

UNION PACIFIC NYSE-UNP

RECENT PRICE **82.19** P/E RATIO **15.8** (Trailing: 15.6 Median: 15.0) RELATIVE P/E RATIO **0.88** DIV'D YLD **2.7%** VALUE LINE

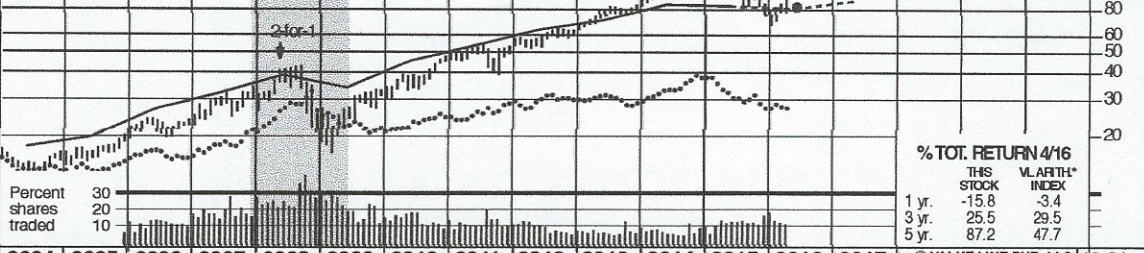
TIMELINESS 4 Lowered 1/29/16
SAFETY 1 Raised 5/30/14
TECHNICAL 3 Raised 5/27/16
 BETA 1.05 (1.00=Market)

High: 20.3 24.4 34.4 42.9 33.4 47.9 53.9 64.6 84.1
 Low: 14.5 19.4 22.4 20.9 16.6 30.2 38.9 52.0 63.7
LEGENDS
 10.5x "Cash Flow" p/sh
 Relative Price Strength
 2for-1 split 5/08
 2for-1 split 6/14
 Options: Yes
 Shaded area indicates recession

2019-21 PROJECTIONS
 Ann'l Total
 Price Gain Return
 High 150 (+85%) 18%
 Low 120 (+45%) 12%

Insider Decisions
 J A S O N D J F M
 to Buy 0 0 0 0 0 1 0 1 0
 Options 0 1 0 1 0 2 1 6 1
 to Sell 0 1 0 0 0 2 1 0 1

Institutional Decisions
 202015 302015 402015
 to Buy 600 603 604
 to Sell 678 633 626
 Hlds(000) 690313 682552 672642



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB, LLC	19-21
11.98	11.96	12.31	11.19	11.08	12.31	14.11	15.60	17.85	14.00	17.26	20.37	22.29	24.08	27.16	25.69	24.45	26.00	Revenues per sh	33.35
2.07	2.14	2.30	2.06	1.69	1.89	2.58	3.04	3.70	3.24	4.34	5.11	6.07	6.76	8.02	7.91	7.70	8.35	"Cash Flow" per sh	10.95
.90	.94	1.08	1.02	.72	.85	1.48	1.73	2.27	1.81	2.77	3.36	4.14	4.71	5.75	5.41	5.20	5.85	Earnings per sh ^A	8.00
.20	.20	.20	.23	.30	.30	.30	.34	.47	.54	.66	.97	1.25	1.48	1.91	2.20	2.20	2.40	Div'ds Decl'd per sh ^B	3.20
1.80	1.73	1.86	1.70	1.70	1.97	2.03	2.39	2.76	2.36	2.52	3.31	3.98	3.83	4.92	5.48	4.45	4.75	Cap'l Spending per sh	5.00
8.74	9.56	10.50	11.96	11.48	12.42	13.87	14.94	15.35	16.77	18.07	19.36	21.17	23.27	23.99	24.38	25.30	27.50	Book Value per sh	32.00
991.52	1001.2	1014.6	1032.6	1102.8	1103.2	1103.8	1043.5	1006.5	1010.1	983.13	959.86	938.93	912.00	883.37	849.21	830.00	815.00	Common Shs Outst'g ^C	750.00
11.7	14.3	13.9	14.7	21.0	19.9	15.0	16.4	14.6	14.7	13.8	14.5	14.1	16.0	17.6	18.3	18.3	18.3	Avg Ann'l P/E Ratio	17.0
.76	.73	.76	.84	1.11	1.06	.81	.87	.88	.98	.88	.91	.90	.90	.93	.93	.93	.93	Relative P/E Ratio	1.05
1.9%	1.5%	1.3%	1.5%	2.0%	1.8%	1.4%	1.2%	1.4%	2.0%	1.7%	2.0%	2.1%	2.0%	1.9%	2.2%	2.2%	2.2%	Avg Ann'l Div'd Yield	2.4%

CAPITAL STRUCTURE as of 3/31/16
 Total Debt \$15193 mill. Due in 5 Yrs \$3833 mill.
 LT Debt \$14791 mill. LT Interest \$200 mill.
 Incl. \$1268 mill. capitalized leases.
 (LT interest earned: 13.9x; total interest coverage: 12.9x)
 Leases, Uncapitalized Annual rentals \$508 mill.
 Pension Assets-12/15 \$3.54 bill.
 Oblig. \$3.96 bill.
 Pfd Stock None
 Common Stock 841,034,308 shs.
 as of 1/29/16
MARKET CAP: \$69.1 billion (Large Cap)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
15578	16283	17970	14143	16965	19557	20926	21963	23988	21813	20280	21200	23988	21813	20280	21200	23988	21813	Revenues (\$mill)	25000
26.5%	28.8%	30.4%	34.2%	38.1%	37.5%	40.6%	42.0%	44.4%	46.1%	44.0%	45.0%	44.4%	46.1%	44.0%	45.0%	44.4%	46.1%	Operating Margin	47.0%
1237.0	1321.0	1387.0	1444.0	1487.0	1617.0	1760.0	1777.0	1904.0	2012.0	2050	2100	2050	2100	2050	2100	2050	2100	Depreciation (\$mill)	2300
1606.0	1855.0	2338.0	1826.0	2780.0	3292.0	3943.0	4388.0	5180.0	4702.0	4350	4725	4350	4725	4350	4725	4350	4725	Net Profit (\$mill)	5900
36.4%	38.4%	36.1%	36.4%	37.3%	37.5%	37.6%	37.7%	37.9%	37.6%	37.7%	37.7%	37.9%	37.4%	37.5%	37.5%	37.5%	37.5%	Income Tax Rate	37.5%
10.3%	11.4%	13.0%	12.9%	16.4%	16.8%	18.8%	20.0%	21.6%	21.6%	21.4%	22.3%	21.6%	21.6%	21.4%	22.3%	21.4%	22.3%	Net Profit Margin	23.6%
d1128	d447.0	d67.0	998.0	480.0	410.0	495.0	199.0	914.0	924.0	1000	1200	1000	1200	1000	1200	1000	1200	Working Cap'l (\$mill)	1550
6000.0	7543.0	8607.0	9636.0	9003.0	8697.0	8801.0	8872.0	11018	13607	14500	14000	14500	14000	14500	14000	14500	14000	Long-Term Debt (\$mill)	12000
15312	15585	15447	16941	17763	18578	19877	21225	21189	20702	21000	22000	21000	22000	21000	22000	21000	22000	Shr. Equity (\$mill)	24000
8.5%	9.0%	10.8%	8.0%	11.5%	13.1%	14.6%	15.5%	17.0%	14.6%	12.5%	14.0%	12.5%	14.0%	12.5%	14.0%	12.5%	14.0%	Return on Total Cap'l	16.5%
10.5%	11.9%	15.1%	10.8%	15.7%	17.7%	19.8%	20.7%	24.4%	22.7%	20.5%	21.0%	20.5%	21.0%	20.5%	21.0%	20.5%	21.0%	Return on Shr. Equity	24.5%
8.4%	9.6%	12.0%	7.6%	12.3%	13.2%	14.1%	14.4%	16.7%	11.4%	12.0%	13.5%	12.0%	13.5%	12.0%	13.5%	12.0%	13.5%	Retained to Com Prof	14.5%
20%	20%	21%	30%	22%	25%	29%	30%	32%	50%	42%	40%	42%	40%	42%	40%	42%	40%	All Div'ds to Net Prof	40%

BUSINESS: Union Pacific Corporation owns Union Pacific Railroad, the largest railroad in the U.S. in both track miles and total revenues, with nearly 31,974 route miles serving the western two-thirds of the United States. '15 RR revenue mix: Coal, 16%; Intermodal, 20%; Agricultural, 17%; Industrial, 19%; Chemicals, 17%; Automotive, 11%. Spun off UP Resources 9/96. Acq'd Southern Pacific 9/96. Sold Overnite Transport. 11/03. '15 RR operating ratio: 63.1%. Has 47,457 employees. Officers/directors own less than 1% of stock; Capital Research Investors, 6.7%; BlackRock, 6.1%; Vanguard, 5.8% (4/16 proxy). Chairman, President & CEO: Lance M. Fritz. Incorporated: Utah. Address: 1400 Douglas St., Omaha, NE 68179. Telephone: 402-544-5000. Internet: www.up.com.

CURRENT POSITION

	2014	2015	3/31/16
Cash Assets	1586	1391	2673
Receivables	1611	1356	1355
Inventory (LIFO)	712	736	716
Other	770	647	339
Current Assets	4679	4130	5083
Accts Payable	877	743	791
Debt Due	462	594	402
Other	2426	1869	2094
Current Liab.	3765	3206	3287

Union Pacific reported in line first-quarter results. Cost-cutting initiatives, coupled with a better mix, helped offset some of the volume declines in the March period. Coal shipments were the primary factor for the volume weakness, due to less utility demand and intense competition from natural gas for power generation. In fact, volumes were down 34% year over year, as utility stockpiles remain elevated. Meanwhile, the industrial and intermodal businesses experienced sales declines, owing to overall global economic weakness. Automotive volumes rose 7%, but were offset by an 8% drop in pricing. On a positive note, the railroad generated a healthier amount of free cash flow, thanks largely to a sharp reduction in capital spending. Finally, core pricing was up only 2.5%, while the operating ratio rose 30 basis points, to 65.1% (lower is better).
The near-term outlook lacks visibility. Lower drilling activity in the U.S. and soft coal demand ought to weigh on the energy business this year. The growth picture is more mixed across its other businesses. The industrial unit should benefit from increased construction activity, but be hurt

by softening demand for certain metals. The auto division will likely continue to experience volume gains for vehicles and parts, but how long the industry sustains this current production is a concern. The railroad could implement more cost-management controls and cut capital spending. Share buybacks will also be a key method of returning capital, with about 43 million shares left under the current authorization.
We are reducing our 2016 full-year bottom-line estimate by \$0.15, to \$5.20 a share. The volume declines in the coal business should be more pronounced this year, but the fuel surcharge revenue headwinds also ought to moderate in the coming quarters. Nevertheless, we are reducing our 2017 full-year share-net target by \$0.20, to \$5.85.
The short-term headwinds remain, but there is still value here for buy-and-hold investors, in our view. Additionally, this untimely stock is ranked 1 (Highest) for Safety and holds high marks for Price Growth Persistence, Stock Price Stability, and Financial Strength.
 Michael Collins
 May 27, 2016

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			
Revenues	8.5%	9.5%	4.5%
"Cash Flow"	15.0%	15.0%	6.5%
Earnings	20.0%	18.5%	7.0%
Dividends	21.0%	27.5%	9.5%
Book Value	7.0%	7.5%	5.0%

QUARTERLY REVENUES (\$mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	5290	5470	5573	5630	21963
2014	5638	6015	6182	6153	23988
2015	5614	5429	5562	5208	21813
2016	4829	4950	5250	5251	20280
2017	5150	5200	5450	5400	21200

EARNINGS PER SHARE ^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	1.02	1.19	1.24	1.27	4.71
2014	1.19	1.43	1.53	1.61	5.75
2015	1.30	1.30	1.50	1.31	5.41
2016	1.16	1.24	1.40	1.40	5.20
2017	1.25	1.40	1.65	1.55	5.85

QUARTERLY DIVIDENDS PAID ^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.30	.30	.30	.30	1.20
2013	.345	.345	.345	.395	1.43
2014	.395	.455	.455	.50	1.91
2015	.50	.55	.55	.55	2.15
2016	.55	.55	.55	.55	2.15

change in accounting: '03, 51¢. Earnings may not sum due to rounding. Next earnings report late July. (B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (C) In millions, adjusted for stock splits.

Company's Financial Strength A++
Stock's Price Stability 85
Price Growth Persistence 100
Earnings Predictability 85

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