

Union Pacific Corp (UNP)

FQ3 2026 Earnings Review
Period ended September 30, 2026
Reported October 22, 2026

Standalone Execution Improved; the Merger Case Remains Unresolved

1 | KEY RESULTS VS. CONSENSUS

Metric	Reported	Consensus	vs. Cons.
Revenue	\$7.20B	\$7.14B	+0.8%
Freight Revenue	\$6.81B	\$6.79B	+0.3%
Operating Income (vs. Year Ago)	\$2.943B	\$2.549B	+15.5%
Net Income (vs. Year Ago)	\$2.076B	\$1.788B	+16.1%
Diluted EPS (vs. Year Ago)	\$3.49	\$3.01	+15.9%
Adjusted EPS	\$3.53	\$3.47	+1.7%
Operating Ratio	59.1%	59.0%	+0.1 pp
SEGMENT REVENUE			
Bulk Freight Revenue	\$2.12B	\$2.09B	+1.4%
Industrial Freight Revenue	\$2.51B	\$2.47B	+1.6%
Premium Freight Revenue	\$2.19B	\$2.23B	-1.8%

2 | GUIDANCE AND OUTLOOK

Management affirmed its 2026 reported EPS growth guidance of high-single digits and updated the 2026 capital plan to \$3.5 billion from \$3.3 billion, citing locomotive modernization and work pulled forward from 2027. The operating-ratio commitment was narrowed: core operating-ratio improvement is expected to continue year over year, while reported operating ratio remains challenged by fuel, with Q4 fuel prices expected to average approximately \$4.85 per gallon, 15.2% above Q3. International intermodal volume is expected to grow double digits in Q4. No standalone 2027 guidance was issued.

3 | EARNINGS ANALYSIS

A MODEST BEAT, UNEVENLY COMPOSED. Adjusted EPS of \$3.53 exceeded consensus by \$0.06, or 1.7%, and operating revenue of \$7.197 billion exceeded expectations by approximately 0.8%. Bulk revenue of \$2.116 billion beat the \$2.09 billion consensus by approximately 1.2% and industrial revenue of \$2.509 billion by approximately 1.6%, while premium revenue of \$2.188 billion missed by approximately 1.9% and intermodal, a component of premium, missed by approximately 1.5%. About 900 basis points of the 15% freight-revenue growth came from fuel surcharges; freight revenue excluding fuel rose 6%, matching volume growth.

EARNINGS QUALITY IS OPERATING, NOT FINANCIAL. Operating income rose 15.5% to \$2.943 billion. Reported EPS rose 15.9% to \$3.49, though about \$0.03 of the \$0.48 increase came from merger costs falling to \$22 million from \$41 million. The tax rate rose to 23.8% from 22.9% and the diluted share count rose slightly, so taxes and buybacks did not flatter the growth; interest expense fell \$15 million to \$312 million. Roughly 75% of incremental volume came from intermodal, at \$1,586 of revenue per unit against \$4,136 for industrial, mechanically diluting revenue per carload.

CORE MARGIN IMPROVED MORE THAN REPORTED. Reported operating ratio improved only 10 basis points to 59.1%, slightly worse than the 59.0% consensus estimate. Excluding merger costs it worsened 30 basis points to 58.8%, because fuel imposed a 140-basis-point headwind; the implied core improvement is approximately 110 basis points from volume, pricing, and productivity. Workforce productivity rose approximately 5% and expense excluding fuel rose approximately 4.4%, below volume growth. Service indices slipped, intermodal to 92% from 98%.

CASH IS HELD FOR THE MERGER. Year-to-date operating cash flow rose 17.5% to \$8.302 billion, and adjusted debt to adjusted EBITDA improved to 2.4 times from 2.7 times at year-end. Share-repurchase outflow fell to \$26 million from \$2.679 billion as cash is retained ahead of the merger. Standalone execution improved, while the merger's probability, timing, conditions, and shareholder economics remain unresolved, with remedy filings due November 18 and closing anticipated in the second half of 2027.

4 | KEY READ-THROUGHS

MODERNIZATION BENEFITS MORE DIRECTLY THAN NEW LOCOMOTIVES

Wabtec Corporation (WAB: United States) | Positive | Moderate for revenue timing and existing-program visibility

Union Pacific raised its 2026 capital plan \$200 million to \$3.5 billion, partly to pull forward modernization work under Wabtec's \$1.2 billion agreement. Diesel rose 64% year over year to \$4.21 per gallon, so each gallon saved is worth about 64% more, strengthening the case for efficiency upgrades without a larger fleet.

FREIGHT GROWTH IS NOT TRANSLATING INTO EQUIPMENT REQUIREMENTS

The Greenbrier Companies (GBX: United States), Trinity Industries (TRN: United States) | Negative | Modest for incremental, growth-driven railcar orders

Volume rose 6% while train length rose about 2%, freight-car velocity about 1%, and dwell fell about 2%; stored equipment was unstacked, not replaced: "When we said used, we didn't say used up." Bulk volume was essentially flat and coal fell 3%, so most incremental traffic needs no new conventional freight cars.

MODAL CONVERSION SUPPORTS INTERMODAL UTILIZATION, BUT NOT AUTOMATIC MARGIN EXPANSION

Hub Group (HUBG), Schneider National (SNDR), J.B. Hunt Transport Services (JBHT) | Positive | Material at the intermodal-business level, more diluted at the consolidated level

Domestic intermodal volume rose 13% to a fifth consecutive record quarter; growth began before the diesel-price acceleration, on service quality and terminal investments. The benefit is container utilization and fixed-cost recovery. The qualification is pricing: higher railroad pricing is purchased transportation expense for marketers, with the bid season set before trucking tightened.

NORFOLK SOUTHERN REMAINS EXPOSED TO REMEDY SEVERITY, NOT JUST APPROVAL

Norfolk Southern (NSC: United States) | Negative | High potential valuation magnitude

Consideration is 1.0 Union Pacific share plus \$88.82 cash per Norfolk Southern share, so the position carries deal-break and timing risk, not just approval risk. Management anticipates closing in the second half of 2027, with reassessment after the November 18 submissions; it stated, "We will walk away from this," making remedy severity decisive.