

RAILROAD WEEK IN REVIEW

February 6, 2026

“This quarter showed the resilience of our book of business with growth across key segments and traction from new wins offsetting areas of deepening softness. Despite macro and tariff pressures, we delivered to our customers, we captured synergies, we maintained disciplined pricing and we advanced initiatives that will support our growth in 2026.” — John Brooks, CPKC Executive VP & Chief Marketing Officer, Jan 27

“Canadian National wrapped up a mixed 4Q earnings season for the Class I rails with EPS beats versus consensus estimates. We saw generally in-line reports from CP, CSX and UNP, and an underlying earnings miss from NSC. Total volumes trends (y/y) inflected negative in 4Q after 8 straight quarters of growth previously. CN and CSX reported the best volume growth.” — Scott Group, Wolfe Research, Feb 1

“Our service is where we want it to be, and that’s what our customers have really come to depend on. And so we’re going to fight for every revenue dollar, both in terms of share as well as pricing. And frankly, I expect to continue the momentum that we’ve had in merchandise, particularly around our price model.” — Ed Elkins, NS Executive VP & Chief Commercial Officer, 4Q2025 Earnings call Q&A, Jan 29

The BNSF 2026 capital plan of \$3.6 billion focuses on strengthening and modernizing our network so we can continue to meet our customers’ evolving needs. We prioritize investing with the future in mind, improving efficiency, adding capacity, and ensuring our railroad is always ready to support growth while delivering the dependable, resilient service our customers count on.” —BNSF President and CEO Katie Farmer, Jan 26

Today I’m summarizing the 4Q2025 results from — in order of appearance — CPKC, NS, and CN. Though each of the earning calls carried a fair amount of merger chatter, I am going to avoid same here in order to focus on the results that matter most to WIR’s shortline readership. Fact is, listening to the calls I came away feeling the merger comments distracted from the very solid results at hand. Onward...

Canadian Pacific Kansas City ran 1.1 million revenue units in Q4, up 1%, and 4.5 million for the full year, up a respectable 3%. System RPU was unchanged in the Q and up a point for the year. Canadian grain increased on a stronger harvest; exports to Mexico helped US grain vols. Potash — flat for the Q and up 4% for the year — is expected to be solid in 2026. Other merch categories did not excite.

RPU improved on price/mix, particularly in bulk and intermodal lanes tied to cross-border flows, while operating expense discipline kept the operating ratio trending modestly lower. Management emphasized that underlying demand, not surcharge mechanics, accounted for most of the improvement.

That said, I thought the railroad showed strength where the competitive advantages lie: grain exports out of the Canadian Prairies and Upper Midwest, refined products and plastics along the Gulf corridor, and resilient intermodal flows across the Laredo gateway. The merged network's ability to sell single-line service from Alberta to the Gulf and from the Midwest into Mexico continues to show up in both volume and pricing growth.

Operating income grew 3% in the Q (C\$1.6 billion) and 8% for the year (C\$5.6 billion); ORs improved about 85 bips to 58.9 in the Q and 62.6 full year. Net income for the Q slipped 10% on below-the-line items; full year net jumped 11%.

Capital spending remains focused on siding extensions, terminal fluidity, and Laredo capacity — projects that directly support incremental carload growth rather than defensive maintenance. The message was consistent with prior quarters: the network design is now doing the selling, and as service reliability holds, CPKC expects to convert geographic advantage into above-industry carload and revenue growth through 2026.

Canadian National delivered a modest top-line improvement in Q4 2025 with freight revenue of C\$4.3 billion, up about 3% year-over-year, supported by gains in underlying freight activity reflected in a roughly 4% increase in revenue ton-miles and a 5% climb in gross ton-miles — a sign that underlying traffic momentum was solid despite broader demand headwinds.

Revenue-unit gains were broad-based and reflected CN's franchise strengths: intermodal and bulk (corn, coal, ferts) helped offset softer segments tied to commodities sensitive to U.S.–Canada trade dynamics (mets, forest prods). Revenue ton-mile growth outpaced average GDP-linked industrial production, and CN achieved modest gains in car velocity and train length, underlining improved service flow.

Operating income was C\$1.7 billion, up 6.4 %, helping drive a fourth-quarter operating ratio of 61.2%, a 1.5 point improvement over the prior year and demonstrating continued cost discipline. I'm pleased to see merch ton-miles getting some respect at 68% of the total and revs at 71% of the total. Elsewhere the reverse ratio seems to hold.

The network's connectivity across the Canadian coasts and U.S. Midwest continues to support balanced movements of grain, automotive parts, forest products, and energy-related volumes even as tariff and macro uncertainty weigh on export-linked flows. Management emphasized navigating ongoing macroeconomic uncertainty through disciplined capital allocation, cost control, and free cash flow generation.

CN ended the year with owner earnings (cash from ops less capex) up 8%. Return on invested capital was 11%; return on equity was twice that rate. I have often said that CN is as much an investment firm as a railroad, given the financial results. So when the costs of currency debasement and inflation approach 10%, returns like CN's are comforting.

Norfolk Southern reported freight revenues of \$3 billion in Q4, unchanged YOY. Total Q4 revenue units came down 2% due largely to coal's 11% drop; merch units including auto gained a mere point with chems more than offsetting declines in forest products and mets/construction. System RPU increased 2%. FSC was minuscule.

Revenue units in Q4 slipped 4% with the 7% intermodal drop (1,000 units) more than offsetting the mere 1% merch carload increase. On the earnings call NS suggested the decrease in revenue units was "partly attributable to competitor responses in the market and broader industrial softness, even as pricing actions helped mitigate some revenue erosion." Could it be the BNSF/CSX pact is making a dip in NS results?

NS reiterated its focus on productivity and cost discipline in 2026, targeting Op Ex in the band of \$8.2 – \$8.4 billion while balancing inflationary pressures with planned efficiency gains. Free cash flow generation remained a highlighted priority, supported by strong conversion metrics in the quarter, and the company continues to invest selectively in infrastructure to bolster network fluidity.

Total revenues came to \$3 billion, down 2%; ops expense rose 8%, reducing ops income to \$937 million, down 12%; the OR jumped 6 points to 68.5. Net income fell 12% to \$644 million. Not good numbers for a company seeking to get bought.

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