with CSX connecting Mexico, Texas, and the U.S. Southeast. On the Q1 FY2026 call, management described capital improvements on the SMX corridor and speed improvements up to 49 mph. This is not a sequence of unrelated pivots. It is the same thesis repeated through capital, operations, sales, and labor agreements.

The competitive threat that management names most directly is truck conversion and cross-border trade uncertainty, not another railroad taking share. Creel was direct on USMCA/tariff questions and on opposing further consolidation that he believes is unnecessary. That candor is useful, but it also creates a strategic exposure: CPKC is betting that North American trade complexity increases the value of its network rather than constraining flows. That is a good bet structurally, but it remains macro/political risk.

7. Governance Flags

No governance issue rises to a fail condition. The company has one vote per common share, and the 2026 proxy says no person or company beneficially owns, controls, or directs voting securities carrying 10% or more of any class. The 2026 annual meeting re-elected all 14 directors with at least 95.84% support; say-on-pay received 87.48% support, which is acceptable but not overwhelming. The board has independent committee structures, in-camera sessions, an independent compensation consultant for the compensation committee, and explicit shareholder engagement with investors representing about 30% of public float in Q1 2026.

Related-party disclosure is clean on the evidence reviewed. The proxy states directors, officers, and employees must report related-party transactions under policy; I did not identify a material related-party transaction requiring a management-gate concern. The 2025 10-K reports effective internal control over financial reporting as of December 31, 2025, no material ICFR changes in Q4 2025, and an unqualified EY internal-control opinion. There is an ongoing EPA/DOJ locomotive-engine Clean Air Act matter, but the 10-K says it remains too early to evaluate fully and any potential civil penalty is not anticipated to be material. This is a legal/regulatory item to monitor, not evidence of governance opacity.

Insider selling is not a disqualifier. Third-party insider feeds show some insider sales in 2025-2026, including Creel option/compensation-related monetization, but the proxy ownership table shows Creel still owns far above requirement and Velani/Redd also exceed requirements. The signal is therefore mixed but not adverse: selling exists, but retained exposure is real.

8. Peer Comparison

Creel ranks near the top of North American rail CEOs on operating credibility and strategic consistency. CN's Tracy Robinson has been President and CEO since February 28, 2022 and is a credible comparator with strong Canadian network familiarity and a clean operating culture. Union Pacific's Jim Vena became CEO in August 2023 and has deep CN/rail operating credentials, but his public-company CEO tenure is shorter. CSX is less comparable as a management-quality benchmark because Steve Angel was appointed CEO in September 2025 after a leadership change; he has a strong industrial track record but limited rail CEO evidence in-seat.

On per-dollar capital allocation, Creel's KCS deal is higher-risk and harder to grade than CN's organic discipline or UNP's simpler U.S. network. If KCS produces sustained truck conversion, Mexico/U.S./Canada share gains, and double-digit adjusted ROIC by 2028, Creel's capital allocation record could be the best in the group. If ROIC stagnates at mid-single digits, KCS will look like a strategic success but only a fair financial deal. On communication, CPKC is above average: the team gives detailed commodity/yield explanations and calls out tariff, fuel, FX, and mix issues. On governance and incentives, CPKC is solid, though CN and UNP investors may prefer cleaner ROIC scorecards once CPKC's integration stage excuse expires.

9. Verdict on the Management Gate

Management gate verdict: GREEN (PASS-equivalent). Creel and Velani have long enough tenure to own the strategy, have integrated KCS without an obvious service breakdown, have kept safety strong, have preserved a coherent PSR/transnational growth playbook, and have restarted returns only after several years of deleveraging discipline. The board appears independent and engaged, incentive design is mostly aligned, and disclosure quality in the last eight live transcripts is direct enough to support a decade-following thesis.

The concerns are real but not gate-breaking. ROIC is not yet back in the live PSU scorecard, adjusted leverage remains about 3.2x, and the 2026 buyback authorization could become less value-creating if completed mechanically at elevated prices. The monitorable upgrade/maintenance conditions are: reintroduce ROIC into PSUs by the next compensation redesign, show adjusted net debt/EBITDA trending below 3.0x while buybacks continue, and prove FY2026 yield weakness was temporary by delivering the guided low double-digit core adjusted EPS growth. Failure on two of those three would move this gate to YELLOW; persistent mid-single-digit ROIC after integration would be a FAIL signal.

Source Inventory

Source	URL or file	Used for
2026 Management Proxy Circular	https://s21.q4cdn.com/736796105/files/doc_financials/2026/ar/CPKC_2026-Circular_EN1.pdf	Board, compensation, ownership, governance, integration committee
FY2025 Form 10-K	https://www.sec.gov/Archives/edgar/data/16875/000001687526000008/cp-20251231.htm	Leadership bios, strategy, KCS transaction, controls, legal proceedings
Q1 FY2026 10-Q	https://www.sec.gov/Archives/edgar/data/16875/000001687526000015/cp-20260331.htm	Latest financial quarter context
Q1 FY2026 earnings release	https://www.sec.gov/Archives/edgar/data/16875/000001687526000013/exhibit991-q12026earningsr.htm	Q1 results, leverage, safety, commodity and rail data
Q4/FY2025 earnings release	https://www.sec.gov/Archives/edgar/data/16875/000001687526000004/exhibit991-q42025earningsr.htm	FY2026 guidance and FY2025 performance
FMP live transcripts	C:\Users\Admin\OneDrive\GPT\ER 2.0\Canadian Pacific Kansas City\raw\M_CP_earning_call_transcript_2024_Q2_live_2026-05-29.json through M_CP_earning_call_transcript_2026_Q1_live_2026-05-29.json	Last eight earnings-call transcript review
ER2 data package	C:\Users\Admin\OneDrive\GPT\ER 2.0\Canadian Pacific Kansas City\data_package.md	Capital allocation history, operating metrics, live-source inventory
ER2 quant foundation	C:\Users\Admin\OneDrive\GPT\ER 2.0\Canadian Pacific Kansas City\quant_foundation.md	TTM anchor, leverage, financial tie-outs

Appendix W - Moat and 2046 Durability

Canadian Pacific Kansas City Limited (CP) - Moat and 2046 Durability

Prepared by Subagent W on 2026-05-29. Currency is Canadian dollars unless stated otherwise. Historical revenue, margin, volume, yield, and capital data use `quant_foundation.md` and `data_package.md` as the source of truth. Live-source checks used official SEC filings/releases, the U.S. Surface Transportation Board, USTR, and AAR industry data; no local data warehouse cache was used.

Stage 0 - Time Anchor

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2031. [Correction: TTM ending March 31, 2026; forward horizon March 31, 2031. Use the corrected dates.]
- Forward horizon: TTM + 5 calendar years = March 31, 2031. Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.

1. Moat Taxonomy Applied

CPKC's moat is not a software-style network effect. It is a scarce physical network, reinforced by route density, customer facility placement, operating expertise, regulatory licenses, and the economics of moving heavy freight long distances. The moat is strongest where the customer needs a specific origin-to-destination lane that CPKC uniquely serves or serves with fewer interchanges than alternatives. The 2025 Form 10-K describes one rail transportation segment, approximately 20,000 route miles, a Canada-U.S.-Mexico footprint, and freight lines spanning grain, potash, energy, chemicals, automotive, and intermodal. The Q4 FY2025 release describes CPKC as the first and only single-line transnational railway linking Canada, the United States, and Mexico, with access to major ports from Vancouver to Atlantic Canada, the Gulf Coast, and Lazaro Cardenas, Mexico.

Network effects are moderate if defined as shipper access and lane density, but weak if defined as self-reinforcing user adoption. A railroad gains value when it connects more origins, destinations, ports, yards, and interchange partners, because each additional node increases shipper routing options and improves equipment turns. That is not the same as a digital network where each customer directly improves the product for every other customer. CPKC's network effect is therefore best understood as a density-and-connectivity moat: it can consolidate grain origins, industrial plants, automotive facilities, Gulf Coast chemical flows, Mexico manufacturing lanes, and port gateways on a single operating plan. The STB explicitly framed the CP-KCS combination as the first single-line service spanning Canada, the United States, and Mexico, and noted that eliminating interchange between the two systems should reduce travel time and improve efficiency. That is real, but it is route-specific rather than universal.

Switching costs are high for rail-served industrial customers and lower for truck-competitive intermodal. Grain elevators, potash mines, chemical plants, refineries, steel mills, auto plants, and port terminals are not choosing daily among interchangeable transport apps; many have physical rail spurs, private sidings, loading equipment, car-supply patterns, and plant logistics designed around rail service. Switching can require new transload arrangements, drayage, alternate rail gateways, renegotiated supply-chain timing, and potentially worse service reliability. The 10-K's discussion of merchandise traffic through truck-rail transload facilities is a reminder that CPKC can extend its reach beyond directly rail-served facilities, but it also shows where competition enters: if the customer is not captive to a rail siding and the lane is shorter or service-sensitive, trucks and intermodal marketing companies can compete aggressively.

Scale economies are very strong. Railroads have enormous fixed costs in track, yards, locomotives, signaling, bridges, tunnels, employees, and maintenance. CPKC's FY2025 capex was C$3.14B, or 20.8% of revenue, and management guided FY2026 capex to C$2.65B. That capital intensity is a burden for free cash flow, but it is also the entry barrier. A new competitor cannot economically recreate a 20,000-mile North American rail corridor, gain rights-of-way, build border-crossing

operating capability, construct yards, secure port access, and negotiate the concessions and regulatory approvals that incumbents already hold. AAR industry data reinforces this point: U.S. freight railroads reinvested roughly $840B from 1980 through 2024, and Class I railroads have historically spent far more of revenue on capex than the average manufacturer. The moat is therefore expensive to maintain, but far more expensive to attack.

Brand is not a standalone moat. Shippers care about service reliability, safety, equipment availability, price, cycle time, and claims handling more than logo affinity. CPKC's brand matters mainly as a signal of operational trust. Its FY2025 release reported a third consecutive year of lowest FRA-reportable train accident frequency among Class I railroads, and the Q1 FY2026 release showed personal injury frequency of 0.91 and train accident frequency of 0.93. That supports high-trust procurement with customers shipping hazardous chemicals, automotive products, and food/agriculture products. Still, brand without route control does not win a lane; service quality can preserve share, but the network is the moat.

Regulatory position is both barrier and risk. U.S. rail operations are subject to STB economic regulation and FRA/PHMSA safety regulation. Mexican operations are subject to Mexican rail oversight and the Kansas City Southern de Mexico concession. These regimes make entry difficult, because railroads require operating authority, safety compliance, environmental approvals, and property rights. But they also cap excess rent extraction: the STB's CP-KCS approval included an unprecedented seven-year oversight period, gateway-preservation conditions, shipper rights to justification for above-inflation gateway rate increases, and reciprocal switching protections. Regulation protects the system from irrational overbuild and supports long asset lives, but it prevents the moat from being a license to price without constraint.

IP and patents are not material. CPKC uses technology, dispatching systems, fuel-efficiency software, safety analytics, sensors, and operating processes, but no evidence suggests patent-like exclusivity drives returns. Precision Scheduled Railroading is a managerial and operating discipline, not proprietary IP. A competitor can copy pieces of the operating philosophy; what it cannot copy quickly is CPKC's specific line-haul geography and customer access.

High-trust procurement is meaningful. Large shippers buy reliability, safety, capacity, and multi-year lane continuity. This is especially true in automotive, chemicals, grain export programs, energy products, potash, and cross-border intermodal, where supply chains are planned around plant schedules, seasonal harvests, ports, equipment availability, customs processes, and border operations. CPKC's single-line Canada-U.S.-Mexico service is a procurement simplifier: fewer interchanges mean fewer handoffs, lower dwell risk, and clearer accountability. That does not eliminate price negotiation, but it gives CPKC a differentiated product where service time and reliability matter.

2. Per-Segment Moat

CPKC reports one operating segment: rail transportation. The segment-level moat is the integrated Class I rail network plus the ability to run a transnational operating plan across Canada, the United States, and Mexico. Its durability is highest in bulk and merchandise lanes tied to rail-served origins and destinations, moderate in automotive where service and plant access matter but production geography can shift, and weakest in intermodal lanes where trucking and other rail corridors can compete on speed, price, and reliability.

Bulk freight, including grain, coal, potash, fertilizers, and sulphur, has the clearest traditional railroad moat. The customer problem is moving heavy, low-to-mid value density freight over long distances from concentrated origins to ports, processors, utilities, or export channels. Rail's unit economics dominate trucking at distance and scale. In FY2025, grain was C$3.217B of freight revenue, potash C$640M, coal C$1.025B, and fertilizers/sulphur C$423M. Grain and potash in particular benefit from origin geography, dedicated equipment, port access, and seasonal capacity planning. The moat would break if production permanently moved away from CPKC-served regions, if regulation forced materially lower rates or open access, or if service failures pushed customers to competitor railways at shared gateways. The earliest observable sign would be sustained RTM share loss in grain/potash with declining revenue per RTM despite stable commodity demand.

Merchandise freight, including forest products, energy, chemicals and plastics, metals, minerals and consumer products, and automotive, has a strong but more mixed moat. Energy, chemicals and plastics represented C$2.898B of FY2025 revenue; automotive C$1.310B; metals, minerals and consumer products C$1.792B; forest products C$792M. Chemical and plastics flows are protected by rail-served industrial clusters, hazardous-material handling expertise, and long-haul economics. Automotive has a differentiated Mexico-Canada-U.S. angle because CPKC serves the majority of automotive plants in Mexico and has invested in cross-border finished-vehicle facilities, but auto OEM sourcing and production footprints can change over a 20-year horizon. Forest products are more cyclical and less structurally advantaged. The earliest break signal would be large customers routing away from CPKC after service disruptions, or a persistent decline in automotive and chemicals carloads that is not explained by industry end demand.

Intermodal is the most strategically important but least impregnable sub-line. In FY2025, intermodal was C$2.679B, or 18% of freight revenue, split between domestic and international intermodal. CPKC's Mexico Midwest Express is the first truck-competitive single-line rail option between the U.S. Midwest and Mexico, and CPKC has port exposure at Vancouver, Montreal, Saint John, and Lazaro Cardenas. The moat here is lane-specific service design rather than rail scarcity alone. Trucking competes directly for time-sensitive freight, and other railroads can compete via interline or east-west partnerships. The moat holds if CPKC delivers truck-like reliability at a rail cost and emissions advantage. It weakens if border friction, theft/security, service variability, or customer need for faster door-to-door delivery makes the rail option less attractive. The earliest observable sign would be intermodal revenue per RTM and carloads declining together while management still claims strong service.

The blended company moat is slightly weaker than the strongest bulk/industrial lanes, but still strong. The equity is not a pure grain, potash, or chemicals franchise. It includes intermodal, auto, coal, forest products, and general merchandise exposure. Coal is structurally exposed to energy transition. Intermodal is competitive. Automotive is tied to Mexico trade policy and OEM production footprints. Still, the blend is acceptable because no weak sub-line dominates the profit pool, the one-segment operating margin remains high, and CPKC's most unique growth vector is not a speculative new product but the use of an already-approved, already-operated North American single-line network.

3. Margin Persistence Evidence

The five-year margin evidence supports a real moat, with a merger-comparability caveat. Legacy CP reported operating margins of 40.1% in FY2021 and 37.8% in FY2022. CPKC's post-control boundary year margin was 35.0% in FY2023, followed by 35.6% in FY2024, 37.2% in FY2025, and 37.0% for the TTM ended March 31, 2026. The operating margin did not collapse after the KCS control date, despite integration cost, inflation, labor pressure, fuel volatility, weaker forest products, mixed automotive/intermodal trends, and trade-policy uncertainty. This is observable evidence that the network earns rents above a commodity carrier.

Period	Revenue C$B	Operating income C$B	Operating margin	Interpretation
FY2021	8.00	3.21	40.1%	Legacy CP; pre-KCS, high-quality baseline
FY2022	8.81	3.33	37.8%	Legacy CP; inflation/fuel environment still profitable
FY2023	12.55	4.39	35.0%	KCS control from April 14; integration boundary
FY2024	14.55	5.18	35.6%	First full combined year; margin stabilizes
FY2025	15.08	5.61	37.2%	Record core adjusted OR; margin expansion
TTM ended 2026-03-31	14.98	5.55	37.0%	Q1 softness, but TTM margin remains durable

The evidence is not perfect because 2021-2023 are not a clean same-company series. The KCS acquisition changed the asset base, debt load, goodwill, geographic mix, and operating footprint. ROIC is therefore less conclusive than margin. The data package shows ROIC distorted by the voting trust and control-date accounting, with FY2025 around 6.1%, well below the operating-margin story. This matters for the equity verdict but does not negate the moat: railroads can have strong operating moats and still consume substantial capital. The moat test asks whether profits are protectable; the valuation test must separately ask whether those profits earn enough on the KCS purchase price.

Pricing/yield evidence is also supportive but mixed. Total freight revenue per RTM rose from 5.22 cents in FY2021 to 6.73 cents in FY2025, then was 6.63 cents in Q1 FY2026. Revenue per carload rose from C$2,857 in FY2021 to C$3,273 in FY2025 and C$3,348 in Q1 FY2026. At the commodity level, grain revenue per RTM increased from 4.43 cents in FY2021 to 5.24 cents in FY2025; energy, chemicals and plastics rose from 6.14 to 7.70 cents; metals/minerals/consumer products rose from 6.52 to 9.33 cents. Intermodal revenue per RTM slipped from 7.17 cents in FY2024 to 6.96 cents in FY2025 and 6.89 cents in Q1 FY2026, showing the competitive edge of that sub-line. Overall pricing power is visible, but it is not universal.

4. AI Disruption Stress Test

CPKC is not primarily selling a workflow that a foundation model can replicate. It sells physical transportation capacity, train operations, regulated access, equipment management, border-crossing execution, and industrial logistics. AI can improve dispatching, maintenance, crew planning, customer visibility, pricing, safety analytics, and fuel efficiency, but it does not

eliminate the need for track, rights-of-way, terminals, locomotives, railcars, crews, intermodal yards, customs processes, and port connections.

Bulk freight is the most protected from AI disruption. Grain, potash, fertilizers, coal, and many industrial inputs are chokepoint economics: physical origin points, heavy freight, rail-served facilities, and export corridors. AI may help growers, miners, elevators, and ports forecast flows, and it may help shippers compare bids faster, but the winning mode remains constrained by physics and route access. A model cannot move a potash train from Saskatchewan to Vancouver or a grain train to export. The main AI-enabled risk is better logistics optimization by customers, which could expose service failures faster and make rail-vs-truck or rail-vs-rail comparisons more transparent.

Merchandise is also mostly protected, especially chemicals, plastics, metals, and automotive. AI can improve plant scheduling and inventory management, but hazardous-material handling, tank-car logistics, finished-vehicle damage control, and cross-border rail execution remain physical. Automotive has more technology exposure because OEM supply chains may change with EV adoption, nearshoring patterns, autonomous trucking, and different vehicle distribution models. But the question is not whether auto logistics changes; it is whether those changes make rail irrelevant. For finished vehicles and parts moving long distances across Mexico, the U.S., and Canada, rail should remain economically relevant.

Intermodal is the most AI-exposed sub-line. AI-enabled freight brokerage, autonomous trucking, better dynamic routing, and predictive inventory systems can make trucking more efficient and reduce the friction that historically favored rail on long lanes. If autonomous trucking eventually lowers driver-cost constraints and improves asset utilization, the rail cost advantage could narrow for time-sensitive, medium-distance shipments. The offset is that rail retains fuel, labor, congestion, and emissions advantages, and intermodal terminals are still capacity chokepoints. AAR data indicates railroads move a ton of freight nearly 500 miles per gallon on average and are three to four times more fuel-efficient than trucks. AI changes the control layer, not the physics of steel wheels on steel rail.

The segment most exposed to AI disruption is domestic intermodal and truck-competitive cross-border intermodal. The segment most protected is bulk grain/potash and heavy industrial merchandise. CPKC is platform-adjacent in a narrow sense: AI-driven manufacturing nearshoring, supply-chain resilience, and inventory optimization can create more demand for reliable North American lanes. But CPKC is not an AI platform. Its moat survives AI because it is embodied in physical scarcity and regulated operating capability.

5. The 2046 Test

Today is 2026-05-29. Twenty years forward is 2046-05-29. A plausible 2046 CPKC 10-K description is specific: CPKC operates a transnational freight rail network across Canada, the United States, and Mexico, selling bulk, merchandise, automotive, intermodal, and logistics services to agricultural exporters, mining and fertilizer companies, chemical and plastics producers, auto OEMs, retailers, manufacturers, ports, and intermodal marketing companies. It owns and operates rail lines, yards, terminals, locomotive fleets, intermodal terminals, and customer-facing digital logistics tools. It connects western Canadian grain and potash, Alberta and Gulf Coast chemicals, Mexico auto and manufacturing corridors, U.S. Midwest industrial markets, and port gateways including Vancouver, Atlantic Canada, the Gulf Coast, and Lazaro Cardenas.

In that 2046 base case, the company still sells transportation capacity, reliability, and lower-cost long-haul freight movement. Coal is smaller and may be structurally diminished, but coal was only C$1.025B of FY2025 freight revenue. Grain, potash, fertilizers, chemicals, plastics, metals, auto, and intermodal still exist. Energy mix changes may reduce some crude or fuel products while increasing other chemical, plastics, renewable fuels, battery materials, industrial gases, agricultural, and manufacturing flows. Mexico-related trade remains a central swing factor, but the north-south corridor should remain useful even if trade agreement details change because the physical integration of North American manufacturing, agriculture, and consumer supply chains is not easy to unwind.

The 2046 operating margin should be stable to modestly lower versus today's 37% TTM operating margin, not because the moat disappears, but because higher safety, labor, maintenance, climate adaptation, technology, and regulatory costs are likely over a 20-year period. The base-case margin range is still high for a transportation company: low-to-mid 30s operating margin if CPKC preserves service quality and earns a fair return on required capital. Upside to today's margin exists if automation, longer trains, better terminal productivity, predictive maintenance, and disciplined pricing offset inflation. Downside exists if open-access regulation, gateway remedies, Mexico concession changes, or autonomous trucking erodes pricing. The important point is that the 2046 business is not generic. Customers still pay because moving heavy freight across a continent on a scarce, regulated rail network is cheaper, safer, and more carbon-efficient than the main alternatives for many lanes.

The bear-case 2046 description is also concrete. CPKC still operates rail assets, but the moat is weaker because regulation has shifted toward more open access and rate intervention, Mexico concession terms have become more burdensome, USMCA or successor trade rules have reduced cross-border auto and manufacturing flows, autonomous electric trucking has captured the highest-value intermodal lanes, and chronic labor/safety/service issues have damaged customer trust. In that case, CPKC is a necessary infrastructure operator with lower pricing power and mid-to-high 20s operating margins, not a premium compounder. The probability is not negligible, but it is not the base case. Regulation and trade policy are the central uncertainty, not AI. The track, rights-of-way, ports, industrial customer attachments, and border operating know-how should still matter in 2046.

The 2046 test passes because the profit pool can be named: rail transportation of heavy, long-haul, cross-border, industrial, agricultural, automotive, and intermodal freight over a scarce North American network. The customers can be named. The assets can be named. The risk mechanisms can be named. This is not a business that requires hand-waving about future technology relevance.

6. Competitive Threat Inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Trucking and autonomous trucking	Lower trucking cost, faster door-to-door service, better brokerage, and flexible routing compress rail intermodal value	Intermodal; automotive parts; shorter-haul merchandise	Intermodal carloads and revenue per RTM decline together while truck spot/contract rates remain competitive	Medium
Regulatory reset or open-access pressure	STB, Canadian, or Mexican authorities constrain rates, preserve gateways, expand reciprocal switching, or impose concession burdens	All rail transportation; highest impact on captive bulk/industrial lanes	Above-inflation rate disputes rise; new rulemaking targets reciprocal switching or gateway access; margin falls despite stable volume	Medium
Mexico concession and trade-policy disruption	Concession termination/revocation risk, tax/labor changes, border friction, tariffs, USMCA review, or reduced nearshoring flows	Mexico intermodal; automotive; metals; energy/chemicals; grain exports to Mexico	Mexico revenue mix shrinks; border dwell rises; auto/intermodal RTMs decline; management lowers cross-border growth targets	Medium
Labor/safety/service failure	Work stoppages, crew shortages, derailments, hazardous-material incidents, or service unreliability harm trust and invite regulation	All lines; chemicals and automotive most reputation-sensitive	FRA accident frequency worsens; velocity deteriorates; customer complaints and STB oversight intensify	Low-to-medium
Energy transition and commodity mix shift	Thermal coal and some fossil-fuel lanes decline faster than replacement traffic emerges	Coal; portions of energy products	Coal RTMs decline persistently; energy, chemicals and plastics revenue per RTM fails to offset volume loss	Medium

7. Pricing Power Verification

CPKC has observable but bounded pricing power. The most important evidence is yield and margin persistence through inflation and integration. Freight revenue per RTM increased from 5.22 cents in FY2021 to 6.73 cents in FY2025, while the post-KCS operating margin recovered from 35.0% in FY2023 to 37.2% in FY2025. Total freight revenue per carload increased to C$3,273 in FY2025 and C$3,348 in Q1 FY2026. Several commodity lines show multi-year yield expansion: grain, coal, fertilizers/sulphur, energy/chemicals/plastics, forest products, and metals/minerals/consumer products all had FY2025 revenue per RTM above FY2021 levels. This is not merely fuel surcharge inflation; the data package and official filings separately disclose fuel surcharge revenue, fuel costs, and carbon-tax effects.

The pricing-power caveat is Q1 FY2026 and intermodal. Q1 FY2026 revenue declined 2.5% despite RTMs increasing 2%, and freight revenue per RTM decreased 4% to 6.63 cents. Management attributed pressure to currency, carbon-tax/fuel timing, and mix rather than a structural pricing issue, but the moat test should not simply accept that. Intermodal revenue per RTM softened from 7.36 cents in FY2023 to 7.17 cents in FY2024, 6.96 cents in FY2025, and 6.89 cents in Q1 FY2026. That is the lane where price discipline is most exposed to trucking and competing rail options.

Contract structure is not disclosed in enough detail to underwrite broad automatic escalators. The 10-K identifies fuel cost adjustment programs and states fuel surcharge revenues accounted for about 10% of FY2025 freight revenue, with carbon-tax recoveries embedded in fuel surcharge revenue. That is meaningful cost pass-through, but it is not the same as unlimited pricing power. The STB's merger conditions also preserve competitive gateways and give shippers tools to

challenge certain gateway rate increases. Therefore the right conclusion is: CPKC has real pricing power where service, route scarcity, and rail economics matter; pricing power is weaker where customers can truck, use IMCs, or route through alternative rail gateways.

8. Regulation, Labor, Safety, Mexico, and Capital Intensity

Regulation is a durability constraint rather than a moat killer. The STB approved CP's control of KCS with conditions after a large record, public hearings, environmental review, and an oversight period. That approval created the unique single-line network, but it also made clear that U.S. regulators will preserve shipper options. In Mexico, the 2025 10-K states the concession can be revoked or terminated under defined conditions, that rail-line fixtures and improvements may revert to the Mexican government upon termination or revocation, and that Mexican political, tax, labor, and transport policy changes could affect operations. These risks deserve a permanent discount because CPKC's differentiation depends partly on the Mexico corridor.

Labor and safety are core operating risks. The 10-K states the majority of employees belong to labor unions and that strikes, work stoppages, slowdowns, or lockouts could materially disrupt operations. A railroad cannot simply replace its labor base overnight, and safety failures can damage customers, invite regulation, and create large liabilities. The offset is CPKC's recent safety record: FY2025 FRA personal injury frequency improved to 0.92 from 0.95, train accident frequency improved to 0.85 from 1.01, and Q1 FY2026 remained near those levels. Safety is therefore a live risk, not an active failure signal.

Capital intensity is the biggest economic weakness in the moat. A strong rail moat requires constant maintenance. Capex consumed 19.2% to 20.8% of revenue in FY2021-FY2025, and TTM free cash flow conversion was only 50.9% of net income through Q1 FY2026. That does not fail the moat test, but it lowers the quality of the compounder. The network cannot be duplicated, yet shareholders must keep funding track, terminals, locomotives, technology, and safety systems. The moat is capital-heavy, not asset-light.

9. Sources Checked Live

Source	Link	Use
CPKC FY2025 Form 10-K	[SEC filing](https://www.sec.gov/Archives/edgar/data/16875/000001687526000008/cp-20251231.htm)	Segment taxonomy, network, commodity descriptions, regulation, labor, Mexico concession, trade and risk factors
CPKC Q1 FY2026 release	[SEC exhibit](https://www.sec.gov/Archives/edgar/data/16875/000001687526000013/exhibit991-q12026earningsr.htm)	Latest quarter margin, RTM, yield, safety, leverage context
CPKC Q4/FY2025 release	[SEC exhibit](https://www.sec.gov/Archives/edgar/data/16875/000001687526000004/exhibit991-q42025earningsr.htm)	FY2025 margin, safety, FY2026 guidance, single-line network description
Surface Transportation Board	[STB release](https://www.stb.gov/news-communications/latest-news/pr-23-07/)	CP-KCS merger approval, single-line service, gateway conditions, oversight
USTR USMCA review	[USTR March 2026 release](https://ustr.gov/about/policy-offices/press-office/press-releases/2026/march/united-states-and-mexico-launch-review-process-usmca)	Current USMCA joint-review and supply-chain policy risk
USTR consultation notice	[USTR September 2025 release](https://www.ustr.gov/about/policy-offices/press-office/press-releases/2025/september/ustr-seeks-public-comment-joint-review-usmca)	July 1, 2026 joint review and investment-climate consultation scope
AAR freight rail facts	[AAR data](https://www.aar.org/freight-rail-facts-figures/)	Rail capital intensity, fuel efficiency, long-distance freight role, rail-vs-truck economics

10. Moat Verdict

Moat gate: GREEN. CPKC has a concrete and observable moat: a scarce, regulated, capital-intensive Class I rail network with the only single-line Canada-U.S.-Mexico service, high switching costs in rail-served industrial/bulk lanes, and a cost/service proposition that is difficult for trucks or rival railroads to replicate in specific cross-border lanes. Margin persistence supports the claim: operating margin remained around the mid-to-high 30s through inflation, integration, weak sub-lines, and Q1 FY2026 softness.

2046 test: GREEN. The 2046 business can be described specifically without relying on vague technology leadership: CPKC should still move grain, potash, chemicals, plastics, automotive, industrial, and intermodal freight across a North American rail network that customers cannot cheaply replace. The main risks are not AI disintermediation but regulation, Mexico

concession/trade policy, labor/safety execution, autonomous trucking in intermodal, and capital intensity. Those risks are real enough to monitor, but they do not currently break the 20-year durability case.

The strongest moat segments are bulk grain/potash and heavy industrial merchandise, especially chemicals/plastics and metals tied to rail-served facilities. The most contestable segment is intermodal, including truck-competitive Mexico-U.S. lanes, where service reliability and border execution must prove that the single-line advantage is worth paying for. Coal likely withers over 20 years, but it is not large enough to define the company. The moat gate clears because the profit pool, customer base, physical assets, regulatory rights, and bear-case mechanisms are all identifiable.

Appendix B1 - Rail Transportation

Rail transportation - Segment Deep Dive

Stage 0 - Time Anchor

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031. Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.

0. Segment Boundary + Taxonomy Note

CPKC has one reportable operating segment: rail transportation. The data package states that FY2025 segment revenue equals consolidated revenue of C$15.078B and FY2025 segment operating income equals consolidated operating income of C$5.609B, with a 37.2% operating margin [data_package Section 1, Reportable segment row]. The critical taxonomy issue is not a segment-name restatement, but the April 14, 2023 KCS control-date boundary. FY2021 and FY2022 are legacy Canadian Pacific; FY2023 includes KCS only from April 14, 2023; FY2024 and FY2025 are the first two full calendar years of the combined CPKC perimeter [data_package Section 1, Taxonomy flags; data_package Section 3, Segment comparability]. This appendix therefore uses FY2024, FY2025, Q2 FY2025 through Q1 FY2026, and the TTM anchor for forward economics, while showing earlier commodity history as reported and explicitly labeling it as boundary-distorted.

1. What This Segment Actually Is

Rail transportation is the whole operating company. CPKC moves freight across a tri-national rail network in Canada, the United States, and Mexico. Its service is sold to shippers of bulk commodities, industrial inputs, finished vehicles, consumer goods, and intermodal containers. The revenue lines are not separate operating segments; they are commodity and service categories inside one railroad. The major freight lines are grain, coal, potash, fertilizers and sulphur, forest products, energy/chemicals/plastics, metals/minerals/consumer products, automotive, and intermodal. The company also reports non-freight and leasing revenues, but those are small relative to freight.

The customer buys network access, service reliability, transit time, car supply, origin/destination reach, and in many lanes a lower-cost substitute for trucking. CPKC's most distinctive asset is the single-line Canada-U.S.-Mexico network created by the KCS combination. A grain shipper in Western Canada, a potash producer, an auto OEM, or a cross-border intermodal customer is not simply buying mileage. The customer is buying a route, a set of handoffs that can be reduced or avoided, terminal capacity, regulatory competence across borders, and a service plan that must be consistent enough to support inventory and production schedules.

Pricing is negotiated rather than list-price retail. Revenue is a function of volume, mix, fuel surcharge mechanics, accessorial fees, foreign exchange, contract renewals, and price above rail inflation where service quality allows it. The data package's KPI tables show how that math appears operationally: freight revenue per revenue ton-mile was 6.73 cents in FY2025 and 6.63 cents in Q1 FY2026, while freight revenue per carload was C$3,273 in FY2025 and C$3,348 in Q1 FY2026 [data_package 0a, KPI family history]. The different commodity lines have very different unit economics on a revenue-per-carload and revenue-per-RTM basis. Automotive generated C$5,483 per carload and 23.85 cents per RTM in FY2025, while coal generated C$2,087 per carload and 4.31 cents per RTM [data_package 0a, FY2025 commodity-level operating disclosure]. Those are revenue yields, not operating margins.

Go-to-market is relationship-driven and route-specific. CPKC sells to large industrial customers, agricultural and energy shippers, ports, terminal operators, steamship lines, automotive supply chains, and logistics providers. Intermodal is the most visibly truck-substitution-oriented line, especially where management has described Mexico-to-U.S. service as "truck-like" and stated that SMX "is going to fly" [data_package Section 6, Management commentary rows for Intermodal / Mexico and Intermodal / MMX]. Bulk lines such as grain and potash depend more on crop size, export channels, mine production, car supply, and port capacity. Industrial merchandise lines depend on manufacturing, construction, chemicals demand, plastics

flows, and North American production footprints.

2. Current Economics

The TTM base is C$14.984B of revenue and C$5.550B of operating income, a 37.0% operating margin [quant_foundation P2 and P4]. TTM revenue is built from Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026, all from official periods [quant_foundation P4]. TTM freight revenue was C$14.677B, with non-freight excluding leasing of C$197M and leasing revenue of C$110M [quant_foundation P1].

The largest TTM commodity lines are grain at C$3.300B, energy/chemicals/plastics at C$2.840B, intermodal at C$2.660B, metals/minerals/consumer products at C$1.782B, automotive at C$1.291B, coal at C$994M, forest products at C$756M, potash at C$633M, and fertilizers/sulphur at C$421M [quant_foundation P1]. The mix matters because some lines are long-haul bulk flows with dense train economics, some are service-sensitive industrial lines, and some are intermodal lanes where truck competition is the live outside option.

On the cost side, the current CPKC expense base is track, locomotives, labor, fuel, equipment, purchased services, depreciation, and materials. FY2025 operating expense lines were compensation and benefits of C$2.581B, fuel of C$1.731B, materials of C$474M, equipment rents of C$408M, depreciation and amortization of C$2.019B, purchased services and other of C$2.256B, and total operating expenses of C$9.469B [data_package 0a, Cost-line inventory]. Q1 FY2026 total operating expense was C$2.443B, including C$691M of compensation and benefits, C$458M of fuel, and C$512M of depreciation and amortization [data_package 0a, Cost-line inventory]. Capital intensity is high: FY2025 capex was C$3.14B, 20.8% of revenue, and management guided FY2026 capex to C$2.65B [data_package Section 7 and Section 6, Investor presentation / release guidance anchors].

Current physical resources define both the opportunity and the constraint. The data package states that CPKC provides service over approximately 20,000 miles, including about 8,400 miles in Canada, 8,800 miles in the U.S., and 3,100 miles in Mexico; it had 28,075 operated track miles, 2,307 locomotives, and 19,479 employees at 2025 year-end [data_package 0a, Current network and resources]. In Q1 FY2026, RTMs increased 2% even though carloads decreased 2%, total freight revenue per RTM fell 4%, reported OR was 66.0%, and core adjusted OR was 63.0% [data_package Section 5, Latest Q1 FY2026 operating metrics]. That pattern is central to the model: the near-term problem is not demand collapse, but yield/mix/fuel/currency pressure against a network that still has volume growth potential.

3. Unit Economics

A railroad converts revenue into profit through density, train length, asset turns, labor productivity, fuel efficiency, service reliability, and disciplined pricing. The first layer is carload and RTM growth. Fixed costs in track, terminals, dispatching, systems, and management do not rise one-for-one with units, so profitable incremental volume can lift margins if it moves over existing capacity. The second layer is mix. An automotive carload, a grain train, and a domestic intermodal box do not consume the same terminal time, locomotive hours, crew starts, equipment, or route miles. The company discloses revenue by line but not commodity cost, so this appendix does not assign disclosed operating income to commodity lines.

The third layer is yield. Freight revenue per RTM is the broadest consolidated yield measure. It improved from 5.22 cents in FY2021 to 6.73 cents in FY2025, then fell to 6.63 cents in Q1 FY2026 [data_package 0a, KPI family history]. Management's CFO said about Q1 yield weakness: "There's nothing structural" [data_package Section 6, Rail transportation Q1 FY2026 Nadeem Velani row]. I do not take that as proof that yield will automatically rebound; it is evidence that management sees currency, carbon-tax, fuel timing, and mix as the main drivers rather than lost price discipline. The model therefore does not extrapolate Q1's 4% freight revenue per RTM decline as a permanent new run-rate, but it also does not give CPKC a free return to pre-Q1 yield expansion.

The fourth layer is cost inflation and capex. Labor, fuel, depreciation, materials, purchased services, and equipment rents all scale differently. Fuel can swing with price and surcharge timing. Depreciation follows the capital program. Labor productivity depends on crew starts, service design, safety, and network velocity. Materials and purchased services can rise with maintenance intensity or integration projects. FY2025 depreciation and amortization of C$2.019B was already 13.4% of revenue, and FY2025 capex of C$3.14B was 20.8% of revenue [data_package 0a, Cost-line inventory; data_package Section 7]. The railroad can produce high accounting operating margins, but it is not a low-capex software business. For equity value, the durability of the spread between operating profit and required reinvestment matters.

The fifth layer is operating ratio. CPKC's reported operating margin moved from 35.0% in FY2023 to 35.6% in FY2024 and 37.2% in FY2025 [data_package Section 3]. TTM operating margin was 37.0% [quant_foundation P4]. Management

highlighted that the company had achieved a "sub-60%" operating ratio threshold and was focused on earnings and ROIC [data_package Section 6, Q4 FY2025 call, CFO row]. The model's base case assumes the company can recapture Q1 weakness, achieve merger/network productivity, and expand operating margin to 39.5% by March 31, 2031. That is a 250 bp improvement from TTM, not a heroic move to the low-50s OR. The bull case reaches 42.0% operating margin, requiring better volume density and sustained cost discipline. The bear case falls to 34.5%, reflecting weaker mix, volume, fuel timing, labor cost, service disruption, or price pressure.

4. Competitive Dynamics

North American freight rail is an oligopoly with local duopoly characteristics. For many lanes the practical rail competitor is determined by origin, destination, interchange, and customer facility access. CPKC competes with Canadian National in Canada and cross-border Canada-U.S. lanes; with Union Pacific and BNSF in the western U.S.; with CSX and Norfolk Southern in the eastern U.S. through interchange and selected corridors; with Ferromex and trucking in Mexico-related flows; and with trucks, barges, pipelines, and maritime alternatives depending on commodity and route. Surface Transportation Board economic-data pages frame Class I reporting as a regulatory category for the largest railroads, and the public STB framework reinforces how concentrated and monitored the industry is [STB economic data page, accessed in this run: https://www.stb.gov/reports-data/economic-data/].

The KCS combination gave CPKC a structurally unusual tri-national route. The competitive claim is not that CPKC has the largest network. It does not. The claim is that it has the cleanest single-line Mexico-U.S.-Canada proposition in specific corridors. That matters where shippers value fewer interchanges, lower border friction, and predictable service. It matters most for intermodal, automotive, energy/chemicals/plastics, and selected metals/manufacturing flows. It matters less in commodity lines where production location and export corridor dominate the shipper's railroad choice.

Pricing power is strongest where the railroad controls the efficient route and service is reliable. It is weakest where truck is a practical substitute, where commodity price weakness reduces shipper urgency, where ports or terminals constrain flows, or where regulatory intervention becomes more likely. Intermodal illustrates both sides. Management's "truck-like" language points to a value proposition that can convert highway freight to rail [data_package Section 6, Q2 FY2025 Intermodal / Mexico row]. But being truck-like also means the customer will benchmark service against truck, not just against another railroad. If rail reliability slips, intermodal price and volume can reset quickly.

The competitive threat is not usually a new railroad entrant. Building a new continental rail network is economically and legally implausible. The threat is substitution, service failure, regulatory constraint, labor disruption, and customer facility decisions that route growth to another railroad or mode. In coal, secular energy substitution is the central risk. In grain and potash, crop yields, export capacity, mine output, and global demand matter. In energy/chemicals/plastics, petrochemical production, regulatory rules, and North American industrial cycles matter. In automotive, OEM production geography, Mexico manufacturing, and vehicle sales matter. In intermodal, service reliability, drayage cost, port dynamics, and truck rates matter.

5. Moat at the Segment Level

The moat is real but asset-heavy. It consists of rights-of-way, network density, replacement cost, cross-border routing, shipper facility connections, service reputation, and operating know-how. Unlike a brand moat, the railroad moat must be maintained physically every year. Track, bridges, locomotives, signals, yards, terminals, and safety systems are the moat. That is why capex is not discretionary in the same way buybacks are.

The KCS transaction added a differentiated corridor moat. CPKC can market a single-line network across Canada, the United States, and Mexico. The data package's network description of roughly 20,000 miles across the three countries is not just a size statistic; it is the source of the route-level advantage [data_package 0a, Current network and resources]. The moat is strongest where a customer benefits from the exact cross-border route and weakest where CPKC is one of several interchangeable options, or where truck has a compelling service/cost equation.

The durability over five to ten years depends on whether management can turn the route advantage into reliable service and profitable volume. Management has repeatedly tied growth to service and network productivity: "the railroad is structurally better," "comparisons improve through the year," and "pricing to the value of our capacity" [data_package Section 6, relevant rail transportation rows]. Those quotes support the base case, but they are not proof. The hard evidence to monitor is RTM growth, freight revenue per RTM, operating ratio, service metrics, safety, capex/revenue, and whether intermodal and Mexico-related growth offset weaker coal and cyclical industrial lines.

6. Historical Growth Rates - Reproduced From Data Package

The following table uses the finest dollar-disclosed commodity lines from data_package Section 4. The "3-yr CAGR" column is FY2022 to FY2025 as reported, because the required three-year measurement crosses the KCS boundary. It is shown for disclosure completeness but is not treated as an organic trend. For forward modeling, the more relevant anchors are FY2024 to FY2025 YoY, Q2 FY2025 through Q1 FY2026 TTM mix, and management's FY2026 RTM guide.

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	3-yr CAGR	Most recent YoY	Data package cite
Grain	C$2.50B [DP Section 4 row Grain]	C$3.01B [DP Section 4 row Grain]	C$3.22B [DP Section 4 row Grain]	21.8% reported FY2022-FY2025	7.0% FY2025	data_package Section 4 Product / commodity line row Grain
Coal	C$0.86B [DP Section 4 row Coal]	C$0.94B [DP Section 4 row Coal]	C$1.02B [DP Section 4 row Coal]	20.7% reported FY2022-FY2025	8.5% FY2025	data_package Section 4 Product / commodity line row Coal
Potash	C$0.57B [DP Section 4 row Potash]	C$0.61B [DP Section 4 row Potash]	C$0.64B [DP Section 4 row Potash]	3.3% reported FY2022-FY2025	4.9% FY2025	data_package Section 4 Product / commodity line row Potash
Fertilizers and sulphur	C$0.39B [DP Section 4 row Fertilizers and sulphur]	C$0.41B [DP Section 4 row Fertilizers and sulphur]	C$0.42B [DP Section 4 row Fertilizers and sulphur]	8.4% reported FY2022-FY2025	2.4% FY2025	data_package Section 4 Product / commodity line row Fertilizers and sulphur
Forest products	C$0.70B [DP Section 4 row Forest products]	C$0.82B [DP Section 4 row Forest products]	C$0.79B [DP Section 4 row Forest products]	25.5% reported FY2022-FY2025	-3.7% FY2025	data_package Section 4 Product / commodity line row Forest products
Energy, chemicals and plastics	C$2.30B [DP Section 4 row ECP]	C$2.85B [DP Section 4 row ECP]	C$2.90B [DP Section 4 row ECP]	27.8% reported FY2022-FY2025	1.8% FY2025	data_package Section 4 Product / commodity line row Energy, chemicals and plastics
Metals, minerals and consumer products	C$1.58B [DP Section 4 row MMCP]	C$1.78B [DP Section 4 row MMCP]	C$1.79B [DP Section 4 row MMCP]	26.7% reported FY2022-FY2025	0.6% FY2025	data_package Section 4 Product / commodity line row Metals, minerals and consumer products
Automotive	C$0.93B [DP Section 4 row Automotive]	C$1.28B [DP Section 4 row Automotive]	C$1.31B [DP Section 4 row Automotive]	43.9% reported FY2022-FY2025	2.3% FY2025	data_package Section 4 Product / commodity line row Automotive
Intermodal	C$2.46B [DP Section 4 row Intermodal]	C$2.52B [DP Section 4 row Intermodal]	C$2.68B [DP Section 4 row Intermodal]	6.2% reported FY2022-FY2025	6.3% FY2025	data_package Section 4 Product / commodity line row Intermodal
Non-freight excluding leasing	C$0.16B [DP Section 4 row Non-freight]	C$0.19B [DP Section 4 row Non-freight]	C$0.19B [DP Section 4 row Non-freight]	23.9% reported FY2022-FY2025	0.0% FY2025	data_package Section 4 Product / commodity line row Non-freight excluding leasing

Arithmetic tie-out checks: Grain C$3.01B x 1.07 = C$3.22B, Coal C$0.94B x 1.085 = C$1.02B, Potash C$0.61B x 1.049 = C$0.64B, Intermodal C$2.52B x 1.063 = C$2.68B, all within the 2% tolerance using rounded data-package values. Forest products C$0.82B x 0.963 = C$0.79B also ties. Energy/chemicals/plastics and metals/minerals/consumer products have small rounding effects because the table displays dollars in billions; the unrounded FY2025 data-package rows are C$2.898B and C$1.792B.

The latest quarterly table in data_package Section 5 shows a mixed setup entering the forecast period: Q1 FY2026 grain revenue grew 11% YoY, coal declined 12%, potash declined 4%, fertilizers and sulphur declined 2%, forest products declined 17%, energy/chemicals/plastics declined 8%, metals/minerals/consumer products declined 2%, automotive declined 6%, and intermodal declined 3% [data_package Section 5, Product line table]. This is why the model begins from TTM revenue rather than FY2025 revenue alone.

7. Management Guidance - Quoted From Data Package Section 6

Management's forward anchors are more useful at the segment level than by commodity. The most direct 2026 anchor is CFO Nadeem Velani's "mid-single-digit RTM growth" quote from the Q4 FY2025 call [data_package Section 6, Rail transportation Q4 FY2025 call row]. The Q4/FY2025 release also gave FY2026 guidance for low double-digit core adjusted diluted EPS growth, mid-single-digit volume growth measured by RTMs, C$2.65B capex, and a 24.75% core adjusted effective tax-rate assumption [data_package Section 6, Investor presentation / release guidance anchors]. This supports a base case in which volume improves from Q1, but not one in which every commodity line compounds at high single digits.

The second anchor is margin and productivity. The data package includes management's "sub-60%" operating-ratio quote and explains that the company achieved the first OR threshold and is now focused on earnings and ROIC [data_package Section 6, Capital allocation and rail transportation Q4 FY2025 rows]. The model treats this as evidence for margin expansion, but it does not assume a permanent sub-60 reported OR immediately. TTM reported operating margin is 37.0%, and Q1

FY2026 reported margin was only 34.0% [quant_foundation P4; data_package Section 5]. A base-case 39.5% margin by March 31, 2031 requires recovery and productivity, not just a continuation of Q1.

The third anchor is management's explanation of the Q1 yield pressure. CFO Velani said "There's nothing structural" [data_package Section 6, Q1 FY2026 yield pressure row]. That statement supports using Q1 as a noisy quarter rather than a clean negative reset. CEO Keith Creel also said "comparisons improve through the year" and "the railroad is structurally better" [data_package Section 6, Q1 FY2026 rows]. These comments justify a base-case revenue CAGR above the Q1 reported decline, but they do not remove the risk that weak industrial demand or mix can persist longer than management expects.

The fourth anchor is intermodal/Mexico. John Brooks called the service "truck-like" in Q2 FY2025 and said SMX "is going to fly" in Q1 FY2026 [data_package Section 6, Intermodal / Mexico rows]. He also described Mexico-related growth as "really strong and continue to see strong growth" [data_package Section 6, Q2 FY2025 Intermodal / Mexico row]. These quotes underpin the highest base-case product CAGR in the model for intermodal, but the model still uses 4.5% rather than the bull 7.0% because Q1 FY2026 intermodal revenue was down 3% YoY [data_package Section 5, Product line table].

8. Forward Growth Assumptions - Explicit, Per Product

The base case compounds from the TTM official revenue base in quant_foundation P1 for exactly five calendar years to March 31, 2031. It assumes CPKC regains mid-single-digit RTM growth in selected years, but mix and yield keep total revenue CAGR near 2.9%. The company remains cyclical; the base case is not a straight-line implementation of the 2024-2028 high-single-digit revenue framework. It reflects Q1 weakness and the fact that several lines had negative or low single-digit latest quarterly growth. For the small non-freight and leasing line, the historical CAGR shown below applies only to non-freight excluding leasing because leasing is separately disclosed in the TTM build but not included in the annual product segmentation table.

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM->TTM+5y	Justification
Grain	21.8% reported, boundary-distorted	11% Q1 FY2026	Mid-single-digit RTM growth for total railroad	3.8%	Strong Q1 and export/crop optionality, but normalized below KCS-distorted history and close to pricing plus modest volume.
Coal	20.7% reported, boundary-distorted	-12% Q1 FY2026	No coal-specific guide	-1.0%	Secular energy risk offsets pricing and route density; base assumes controlled decline rather than collapse.
Potash	3.3% reported	-4% Q1 FY2026	No potash-specific guide	2.8%	Long-haul bulk demand and mine/export activity support recovery from Q1 weakness, but not a high-growth line.
Fertilizers and sulphur	8.4% reported, boundary-distorted	-2% Q1 FY2026	No specific guide	3.0%	Agricultural input demand is resilient, with modest price and volume growth after a weak Q1.
Forest products	25.5% reported, boundary-distorted	-17% Q1 FY2026	No specific guide	1.0%	Housing and paper cycles remain weak; base assumes stabilization, not a return to boundary-distorted growth.
Energy, chemicals and plastics	27.8% reported, boundary-distorted	-8% Q1 FY2026	No specific guide	2.8%	Industrial and petrochemical flows improve with North American production, but Q1 weakness tempers the curve.
Metals, minerals and consumer products	26.7% reported, boundary-distorted	-2% Q1 FY2026	No specific guide	2.5%	Manufacturing and construction exposure produces moderate growth with pricing, but no major acceleration.
Automotive	43.9% reported, boundary-distorted	-6% Q1 FY2026	Mexico service commentary supportive	2.2%	Cross-border auto supply chains help, but OEM cycles and high prior recovery growth limit the base.
Intermodal	6.2% reported	-3% Q1 FY2026	"Truck-like" service and SMX optimism	4.5%	Highest base CAGR due to truck conversion and Mexico lanes, though current YoY weakness prevents a bull-like assumption.
Non-freight and leasing	23.9% for non-freight ex-leasing; leasing N/D	N/D combined	No specific guide	2.5%	Small ancillary line grows with network revenue and inflation; no separate thesis.

The bull case assumes CPKC converts the KCS route advantage into sustained share gains, particularly in intermodal, automotive, energy/chemicals/plastics, grain, and metals-related flows. It also assumes Q1 FY2026 yield pressure was temporary and that service quality lets the company price to capacity as management described [data_package Section 6, Q3 FY2025 pricing row].

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM->TTM+5y	Justification
Grain	21.8% reported, boundary-distorted	11% Q1 FY2026	Mid-single-digit RTM growth for total railroad	5.5%	Strong crop/export cycles and CPKC service produce sustained volume plus price above inflation.
Coal	20.7% reported, boundary-distorted	-12% Q1 FY2026	No coal-specific guide	1.0%	Export or metallurgical demand offsets thermal pressure, keeping the line slightly positive.
Potash	3.3% reported	-4% Q1 FY2026	No potash-specific guide	4.5%	Mine activity, export growth, and route density create above-base long-haul growth.
Fertilizers and sulphur	8.4% reported, boundary-distorted	-2% Q1 FY2026	No specific guide	4.0%	Agricultural input volumes normalize and yield improves with service.
Forest products	25.5% reported, boundary-distorted	-17% Q1 FY2026	No specific guide	2.5%	Housing and lumber recover enough to reverse Q1 pressure without requiring a boom.
Energy, chemicals and plastics	27.8% reported, boundary-distorted	-8% Q1 FY2026	No specific guide	4.5%	North American petrochemical and industrial flows improve, helped by Mexico-U.S. network reach.
Metals, minerals and consumer products	26.7% reported, boundary-distorted	-2% Q1 FY2026	No specific guide	4.0%	Industrial production and construction demand recover, with better service monetization.
Automotive	43.9% reported, boundary-distorted	-6% Q1 FY2026	Mexico service commentary supportive	4.0%	Mexico auto supply-chain growth and cross-border lanes offset cyclical vehicle softness.
Intermodal	6.2% reported	-3% Q1 FY2026	"Truck-like" service and SMX optimism	7.0%	Truck-to-rail conversion accelerates, SMX scales, and service supports share gain.
Non-freight and leasing	23.9% for non-freight ex-leasing; leasing N/D	N/D combined	No specific guide	3.0%	Ancillary revenue grows with network usage and asset utilization.

The bear case assumes the Q1 FY2026 weakness is a warning rather than noise. RTMs can still grow in pockets, but price/mix deteriorates, coal declines faster, industrial demand stays soft, and intermodal fails to convert enough truck volume to offset pressure elsewhere.

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM->TTM+5y	Justification
Grain	21.8% reported, boundary-distorted	11% Q1 FY2026	Mid-single-digit RTM growth for total railroad	1.0%	Crop/export volatility and weaker yield leave only modest growth despite the strong Q1.
Coal	20.7% reported, boundary-distorted	-12% Q1 FY2026	No coal-specific guide	-4.0%	Secular decline and weak demand overpower pricing.
Potash	3.3% reported	-4% Q1 FY2026	No potash-specific guide	0.0%	Volumes and price stagnate after a weak Q1.
Fertilizers and sulphur	8.4% reported, boundary-distorted	-2% Q1 FY2026	No specific guide	0.5%	Stable but low-growth agricultural input demand barely offsets mix pressure.
Forest products	25.5% reported, boundary-distorted	-17% Q1 FY2026	No specific guide	-1.5%	Housing and lumber weakness persist.
Energy, chemicals and plastics	27.8% reported, boundary-distorted	-8% Q1 FY2026	No specific guide	0.0%	Industrial softness and competitive pricing prevent growth.
Metals, minerals and consumer products	26.7% reported, boundary-distorted	-2% Q1 FY2026	No specific guide	-0.5%	Manufacturing and construction weakness offset inflation.

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM->TTM+5y	Justification
Automotive	43.9% reported, boundary-distorted	-6% Q1 FY2026	Mexico service commentary supportive	-1.0%	OEM production cycles and route competition limit cross-border upside.
Intermodal	6.2% reported	-3% Q1 FY2026	"Truck-like" service and SMX optimism	1.0%	Truck rates and service gaps cap conversion; volume grows but yield disappoints.
Non-freight and leasing	23.9% for non-freight ex-leasing; leasing N/D	N/D combined	No specific guide	1.0%	Ancillary revenue tracks muted network activity.

9. Forward Operating Margin Assumptions

CPKC does not disclose operating income or operating margin by commodity. The data package flags commodity operating income and margins as a true non-disclosure [data_package Section 10, Commodity operating income and margins row]. Therefore, the forward model uses product-level revenue lines and a segment-level margin, with sensitivity analysis around the mechanisms that would move the operating ratio. Any commodity margin shown as a discrete number would be invented, so none is shown.

Case	Current TTM op margin	TTM+5y op margin	Change	Mechanism	Data tie-out
Bear	37.0%	34.5%	-250 bps	Weak mix, coal decline, industrial softness, labor/fuel/service cost pressure, and less density leverage	TTM margin from quant_foundation P4; cost lines from data_package 0a
Base	37.0%	39.5%	+250 bps	RTM growth, service recovery, KCS synergy/density, disciplined pricing, and capex normalizing below FY2025/revenue	TTM margin from quant_foundation P4; guidance from data_package Section 6
Bull	37.0%	42.0%	+500 bps	Strong density, intermodal and Mexico scale, operating discipline, better fuel/service productivity, and pricing to capacity	TTM margin from quant_foundation P4; pricing quote from data_package Section 6

The base-case 39.5% margin is deliberately below a 42% bull outcome because the cost base is still investment-heavy. CPKC guided FY2026 capex of C$2.65B, and the data package shows FY2025 capex of C$3.14B, or 20.8% of revenue [data_package Section 7; data_package Section 6]. A lower capex year helps free cash flow but does not automatically remove depreciation, labor, fuel, or purchased-services pressure from the income statement. Margin expansion must come through a better operating ratio, not merely lower cash capex.

The bull-case 42.0% margin requires the KCS network to behave like a density flywheel. Intermodal, automotive, energy/chemicals/plastics, and metals-related flows would need to use the same route network more efficiently, with improved train starts, terminal dwell, locomotive productivity, and pricing. The data package notes 36 of 100 Tier 4 locomotives received in Q1 FY2026 after 100 delivered in 2025 [data_package 0a, Current network and resources]. If those investments improve reliability and fuel productivity while volume scales, a higher margin is plausible.

The bear-case 34.5% margin is not a disaster case; it is a cyclical and execution miss. Q1 FY2026 reported margin was already 34.0% [data_package Section 5]. If that pressure proves less temporary than management expects, if coal and forest products worsen, if industrial demand remains weak, or if labor/fuel/service costs rise faster than yield, the TTM+5 margin can settle below the current TTM even without a recessionary collapse.

10. Segment Rollup - Bottoms-Up Revenue, Segment-Level OI

The rollup below compounds each TTM product line from quant_foundation P1 by the case CAGR in Section 8 for exactly five years. The revenue totals reconcile to the product-level assumptions within rounding. Operating income is then calculated by applying the case segment margin from Section 9. This is the correct level of precision because commodity operating profit is not disclosed.

Product / line	TTM revenue	Bear TTM+5y revenue	Base TTM+5y revenue	Bull TTM+5y revenue
Grain	C$3.300B	C$3.468B	C$3.976B	C$4.313B
Coal	C$0.994B	C$0.810B	C$0.945B	C$1.045B
Potash	C$0.633B	C$0.633B	C$0.727B	C$0.789B

Product / line	TTM revenue	Bear TTM+5y revenue	Base TTM+5y revenue	Bull TTM+5y revenue
Fertilizers and sulphur	C$0.421B	C$0.432B	C$0.488B	C$0.512B
Forest products	C$0.756B	C$0.701B	C$0.795B	C$0.855B
Energy, chemicals and plastics	C$2.840B	C$2.840B	C$3.260B	C$3.539B
Metals, minerals and consumer products	C$1.782B	C$1.738B	C$2.016B	C$2.168B
Automotive	C$1.291B	C$1.228B	C$1.439B	C$1.571B
Intermodal	C$2.660B	C$2.796B	C$3.315B	C$3.731B
Non-freight and leasing	C$0.307B	C$0.323B	C$0.347B	C$0.356B
Total rail transportation revenue	C$14.984B	C$14.968B	C$17.309B	C$18.879B

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Revenue CAGR vs TTM	OI CAGR vs TTM
Bear	C$14.968B	34.5%	C$5.164B	0.0%	-1.4%
Base	C$17.309B	39.5%	C$6.837B	2.9%	4.3%
Bull	C$18.879B	42.0%	C$7.929B	4.7%	7.4%

The base case is the central case because it maps best to management's comments: mid-single-digit RTM growth at the volume level, pricing discipline, a better second-half cadence than Q1 FY2026, and a structurally improved railroad [data_package Section 6]. The revenue CAGR is lower than mid-single-digit RTM growth because revenue per RTM, fuel surcharge timing, currency, and mix can dilute volume. It is also lower than the 2024-2028 high-single-digit revenue framework because the TTM base already includes Q1 FY2026 weakness and because not all commodity lines can grow like intermodal.

The bull case is not simply "same growth but higher margin." It requires intermodal to reach C$3.731B, grain C$4.313B, and energy/chemicals/plastics C$3.539B by March 31, 2031. The route advantage must show up in high-value lanes. The bear case is also internally consistent: coal falls to C$810M, forest products to C$701M, automotive to C$1.228B, and the total company is roughly flat in revenue over five years, while margin falls to 34.5%, close to Q1 FY2026 reported margin.

11. Key Risks and Wildcards

Bear - Yield weakness proves structural. The CFO's "There's nothing structural" quote is a management view, not a guarantee [data_package Section 6]. If Q1 FY2026's lower freight revenue per RTM reflects more than currency, fuel timing, carbon tax, or mix, the base-case margin recovery is too optimistic.

Bear - Coal decline accelerates. Coal was down 12% YoY in Q1 FY2026 [data_package Section 5]. If secular thermal-coal demand and export volatility overwhelm pricing, the line can shrink faster than the base-case -1.0% CAGR.

Bear - Industrial softness spreads. Energy/chemicals/plastics, metals/minerals/consumer products, automotive, and forest products were all negative in Q1 FY2026 [data_package Section 5]. A broader manufacturing downturn would pressure both revenue and operating leverage.

Base - Integration benefits arrive, but gradually. CPKC has a unique network, but realizing the value requires reliable service, terminal fluidity, locomotive productivity, and customer adoption. The base assumes success over five years, not immediate full monetization.

Base/Bull - Mexico and intermodal scale. Management's "truck-like" and "This thing is going to fly" comments are most relevant to intermodal and cross-border growth [data_package Section 6]. If that product scales, it can lift both revenue growth and density.

Bull - Pricing to capacity holds. John Brooks's "pricing to the value of our capacity" comment supports the upside case [data_package Section 6]. If service quality remains high and capacity is scarce in valuable lanes, CPKC can grow revenue faster than RTMs.

Bear - Capex and depreciation burden stay high. FY2025 capex was C$3.14B and depreciation was C$2.019B [data_package Section 7; data_package 0a]. If maintenance and growth capex remain elevated without matching revenue growth, free cash flow and ROIC disappoint even if operating income is acceptable.

Bear/Base - Safety and service risk. Q1 FY2026 FRA train accident frequency was 0.93 versus 0.85 in FY2025, while personal injury frequency was 0.91 versus 0.92 in FY2025 [data_package 0a, KPI family history]. Safety deterioration can create cost, regulatory, and service consequences.

Data Gaps and Modeling Flags

[DATA GAP: CPKC does not disclose commodity-level operating income, commodity operating margin, commodity capital employed, or commodity ROIC. The model therefore forecasts commodity revenue but applies operating margin only at the rail-transportation segment level.]

[DATA GAP: The three-year reported commodity CAGRs cross the KCS control-date boundary and are not clean organic growth rates. FY2024-FY2025 and TTM trends are more useful for forward assumptions.]

[DATA GAP: No line-specific FY2026 guidance was disclosed for grain, coal, potash, fertilizers/sulphur, forest products, energy/chemicals/plastics, metals/minerals/consumer products, or automotive. The only explicit volume guide in the data package is total railroad mid-single-digit RTM growth.]

[DATA GAP: Historical CAGR for the combined non-freight and leasing forecast line is incomplete. Data package Section 4 discloses non-freight excluding leasing annually, while quant_foundation P1 separately discloses TTM non-freight excluding leasing of C$197M and leasing revenue of C$110M.]

[DATA GAP: FMP quarterly product segmentation was stale through Q4 FY2025; Q1 FY2026 commodity data uses the official April 29, 2026 release as captured in the data package.]

Ending Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	C$14.968B	34.5%	C$5.164B	25%
Base	C$17.309B	39.5%	C$6.837B	50%
Bull	C$18.879B	42.0%	C$7.929B	25%

Base case is the underwriting anchor. It assumes CPKC's tri-national network is valuable, Q1 FY2026 pressure is mostly transitory, and management can convert route advantage into density and price over five years. It does not require every commodity to recover at once, and it does not invent commodity operating margins. The main question for the combined ER2 model is whether the market is already capitalizing the base or bull case despite the asset intensity and the still-young post-KCS operating history.

Appendix S - Synthesis (Combined Earnings Model)

Canadian Pacific Kansas City Limited - Synthesis and Combined Earnings Model

Prepared by Subagent S on 2026-05-29. Currency is Canadian dollars unless otherwise stated. The company reports in Canadian dollars, and the valuation gate therefore uses the TSX-listed CP.TO Canadian-dollar share price. The live market quote used for the gate was fetched on 2026-05-29 at 20:28:00 Asia/Singapore from Yahoo Finance chart endpoint `https://query1.finance.yahoo.com/v8/finance/chart/CP.TO?range=1d&interval=1m`. The quote returned symbol CP.TO, currency CAD, exchange TOR, latest regular-market price C$124.86, and regular-market timestamp 2026-05-29 04:00:00 Asia/Singapore, equivalent to the prior Toronto regular close because the Toronto market had not yet opened at the fetch time.

This appendix is the combined ER2 earnings model for Canadian Pacific Kansas City Limited. It uses the verified `quant_foundation.md`, `data_package.md`, `appendix_B_rail_transportation.md`, `appendix_management.md`, and `appendix_moat.md` files as the source of truth. It does not rerun the primary financial-statement build. It only adds the live market quote required for the P/E 15 gate and one official 2025 Form 10-K check for stock-based compensation mechanics because the share-count path requires an explicit dilution assumption. CPKC has one reportable segment, Rail transportation, so consolidated revenue and consolidated operating income are the segment model after any named corporate adjustments. There is no separate corporate segment and no commodity-level operating income disclosure.

The core result is straightforward. The base case reaches C$17.309B of TTM+5y revenue, C$6.837B of operating income, C$4.580B of net income, and C$5.57 of EPS on an explicit 822.6M diluted share-count path. That is materially below the C$8.32 EPS required for the stock to trade at 15x earnings at the live C$124.86 quote. The base-case P/E 15 cushion is negative 33.1%. The bull case also fails the strict P/E 15 gate, with C$6.82 of EPS and a negative 18.1% cushion. The quality of the railroad and the moat are not the problem in this appendix. The problem is valuation: at this price, the market is capitalizing more than the five-year base case generated by the verified segment model.

1. Anchors

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031.
- Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.
- Latest completed fiscal year label for historical tie-out: FY2025.
- Current price for valuation gate: C$124.86 per TSX-listed CP.TO, live fetched as described above.
- Required EPS for P/E 15 at that price: C$8.32.
- TTM diluted share-count anchor: Q1 FY2026 diluted shares of 897.3M from `quant_foundation.md` P6.

The anchor discipline matters because the company is in a post-KCS integration period and because Q1 FY2026 was a noisy quarter. The forecast does not start from FY2025 alone. It starts from the most recent four quarters: Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026. This avoids accidentally ignoring the Q1 FY2026 revenue and margin softness. It also avoids using a six-year compounding period. Every CAGR and TTM+5y number in this appendix is measured over exactly five calendar years from March 31, 2026 to March 31, 2031.

2. Segment-Level Forward Assumptions

CPKC has one operating segment. The verified segment appendix explicitly states that the FY2025 10-K says the company has one operating segment, Rail transportation. The data package and quant foundation therefore treat segment revenue as

consolidated revenue and segment operating income as consolidated operating income. Commodity lines are useful for revenue growth assumptions, but CPKC does not disclose commodity operating profit.

The segment appendix compounds product-line revenue from the official TTM revenue base and applies a case-level segment margin. I reproduce the segment rollup here without changing it.

Segment	TTM revenue	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear OI margin	Base OI margin	Bull OI margin	Source
Rail transportation	C$14.984B	C$14.968B	C$17.309B	C$18.879B	34.5%	39.5%	42.0%	`appendix_B_rail_transportation.md` Sections 8, 9, and 10

The base case is not an extrapolation of management's highest-level long-term ambition. It incorporates management's mid-single-digit RTM guide and the strategic opportunity from the single-line Canada-U.S.-Mexico network, but it tempers that with Q1 FY2026 weakness, coal pressure, forest-products weakness, industrial cyclicality, and the fact that revenue per RTM fell in the latest quarter. The bear case is roughly flat revenue and lower margin. The bull case assumes stronger intermodal, grain, energy/chemicals/plastics, automotive, and Mexico-related growth, plus substantial density benefits.

3. Combined Revenue Build

There are no segment eliminations because Rail transportation is the whole reportable operating company. There is also no separate corporate revenue adjustment. Consolidated TTM+5y revenue equals the segment rollup.

Line	Bear	Base	Bull
Sum of segment TTM+5y revenue	C$14.968B	C$17.309B	C$18.879B
Corporate eliminations	C$0.000B	C$0.000B	C$0.000B
Combined TTM+5y revenue	C$14.968B	C$17.309B	C$18.879B
Implied TTM to TTM+5y CAGR	0.0%	2.9%	4.7%

The revenue build is deliberately simple at the combined level because the complexity is already inside the segment appendix. The segment appendix shows the product line build: grain, coal, potash, fertilizers and sulphur, forest products, energy/chemicals/plastics, metals/minerals/consumer products, automotive, intermodal, and non-freight/leasing. The product lines sum to C$14.968B in the bear case, C$17.309B in the base case, and C$18.879B in the bull case. Rounding to three decimals creates no material difference versus the segment totals.

The base-case C$17.309B revenue level is a 15.5% cumulative increase over C$14.984B of TTM revenue. That is a 2.9% annual CAGR over five years. It is below management's 2024-2028 high-single-digit revenue framework cited in the data package because Q1 FY2026 was weak, because freight revenue per RTM fell in the latest quarter, and because several major lines had negative Q1 YoY revenue. It is also below the headline mid-single-digit RTM guide because revenue is not simply RTMs. Fuel surcharge timing, currency, carbon-tax effects, mix, carload mix, and yield can all dilute volume growth.

4. Combined Operating Income Build

The segment appendix applies segment-level margins because commodity-level operating income is not disclosed. This is a key discipline point. Assigning separate commodity margins would create false precision. The combined model therefore applies the case-level margin to one segment.

There is no unallocated corporate expense adjustment. The operating income in the data package and segment appendix is consolidated operating income, after reported operating expenses. Any corporate overhead embedded in compensation, purchased services, depreciation, and other operating expenses is already included in the reported railroad operating income base.

Line	Bear	Base	Bull
Sum of segment TTM+5y OI	C$5.164B	C$6.837B	C$7.929B
Unallocated corporate expense	C$0.000B	C$0.000B	C$0.000B
Combined TTM+5y OI	C$5.164B	C$6.837B	C$7.929B
Implied OI margin	34.5%	39.5%	42.0%

The base margin expands by 250 bps from the 37.0% TTM margin in the quant foundation. That is not heroic for a high-quality railroad, but it is not automatic either. The data package shows Q1 FY2026 reported operating margin of only 34.0%, while TTM margin remained 37.0% because Q2 through Q4 FY2025 were stronger. The base margin requires Q1 pressure to prove mostly transitory, service productivity to improve, merger density to show up, and pricing discipline to hold. The bear case uses 34.5%, close to the latest reported quarter's margin, if weak mix, coal pressure, industrial softness, or labor/fuel cost issues persist. The bull case uses 42.0%, requiring a cleaner density flywheel and better conversion of the Mexico/intermodal route advantage.

5. Net Income and EPS Build

The income-statement bridge starts with combined operating income. I use case-specific normalized below-the-line assumptions rather than mechanically preserving the TTM relationship between operating income and net income. The TTM relationship benefited from items that should not be fully capitalized as permanent earnings power, including a FY2025 equity investment sale gain cited in the data package. A forward model should not assume repeated one-time gains.

The base case assumes C$1.10B of net interest expense, C$0.35B of other income, and a 24.75% tax rate. The tax rate comes from management's FY2026 core adjusted tax-rate guidance in the data package. Net interest is tied to C$24.320B of long-term debt including current maturities at Q1 FY2026, adjusted net debt of C$24.915B, and the expectation that buybacks absorb some free cash flow rather than letting all excess cash delever the balance sheet. Other income is below the 2026 pension-recovery anchor cited in the data package and excludes the FY2025 investment-sale gain as recurring earnings power.

The bear case uses C$1.15B of net interest expense, C$0.25B of other income, and a 25.5% tax rate. The bull case uses C$1.00B of net interest expense, C$0.45B of other income, and a 24.0% tax rate. These assumptions are not the core driver of the verdict. Even in the bull case, EPS remains below the required P/E 15 threshold.

Line	Bear	Base	Bull
Combined TTM+5y OI	C$5.164B	C$6.837B	C$7.929B
Net interest expense	C$(1.150)B	C$(1.100)B	C$(1.000)B
Other income	C$0.250B	C$0.350B	C$0.450B
Pre-tax income	C$4.264B	C$6.087B	C$7.379B
Tax rate assumed	25.5%	24.75%	24.0%
Net income	C$3.177B	C$4.580B	C$5.608B
Diluted share count at TTM+5y	822.6M	822.6M	822.6M
EPS at TTM+5y	C$3.86	C$5.57	C$6.82

The table uses the same base share-count path in each case so that operating case differences are visible. A fully case-specific capital allocation model would likely give the bull case more buyback capacity and the bear case less, but that would mix operating performance with financing choices. The explicit base share path is already aggressive enough to give the company credit for the 2026 NCIB and continuing repurchases. If anything, using the same share count across all cases is favorable to the bear case and conservative for the bull case, but it does not change the base-case valuation conclusion.

6. Share Count Path

The starting point is Q1 FY2026 diluted shares of 897.3M from the quant foundation. The data package reports C$3.94B of FY2025 buybacks and 37.3M shares repurchased. It also states that the 2026 early-renewal NCIB allows up to approximately 82.2M common shares less 37.3M shares already purchased under the prior NCIB, with management later referencing a 45M share authorization and expecting completion by year-end. The management appendix flags the same point: management bought back C$3.94B in FY2025, then announced an early-renewed NCIB for up to 44.9M net new purchases through February 1, 2027.

The base share path gives CPKC credit for completing most of the 2026 authorization and then buying back C$1.25B annually. That post-2026 buyback run-rate is materially below FY2025 buybacks and is intended to be consistent with a capital-intensive railroad that still has adjusted net debt to adjusted EBITDA of 3.2x at Q1 FY2026, dividend commitments, and capex needs. The data package shows FY2025 capex of C$3.14B and FY2026 capex guidance of C$2.65B. It would be too optimistic to assume FY2025-level buybacks every year without forcing a debt or capex tradeoff.

The stock-based compensation adjustment is intentionally small. The live 2025 Form 10-K check found that many share-unit awards are cash-settled and that the company recorded a C$5M stock-based compensation expense recovery in 2025 from share-price changes. That does not support a large equity issuance estimate. To avoid assuming zero dilution, I include 0.5M shares of annual SBC issuance or option exercise dilution. This is a stress placeholder, not a disclosed company forecast.

Year	Starting share count	Buyback C$	Avg price assumed	Shares retired	SBC issuance	Ending share count
Year 1	897.3M	C$5.25B	C$125	42.0M	0.5M	855.8M
Year 2	855.8M	C$1.25B	C$132	9.5M	0.5M	846.8M
Year 3	846.8M	C$1.25B	C$139	9.0M	0.5M	838.3M
Year 4	838.3M	C$1.25B	C$146	8.6M	0.5M	830.3M
Year 5	830.3M	C$1.25B	C$153	8.2M	0.5M	822.6M

The math is: 897.3M starting shares less 77.3M cumulative repurchased shares plus 2.5M cumulative issuance equals 822.6M ending diluted shares, subject to rounding. The path spans five years, not six. It is also not a mechanical instruction to buy stock. It is a modeling assumption designed to give the base case a fair, explicit buyback benefit while respecting leverage and capex constraints. If buybacks are paused to reduce debt, base EPS would be lower. If management continues aggressive repurchases at elevated prices, EPS might rise somewhat, but value creation would depend on the repurchase price relative to intrinsic value.

7. P/E 15 Test

The ER2 valuation gate asks whether the base case earns enough five years out that today's price would be no more than 15x that future EPS. The current price is C$124.86. Required EPS is therefore C$124.86 divided by 15, or C$8.32. The confident case that matters is the base case, not the bull case.

Case	EPS at TTM+5y	EPS x 15	Current price	Cushion	Pass?
Bear	C$3.86	C$57.93	C$124.86	-53.6%	No
Base	C$5.57	C$83.52	C$124.86	-33.1%	No
Bull	C$6.82	C$102.26	C$124.86	-18.1%	No

The gate is FAIL. This is not a YELLOW case where base is close and the bull case creates a large margin of safety. The base case misses the required EPS by C$2.75 per share, and the bull case still misses by C$1.50 per share. To clear the P/E 15 gate at C$124.86, CPKC would need either much higher operating income, a materially lower share count, a much more favorable below-the-line bridge, or a lower share price. The verified segment model does not support that today.

8. Reflexivity Check

The combined model must tie back to the reported TTM financials. Because CPKC has one segment, the TTM segment and consolidated numbers should match exactly before rounding. The quant foundation shows TTM revenue of C$14.984B and TTM operating income of C$5.550B. The segment appendix uses the same TTM revenue and operating income base.

Check	Segment basis	Consolidated basis	Difference	Status
TTM revenue	C$14.984B	C$14.984B	0.0%	PASS
TTM operating income	C$5.550B	C$5.550B	0.0%	PASS
FY2025 revenue	C$15.078B	C$15.078B	0.0%	PASS
FY2025 operating income	C$5.609B	C$5.609B	0.0%	PASS

The reflexivity check passes because the taxonomy is clean. There is one reportable segment, and the data package states that FY2025 segment revenue equals consolidated revenue and FY2025 segment operating income equals consolidated operating income. The bigger risk is not a segment reconciliation error. The bigger risk is economic: the post-KCS period is still young, and historical growth rates across FY2021-FY2023 are distorted by the KCS control-date boundary. That is why the model uses TTM as the forecast base and treats FY2024-FY2025 and Q1 FY2026 as the cleanest operating references.

9. In-Progress FY Reconciliation

Stage 0 did not treat FY2026 as effectively complete. The anchor is the TTM ended March 31, 2026. Still, the latest quarter should be reconciled so the model does not start from a fantasy run-rate.

Metric	Q1 FY2026 actual	Annualized Q1 run-rate	TTM actual	Base first-year run-rate implied by 2.9% CAGR	Status
Revenue	C$3.701B	C$14.804B	C$14.984B	C$15.419B	PASS
Operating income	C$1.258B	C$5.032B	C$5.550B	C$5.790B	WATCH
Operating margin	34.0%	34.0%	37.0%	37.5%	WATCH

Revenue passes the recency check. The base first-year revenue run-rate is only 2.9% above the TTM base and 4.2% above annualized Q1 revenue. Operating income deserves a watch flag because Q1 FY2026 margin was materially below the TTM margin. The model's first forward year assumes recovery toward TTM conditions rather than simple continuation of Q1. That is consistent with management's statement in the data package that comparisons improve through the year and that the Q1 yield pressure was not structural, but it remains a key monitor. If Q2 and Q3 FY2026 do not recover yield and operating ratio, the base-case margin path should be cut.

10. Sensitivity

The sensitivity table holds the base case constant except for the variable shown. For revenue sensitivity, I vary the single segment revenue CAGR by plus or minus 200 bps while keeping the base margin, below-the-line assumptions, tax rate, and share count constant. For margin sensitivity, I vary TTM+5y operating margin by plus or minus 200 bps while keeping base revenue constant. For share count sensitivity, I vary ending diluted shares by plus or minus 5%. For tax sensitivity, I vary the base tax rate by plus or minus 300 bps. These are not alternate cases; they are local sensitivities around the base case.

Sensitivity	Assumption	Revenue	OI	NI	EPS	EPS impact
Base case	As modeled	C$17.309B	C$6.837B	C$4.580B	C$5.57	C$0.00
Revenue CAGR -200 bps	0.9% revenue CAGR	C$15.677B	C$6.193B	C$4.095B	C$4.98	C$(0.59)
Revenue CAGR +200 bps	4.9% revenue CAGR	C$19.034B	C$7.518B	C$5.093B	C$6.19	C$0.62
OI margin -200 bps	37.5% margin	C$17.309B	C$6.491B	C$4.320B	C$5.25	C$(0.32)
OI margin +200 bps	41.5% margin	C$17.309B	C$7.183B	C$4.841B	C$5.88	C$0.31
Share count +5%	863.7M shares	C$17.309B	C$6.837B	C$4.580B	C$5.30	C$(0.27)
Share count -5%	781.5M shares	C$17.309B	C$6.837B	C$4.580B	C$5.86	C$0.29
Tax rate +300 bps	27.75% tax	C$17.309B	C$6.837B	C$4.397B	C$5.34	C$(0.22)
Tax rate -300 bps	21.75% tax	C$17.309B	C$6.837B	C$4.762B	C$5.79	C$0.22

Revenue growth is the largest local driver, followed by margin. Share count helps, but even a 5% lower share count only adds about C$0.29 of EPS. Tax rate changes matter less. This is important because it means the P/E 15 failure cannot be solved by modest financial engineering. The base case needs a materially higher revenue and margin path, not just buybacks. The monitorable variables are freight revenue per RTM, RTM growth, intermodal and Mexico-related growth, Q2-Q4 FY2026 operating ratio, and whether capex normalizes without starving the network.

11. Combined Earnings Summary

The case probabilities are 25% bear, 50% base, and 25% bull. The base case receives the highest weight because the moat and management appendices are green, but the latest quarter was weak enough that the bull case should not be treated as co-equal. The bear case is not remote because the railroad is capital intensive, leverage remains elevated at 3.2x adjusted net debt to adjusted EBITDA, and intermodal/industrial lines are cyclical.

Case	Revenue	OI	OI margin	NI	EPS	Probability	EPS x 15	vs. C$124.86
Bear	C$14.968B	C$5.164B	34.5%	C$3.177B	C$3.86	25%	C$57.93	-53.6%
Base	C$17.309B	C$6.837B	39.5%	C$4.580B	C$5.57	50%	C$83.52	-33.1%
Bull	C$18.879B	C$7.929B	42.0%	C$5.608B	C$6.82	25%	C$102.26	-18.1%
Probability-weighted EPS	N/A	N/A	N/A	N/A	C$5.45	100%	C$81.68	-34.6%

The probability-weighted EPS is below base EPS because the bear case downside is large and the bull case does not fully offset it. A P/E 15 buyer at the current price needs C$8.32 of FY+5 EPS. This model produces C$5.57 in base and C$5.45 probability-weighted. The strict gate is therefore not a close call.

12. Tie-Out Checks

Check	Test	Result	Status
1	Reported-financial tie-out for TTM and FY2025	One segment equals consolidated; TTM revenue and OI tie 0.0%; FY2025 revenue and OI tie 0.0%	PASS
2	NI divided by shares equals EPS	Bear C$3.177B / 822.6M = C$3.86; Base C$4.580B / 822.6M = C$5.57; Bull C$5.608B / 822.6M = C$6.82	PASS
3	Segment sum tie-out at horizon	Combined revenue equals segment revenue in all cases because there is one segment and no eliminations	PASS
4	Product-to-segment rollup	Segment appendix Section 10 product lines sum to C$14.968B, C$17.309B, and C$18.879B within rounding	PASS
5	Weighted margin check	Commodity margins are not disclosed; segment-level margin is applied to total segment revenue and no false product margins are invented	PASS
6	Share count path	897.3M - 77.3M retired + 2.5M issuance = 822.6M over five years	PASS
7	Growth plausibility	Base segment revenue CAGR is 2.9%, below management's mid-single-digit RTM guide and below boundary-distorted historical growth	PASS
8	Historical arithmetic	Segment appendix compounds product TTM revenue by stated case CAGRs for exactly five years; totals tie within rounding	PASS
9	Recency anchor	Base first-year revenue run-rate C$15.419B is within 10% of TTM C$14.984B and annualized Q1 C$14.804B	PASS
10	Capital allocation consistency	Share path gives credit for the 2026 NCIB and a lower post-2026 buyback rate while respecting capex and 3.2x leverage	PASS
11	Valuation arithmetic and price source	C$124.86 / 15 = C$8.32 required EPS; base C$5.57 creates -33.1% cushion	PASS

All 11 tie-out checks pass. The valuation gate still fails. Passing the arithmetic checks means the model is internally coherent; it does not mean the stock is cheap. The cleanest interpretation is that CPKC is a durable, well-managed, capital-intensive railroad with a strong strategic asset, but the current price requires either a better earnings path than the verified base case or a willingness to pay more than 15x FY+5 earnings.

13. Valuation Gate

The final ER2 gate is FAIL. The base case is the underwriting case, and base EPS of C$5.57 is far below required EPS of C$8.32. The cushion is negative 33.1%. Even the bull case reaches only C$6.82 of EPS and a negative 18.1% cushion. That matters because the ER2 framework is intentionally strict: a business can pass moat and management checks and still fail if the price already discounts too much future success.

The most likely ways to move the gate from FAIL to YELLOW would be a lower share price, materially higher evidence of sustained revenue growth, or hard proof that margin can move toward the low-40s without higher reinvestment. The most likely ways to keep the gate failed are persistent Q1-style yield pressure, weak intermodal pricing, coal decline, labor/fuel cost pressure, or buybacks that absorb free cash flow without reducing the share count enough to matter.

The conclusion is not that CPKC is a bad company. It is that CPKC is not a P/E 15 ER2 buy at C$124.86 using the verified TTM+5y base case. The model can be revisited after Q2 and Q3 FY2026 if management proves that Q1 yield pressure was

temporary, if the 2026 NCIB materially lowers shares without damaging leverage, and if operating ratio improves back toward the TTM trend. For now, the valuation gate is a hard fail.

Appendix CS - Compounder Score

Canadian Pacific Kansas City Limited - Compounder Score

Prepared by Subagent CS on 2026-05-29. Currency is Canadian dollars unless explicitly noted. This appendix uses the verified ER2 source chain in the workdir as source of truth. No incremental live FMP pull was needed because the quantitative foundation, data package, segment appendix, management appendix, moat appendix, and synthesis already contain live-fetched official-source-backed data for the required scoring. The score is diagnostic only and does not override ER2 gates.

Executive Verdict

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031. Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.

The diagnostic compounder score for Canadian Pacific Kansas City Limited is **55 / 100**, consisting of **54 / 80** for Business Quality and **1 / 20** for Valuation / 20% Return Underwriting. The score-implied classification is **Reject** under this diagnostic rubric, not because CPKC lacks a moat, but because the evidence does not support a high-return incremental-capital compounder at the current C$124.86 TSX price.

The evidence supports a strong infrastructure moat. CPKC owns a scarce rail network across Canada, the United States, and Mexico; has one reportable rail transportation segment; and has a route advantage that is most valuable in cross-border grain, intermodal, automotive, chemicals, plastics, and industrial flows. The moat appendix passes the 2046 durability test. The management appendix is also favorable: Keith Creel and Nadeem Velani are experienced rail operators, the board is independent, disclosure is direct, and capital allocation has been coherent since the KCS transaction.

The score is capped because the business is capital intensive and the post-KCS return math is not yet that of an elite compounder. The data package shows reported ROIC of 7.1% in FY2021, 5.0% in FY2022, negative 9.2% in FY2023, 6.0% in FY2024, and 6.1% in FY2025, with the KCS voting trust and purchase accounting distorting the series. Even after treating the series with care, the evidence does not support a 20% to 30% normalized ROIC business today. TTM free cash flow was C$2.074B versus C$4.077B of net income, or only 50.9% conversion. Capex consumed C$3.055B over the TTM period and has historically run near 18% to 21% of revenue. A capital-heavy railroad can be a very good business, but it is not automatically a high-ROIIC compounding machine.

The 20% return underwriting is the decisive failure. The synthesis appendix uses a live-fetched TSX price of C$124.86 and a base five-year EPS case of C$5.57. At a 15x exit P/E, the base case supports only C$83.52 of terminal value before dividends. Even the bull case reaches only C$6.82 of EPS and C$102.26 at 15x. The current price requires C$8.32 of FY+5 EPS to pass the P/E 15 gate. A 20% annualized shareholder return from C$124.86 would require a much higher earnings path, a major terminal multiple, or both. That violates the diagnostic rule that the 20% case must work without terminal multiple expansion.

Data Source Map

Evidence area	Source used	Period / anchor	Confidence	Notes
Price	`appendix_synthesis.md`	CP.TO live quote on 2026-05-29	High	C$124.86, TSX/TOR, CAD
Market cap	Calculated from synthesis price and Q1 FY2026 diluted shares	897.3M diluted shares	Medium	C$112.05B estimate; diluted share count is not identical to basic market-cap shares

Evidence area	Source used	Period / anchor	Confidence	Notes
Enterprise value	Calculated from market cap plus adjusted net debt	Q1 FY2026 adjusted net debt C$24.915B	Medium	C$136.97B estimate, excludes minority/non-operating adjustments not disclosed in one EV bridge
Income statement	`quant_foundation.md`, `data_package.md`	FY2021-FY2025 and TTM ended 2026-03-31	High	Official filings control; FMP used only where tied out
Balance sheet and leverage	`quant_foundation.md`, `data_package.md`	Q1 FY2026	High	Official Q1 release controls because FMP balance sheet appeared USD-converted
Cash flow	`quant_foundation.md`, `data_package.md`	FY2021-FY2025 and TTM	High	TTM OCF C$5.129B, capex C$3.055B, FCF C$2.074B
Segment / product data	`appendix_B_rail_transportation.md`	One segment, TTM base	High	Commodity revenue is disclosed; commodity operating income is not disclosed
Management quality	`appendix_management.md`	2026 proxy, 2025 10-K, recent calls	High	Management gate GREEN, but ROIC is not yet back in PSU metrics
Moat / durability	`appendix_moat.md`	2046 test	High	Moat gate GREEN; regulation, Mexico, intermodal trucking, and capex remain risks
Valuation model	`appendix_synthesis.md`	TTM to March 31, 2031	High	P/E 15 gate FAIL in bear, base, and bull cases

Key Financial and Quality Metrics

Metric	Value	Period	Formula / source	Interpretation
Revenue	C$14.984B	TTM ended 2026-03-31	Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026	Current base
Operating income	C$5.550B	TTM ended 2026-03-31	Same TTM periods	37.0% operating margin
Net income	C$4.077B	TTM ended 2026-03-31	Quant foundation P4	Includes below-the-line items; not pure recurring power
Operating cash flow	C$5.129B	TTM ended 2026-03-31	Quant foundation P4	Strong absolute cash generation
Capex	C$3.055B	TTM ended 2026-03-31	Quant foundation P4	Heavy reinvestment burden
Free cash flow	C$2.074B	TTM ended 2026-03-31	OCF less capex	50.9% of net income
Diluted shares	897.3M	Q1 FY2026	Quant foundation P6	Share-count anchor for valuation
Adjusted net debt / EBITDA	3.21x	Q1 FY2026	C$24.915B / C$7.758B	Manageable but not low leverage
FY2025 ROIC	6.1%	FY2025	Data package stated calculation	Low versus compounder threshold
5-year median reported ROIC	6.0%	FY2021-FY2025	Median of 7.1%, 5.0%, -9.2%, 6.0%, 6.1%	Distorted, but not high
Base FY+5 EPS	C$5.57	March 31, 2031	Synthesis appendix	Below C$8.32 required for 15x gate
Base P/E 15 value	C$83.52	March 31, 2031	C$5.57 x 15	33.1% below current price

The reported ROIC series is not a clean same-perimeter measure because KCS was owned through a voting trust before control was assumed on April 14, 2023. That caveat prevents false precision, but it does not justify awarding a high ROIC score. The company has not yet shown that the enlarged KCS capital base earns double-digit returns on a full, acquisition-inclusive basis. Management's long-term framework calls for a return to double-digit core adjusted ROIC, and that may happen, but the compounder score is evidence-based rather than aspiration-based.

A simple acquisition-aware ROIIC check is also sobering. NOPAT using reported operating income and effective tax rates was approximately C$2.45B in FY2021 and C$4.20B in FY2025, an increase of about C$1.76B. Cumulative capex from FY2022 through FY2025 was roughly C$10.06B, before working capital and before giving the company any penalty for the KCS cash paid into the voting trust. That rough ex-KCS-capex ROIIC is about 17%. If the KCS acquisition spend and enlarged invested capital are treated as part of the reinvestment base, acquisition-inclusive ROIIC is materially lower. Because the

exact acquisition timing distorts the period, I score ROIIC conservatively rather than pretending a clean 3-year or 5-year answer exists.

Rubric Scorecard

Category	Score	Max	Evidence-based reason
Incremental returns on capital	10	25	Reported ROIC is mid-single-digit and acquisition-inclusive ROIIC is not yet proven; unit economics are good but cash conversion is weak
Reinvestment runway	15	20	Tri-national network, Mexico/intermodal option, grain/potash/industrial lanes, and market structure create runway; returns on runway remain unproven
Durability of moat	14	15	Scarce rail network, high switching costs, density economics, and 2046 relevance are strong; intermodal and regulation cap the score
Accounting and financial quality	8	10	Revenue and filings are clean, SBC is low, and disclosures are useful; FCF conversion and leverage reduce the score
Capital allocation discipline	7	10	KCS strategy is coherent and buybacks restarted after deleveraging, but KCS returns and price-sensitive repurchase discipline are still open questions
Price and 20% return underwriting	1	20	The P/E 15 gate fails by a wide margin; base/bull cases do not support 20% IRR without heroic assumptions
Total	55	100	Strong moat and management are overwhelmed by low reported returns on capital, capital intensity, and valuation

Business Quality is 54 / 80. That is respectable for an asset-heavy railroad but below the 65 / 80 threshold required for an investable-now classification. The main drag is not the moat; it is incremental returns on capital. CPKC's network can be exceptional while still producing mediocre returns if the price paid for KCS and the ongoing maintenance/growth capex absorb too much capital. That is the key diagnostic distinction.

ROIIC and Reinvestment Analysis

CPKC is not a standard asset-light compounder. The moat is embodied in rights-of-way, track, bridges, yards, locomotives, terminals, safety systems, cross-border operating capability, and customer sidings. The economic advantage is expensive to replicate, but also expensive to maintain. The data package shows capex of C$1.53B in FY2021, C$1.56B in FY2022, C$2.50B in FY2023, C$2.86B in FY2024, and C$3.14B in FY2025. Capex as a percentage of revenue ranged from 17.7% to 20.8% over those years. TTM capex was C$3.055B.

The positive view is that the company has reinvested at scale in a strategic asset base. The KCS transaction created the only single-line Canada-U.S.-Mexico network. FY2025 operating income reached C$5.609B, and the TTM operating margin remained 37.0% even after Q1 FY2026 weakness. The rail network has density economics: incremental volume can be profitable if it rides existing capacity with good service and disciplined pricing. Management's long-term target of double-digit adjusted ROIC is not implausible.

The negative view is that the current evidence does not yet show high incremental returns. The reported ROIC series is low, and the KCS transaction makes pre- and post-control years hard to compare. TTM FCF conversion versus net income was only 50.9%, and management itself guided 2026 free cash conversion around 75% before a long-term aspiration near 90%. This is not yet a business where incremental capital demonstrably earns 25% to 35% returns. It may become a better-return business if merger density, pricing, locomotive productivity, and capex normalization materialize, but the diagnostic score cannot award full credit before those outcomes arrive.

I therefore treat organic ROIIC as **watch** and acquisition-inclusive ROIIC as **insufficiently proven**. The one truly adverse outcome would be if post-KCS adjusted ROIC remains stuck in the mid-single digits after integration. That would mean the strategic asset is real but the acquisition price was too high for shareholders. The monitorable evidence is straightforward: adjusted ROIC moving toward double digits, FCF conversion rising above 75% and then toward 90%, capex normalizing

without service deterioration, and operating margin expanding without safety or customer-service tradeoffs.

Runway Analysis

The reinvestment runway is one of CPKC's strongest business-quality features. The company has one rail transportation segment with a diversified freight book: grain, energy/chemicals/plastics, intermodal, metals/minerals/consumer products, automotive, coal, forest products, potash, fertilizers/sulphur, non-freight, and leasing. The network serves Canada, the United States, and Mexico. The KCS transaction created a differentiated route shape that can reduce handoffs in cross-border freight, especially Mexico-linked intermodal, automotive, grain, and industrial lanes.

The base-case segment appendix assumes TTM revenue of C$14.984B grows to C$17.309B by March 31, 2031, a 2.9% CAGR. That is below management's mid-single-digit RTM guide and below the older high-single-digit revenue framework because Q1 FY2026 showed real revenue and yield pressure. The bull case reaches C$18.879B, a 4.7% CAGR. These are not heroic revenue assumptions. They leave room for CPKC to outperform if the Mexico/intermodal route advantage scales faster than expected.

The runway score is not perfect because not all growth is high quality. Coal faces secular risk. Forest products and industrial categories are cyclical. Intermodal is the most exciting growth area but also the most exposed to truck rates, autonomous trucking over a long horizon, border execution, terminal capacity, and service reliability. Mexico exposure creates upside from nearshoring and supply-chain resilience, but it also brings concession, tariff, USMCA, security, tax, and labor-policy risk. The right score is therefore high but not maxed: the runway exists, and the playbook is coherent, but the return on incremental capital remains the proof point.

Moat Analysis

The moat can be explained in one paragraph: CPKC controls a scarce, regulated, capital-intensive rail network that spans Canada, the United States, and Mexico under one corporate system, and that network gives shippers in specific bulk, industrial, automotive, and intermodal lanes a lower-cost or lower-friction route than many truck or multi-rail alternatives. The moat is reinforced by rights-of-way, customer sidings, port access, border operating know-how, operating density, safety and service reputation, and the practical impossibility of building a new continental rail network.

The moat appendix supports a GREEN verdict and a GREEN 2046 test. The 2046 profit pool can be named without hand-waving: CPKC should still move grain, potash, chemicals, plastics, metals, automotive products, intermodal containers, and industrial freight across North America. AI does not replace the physical movement of heavy freight. Regulation, Mexico concession risk, labor and safety, autonomous trucking, and capital intensity are real risks, but they do not erase the core economic role of a railroad.

Pricing power is real but bounded. Freight revenue per RTM increased from 5.22 cents in FY2021 to 6.73 cents in FY2025, while operating margins remained in the mid-to-high 30s through inflation and integration. Q1 FY2026 was a warning, however: revenue declined 2.5% even though RTMs rose 2%, and freight revenue per RTM fell 4% to 6.63 cents. Management attributed this to currency, carbon-tax/fuel timing, and mix rather than a structural reset, but the compounder score does not accept management's explanation as proof. The moat score is therefore 14 / 15 rather than 15 / 15.

Accounting and Capital Allocation Analysis

Accounting quality is acceptable. CPKC files regular Form 10-K and Form 10-Q statements with the SEC, reports in Canadian dollars, and provides enough commodity revenue, carload, RTM, yield, operating ratio, safety, and leverage data to understand the railroad. The quant foundation resolved FMP-vs-official discrepancies and used official sources where FMP appeared stale or currency-mismatched. No accounting, auditor, internal-control, restatement, or related-party issue emerged from the verified appendices.

SBC and dilution are not major problems. The synthesis appendix notes that many share-unit awards are cash-settled and that 2025 stock-based compensation included a C$5M recovery from share-price changes. The share-count problem is not uncontrolled SBC; it is the capital-allocation question of how much stock should be repurchased at the current price while adjusted leverage remains 3.2x.

Capital allocation is rational but not yet proven as excellent. KCS was strategically coherent, but it was transformational and capital-heavy. Reported ROIC is still low, and ROIC is not yet back in the live PSU scorecard. Buybacks restarted after several years of post-KCS leverage digestion, which is a positive timing signal. Still, FY2025 buybacks of C$3.94B and the 2026 authorization need price discipline. Repurchasing stock that fails the P/E 15 and 20% return tests may help EPS but

does not automatically create intrinsic value.

20% Return Underwriting

The valuation score is 1 / 20. I give one point only because cash returns through dividends and repurchases provide some shareholder yield. The rest of the underwriting fails.

Case	FY+5 EPS	15x value	Estimated cumulative dividends	Approx value received	Approx 5-year IRR from C$124.86
Bear	C$3.86	C$57.93	C$4.50	C$62.43	-12.9%
Base	C$5.57	C$83.52	C$5.25	C$88.77	-6.6%
Bull	C$6.82	C$102.26	C$6.00	C$108.26	-2.8%

These IRR estimates are deliberately simple and align with the synthesis appendix's P/E 15 gate rather than adding an invented terminal multiple. The conclusion is obvious: the 20% case does not work at a conservative exit multiple. Even the bull case does not produce a positive mid-single-digit return at 15x EPS.

The reverse DCF is not beatable under the 20% hurdle. Estimated current market cap is C$112.05B, using C$124.86 multiplied by 897.3M diluted shares. Adding C$24.915B of adjusted net debt gives an estimated enterprise value of C$136.97B. Current TTM NOPAT is approximately C$4.18B, using C$5.550B of TTM operating income and a 24.75% tax rate. Current EV / NOPAT is therefore about 32.8x. To earn 20% for five years and exit at 15x EV / NOPAT, ending NOPAT would need to be about C$22.7B, implying roughly 40% annual NOPAT growth from the TTM base. That is not a railroad underwriting case; it is a fantasy case.

A flat or higher terminal multiple helps the arithmetic but violates the diagnostic rule. If the base FY+5 EPS of C$5.57 were valued at today's implied premium multiple, returns might look less negative, but they would still not approach 20% annualized unless the exit multiple stayed very high and buybacks/dividends did more than the verified model supports. The score is therefore capped at 1 / 20.

Hard Veto Checklist

Hard veto	Status	Evidence / note
ROIIC below cost of capital with no credible path	Watch	Current reported ROIC is low; credible path exists through integration and double-digit adjusted ROIC target, but not yet proven
Reported ROIC high only due to tiny capital	Pass	ROIC is not high; the issue is an enlarged capital base and goodwill, not artificial tiny capital
Growth requires persistent external financing	Pass	CPKC generates large OCF, though capex and leverage constrain capital returns
Share count rises materially without value creation	Pass	Share count is falling due to buybacks; value creation depends on repurchase price
Large acquisitions without disclosed returns	Watch	KCS is transformational; management discloses strategic rationale but acquisition-inclusive returns are still unproven
FCF consistently lags earnings structurally	Watch	TTM FCF / net income is 50.9%; management targets improvement, but capex intensity is structural
Regulation, cyclicality, leverage, or customer risk can impair equity	Watch	Regulation, Mexico, labor/safety, intermodal trucking, coal, and 3.2x leverage are material but not current wipeout risks
20% return case requires terminal multiple expansion	Fail	The case cannot clear 20% at 15x; reverse DCF requires implausible NOPAT growth or major multiple support
Flawless execution required at today's price	Fail	Current price already capitalizes more than the verified five-year base and bull EPS cases
Moat cannot be explained in one paragraph	Pass	Moat is clear: scarce transnational rail network, density, switching costs, and route advantage
Accounting or governance issues impair trust	Pass	No material red flags in verified appendices
Balance sheet risk could wipe out equity in downturn	Watch	Leverage is meaningful at 3.2x adjusted net debt / EBITDA but not a current equity-wipeout setup

The two hard failures are valuation failures, not business-quality failures: the 20% return case requires assumptions far beyond the verified base case, and today's price requires execution too close to perfection. The watch items matter because they explain why a strong moat does not become an elite compounder score automatically.

Final Decision

Score-implied classification: **Reject**. Under the diagnostic thresholds, a company below 70 / 100 is a reject unless there is an exceptional reason to override the diagnostic output. CPKC scores 55 / 100. Business Quality is solid but not high enough for the investable-now threshold, and Valuation / 20% Return Underwriting is essentially a fail. The evidence supports a durable, well-managed railroad, but not a 20% annualized compounder from the current price.

Compounder Score note: 55 / 100; CPKC has a real moat and a coherent post-KCS runway, but the diagnostic score is capped by mid-single-digit reported ROIC, heavy capex, weak TTM FCF conversion, and a valuation that does not support 20% annualized returns.

Business Quality Score note: 54 / 80; moat, runway, management, and disclosures are strong, but acquisition-inclusive incremental returns remain unproven and the enlarged capital base has not yet earned elite compounder returns.

20% Return UW Score note: 1 / 20; the verified base case reaches only C$5.57 of FY+5 EPS versus C$8.32 required for the P/E 15 gate at C$124.86, and the reverse DCF requires implausible NOPAT growth to clear a 20% hurdle without multiple expansion.

Machine-Readable JSON

Field	Value
company	Canadian Pacific Kansas City Limited
ticker	CP
total_score	55
business_quality_score	54
valuation_underwriting_score	1
classification	Reject
clears_20pct_hurdle	false
source_confidence	High

Appendix CSA - Scoring Audit

Canadian Pacific Kansas City Limited - Scoring Audit

Prepared by Subagent CSA on 2026-05-29. This audit reviews `appendix_compounder_score.md` and `compounder_score.json` against the verified ER2 files in the workdir. No cached warehouse data was used. The audit relied on the already verified live-source-backed ER2 files and did not need a new FMP pull.

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031. Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.

1. Original vs Audited Scores

The original score is directionally skeptical and gets the big conclusion right: CPKC is a durable, strategically coherent railroad, but it does not underwrite a 20% annualized return at the current C$124.86 TSX price. The original JSON and markdown agree on the headline numbers: Business Quality 54 / 80, Valuation / 20% Return Underwriting 1 / 20, Total 55 / 100, and score-implied classification Reject. The original base, bear, and bull IRRs are -6.6%, -12.9%, and -2.8%, respectively. The maximum buy price for a 20% IRR is C$35.68.

The audit preserves the valuation score at 1 / 20 because the original treatment is already severe and evidence-based. I reduce the Business Quality score from 54 / 80 to 48 / 80. The largest reduction is in incremental returns on capital. This score is reduced because the original report acknowledges that acquisition-inclusive ROIIC is not proven but still gives enough quality credit to make the business look closer to a high-return compounder than the evidence supports. The KCS transaction is the load-bearing capital allocation event, and the available record does not yet demonstrate that the enlarged capital base earns double-digit returns, let alone elite ROIIC.

Item	Original	Audited	Notes
Business Quality Score / 80	54	48	Reduced for unproven acquisition-inclusive ROIIC, mixed pricing evidence, weak FCF conversion, and buyback discipline risk
Valuation / 20% Return UW Score / 20	1	1	Preserved; 20% underwriting already fails almost completely
Total Score / 100	55	49	Lower quality score leaves the diagnostic even further below threshold
Classification	Reject	Reject	Score below 70, base IRR below 20%, and hard valuation vetoes remain

Audited category scores are: Incremental Returns on Capital 8 / 25, Reinvestment Runway 14 / 20, Durability of Moat 13 / 15, Accounting and Financial Quality 7 / 10, Capital Allocation Discipline 6 / 10, and Price / 20% Return Underwriting 1 / 20.

2. Score Reductions and Reasons

Incremental Returns on Capital is reduced from 10 / 25 to 8 / 25. The original report correctly states that reported ROIC was 7.1% in FY2021, 5.0% in FY2022, negative 9.2% in FY2023, 6.0% in FY2024, and 6.1% in FY2025. A median near 6% earns only minimal normalized-ROIC credit under the rubric. The original also calculates a rough ex-KCS-capex ROIIC of about 17% using a NOPAT increase of roughly C$1.76B against C$10.06B of cumulative capex from FY2022-FY2025. That is a useful check, but it explicitly excludes the KCS acquisition capital that changed the company. Because the KCS acquisition is material and acquisition-inclusive ROIIC is missing, the category should be capped more aggressively. The original JSON lists 3-year ROIIC of 18% and 5-year ROIIC of 17%, but the appendix does not show a full 3-year bridge and does not solve the acquisition-inclusive denominator. The evidence supports positive railroad unit economics, not elite incremental returns.

Reinvestment Runway is reduced from 15 / 20 to 14 / 20. The runway is real: the single-line Canada-U.S.-Mexico network, grain, potash, chemicals, plastics, automotive, industrial freight, and intermodal lanes all support a long opportunity set. The score is reduced because the runway evidence partly depends on management's MMX, SMX, nearshoring, and truck-conversion narrative, while the base model itself assumes only 2.9% revenue CAGR from TTM to TTM+5y. A large market opportunity is not the same as a high-return reinvestment opportunity. Coal, forest products, industrial cyclicality, Mexico policy, tariff risk, terminal capacity, and truck-competitive intermodal should keep the runway score high but not near-excellent.

Durability of Moat is reduced from 14 / 15 to 13 / 15. The moat evidence is strong: CPKC owns scarce physical assets, regulated rights-of-way, customer sidings, terminal assets, port access, and a tri-national route shape that cannot be replicated easily. The reduction is not because the moat is weak. It is because the pricing-power evidence is mixed enough that 14 / 15 gives too much credit. Q1 FY2026 revenue declined 2.5% while RTMs rose 2%, and freight revenue per RTM fell 4%. Management's explanation may prove right, but the audit should not treat that explanation as hard evidence. Regulation, intermodal truck competition, open-gateway remedies, labor, Mexico concession risk, and safety obligations mean this is a strong infrastructure moat, not an unconstrained toll road.

Accounting and Financial Quality is reduced from 8 / 10 to 7 / 10. The filing quality, revenue disclosure, official-source tie-outs, and governance evidence are clean enough to preserve most points. The reduction comes from cash conversion and leverage. TTM free cash flow was C$2.074B against C$4.077B of net income, or 50.9%. Annual FCF was not a one-quarter fluke either: the data package reports C$2.16B, C$2.58B, C$1.64B, C$2.41B, and C$2.17B for FY2021-FY2025 against net income of C$2.85B, C$3.52B, C$3.93B, C$3.72B, and C$4.14B. That multi-year record is cash-generative but not high-conversion. Adjusted net debt / adjusted EBITDA of 3.21x also leaves less room for error while the company is repurchasing shares.

Capital Allocation Discipline is reduced from 7 / 10 to 6 / 10. KCS was strategically coherent, and management paused buybacks during the leverage digestion period before restarting capital returns. That deserves credit. The reduction is because the most important capital allocation decision has not yet cleared the financial return test. Good strategic rationale is not enough when the enlarged company is still showing mid-single-digit ROIC. Buybacks are also a mixed signal at a price that fails the P/E 15 and 20% return tests. Repurchases can reduce share count, but if they are executed at a valuation that does not underwrite acceptable intrinsic returns, the capital allocation score should not be above moderate.

3. Unsupported Claims

The evidence does not support a high-return compounder label. The original appendix does not quite make that mistake, but the score distribution still gives generous credit to business quality before the KCS return proof is in. The strongest unsupported or partly supported items are:

Claim or score area	Audit status	Point treatment
Acquisition-inclusive ROIIC is adequate	Unsupported	Reduce Category 1 and cap Category 5
3-year ROIIC is 18%	Partly supported	JSON states it, but appendix lacks a full bridge
Runway growth will be high quality	Partly supported	Preserve most runway points but reduce one point
Pricing power is near-exceptional	Partly supported	Reduce moat by one point after Q1 FY2026 yield pressure
Buyback discipline is strong	Partly supported	Reduce capital allocation because valuation fails

The most important unsupported claim is not a sentence that says "KCS worked." It is the implied score credit for the possibility that it will work. The audit should distinguish strategic logic from realized economics. The verified files show KCS created a unique network and a large revenue base, but they do not yet show that shareholders earned excellent returns on the acquisition capital.

4. Calculation Errors

I did not find a hard arithmetic error in the main valuation gate. The TTM construction ties: revenue of C$14.984B, operating income of C$5.550B, net income of C$4.077B, operating cash flow of C$5.129B, capex of C$3.055B, and FCF of C$2.074B. FCF conversion of 50.9% equals C$2.074B divided by C$4.077B. The share-count bridge in the synthesis appendix also ties: 897.3M starting shares less 77.3M repurchased shares plus 2.5M issuance equals 822.6M ending shares.

The calculation weakness is in ROIIC precision. The rough 5-year ROIIC calculation of about 17% is directionally useful, but it is not a clean acquisition-inclusive ROIIC figure. The KCS voting trust, April 14, 2023 control date, purchase accounting, goodwill and intangibles of C$21.33B, and FY2021 KCS-related M&A cash flow mean the denominator is not a simple capex-only reinvestment base. The audit therefore treats ROIIC as partly supported and caps the points. This is not a spreadsheet break. It is a sufficiency problem: the calculation does not answer the most important capital question.

The EV / NOPAT reverse-DCF check is directionally correct. Market cap of C$112.05B plus adjusted net debt of C$24.915B gives enterprise value near C$136.97B. TTM NOPAT of roughly C$4.18B from C$5.550B operating income at a 24.75% tax rate implies EV / NOPAT of about 32.8x. To earn 20% annually for five years and exit at 15x EV / NOPAT, ending NOPAT would need to be roughly C$22.7B. That implies about 40% annual NOPAT growth, which is not a credible railroad base case.

5. Missing Data

The most important missing evidence is acquisition-inclusive return on the KCS transaction. The files contain clean consolidated historicals, official-source tie-outs, segment revenue, commodity revenue, operating statistics, cash flow, leverage, and management/proxy evidence. They do not contain a clean post-control ROIC bridge that separates organic railroad capital from KCS acquisition capital and then tests whether total capital deployed earns an attractive return.

Commodity operating income, commodity margin, and commodity capital employed are also not disclosed. This is not a company-specific transparency failure because CPKC reports one rail transportation segment, but it limits precision. The audit should not invent product-level ROIC for grain, automotive, chemicals, or intermodal.

SBC appears immaterial and partly cash-settled, but share-count economics still matter. The model gives CPKC credit for a meaningful share-count decline to 822.6M by TTM+5y. If buybacks slow because leverage, capex, or earnings pressure absorb cash, EPS will be lower. If buybacks continue at elevated prices, EPS may rise but value creation remains questionable.

Finally, the FCF conversion path needs more evidence. Management targets roughly 75% conversion in 2026 and longer-term conversion near 90%, but the verified historical and TTM record is much lower. The audit needs observed conversion, not aspiration, before awarding more financial-quality or capital-allocation credit.

6. Hard-Veto and Threshold Test Audit

The hard-veto analysis is directionally right. The 20% return case requires either much higher earnings than the verified model supports, a materially lower share price, or terminal multiple support. That violates the diagnostic rule. Base-case IRR is -6.6%, far below 20%. Bear-case IRR is -12.9%, so downside is not clearly limited. The bull-case IRR is still negative at -2.8% using a 15x exit P/E.

Threshold	Original status	Audited status	Notes
Total score >= 80	Fail	Fail	Audited score is 49 / 100
Business Quality >= 65 / 80	Fail	Fail	Audited score is 48 / 80
Valuation score >= 15 / 20	Fail	Fail	Audited score is 1 / 20
ROIIC + runway >= 35 / 45	Fail	Fail	Audited subtotal is 22 / 45
Base IRR >= 20%	Fail	Fail	Base IRR is -6.6%
Bear IRR acceptable	Fail	Fail	Bear IRR is -12.9%
No hard vetoes	Fail	Fail	20% case and flawless-execution price vetoes remain
No terminal multiple expansion needed	Fail	Fail	20% case does not work at 15x exit

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle result: Fail. The verified base case reaches C$5.57 of FY+5 EPS versus C$8.32 required for the P/E 15 gate at C$124.86. The bull case reaches only C$6.82. The gap is too large to call this a watchful near miss. The 20% case requires a much higher earnings path, a much lower current price, a larger and value-creating buyback effect, or exit multiple support. Under the scoring rules, none of those is enough unless the base case works without terminal multiple expansion.

8. Dream Business / Dream Investment Classification

Audited classification: neither. CPKC may be a high-quality railroad and a credible long-term watchlist company, but under the compounder rubric it is not yet a dream business because acquisition-inclusive returns and FCF conversion are not proven. It is not a dream investment because the current valuation fails the 20% return underwriting by a wide margin. The single biggest reason the company does not qualify is that the KCS-created network has not yet translated into proven high returns on the enlarged capital base at a price that leaves room for a 20% annualized shareholder return.

9. Stage 7 Scorecard Notes

Compounder Score note: 49 / 100; CPKC has a real rail moat, but the diagnostic score is capped by mid-single-digit reported ROIC, unproven acquisition-inclusive KCS returns, weak FCF conversion, and a valuation that does not support 20% annualized returns.

Business Quality Score note: 48 / 80; the network and management are strong, but the enlarged capital base has not yet demonstrated elite ROIIC or high cash conversion.

20% Return UW Score note: 1 / 20; base FY+5 EPS of C$5.57 and bull FY+5 EPS of C$6.82 both fall far short of the C$8.32 required for the P/E 15 gate at C$124.86.

10. Auditor JSON

The companion JSON file is `compounder_score_audit.json`. It records the audited score, threshold failures, main reductions, unsupported claims, calculation limitations, missing data, confidence, and Stage 7 notes. The JSON is intended to be the source used by the Stage 7 verdict scorecard.

Appendix RT - Red Team

Canadian Pacific Kansas City Limited - Red Team Appendix

Prepared by Subagent RT on 2026-05-29. Currency is Canadian dollars unless otherwise stated. This appendix uses the verified ER2 files in the workdir, which were built from live filings, releases, live FMP pulls, and official source checks. I did not substitute cached warehouse data. The job here is not to restate that Canadian Pacific Kansas City Limited is a good railroad. It is to attack the investment case hard enough to avoid a false BUY.

Stage 0 time anchor:

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031. Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.

Red Team Verdict

The thesis does not break because the railroad lacks a moat. It breaks, or at least fails the ER2 BUY gate, because the market price is asking investors to prepay for KCS network density, Mexico/intermodal conversion, margin recovery, and buybacks before the enlarged capital base has proven high returns. That is the wrong underwriting posture. A scarce rail network can be strategically excellent and still produce only ordinary equity returns if the acquisition price, reinvestment burden, and entry valuation are too high.

The most dangerous way to get CPKC wrong is to admire the tri-national network and then smuggle that admiration into the forward numbers. The synthesis is already skeptical on valuation, but the red-team concern is that even its base case may give too much credit to management's claim that Q1 FY2026 weakness was not structural. Q1 FY2026 had revenue down 2.5%, reported operating margin of 34.0%, RTMs up 2%, carloads down 2%, and freight revenue per RTM down 4%. That is not a demand collapse, but it is exactly the pattern that should scare a railroad investor: volume exists, yet yield and mix do not convert into revenue and margin.

1. The Most Fragile Assumption

The most fragile assumption is the intermodal growth bridge in the rail transportation segment. The Stage 5 segment appendix gives intermodal the highest base-case product CAGR: 4.5% from C$2.660B of TTM revenue to C$3.315B at TTM+5y. The reason is management's Mexico and truck-conversion commentary: MMX is described as "truck-like," SMX is described as "going to fly," and management says Mexico-related growth is "really strong." That is a real commercial opportunity, but it is also the least captive part of the moat. Intermodal customers compare against truck service, drayage costs, terminal reliability, border friction, and IMC alternatives. If CPKC sells "truck-like" service, it is volunteering to be judged against trucks.

The latest numbers do not support underwriting intermodal as the clean growth engine yet. Intermodal revenue was down 3% YoY in Q1 FY2026. The moat appendix notes intermodal revenue per RTM softened from 7.36 cents in FY2023 to 7.17 cents in FY2024, 6.96 cents in FY2025, and 6.89 cents in Q1 FY2026. That is the wrong direction for the product line that is supposed to validate the single-line Mexico-U.S. growth thesis. A 4.5% base CAGR may look moderate beside a 7.0% bull CAGR, but it still assumes a reversal from negative latest-quarter revenue and weakening yield.

If intermodal follows the bear path instead of the base path, TTM+5y intermodal revenue is C$2.796B rather than C$3.315B, a C$519M shortfall. At the base 39.5% segment operating margin and 24.75% tax rate, that is roughly C$154M of after-tax income, or about C$0.19 of EPS on the 822.6M modeled share count. That is not enough by itself to explain the whole valuation miss, but it matters because intermodal is supposed to be the proof point for the KCS network premium. If the highest-conviction growth line slips, the market will not only cut C$0.19 from EPS. It will cut the multiple attached to the Mexico story, and it will question the 39.5% margin assumption that depends on density from precisely these lanes.

The broader revenue sensitivity in the synthesis shows the same problem at company level. A 200 bp reduction in the single-segment revenue CAGR cuts EPS by C$0.59. The base case already fails the P/E 15 gate by C$2.75 of EPS. Therefore, even modest disappointment in the growth bridge widens a gap that is already too large.

2. The Most Likely Optimistic Stage 5 Number

The single Stage 5 number most likely to be optimistic is the base-case TTM+5 operating margin of 39.5%. That is 250 bps above the 37.0% TTM margin and 550 bps above Q1 FY2026's 34.0% reported margin. For a high-quality railroad, 39.5% is not an absurd number. For this specific underwriting moment, it is still the number most vulnerable to revision.

The base margin requires several things to go right at once: Q1 yield pressure must be temporary, RTM growth must convert into freight revenue, Mexico/intermodal growth must add density rather than low-yield volume, coal and forest-products weakness must not spread into wider industrial softness, labor/fuel/service cost pressure must remain contained, and the KCS network must produce productivity gains without requiring capex to stay near 20% of revenue. That is a lot to ask from a business whose FY2025 capex was C$3.14B, or 20.8% of revenue, and whose TTM free cash flow conversion was only 50.9% of net income.

The operating-margin issue is also more important than the headline EPS model admits. The synthesis sensitivity says a 200 bp lower TTM+5 operating margin cuts EPS by C$0.32. But if Q1's 34.0% margin is not an aberration, the miss is not only 200 bps. A bear-like 34.5% TTM+5 margin versus the 39.5% base margin would reduce operating income by about C$866M on the base revenue level. After tax, that is roughly C$652M, or about C$0.79 of EPS. A red team should not let the local sensitivity table shrink the real risk into a neat 200 bp box.

The share-count path is the secondary optimistic number. The model assumes diluted shares fall from 897.3M to 822.6M, helped by a large 2026 authorization and C$1.25B annual buybacks thereafter. Management may execute the repurchase. The question is whether a 3.2x adjusted net debt to adjusted EBITDA railroad with heavy capex and weak cash conversion should be rewarded for retiring stock at a price that already fails the ER2 valuation gate. Buybacks can make EPS look better while reducing intrinsic value if the stock is expensive.

3. Strongest Bear Case, Stated Brutally

The short-seller version is this: CPKC is a strategically elegant merger that has not yet proven it was a financially excellent merger. The market is capitalizing the only Canada-U.S.-Mexico single-line railroad as if KCS has already created a high-return compounder, but reported ROIC is still around 6%, cash conversion is weak, and Q1 FY2026 showed the dangerous combination of positive RTMs and negative yield. Intermodal and Mexico lanes are the story stock component, yet intermodal revenue and yield are currently soft, exactly where truck competition is most direct. Over the next two to four quarters, if revenue per RTM stays negative and the operating ratio fails to return toward the sub-60 narrative, the stock stops being a premium railroad compounder and becomes an expensive capital-intensive transportation asset with mid-single-digit returns on capital.

The mechanism is not a new rail entrant. It is the compression of the spread between strategic advantage and shareholder return. Pricing power is uneven, capex remains high, regulators preserve shipper options, Mexico/trade policy adds corridor risk, and truck-competitive intermodal cannot be valued like captive grain or potash. The first place this shows up is freight revenue per RTM, intermodal revenue per RTM, and reported operating margin. The second place is free cash flow after capex and buybacks. The third place is ROIC, which remains the missing proof that KCS created value on the capital actually deployed.

4. Cross-Examination of Management Commentary

Management's commentary is operationally detailed, but several forward-looking statements deserve a skeptical hearing.

Statement	Red-team challenge	First warning sign
CFO: "There's nothing structural" about Q1 yield pressure	Q1 FY2026 freight revenue per RTM fell 4% while RTMs rose 2%; if mix, fuel/carbon-tax timing, and currency do not reverse, the problem is economic even if management does not call it structural	Freight revenue per RTM down YoY again in Q2 and Q3 FY2026
CEO: "comparisons improve through the year"	The base case depends on a second-half recovery; without it, the TTM anchor overstates normalized margin because Q4 FY2025's 41.1% margin props up the average	Q2-Q3 FY2026 reported operating margin averaging below 36.5%

Statement	Red-team challenge	First warning sign
CMO: "This thing is going to fly" for SMX / Mexico-to-Atlanta	SMX may be strategically logical, but the intermodal line was down 3% in Q1 and has weakening revenue per RTM; truck-like service also means truck-like competitive benchmarking	Intermodal revenue and revenue per RTM down together for two consecutive quarters
CFO: "I fully expect we will complete it" on the 45M-share authorization	Completion can be EPS-accretive but value-destructive if shares are repurchased above intrinsic value while leverage is 3.2x and FCF conversion is weak	Net debt/adjusted EBITDA stays above 3.0x while buybacks continue aggressively

The management appendix gives the team credit for candor and operating competence. That is fair. But candor does not make an assertion true. The red-team rule is simple: if management says Q1 is temporary, the next two quarters must look temporary. If they do not, the model should be rewritten around a lower-margin, lower-yield railroad rather than around delayed recovery.

5. Stage 5 Tie-Out Reverification

The arithmetic tie-outs pass. The TTM anchor really uses Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026. That is good discipline. The problem is not a spreadsheet error. The problem is that the TTM average may already be stale if Q1 was the first visible step-down rather than noise. The four-quarter sequence is uncomfortable: revenue grew 2.7% in Q2 FY2025, 3.2% in Q3, 1.3% in Q4, then fell 2.5% in Q1 FY2026. Operating margin moved from 36.3% to 36.5% to 41.1% to 34.0%. The TTM margin of 37.0% is therefore flattered by an unusually strong Q4. A base first-year implied margin around 37.5% is reasonable only if Q1 snaps back.

The product assumptions also show a subtle optimism. The base case assigns positive five-year CAGRs to potash, fertilizers and sulphur, forest products, energy/chemicals/plastics, metals/minerals/consumer products, automotive, and intermodal even though all of those lines were negative in Q1 FY2026. That may be right over a five-year horizon, but it means the model is not merely "absorbing" Q1 weakness. It is explicitly underwriting reversal across most of the book.

The share count path is plausible mechanically but fragile economically. Year 1 assumes C$5.25B of buybacks at C$125 per share, retiring 42.0M shares. That is close to management's stated authorization, but it exceeds recent annual free cash flow by a wide margin. The synthesis handles this by allowing leverage and cash flow constraints to matter after 2026, but the red team would not give this assumption quality credit. It is financial engineering layered on top of a stock that the same model says is too expensive.

Finally, no product-level operating margin exists. That matters because the intermodal and Mexico growth story may not carry the same margin as the mature bulk franchise. The model uses one segment margin because disclosure requires it. That is correct accounting hygiene, but it also means the synthesis cannot prove that the incremental growth lines earn the same economics as the legacy high-margin lanes.

6. The 20% Return Claim

The audited scoring appendix already says the 20% return case does not clear. The red team agrees and would state it more sharply: there is no credible score-derived 20% return claim at the current C$124.86 price. Base-case EPS at TTM+5 is C$5.57. Bull-case EPS is C$6.82. The P/E 15 gate requires C$8.32. A buyer today is not being paid to wait for normal execution; the buyer needs execution better than bull or an exit multiple that the ER2 framework does not allow as a crutch.

The reverse-DCF evidence is harsher. The scoring audit estimates enterprise value around C$136.97B and TTM NOPAT around C$4.18B, or about 32.8x EV/NOPAT. To earn 20% annually for five years and exit at 15x EV/NOPAT, ending NOPAT would need to be roughly C$22.7B, implying about 40% annual NOPAT growth. That is not a railroad underwriting case. That is fantasy math dressed up by a real moat.

The score of 49/100 may still be too generous because the business-quality score gives substantial credit for moat durability and reinvestment runway before the enlarged capital base has proven acquisition-inclusive returns. The physical network deserves respect. The stock does not deserve a compounder score that implies the same economic quality as an asset-light high-ROIIC business. Reported ROIC around 6%, TTM FCF conversion of 50.9%, adjusted leverage of 3.2x, and buybacks at a failed valuation gate should cap the score hard. A score in the low 40s would be defensible until CPKC shows double-digit acquisition-inclusive ROIC and multi-year FCF conversion closer to management's 75% to 90% targets.

7. Exit Signal

The exit signal should be precise and near-term:

Metric package	Threshold	Window	Why it kills the thesis
Freight revenue per RTM plus margin recovery	Freight revenue per RTM down YoY in both Q2 and Q3 FY2026, and Q2-Q3 reported operating margin average below 36.5%	Next two reported quarters	This invalidates management's "nothing structural" and "comparisons improve" claims, and it turns the base 39.5% TTM+5 margin into an optimism case

I would also treat intermodal as the confirmatory signal: if intermodal revenue per RTM and intermodal revenue are both down YoY in Q2 and Q3 FY2026, the Mexico/truck-conversion narrative should lose underwriting credit. That would not prove the whole network is impaired. It would prove the most fragile growth assumption is not yet investable.

8. Valuation and Safety Margin

The valuation issue is not subtle. At C$124.86, the stock needs C$8.32 of FY+5 EPS to trade at 15x. The base model produces C$5.57, a negative 33.1% cushion. The bull model produces C$6.82, still a negative 18.1% cushion. The probability-weighted EPS is C$5.45. The audited 20% return work says the maximum buy price for a 20% IRR is C$35.68. Even if one argues that 20% is too strict for a railroad, the P/E 15 gate is still nowhere close.

That matters because a high-quality railroad can be a terrible buy at the wrong price. The synthesis conclusion already says the valuation gate fails. Red team agrees, but adds that the failure is not just current price divided by modeled EPS. It is a safety-margin failure against an uncertain post-KCS proof period. Investors are being asked to accept low current FCF conversion, mid-single-digit reported ROIC, and management's future margin claims while paying a multiple that leaves no room for the obvious risks.

9. Final Red-Team Conclusion

Conditional at best, and not a BUY. The thesis survives only as a watchlist-quality business case: CPKC has a real moat, credible management, and a strategically valuable tri-national network. The stock thesis does not survive as an ER2 / Gideon BUY because the valuation gate fails before red-team haircuts, and the red-team haircuts point in the wrong direction.

The synthesis should not be rewritten around "bad railroad." It should be rewritten around "excellent strategic asset, unproven acquisition-inclusive economics, and no safety margin." The open gap remains acquisition-inclusive KCS ROIIC. Until CPKC proves the KCS network can produce double-digit ROIC, sustained FCF conversion near management's targets, and margin recovery after Q1 FY2026 without sacrificing service or leverage, the audited score of 49/100 should be treated as generous rather than conservative.

Appendix D - Data Package (raw historicals)

Canadian Pacific Kansas City Limited (CP) - Data Package

Prepared by Subagent D on 2026-05-29. Currency is Canadian dollars unless stated otherwise. Quantitative source of truth is `quant_foundation.md`; live FMP and official SEC/IR pulls in this run are used for provenance, recency, and disclosure inventory.

Stage 0 - Time Anchor

- Today: 2026-05-29.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, reported April 29, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031. Compounding horizon: TTM -> TTM+5y = exactly 5 calendar years.

0a. Industry Classification and Official Rail Disclosure Inventory

Industry classification: North American Class I freight railroad. Reporting regime: Canadian issuer filing Form 10-K and Form 10-Q with the SEC, with U.S. GAAP financial statements in Canadian dollars. Fiscal year ends December 31. Controlling official source set is SEC-hosted 10-K/10-Q filings, SEC-furnished earnings releases, CPKC IR PDFs, and FMP live stable endpoints for standardized financial statement pulls. FMP status: income statement, cash flow, annual product/commodity segmentation, and transcripts were available live; FMP segment endpoint returned HTTP 404; FMP Q1 FY2026 product segmentation was stale through Q4 FY2025; FMP Q1 FY2026 balance sheet appeared USD-converted while the official filing reports CAD, so official values control.

Official source and search inventory checked live in this run: annual reports/Form 10-K for FY2021-FY2025; Q1 FY2026 Form 10-Q; Q2 and Q3 FY2025 Form 10-Qs; Q4/FY2025 and Q1 FY2026 earnings releases; Q1 FY2026 presentation; October 2025 investor presentation; FMP live stable income statement, balance sheet, cash flow, ratios, key metrics, product segmentation, geographic segmentation, quote/profile, and earnings-call transcripts. Search terms used: `operating segment`, `rail transportation`, `freight revenues by line of business`, `carloads`, `revenue ton-miles`, `freight revenue per revenue ton-mile`, `operating ratio`, `compensation and benefits`, `fuel`, `materials`, `equipment rents`, `purchased services`, `depreciation`, `capital expenditures`, `route miles`, `track miles`, `locomotives`, `employees`, `FRA-reportable`, `train accident`, `personal injury`, `guidance`, `mid-single digit`, `double-digit EPS`, `MMX`, and `SMX`.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included in data package?	If excluded, why	Downstream relevance
Segment economics	FMP income statement, annual 10-K Note 28, MD&A	segment, operating segment, rail transportation, revenue, operating income	FY2021-FY2025 plus TTM/Q1 FY2026	Yes	N/A	One reportable segment; segment appendices should not split profit by commodity
Commodity revenue lines	FMP revenue-product-segmentation, 10-K revenue note, quarterly releases	Grain, Coal, Potash, Intermodal, revenue by line of business	FY2021-FY2025; latest Q1 FY2026	Yes	N/A	Commodity revenue mix, growth drivers, pricing/yield checks
RTMs / carloads / yield	Annual 10-K MD&A, Q1 release Summary of Rail Data	Carloads, Revenue ton-miles, Freight revenue per RTM, Freight revenue per carload	FY2021-FY2025 for consolidated; FY2021-FY2025 and Q1 FY2026 by commodity	Yes	N/A; compact five-year commodity carload/RTM/yield history and latest quarter table included below	Volume/yield bridge for subagent B and moat/service analysis
Operating expense lines	Annual 10-K MD&A, Q1 release	Compensation and benefits, Fuel, Materials, Equipment rents, Depreciation and amortization, Purchased services and other	FY2023-FY2025 and Q1 FY2026 clean current CPKC; FY2021-FY2022 pre-KCS available in old taxonomy	Partial	FY2021-FY2022 marked N/D in current CPKC cost table due merger comparability	Margin decomposition and cost inflation checks
Network/equipment/employees	2025 Form 10-K Item 2 and human capital	route miles, track miles, locomotives, employees, workforce	FY2025 current; selected FY2024 comparatives	Yes	Historical locomotives by type not backfilled to FY2021	Asset base, capex needs, service capacity

Dataset / table family	Official source searched	Search terms or table names	Years available	Included in data package?	If excluded, why	Downstream relevance
Safety/service metrics	Annual 10-K and Q1 release	FRA personal injury, train accident, average train speed, locomotive productivity, fuel efficiency	FY2024-FY2025 and Q1 FY2026 for safety; FY2021-FY2025 fuel efficiency	Yes	Earlier safety rates not pulled into five-year table	Operational durability and risk
Balance sheet/debt	FMP balance sheet, 10-K debt note, Q1 release leverage table	cash, debt, adjusted net debt, adjusted EBITDA	FY2021-FY2025 plus Q1 FY2026 leverage	Yes	Q1 FY2026 FMP balance sheet currency mismatch; official controls	Valuation, leverage, buyback capacity
Management commentary/guidance	FMP transcripts, Q4/FY2025 release, October 2025 investor presentation	guidance, mid-single digit RTM, double-digit EPS, capex, OR, MMX, SMX	Last four calls plus latest investor presentation	Yes	Transcript source is FMP live; company IR transcript page not separately available in this run	Forward assumptions and red-team checks

Railroad KPI family history is below. The 2023 KCS control date is a hard comparability boundary: FY2021-FY2022 are legacy CP only; FY2023 includes KCS from April 14, 2023; FY2024-FY2025 are full-year CPKC. Downstream models should not smooth across this boundary without explicit pro forma treatment.

KPI family	Granularity	FY-5 2021	FY-4 2022	FY-3 2023	FY-2 2024	FY-1 2025	Latest interim / TTM	Source path
Carloads (000s)	All freight	2,735.5	2,782.1	4,045.6	4,370.0	4,514.0	1,083.5 in Q1 FY2026	Annual 10-K MD&A performance indicators; Q1 FY2026 release
RTMs (mm)	All freight	149,686	148,228	188,960	211,458	219,420	54,725 in Q1 FY2026	Annual 10-K MD&A operating revenue tables; Q1 FY2026 release
Freight revenue per RTM	All freight	5.22 cents	5.82 cents	6.50 cents	6.73 cents	6.73 cents	6.63 cents in Q1 FY2026	Annual 10-K MD&A; Q1 FY2026 release
Freight revenue per carload	All freight	C$2,857	C$3,101	C$3,036	C$3,255	C$3,273	C$3,348 in Q1 FY2026	Annual 10-K MD&A; Q1 FY2026 release
GTMs (mm)	All network	271,921	269,134	348,447	388,958	403,891	100,691 in Q1 FY2026	Annual 10-K performance indicators; Q1 release
Fuel efficiency	U.S. gal per 1,000 GTM	0.931	0.955	1.026	1.033	1.034	1.043 in Q1 FY2026	Annual 10-K performance indicators; Q1 release
Average employees	Company average	12,337	12,570	18,233	20,144	19,967	19,315 in Q1 FY2026	Annual 10-K performance indicators; Q1 release
Safety: personal injury frequency	FRA reportable	N/D in latest table	N/D in latest table	N/D in latest table	0.95	0.92	0.91 in Q1 FY2026	2025 10-K Health and Safety; Q1 release
Safety: train accident frequency	FRA reportable	N/D in latest table	N/D in latest table	N/D in latest table	1.01	0.85	0.93 in Q1 FY2026	2025 10-K Health and Safety; Q1 release

FY2025 commodity-level operating disclosure is richer than ordinary FMP segment data. These official MD&A values are the main bridge from revenue growth to volume/yield.

Commodity line	FY2025 freight revenue C$m	FY2025 carloads 000s	FY2025 RTMs mm	Revenue per carload	Revenue per RTM
Grain	3,217	570.8	61,346	5,636	5.24 cents
Coal	1,025	491.1	23,788	2,087	4.31 cents
Potash	640	176.9	19,291	3,618	3.32 cents
Fertilizers and sulphur	423	67.4	5,316	6,276	7.96 cents
Forest products	792	130.0	8,843	6,092	8.96 cents
Energy, chemicals and plastics	2,898	563.3	37,659	5,145	7.70 cents

Commodity line	FY2025 freight revenue C$m	FY2025 carloads 000s	FY2025 RTMs mm	Revenue per carload	Revenue per RTM
Metals, minerals and consumer products	1,792	495.0	19,211	3,620	9.33 cents
Automotive	1,310	238.9	5,493	5,483	23.85 cents
Intermodal	2,679	1,780.6	38,473	1,505	6.96 cents

Five-year commodity operating KPI history from the live-fetched SEC annual reports. Each cell is FY2021 / FY2022 / FY2023 / FY2024 / FY2025; FY2021-FY2022 are legacy CP, FY2023 includes KCS from April 14, and FY2024-FY2025 are full CPKC years.

Commodity line	Carloads 000s	RTMs mm	Freight revenue per RTM
Grain	426.2 / 382.1 / 497.8 / 549.6 / 570.8	37,999 / 35,325 / 48,592 / 58,101 / 61,346	4.43 / 5.03 / 5.14 / 5.18 / 5.24 cents
Coal	291.5 / 269.8 / 449.6 / 454.3 / 491.1	18,345 / 14,970 / 22,095 / 22,887 / 23,788	3.41 / 3.85 / 3.89 / 4.12 / 4.31 cents
Potash	150.9 / 160.0 / 153.5 / 169.3 / 176.9	16,671 / 18,176 / 16,904 / 17,893 / 19,291	2.78 / 3.20 / 3.35 / 3.43 / 3.32 cents
Fertilizers and sulphur	64.4 / 61.8 / 65.9 / 67.2 / 67.4	4,845 / 4,772 / 5,014 / 5,256 / 5,316	6.30 / 6.96 / 7.68 / 7.72 / 7.96 cents
Forest products	73.6 / 73.1 / 126.0 / 139.5 / 130.0	5,718 / 5,741 / 8,028 / 9,075 / 8,843	6.09 / 7.02 / 8.67 / 8.99 / 8.96 cents
Energy, chemicals and plastics	320.1 / 297.4 / 487.0 / 581.8 / 563.3	25,469 / 24,625 / 33,031 / 38,837 / 37,659	6.14 / 5.66 / 6.97 / 7.34 / 7.70 cents
Metals, minerals and consumer products	236.7 / 248.3 / 457.8 / 517.6 / 495.0	11,170 / 11,710 / 18,247 / 19,177 / 19,211	6.52 / 7.55 / 8.65 / 9.27 / 9.33 cents
Automotive	109.2 / 104.4 / 201.4 / 247.8 / 238.9	1,765 / 1,736 / 3,579 / 5,014 / 5,493	21.30 / 25.23 / 26.10 / 25.53 / 23.85 cents
Intermodal	1,062.9 / 1,185.2 / 1,606.6 / 1,642.9 / 1,780.6	27,704 / 31,173 / 33,470 / 35,218 / 38,473	6.22 / 7.19 / 7.36 / 7.17 / 6.96 cents

Latest Q1 FY2026 commodity operating KPI table from the April 29, 2026 earnings release.

Commodity line	Q1 FY2026 freight revenue C$m	Q1 FY2026 carloads 000s	Q1 FY2026 RTMs mm	Revenue per carload	Revenue per RTM
Grain	871	149.1	16,785	5,842	5.19 cents
Coal	226	109.5	5,184	2,064	4.36 cents
Potash	149	42.0	4,511	3,548	3.30 cents
Fertilizers and sulphur	112	17.7	1,389	6,328	8.06 cents
Forest products	181	30.5	2,106	5,934	8.59 cents
Energy, chemicals and plastics	700	135.0	9,177	5,185	7.63 cents
Metals, minerals and consumer products	438	116.9	4,803	3,747	9.12 cents
Automotive	296	51.7	1,261	5,725	23.47 cents
Intermodal	655	431.1	9,509	1,519	6.89 cents

Cost-line inventory from current CPKC filings. FY2021-FY2022 costs are pre-KCS and can be fetched from old annual reports, but are not shown as current-taxonomy CPKC cost lines.

Operating expense line C$m	FY-5 2021	FY-4 2022	FY-3 2023	FY-2 2024	FY-1 2025	Latest interim	Source path
Compensation and benefits	N/D	N/D	2,391	2,565	2,581	691 in Q1 FY2026	2025/2024/2023 annual 10-K MD&A; Q1 release
Fuel	N/D	N/D	1,534	1,802	1,731	458 in Q1 FY2026	2025/2024/2023 annual 10-K MD&A; Q1 release
Materials	N/D	N/D	392	406	474	127 in Q1 FY2026	2025/2024/2023 annual 10-K MD&A; Q1 release

Operating expense line C$m	FY-5 2021	FY-4 2022	FY-3 2023	FY-2 2024	FY-1 2025	Latest interim	Source path
Equipment rents	N/D	N/D	309	347	408	95 in Q1 FY2026	2025/2024/2023 annual 10-K MD&A; Q1 release
Depreciation and amortization	N/D	N/D	1,482	1,900	2,019	512 in Q1 FY2026	2025/2024/2023 annual 10-K MD&A; Q1 release
Purchased services and other	N/D	N/D	2,059	2,347	2,256	560 in Q1 FY2026	2025/2024/2023 annual 10-K MD&A; Q1 release
Total operating expenses	N/D	N/D	8,167	9,367	9,469	2,443 in Q1 FY2026	FMP/10-K; Q1 release

Current network and resources: the 2025 Form 10-K states CPKC provides rail/intermodal service over approximately 20,000 miles. Item 2 reports approximately 20,000 miles of main track, including 3,300 miles under trackage rights; network geography of about 8,400 miles in Canada, 8,800 miles in the U.S., and 3,100 miles in Mexico; 28,075 operated track miles at 2025 year-end; 2,307 total locomotives with average age 24 years; 292 locomotives in storage; 19,479 employees and 19,502 total workforce at December 31, 2025. The Q1 FY2026 call also cited 36 of the 100 Tier 4 locomotives received for 2026 after 100 delivered in 2025.

1. Reporting Structure and Taxonomy

Current reportable segment: Rail transportation. The FY2025 10-K states that the company has one operating segment: rail transportation. Commodity lines are revenue lines within that single segment, not separate operating segments with separately disclosed operating income. FY2025 segment revenue therefore equals consolidated revenue of C$15.078B and FY2025 segment operating income equals consolidated operating income of C$5.609B. Reporting changed materially on April 14, 2023, when Canadian Pacific assumed control of Kansas City Southern and became CPKC. The current one-segment taxonomy has been stable since FY2023, but the economic perimeter is not comparable before the KCS control date. FY2023 includes KCS only from April 14, 2023; FY2024 and FY2025 are the first two full calendar years of the combined company.

Reportable segment	Description	FY2025 revenue C$B	% total	FY2025 operating income C$B	Operating margin	Source
Rail transportation	Transnational freight rail and intermodal network across Canada, U.S., and Mexico	15.08	100.0%	5.61	37.2%	FY2025 10-K and FMP income statement annual

Geographic revenue exposure for FY2025 from live FMP geographic segmentation is below. The official business description and network geography confirm the same Canada/U.S./Mexico footprint.

Geography	FY2025 revenue C$B	% total revenue	Source
Canada	7.24	48.0%	FMP geographic segmentation annual; 10-K revenue note
Mexico	2.71	18.0%	FMP geographic segmentation annual; 10-K revenue note
United States	5.12	34.0%	FMP geographic segmentation annual; 10-K revenue note

Taxonomy flags: FMP product segmentation annual is usable for commodity revenue lines through FY2025 and ties the annual sum for FY2025. FMP product segmentation quarterly is stale for latest Q1 FY2026, so Q1 commodity revenue/RTM/carload values use the official April 29, 2026 release. FMP balance sheet quarterly for Q1 FY2026 appears USD-converted despite CP reporting in CAD; official Q1 Form 10-Q and release control for latest balance sheet/leverage.

2. Consolidated Historical Financials - Five Years

Metric	FY-5 2021	FY-4 2022	FY-3 2023	FY-2 2024	FY-1 2025	Source
Revenue (C$B)	8.00	8.81	12.55	14.55	15.08	FMP stable income-statement annual; official 10-K control

Metric	FY-5 2021	FY-4 2022	FY-3 2023	FY-2 2024	FY-1 2025	Source
Operating income (C$B)	3.21	3.33	4.39	5.18	5.61	FMP stable income-statement annual; official 10-K control
Operating margin	40.1%	37.8%	35.0%	35.6%	37.2%	calc
Net income (C$B)	2.85	3.52	3.93	3.72	4.14	FMP stable income-statement annual
EPS diluted (C$)	4.18	3.77	4.21	3.98	4.51	FMP stable income-statement annual
Diluted share count (M)	683	933	934	935	917	FMP stable income-statement annual
Capex (C$B)	1.53	1.56	2.50	2.86	3.14	FMP stable cash-flow annual; official 10-K cash flow
FCF (C$B)	2.16	2.58	1.64	2.41	2.17	FMP stable cash-flow annual
ROIC	7.1%	5.0%	-9.2%	6.0%	6.1%	calc: NOPAT / avg invested capital

ROIC calculation: NOPAT equals operating income multiplied by one minus the effective tax rate from the FMP annual income statement. Invested capital equals total debt plus total stockholders equity less cash and equivalents from the FMP balance sheet; denominator is average invested capital using current and prior year balance sheets where available. Effective tax rates used were 23.8% in 2021, 22.3% in 2022, 19.9% in 2023, 22.0% in 2024, and 25.1% in 2025. The ROIC series is distorted by the KCS voting trust and control-date accounting; treat FY2021-FY2023 as boundary years rather than a clean economic trend.

3. Segment Historical Financials

Because there is one reportable operating segment, the segment table is the consolidated table restated as rail transportation. No commodity operating income or commodity margin is separately disclosed.

Rail transportation	FY-5 2021	FY-4 2022	FY-3 2023	FY-2 2024	FY-1 2025	Source
Revenue (C$B)	8.00	8.81	12.55	14.55	15.08	FMP annual income statement; FY2025 10-K segment note
YoY %	N/M	10.2%	42.4%	15.9%	3.7%	calc
Operating income (C$B)	3.21	3.33	4.39	5.18	5.61	FMP annual income statement; 10-K
Operating margin	40.1%	37.8%	35.0%	35.6%	37.2%	calc

Segment comparability: FY2021-FY2022 are legacy CP; FY2023 includes KCS from April 14, 2023; FY2024-FY2025 are full combined years. Commodity lines below are revenue lines inside rail transportation and should not be modeled as independent profit centers unless the downstream model applies estimated margins and labels them as estimates.

4. Product / Sub-Segment Historical Revenue Disclosures

CPKC separately discloses freight revenue dollars by line of business. It does not disclose operating income by commodity line. The table below uses the finest dollar-disclosed revenue breakdown.

Product / commodity line	FY-5 2021 C$B	FY-4 2022 C$B	FY-3 2023 C$B	FY-2 2024 C$B	FY-1 2025 C$B	Source
Grain	1.68	1.78	2.50	3.01	3.22	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022
Coal	0.62	0.58	0.86	0.94	1.02	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022

Product / commodity line	FY-5 2021 C$B	FY-4 2022 C$B	FY-3 2023 C$B	FY-2 2024 C$B	FY-1 2025 C$B	Source
Potash	0.46	0.58	0.57	0.61	0.64	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022
Fertilizers and sulphur	0.30	0.33	0.39	0.41	0.42	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022
Forest products	0.35	0.40	0.70	0.82	0.79	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022
Energy, chemicals and plastics	1.56	1.39	2.30	2.85	2.90	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022
Metals, minerals and consumer products	0.73	0.88	1.58	1.78	1.79	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022
Automotive	0.38	0.44	0.93	1.28	1.31	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022
Intermodal	1.72	2.24	2.46	2.52	2.68	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022
Non-freight excluding leasing	0.10	0.10	0.16	0.19	0.19	FMP product segmentation annual; 10-K Note 4/MD&A for 2023-2025; pre-KCS boundary for 2021-2022

Segment	Product	What it is	Dollar disclosure?	If yes, last 3 years revenue + source
Rail transportation	Grain	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$2.50B, FY2024: C$3.01B, FY2025: C$3.22B; FMP product segmentation annual and 10-K revenue note
Rail transportation	Coal	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$0.86B, FY2024: C$0.94B, FY2025: C$1.02B; FMP product segmentation annual and 10-K revenue note
Rail transportation	Potash	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$0.57B, FY2024: C$0.61B, FY2025: C$0.64B; FMP product segmentation annual and 10-K revenue note
Rail transportation	Fertilizers and sulphur	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$0.39B, FY2024: C$0.41B, FY2025: C$0.42B; FMP product segmentation annual and 10-K revenue note
Rail transportation	Forest products	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$0.70B, FY2024: C$0.82B, FY2025: C$0.79B; FMP product segmentation annual and 10-K revenue note
Rail transportation	Energy, chemicals and plastics	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$2.30B, FY2024: C$2.85B, FY2025: C$2.90B; FMP product segmentation annual and 10-K revenue note
Rail transportation	Metals, minerals and consumer products	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$1.58B, FY2024: C$1.78B, FY2025: C$1.79B; FMP product segmentation annual and 10-K revenue note

Segment	Product	What it is	Dollar disclosure?	If yes, last 3 years revenue + source
Rail transportation	Automotive	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$0.93B, FY2024: C$1.28B, FY2025: C$1.31B; FMP product segmentation annual and 10-K revenue note
Rail transportation	Intermodal	Freight rail commodity line; product/service revenue line, not a reportable segment	Yes	FY2023: C$2.46B, FY2024: C$2.52B, FY2025: C$2.68B; FMP product segmentation annual and 10-K revenue note
Rail transportation	Leasing and other non-freight	Asset leasing, switching, passenger contracts, subsurface/mineral rights, logistics and other arrangements	Partially	Non-freight excluding leasing disclosed separately in FMP/10-K; leasing revenues disclosed in 10-Q/10-K total revenue tables

Products with only growth-rate disclosure: none of the major commodity lines are growth-only for annual revenue dollars; CPKC discloses dollars, carloads, RTMs, and yield for key lines in the annual MD&A. What is not disclosed is commodity operating income, commodity capital employed, and commodity-specific ROIC.

Product line	Q2 FY2025 rev / YoY	Q3 FY2025 rev / YoY	Q4 FY2025 rev / YoY	Q1 FY2026 rev / YoY	Source
Grain	743 / 12%	702 / 5%	984 / 4%	871 / 11%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Coal	256 / 8%	255 / 3%	257 / 3%	226 / -12%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Potash	167 / -7%	167 / 16%	150 / -2%	149 / -4%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Fertilizers and sulphur	98 / -5%	102 / 12%	109 / 1%	112 / -2%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Forest products	195 / -4%	193 / -3%	187 / -12%	181 / -17%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Energy, chemicals and plastics	712 / 2%	701 / -2%	727 / -2%	700 / -8%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Metals, minerals and consumer products	444 / -4%	458 / 3%	442 / 3%	438 / -2%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Automotive	330 / -8%	343 / 3%	322 / -1%	296 / -6%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Intermodal	684 / 9%	668 / 7%	653 / 3%	655 / -3%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K

5. Most Recent Quarterly Trend - Last Four Quarters

Company FY ends December 31. Most recently completed fiscal quarter at time of writing: FY2026 Q1, covering January 1, 2026 to March 31, 2026, reported on April 29, 2026 via https://www.sec.gov/Archives/edgar/data/16875/000001687526000013/exhibit991-q12026earningsr.htm.

Quarter	Revenue C$B	YoY %	Operating margin	Source
Q2 FY2025	3.70	2.7%	36.3%	https://www.sec.gov/Archives/edgar/data/16875/000001687525000032/cp-20250630.htm

Quarter	Revenue C$B	YoY %	Operating margin	Source
Q3 FY2025	3.66	3.2%	36.5%	https://www.sec.gov/Archives/edgar/data/16875/000001687525000039/cp-20250930.htm
Q4 FY2025	3.92	1.3%	41.1%	https://www.sec.gov/Archives/edgar/data/16875/000001687526000004/exhibit991-q42025earningsr.htm
Q1 FY2026	3.70	-2.5%	34.0%	https://www.sec.gov/Archives/edgar/data/16875/000001687526000013/exhibit991-q12026earningsr.htm

Line-of-business trend cells show revenue in C$m followed by YoY growth. Product operating margins are not disclosed; consolidated operating margin is the only official segment margin.

Product line	Q2 FY2025 rev / YoY	Q3 FY2025 rev / YoY	Q4 FY2025 rev / YoY	Q1 FY2026 rev / YoY	Source
Grain	743 / 12%	702 / 5%	984 / 4%	871 / 11%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Coal	256 / 8%	255 / 3%	257 / 3%	226 / -12%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Potash	167 / -7%	167 / 16%	150 / -2%	149 / -4%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Fertilizers and sulphur	98 / -5%	102 / 12%	109 / 1%	112 / -2%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Forest products	195 / -4%	193 / -3%	187 / -12%	181 / -17%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Energy, chemicals and plastics	712 / 2%	701 / -2%	727 / -2%	700 / -8%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Metals, minerals and consumer products	444 / -4%	458 / 3%	442 / 3%	438 / -2%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Automotive	330 / -8%	343 / 3%	322 / -1%	296 / -6%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K
Intermodal	684 / 9%	668 / 7%	653 / 3%	655 / -3%	Official Q1 release; FMP product segmentation for Q2-Q4 FY2025 tied to 10-Q/10-K

Latest Q1 FY2026 operating metrics: RTMs increased 2% to 54,725 million, carloads decreased 2% to 1,083.5 thousand, total freight revenue per RTM decreased 4% to 6.63 cents, reported OR was 66.0%, core adjusted OR was 63.0%, FRA personal injury frequency was 0.91, and FRA train accident frequency was 0.93. Q1 revenue pressure was mainly yield/mix/currency/fuel timing rather than volume collapse.

6. Management Commentary on Forward Growth

Transcript discipline: all quotes below come from FMP live `earning-call-transcript` pulls performed in this run. Dates returned by FMP are shown below; Q1 FY2026 returned 2026-05-01, within 30 days of the April 29, 2026 call anchor. Quotes are short verbatim excerpts with interpretation kept separate.

Fiscal period	FMP transcript date	FMP period	FMP year	Source
Q2 FY2025	2025-08-03	Q2	2025	FMP stable earning-call-transcript raw file CP_earning_call_transcript_2025_Q2_live_2026-05-29.json
Q3 FY2025	2025-10-29	Q3	2025	FMP stable earning-call-transcript raw file CP_earning_call_transcript_2025_Q3_live_2026-05-29.json
Q4 FY2025	2026-01-28	Q4	2025	FMP stable earning-call-transcript raw file CP_earning_call_transcript_2025_Q4_live_2026-05-29.json
Q1 FY2026	2026-05-01	Q1	2026	FMP stable earning-call-transcript raw file CP_earning_call_transcript_2026_Q1_live_2026-05-29.json

Segment / topic	Source period	Call date	Speaker	Verbatim quote	Topic	Interpretation
Rail transportation	Q1 FY2026 call	2026-05-01	Keith Creel, CEO	"the railroad is structurally better"	Network productivity	Management frames recent velocity and asset-utilization gains as structural, not one-off.
Rail transportation	Q1 FY2026 call	2026-05-01	Keith Creel, CEO	"comparisons improve through the year"	2026 cadence	Supports back-half improvement versus Q1 revenue/yield pressure.
Rail transportation	Q1 FY2026 call	2026-05-01	Nadeem Velani, CFO	"There's nothing structural"	Yield pressure	CFO attributes Q1 cents-per-RTM weakness to currency, carbon-tax, fuel timing, and mix.
Intermodal / MMX	Q1 FY2026 call	2026-05-01	John Brooks, CMO	"This thing is going to fly"	SMX / Mexico-to-Atlanta service	Short quote on speed proposition behind truck-to-rail conversion opportunity.
Capital allocation	Q1 FY2026 call	2026-05-01	Nadeem Velani, CFO	"I fully expect we will complete it"	NCIB execution	Management expects completion of the 45 million share authorization by year-end.
Rail transportation	Q4 FY2025 call	2026-01-28	Nadeem Velani, CFO	"mid-single-digit RTM growth"	2026 algorithm	Combines RTM growth, pricing, cost discipline and EPS expansion.
Rail transportation	Q4 FY2025 call	2026-01-28	Nadeem Velani, CFO	"sub-60%"	Operating ratio	Company achieved the first OR threshold and is now focused on earnings/ROIC.
Capital allocation	Q4 FY2025 call	2026-01-28	Nadeem Velani, CFO	"free cash conversion in the 75% range"	2026 FCF	Temporary 2026 conversion below long-term 90% because of capex and timing.
Rail transportation	Q3 FY2025 call	2025-10-29	John Brooks, CMO	"pricing to the value of our capacity"	Pricing	Supports assumption that service quality translates into price discipline.
Rail transportation	Q3 FY2025 call	2025-10-29	Nadeem Velani, CFO	"core adjusted operating ratio came in at 60.7%"	Margin trend	Q3 cost/margin base before Q4 record OR.
Intermodal / Mexico	Q2 FY2025 call	2025-08-03	John Brooks, CMO	"It's truck-like"	MMX service	Management positions MMX as a truck-competitive rail product.
Intermodal / Mexico	Q2 FY2025 call	2025-08-03	John Brooks, CMO	"really strong and continue to see strong growth"	MMX growth	Supports continuing pipeline, but exact growth rates should be sourced to releases where available.

Investor presentation / release guidance anchors: the October 2025 investor presentation retained the Investor Day long-term framework for 2024-2028: high single-digit revenue growth, C$2.6B-C$2.8B annual capex, return to double-digit core adjusted ROIC, adjusted free-cash conversion of core adjusted income of approximately 90%, and double-digit core adjusted EPS growth. The Q4/FY2025 release gave FY2026 guidance of low double-digit core adjusted diluted EPS growth versus 2025 core adjusted diluted EPS of C$4.61, mid-single-digit volume growth as measured by RTMs, and C$2.65B capex, with a core

adjusted effective tax-rate assumption of 24.75% and other components of net periodic benefit recovery of C$441M.

7. Capital Allocation History

Year	Capex C$B	Capex / revenue	R&D C$B	R&D / revenue	Buybacks C$B	Dividends C$B	M&A C$B	Source
2021	1.53	19.2%	N/A	N/A	0.00	0.51	12.30	FMP stable cash-flow annual; official 10-K cash flow
2022	1.56	17.7%	N/A	N/A	0.00	0.71	0.06	FMP stable cash-flow annual; official 10-K cash flow
2023	2.50	19.9%	N/A	N/A	0.00	0.71	0.30	FMP stable cash-flow annual; official 10-K cash flow
2024	2.86	19.7%	N/A	N/A	0.00	0.71	0.00	FMP stable cash-flow annual; official 10-K cash flow
2025	3.14	20.8%	N/A	N/A	3.94	0.80	0.00	FMP stable cash-flow annual; official 10-K cash flow

Capital allocation interpretation: CPKC is not an R&D-reporting company; technology, safety, rolling stock, track, and capacity investments flow through capex or operating expense. FY2021 M&A cash flow reflects KCS-related cash paid into the voting trust period rather than an ordinary bolt-on. FY2025 buybacks were material at about C$3.94B, and management announced a new 2026 program and dividend increase after balance-sheet strengthening. Capex was C$3.14B in FY2025, elevated by locomotive renewal and integration/capacity projects, and management guided FY2026 capex down to about C$2.65B.

8. Balance Sheet Snapshot - FY2025 and Latest Leverage Context

Item	C$B	Source
Cash and equivalents	0.18	FMP stable balance-sheet annual; 2025 10-K
Short-term investments	0.00	FMP stable balance-sheet annual
Total debt current plus LT	23.19	FMP stable balance-sheet annual; 2025 10-K debt note
Net debt	23.00	calc: total debt less cash and short-term investments
Net debt / EBITDA	2.75x	calc using FMP EBITDA; company adjusted net debt / adjusted EBITDA was 3.2x at 2026-03-31
Goodwill plus intangibles	21.33	FMP stable balance-sheet annual; KCS purchase accounting note
Tangible book value	24.55	calc: equity less goodwill and intangibles

Latest official Q1 FY2026 leverage context: the April 29, 2026 release reported cash and equivalents of C$409M, long-term debt including current maturities of C$24.320B, adjusted net debt of C$24.915B, adjusted EBITDA for the twelve months ended March 31, 2026 of C$7.758B, and adjusted net debt to adjusted EBITDA of 3.2x. FMP Q1 FY2026 balance-sheet values were not used for this latest snapshot because the live endpoint appeared USD-converted while CPKC official filings are in CAD.

9. Recent Corporate Actions - Last 12 Months

- 2026-04-29: CPKC reported Q1 FY2026 with C$3.7B revenue, reported OR of 66.0%, core adjusted OR of 63.0%, and reiterated confidence in full-year guidance; source: Q1 FY2026 release.
- 2026-04-28: Board approved a 17.5% increase to the quarterly dividend; source: Q1 FY2026 call and release context.

- 2026-02-02: early renewal NCIB commenced to repurchase up to approximately 82.2 million common shares less 37.3 million shares already purchased under the prior NCIB, with management later referencing a 45 million share authorization; source: 2025 Form 10-K and Q1 FY2026 call.
- 2026-03-06: CPKC issued notes including 4.000% notes due 2029 and 5.500% notes due 2056 per SEC filings/news references; data package treats this as balance-sheet financing, not operating M&A.
- 2025: CPKC completed 37.3 million share repurchases under the prior program for approximately C$3.94B per FMP cash-flow statement and 10-K issuer-purchase table.
- 2025-08-20: credit agreement amendment extended maturities to June 25, 2030 for the five-year facility and June 25, 2027 for the two-year facility; source: 2025 10-K exhibit list.
- 2025: Company sold an equity investment for a C$333M pre-tax gain; source: 2025 10-K non-GAAP/significant items disclosure.
- No new operating acquisition comparable to the 2023 KCS control transaction was identified in the last 12 months; no CEO/CFO transition identified in live official sources checked.

10. Open Data Gaps

Classification	Gap	Evidence / handling
True non-disclosure	Commodity operating income and margins	2025 10-K Note 28, revenue note, MD&A line-of-business tables, Q1 release searched for operating income by commodity. CPKC discloses one operating segment and revenue/volume/yield by commodity, not profit by commodity.
True non-disclosure	Commodity capital employed / ROIC	10-K segment note and Item 2 properties searched for capital by commodity. Assets are not allocated by commodity line.
Estimated	ROIC	ROIC uses FMP standardized statements and a stated NOPAT / average invested capital formula. KCS transaction accounting makes early years less comparable.
Included	Full five-year commodity RTM/carload/yield table for every line	Added by DR from live-fetched FY2022-FY2025 SEC annual reports; table spans FY2021-FY2025 and flags the KCS comparability boundary.
True non-disclosure	Product growth-only table	No major commodity revenue line is growth-only for annual dollars; all major lines have disclosed dollars. Product operating income remains undisclosed.
Not applicable	R&D expense	Railroads do not present an R&D line in the financial statements; technology/safety investments are embedded in capex and operating expense.
FMP limitation	Segment endpoint	FMP `revenue-segmentation` returned HTTP 404; product/geographic segmentation endpoints were available. Official filings confirm one reportable segment.
FMP limitation	Q1 FY2026 product and balance-sheet endpoints	FMP product segmentation latest period was Q4 FY2025; Q1 FY2026 balance sheet appeared USD-converted. Official SEC/IR sources control.
True non-disclosure	Company IR transcript pages	Official IR pages/decks were checked; transcript quotes in this package use FMP live transcripts because official transcript pages were not separately identified.

Live Source Inventory and Self-Verification

Source	URL or raw file	Used for
2025 Form 10-K	https://www.sec.gov/Archives/edgar/data/16875/000001687526000008/cp-20251231.htm	FY2025 financials, one-segment taxonomy, operating statistics, cost lines, network/equipment/employees, safety
2024 Form 10-K	https://www.sec.gov/Archives/edgar/data/16875/000001687525000008/cp-20241231.htm	Backfill FY2024/FY2023 operating statistics and cost lines
2023 Form 10-K	https://www.sec.gov/Archives/edgar/data/16875/000001687524000009/cp-20231231.htm	KCS acquisition boundary and FY2023/FY2022 operating statistics
2022 Form 10-K	https://www.sec.gov/Archives/edgar/data/16875/000001687523000008/cp-20221231.htm	Pre-combination FY2022/FY2021 operating statistics
Q1 FY2026 10-Q	https://www.sec.gov/Archives/edgar/data/16875/000001687526000015/cp-20260331.htm	Latest quarter financials and revenue line disclosures
Q1 FY2026 earnings release	https://www.sec.gov/Archives/edgar/data/16875/000001687526000013/exhibit991-q12026earningsr.htm	Headline Q1 results, commodity data, RTMs, carloads, OR, safety, leverage
Q4/FY2025 earnings release	https://www.sec.gov/Archives/edgar/data/16875/000001687526000004/exhibit991-q42025earningsr.htm	FY2025 result release and FY2026 guidance
Q1 FY2026 presentation	https://s21.q4cdn.com/736796105/files/doc_financials/2026/q1/Exhibit-99-1-Q1-2026-Earnings-Release.pdf	Presentation deck and release PDF cross-check
October 2025 investor presentation	https://s21.q4cdn.com/736796105/files/doc_presentations/2025/09/CPKC-Investor-Presentation_October-2025_vF.pdf	Long-term 2024-2028 outlook
FMP live stable endpoints	raw/*.json under workdir; mirrored to data warehouse/fmp/CP only if absent	Income statement, balance sheet, cash flow, ratios, key metrics, product/geographic segmentation, transcripts

Check	Evidence	Status
Most recent quarter headline growth	Q1 FY2026 release fetched live shows revenues decreased 2% to C$3.7B and RTMs increased 2%.	PASS
Management quote date	FMP Q1 FY2026 transcript returned date 2026-05-01 for Q1 FY2026, within 30 days of the expected April 29, 2026 call.	PASS
FY2025 revenue	FMP stable income-statement annual live pull shows FY2025 revenue C$15.078B, tying quant_foundation.md and 2025 10-K within 1%.	PASS
Markdown tables	Sections 2, 3, 4, 5, 7, and 8 use GitHub pipe tables with blank lines and consistent row widths.	PASS

End of data package.