

CANADIAN PACIFIC RAILWAY LTD/CN

Form 6-K

July 21, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

For the month of July, 2015

CANADIAN PACIFIC RAILWAY LIMITED

(Commission File No. 1-01342)

CANADIAN PACIFIC RAILWAY COMPANY

(Commission File No. 1-15272)

(translation of each Registrant's name into English)

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7550 Ogden Dale Road S.E., Calgary, Alberta, Canada, T2C 4X9

(address of principal executive offices)

Indicate by check mark whether the registrants file or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrants are submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrants are submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

The interim financial statements, Management's Discussion and Analysis, and updated earnings coverage calculations included in this Report furnished on Form 6-K shall be incorporated by reference into, or as an exhibit to, as applicable, the Registration Statements of Canadian Pacific Railway Limited on Form S-8 (File Nos. 333-127943, 333-13962, 333-140955, 333-183891, 333-183892, 333-183893, 333-188826 and 333-188827) and Form F-10 (File No. 333-190229) and the Registration Statement of Canadian Pacific Railway Company on Form F-10 (File No. 333-189815).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANADIAN PACIFIC RAILWAY LIMITED
(Registrant)

Date: July 21, 2015

Signed: /s/ Scott Cedergren
By: Name: Scott Cedergren
Title: Assistant Corporate Secretary

CANADIAN PACIFIC RAILWAY COMPANY
(Registrant)

Date: July 21, 2015

Signed: /s/ Scott Cedergren
By: Name: Scott Cedergren
Title: Assistant Corporate Secretary

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SECOND QUARTER REPORT | 2015

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Release: Immediate July 21, 2015

CP reports Q2 2015 diluted earnings per share of C\$2.36; adjusted EPS of \$2.45

Revises full-year 2015 earnings outlook

Calgary, AB Canadian Pacific Railway Limited (TSX: CP) (NYSE: CP) today announced the highest-ever net income for the second quarter and the lowest operating ratio for the period in the company's history.

Net income rose to a record quarterly high of \$390 million, or \$2.36 per diluted share, an improvement of 12 percent. Adjusted earnings per share gained 16 percent to \$2.45. Revenues were little changed at \$1.65 billion.

CP remains disciplined during this period of economic uncertainty in identifying opportunities to control costs and improve efficiency to offset near-term headwinds, said E. Hunter Harrison, CP's Chief Executive Officer. CP's achievement on the bottom line came even as a sluggish North American recovery and stubborn global economic softness weighed on commodity prices, forcing producers to reduce output and cut shipments.

SECOND-QUARTER 2015 HIGHLIGHTS

Operating income climbed 10 percent to \$646 million

OR fell to a second-quarter record 60.9 percent, a 420-basis-point improvement

Adjusted earnings per share advanced 16 percent to \$2.45

Even in the face of this economic slowdown, CP's commitment to providing the best service at the lowest cost will continue to serve us well moving forward, Harrison said. The positive CP story is based on a business model that allows for flexibility—we are nimble, efficient, and able to respond to the ever-changing economic climate.

UPDATED FINANCIAL EXPECTATIONS FOR 2015

The company expects revenue growth to be 2-3 percent, operating ratio to be below 62 percent, and 2015 annual adjusted diluted EPS of \$10.00 to \$10.40.

Key assumptions for the updated full year 2015 financial expectations include:

Canadian to U.S. dollar average exchange rate of \$1.25

An effective income tax rate (excluding discrete items) of 27.5 percent

Defined benefit pension expense of approximately \$35 million, compared with 2014 pension income of \$52 million

Capital expenditures of approximately \$1.5 billion

Average On Highway Diesel (OHD) price of U.S. \$2.80-\$2.90

Current share repurchase plan expected to be completed by calendar year-end

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Further, CP will no longer be exempt from the regular SEC reporting requirements in 2016 because a majority of its board was comprised of U.S. citizens or residents as of June 30, 2015 (the relevant date for determining foreign private issuer status for U.S. SEC reporting purposes in 2016). This follows a determination that the resignation of Stephen Tobias from the board occurred on July 3, 2015.

Accordingly, CP plans to follow the regular SEC reporting requirements effective January 1, 2016, file an annual report on Form 10-K for the year ended December 31, 2015 and file regular periodic reports under both Canadian and U.S. law thereafter.

Non-GAAP Measures

For further information regarding non-GAAP measures, including reconciliations to the nearest GAAP measures, see the attached supplementary schedule Non-GAAP Measures.

Note on forward-looking information

This news release contains certain forward-looking information within the meaning of applicable securities laws relating, but not limited, to our operations, priorities and plans, anticipated financial performance, including our 2015 full-year guidance, business prospects, planned capital expenditures, programs and strategies. This forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance. Forward-looking information may contain statements with words or headings such as financial expectations, key assumptions, anticipate, believe, expect, plan, will, outlook, should or similar words suggesting future outcomes. To the extent that CP has provided guidance using non-GAAP financial measures, the Company may not be able to provide a reconciliation to a GAAP measure, due to unknown variables and uncertainty related to future results.

Undue reliance should not be placed on forward-looking information as actual results may differ materially from the forward-looking information. Forward-looking information is not a guarantee of future performance. By its nature, CP's forward-looking information involves numerous assumptions, inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking information, including but not limited to the following factors: the key assumptions identified above; changes in business strategies; general North American and global economic, credit and business conditions; risks in agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures; industry capacity; shifts in market demand; changes in commodity prices; uncertainty surrounding timing and volumes of commodities being shipped via CP; inflation; changes in laws and regulations, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; uncertainties of investigations, proceedings or other types of claims and litigation; labour disputes; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions and discount rates on the financial position of pension plans and investments; and various events that could disrupt operations, including severe weather, droughts,

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floods, avalanches and earthquakes as well as security threats and governmental response to them, and technological changes. The foregoing list of factors is not exhaustive.

These and other factors are detailed from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to Management's Discussion and Analysis in CP's annual and interim reports, Annual Information Form and Form 40-F. Readers are cautioned not to place undue reliance on forward-looking information. Forward-looking information is based on current expectations, estimates and projections and it is possible that predictions, forecasts, projections, and other forms of forward-looking information will not be achieved by CP. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

About Canadian Pacific

Canadian Pacific (TSX:CP)(NYSE:CP) is a transcontinental railway in Canada and the United States with direct links to eight major ports, including Vancouver and Montreal, providing North American customers a competitive rail service with access to key markets in every corner of the globe. CP is growing with its customers, offering a suite of freight transportation services, logistics solutions and supply chain expertise. Visit cpr.ca to see the rail advantages of Canadian Pacific.

Contacts:

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Table of Contents**CANADIAN PACIFIC RAILWAY LIMITED****INTERIM CONSOLIDATED STATEMENTS OF INCOME**

(in millions of Canadian dollars, except per share data)

(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2015	2014	2015	2014
Revenues				
Freight	\$ 1,610	\$ 1,642	\$ 3,240	\$ 3,116
Non-freight	41	39	76	74
Total revenues	1,651	1,681	3,316	3,190
Operating expenses				
Compensation and benefits	308	342	686	687
Fuel	185	273	380	544
Materials	45	47	97	99
Equipment rents	46	40	88	81
Depreciation and amortization	145	137	291	278
Purchased services and other (Note 4)	276	255	516	491
Total operating expenses	1,005	1,094	2,058	2,180
Operating income	646	587	1,258	1,010
Less:				
Other income and charges (Note 5)	(5)	3	68	3
Net interest expense	84	69	169	139
Income before income tax expense	567	515	1,021	868
Income tax expense (Note 6)	177	144	311	243
Net income	\$ 390	\$ 371	\$ 710	\$ 625
Earnings per share (Note 7)				
Basic earnings per share	\$ 2.38	\$ 2.13	\$ 4.32	\$ 3.57
Diluted earnings per share	\$ 2.36	\$ 2.11	\$ 4.28	\$ 3.54
Weighted-average number of shares (in millions) (Note 7)				
Basic	163.7	174.4	164.3	174.9
Diluted	165.0	175.9	165.7	176.5

Dividends declared per share	\$ 0.3500	\$ 0.3500	\$ 0.7000	\$ 0.7000
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See Notes to Interim Consolidated Financial Statements.

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	For the three months ended June 30		For the six months ended June 30	
	2015	2014	2015	2014
Net income	\$ 390	\$ 371	\$ 710	\$ 625
Net gain (loss) on foreign currency translation adjustments, net of hedging activities	7	7	(30)	7
Change in derivatives designated as cash flow hedges	36	(1)	(33)	(2)
Change in pension and post-retirement defined benefit plans <i>(Note 3)</i>	66	31	138	62
Other comprehensive income before income tax recovery	109	37	75	67
Income tax (expense) recovery	(35)	(24)	11	(16)
Other comprehensive income <i>(Note 3)</i>	74	13	86	51
Comprehensive income	\$ 464	\$ 384	\$ 796	\$ 676

See Notes to Interim Consolidated Financial Statements.

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	June 30 2015	December 31 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 185	\$ 226
Accounts receivable, net	686	702
Materials and supplies	174	177
Deferred income taxes	69	56
Other current assets	99	116
	1,213	1,277
Investments	134	112
Properties	15,104	14,438
Assets held for sale (<i>Note 8</i>)	198	182
Goodwill and intangible assets	189	176
Pension asset (<i>Note 13</i>)	469	304
Other assets (<i>Note 2</i>)	83	117
Total assets	\$ 17,390	\$ 16,606
Liabilities and shareholders equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,331	\$ 1,277
Long-term debt maturing within one year (<i>Note 9</i>)	90	134
	1,421	1,411
Pension and other benefit liabilities (<i>Note 13</i>)	759	755
Other long-term liabilities	362	432
Long-term debt (<i>Notes 2 and 9</i>)	6,611	5,625
Deferred income taxes	2,986	2,773
Total liabilities	12,139	10,996
Shareholders equity		
Share capital (<i>Note 10</i>)	2,151	2,185
Additional paid-in capital	40	36
Accumulated other comprehensive loss (<i>Note 3</i>)	(2,133)	(2,219)

Retained earnings	5,193	5,608
	5,251	5,610
<i>Total liabilities and shareholders equity</i>	\$ 17,390	\$ 16,606

Certain of the comparative figures have been reclassified to be consistent with the 2015 presentation (*Note 2*).

Contingencies (*Note 14*)

See Notes to Interim Consolidated Financial Statements.

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(in millions of Canadian dollars)

(unaudited)

	For the three months		For the six months	
	ended June 30		ended June 30	
	2015	2014	2015	2014
Operating activities				
Net income	\$ 390	\$ 371	\$ 710	\$ 625
Reconciliation of net income to cash provided by operating activities:				
Depreciation and amortization	145	137	291	278
Deferred income taxes (<i>Note 6</i>)	74	(15)	106	74
Pension funding in excess of expense (<i>Note 13</i>)	(20)	(33)	(30)	(65)
Other operating activities, net	(38)	23	(15)	40
Change in non-cash working capital balances related to operations	34	162	78	(20)
Cash provided by operating activities	585	645	1,140	932
Investing activities				
Additions to properties	(355)	(298)	(618)	(522)
Proceeds from the sale of west end of Dakota, Minnesota and Eastern Railroad		236		236
Proceeds from sale of properties and other assets (<i>Note 4</i>)	8	11	60	16
Change in restricted cash and cash equivalents used to collateralize letters of credit		7		9
Other (<i>Note 4</i>)	(7)	(1)	13	(1)
Cash used in investing activities	(354)	(45)	(545)	(262)
Financing activities				
Dividends paid	(57)	(62)	(115)	(123)
Issuance of CP common shares	11	22	27	36
Purchase of CP common shares (<i>Note 10</i>)	(543)	(447)	(1,072)	(532)
Net issuance (repayment) of commercial paper (<i>Note 9</i>)	369		(224)	
Issuance of long-term debt, excl. commercial paper (<i>Note 9</i>)			810	
Repayment of long-term debt, excl. commercial paper (<i>Note 9</i>)	(9)	(11)	(67)	(154)
Cash used in financing activities	(229)	(498)	(641)	(773)

Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	(1)	(12)	5	(4)
Cash position				
Increase (decrease) in cash and cash equivalents	1	90	(41)	(107)
Cash and cash equivalents at beginning of period	184	279	226	476
Cash and cash equivalents at end of period	\$ 185	\$ 369	\$ 185	\$ 369