

CANADIAN PACIFIC RAILWAY LTD/CN

Form 10-Q

July 20, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-01342

Canadian Pacific Railway Limited

(Exact name of registrant as specified in its charter)

Canada 98-0355078

(State or Other Jurisdiction (IRS Employer

of Incorporation or Organization) Identification No.)

7550 Ogden Dale Road S.E.

T2C 4X9

Calgary, Alberta, Canada

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (403) 319-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of the close of business on July 18, 2016, there were 147,771,618 of the registrant's Common Shares issued and outstanding.

CANADIAN PACIFIC RAILWAY LIMITED  
 FORM 10-Q  
 TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

	Page
Item 1. Financial Statements:	
Interim Consolidated Statements of Income For the Three and Six Months Ended June 30, 2016 and 2015	<u>3</u>
Interim Consolidated Statements of Comprehensive Income For the Three and Six Months Ended June 30, 2016 and 2015	<u>4</u>
Interim Consolidated Balance Sheets As at June 30, 2016 and December 31, 2015	<u>5</u>
Interim Consolidated Statements of Cash Flows For the Three and Six Months Ended June 30, 2016 and 2015	<u>6</u>
Interim Consolidated Statements of Changes in Shareholders' Equity For the Six Months Ended June 30, 2016 and 2015	<u>7</u>
Notes to Interim Consolidated Financial Statements	<u>8</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<u>58</u>
Item 4. Controls and Procedures	<u>59</u>

PART II - OTHER INFORMATION

Item 1. Legal Proceedings	<u>60</u>
Item 1A. Risk Factors	<u>60</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>60</u>
Item 3. Defaults Upon Senior Securities	<u>60</u>
Item 4. Mine Safety Disclosures	<u>60</u>
Item 5. Other Information	<u>60</u>
Item 6. Exhibits	<u>61</u>

## PART I

## ITEM 1. FINANCIAL STATEMENTS

## INTERIM CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	For the three months ended June 30		For the six months ended June 30	
(in millions of Canadian dollars, except share and per share data)	2016	2015	2016	2015
Revenues				
Freight	\$1,406	\$1,610	\$2,954	\$3,240
Non-freight	44	41	87	76
Total revenues	1,450	1,651	3,041	3,316
Operating expenses				
Compensation and benefits	284	308	613	686
Fuel	131	185	256	380
Materials	38	45	94	97
Equipment rents	44	46	89	88
Depreciation and amortization	161	145	323	291
Purchased services and other (Note 4)	241	276	462	516
Total operating expenses	899	1,005	1,837	2,058
Operating income	551	646	1,204	1,258
Less:				
Other income and charges (Note 5)	(9)	(5)	(190)	68
Net interest expense	115	84	239	169
Income before income tax expense	445	567	1,155	1,021
Income tax expense (Note 6)	117	177	287	311
Net income	\$328	\$390	\$868	\$710
Earnings per share (Note 7)				
Basic earnings per share	\$2.16	\$2.38	\$5.70	\$4.32
Diluted earnings per share	\$2.15	\$2.36	\$5.67	\$4.28
Weighted-average number of shares (millions) (Note 7)				
Basic	151.7	163.7	152.3	164.3
Diluted	152.6	165.0	153.2	165.7

Dividends declared per share