

Union Pacific Corp (UNP)

Price:	\$153.90	Net Tang. Bk Value Incl. Cash (NTBVIC):	\$20,056,000,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$42,890,612,274.89
Market Cap:	\$71,837,442,000	NTBVIC/Market Downside Recovery:	27.92%	Avg. Year FCF/Share:	\$2,609,195,764.98
Cash:	\$1,917,000,000	Op. Cash Flow:	\$5,829,371,550	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$9,352,000,000	Implied Years to Fill Gap:	8.88	Year 5 Disposition Price:	\$50,718,199,569.83
Net Cash:	-\$7,435,000,000	Today's Equity if 5x Op. CF:	\$37,544,114,650		
Enterprise Value:	\$79,272,442,000	Net Tang. Book+5 FCF+ Gain Disposition:		\$50,718,199,569.83	
Shares Outstanding:	466,780,000	IRR:		-6.73%	
		Price:		\$108.66	
		Target Market Cap:		\$50,718,199,570	
		Target Enterprise Value:		\$58,153,199,570	

\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

We have seen companies with excess cashflow, such as UNP, conduct share buybacks as a means of efficient allocation of capital. However, we are not so sure stock repurchases necessarily translates into efficiency.

For example, if the intrinsic value of a stock is only \$10/share, but the company is buying back shares at \$1,000,000,000,000/share, then \$1,000,000,000,000 is gone out the door to the shareholders who participated in the buyback, but leaves the company and remaining shareholders holding worthless paper. If the market agrees with the buyback value, then everyone, even the remaining shareholders will benefit, should they subsequently sell off their shares to the foolish market.

We feel the market is overvaluing UNP right now at 3.6x P/B, and 30x FCF. Further repurchases by the co. throws away cash to disloyal investors, while the remaining shareholders increase their ownership stake in a less valuable company.

It is important to monitor the buyback price for these repurchases and advise companies to repurchase only when the market price is at a discount to book value, and ideally, tangible book value. Warren Buffett has written about this principle in his investor letters and we see the rationale in this principle.

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Union Pacific Corporation (UPC) owns transportation companies. Its principal operating company, Union Pacific Railroad Company, links 23 states in the western 66% of the country. Union Pacific Railroad Company's business mix includes agricultural products, automotive, chemicals, energy, industrial products and intermodal. Union Pacific Railroad Company connects with Canada's rail systems and is the railroad serving six gateways to Mexico. Union Pacific Railroad Company (UPRR) is a Class I railroad operating in the United States. In June 2012, the Company's wholly owned subsidiary, PS Technology (PST), acquired the Yard Control Systems division of Ansaldo STS USA.

<b>Company Name:</b>		<b>Union Pacific Corp</b>			<b>Income Statement</b>		
Ticker Symbol:	UNP	Market Capitalization:	\$71,837,442,000.00	Revenue:	\$21,100,000,000.00	100.0%	
<b>Last Price:</b>	<b>\$153.90</b>	Total Debt:	\$9,352,000,000.00	Cost of Goods Sold:	\$5,920,000,000.00	28.1%	
Net Cash/Share:	-\$15.93	Total Cash:	\$1,917,000,000.00	Gross Profit:	\$15,180,000,000.00	71.9%	
Net Cash to Last Price:	-10.35%	Net Cash/(Debt):	-\$7,435,000,000.00	EBITDA:	\$8,640,000,000.00	40.9%	
Shares Outstanding:	466,780,000	Enterprise Value:	\$79,272,442,000.00	Net Income:	\$4,040,000,000.00	19.1%	
Industry:	Railroads	Current EV/Share:	\$169.83				
Sector:	Industrials	EBITDA:	\$10,259,000,000.00	<b>Balance Sheet</b>			
		EV/EBITDA Multiple:	7.73	Cash:	\$1,917,000,000.00		
Institutional Ownership:	81.48%	EV/EBITDA Multiple Average Year 1-5:	8.16	Short Term Investment:	\$0.00		
Mutual Fund Ownership:	1.27%	EV/FCF Multiple (excluding acquisition):	36.89	A/R:	\$1,300,000,000.00		
Insider Ownership:	0.57%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	30.38	PP&E:	\$42,500,000,000.00		
Retail Ownership:	16.11%					Assets:	\$48,473,000,000.00
Float:	99.43%					A/P:	\$825,000,000.00
		<b>Upper Range</b>				Deferred Tax:	\$13,288,000,000.00
		<b>DCF: EV/EBITDA Terminal Value</b>				Other Liabilities:	\$4,952,000,000.00
		Implied TV from 3 X EV/EBITDA Multiple	\$31,247,737,532.94	Short term Debt:	\$552,000,000.00		
		Enterprise Value	\$31,247,737,532.94	Long Term Debt:	\$8,800,000,000.00		
52 week low:	\$105.14	Cash at Year 5:	\$14,962,978,824.89	Liabilities:	\$28,417,000,000.00		
Today from 52 week low:	46.38%	Debt at Year 5:	\$9,352,000,000.00	Retained Earnings:	\$22,270,000,000.00		
52 week high:	\$155.45	Equity Value Year 5:	\$36,858,716,357.84	Paid-In Capital:	\$5,496,000,000.00		
Today from 52 week high:	1.01%	<b>Equity/Share at Year 5:</b>	<b>\$78.96</b>	Treasury Stock:	-\$6,700,000,000.00		
50 day Moving Average:	\$142.61	Annualized Return:	-12.49%	Stockholder's Equity:	\$19,880,000,000.00		
200 day Moving Average:	\$129.72					<b>Cash Flow</b>	
		<b>Lower Range</b>				Net Income:	3,943,000,000.00
		<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>				Depreciation/Amortization:	1,760,000,000.00
		Year 5 Net Tangible Assets excluding cash and debt	\$28,190,000,000.00	Change in Working capital:	-269,000,000.00		
<b>Analyst/Consensus</b>		Enterprise Value	\$28,190,000,000.00	Cash from Operating Activities:	6,161,000,000.00		
Analyst Sales Growth FY1:	6.40%	Cash at Year 5:	\$14,962,978,824.89	Capital Expenditures:	-4,012,000,000.00		
Analyst Sales Growth FY2:	7.10%	Debt at Year 5:	\$9,352,000,000.00	Cash from Investing Activities:	-3,633,000,000.00		
SN Valuation Estimate FY1:	5.00%	Equity Value Year 5:	\$33,800,978,824.89	Total Cash Dividends Paid:	-1,146,000,000.00		
SN Valuation Estimate FY2:	5.00%	<b>Equity/Share at Year 5:</b>	<b>\$72.41</b>	Issuance (Retirement) of Stock:	-1,474,000,000.00		
		Annualized Return:	-14.00%	Issuance (Retirement) of Debt:	-63,000,000.00		
Analyst Earnings Estimate FY1:	\$9.51					Cash from Financing Activities:	-2,682,000,000.00
Analyst Earnings Estimate FY2:	\$10.88	<b>EVA</b>				<b>Profitability Margins</b>	
SN Valuation Earnings Est. FY1:	\$8.53	EVA today:	\$22,189,862,658.09	Debt to Equity:	47.04%		
SN Valuation Earnings Est. FY2:	\$9.13	EVA in 5 Years:	\$43,724,228,505.13	Return on Assets:	8.13%		
		EVA/Share:	\$93.67	Return on Capital:	13.49%		
		Cash at Year 5:	\$14,962,978,824.89	Return on Equity:	19.83%		
		Debt at Year 5:	\$9,352,000,000.00				
		Equity Value Year 5:	\$49,335,207,330.03				
		<b>Equity/Share at Year 5:</b>	<b>\$105.69</b>				
		Annualized return	14.53%				
		<b>Current Net Tangible Asset</b>					
		<b>Net Tangible Asset/Share:</b>	<b>\$42.97</b>				
		<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$91.89</b>				
		Annualized return	16.42%				
		Average EV to EBITDA:	N/A				
		Company EV to EBITDA:	7.73				
		Average EV to EBIT:	N/A				
		Company EV to EBITA:	11.76				
		Current Equity Price:	\$153.90				
		Selling at Discount?	Premium				
		Appreciation Potential:	-72.08%				
		<b>Dividend Model</b>					
		<b>Next Year Dividend</b>	<b>\$1,462,352,937.31</b>				
		<b>WACC:</b>	<b>10.24%</b>				
		Dividend:	\$1,288,312,800.00				
		Net Income:	\$4,040,000,000.00				

SN VALUATION

LBO Pro Forma Income Statement

Name:

Union Pacific Corp

Ticker:

UNP

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	14,143.00	16,965.00	19,557.00	20,926.00	21,972.30	23,070.92	24,224.46	25,435.68	26,707.47
COGS	3,407.00	4,322.00	5,586.00	5,751.00	6,152.24	6,459.86	6,782.85	7,121.99	7,478.09
Gross margin	10,736.00	12,643.00	13,971.00	15,175.00	15,820.06	16,611.06	17,441.61	18,313.69	19,229.38
SG&A	5,243.00	5,456.00	5,848.00	5,862.00	6,371.97	6,690.57	7,025.09	7,376.35	7,745.17
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	21.00	5.00	6.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	687.00	719.00	782.00	788.00	878.89	922.84	968.98	1,017.43	1,068.30
Depreciation is: Excluded from COGS					1,800.00	1,800.00	1,800.00	1,800.00	1,800.00
Operating Income (EBITA)	4,806.00	6,447.00	7,336.00	8,499.00	6,769.20	7,197.66	7,647.54	8,119.92	8,615.91
Interest income/(expense)	-595.00	-598.00	-532.00	-532.00	-644.01	-644.01	-644.01	-644.01	-644.01
Gain (loss) on sale of asset	162.00	25.00	43.00	29.00	0.00	0.00	0.00	0.00	0.00
Other	28.00	46.00	71.00	82.00	0.00	0.00	0.00	0.00	0.00
Income before tax	2,974.00	4,433.00	5,264.00	6,318.00	6,125.19	6,553.65	7,003.53	7,475.91	7,971.90
Tax	1,084.00	1,653.00	1,972.00	2,375.00	2,143.82	2,293.78	2,451.24	2,616.57	2,790.17
Income after tax	1,890.00	2,780.00	3,292.00	3,943.00	3,981.37	4,259.87	4,552.29	4,859.34	5,181.74
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	1,890.00	2,780.00	3,292.00	3,943.00	3,981.37	4,259.87	4,552.29	4,859.34	5,181.74
*Figures are in millions (\$)									
EPS (based off today's share count)	\$4.05	\$5.96	\$7.05	\$8.45	\$8.53	\$9.13	\$9.75	\$10.41	\$11.10
P/E (historical today's price; forecasted intrinsic price)	38.01	25.84	21.82	18.22	16.83	14.67	12.81	11.19	9.79
Revenue Growth	N/A	19.95%	15.28%	7.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Rate	36.45%	37.23%	37.46%	37.59%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-6.04%	-6.47%	-6.39%	-5.91%	-7.32%	-7.32%	-7.32%	-7.32%	-7.32%
Margins									
COGS	24.09%	25.48%	28.56%	27.48%	28.00%	28.00%	28.00%	28.00%	28.00%
Gross margin	75.91%	74.52%	71.44%	72.52%	72.00%	72.00%	72.00%	72.00%	72.00%
SG&A	37.07%	32.16%	29.90%	28.11%	29.00%	29.00%	29.00%	29.00%	29.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.12%	0.03%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	4.86%	4.24%	4.00%	3.77%	4.00%	4.00%	4.00%	4.00%	4.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	8.19%	7.89%	7.43%	7.08%	6.74%
Operating Income (EBITA)	33.98%	38.00%	37.51%	40.61%	30.81%	31.20%	31.57%	31.92%	32.26%
Interest income/(expense)	-4.21%	-3.52%	-2.91%	-2.54%	-2.93%	-2.79%	-2.66%	-2.53%	-2.41%
Gain (loss) on sale of asset	1.15%	0.15%	0.22%	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.20%	0.27%	0.36%	0.39%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	21.03%	26.13%	26.92%	30.19%	27.88%	28.41%	28.91%	29.39%	29.85%
Tax	7.66%	9.74%	10.08%	11.35%	9.76%	9.94%	10.12%	10.29%	10.45%
Income after tax	13.36%	16.39%	16.83%	18.84%	18.12%	18.39%	18.79%	19.10%	19.40%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	13.36%	16.39%	16.83%	18.84%	18.12%	18.46%	18.79%	19.10%	19.40%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
					+	-						
Cash	1,850.00	1,086.00	1,217.00	1,063.00	1,917.00		1,917.00	3,746.37	5,946.64	8,536.36	11,534.99	14,962.98
Short term investment	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and Short term</b>	<b>1,850.00</b>	<b>1,086.00</b>	<b>1,217.00</b>	<b>1,063.00</b>	<b>1,917.00</b>		<b>1,917.00</b>	<b>3,746.37</b>	<b>5,946.64</b>	<b>8,536.36</b>	<b>11,534.99</b>	<b>14,962.98</b>
Accounts Receivable	666.00	1,184.00	1,401.00	1,331.00	1,300.00		1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00
Other receivables	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>666.00</b>	<b>1,184.00</b>	<b>1,401.00</b>	<b>1,331.00</b>	<b>1,300.00</b>		<b>1,300.00</b>	<b>1,300.00</b>	<b>1,300.00</b>	<b>1,300.00</b>	<b>1,300.00</b>	<b>1,300.00</b>
Total Inventory	475.00	534.00	614.00	660.00	655.00		655.00	655.00	655.00	655.00	655.00	655.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	689.00	628.00	495.00	560.00	562.00		562.00	562.00	562.00	562.00	562.00	562.00
<b>Current Assets</b>	<b>3,680.00</b>	<b>3,432.00</b>	<b>3,727.00</b>	<b>3,614.00</b>	<b>4,434.00</b>	<b>0.00</b>	<b>4,434.00</b>	<b>6,263.37</b>	<b>8,463.64</b>	<b>11,053.36</b>	<b>14,051.99</b>	<b>17,479.98</b>
PP&E, Gross	50,210.00	51,908.00	54,444.00	57,750.00	58,000.00		58,000.00	62,000.00	66,000.00	70,000.00	74,000.00	78,000.00
Change in Depreciation		1,487.00	1,617.00	1,760.00	1,760.00		1,760.00	1,848.00	1,940.40	2,037.42	2,139.29	2,246.26
Accumulated Depreciation	13,008.00	13,655.00	14,510.00	15,374.00	15,500.00		15,500.00	17,348.00	19,288.40	21,325.82	23,465.11	25,711.37
<b>PP&amp;E, Net</b>	<b>37,202.00</b>	<b>38,253.00</b>	<b>39,934.00</b>	<b>42,376.00</b>	<b>42,500.00</b>		<b>42,500.00</b>	<b>44,652.00</b>	<b>46,711.60</b>	<b>48,674.18</b>	<b>50,534.89</b>	<b>52,288.63</b>
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	1,036.00	1,137.00	1,175.00	1,259.00	1,240.00		1,240.00	1,240.00	1,240.00	1,240.00	1,240.00	1,240.00
Other long term assets	266.00	266.00	260.00	283.00	299.00		299.00	299.00	299.00	299.00	299.00	299.00
<b>Long Term Assets</b>	<b>38,504.00</b>	<b>39,656.00</b>	<b>41,369.00</b>	<b>43,918.00</b>	<b>44,039.00</b>		<b>44,039.00</b>	<b>46,191.00</b>	<b>48,250.60</b>	<b>50,213.18</b>	<b>52,073.89</b>	<b>53,827.63</b>
<b>Total Assets</b>	<b>42,184.00</b>	<b>43,088.00</b>	<b>45,096.00</b>	<b>47,532.00</b>	<b>48,473.00</b>	<b>0.00</b>	<b>48,473.00</b>	<b>52,454.37</b>	<b>56,714.24</b>	<b>61,266.54</b>	<b>66,125.88</b>	<b>71,307.61</b>
Accounts Payable	612.00	677.00	819.00	825.00	825.00		825.00	825.00	825.00	825.00	825.00	825.00
Accrued Expense	718.00	882.00	809.00	761.00	761.00		761.00	761.00	761.00	761.00	761.00	761.00
Other current Liabilities	1,140.00	1,154.00	1,480.00	1,337.00	1,523.00		1,523.00	1,523.00	1,523.00	1,523.00	1,523.00	1,523.00
<b>Total Current Liabilities</b>	<b>2,470.00</b>	<b>2,713.00</b>	<b>3,108.00</b>	<b>2,923.00</b>	<b>3,109.00</b>	<b>0.00</b>	<b>3,109.00</b>	<b>3,109.00</b>	<b>3,109.00</b>	<b>3,109.00</b>	<b>3,109.00</b>	<b>3,109.00</b>
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	212.00	239.00	209.00	196.00	552.00		552.00	552.00	552.00	552.00	552.00	552.00
Long term Debt	9,636.00	9,003.00	8,697.00	8,801.00	8,800.00	0.00	8,800.00	8,800.00	8,800.00	8,800.00	8,800.00	8,800.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>9,848.00</b>	<b>9,242.00</b>	<b>8,906.00</b>	<b>8,997.00</b>	<b>9,352.00</b>	<b>0.00</b>	<b>9,352.00</b>	<b>9,352.00</b>	<b>9,352.00</b>	<b>9,352.00</b>	<b>9,352.00</b>	<b>9,352.00</b>
Deferred Income tax	11,044.00	11,557.00	12,368.00	13,108.00	13,288.00		13,288.00	13,288.00	13,288.00	13,288.00	13,288.00	13,288.00
Minority Interest	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	2,021.00	1,813.00	2,136.00	2,248.00	2,668.00		2,668.00	2,668.00	2,668.00	2,668.00	2,668.00	2,668.00
<b>Total Liabilities</b>	<b>25,383.00</b>	<b>25,325.00</b>	<b>26,518.00</b>	<b>27,276.00</b>	<b>28,417.00</b>	<b>0.00</b>	<b>28,417.00</b>	<b>28,417.00</b>	<b>28,417.00</b>	<b>28,417.00</b>	<b>28,417.00</b>	<b>28,417.00</b>
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	1,384.00	1,385.00	1,386.00	1,386.00	1,386.00		1,386.00	1,386.00	1,386.00	1,386.00	1,386.00	1,386.00
Additional Paid-in capital	3,968.00	3,985.00	4,031.00	4,113.00	4,110.00	0.00	4,110.00	4,110.00	4,110.00	4,110.00	4,110.00	4,110.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	15,027.00	17,154.00	19,508.00	22,271.00	22,270.00		22,270.00	26,251.37	30,511.24	35,063.54	39,922.88	45,104.61
Treasury Stock	-2,924.00	-4,027.00	-5,293.00	-6,707.00	-6,700.00		-6,700.00	-6,700.00	-6,700.00	-6,700.00	-6,700.00	-6,700.00
Other Equity	-654.00	-734.00	-1,054.00	-1,186.00	-1,186.00		-1,186.00	-1,186.00	-1,186.00	-1,186.00	-1,186.00	-1,186.00
<b>Total Equity</b>	<b>16,801.00</b>	<b>17,763.00</b>	<b>18,578.00</b>	<b>19,877.00</b>	<b>19,880.00</b>	<b>0.00</b>	<b>19,880.00</b>	<b>23,861.37</b>	<b>28,121.24</b>	<b>32,673.54</b>	<b>37,532.88</b>	<b>42,714.61</b>
<b>Liability + Equity</b>	<b>42,184.00</b>	<b>43,088.00</b>	<b>45,096.00</b>	<b>47,153.00</b>	<b>48,297.00</b>	<b>0.00</b>	<b>48,297.00</b>	<b>52,278.37</b>	<b>56,538.24</b>	<b>61,090.54</b>	<b>65,949.88</b>	<b>71,131.61</b>
<b>Variance</b>	0.00	0.00	0.00	379.00	176.00		176.00	176.00	176.00	176.00	176.00	176.00
<b>Debt/Equity</b>	0.59	0.52	0.48	0.45	0.47		0.47	0.39	0.33	0.29	0.25	0.22
Inventory Turnover	29.77	31.77	31.85	31.71	33.55		31.95	33.55	35.22	36.98	38.83	40.77
Inventory Turnover Days	12.26	11.49	11.46	11.51	10.88		11.42	10.88	10.36	9.87	9.40	8.95
Days Inventory Outstanding	50.89	45.10	40.12	41.89	38.86		41.57	38.86	37.01	35.25	33.57	31.97
Accounts Receivable Turnover	21.24	14.33	13.96	15.72	16.90		16.10	16.90	17.75	18.63	19.57	20.54
Accounts Receivable Turnover Days	17.19	25.47	26.15	23.22	21.60		22.68	21.60	20.57	19.59	18.65	17.77
Days Payable Outstanding	65.57	57.17	53.52	52.36	48.95		52.36	48.95	46.61	44.40	42.28	40.27
Days Sales Outstanding	17.19	25.47	26.15	23.22	21.60		23.22	22.68	21.60	20.57	19.59	18.65
Cash Conversion Cycle	2.51	13.40	12.75	12.74	11.51		12.43	12.59	11.99	11.42	10.88	10.36
Net tangible assets/share	\$35.99	\$38.05	\$39.80	\$43.40	\$42.97		\$51.50	\$60.62	\$70.37	\$80.79	\$91.89	

SN VALUATION

LBO Adjusted Proforma Cash Flow

Ticker:

UNP

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	1,890.00	2,780.00	3,292.00	3,943.00	3,981.37	4,259.87	4,552.29	4,859.34	5,181.74
Depreciation	1,427.00	1,487.00	1,617.00	1,760.00	1,848.00	1,940.40	2,037.42	2,139.29	2,246.26
<b>Net Income + Depreciation</b>	<b>3,317.00</b>	<b>4,267.00</b>	<b>4,909.00</b>	<b>5,703.00</b>	<b>5,829.37</b>	<b>6,200.27</b>	<b>6,589.71</b>	<b>6,998.63</b>	<b>7,427.99</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	718.00	672.00	986.00	887.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	-538.00	-483.00	-298.00	-160.00	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-293.00	-351.00	-276.00	-269.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-518.00	-217.00	-70.00	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-59.00	-80.00	-46.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	65.00	142.00	6.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>3,204.00</b>	<b>4,105.00</b>	<b>5,873.00</b>	<b>6,161.00</b>	<b>5,829.37</b>	<b>6,200.27</b>	<b>6,589.71</b>	<b>6,998.63</b>	<b>7,427.99</b>
Capital Expenditures Expenditures	-2,454.00	-2,482.00	-3,261.00	-4,012.00	-4,000.00	-4,000.00	-4,000.00	-4,000.00	-4,000.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	309.00	-6.00	142.00	379.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-2,145.00</b>	<b>-2,488.00</b>	<b>-3,119.00</b>	<b>-3,633.00</b>	<b>-4,000.00</b>	<b>-4,000.00</b>	<b>-4,000.00</b>	<b>-4,000.00</b>	<b>-4,000.00</b>
Financing Cash flow items	114.00	-12.00	-164.00	1.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-544.00	-602.00	-837.00	-1,146.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.00	-1,249.00	-1,418.00	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-28.00	-518.00	-204.00	-63.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-458.00</b>	<b>-2,381.00</b>	<b>-2,623.00</b>	<b>-2,682.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	1,249.00	1,850.00	1,086.00	1,217.00	1,917.00	3,746.37	5,946.64	8,536.36	11,534.99
<b>Net Change in Cash</b>	<b>601.00</b>	<b>-764.00</b>	<b>131.00</b>	<b>-154.00</b>	<b>1,829.37</b>	<b>2,200.27</b>	<b>2,589.71</b>	<b>2,998.63</b>	<b>3,427.99</b>
Ending Cash Balance	1,850.00	1,086.00	1,217.00	1,063.00	3,746.37	5,946.64	8,536.36	11,534.99	14,962.98
Capex to Revenue	17.35%	14.63%	16.67%	19.17%	18.20%	17.34%	16.51%	15.73%	14.98%
Depreciation to Sales	10.09%	8.77%	8.27%	8.41%	8.41%	8.41%	8.41%	8.41%	8.41%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	4.71%	6.98%	7.16%	6.36%	6.06%	5.77%	5.49%	5.23%	4.98%
Distributable FCF/EV Yield	1.34%	2.04%	3.47%	3.19%	2.31%	2.78%	3.27%	3.78%	4.32%
Dividend Yield	-0.76%	-0.84%	-1.17%	-1.60%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>FCF (Ops-Investing-Dividends)</b>	<b>1,294.00</b>	<b>2,225.00</b>	<b>3,449.00</b>	<b>3,295.00</b>	<b>1,829.37</b>	<b>2,200.27</b>	<b>2,589.71</b>	<b>2,998.63</b>	<b>3,427.99</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

UNP

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>-154.00</b>	<b>1,829.37</b>	<b>2,200.27</b>	<b>2,589.71</b>	<b>2,998.63</b>	<b>3,427.99</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>9,352.00</b>	<b>9,352.00</b>	<b>9,352.00</b>	<b>9,352.00</b>	<b>9,352.00</b>	<b>9,352.00</b>
Current Portion Debt Balance	552.00	552.00	552.00	552.00	552.00	552.00
Long Term Debt Balance	8,800.00	8,800.00	8,800.00	8,800.00	8,800.00	8,800.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Interest Expense</b>		<b>654.64</b>	<b>654.64</b>	<b>654.64</b>	<b>654.64</b>	<b>654.64</b>
Cash Balance		1,063.00				
Interest @ 1.0%		10.63	10.63	10.63	10.63	10.63
<b>Net Interest Expense/(Income)</b>		<b>644.01</b>	<b>644.01</b>	<b>644.01</b>	<b>644.01</b>	<b>644.01</b>
<b>Net Interest Rate</b>		<b>7.32%</b>	<b>7.32%</b>	<b>7.32%</b>	<b>7.32%</b>	<b>7.32%</b>
EBITDA		6,769.20	7,197.66	7,647.54	8,119.92	8,615.91
<b>EBITDA/Interest Expense Coverage</b>		<b>10.34</b>	<b>10.99</b>	<b>11.68</b>	<b>12.40</b>	<b>13.16</b>

## Interest Rate Coverage Table

Debt Rating					
AAA					AAA
AA	AA	AA	AA	AA	
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

\*Source: NYU; Professor Damodaran

# Altman Z Score

Company Name:

Union Pacific Corp

Ticker:

UNP

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	1,210.00	719.00	619.00	1,325.00	3,154.37	5,354.64	7,944.36	10,942.99	14,370.98
Total Assets	42,184.00	43,088.00	45,096.00	48,473.00	52,454.37	56,714.24	61,266.54	66,125.88	71,307.61
<b>X1</b>	<b>0.03</b>	<b>0.02</b>	<b>0.01</b>	<b>0.03</b>	<b>0.06</b>	<b>0.09</b>	<b>0.13</b>	<b>0.17</b>	<b>0.20</b>
Retained Earnings	15,027.00	17,154.00	19,508.00	22,270.00	26,251.37	30,511.24	35,063.54	39,922.88	45,104.61
Total Assets	42,184.00	43,088.00	45,096.00	48,473.00	52,454.37	56,714.24	61,266.54	66,125.88	71,307.61
<b>X2</b>	<b>0.36</b>	<b>0.40</b>	<b>0.43</b>	<b>0.46</b>	<b>0.50</b>	<b>0.54</b>	<b>0.57</b>	<b>0.60</b>	<b>0.63</b>
EBITDA	4,806.00	6,447.00	7,336.00	8,499.00	8,569.20	8,997.66	9,447.54	9,919.92	10,415.91
Total Assets	42,184.00	43,088.00	45,096.00	48,473.00	52,454.37	56,714.24	61,266.54	66,125.88	71,307.61
<b>X3</b>	<b>0.11</b>	<b>0.15</b>	<b>0.16</b>	<b>0.18</b>	<b>0.16</b>	<b>0.16</b>	<b>0.15</b>	<b>0.15</b>	<b>0.15</b>
Market Value of Equity	71,837.44	71,837.44	71,837.44	71,837.44	67,005.96	62,499.43	58,295.98	54,375.25	50,718.20
Total Liabilities	25,383.00	25,325.00	26,518.00	28,417.00	28,417.00	28,417.00	28,417.00	28,417.00	28,417.00
<b>X4</b>	<b>2.83</b>	<b>2.84</b>	<b>2.71</b>	<b>2.53</b>	<b>2.36</b>	<b>2.20</b>	<b>2.05</b>	<b>1.91</b>	<b>1.78</b>
Net Sales	14,143.00	16,965.00	19,557.00	20,926.00	21,972.30	23,070.92	24,224.46	25,435.68	26,707.47
Total Assets	42,184.00	43,088.00	45,096.00	48,473.00	52,454.37	56,714.24	61,266.54	66,125.88	71,307.61
<b>X5</b>	<b>0.34</b>	<b>0.39</b>	<b>0.43</b>	<b>0.43</b>	<b>0.42</b>	<b>0.41</b>	<b>0.40</b>	<b>0.38</b>	<b>0.37</b>
<b>Altman Z Score</b>	<b>2.94</b>	<b>3.17</b>	<b>3.22</b>	<b>3.20</b>	<b>3.15</b>	<b>3.12</b>	<b>3.09</b>	<b>3.07</b>	<b>3.05</b>

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red