Applied Corporate Finance

Canadian Pacific's bid for Norfolk Southern

Class-Case Discussion

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Plan of Attack

- Background
- Discussion/Proposed Solution Of Case
- What Happened?

Background Of Case

- The case takes place in 2015
- It involves two railroad companies: Canadian Pacific and Norfolk Southern
- This industry has gone through ups and downs
- After a growth phase, competitive pressure from trucking and cost increases (e.g., fuel, labor and equipment) in the 1970s led to financial difficulties and bankruptcies
- 1980s: Staggers Rail Act allowed more flexibility in setting rates, abandon unprofitable routes, and consolidate

Background Of Case (cont'd)

- This deregulation led to:
  - Improvements in service
  - Improvements in financial performance
  - Strong consolidation – number of Class I railroads went from 56 to 7 [p. 2]

- 1990s: Two main changes occurred
  - Surface Transportation Board (STB) replaced ICC as regulatory body and gained authority to regulate all mergers in this sector [p. 2]
  - Consolidation of Class I railroads continued [Ex. 2]

- Who are the players?

Norfolk Southern Corporation

- Formed in 1982 by merging 2 existing railroads
- Fourth largest Class I railroad operating in the North America
- CEO: James Squires
- In 2014 generated
  - $11.6 billion in operating revenues
  - $2.0 billion in income
- By early 2015 performance was deteriorating – operating ration (operating expenses divided by operating revenues) was among the worst in the industry

Canadian Pacific Railway Ltd.

- Founded in the late 19th century to connect major cities in Canada with the less populous territories
- Grew to become Canada's 2nd biggest company by 1986
- Activist investor: Bill Ackman bought 12% in 2011
- CEO: Hunter Harrison
- In 2014 generated
  - $5.7 billion in operating revenues
  - $1.3 billion in income
- Under Harrison, operating ratio fell from 81% to 60%

Why is Norfolk a takeover target?

How Can Takeovers Create Value?

- Are there **synergies**?
  - Cost savings?
  - Revenue increasing?
  - Risk reducing?
- Is Norfolk **mis-managed**?
- Is Norfolk **under-valued**?
- Are there any **private motives** for managers or some owners?

Will this merger create value?

- Yes, because:
  - Create a 21st century railroad company (p. 5)
    - Improve efficiency
    - Better customer service
    - Increase capacity utilization
  - Networks meet "end to end" (p. 5)
  - Significant estimated synergies (p. 6)
    - $1.8 Billion per year by
    - Pre-Merger improvements (72%)
    - Post-Merger combination synergies (28%)
  - Additional tax savings: $200million/year (p. 7)
  - NS management plan only put forward after CP bid (p. 1)

However, what does NS board say?

"… the indication of interest is grossly inadequate, creates substantial regulatory risks…and is not in the interest of the Company and its shareholders… [CP's] short-term, cut-to-the-bone strategy could cause [NS] to lose substantial revenues from our service-sensitive customer base…[and] risks harm to vital transportation infrastructure and communities we serve." (p.1)

Will this merger create value? (cont'd)

- No, because:
  - Regulatory risks (p.1 and p.4)
    - Long timeframe: 18-24 months (p.5, p.7)
    - STB's skeptical attitude (p.3)
    - Potential onerous conditions (p.5)
  - Overly complicated deal structure
    - Voting trust holding company (p.6)
    - Harrison to replace Squires (p.6)
  - Activist investor may have short-term focus (p.1)
    - "Cut-to-the-bone" strategy could harm customers (p.1)
  - Does it really need a merger?
    - 72% of benefits without Merger (p.6)
    - NS management plan: Oper. Ratio from 70% to 65% by 2020 (p.1)

Will this merger create value? (cont'd)

- When NS rejects the CP's offer, whose interests are being represented?
  – Shareholders?
  – Board?
  – CEO (i.e., Squires)?

- If there is a conflict of interests, how big is it?
  – Need to weight the financial costs and benefits of the merger

- Valuation:
  – Need to value company as a stand-alone
  – Value the synergies
  – Value the offers

Stand alone valuation

- We will start with the valuation of Norfolk Southern as a stand-alone company

- Will work under two different assumptions:
  - Fixed leverage ratio – use WACC
  - Fixed amount of debt – use APV

- In both cases we will need:
  - Unlevered betas
  - Free Cash Flows
  - Terminal value growth rate / TV multiple

Calculate the discount rate (WACC)

$$r_{WACC} = \frac{E}{E+D} r_e + \frac{D}{E+D} r_d (1-\tau)$$

- What do we need?
  - Return on equity (r_E)
  - Return on debt (r_D)
  - Corporate tax rate (τ)
  - Target capital structure (D/V and E/V)

Calculate Asset Beta

- Need to unlever comparable companies' equity beta
  - Why?
  - Why not just use NS beta directly?
  - Need to think where synergies are coming from and how risky are those cash flows

- Should we use book leverage or mkt leverage?

- Ex. 1 has information on current leverage, avg. leverage in last 2 years, and avg. leverage in last 5 years
  - Which one should we use?

Calculating Asset Beta (cont'd)

Ticker	Current D/V	D/V (5 year)	β_D (assumed)	E/V	β_E	β_A
CNI	14.5%	15.4%	0.15	84.6%	1.04	0.90
CP	21.9%	22.4%	0.15	77.6%	1.31	1.05
CSX	27.8%	27.5%	0.15	72.5%	1.29	0.98
KSU	19.1%	16.6%	0.15	83.4%	1.24	1.06
NSC	29.2%	26.1%	0.15	73.9%	1.13	0.87
UNP	15.0%	13.3%	0.15	86.7%	1.02	0.90
Average	**21.2%**	**20.2%**				**0.96**

Calculating r_E and r_D

- Now we must relever beta. But with which capital structure for NS?
  - Past of future?
  - I will assume 20% leverage = industry average

- What is the risk-free rate?
  - Will use 2.9% = 30-year US Treasury rate [Ex. 11]

- What is the market risk premium?
  - Will assume 5.5%

Calculate the discount rate (WACC) cont'd

	Assets	Debt	Equity
Target Capital Structure		20%	80%
Risk Free rate	2.9%	2.9%	2.9%
Beta	0.96	0.15	1.16
Market Risk Premium	5.5%	5.5%	5.5%
Required Return (CAPM)	8.2%	3.7%	9.3%

- Assume corporate tax rate = 36% (p. 7)

$$r_{WACC} = 0.8 * 9.3 + 0.2 * 3.7 * (1 - 0.36) = 7.9\%$$

Stand Alone Valuation - WACC

		Projected (period ending 12/31)					
		2016	2017	2018	2019	2020	
Income statement items							
Revenue		10,698	11,175	11,671	12,191	12,557	12,871
Operating expenses		6,397	6,570	6,808	7,049	7,139	7,440
Depreciation		1,091	1,135	1,180	1,227	1,300	1,313
EBIT		3,210	3,470	3,683	3,915	4,118	4,118
EBIAT	T=36%	2,054	2,221	2,357	2,506	2,636	2,636
Depreciation (+)		1,091	1,135	1,180	1,227	1,300	1,313
CAPX (-)		2,070	1,910	1,930	1,930	1,949	1,969
Chg NWC (-)		63	-6	-6	-6	-4	-4
FCF		**1,012**	**1,452**	**1,613**	**1,809**	**1,990**	**1,983**
Terminal Value	g=2.5%						**37,641**
Discount factor (WACC)	7.9%	0.927	0.859	0.796	0.738	0.684	0.634
Discounted FCC		938	1,247	1,284	1,334	1,361	25,109
Enterprise Value		**31,273**					
Debt (-)		9,496					
Equity Value		**21,777**					
Value per share		**72.25**					

Sensitivity Analysis

$ / share		TV Growth Rate		
		2.25%	2.50%	2.75%
	7.6%	74.39	78.57	83.18
WACC	7.9%	68.57	72.25	76.30
	8.2%	63.33	66.60	70.17

EV/EBITDA		TV Growth Rate		
		2.25%	2.50%	2.75%
	7.6%	7.8	8.1	8.4
WACC	7.9%	7.4	7.6	7.9
	8.2%	7.0	7.2	7.5

Stand Alone Valuation - APV

		Projected (period ending 12/31)					
		2016	**2017**	**2018**	**2019**	**2020**	
Income statement items							
Revenue		10,698	11,175	11,671	12,191	12,557	12,871
Operating expenses		6,397	6,570	6,808	7,049	7,139	7,440
Depreciation		1,091	1,135	1,180	1,227	1,300	1,313
EBIT		3,210	3,470	3,683	3,915	4,118	4,118
EBIAT	T=36%	2,054	2,221	2,357	2,506	2,636	2,636
Depreciation (+)		1,091	1,135	1,180	1,227	1,300	1,313
CAPX (-)		2,070	1,910	1,930	1,930	1,949	1,969
Chg NWC (-)		63	-6	-6	-6	-4	-4
FCF		**1,012**	**1,452**	**1,613**	**1,809**	**1,990**	**1,983**
Terminal Value	g=2.5%						**35,660**
Discount factor (rA)	8.2%	0.924	0.854	0.789	0.730	0.674	0.623
Discounted FCC		935	1,240	1,273	1,320	1,342	23,459
PV of Tax Shields (+)		3,419					
Enterprise Value		**32,988**					
Debt (-)		9,496					
Equity Value		23,492					
Value per share		77.94					

Valuation by Multiples

Ticker	EBITDA [Ex. 1]	Enterprise Value [Ex. 1]	EV / EBITDA
CNI	5,047	54,152	10.7
CP	2,586	29,592	11.4
CSX	4,926	36,331	7.4
KSU	1,086	12,260	11.3
NSC	4,140	32,523	7.9
UNP	10,491	88,971	8.5
Average			**9.5**
Implied Enterprise Value of Norfolk			39,450
Implied Value per Share of Norfolk			**$99**

- Norfolk seems to trade at lower EBITDA multiple than most comparables. What do we learn?
- Is the firm undervalued? Is it mismanaged? Differences in businesses? Is this a special year (unusually low EBITDA)?

Measuring the value of synergies

- What are the main synergies?
    1. Pre-merger operational synergies
    2. Post-merger combination synergies
    3. Tax savings resulting from a lower effective tax rate

- To measure 1. and 2., we can use information from Table A (p. 6)

- Tax savings are estimated to be about $200 million per year (p.7)

PV of operational synergies

- Key steps:

    1. Calculate a discount rate (WACC)

    2. Calculate the relevant cash flows

    3. Discounting

    4. Interpretation and sensitivity analysis

Calculating Synergy FCF

		2016	2017	2018	2019	2020	
<u>Pre-Merger Operational Improvements</u>							
Increase in EBIT		214	529	844	1,159	1,260	1,260
Incremental Taxes (p.7)	36%	77	191	304	417	454	454
EBIAT		137	339	540	742	806	806
Terminal Value	2.5%						15,307
Incremental Pre-Merger FCF		137	339	540	742	806	16,113
Discount rate and Factor	7.9%	0.93	0.86	0.80	0.74	0.68	0.63
Present Value		127	291	430	547	551	10,211
PV Pre-Merger Op. Improve.	**<u>12,157</u>**						

Calculating Synergy FCF

		2016	2017	2018	2019	2020	
Post-Merger Combination Synergies							
Increase in EBIT		0	0	124	248	371	495
Incremental Taxes (p.7)	36%	0	0	45	89	134	178
EBIAT		0	0	79	158	238	317
Terminal Value	2.5%						6,013
Incremental Post-Merger FCF		0	0	79	158	238	6,330
Discount rate and Factor	7.9%	0.93	0.86	0.80	0.74	0.68	0.63
Present Value		0	0	63	117	162	4,011
PV Post-Merger Op. Improve.	**4,354**						
Tax Synergies							
Increase in EBIT		0	0	200	200	200	200
Terminal Value	2.5%						3,796
Incremental Pre-Merger FCF		0	0	200	200	200	3,996
Discount rate and Factor	7.9%	0.93	0.86	0.80	0.74	0.68	0.63
Present Value		0	0	159	148	137	2,532
PV Pre-Merger Op. Improve.	**2,976**						
PV of Total Merger Benefits	**19,487**						
Number of shares outstanding	301.4						
PV of Total Merger Benefits/Share	**65**						

Sensitivity Analysis

	Low	Expected	High
Risk Premium	5.0%	5.5%	6.0%
Asset Beta	0.86	0.96	1.06
Railroad WACC	**6.9%**	**7.9%**	**9.0%**

		WACC		
		6.9%	7.9%	9.0%
Terminal Value	2.0%	21,732	18,067	15,250
Growth Rate	2.5%	23,883	19,487	16,218
	3.0%	26,586	21,196	17,348

		WACC		
		6.9%	7.9%	9.0%
Terminal Value	2.0%	72.20	60.02	50.67
Growth Rate	2.5%	79.35	64.74	53.88
	3.0%	88.33	70.42	57.63

How do you feel about these calculations?

- Any issues?
  - Synergy numbers are not very transparent. Can we trust these numbers?
  - Who provided the information? What are their incentives?
  - Is it feasible to obtain more than $12 billion from pre-Merger synergies?
  - If so, what does that imply?
  - Comparability of firms used to calculate asset beta

- Is there other information in the case that may help cross-check these estimates?

Market reaction to the Merger Announcement

	NS	CP	NS + CP
Stock Price Change	5.52	8.07	
Shares Outstanding	301	161	
Change in Market Cap.	**1,664**	**1,299**	**2,963**
Percent of Combined Change	56%	44%	

- However, the bid was not a complete surprise.
- How to deal with that?
  - Look at changes from pre-speculation value

Market reaction to the Merger Announcement cont'd

	NS	CP	NS + CP
Stock Price Change [Ex. 9b]			
Merger Rumors (11/06/15 - 1/09/15)	8.75	7.87	
Initial Offer	5.52	8.07	
Total Change	14.27	15.94	
Shares Outstanding [Ex. 1]	301.4	161	
Change in Market Cap.	**4,301**	**2,566**	**6,867**
Percent of Combined Change	63%	37%	

- What does 6.867 represent?
- How does the market's assessment of the value of merger benefits compare to our calculations?

Market reaction to the Merger Announcement cont'd

- $6.9 billion vs. $19.5 billion (corresponds to about 1/3)

- Why could we be so far off?
  1. DCF assumes 100% of projected merger benefits
     - Market may believe less than full benefits will occur
  2. Pre-rumor share price may already include a merger premium
  3. Differences in merger completion probability
     - Market may not assign 100% probability
     - Our calculations assume the merger is completed

Market reaction to the Merger Announcement cont'd

- Ackman tried to make this point repeatedly during a Dec. 16 conference call:

"I think it's pretty clear that NS does not want to be acquired, and what they've done is they've misled the investing public, and the way they've misled the investing public is they've characterized our offer and the value of our offer by looking at the current trading price of CP, and they multiply that times 0.451, they add the cash and they say, well, that's only $90 a share so that's grossly inadequate… The problem with this methodology, NS shareholders are not getting CP stock. They're getting stock in, as I showed in previous slide, a new company, CP-NS. It's going to own both CP and NS, and it will be a very different company from CP."

Market reaction to the Merger Announcement cont'd

"The reason why you wouldn't use today's price for CP is today's price highly discounts the probability of a transaction, and the reason for that is that NS has told everyone, no way, we're not going to do this. And in fact, it's doing everything they can, running down the hall of the congress, putting stories in the media, getting their consultants to say negative things about a transaction. All of these things impair the trading price of CP, because people say, well the deal is not going to happen. As a result, the stock did not reflect any potential for this transaction to take place."

- Maybe due to this disagreement in valuation, CP revised their offer (twice).
- So, what were the offers and how much are they worth?

Canadian Pacific's Offers

	Canadian Pacific's 3 Offers			
	INITIAL	**REVISED**	**INITIAL VS.**	**SWEETENED**
	Nov-17	Dec-08	**REVISED**	Dec-16
Data Source	page 1	page 5		Page 7
Per NS Share				
Cash	$46.72	$32.86	($13.86)	$32.86
Stock Exchange Ratio	0.348	0.451	0.103	0.451
CVR Security Exchange Ratio				0.451

How to value the offers?

- Let's start with the Initial offer (on a per NS share basis):
  - Cash component = $46.72
  - Stock = 0.348 exchange ratio
  - How much is the stock component worth?

	INITIAL
	Nov-17
Per NS Share	
Cash	46.72
Stock Exchange Ratio	0.348
CP's pre-offer stock price [Ex 9b]	138.58
Total value of offer (p. 4)	**94.95**
NS pre-offer stock price [Ex 9b]	86.97
Premium relative to pre-offer value	9.2%

- How do you feel about this?

How to value the offers? (cont'd)

- If you were a shareholder of NS, what should you use to inform your vote?
  - Market implied synergies or our calculations?

- Journalists almost always use <u>current</u> stock prices (like in our previous table). Some analysts do that too. This is <u>incorrect</u>. Why?

- Because NS shareholders do not hold 0.348 shares in CP
  - They hold shares in the combined company.
  - Therefore, we need to estimate how much is CP-NS worth

- Let's do this calculation assuming:
  - The deal is completed <u>and</u> all projected merger benefits are realized

Value of Initial Offer

	CP	NS	Combined	Notes and sources info.
Debt Outstanding	6,477	9,496	15,973	Ex.1
Stand alone share price	134	80		Assumption/Ex. 9b
Number of shares outstanding	161	301.4		Ex. 1
Stand alone Enterprise Value	28,051	33,608	61,659	BV Debt + Mv Equity
Merger benefits			19,487	Our calculations
Combined value including synergies			**81,146**	
less Original Debt Outstanding			-15,973	
less Merger Debt (Cash portion)			-14,081	301.4*$46.72
Merged CP-NS equity value			**51,092**	
Leverage ratio	23%	28%	37%	BV Debt / Enterprise Value
Number of CP-NS shares outsanding	161	105	266	161+0.348*301.4
Ownership stake	61%	39%		
CP-NS share price			**192.16**	
Value of revised offer (per NS share)				
Cash	46.72			p.1
CP-NS shares	66.87			0.348*192.16
Total value of offer	**113.59**			
Premium to stand alone value	42%			113.59 / 80 -1
Premium % of merger benefits	52%			301.4 * (113.59 - 80) / 19,487

Value of Revised Offer

	CP	NS	Combined	Notes and sources info.
Debt Outstanding	6,477	9,496	15,973	Ex.1
Stand alone share price	134	80		Assumption/Ex. 9b
Number of shares outstanding	161	301.4		Ex. 1
Stand alone Enterprise Value	28,051	33,608	61,659	BV Debt + Mv Equity
Merger benefits			19,487	Our calculations
Combined value including synergies			**81,146**	
less Original Debt Outstanding			-15,973	
less Merger Debt (Cash portion)			-9,904	301.4*$32.86
Merged CP-NS equity value			**55,269**	
Leverage ratio	23%	28%	32%	BV Debt / Enterprise Value
Number of CP-NS shares outsanding	161	136	297	161+0.451*301.4
Ownership stake	54%	46%		
CP-NS share price			**186.13**	
Value of revised offer (per NS share)				
Cash	32.86			p.5
CP-NS shares	83.95			0.451*186.13
Total value of offer	**116.81**			
Premium to stand alone value	46%			116.81 / 80 -1
Premium % of merger benefits	57%			301.4 * (116.81 - 80) / 19,487

How would you see this offer?

- We calculated a large valuation premium

- Yet, the management of the firm said the offer was “grossly inadequate”

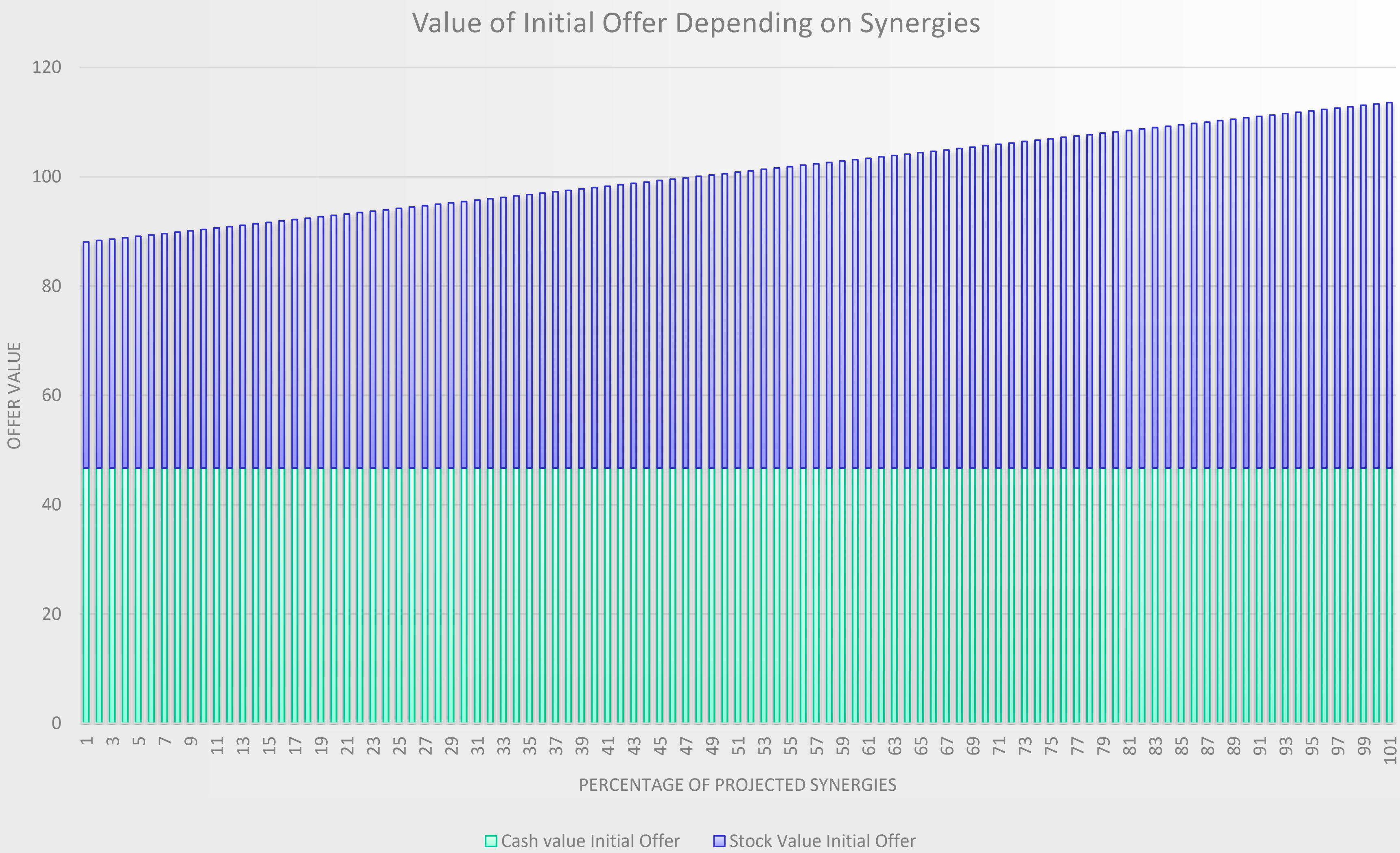
- Is there another way to estimate the value of Norfolk?
  - Yes! Transaction multiples [Exhibit 2]

Transaction Multiples

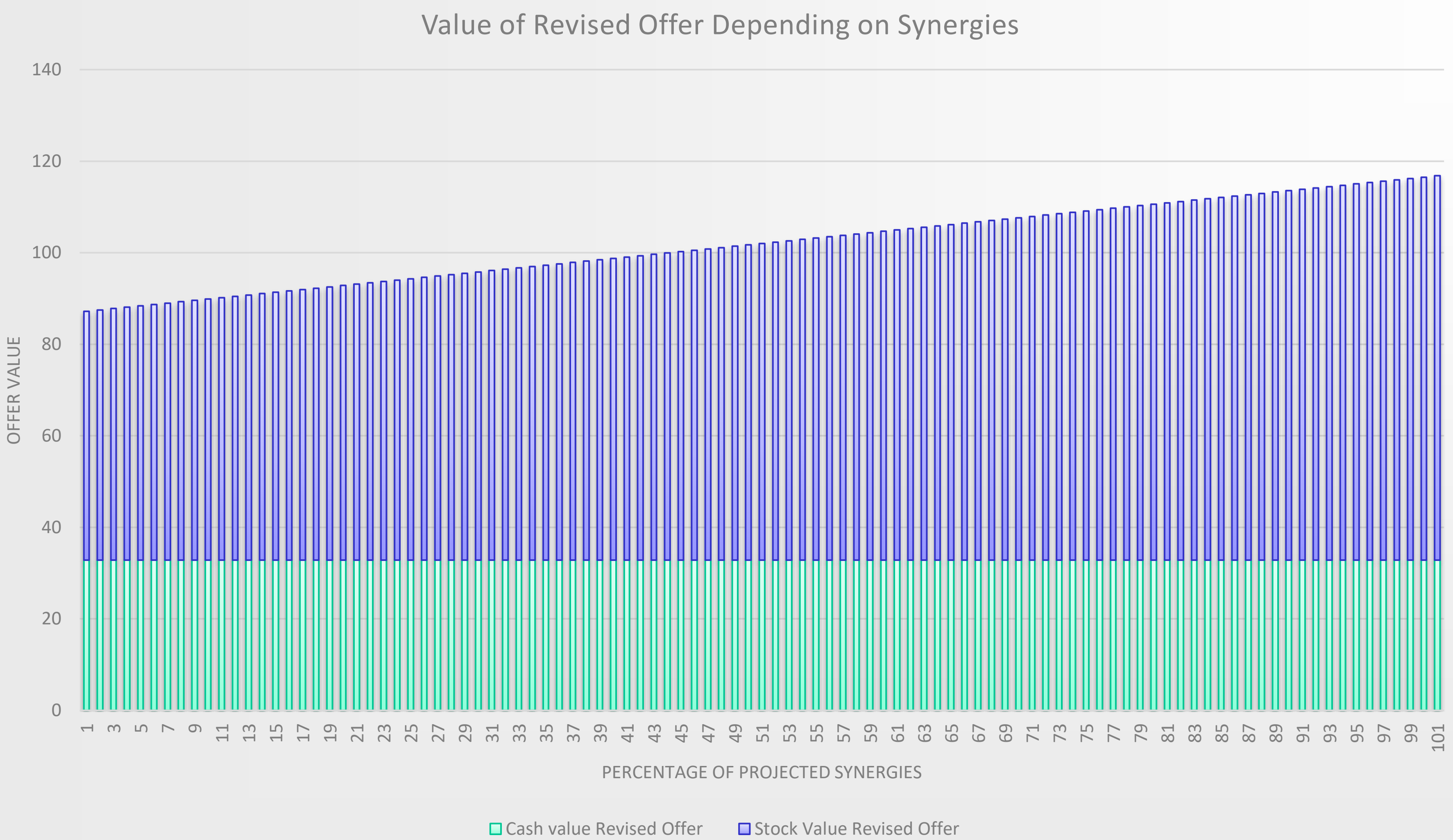
EBIDTA Multiple [Ex. 2]	**9.0**	**10.7**	**13.0**
EBITDA	4,140	4,140	4,140
Implied Enterprise Value	37,260	44,298	53,820
Less Debt [Ex. 1]	9,496	9,496	9,496
Implied Equity Value	27,764	34,802	44,324
Number of shares [Ex. 1]	301.4	301.4	301.4
Implied Value per share	**92**	**115**	**147**

- Value of offer depends crucially on whether the synergies are real.

Initial Offer Value Depending on Synergies



Revised Offer Value Depending on Synergies



Initial vs Revised Offer Value Depending on Synergies

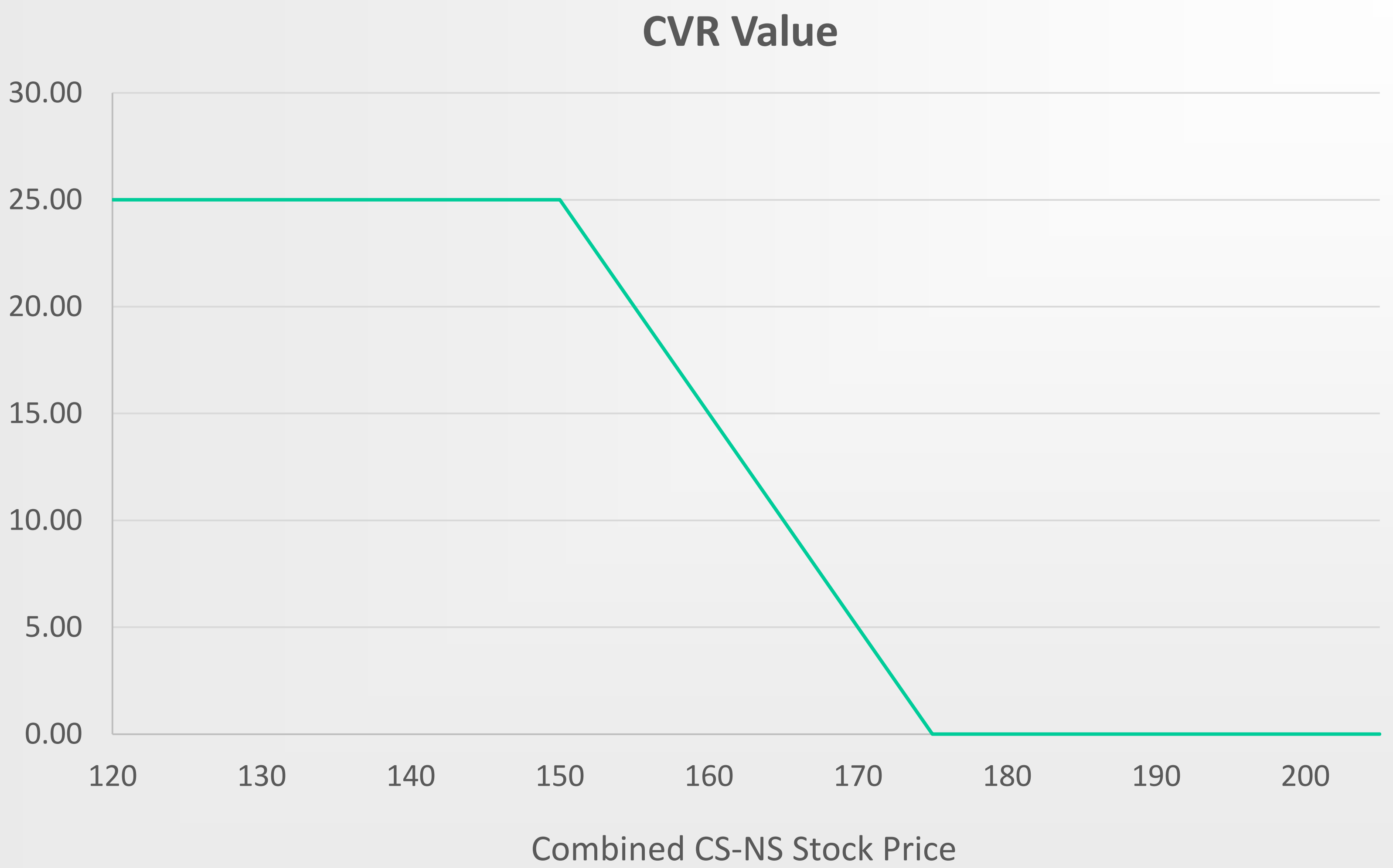
Assessing CP's "Sweetened" Offer

- Main difference from revised offer – added a CVR security (p. 7)
- CVR would be given to shareholders when the transaction closed (expected to occur in April 2016)
- Security would mature 18 months later

- At maturity
  - If combined CS-NS share price is less than \$175 → receive a cash payment equal to 175 - share price, up to a maximum of \$25
  - If combined CS-NS share price is more than \$175 → security does not deliver any payment

- What does this do?

Assessing CP's "Sweetened" Offer

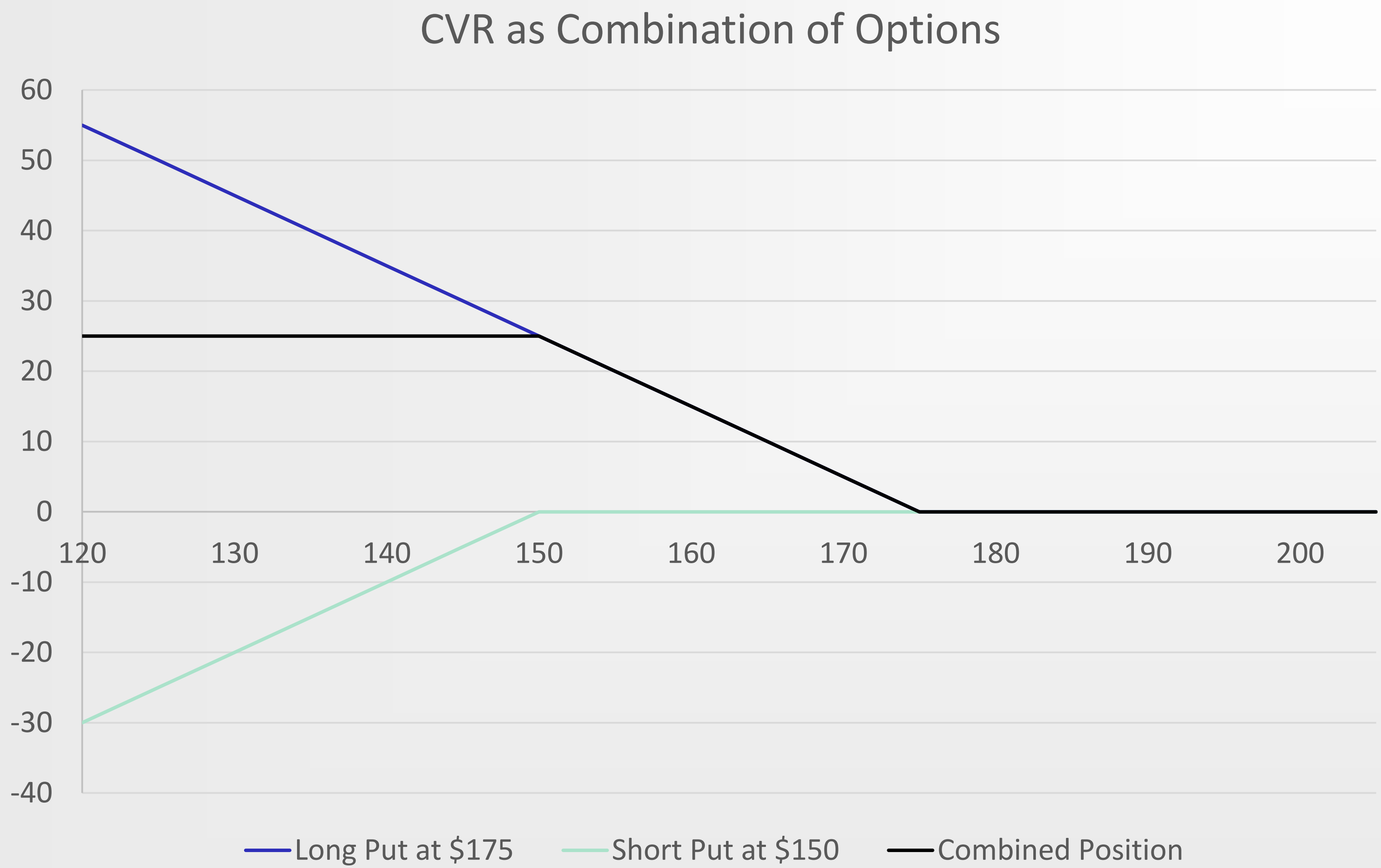


Assessing CP's "Sweetened" Offer

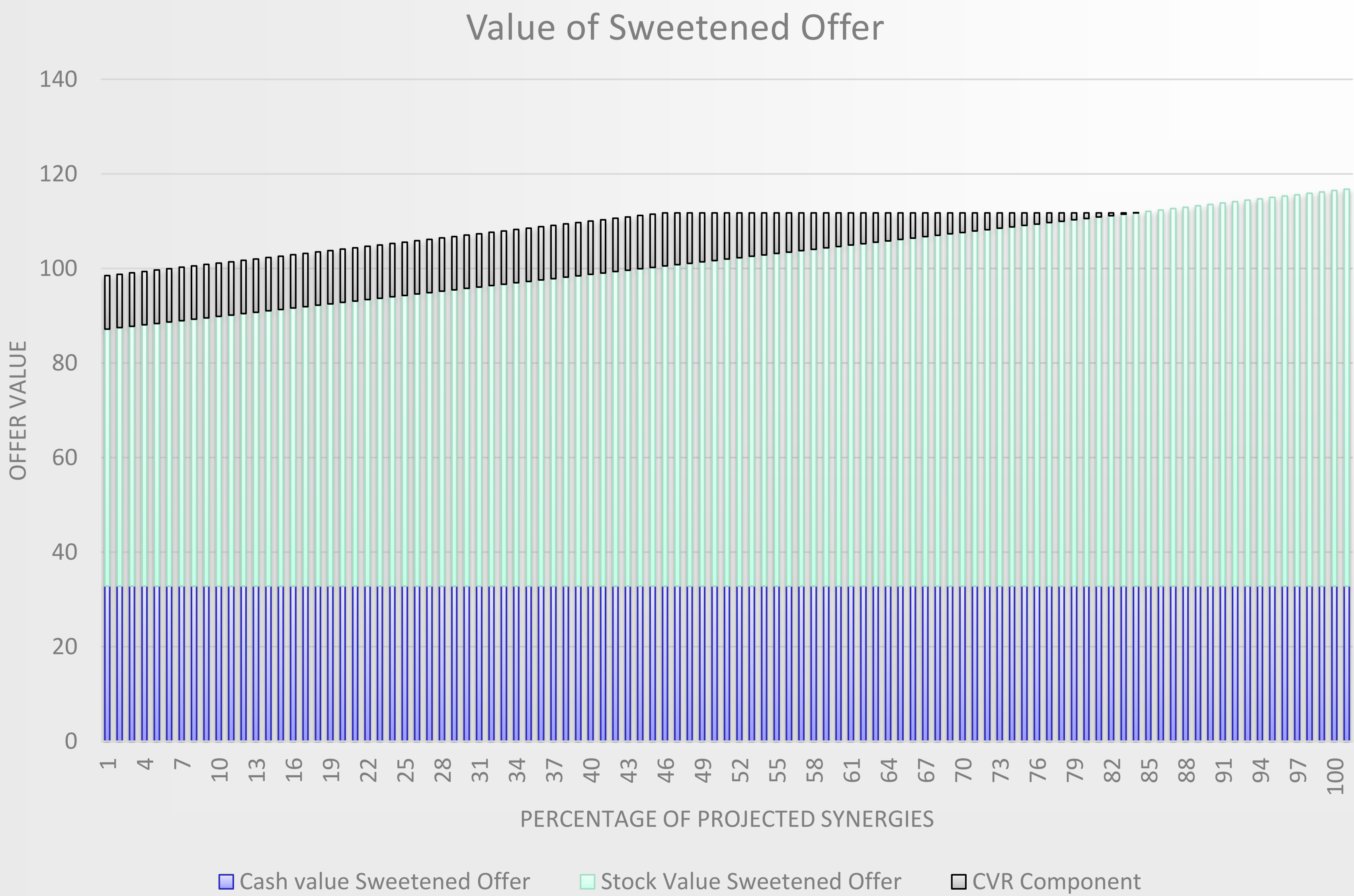
- Those of you who may be familiar with option payoffs, you may recognize that this type of payoff schedule can be constructed as a combination of options

- For example, one could:
  - Go Long a Put with Strike $175
  - Short a Put with Strike $150

Assessing CP's "Sweetened" Offer



Payoff of CVR



Assessing CP's "Sweetened" Offer

- Why did CP decided to Sweeten the deal?
- What does the CVR security do?
- Any concerns or additional comments?

What Happened?

What Happened

- 23/12/2015: NS Board of Directors unanimously rejects CP's revised bid to acquire NS
- 22/01/2016: Charles Wick Moorman interview with "Trains NewsWire"
  - "[CP is] not a merger partner that makes sense whatsoever from a strategic standpoint"
  - "I've known Hunter a long time and I like Hunter. But Hunter goes out and says things"
  - "CP's plan is doomed to failure… if Hunter puts out an order to park 700 locomotives, I don't even give it a week. The service would collapse. It's just that easy."
- 09/02/2016: CP notifies NS of its intent to submit non-binding resolution to NS shareholders to ask NS BOD to "engage in good faith discussions with CP regarding a business combination"

What Happened (Cont'd)

- 09/02/2016: No response
  - "… we believe further discussions are not in the best interests of NS shareholders unless CP offers NS shareholders compelling value and addresses the regulatory issues inherent in the proposal."
  - "The NS team remains focused on executing our plan to reduce costs, drive profitability and enhance value for all NS shareholders. We believe the interests of NS shareholders are best served by the continued execution of our strategic plan."

- 02/03/2016: CP asks for expedited declaratory order from STB. Decision by May.

- 04/03/2016: Senate Judiciary Subcommittee on Antitrust, Competition, Policy and Consumer Rights sends letter to U.S. attorney general's office stating concerns that the proposed voting trust structure "will limit the ability of the STB to protect competition"

What Happened (Cont'd)

- 09/03/2016: US Justice Dept. raises competition concerns about the proposed voting trust
  - The voting trust is "an area of concern" because it could allow the merging parties to accomplish much of the merger before a government antitrust review had taken place
  - "That strikes me as letting the fox into the chicken coop subject to an investigation later of why there are so many feathers lying around" – Justice Dept. Antitrust Chief Bill Baer

- 09/03/2016: CP files preliminary proxy statement with SEC outlining shareholder resolution requesting that the NS BOD "promptly engage in good faith discussions with CP regarding a business combination"

What Happened (Cont'd)

- 11/03/2016: STB schedule for public comments. Responses due 08/04; Rebuttals due 13/04.
  - Opposition letters: Shippers (incl. Fed Ex, UPS, ConsolEnergy, and Dow Chemical), major labor unions, and railroads (incl. BNSF, CSX, and Union Pacific)
- 08/04/2016: The DOJ's Bill Baer filed a formal letter advising STB to reject the voting trust structure CP had proposed.
  - Again, he argued that the voting trust would allow the railroads to merge before regulators had a chance to vote on t.

What Happened (Cont'd)

- 11/04/2016: In light of DOJs position, CP's enthusiasm for the deal faded. CP terminates efforts to merge with NS and withdrawals shareholder resolution.

"With no clear path for a friendly merger at this time, we will turn all of our focus and energy to serving our customers and creating long term value for CP shareholders."

"I doubt very much we will be reaching out to anyone else"

"We fought the good fight; tried to educate the public. But the political and economic environment was against us."

Meanwhile at Canadian Pacific

- 18/01/2016: Bloomberg News
  - Hunter Harrison the outgoing chief executive officer of Canadian Pacific Railway Ltd., is teaming up with activist investor Paul Hilal to target CSX Corp.
  - The pair is likely to push to install Harrison in a leadership position at the U.S. railroad, said the person who asked not to be identified because the matter is private. Hilal worked for years with billionaire hedge fund manager Bill Ackman before starting his own fund.
  - Ackman enlisted Harrison about five years ago to help him wage a proxy fight against Canadian Pacific, with the goal of replacing then-CEO Fred Green after years of underperformance. Once installed in mid-2012, Harrison began cutting staff, parking locomotives and running faster trains to improve efficiency and cash flow.
  - CSX surged 15% to $42.25 at 7:10am Thursday in New York

Meanwhile at Canadian Pacific

- 15/02/2016: CSX shareholders likely to swallow Hunter Harrison's exceptionally unusual $300-million pay package (Jacksonvile Business Journal)
  - Florida-based CSX will ask shareholders to vote on the "extraordinary requests" made by Harrison and activist investor Paul Hilal, who owns 4.9 percent of CSX's shares through his investment firm, Mantle Ridge.
  - CSX shares are up nearly 30 percent since the first reports that Harrison was going to claim the corner office. An addition of more than $12 billion in market capitalization.

- Maybe a bit outside the scope of the case, but interesting:
  - CSX is one of NS's major competitors in the southeastern part of the US
  - With a new CEO (which many consider the best in the industry) and streamlined operations, it is interesting to ponder whether at the end of the day NS is better off without the merger.
  - Would Harrison have remained at CP if the merger went through?