



**2022 SECOND QUARTER  
EARNINGS  
CONFERENCE CALL**

**07.20.2022**



# 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.

# SECOND QUARTER HIGHLIGHTS

**1,594K**

Volume

**\$3,815M**

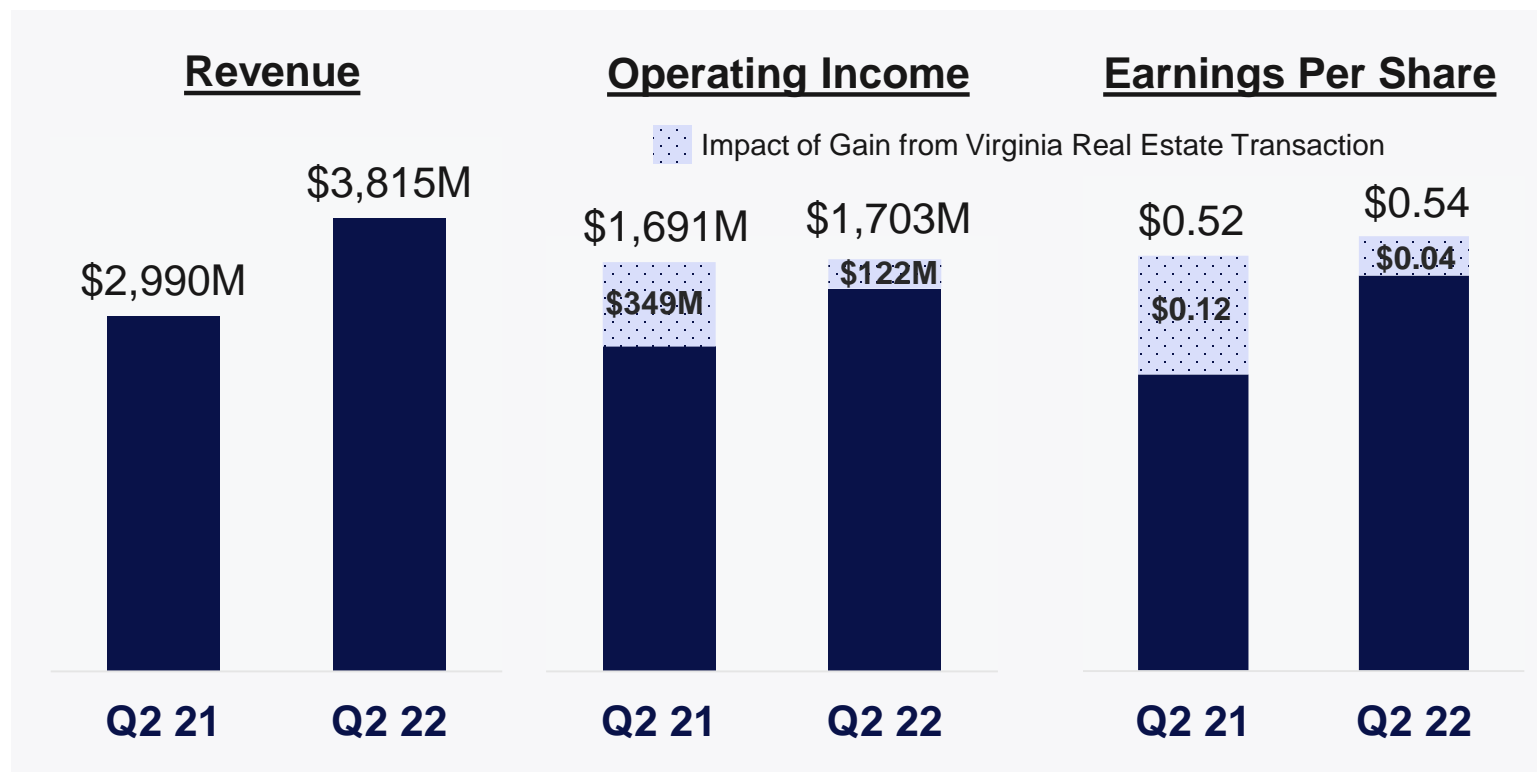
Revenue

**\$1,703M**

Op. Income

**55.4%**

Op. Ratio



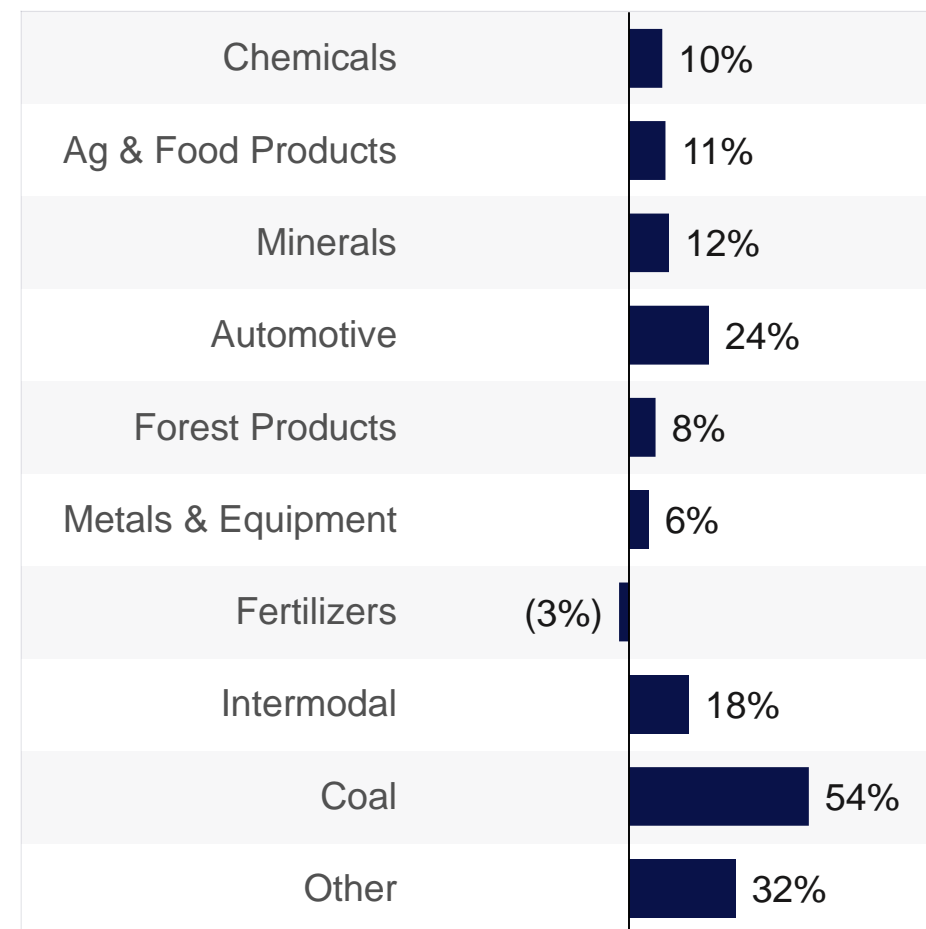
- › Second quarter revenue increased 28% to \$3,815 million
- › Operating income increased 1% to \$1,703 million
- › Earnings per share increased 4% to \$0.54
- › OR of 55.4% includes:
  - › 320bps tailwind from the Virginia gain
  - › (~450)bps headwind from Quality Carriers, higher fuel prices, and Pan Am acquisition costs

# SECOND QUARTER REVENUE HIGHLIGHTS

## Revenue gains driven by inclusion of Quality Carriers, higher fuel recovery and pricing gains

- › **Chemicals** increased as higher revenue from shipments of plastics more than offset the effect of lower energy-related shipments
- › **Agricultural & Food Products** increased as a result of higher shipments of ethanol and grains
- › **Minerals** increased as a result of higher shipments of aggregates and salt
- › **Automotive** increased due to higher North American vehicle production as semiconductor availability has improved
- › **Forest Products** increased as revenue from higher paper and pulpboard shipments more than offset the effect of lower building product shipments
- › **Metals and Equipment** increased as revenue from higher scrap and equipment shipments more than offset the effect of lower steel shipments
- › **Fertilizers** decreased due to declines in short-haul and long-haul phosphate shipments
- › **Intermodal** increased primarily due to higher per-unit pricing across both international and domestic shipments
- › **Coal** increased primarily due to higher export benchmark prices, which more than offset the effect of lower export shipments
- › **Other Revenue** increased primarily due to higher intermodal storage and equipment usage revenues

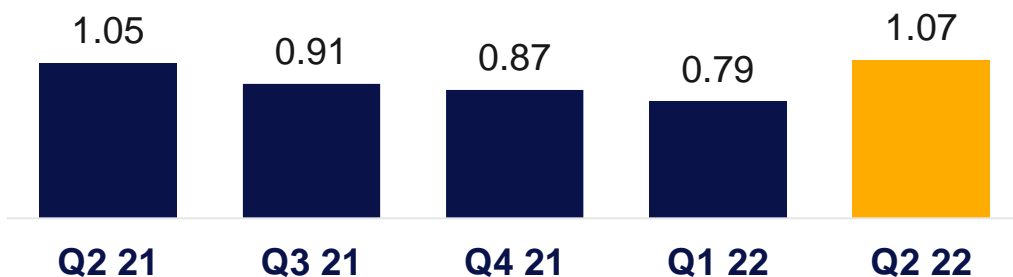
## Q2 Revenue Up 28% Year Over Year



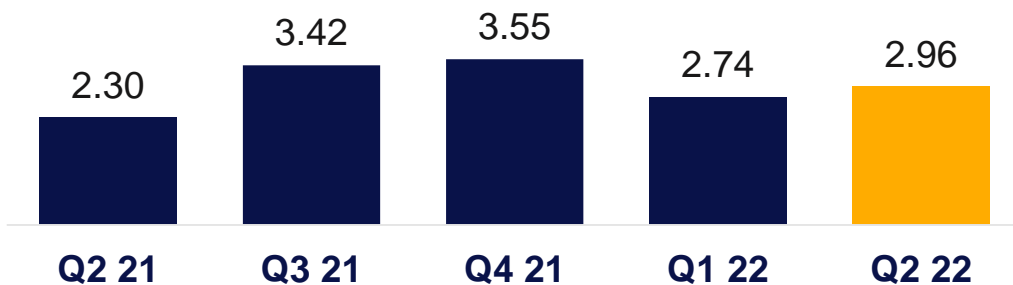


# SECOND QUARTER SAFETY HIGHLIGHTS

## FRA Personal Injury Frequency Index



## FRA Train Accident Rate



- › Safety is a guiding principle at CSX
- › Second quarter injury performance was roughly flat versus the prior year
- › Accident performance declined from last year's record level
- › Continued safety focus on new hire engagement, which accounts for greatest opportunity for improvement

# SECOND QUARTER SERVICE UPDATE

## Intermodal Trip Plan Performance

**90%**

PERCENT ON TIME

## Terminal Car Dwell

**11.8**

HOURS PER CAR

## Carload Trip Plan Performance

**59%**

PERCENT ON TIME

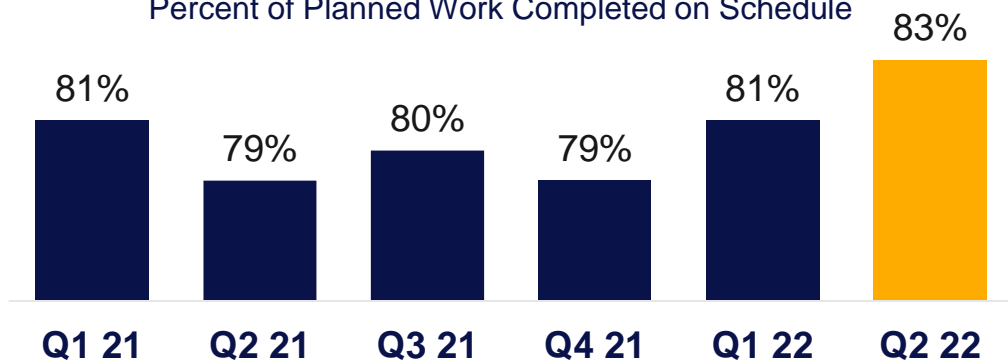
## Train Velocity

**15.3**

MILES PER HOUR

## Local Service Performance

Percent of Planned Work Completed on Schedule

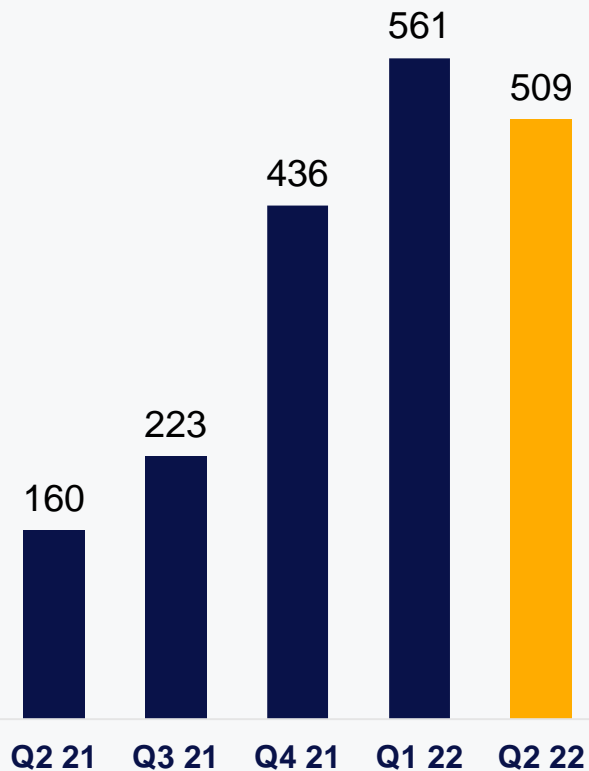


- Remain committed to returning service to pre-pandemic levels
- Focused on providing first mile and last mile service despite operating challenges
  - Local service performance is at highest level in six quarters
- Dwell, velocity and trip plan performance to improve as active T&E count increases
  - Localized areas show service improvement at adequate staffing levels
- Focused on reliability and execution

# SECOND QUARTER T&E HIRING HIGHLIGHTS

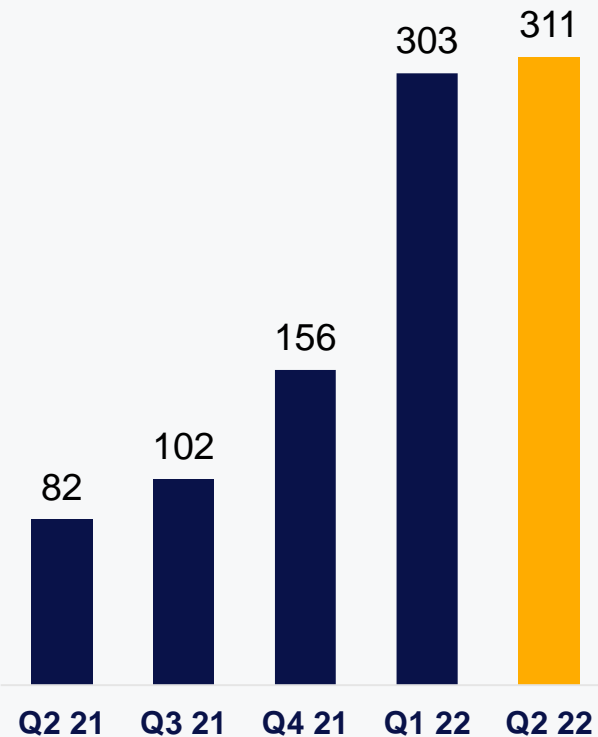
## Employees in Training

Average Daily Employees



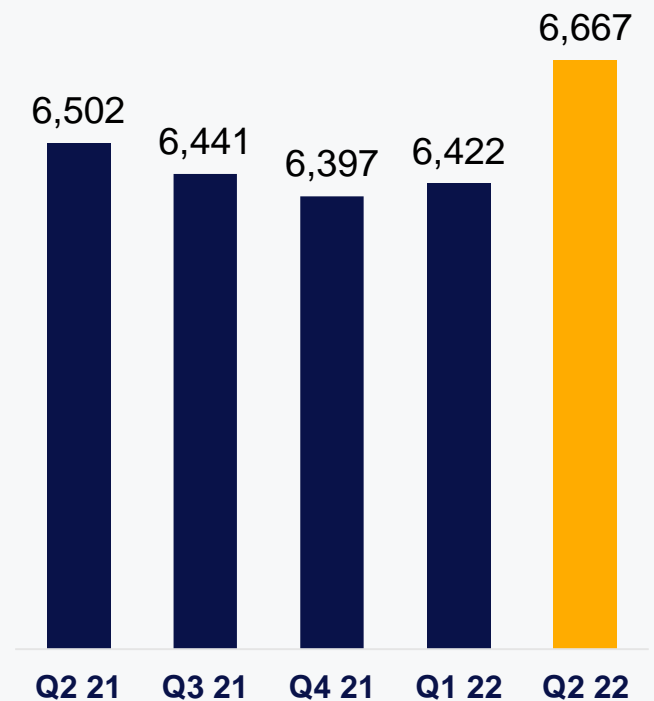
## Conductor Promotions

Total Employees



## Active T&E Employees

Average Daily Employees



Note: All figures exclude employees added due to the acquisition of Pan Am



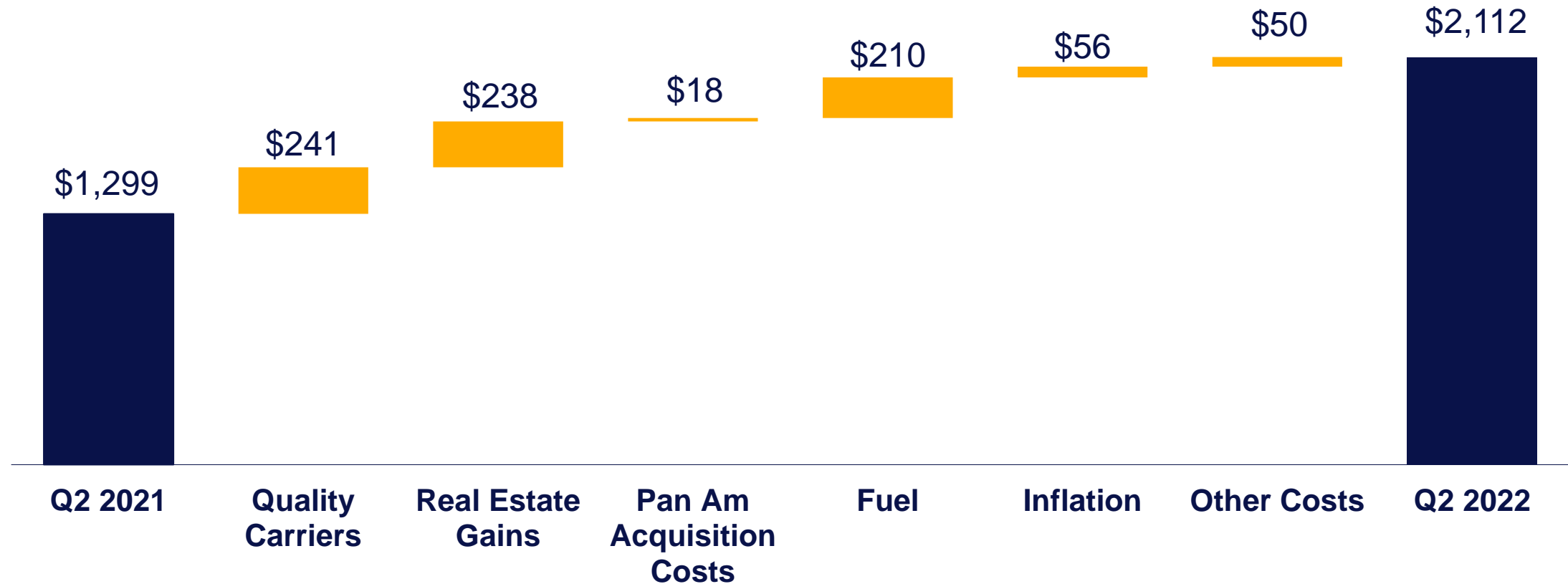
# SECOND QUARTER EARNINGS SUMMARY

## Second Quarter Income Statement

<i>Dollars in Millions</i>	2022	2021	Variance
Revenue	\$ 3,815	\$ 2,990	28%
Expense	2,112	1,299	(63%)
<b>Operating Income</b>	<b>\$ 1,703</b>	<b>\$ 1,691</b>	<b>1%</b>
Interest Expense & Other Income – Net	(145)	(161)	10%
Income Tax Expense	(380)	(357)	(6%)
<b>Net Earnings</b>	<b>\$ 1,178</b>	<b>\$ 1,173</b>	<b>0%</b>
<b>Earnings Per Share</b>	<b>\$ 0.54</b>	<b>\$ 0.52</b>	<b>4%</b>
Operating Ratio	55.4%	43.4%	(1,200 bps)
Income Tax Rate	24.4%	23.3%	(110 bps)
Average Shares Outstanding, Assuming Dilution ( <i>Millions</i> )	2,163	2,275	5%

# SECOND QUARTER EXPENSE UP \$813M

## Q2 2022 vs. Q2 2021 Operating Expense In Millions



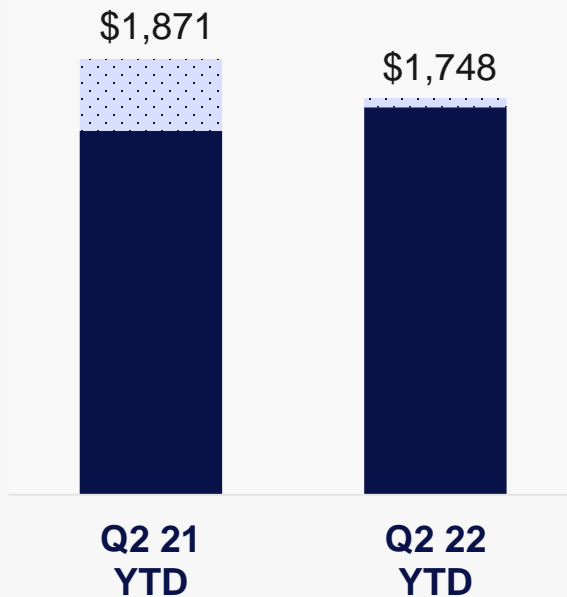
Note: Change in fuel expense excludes fuel expense associated with Quality Carriers.

# SECOND QUARTER FREE CASH FLOW AND DISTRIBUTIONS

## Free Cash Flow Before Dividends\*

In Millions

■ Proceeds from Property Dispositions

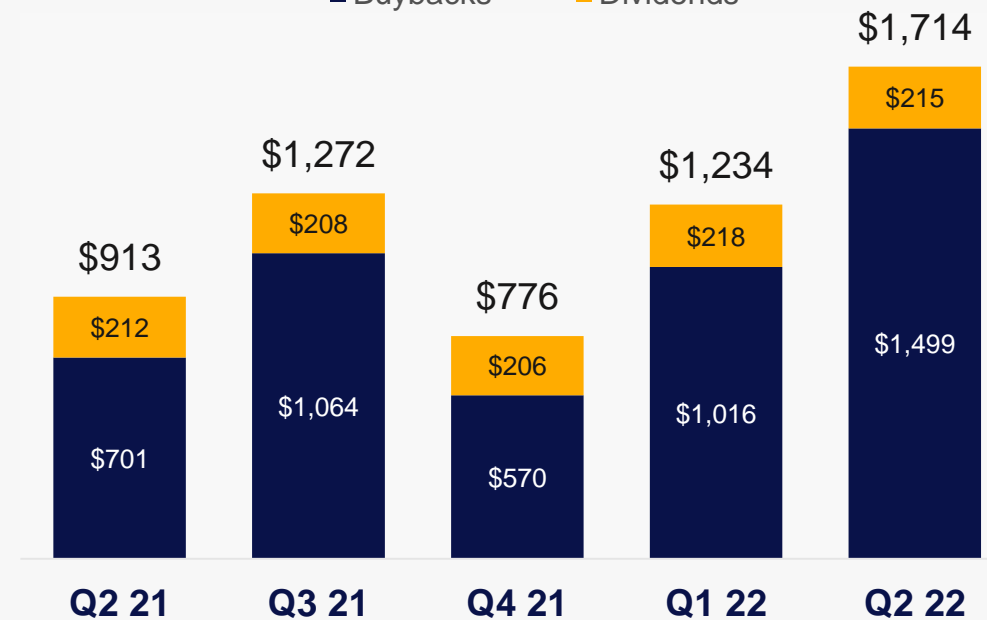


## Shareholder Distributions

In Millions

■ Buybacks

■ Dividends



\* See Appendix for Non-GAAP reconciliation

## LOOKING FORWARD

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- › Still targeting full-year double digit revenue and operating income growth, excluding impacts from the Virginia real estate transaction
- › Continue to increase transportation headcount to restore service and capture increasing rail volume
- › Maintaining full year capital expenditure target of ~\$2 billion
- › Remain 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, 2022	Jun 30, 2021
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,530</b>	<b>\$ 2,399</b>
Property Additions	(811)	(754)
Proceeds and Advances from Property Dispositions	29	227
Other Investing Activities <sup>(a)</sup>	n/a	(1)
<b>Free Cash Flow Before Dividends (non-GAAP)</b>	<b>\$ 1,748</b>	<b>\$ 1,871</b>
Operating Cash Flow Conversion*	124%	128%
Free Cash Flow Conversion*	86%	100%

<sup>(a)</sup> Effective first quarter 2022, the results of other investing activities will no longer be included in free cash flow. Prior year has not been restated as the change is immaterial.

\*Expressed as a percentage of net income



**CSX**