



**2021 THIRD QUARTER  
EARNINGS  
CONFERENCE CALL**



**10.20.2021**

# 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.

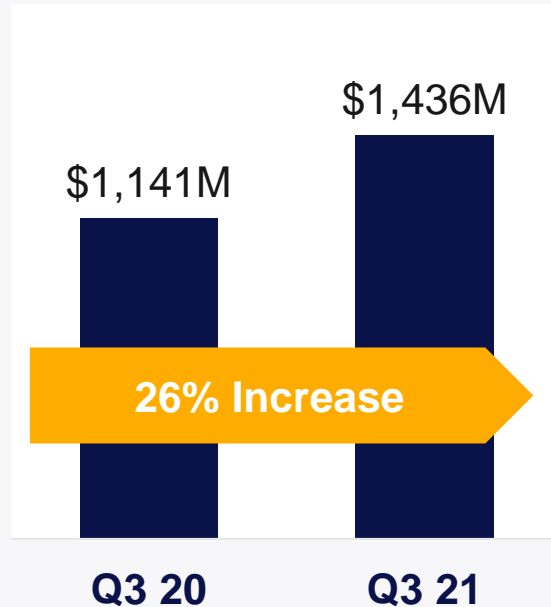
# THIRD QUARTER HIGHLIGHTS

**1,563K**  
Volume

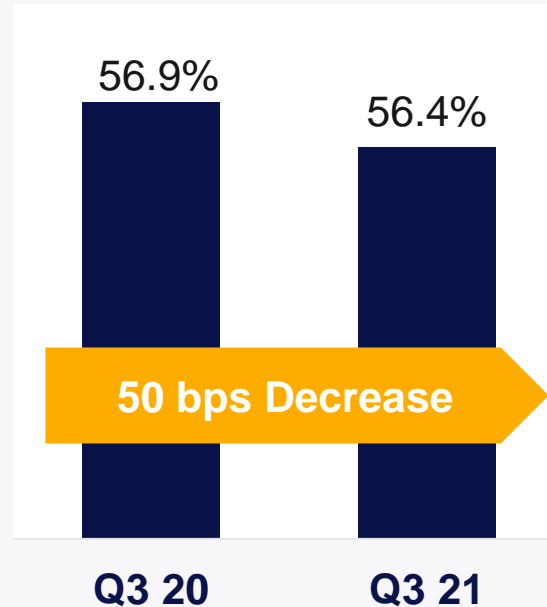
**\$3,292M**  
Revenue

**\$1,436M**  
Op. Income

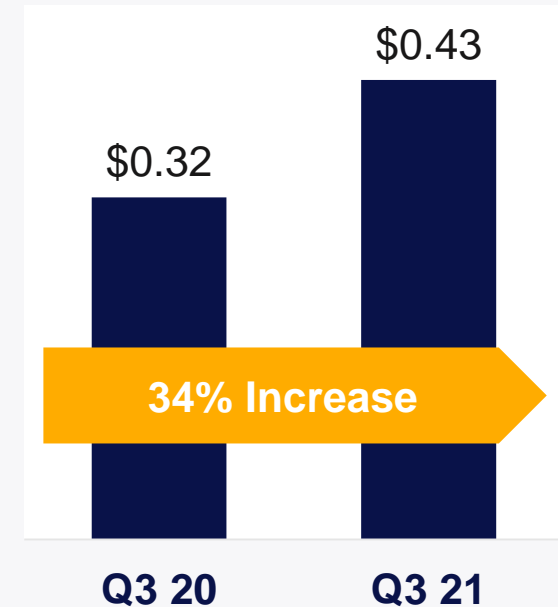
## Operating Income



## Operating Ratio



## Earnings Per Share

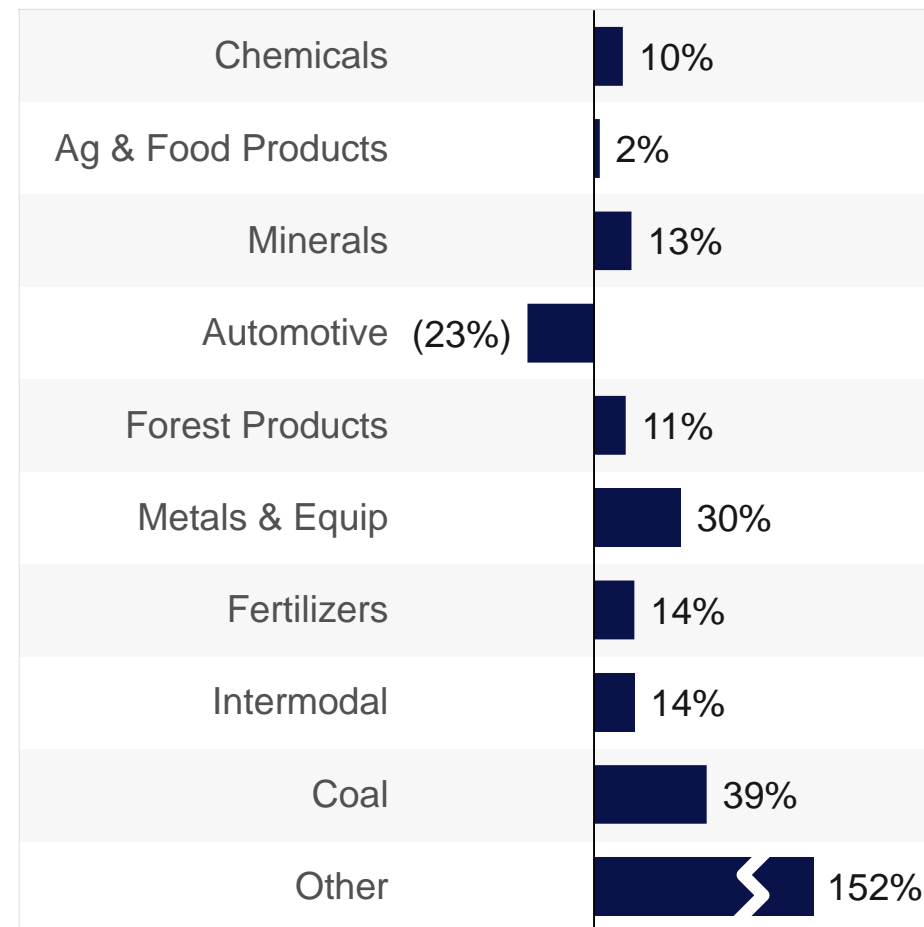


# THIRD QUARTER REVENUE HIGHLIGHTS

## Broad-Based Revenue Gains More Than Offset Automotive Weakness

- › **Chemicals** increased due to higher shipments of plastics, sand, waste and other core chemicals, partially offset by lower shipments of crude oil
- › **Agricultural & Food Products** increased as growth in food and consumer was partially offset by lower export grain and ethanol shipments
- › **Minerals** increased as a result of higher shipments of aggregates, cement, lime and limestone
- › **Automotive** decreased due to lower North American vehicle production, which continues to be impacted by shortages of semi-conductors
- › **Forest Products** increased primarily due to higher shipments of pulpboard, woodpulp and building products
- › **Metals and Equipment** increased as growth across the metals markets was partially offset by reduced equipment shipments
- › **Fertilizers** increased as long-haul fertilizer shipments were offset by declines in short-haul phosphate shipments
- › **Intermodal** increased due to higher international shipments from strong demand, inventory replenishments and rail volume growth from East Coast ports
- › **Coal** increased due to higher shipments across international export, domestic utility, and steel and industrial coal
- › **Other Revenue** increased due to higher intermodal storage and equipment usage revenue as well as higher demurrage and affiliate revenue

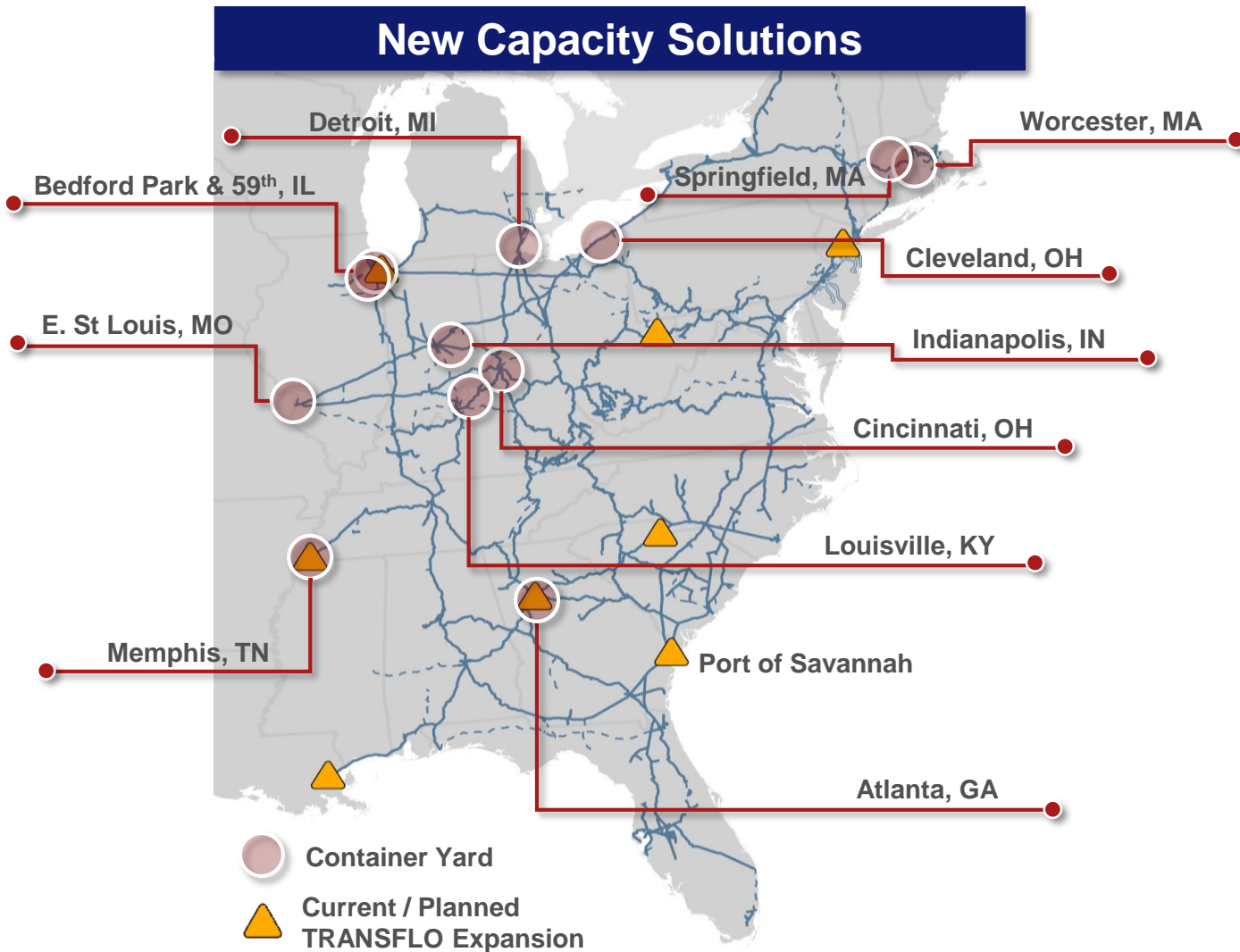
## Q3 Revenue Up 24% Year Over Year





# INVESTING IN SOLUTIONS TO ADDRESS SUPPLY CHAIN CHALLENGES

## New Capacity Solutions



- 13 overflow container yards at key terminals throughout the network to create additional storage and capacity
- Additional drayage solutions to maintain terminal fluidity
- Partnering with Georgia Port Authority on South Atlantic Supply Chain Relief Program utilizing inland rail yards, freeing up truck capacity and reducing congestion at the port terminal
- Port-to-port East Coast lanes to alleviate marine terminal congestion and provide a rail solution for diverted vessels
- Creating tactical solutions to address container shortages through accelerated repositioning
- Implemented steel-wheel solutions for West Coast cargo moving direct to non-traditional eastern markets
- Aggressively adding TRANSFLO capacity solutions in Merchandise network to address truck shortages
- Increasing customer solutions team by ~40%
- Developing CSX select sites for customer growth needs

# CREATING CAPACITY THROUGH OPERATING INITIATIVES

<b>Intermodal Trip Plan Performance</b>	<b>Carload Trip Plan Performance</b>	<b>Terminal Car Dwell</b>	<b>Train Velocity</b>
<b>88%</b> PERCENT ON TIME	<b>68%</b> PERCENT ON TIME	<b>10.5</b> HOURS PER CAR	<b>17.7</b> MILES PER HOUR

## Executing Hiring Programs

- Focused on increasing T&E workforce to address supply chain challenges
  - Successfully increased T&E class size and frequency
  - Hiring pipeline +300% since July, providing favorable headcount visibility
- Implemented new incentive programs to increase existing employee availability
- Adding supplemental labor at Intermodal terminals to maintain fluidity

## Increasing Network Capacity

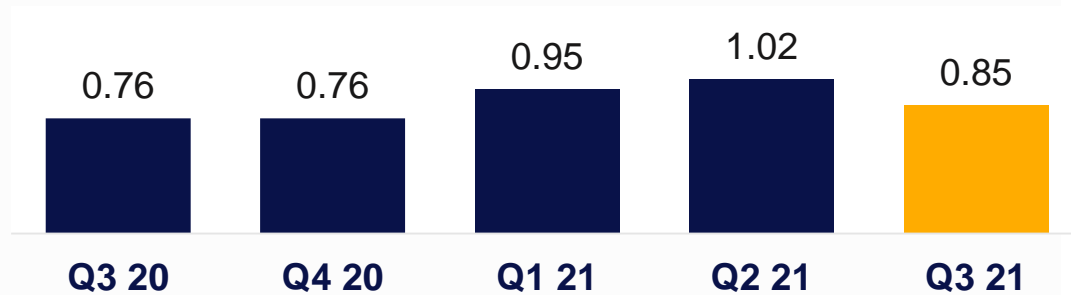
- Upgrading and automating equipment at key yards to improve fluidity and throughput
- Strategically adding and extending sidings
- Redesigning Intermodal terminal footprints to increase capacity

## Focused on Reliability

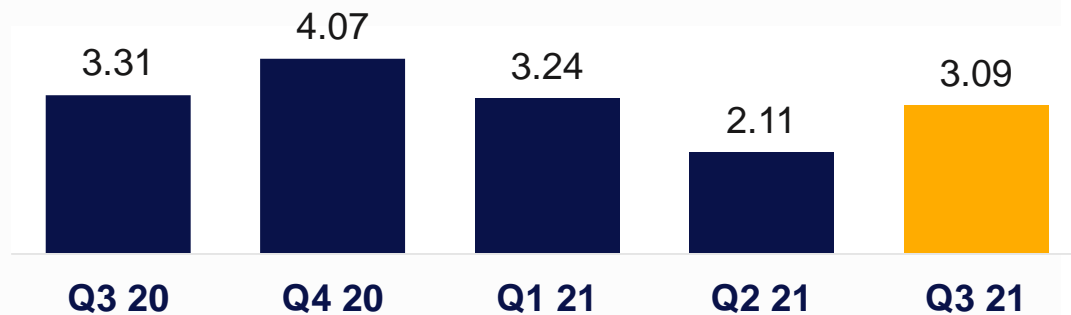
- Maintain balanced network plan to minimize delay and maximize reliability
- Taking steps to continue strong Intermodal performance through peak season

# THIRD QUARTER SAFETY HIGHLIGHTS

## FRA Personal Injury Frequency Index



## FRA Train Accident Rate



- › Safety is a guiding principle at CSX
- › Continue to drive positive safety momentum
- › Focused on critical rules compliance and reducing human factor accidents
- › Leveraging tablet rollout to increase impact by combining electronic and in-person education

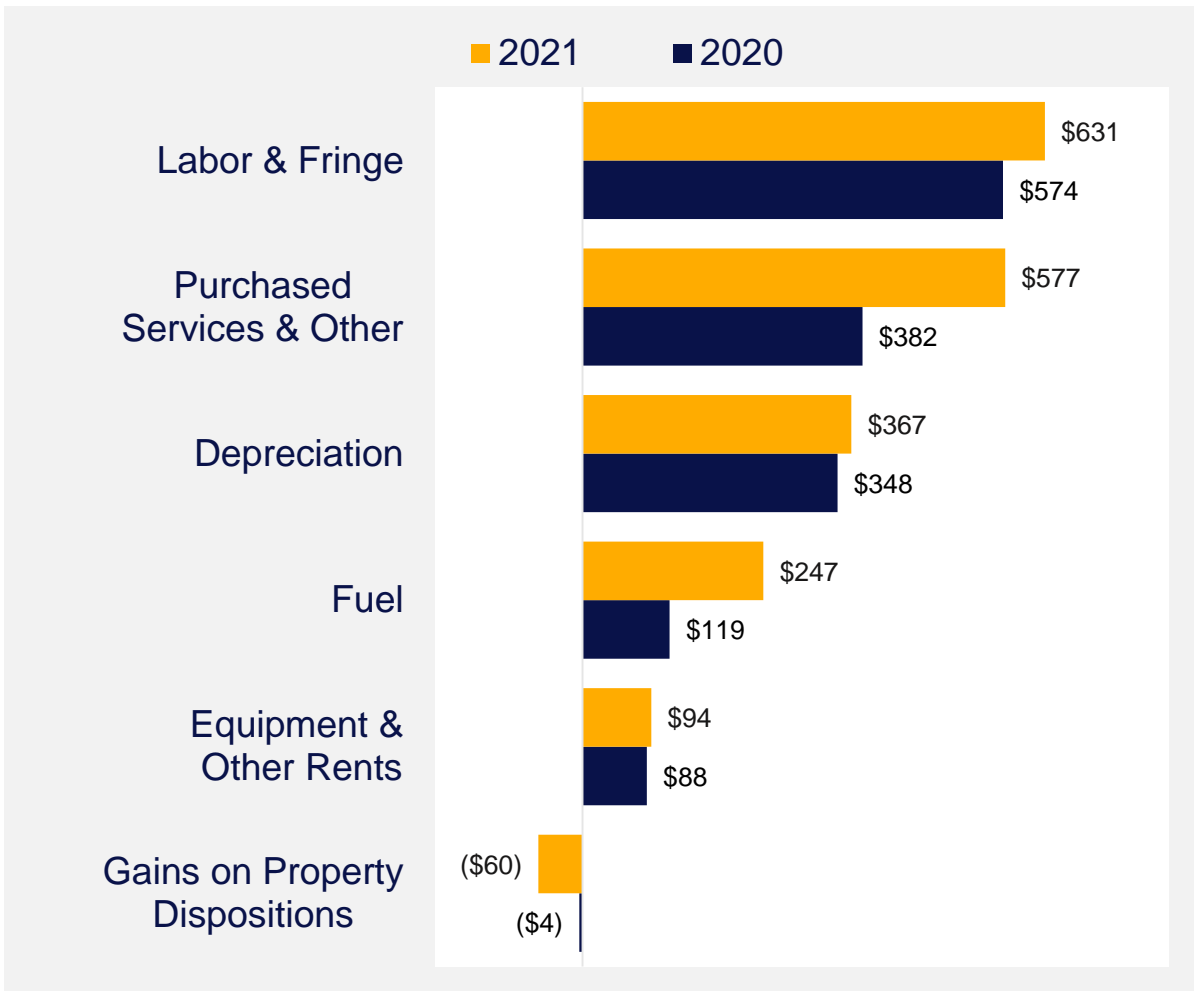


# THIRD QUARTER EARNINGS SUMMARY

## Third Quarter Income Statement

<i>Dollars in Millions</i>	2021	2020	Variance
Revenue	\$ 3,292	\$ 2,648	24%
Expense	1,856	1,507	(23%)
<b>Operating Income</b>	<b>\$ 1,436</b>	<b>\$ 1,141</b>	<b>26%</b>
Interest Expense & Other Income – Net	(157)	(173)	9%
Income Tax Expense	(311)	(232)	(34%)
<b>Net Earnings</b>	<b>\$ 968</b>	<b>\$ 736</b>	<b>32%</b>
<b>Earnings Per Share</b>	<b>\$ 0.43</b>	<b>\$ 0.32</b>	<b>34%</b>
Operating Ratio	56.4%	56.9%	50 bps
Income Tax Rate	24.3%	24.0%	(0.3%)
Average Shares Outstanding, Assuming Dilution ( <i>Millions</i> )	2,242	2,300	

# THIRD QUARTER EXPENSE OVERVIEW



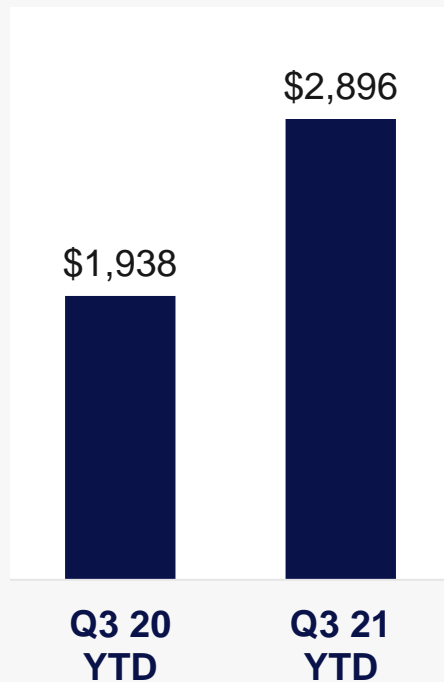
- Expense up 23%, including (~\$200M) related to Quality Carriers, (\$88M) of higher fuel price, and \$56M higher real estate gains
- Non-locomotive fuel inflation remained approximately 3% in the quarter
- Operating costs up on hiring / retention, Intermodal terminal expense and higher active locomotive count
- All-time record fuel efficiency driving continued emissions reduction

Note: Materials, Supplies, and Other expense line item changed to Purchased Services and Other. This naming convention change does not impact previously reported results.

# THIRD QUARTER CASH FLOW SUMMARY

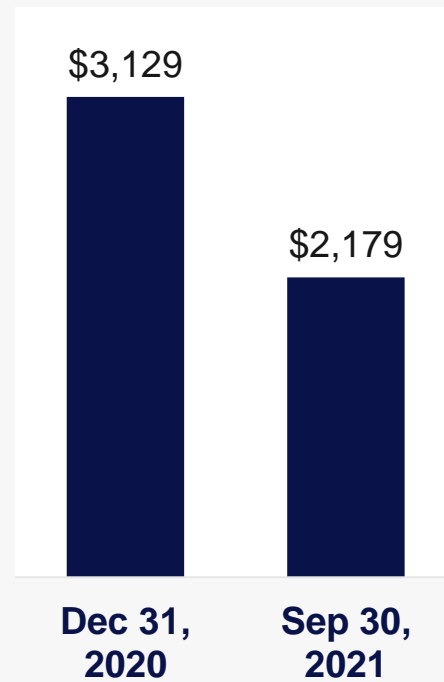
## Free Cash Flow Before Dividends\*

In Millions



## Cash and Equivalents Balance

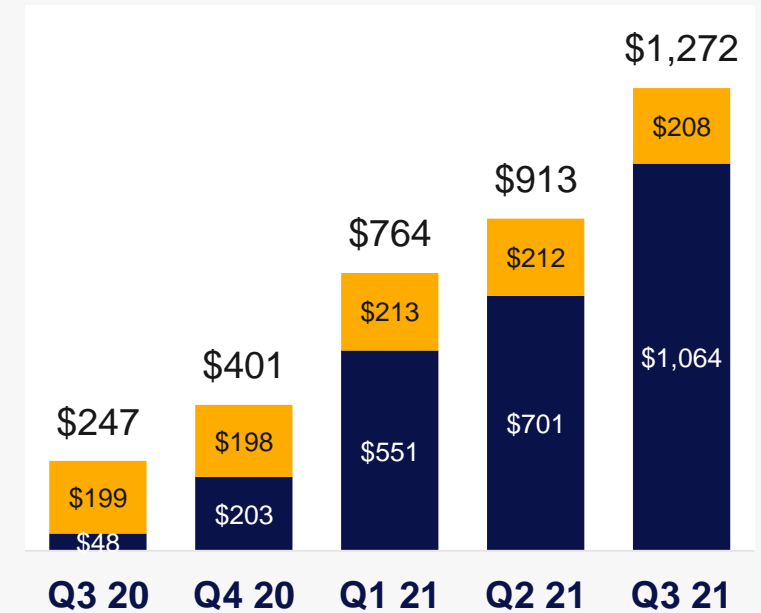
In Millions



## Shareholder Distributions

In Millions

■ Buybacks ■ Dividends



\* See Appendix for Non-GAAP reconciliation

## LOOKING FORWARD

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- › Maintaining prior outlook for double digit revenue growth before impact of Quality Carriers acquisition
- › Expect capital expenditures at top end of \$1.7 – \$1.8 billion range
- › Continue resourcing network to meet demand
- › Committed to delivering high quality service product to customers

# APPENDIX

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## Non-GAAP Free Cash Flow Reconciliation



# NON-GAAP FREE CASH FLOW RECONCILIATION

## Free Cash Flow

Dollars in millions	Nine Months Ended	
	Sep 30, 2021	Sep 30, 2020
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 3,819</b>	<b>\$ 3,128</b>
Property Additions	(1,220)	(1,209)
Other Investing Activities	297	19
Free Cash Flow Before Dividends (non-GAAP)	\$ 2,896	\$ 1,938
Operating Cash Flow Conversion*	134%	156%
Free Cash Flow Conversion*	102%	97%

\*Expressed as a percentage of net income



**CSX**