

Get To Know Your Stock: Kansas City Southern

Kansas City Southern (NYSE: KSU), a 132-year-old transportation holding company, has been exploring uncharted territory since being founded in 1887 by Arthur E. Stilwell.

In 1874, 15-year-old Stilwell left his home in Rochester, N.Y., with \$707 in savings, and worked briefly in a hotel and a store before being called home to help his family. Back in Rochester, he purchased a printing plant and began printing timetables for railroads. He learned a lot about railroads while visiting clients around the country. He then entered the life insurance industry, creating a product that linked life insurance and the home mortgage to insulate homeownership from the wage earner's death, before finally acting on his childhood dream to build a railroad out west.

Stilwell raised private capital for his venture at a time when a global financial crisis was in full swing and most U.S. railroads were backed by the government. He envisioned a railroad that would transport grain, lumber and coal from north to south across America's heartland and into Mexico. Many people dismissed his idea as nonsense because U.S. railroads were being built to connect the East to the West. But he successfully developed routes from Kansas City, Mo., to Port Arthur, Texas. (which is named for him).



From 1940 to 1969, the Kansas City Southern Railway Company offered luxury passenger service between Kansas City and New Orleans on its Southern Belle train (traveled by President Harry Truman). Its only passenger train these days is the KCS Holiday Express, which brings Santa Claus and his elves to various communities during the holiday season. The company once had controlling stakes in two asset management firms but spun off these holdings in 2000 to return to its rail transport roots.

Kansas City Southern currently operates more than 6,700 route miles in North America. Beyond the U.S. (where it transverses 10 states), it owns one of Mexico's large regional railroads and has a 50% stake in a railway company in Panama. It serves many industrial cities in Mexico and provides the only rail access to Mexico's Port of Lázaro Cárdenas on the Pacific Ocean—a big plus for its intermodal (container shipping) business.

Today, Kansas City Southern transports energy, industrial, agriculture and consumer products, as well as minerals. The company has said it's strategically positioned to facilitate energy trade between the U.S. and Mexico. In 2017, the first year the Mexican markets were open to importing energy products, KCS moved nearly 18,000 carloads and earned approximately \$45 million in revenue related to energy reform. The company also expects to grow as petrochemical production expands along the U.S. Gulf Coast.

Kansas City Southern has made extensive upgrades to its rail network which were successfully tested when Hurricane Harvey hit southern Texas and southwestern Louisiana in 2017. Arthur Stilwell, who once helped working people meet their home ownership and retirement income needs, would be proud to see how long and how far his railroad has traveled.