



# 2019 FOURTH 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

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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

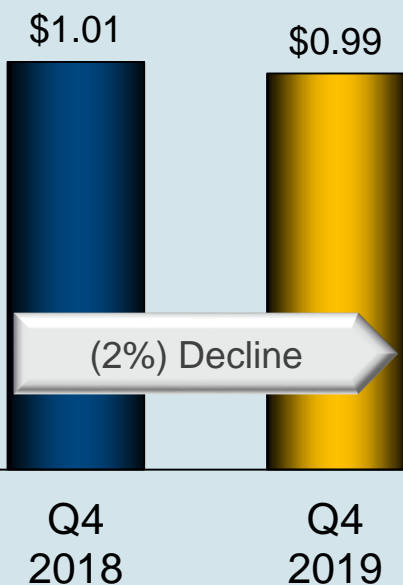
# FOURTH QUARTER AND FULL YEAR HIGHLIGHTS

**Q4 2019:** Volume 1,539K Revenue \$2,885M Operating Income \$1,154M

**FY 2019:** Volume 6,220K Revenue \$11,937M Operating Income \$4,965M

## Fourth Quarter 2019

### Earnings Per Share

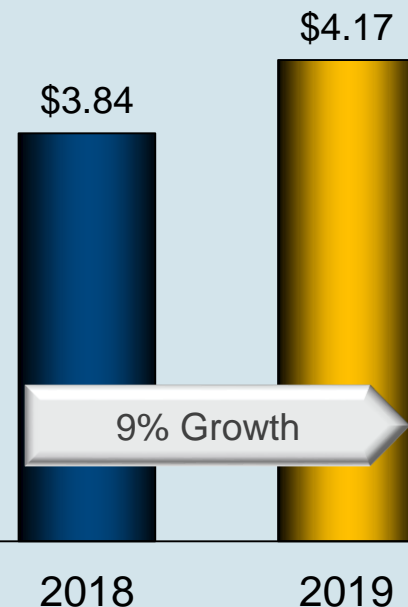


### Operating Ratio

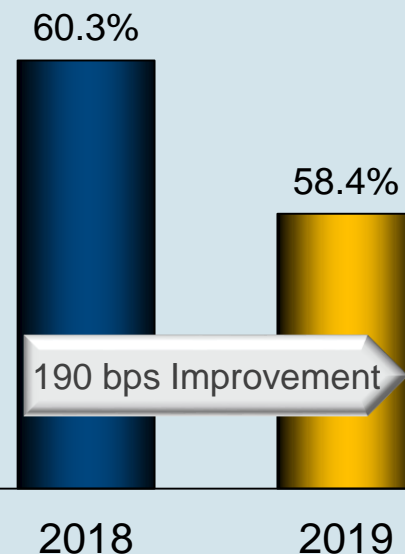


## Full Year 2019

### Earnings Per Share



### Operating Ratio

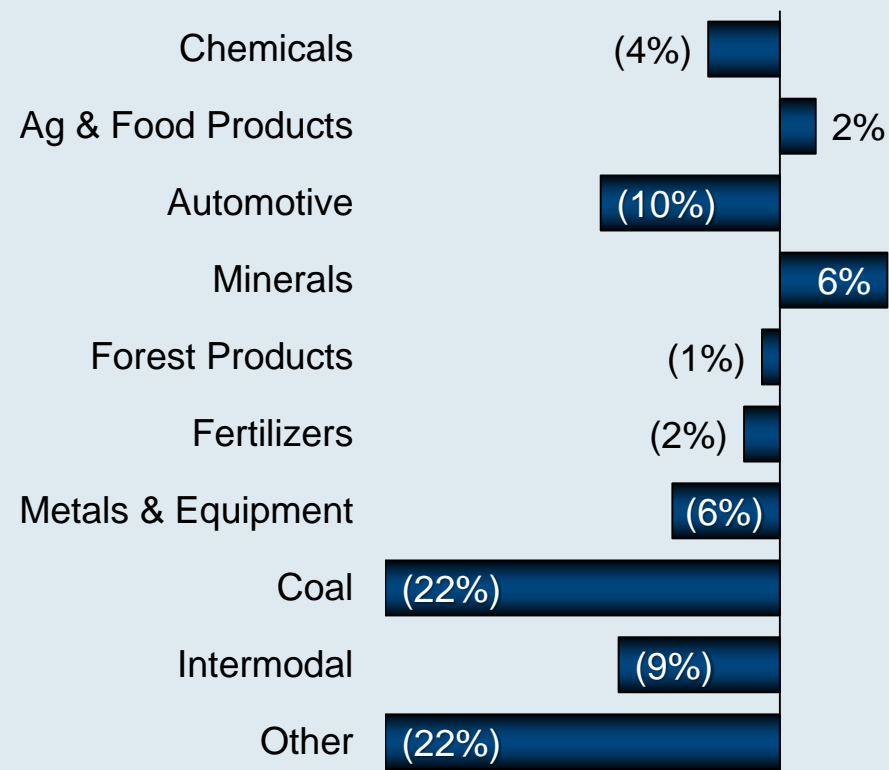


# FOURTH QUARTER REVENUE HIGHLIGHTS

## Revenue Declines Led by Export Coal

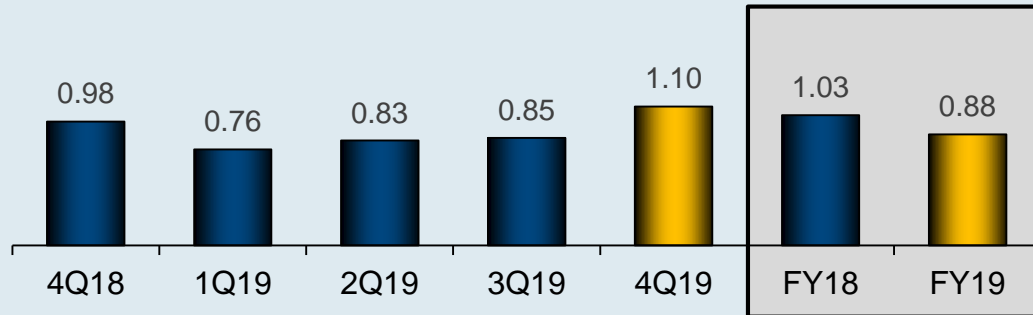
- **Chemicals** declined due to lower natural gas liquids, fly ash and sand shipments
- **Agricultural & Food Products** growth driven by gains in ethanol, sweeteners and oils
- **Automotive** declined due to lower North American vehicle production
- **Minerals** increased on highway and paving project activity growth
- **Forest Products** decreased as a result of lower pulpboard shipments
- **Fertilizers** declined as growth in short-haul phosphate shipments was offset by reduced long-haul fertilizer shipments
- **Metals and Equipment** declined due to lower metals demand, primarily in steel, construction and scrap markets
- **Coal** decreased due to declines in export coal markets from lower global benchmark prices, as well as domestic volume declines
- Domestic and International **Intermodal** decreased, primarily due to the impact of lane rationalizations

## Fourth Quarter Revenue Down 8% Percent Year over Year

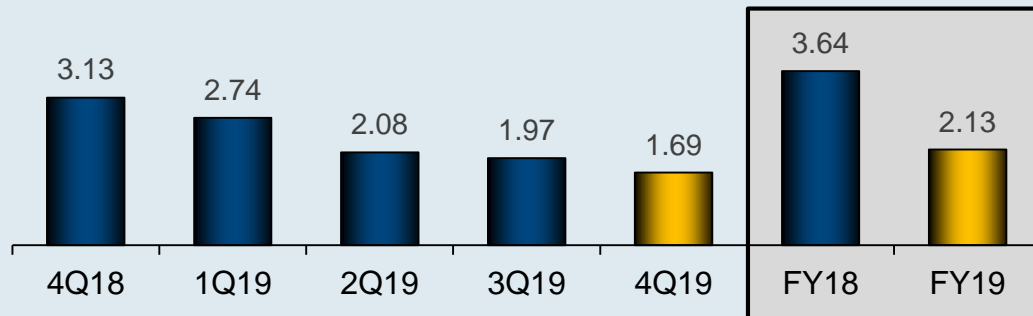


# FOURTH QUARTER SAFETY HIGHLIGHTS

### FRA Personal Injury Frequency Index



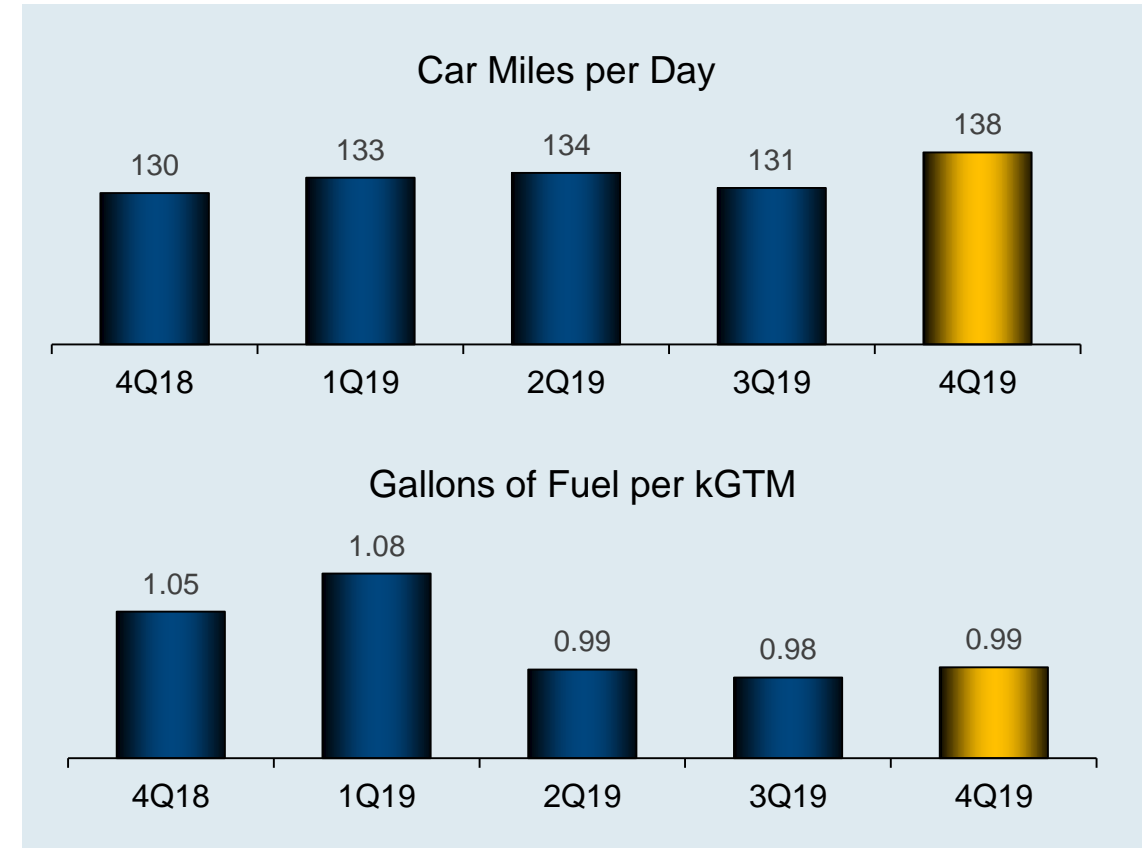
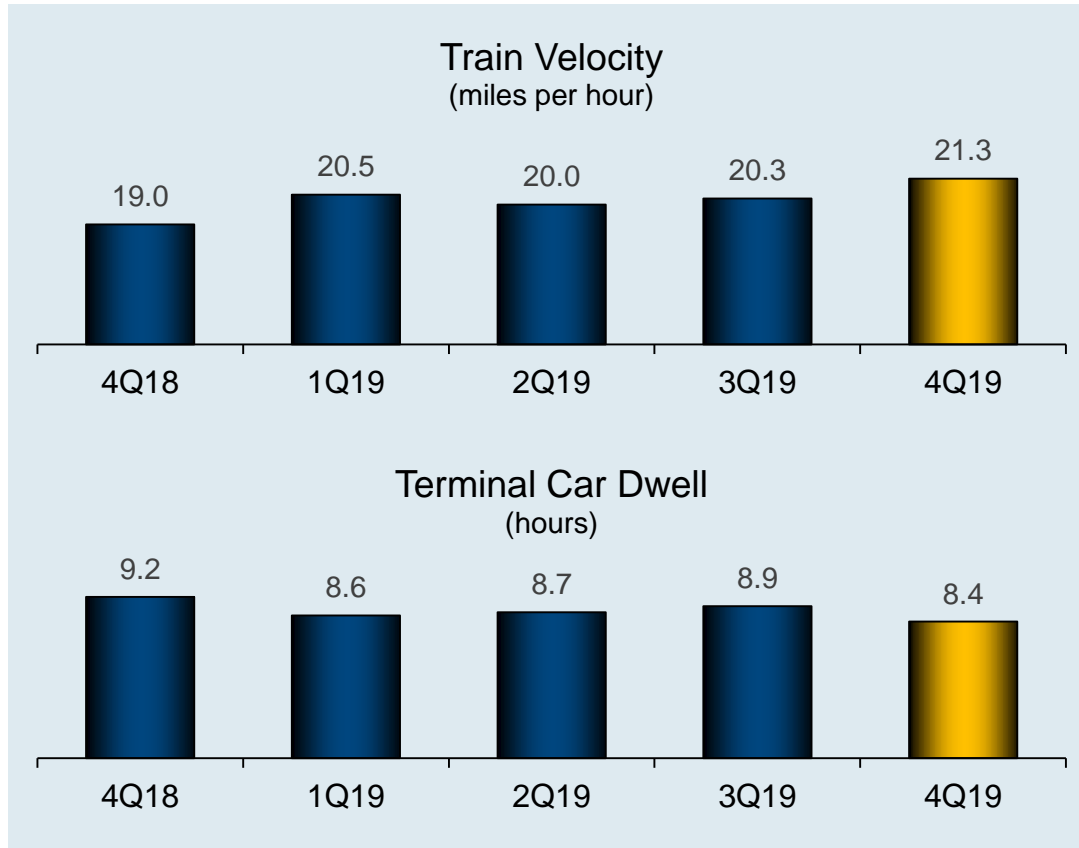
### FRA Train Accident Rate



- Safety is a guiding principle at CSX
- Full year personal injury rate declined 15%
- Full year train accident rate reduced by 41%, and Q4 results represent new company record
- Opportunities remain to further improve safety
- Maintaining rigorous safety training and continuing education program in 2020

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

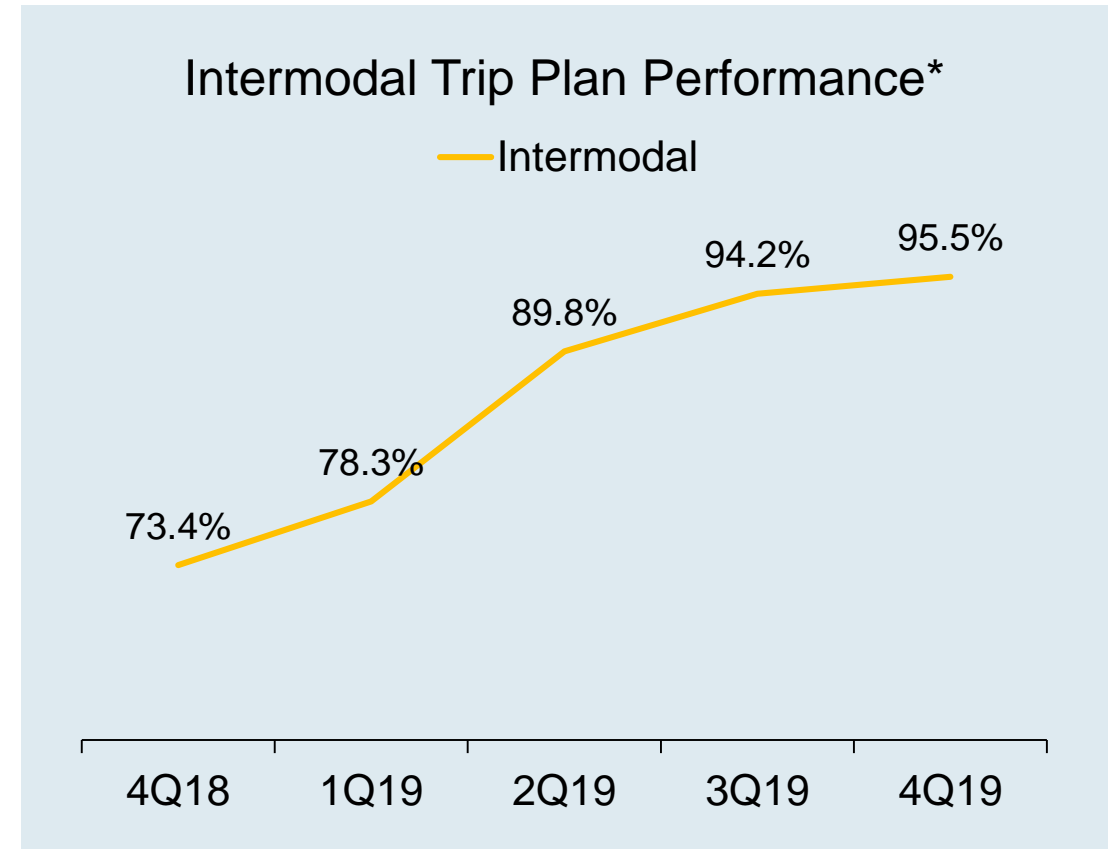
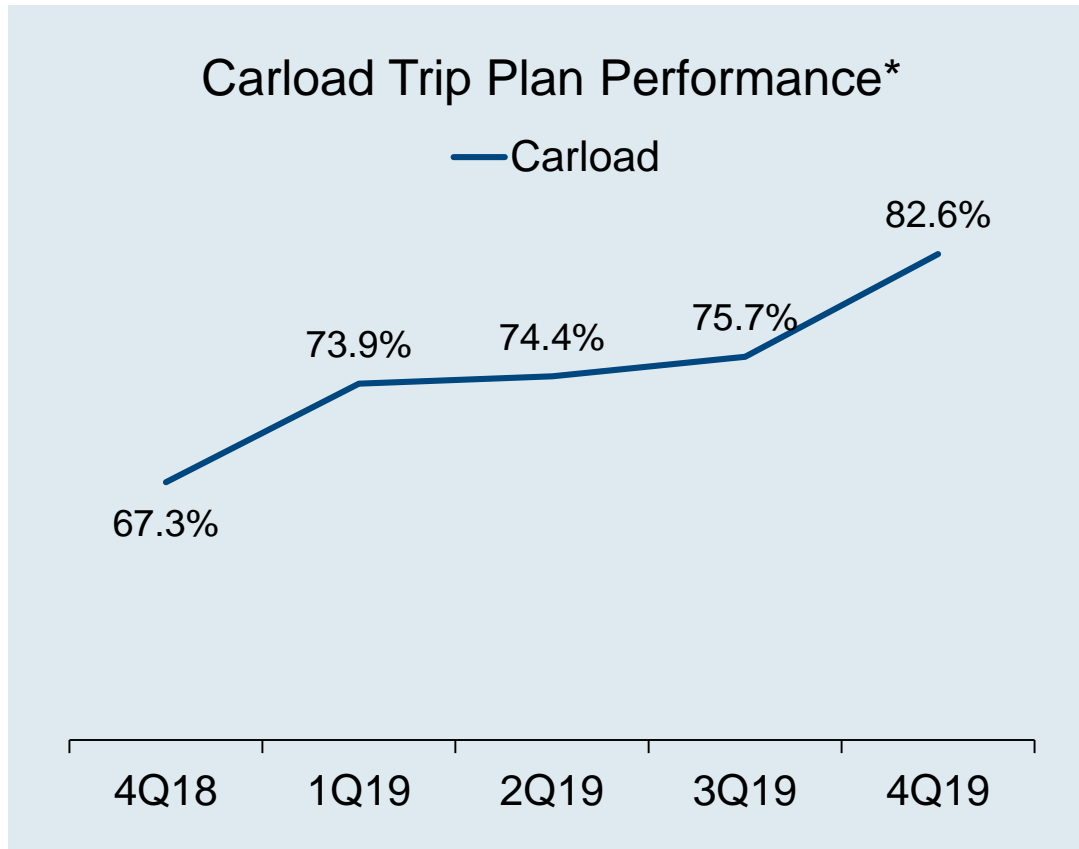
# FOURTH QUARTER OPERATING HIGHLIGHTS



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.



# FOURTH 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

# FOURTH QUARTER EARNINGS SUMMARY

## Fourth Quarter Income Statement

Dollars in millions	2019	2018	Variance
Revenue	\$ 2,885	\$ 3,143	(8%)
Expense			
Labor and Fringe	658	678	3%
Materials, Supplies and Other	436	542	20%
Depreciation	344	345	-
Fuel	216	253	15%
Equipment and Other Rents	101	93	(9%)
Equity Earnings of Affiliates	(24)	(17)	41%
Total Expense	1,731	1,894	9%
Operating Income	1,154	1,249	(8%)
Interest Expense	(189)	(171)	(11%)
Other Income – Net	16	20	(20%)
Income Tax Expense	(210)	(255)	18%
Net Earnings	\$ 771	\$ 843	(9%)
Earnings Per Share	\$ 0.99	\$ 1.01	(2%)
Operating Ratio	60.0%	60.3%	30 bps

# 2019 FULL YEAR FINANCIAL MEASURES

## Capital Investments

Dollars in Millions



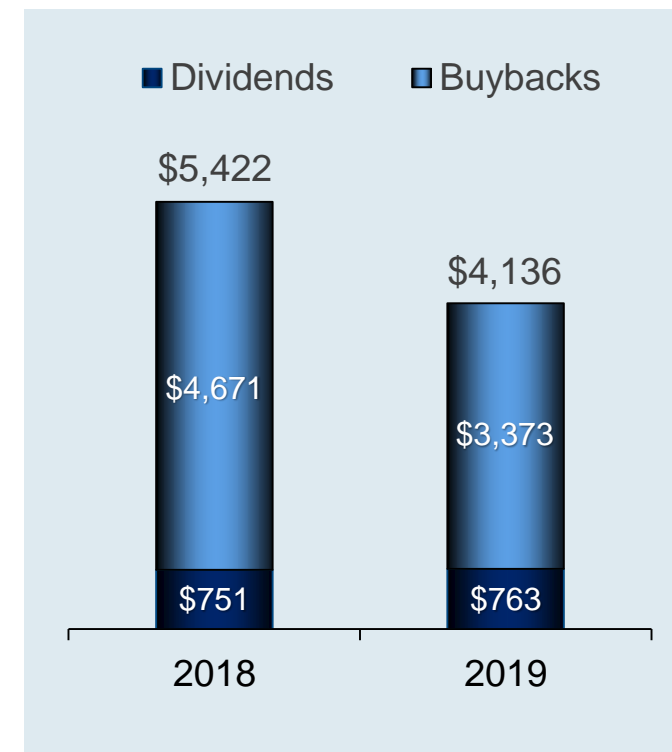
## Adjusted Free Cash Flow Before Dividends

Dollars in Millions



## Shareholder Distributions

Dollars in Millions



Adjusted free cash flow excludes the after-tax cash payment impacts of restructuring charges; see Appendix for Non-GAAP reconciliation

# CLOSING REMARKS

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President and Chief Executive Officer

# 2020 FULL YEAR OUTLOOK

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- Project revenue to be flat to down 2% versus 2019
- Full year Operating Ratio target of 59%
- Capital Expenditures to remain between \$1.6 billion and \$1.7 billion
- Continue to return capital to shareholders
- Committed to strong investment grade rating

# APPENDIX

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- Non-GAAP Adjusted Free Cash Flow Reconciliation

# NON-GAAP ADJUSTED FREE CASH FLOW RECONCILIATION

## Adjusted Free Cash Flow

Dollars in millions	Years Ended	
	December 31, 2019	December 31, 2018
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 4,850</b>	<b>\$ 4,641</b>
Property Additions	(1,657)	(1,745)
Other Investing Activities	285	292
Free Cash Flow (before payment of dividends)	3,478	3,188
Add back: Cash Payments for Restructuring Charge (after-tax)	–	11
<b>Adjusted Free Cash Flow Before Dividends (non-GAAP)</b>	<b>\$ 3,478</b>	<b>\$ 3,199</b>





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