



**2021 SECOND QUARTER  
EARNINGS  
CONFERENCE CALL**



**07.21.2021**

# FORWARD LOOKING DISCLOSURE

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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

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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

**1,591K**

Volume

**\$2,990M**

Revenue

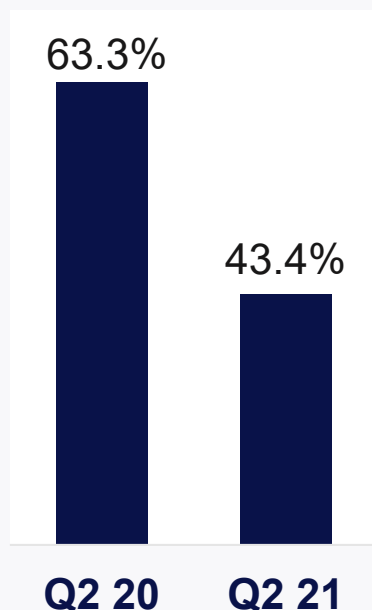
**\$1,691M**

Op. Income

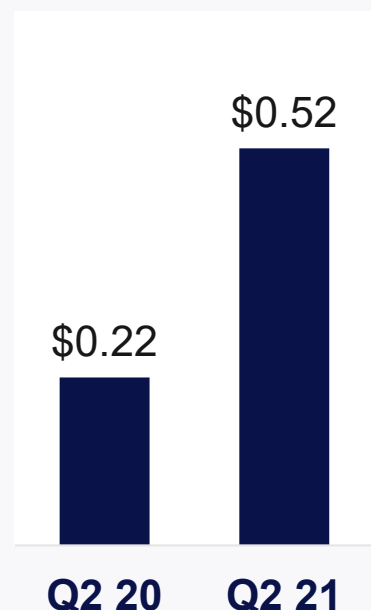
## Operating Income



## Operating Ratio



## Earnings Per Share



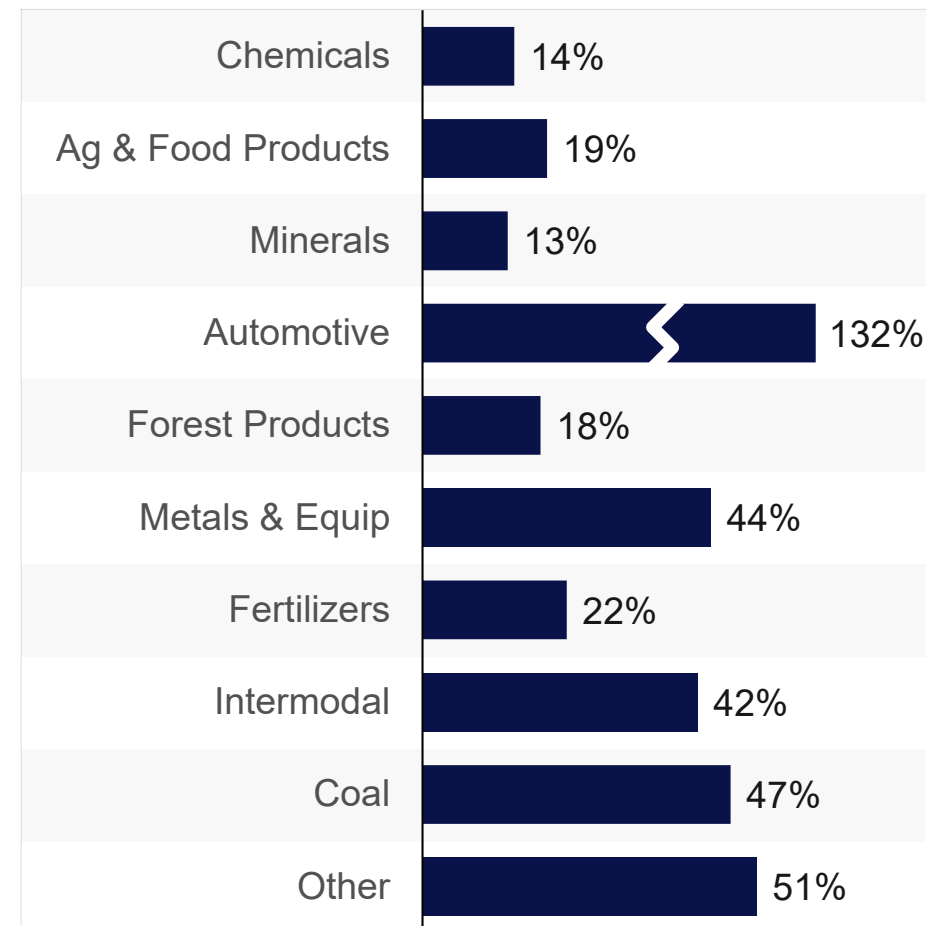
- Q2 results reflect strong rebound from prior year COVID-19 impacts
- Results include benefits from sale of certain property rights to Virginia for passenger rail operations
  - \$349M operating income
  - 11.7% points of operating ratio
  - \$0.12 earnings per share

# SECOND QUARTER REVENUE HIGHLIGHTS

## Volume and Revenue Increased Across All Segments

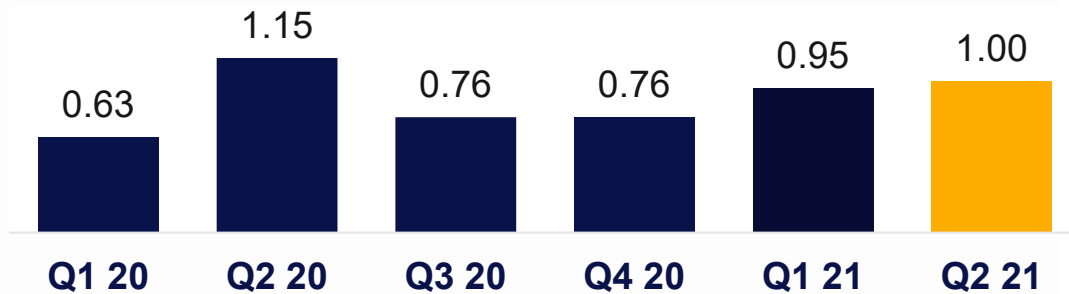
- **Chemicals** increased due to higher shipments of plastics, waste and other core chemicals, partially offset by lower shipments of crude oil
- **Agricultural & Food Products** increased as a result of higher shipments of ethanol, food and consumer products, and domestic grain
- **Minerals** increased primarily as a result of higher shipments of cement, lime and limestone
- **Automotive** increased due to higher North American vehicle production, which was unfavorably impacted in Q2 2020 by COVID-19 plant closures
- **Forest Products** increased primarily due to higher shipments of building products and pulpboard
- **Metals and Equipment** increased due to higher shipments across the metals market, partially offset by reduced equipment shipments
- **Fertilizers** increased due to higher long-haul fertilizer shipments, partially offset by lower short-haul phosphate shipments
- **Intermodal** increased due to tightening truck capacity, inventory replenishments and growth in rail volumes from east coast ports
- **Coal** increased due to higher shipments across international export, domestic utility, and steel and industrial coal

## Q2 Revenue Up 33% Year Over Year

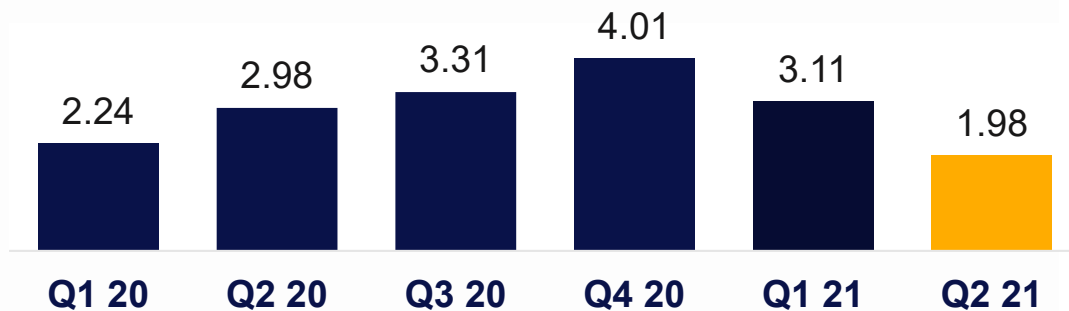


# SECOND QUARTER SAFETY HIGHLIGHTS

## FRA Personal Injury Frequency Index



## FRA Train Accident Rate



- Safety is a guiding principle at CSX
- Record low number of train accidents for Q2
- Safety Summits and face-to-face interaction reinforcing frontline engagement
- Maintaining compliance programs and expanding culture initiatives to drive continued improvement

# SECOND QUARTER OPERATING HIGHLIGHTS

## Q2 2021 Operating Metrics

### Intermodal Trip Plan Performance

**89%**

PERCENT ON TIME

### Terminal Car Dwell

**10.5**

HOURS PER CAR

### Carload Trip Plan Performance

**69%**

PERCENT ON TIME

### Train Velocity

**17.9**

MILES PER HOUR

- Strong intermodal trip plan performance in rising demand environment
- Driving carload trip plan performance momentum
- Expect additional improvements in network fluidity going forward

The methodology for calculating train velocity and dwell differs from that prescribed by the Surface Transportation Board (STB). The Company will continue to report train velocity and dwell to the STB using the prescribed methodology. See additional discussion on CSX.com.



# RESOURCING NETWORK FOR GROWTH



## Hiring & Availability Initiatives

- Ongoing T&E additions in second half of the year
- Increased target size and number of conductor classes
- New programs increasing existing T&E availability



## Rolling Stock Reserves

- Staging assets in locations with expected growth
- Maintain commitment to asset utilization and a balanced network
- Ability to leverage stored locomotives and cars to meet growth needs



## Continue to Invest in Core Infrastructure

- Committed to investments that enhance the safety, reliability and fluidity of the network
- Significant capacity remains across core network

# EXPANDING TECHNOLOGY USAGE

## — Increased Utilization vs. Q2 2020 —

**Distributed Power  
Trains** ▲ **39%**

**Autonomous Track  
Inspection Miles** ▲ **27%**

**Inspection Drone  
Flights** ▲ **80%**

**Field Tablets  
Distributed** ▲ **9K** units

- ▶ Technology is foundational to growth
- ▶ Expanding key initiatives based on successful results to date
- ▶ Ongoing investments to drive additional operational and customer experience benefits
- ▶ Committed to leveraging technology to enhance the safety, productivity, and sustainability of CSX's operations

# FINANCIAL REVIEW

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**Sean R. Pelkey**

VP and Acting Chief Financial Officer

# SECOND QUARTER EARNINGS SUMMARY

## Second Quarter Income Statement

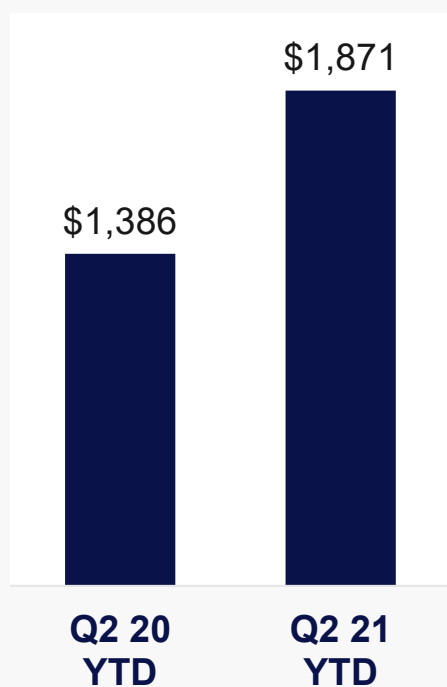
Dollars in millions	2021	2020	Variance
Revenue	\$ 2,990	\$ 2,255	33%
Expense			
Labor and Fringe	596	507	(18%)
Materials, Supplies and Other	441	418	(6%)
Depreciation	348	344	(1%)
Fuel	194	91	(113%)
Equipment and Other Rents	87	78	(12%)
Gain on Property Dispositions*	(367)	(11)	NM
Total Expense	1,299	1,427	9%
Operating Income	1,691	828	104%
Interest Expense	(181)	(191)	5%
Other Income – Net	20	15	33%
Income Tax Expense	(357)	(153)	(133%)
Net Earnings	\$ 1,173	\$ 499	135%
Earnings Per Share	\$ 0.52	\$ 0.22	136%
Operating Ratio	43.4%	63.3%	1990 bps

\* On March 26, 2021, the Company entered into a comprehensive agreement to sell certain property rights in three CSX-owned line segments to the Commonwealth of Virginia over three phases for a total of \$525 million.

# SECOND QUARTER FINANCIAL MEASURES

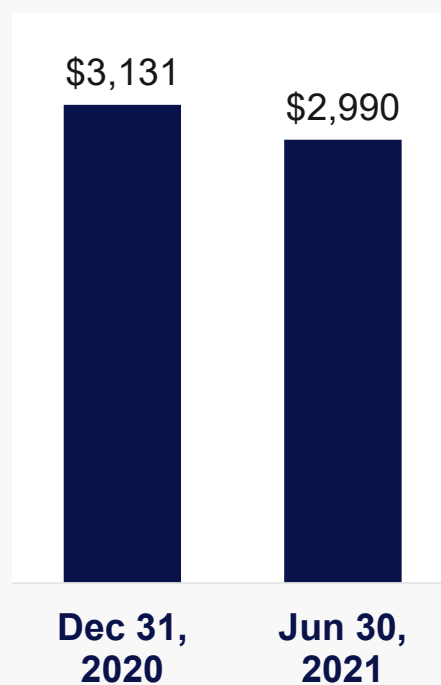
## Free Cash Flow Before Dividends\*

In Millions



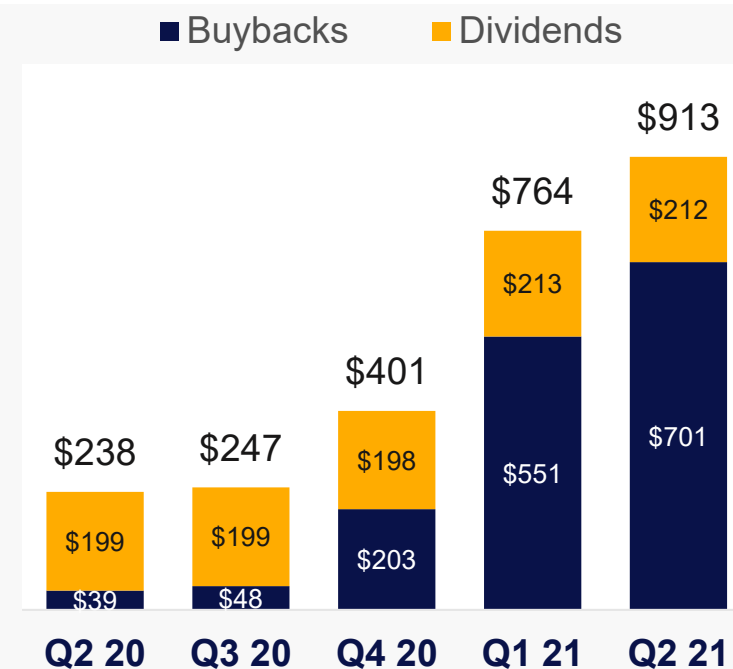
## Cash and Short-term Investments Balance

In Millions



## Shareholder Distributions

In Millions



\* See Appendix for Non-GAAP reconciliation

# CLOSING REMARKS

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**James M. Foote**

President and Chief Executive Officer

# LOOKING FORWARD

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- › Maintaining full year revenue outlook
  - Forecasting double-digit full year revenue growth excluding Quality Carriers
  - Quality Carriers acquisition adds ~6% annualized revenue
- › Focused on delivering high quality service product to customers
- › Capital expenditure outlook remains in the \$1.7 – \$1.8 billion range
- › Committed to returning capital to shareholders

# 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	
	Jun 30, 2021	Jun 30, 2020
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,399</b>	<b>\$ 2,184</b>
Property Additions	(754)	(801)
Other Investing Activities	226	3
Free Cash Flow Before Dividends (non-GAAP)	\$ 1,871	\$ 1,386
Operating Cash Flow Conversion*	128%	172%
Free Cash Flow Conversion*	100%	109%

\*Expressed as a percentage of net income

**CSX**