

On the Line Rail Manufacturing & Supply

SPOT-ON | OCTOBER 2026

ARE YOU SUBSCALE IN A CONSOLIDATING RAIL ECOSYSTEM?

THE SHIFT TO CANADIAN CAPACITY (pg. 2)

Tariffs and new Canadian-content requirements have given bidders with domestic capacity a clear edge, and qualification deadlines are pushing acquirors to buy rather than build.

CONSOLIDATION WHITESPACE (pg. 5)

Rail M&A activity shows buyers building scale in services and terminals, while rail suppliers are gathering steam.

IMPLICATIONS FOR OWNERS AND ACQUIRERS (pg. 6)

With a build likely to miss the 2027–28 qualification window, qualified Canadian capacity is now an acquire-or-partner decision for every stakeholder.

“Canadian capacity is becoming more than an operating advantage; it is becoming a strategic asset. For companies that need scale, qualification and customer access quickly, M&A may be the fastest route to all three.”

MIKAEL LEVY

Rail industry specialist
Oaklins | Canada



Government policy converts awarded backlog into demand for Canadian capacity

Contracted demand in passenger rail

In 2026, Canadian public buyers awarded ~C\$9.0bn for passenger rolling stock, support and facilities: TTC subway trains (C\$2.3bn), VIA–Stadler locomotives (C\$1.6bn) plus a C\$357M VIA assembly and maintenance facility in Montréal, and VIA–Alstom long-distance cars (C\$4.7bn).

The Canadian Association of Railway Suppliers (CARS), a subset of Canada’s broader supplier universe, represents 150+ members, of which only 22% cover rolling stock components and maintenance, 14% consulting, engineering and ancillary, and 4% passenger rolling stock.

JAN 2026 Alstom TTC: 70 six-car Metropolis subway trains C\$2.3bn 55% Canadian content, first procurement under Buy Canadian, TTC holds options for up to 150 additional train	JUL 2026 Stadler VIA Rail: 45 diesel-battery hybrid locomotives C\$1.6bn Up to 36 of 45 assembled in Montreal, with a 20-year technical support and spare supply agreement	SEPT 2026 Alstom VIA Rail: 313 Adessia long-distance cars C\$4.0bn+ 700M Design, engineering, manufacturing and assembly in Canada. 15-year technical support and spare supply agreement
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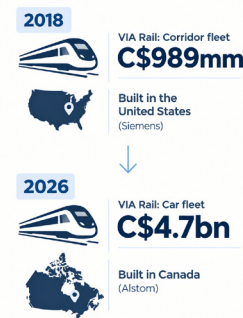
Government policy driving domestic supply chain activity

Under the federal Buy Canadian Policy, effective December 2025, the TTC awarded a C\$2.3bn contract that was struck at 55% Canadian content, which was assisted by the federal and provincial governments raising their contribution to increase the Canadian content and demonstrating public money commitment in strengthening domestic supply chain.

In September 2026, Alstom was awarded a \$4.7bn contract to manufacture 313 vehicles in Canada. While no % Canadian content was disclosed, it is expected to be significant given that the design, engineering, and manufacturing will take place in Canada.

The Buy Canadian threshold fell to C\$5M on Jun 2026, pulling mid-market contracts into scope.

VIA Rail Fleet Programs



Government policy is shaping Canadian rail supplier demand by increasing pressure on domestic manufacturing and setting targeted Canadian content across its contracts

Sources: Alstom press releases, CBC, Transport Canada, Railway Gazette International, CanadaBuys threshold notice, Department of Finance Canada, Doane Grant Thornton.





Cross-border tariffs force domestic sourcing into a closing qualification window

Geopolitical uncertainty creating domestic opportunities

Tariffs now run in both directions

Washington announced a 50% tariff on C\$27.6bn of Canadian goods on August 2026; Ottawa matched dollar-for-dollar in September across over 700 tariff lines at 15/25/50%. Cross-border trade is now taxed either way.

Rolling stock components impact

Canada’s tariffs list reaches locomotives, bogies, axles, wheels, air brakes and couplers. On the US side, Section 232 now applies at full customs value.

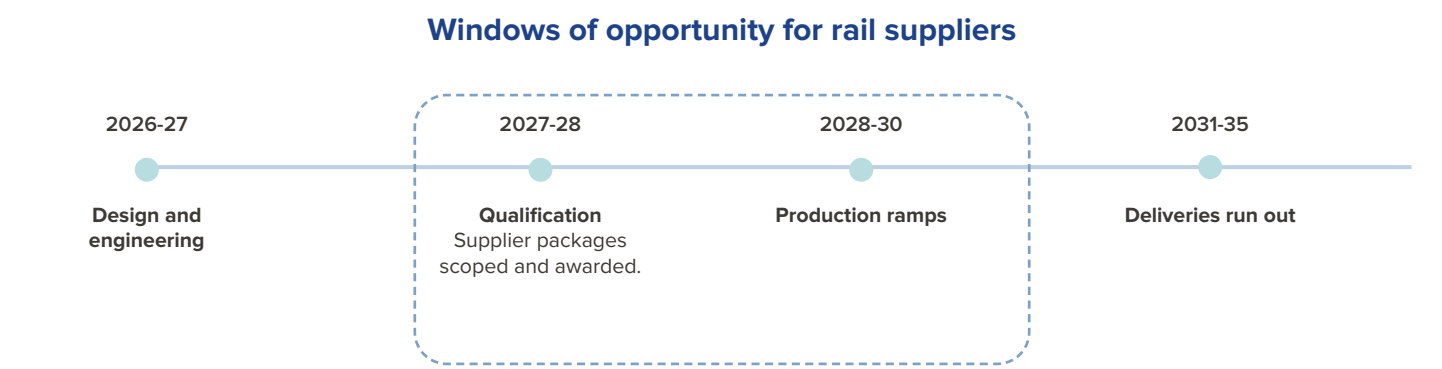
Driving future industry growth: Cross-border volatility will push government organizations to source suppliers domestically. The TTC cancelled a competitive tender and single-sourced to Alstom explicitly because of US tariffs and economic uncertainty.

Cross-border M&A Opportunity: Tariffs raised the cost of serving Canadian programs from US plants for US component maker. Buying from a Canadian fabricator preserves the position and the qualification history behind it, as Canadian-made content is scored on work performed in Canada.

The bill of materials locks before production starts

Based on precedent passenger rolling stock programs, supplier procurement typically begins within months of contract award, with first trainsets entering service a

few years after. Applying these benchmarks, projects awarded in 2026 would be expected to follow the timeline below



Geopolitical uncertainty and production timeline are creating a window of opportunity for sub-scale owners to scale their businesses

Sources: Company press releases, EY Tax News, CBC. Information as of 30 September 2026.



Case study: Alto opens the next procurement wave

Pipeline demand: Alto, Canada’s high-speed rail program

Alto, the federal Crown corporation, is developing the network with Cadence consortium (CDPQ Infra, AtkinsRéalis, SYSTRA, Keolis, SNCF Voyageurs and Air Canada).

NETWORK Toronto to Quebec City ~1,000 km 300 km/h on dedicated electrified track; seven stations	CAPITAL COST Preliminary Class 5 estimate C\$60–90bn	FIRST SEGMENT Ottawa to Montreal first 2029 Target construction start on the ~200 km first segment
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Procurement is being shaped now, trains and signaling first



Buy Canadian scoring puts a premium on Canadian footprint

How federal scoring works

Alto is subject to Buy Canadian. In federal strategic procurements, Canadian suppliers get a 10% evaluation-only price reduction, Canadian value-added is weighted at 25% of the score, and a JV qualifies as Canadian only if every member has a permanent Canadian place of business. Alto’s own Canadian-content requirements will be set in each RFP.

Gaps in domestic capacity

Alto needs technologies not yet deployed in North America and 4,000+ km of rail steel that its CEO says Canada does not make today.

Supplier implication: Foreign platforms need Canadian content to score well, and that content includes engineering, installation and after-sales work done here.

As Alto drives a larger procurement cycle, suppliers that establish qualified Canadian capacity ahead of package scoping stand to be best positioned for contract awards.

Sources: RenewCanada, AltoTrain, CanadaBuys threshold notice.



Rail supply M&A gathers steam

Consolidation is well underway across adjacent segments (e.g. short line terminals, services and systems) and is now spreading into Canadian rail supply, with international strategics acquiring local capabilities and Canadian platforms expanding into the U.S. through M&A.

CLASS I NETWORKS	US\$85bn announced value	  Would create the first single-line US transcontinental railroad. CN dropped its opposition on Jul 2026 in exchange for Midwest network access; the STB lifted the abeyance on Aug 2026.	
SHORT LINES, TERMINALS, FIRST & LAST MILE	   May 2026 — Cando's acquisition of Savage rail, a leading U.S. rail provider.	   Nov 2022 — US sponsor-backed platform entering western Canada.	
	  Mar 2026 — Ridgewood acquiring Sierra, a short-line freight and logistics rail platform.	 Jan 2026 – Watco acquired a short-line railroad and rail spur in Tennessee, representing a density bolt-on for an existing operating platform.	
SERVICES, MRO & INSPECTION	   Aug 2026 — Turnspire acquired a rail infrastructure maintenance and recovery provider.	  Sep 2026 — PE investment in railcar and locomotive MRO with six mobile locations.	
	  Aug 2026 — Secovia Capital's acquisition of Ferrovia, a rail vegetation management provider.	  Sep 2026 — Škoda's investment in a Latvian railway maintenance company.	
COMPONENTS & SYSTEMS	   Feb 2025 - VINCI's acquisition (through TCI+) of X-Rail Signalisation, a signaling design, installation & maintenance provider	   Jan 2026 — Polycorp's acquisition of Iron Horse Engineering, a manufacturer of rail fixation and track products for transit and freight rail.	
	  Oct 2025 — Vossloh's acquisition of Sateba, a concrete railway sleeper manufacturer.	   Jul 2026 – OpenGate's acquisition of Knorr-Bremse's HVAC systems division.	

Legend  Canadian buyer or target  Mandate

Sources: Company press releases.



Scarce qualification turns capacity into an M&A decision

Implications by stakeholders

CANADIAN OWNER Hold in-demand assets

Alstom spent roughly C\$448M across 900+ Canadian suppliers in 2024. A program running to 2035 is likely to push OEMs toward fewer, larger, multi-site counterparties.

A supplier who can serve Thunder Bay, La Pocatière and Kingston is valuable. The choice is to consolidate into that role or monetize in a competitive M&A environment.

INTERNATIONAL GROUP Access runs through a Canadian market footprint

Greenfield that arrives without qualification, without approved parts and without a customer list are unlikely be certified inside the 2027–28 sourcing cycle.

Already-qualified Canadian suppliers represent a more realistic entry route.

Strategic alternatives to reach multi-site scale

	ACQUIRE	BUILD (CAPEX)	FUND OR PARTNER
What it gets you	Qualification, certified people, an existing customer list and a second site on day one	Control retained; capacity shaped to needed specifications	Scale without a full exit
Timing against the window	6 - 9 months to close, which fits inside the 2027–28 qualification window	Building, tooling, hiring, and certification can take months to years, making it more difficult to leverage for the current supplier window opportunity	Rapid; preserves optionality

How Oaklins fits each of these decisions

Sell-side and minority stake processes

Initiate a process while buyers are paying for certified Canadian capacity that cannot be easily replicated organically.

Buy-side origination

Support your buy-side process on an end-to-end basis to capitalize on M&A opportunities across Canada.

Debt and growth equity advisory

Funding the capex line, the second site or the certification investment ahead of the supplier award.

Cross-border execution

900+ professionals in 40 countries, with a global reach.

SELECTED RAIL CREDENTIALS

Sojitz Corporation / CAD Railway Industries — minority investment followed by acquisition of the balance,
ProSphere — specialized rail engineering,
Caltrax — freight car maintenance.

Sources: Trade Commissioner Service, Alstom Canada impact report, EY Tax News.

Deep local roots, global commitment

Oaklins brings you opportunities from across the world and we meet you with our expertise wherever you are

OAKLINS OFFERS A COMPREHENSIVE RANGE OF SERVICES

- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

Rail is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become one of the most experienced M&A advisors in the rail sector, with a large network of relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for rail companies.

If mergers, acquisitions, or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.



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Mikael is an M&A advisor at Oaklins Canada and a member of the firm's rail team, focused on the rail services and equipment layer. He advised the shareholders of CAD Railway Industries on a minority investment by Japanese trading house Sojitz Corporation and Sojitz's subsequent acquisition of the remaining shares. He also led the acquisition of ProSphere, a specialized rail engineering firm, and operational and financial due diligence for Caltrax, a Calgary-based freight car maintenance company.



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Sébastien leads Oaklins' rail team and is a managing partner at Oaklins Canada. He has been involved in the rail industry for well over 15 years and has built a network of contacts with industry leaders. Sébastien has closed several transactions, such as debt financing, equity financing and acquisitions for CAD Railway Industries, a leading Canadian maintenance, repair and operations service provider focused on the North American rail industry.

United by a strong belief that we can achieve the extraordinary. Oaklins is a global team of 900+ financial advisory professionals in 40 countries providing M&A, growth equity, ECM, debt advisory and corporate finance services to support entrepreneurs, corporates and investors in reaching their goals.

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