

Company: Union Pacific Corporation	Ticker: UNP	Price: \$221	Industry: Railroad
Target Price: \$243.50 Stop Loss: \$175 52 Week H/L: \$256.84/\$204.66	TTM P/E: 18.7x Forward P/E: 17.9x EPS (LTM): 11.78	Beta (5Y): 1.00 Credit Rating: A- (Fitch)	Market Cap: 131.09B Avg. Volume (3M): 4,005k Div. Yield: 2.5%

Company Background:

Union Pacific (UNP) is a major Class I railroad operating a 32,000-mile network across the Western U.S., connecting key ports, Mexico, and major distribution hubs. Founded in 1862, it has a diversified freight mix across industrial, agricultural, energy, and intermodal markets, leveraging its scale and network density.

Industry Outlook:

Six Class I freight rails control the long-haul network: UNP, BNSF, CSX, NS, CN, CPKC. They own the infrastructure, rights-of-way, yards, and terminals. These companies have deep moats from thousands of miles of rights-of-way, their connected networks, and regulatory protection inhibiting new emergence. New entrances face legislative challenges, logistical improbabilities and massive capital burdens.

Competitive Analysis:

UNP currently trades at a slight discount to its Class I rail peers across P/E, EV/EBITDA, and EV/EBIT, despite its scale and strong Western network. This contrasts with its typical 5-year premium, suggesting the market is pricing in recent service challenges and regulatory overhang. With only P/B showing a premium, UNP has room for multiple recovery if operational performance steadies and deal uncertainty clears.

Investment Thesis:

Union Pacific presents a compelling investment opportunity, combining best-in-class operational execution with potential upside from a transformational acquisition. Even without a merger, the company still offers defensible, long-term value for shareholders with its favorable competitive positioning, consistent dividends, and share repurchase programs. Overall, Union Pacific demonstrates the stability of a well-run core business while also maintaining avenues for future growth and capital returns.

Investment Risks:

- Regulation, labor, brand: Risk of STB blockage, union pressure, and need to maintain strong service quality.
- Capex + cyclicity: High fixed costs and exposure to freight downturns.
- Mitigants: Market already prices risk; long-term demand and efficiency offset volatility.

Stock Performance – 5yr:



ESG:

ESG Risk Rating

23.03

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Medium Risk

Valuation:

Merger:

		Blended implied share price				
		Perpetuity growth rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	9.1%	\$203.76	\$210.97	\$219.37	\$229.27	\$241.10
	8.6%	\$216.36	\$224.99	\$235.16	\$247.33	\$262.14
	8.1%	\$230.81	\$241.26	\$253.77	\$269.00	\$287.94
	7.6%	\$247.58	\$260.44	\$276.10	\$295.57	\$320.46
	7.1%	\$267.34	\$283.44	\$303.47	\$329.06	\$362.91

No Merger:

		Blended implied share price				
		Perpetuity growth rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	9.1%	\$170.63	\$180.75	\$192.53	\$206.42	\$223.02
	8.6%	\$185.08	\$197.19	\$211.47	\$228.54	\$249.32
	8.1%	\$202.01	\$216.69	\$234.24	\$255.61	\$282.18
	7.6%	\$222.08	\$240.13	\$262.10	\$289.42	\$324.34
	7.1%	\$246.21	\$268.80	\$296.91	\$332.81	\$380.31

