



# 2020 SECOND QUARTER EARNINGS CONFERENCE CALL

**James M. Foote**  
President and Chief Executive Officer



# FORWARD LOOKING DISCLOSURE

This information and other statements by the company may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to, among other items: projections and estimates of earnings, revenues, margins, volumes, rates, cost-savings, expenses, taxes, liquidity, capital expenditures, dividends, share repurchases or other financial items, statements of management's plans, strategies and objectives for future operations, and management's expectations as to future performance and operations and the time by which objectives will be achieved, statements concerning proposed new services, and statements regarding future economic, industry or market conditions or performance. Forward-looking statements are typically identified by words or phrases such as "will," "should," "believe," "expect," "anticipate," "project," "estimate," "preliminary" and similar expressions. Forward-looking statements speak only as of the date they are made, and the company undertakes no obligation to update or revise any forward-looking statement. If the company updates any forward-looking statement, no inference should be drawn that the company will make additional updates with respect to that statement or any other forward-looking statements.

Forward-looking statements are subject to a number of risks and uncertainties, and actual performance or results could differ materially from that anticipated by any forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by any forward-looking statements include, among others; (i) the company's success in implementing its financial and operational initiatives; (ii) changes in domestic or international economic, political or business conditions, including those affecting the transportation industry (such as the impact of industry competition, conditions, performance and consolidation); (iii) legislative or regulatory changes; (iv) the inherent business risks associated with safety and security; (v) the outcome of claims and litigation involving or affecting the company; (vi) natural events such as severe weather conditions or pandemic health crises; and (vii) the inherent uncertainty associated with projecting economic and business conditions.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the company's SEC reports, accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and the company's website at [www.csx.com](http://www.csx.com).

# NON-GAAP MEASURES DISCLOSURE

CSX reports its financial results in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). CSX also uses certain non-GAAP measures that fall within the meaning of Securities and Exchange Commission Regulation G and Regulation S-K Item 10(e), which may provide users of the financial information with additional meaningful comparison to prior reported results.

Non-GAAP measures do not have standardized definitions and are not defined by U.S. GAAP. Therefore, CSX's non-GAAP measures are unlikely to be comparable to similar measures presented by other companies. The presentation of these non-GAAP measures should not be considered in isolation from, as a substitute for, or as superior to the financial information presented in accordance with GAAP. Reconciliations of non-GAAP measures to corresponding GAAP measures are attached hereto in the Appendix of this presentation.

# EXECUTIVE SUMMARY

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**James M. Foote**

President and Chief Executive Officer

# SECOND QUARTER HIGHLIGHTS

Volume 1,257K

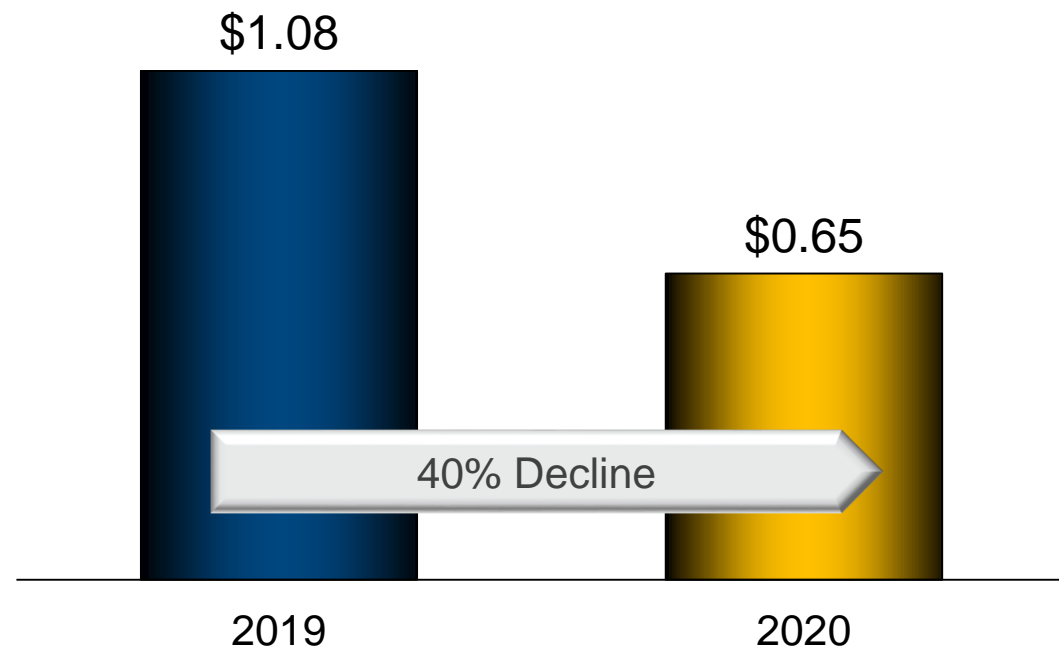
Revenue \$2,255M

Operating Income \$828M

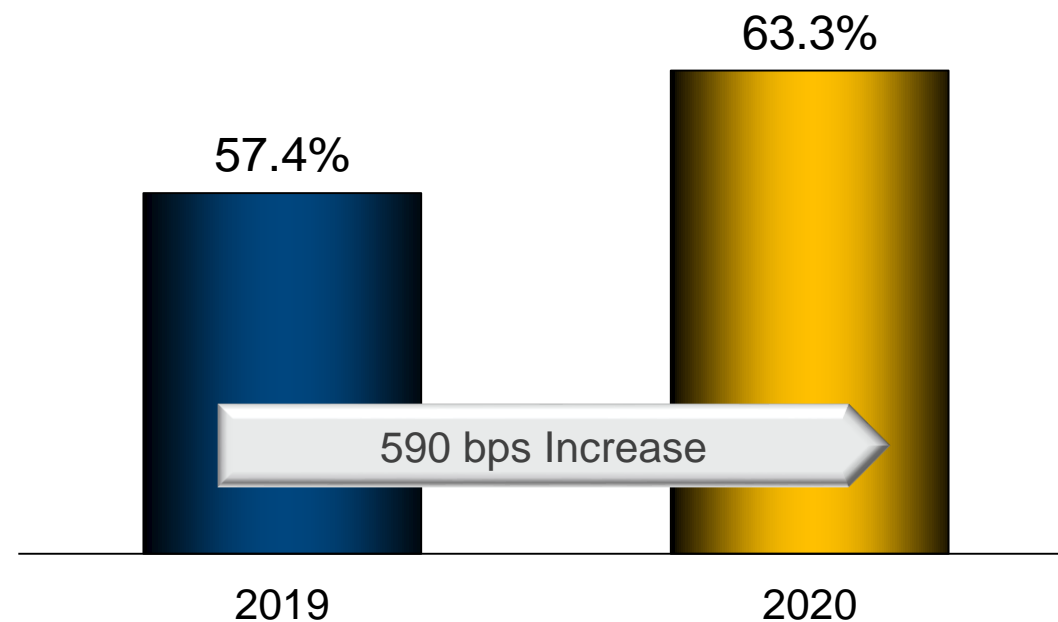
Operating Ratio 63.3%

EPS \$0.65

## Earnings Per Share



## Operating Ratio

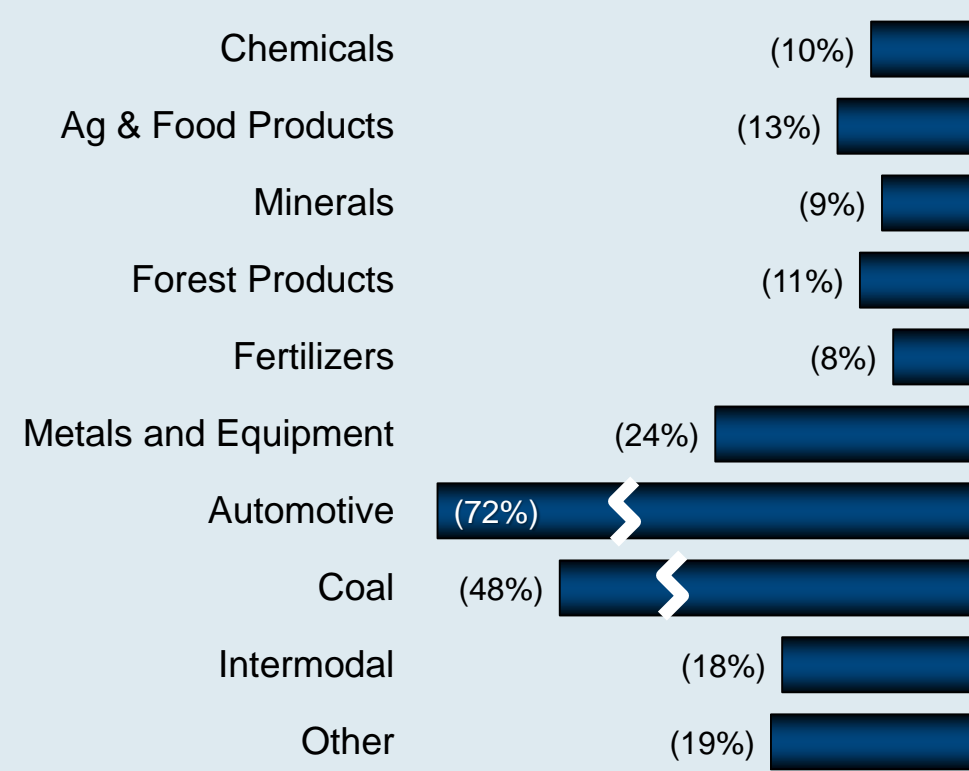


# SECOND QUARTER REVENUE HIGHLIGHTS

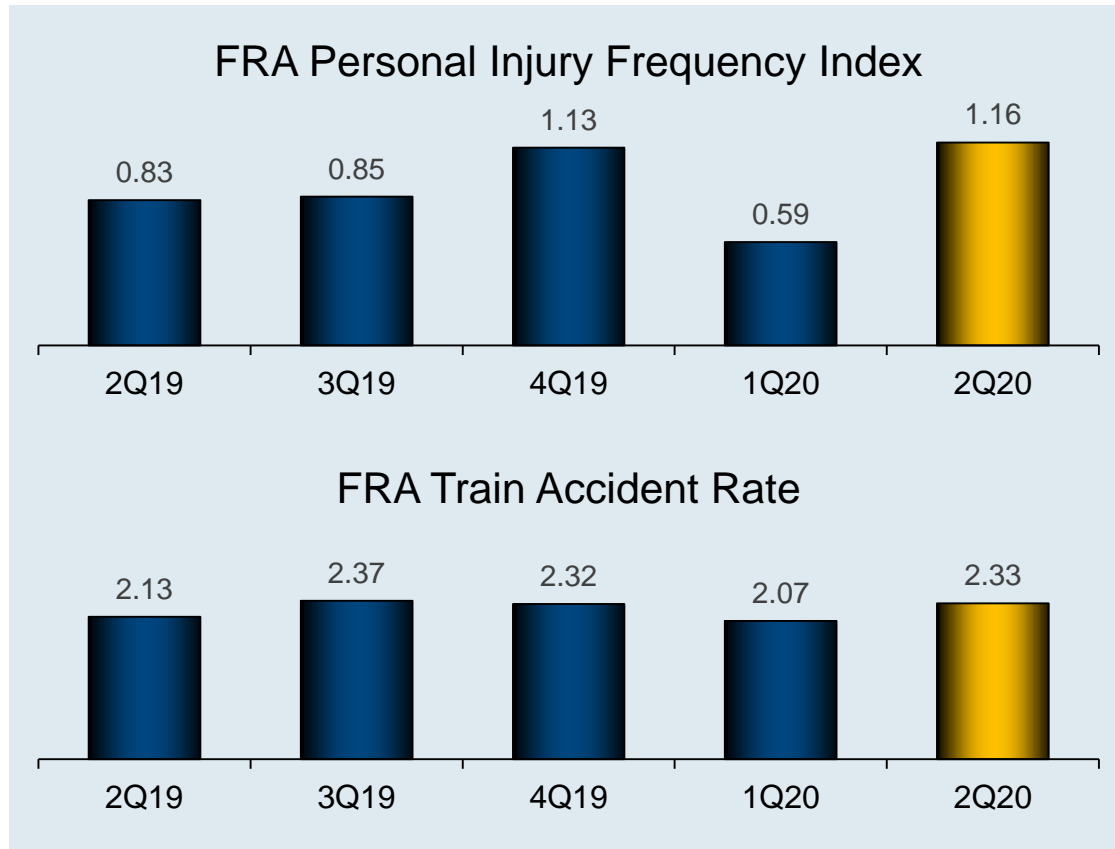
## All Markets Negatively Impacted by Economic Effects of COVID-19

- **Chemicals** decreased due to lower shipments of industrial chemicals, energy, and waste
- **Agricultural & Food Products** declined due to lower shipments of food and consumer products, grain and feed, and ethanol
- **Minerals** decreased on lower cement, lime and limestone volumes, other minerals
- **Forest Products** declined due to lower shipments of building products and printing paper, partially offset by growth in pulpboard
- **Fertilizers** declined due to lower long-haul fertilizer volumes, partially offset by growth in short-haul phosphate shipments
- **Metals and Equipment** declined due to reduced metals volumes driven by reduced automotive and industrial production
- **Automotive** declined due to lower North American vehicle production primarily associated with plant closures resulting from COVID-19
- **Coal** decreased as domestic utility coal demand was negatively impacted by low natural gas prices and reduced electrical demand, and export coal was impacted by lower global benchmark prices
- **Intermodal** decreased as both domestic and international shipments were negatively impacted by the global economic impacts from COVID-19

## Second Quarter Revenue Down 26% Percent Year over Year



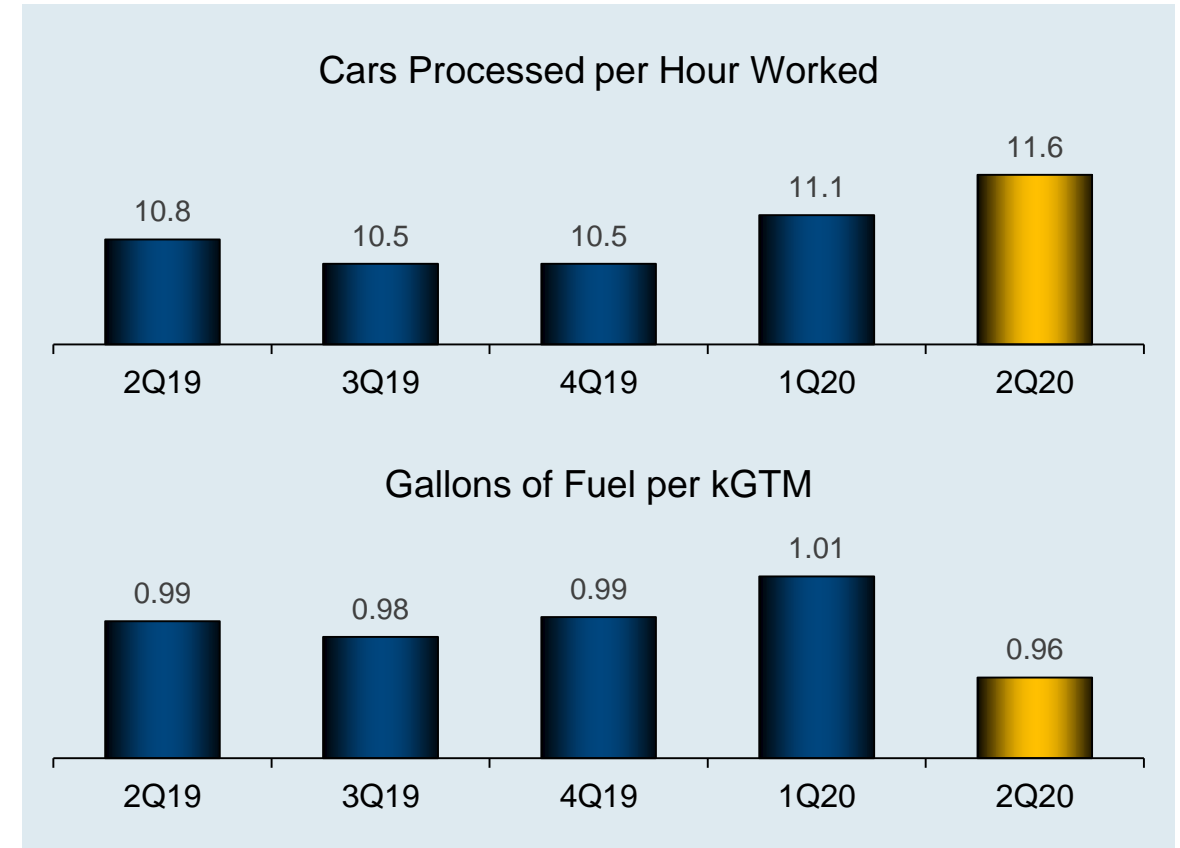
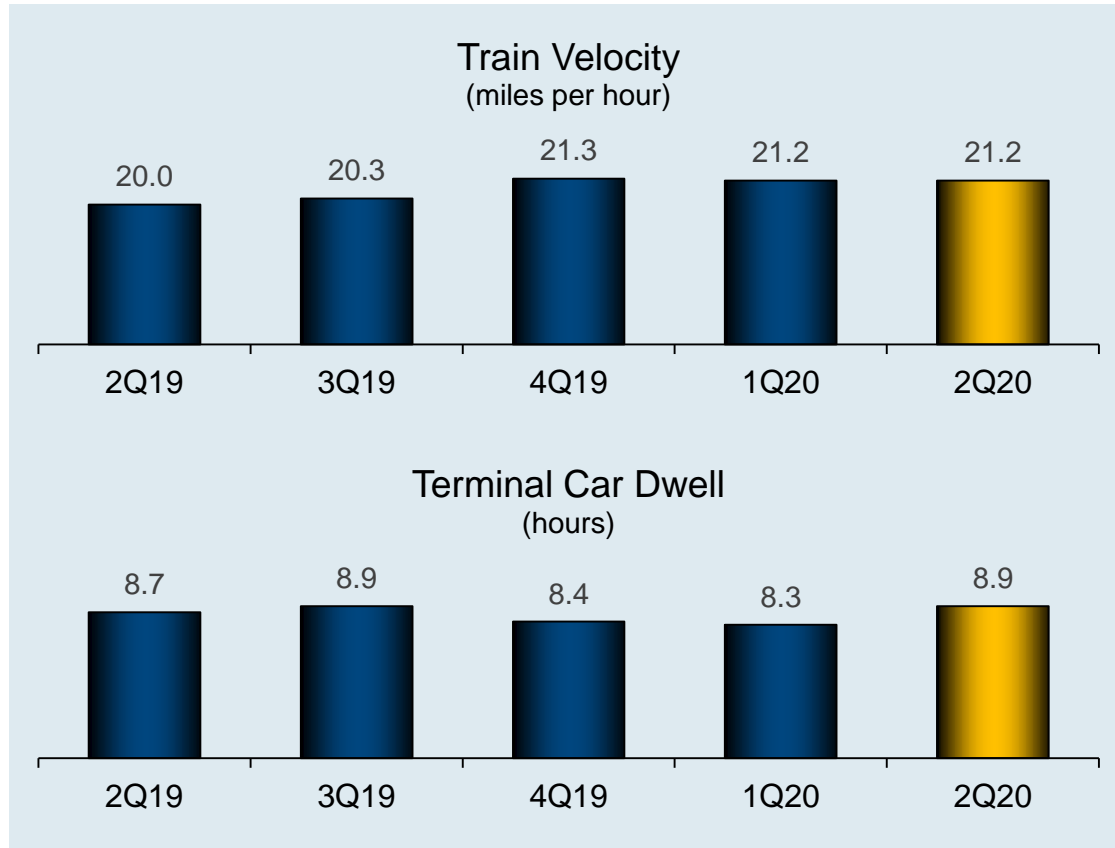
# SECOND QUARTER SAFETY HIGHLIGHTS



- Safety is a guiding principle at CSX
- Frequency rates increased on lower volumes; lowest total number of train accidents in a quarter
- Remain focused on continued improvement
- Undertaking company-wide safety engagement initiative in Q3

Safety statistics are estimated and can continue to be updated as actuals settle

# SECOND QUARTER OPERATING HIGHLIGHTS

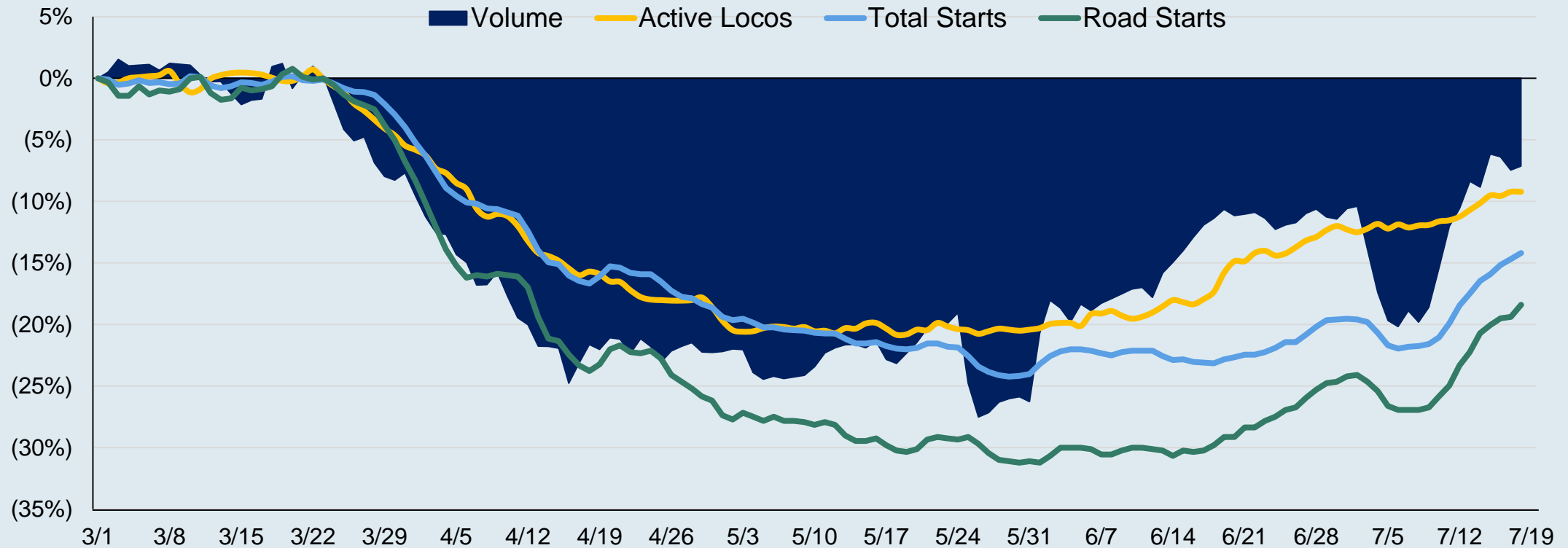


The methodology for calculating train velocity and dwell differs from that prescribed by the Surface Transportation Board. The Company will continue to report train velocity and dwell to the Surface Transportation Board using the prescribed methodology. See additional discussion on the Company's website.

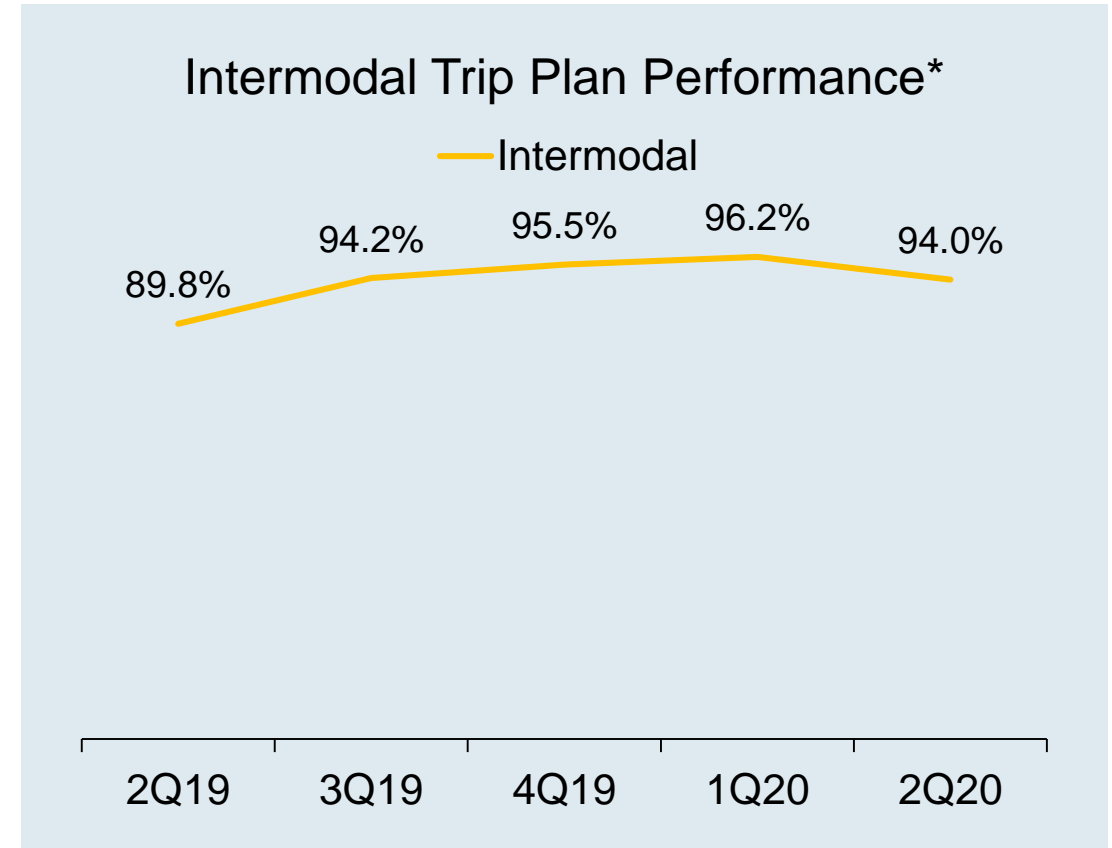
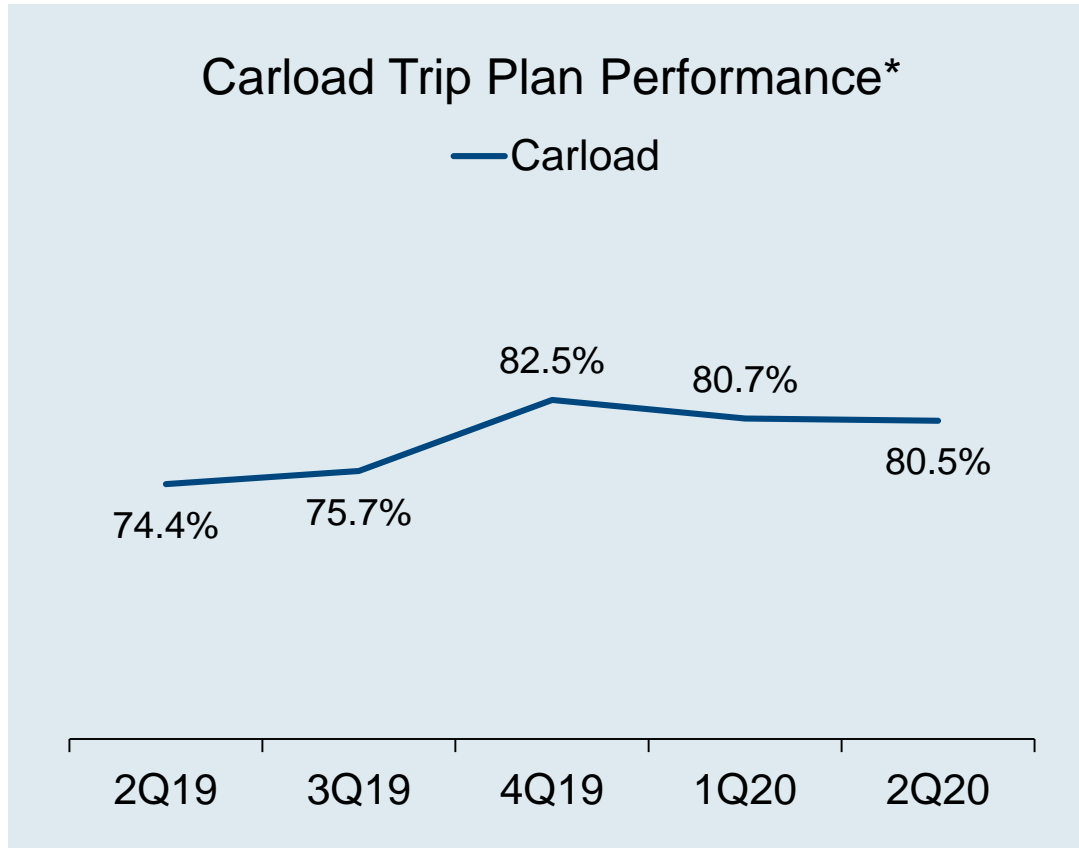


# ADJUSTED RESOURCES IN RESPONSE TO LOWER VOLUMES

Change in Volume and Key Resources Since March 1, 2020  
*Rolling 7-Day Averages*



# SECOND QUARTER SERVICE HIGHLIGHTS



\*Trip Plan Performance measures success in meeting end-to-end customer commitments based on a specific time of arrival. CSX measures Trip Plan Performance for every car and container, loaded and empty, on its network that is destined for a customer.

# FINANCIAL REVIEW

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**Kevin S. Boone**

EVP and Chief Financial Officer

# SECOND QUARTER EARNINGS SUMMARY

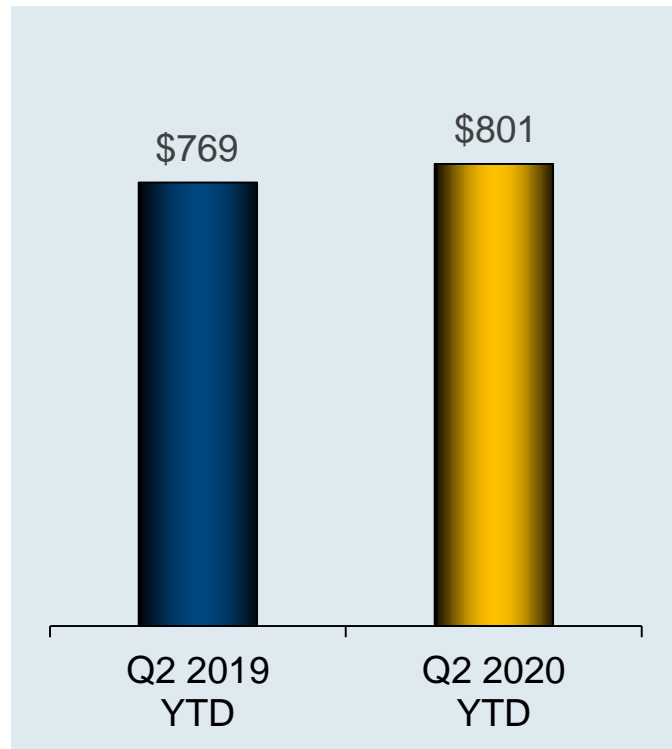
## Second Quarter Income Statement

Dollars in millions	2020	2019	Variance
Revenue	\$ 2,255	\$ 3,061	(26%)
Expense			
Labor and Fringe	507	648	22%
Materials, Supplies and Other	407	445	9%
Depreciation	344	337	(2%)
Fuel	91	234	61%
Equipment and Other Rents	78	92	15%
Total Expense	1,427	1,756	19%
Operating Income	828	1,305	(37%)
Interest Expense	(191)	(184)	(4%)
Other Income – Net	15	25	(40%)
Income Tax Expense	(153)	(276)	45%
Net Earnings	\$ 499	\$ 870	(43%)
Earnings Per Share	\$ 0.65	\$ 1.08	(40%)
Operating Ratio	63.3%	57.4%	(590 bps)

# SECOND QUARTER YEAR TO DATE FINANCIAL MEASURES

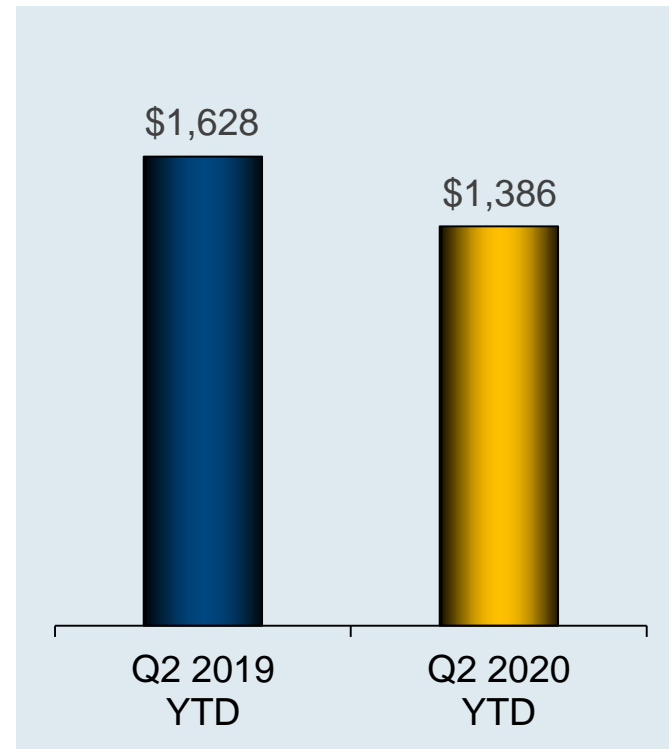
## Capital Investments

Dollars in Millions



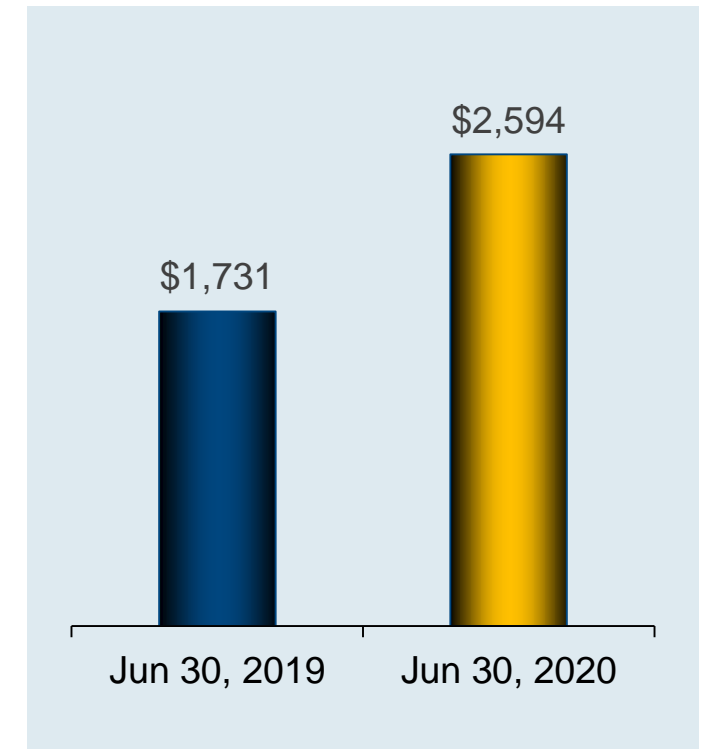
## Free Cash Flow Before Dividends\*

Dollars in Millions



## Cash and Short-Term Investments Balance

Dollars in Millions



\*See Appendix for Non-GAAP reconciliation

# CLOSING REMARKS

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President and Chief Executive Officer

# LOOKING FORWARD

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- Continue to monitor pace of recovery from May trough
- Adjust resources as needed to optimize network to prevailing economic environment
  - Deliver high quality service product to customers
  - Leverage structural cost savings created in the second quarter
- Expect capital expenditures at low end of initial \$1.6-1.7 billion guidance
  - Continue to invest in core network infrastructure
  - Driving capital spend efficiencies and prioritizing high-return projects
- Industry-leading free cash flow profile and maintain strong liquidity position

# APPENDIX

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- Non-GAAP Free Cash Flow Reconciliation



# NON-GAAP FREE CASH FLOW RECONCILIATION

## Free Cash Flow

Dollars in millions	Six Months Ended	
	June 30, 2020	June 30, 2019
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,184</b>	<b>\$ 2,267</b>
Property Additions	(801)	(769)
Other Investing Activities	3	130
<b>Free Cash Flow Before Dividends (non-GAAP)</b>	<b>\$ 1,386</b>	<b>\$ 1,628</b>



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