Union Pacific Corporation (UNP)

Updated October 27th, 2025 by Nathan Parsh

Key Metrics

Current Price:	$218	**5 Year Annual Expected Total Return:**	8.7%	**Market Cap:**	$129 B
Fair Value Price:	$212	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	12/09/25[1]
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.6%	**Dividend Payment Date:**	12/30/25[2]
Dividend Yield:	2.5%	**5 Year Price Target**	$297	**Years Of Dividend Growth:**	17
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

President Lincoln signed the Pacific Railway Act of 1862 that authorized the Union Pacific Railroad Company to build a rail line west towards the coast from the Missouri River. Today, Union Pacific is the largest railroad company in the country and operates more than 32,000 miles of rail throughout the western two-thirds of the country. Union Pacific transports industrial and agricultural products, as well as coal and chemicals. The company generates about $25 billion in annual revenues.

On July 16th, 2025, Union Pacific announced that it was raising its quarterly dividend 3.0% to $1.38, extending the company's dividend growth streak to 17 consecutive years.

On July 29th, 2025, Union Pacific announced that the company had agreed to merge with Norfolk Southern (NSC). The deal is projected to close by early 2027. The deal will make UNP the first transcontinental railroad in the U.S.

On October 23rd, 2025, Union Pacific reported third quarter results for the period ending September 30th, 2025. For the quarter, revenue improved 2.5% to $6.24 billion, though this was $10 million less than expected. GAAP earnings-per-share of $3.08 compared to $2.75 in the prior year and beat estimates by $0.08.

For the quarter, the operating ratio improved 110 basis points to 59.2%. Revenue and volume for Bulk products each grew 7% as average revenue per car (ARC) remained the same. Revenue and volume for the Industrial category was up 3% while ARC inched higher by 1%. Premium revenue decreased 2%, as a higher ARC was offset by a 5% drop in volume. The company paused its share repurchase authorization due to the pending merger with Norfolk Southern.

We expect that Union Pacific will earn $11.75 in 2025, compared to $11.70, $11.49, and $12.05 previously. This would represent a 6.0% increase from the prior year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$5.41	$5.07	$5.79	$7.91	$8.38	$8.12	$9.98	$11.24	$10.45	$11.09	***$11.75***	***$16.48***
DPS	$2.20	$2.26	$2.48	$3.06	$3.70	$3.88	$4.29	$5.08	$5.20	$5.28	***$5.52***	***$7.74***
Shares[3]	849	816	781	755	695	674	667	613	609	605	***593***	***570***

Earnings-per-share have increased at a rate of 8.3% per year over the past decade and 7.7% over the last five years.

We believe that an earnings-per-share growth rate of 7% takes into account the quality of the firm and strong results over the past few years while reconciling that earnings-per-share are starting from a high base.

Union Pacific has increased its dividend for 17 consecutive years. The company had been very aggressive in raising its dividend prior to 2020. The company did not increase its dividend in 2020, due to the impact of the COVID-19 pandemic on the business, though the dividend growth streak continued due to the timing of raises.

[1] Estimated ex-dividend date
[2] Estimated dividend date
[3] In millions of shares

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.3	17.4	19.1	18.1	20.1	21.9	25.3	18.4	23.5	20.6	***18.6***	***18.0***
Avg. Yld.	2.2%	2.6%	2.2%	2.1%	2.2%	2.2%	1.7%	2.5%	2.1%	2.3%	***2.5%***	***2.6%***

Shares of Union Pacific have declined $7, or 3.1%, since our July 26th, 2025. Shares trade with a price-to-earnings ratio of 18.6 based off our expected earnings-per-share for the current year. We reaffirm our five-year valuation target of 18 as we feel this better reflects the quality of earnings results over the past few years. If the stock reverts to our target multiple by 2030, then valuation would be a 0.6% headwind to total returns over this time frame.

Safety, Quality, Competitive Advantage, & Recession Resiliency

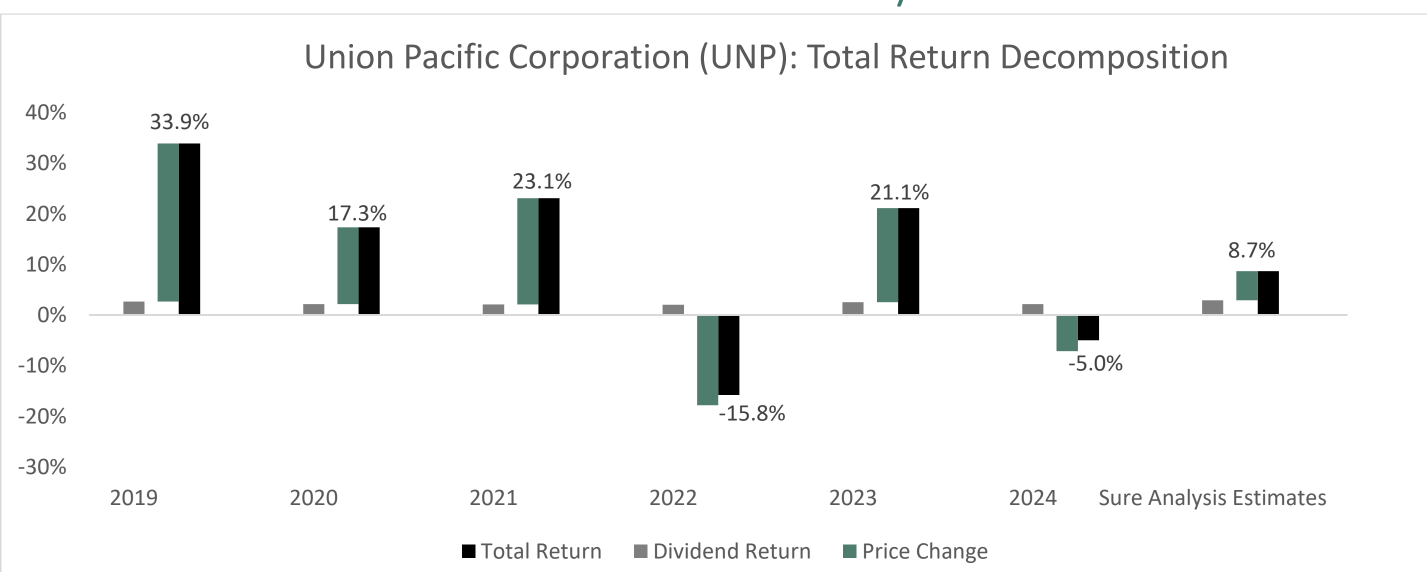
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	41%	45%	43%	39%	46%	49%	43%	45%	50%	48%	***47%***	***47%***

Union Pacific's earnings were impacted during the last recession. A decline in earnings would be likely to occur in the next recession as many of the products that the company transports, like automotive vehicles, are in high demand when the U.S. economy is strong. Union Pacific's dividend payout ratio has generally stayed below 50% over the last ten years. We feel that the company is unlikely to expand its dividend payout ratio much beyond current levels. Accelerated dividend growth will likely have to come from higher earnings growth. Union Pacific is the largest railroad in the U.S. and spans the western two-thirds of the country. This gives the company pricing power for its shipments. The railroad has stops along both the Canadian and Mexican borders, making Union Pacific an attractive option for businesses looking to ship goods to almost any place in North America.

Final Thoughts & Recommendation

After third quarter results, Union Pacific Corporation is now expected to offer a total annual return of 8.7% through 2030, up from our previous estimate 7.9%. Our estimate stems from a 7% earnings growth rate and a 2.5% starting yield, partially offset by a small amount of multiple contraction. Union Pacific once again saw mixed results within its product categories, but the addition of Norfolk Southern will be a strong boost to the overall business. We have raised our five-year price target $2 to $297 due to estimates for 2025, but we maintain our hold rating on shares of Union Pacific due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	21,813	19,941	21,240	22,832	21,708	19,533	21,804	24,875	24,119	24,250
Gross Profit	8,976	8,240	9,054	9,539	9,614	9,179	10,514	11,205	10,529	11,039
Gross Margin	41.1%	41.3%	42.6%	41.8%	44.3%	47.0%	48.2%	45.0%	43.7%	45.5%
D&A Exp.	2,012	2,038	2,105	2,191	2,216	2,210	2,208	2,246	2,318	2,398
Operating Profit	8,052	7,243	8,106	8,517	8,554	7,834	9,338	9,917	9,082	9,713
Op. Margin	36.9%	36.3%	38.2%	37.3%	39.4%	40.1%	42.8%	39.9%	37.7%	40.1%
Net Profit	4,772	4,233	10,712	5,966	5,919	5,349	6,523	6,998	6,379	6,747
Net Margin	21.9%	21.2%	50.4%	26.1%	27.3%	27.4%	29.9%	28.1%	26.4%	27.8%
Free Cash Flow	2,694	4,020	3,992	5,249	5,156	5,613	6,096	5,742	4,773	5,894
Income Tax	2,884	2,533	(3,080)	1,775	1,828	1,631	1,955	2,074	1,854	2,047

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	54,600	55,718	57,806	59,147	61,673	62,398	63,525	65,449	67,132	67,715
Cash & Equivalents	1,391	1,277	1,275	1,273	831	1,799	960	973	1,055	1,016
Acc. Receivable	1,356	1,258	1,493	1,755	1,595	1,505	1,722	1,891	2,073	
Inventories	736	717	749	742	751	638	621	741	743	
Total Liabilities	33,898	35,786	32,950	38,724	43,545	45,440	49,364	53,286	52,344	50,825
Accounts Payable	743	955	1,013	872	749	612	752	784	856	
Long-Term Debt	14,201	15,007	16,944	22,391	25,200	26,280	29,729	33,326	32,579	31,192
Total Equity	20,702	19,932	24,856	20,423	18,128	16,958	14,161	12,163	14,788	16,890
LTD/E Ratio	0.69	0.75	0.68	1.10	1.39	1.55	2.10	2.74	2.20	1.85

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.9%	7.7%	18.9%	10.2%	9.8%	8.6%	10.4%	10.9%	9.6%	10.0%
Return on Equity	22.8%	20.8%	47.8%	26.4%	30.7%	30.5%	41.9%	53.2%	47.3%	42.6%
ROIC	14.1%	12.1%	27.9%	14.1%	13.7%	12.4%	15.0%	15.7%	13.7%	14.1%
Shares Out.	849	816	781	755	695	674	667	613	609	605
Revenue/Share	25.09	23.87	26.49	30.27	30.74	28.76	33.27	39.86	39.53	39.85
FCF/Share	3.10	4.81	4.98	6.96	7.30	8.27	9.30	9.20	7.82	9.68

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.