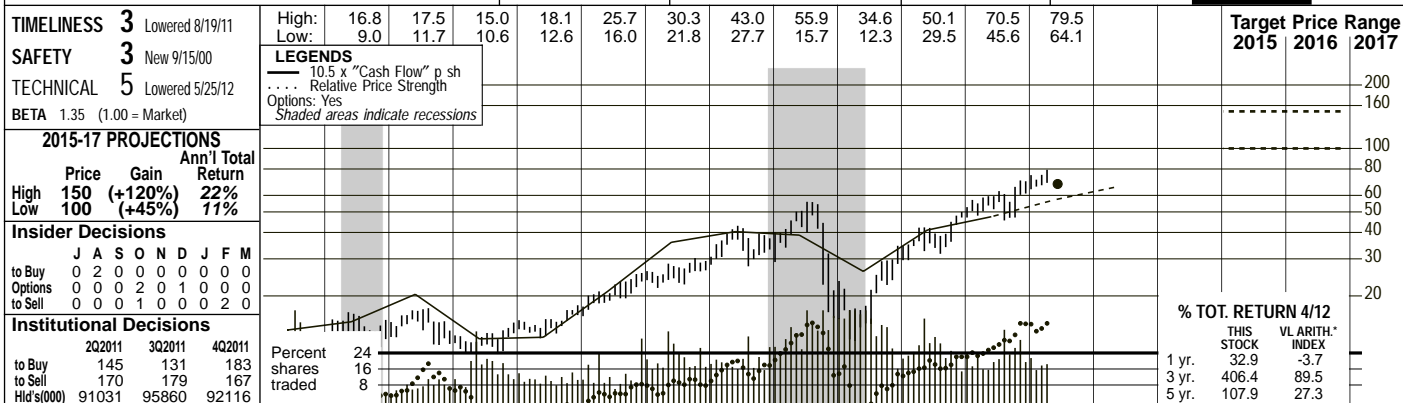


KANSAS CITY SO. NYSE-KSU

RECENT PRICE **67.86** P/E RATIO **19.4** (Trailing: 22.5; Median: 25.0) RELATIVE P/E RATIO **1.38** DIV'D YLD **1.1%** VALUE LINE



TIMELINESS 3 Lowered 8/19/11
SAFETY 3 New 9/15/00
TECHNICAL 5 Lowered 5/25/12
BETA 1.35 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	150	(+120%)	22%
Low	100	(+45%)	11%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	2	0	0	0	0	0	0	0
Options	0	0	0	2	0	1	0	0	0
to Sell	0	0	0	1	0	0	0	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	145	131	183
to Sell	170	179	167
Hld's(000)	91031	95860	92116

Percent shares traded: 24, 16, 8

On July 12th, 2000 Kansas City Southern Industries completed the spin-off of the company's wholly owned financial subsidiary, Stilwell. In the transaction, stockholders in Kansas City Southern received two shares of Stilwell for each old KSU share owned. Additionally, at that time the company completed a reverse split whereby every two shares of the old KSU common stock were converted into one share of the new KSU stock.

CAPITAL STRUCTURE as of 3/31/12
 Total Debt \$1631.9 mill. Due in 5 Yrs \$650.0 mill.
 LT Debt \$1585.5 mill. LT Interest \$130 mill.
 (LT interest earned: 4.7x; total interest coverage: 4.6x) (37% of Cap'l)
Uncapitalized Leases \$118.2 mill.
No Defined Benefit Pension Plan
Pfd Stock \$6.1 mill. **Pfd Div'd** \$0.2 mill.
 242,170 shs. 4% non cum. (less than 1% of Cap'l)
Common Stock 109,986,851 shs.
as of 4/16/12
MARKET CAP: \$7.5 billion (Large Cap)

CURRENT POSITION (\$MILL.)

	2010	2011	3/31/12
Cash Assets	85.4	72.4	101.8
Receivables	160.0	166.0	186.6
Inventory (Avg Cst)	101.4	109.6	120.9
Other	251.4	294.5	274.6
Current Assets	598.2	642.5	683.9
Accts Payable	198.3	202.6	400.1
Debt Due	18.2	36.3	46.4
Other	214.7	198.5	--
Current Liab.	431.2	437.4	446.5

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	5.5%	5.5%	9.5%
"Cash Flow"	10.5%	10.5%	17.0%
Earnings	17.5%	24.5%	23.0%
Dividends	--	--	Nil
Book Value	4.5%	4.5%	12.0%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	346.0	341.3	386.1	406.8	1480.2
2010	436.3	461.6	438.3	478.6	1814.8
2011	488.6	534.9	544.5	530.3	2098.3
2012	547.5	590	605	597.5	2340
2013	600	660	675	660	2595

EARNINGS PER SHARE AC

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.08	.07	.27	.33	.61
2010	.44	.55	.49	.62	2.11
2011	.58	.71	.78	.78	2.85
2012	.68	.88	.99	.95	3.50
2013	.82	1.00	1.19	1.09	4.10

QUARTERLY DIVIDENDS PAID D

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	--	--	--	--	--
2009	--	--	--	--	--
2010	--	--	--	--	--
2011	--	--	--	--	--
2012	--	.195	--	--	--

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
Revenues per sh	9.27	9.35	10.11	18.42	21.86	22.64	20.25	15.38	17.68	19.09	21.25	23.60		32.90
"Cash Flow" per sh	1.94	1.20	1.21	1.99	3.42	3.85	3.70	2.49	3.91	4.52	5.45	6.30		9.65
Earnings per sh A	.91	.17	.39	.41	1.08	1.63	1.86	.61	2.11	2.85	3.50	4.10		6.60
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	.10	.20		.20
Cap'l Spending per sh	1.31	1.27	1.85	3.76	3.19	5.33	6.30	3.86	2.80	4.50	3.80	4.25		5.90
Book Value per sh	12.22	15.40	16.09	19.34	20.75	22.34	20.83	21.33	23.62	25.10	28.50	32.40		50.95
Common Shs Outst'g B	61.10	62.18	63.27	73.41	75.92	76.98	91.46	96.21	102.65	109.91	110.00	110.00		105.00
Avg Ann'l P/E Ratio	16.1	NMF	38.2	50.6	24.2	21.6	20.7	34.6	18.1	19.7	Bold figures are Value Line estimates			19.0
Relative P/E Ratio	.88	NMF	2.02	2.69	1.31	1.15	1.25	2.30	1.15	1.23				1.25
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--				.2%
Revenues (\$mill)	566.2	581.3	639.5	1352.0	1659.7	1742.8	1852.1	1480.2	1814.8	2098.3	2340	2595		3455
Operating Margin	19.3%	19.7%	21.4%	14.1%	27.7%	30.0%	30.3%	30.4%	37.0%	36.8%	38.5%	39.0%		42.0%
Depreciation (\$mill)	61.4	64.3	53.5	127.7	155.0	160.2	170.1	182.5	184.9	186.2	215	235		325
Net Profit (\$mill)	57.2	15.9	33.2	27.4	108.9	159.2	183.9	68.0	227.5	313.7	385	455		690
Income Tax Rate	33.3%	53.8%	41.5%	--	29.4%	30.1%	25.9%	33.4%	36.4%	32.6%	33.0%	33.0%		33.0%
Net Profit Margin	10.1%	2.7%	5.2%	2.0%	6.6%	9.1%	9.9%	4.6%	12.5%	15.0%	16.5%	17.5%		20.0%
Working Cap'l (\$mill)	29.9	133.3	7.8	d106.9	d31.4	d453.0	d405.6	203.0	167.0	205.1	260	465		900
Long-Term Debt (\$mill)	572.6	513.5	655.8	1663.9	1631.8	1105.0	1448.7	1911.9	1621.6	1602.8	1500	1500		1500
Shr. Equity (\$mill)	752.9	963.7	1024.5	1426.2	1582.4	1726.3	1911.5	2058.8	2431.1	2764.5	3135	3565		5350
Return on Total Cap'l	5.7%	2.4%	3.2%	3.0%	6.0%	8.4%	7.5%	3.9%	7.6%	8.7%	7.0%	8.0%		10.0%
Return on Shr. Equity	7.6%	1.6%	3.2%	1.9%	6.9%	9.2%	9.6%	3.3%	9.4%	11.3%	12.5%	13.0%		13.0%
Retained to Com Eq	7.6%	1.0%	2.3%	1.3%	6.6%	7.9%	8.9%	2.8%	8.9%	11.3%	12.0%	12.0%		12.5%
All Div'ds to Net Prof	0%	30%	26%	32%	4%	15%	8%	16%	5%	1%	3%	5%		3%

BUSINESS: Kansas City Southern, Inc. is a holding company that has railroad investments in the U.S., Mexico, and Panama. Kansas City Southern, its primary holding, serves the central and south central U.S. Kansas City Southern de Mexico serves northeastern and central Mexico, as well as the port cities of Lazaro Cardenas, Tampico, and Veracruz. Panama Canal Railway (50% stake) provides ocean-to-ocean service along the Panama Canal. Spun off Stilwell Fin'l to shareholders, 7/00. 2011 rail operating ratio 72.1%. Has about 6,140 employees. Officers & directors own 2.1% of common stock; BlackRock, 6.3% (3/12 Proxy). President & CEO: David Starling, Inc.: DE. Addr.: 427 West 12th Street, Kansas City, MO 64105. Telephone: 816-983-1303. Internet: www.kcsi.com.

Kansas City Southern got the year off to a strong start, with first-quarter revenues, carloads, and operating income all at record levels. The top line got a notable boost from a 28% increase in cross-border revenues. This traffic into and out of Mexico represents some of the longest hauls in the company's network, which helps boost profitability, as well (more below). Altogether, we continue to look for KCS share earnings to be up 20%-25% this year, moderating to a 15%-20% advance in 2013.

Growth in cross-border business remains key area of opportunity. Automotive demand represents one specific example. Related revenues were up 21% in the March quarter, to \$37.5 million, reflecting increased North American automotive production. Looking ahead, auto manufacturing in Mexico is projected to expand by over 40% over the next few years, as three global manufacturers have announced plans to build or expand their plants in that country. In addition to transporting finished vehicles, this development would also likely increase demand for moving raw material and auto parts.

Although low natural gas prices are currently a detriment, they will likely prove to be a positive down the line. The only real sore spot in KCS' first quarter was in the recently expanded coal business. Specifically, revenues related to utility coal were down 10% in the first quarter, to \$50.2 million, reflecting unusually warm winter weather and low natural gas prices. However, management believes new oil and gas discoveries in North America will lead to increased shipments of frac sands, pipe, and crude oil. Further down the line, the trend should also boost demand for shipping ethane-based products, as several chemical companies have announced plans to increase production capacity in the Gulf region. **Kansas City shares retain their long-term appeal.** Although the stock price has staged an impressive recovery and broken into new high ground since the end of the recession, our 3- to 5-year earnings projections indicate it still has a fair amount of room to run. Also, the recently initiated quarterly cash dividend enhances the issue's total return potential.

Mario Ferro
June 1, 2012

(A) Diluted earnings. Excludes nonrecurring gains/(losses): '03, (21¢); '04, (14¢); '10, (44¢); '11, 15¢. Excludes extraordinary loss: '02, 4¢; excludes gain from cumulative effect of accounting change: '03, 14¢. Next earnings report due mid-July. (B) In millions. (C) Quarterlies may not sum to total due to change in shares outstanding. (D) Quarterly dividend initiated 4/12.

Company's Financial Strength	B+
Stock's Price Stability	40
Price Growth Persistence	85
Earnings Predictability	45