

# 2024 SECOND QUARTER CONFERENCE CALL

**CSX**

8.5.2024





## 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

**Joe Hinrichs**

President and Chief Executive Officer





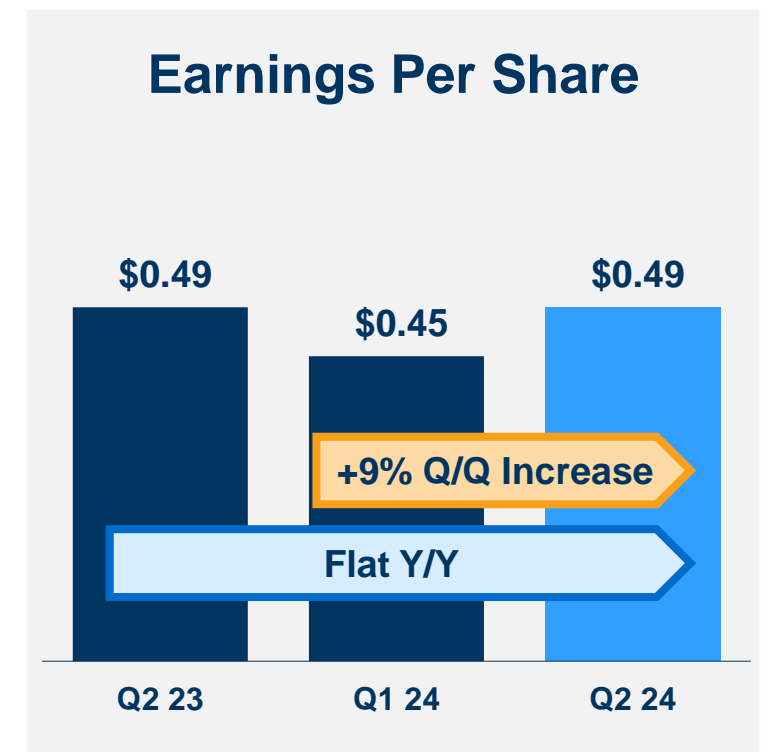
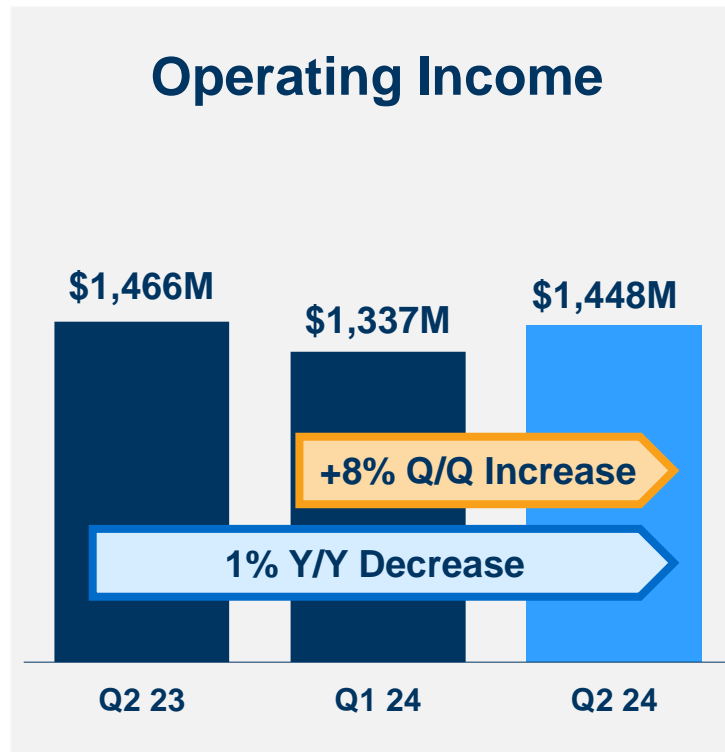
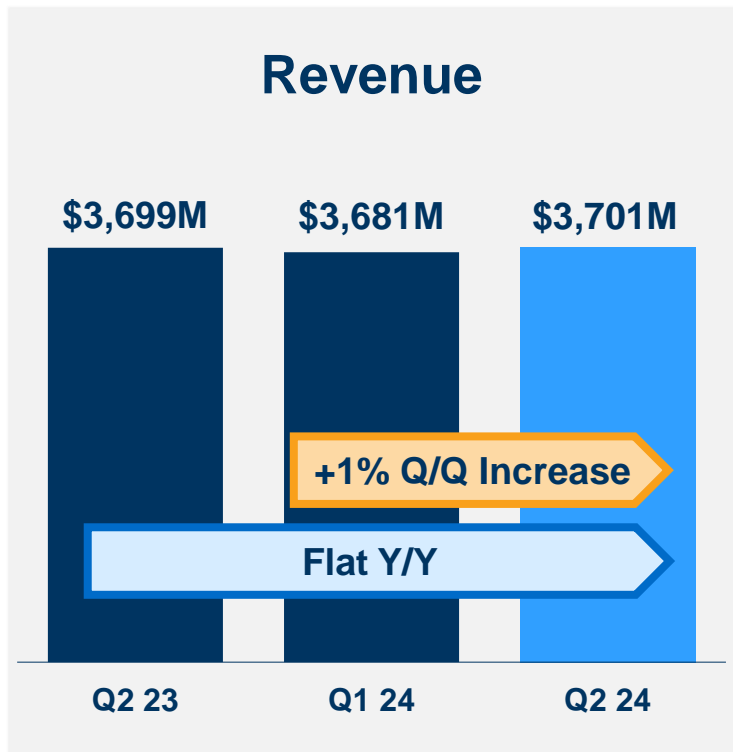
# Second Quarter Financial and Operational Highlights

**+2%**  
Total Volume

**+5%**  
Intermodal Volume

**39.1%**  
Operating Margin

**+280 bps**  
Q/Q Op Margin Growth



Note: Immaterial revisions have been made to prior period amounts. See form 10-Q for details

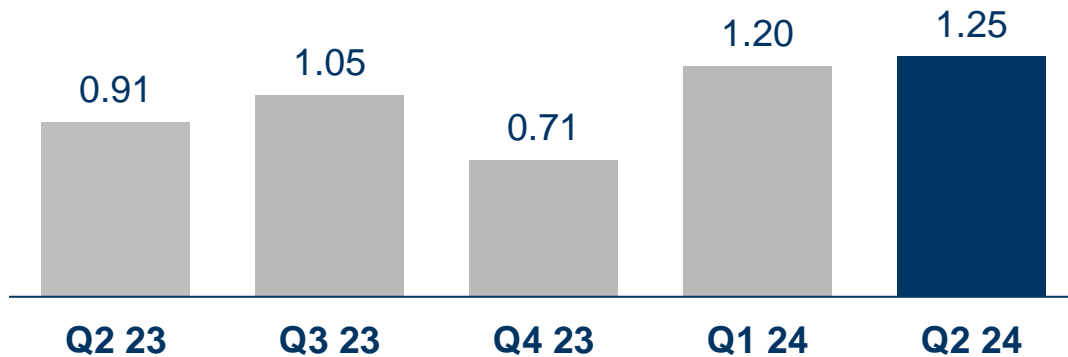
# OPERATIONS REVIEW

**Mike Cory**

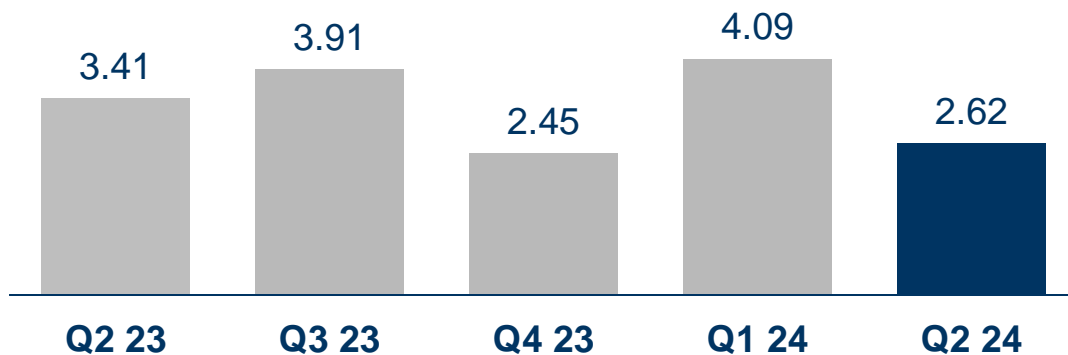
Executive Vice President and Chief Operating Officer



## FRA Personal Injury Frequency Index



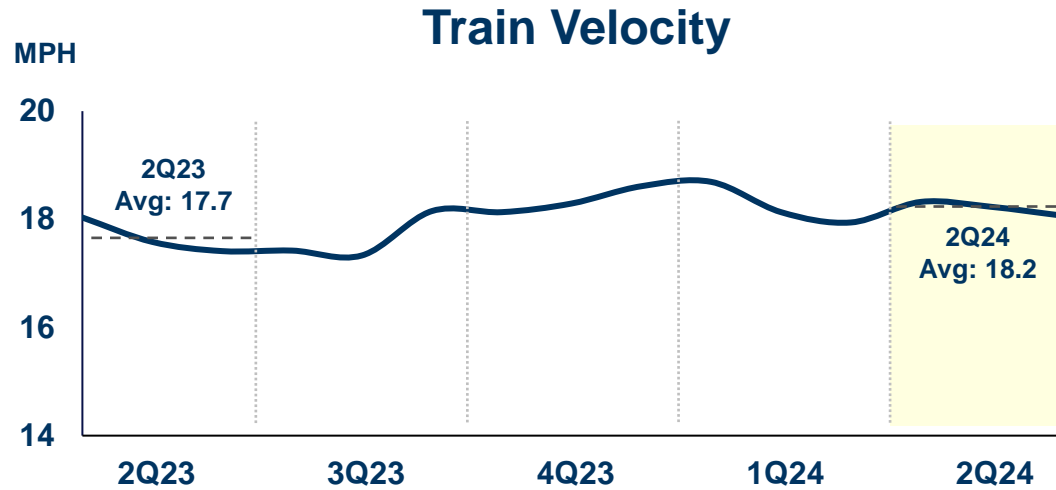
## FRA Train Accident Rate



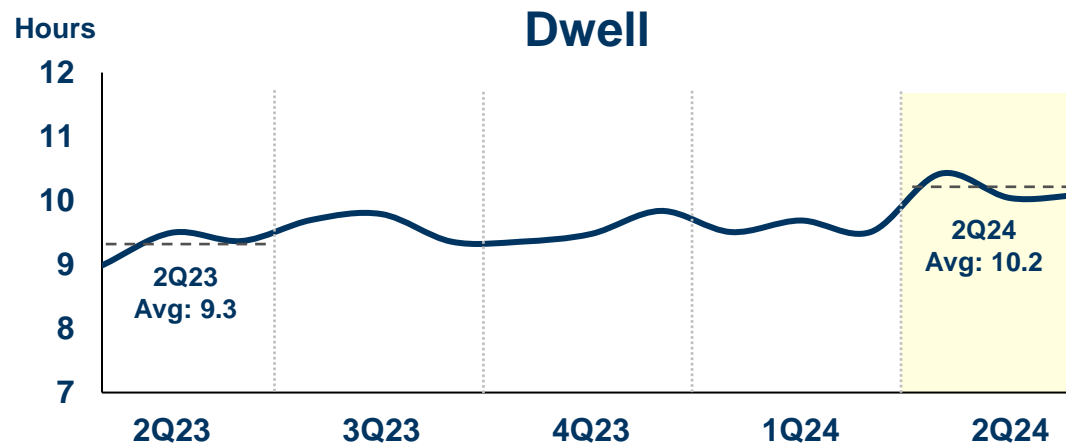
- Safety is a core principle at CSX
- Injury rate is a key area of focus
- Positive improvement in our accident rate as CSX fosters a fundamental safety culture centered on effective mentorship
- Launching an extensive, three-year program aimed at strengthening our safety leadership skills and building employee engagement



# Emphasis on Improving Key Metrics and Network Design



- Velocity improved compared to last year
- Aligning dwell with customer service needs and cost
- Identifying specific, strategic infrastructure opportunities to reduce out-of-route miles and unnecessary handlings
- Continuing to leverage technology and best practices to maximize fuel efficiency
- Improved work block performance driving more effective capital allocation

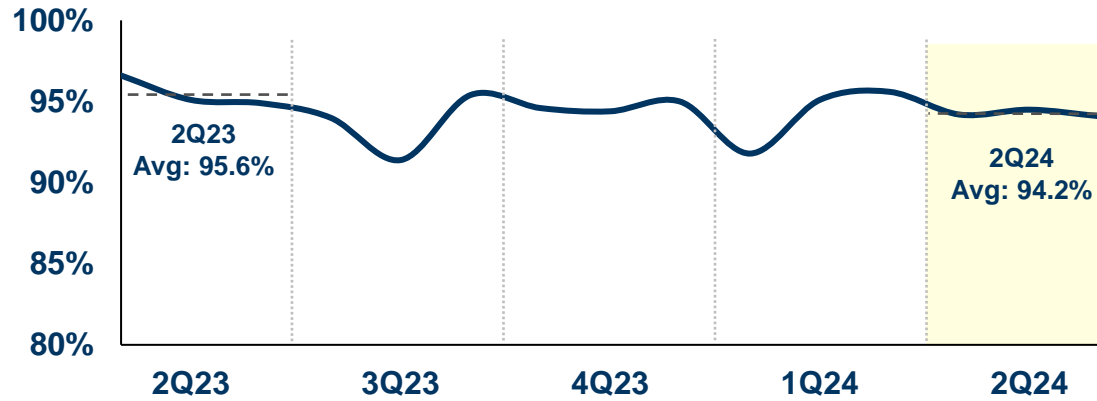




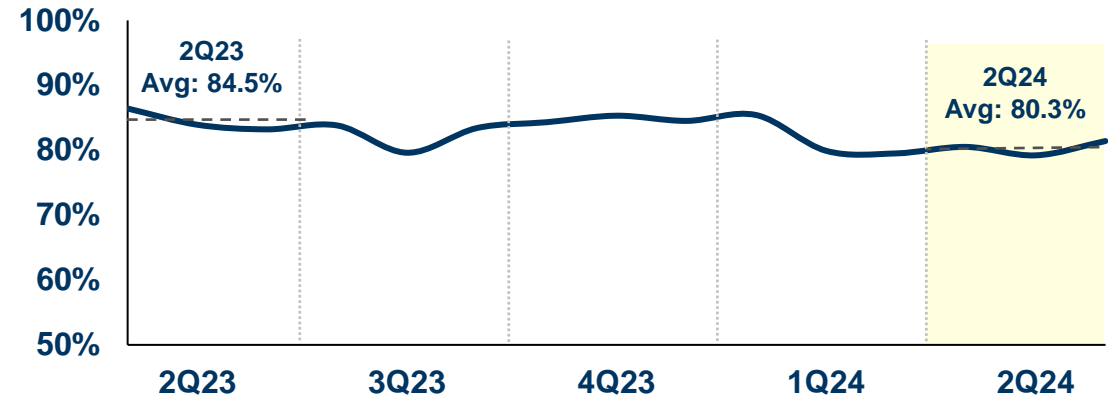


# Customer Service Metrics Remain Consistent and Favorable

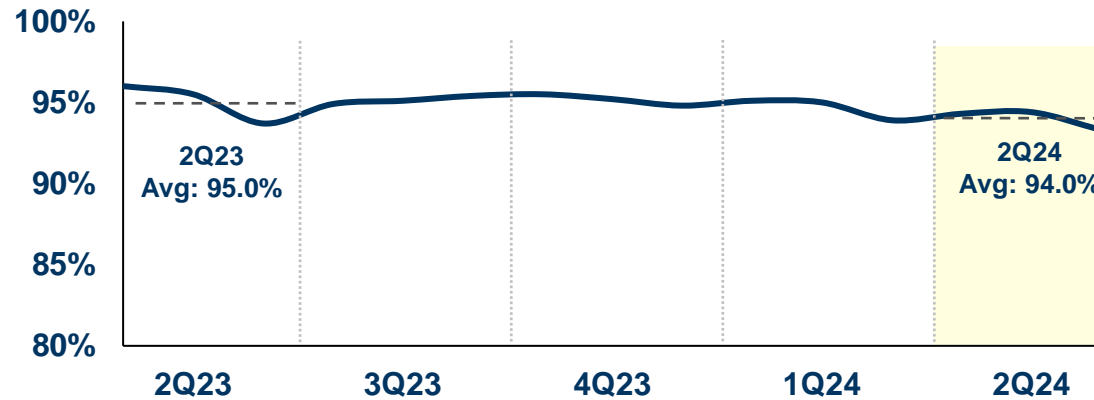
## Intermodal Trip Plan Performance



## Carload Trip Plan Performance



## Customer Switch Data



# SALES & MARKETING REVIEW

**Kevin Boone**

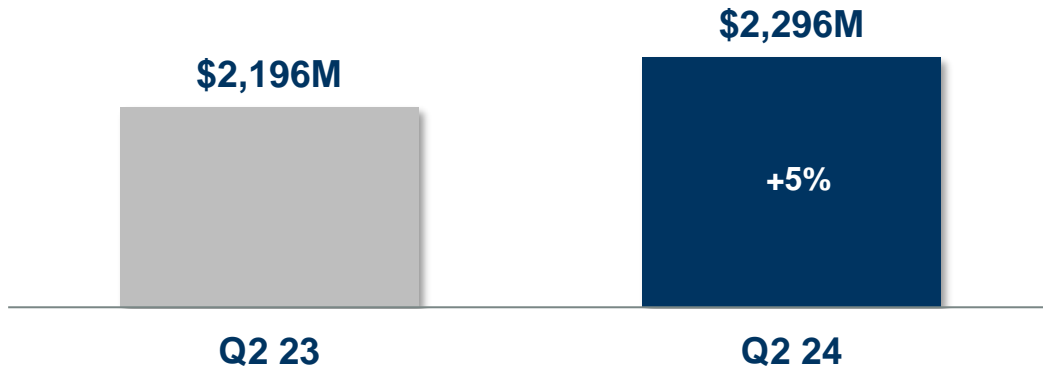
Executive Vice President and Chief Commercial Officer



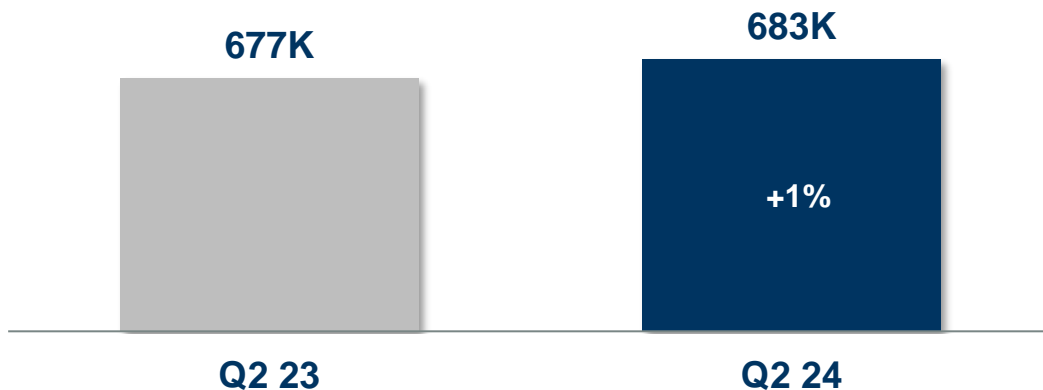


# Merchandise Volume & Revenue Summary

## Q2 Merchandise Revenue



## Q2 Merchandise Volume



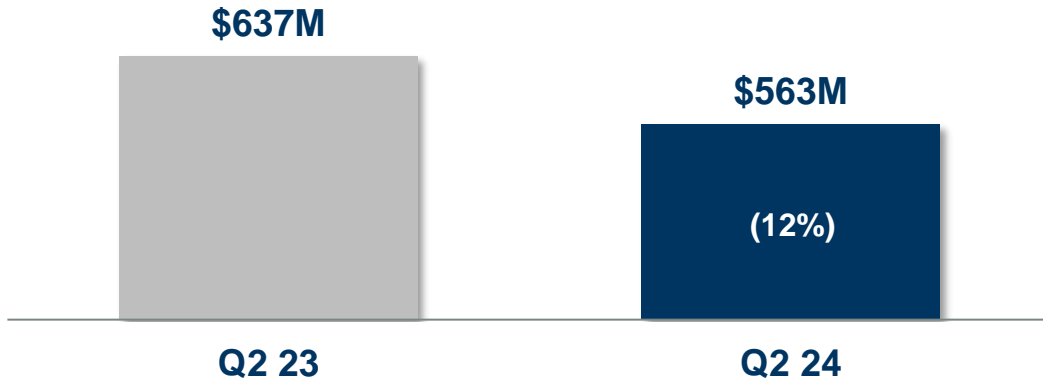
## 2H24 Expectations

- › **Merchandise volume sustained** by ramping of business wins, customer engagement, and strong operational execution
  - Positive market trends supporting Chemicals, Forest Products, and Ag & Food
  - Strong Southeast infrastructure activity and accelerating industrial development driving strength in Minerals
  - Metals likely challenged by soft steel pricing and plentiful inventories
- › **Pricing above inflation** but reflective of shifting mix dynamics

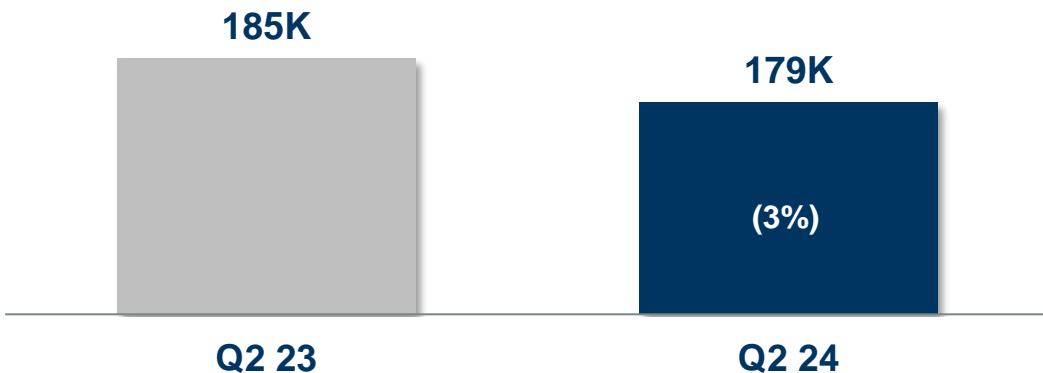


# Coal Volume & Revenue Summary

## Q2 Coal Revenue



## Q2 Coal Volume



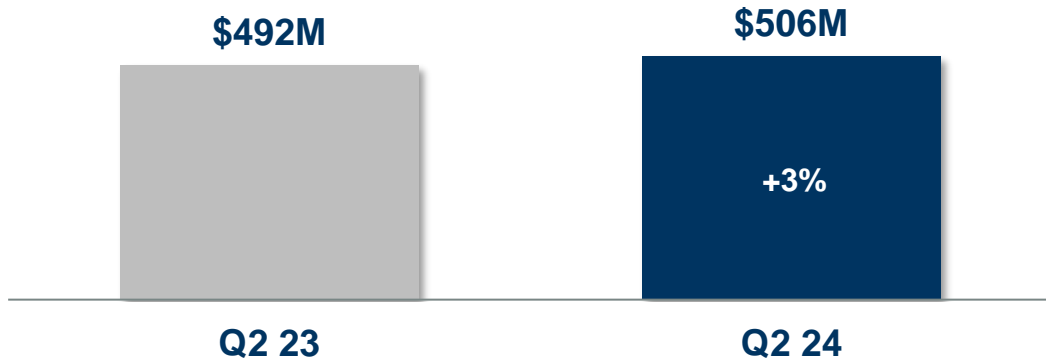
## 2H24 Expectations

- › **Export coal volumes** supported by strong operational flexibility and steady demand
  - Curtis Bay fully operational at end of May
  - Pricing reflective of modest easing of global benchmarks
- › **Domestic coal** somewhat tempered by low natural gas prices, but gaining modest support from rising power consumption

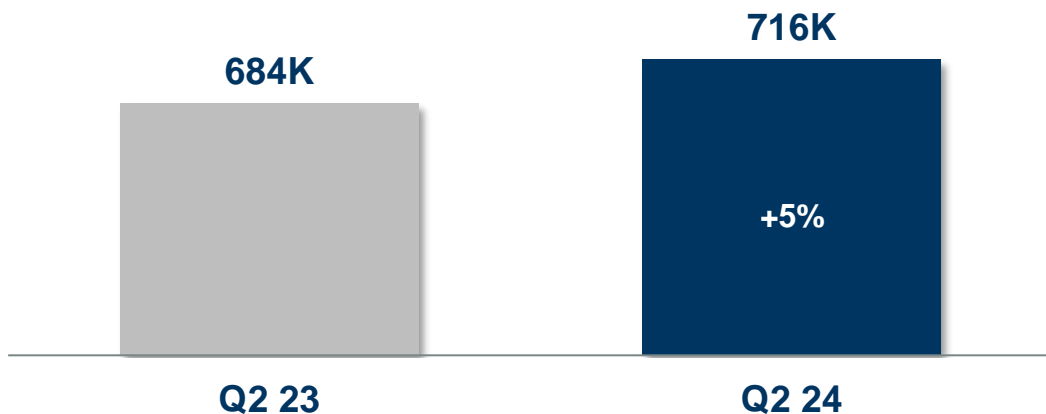


# Intermodal Volume & Revenue Summary

## Q2 Intermodal Revenue



## Q2 Intermodal Volume



## 2H24 Expectations

- › **International intermodal stabilizing**, supported by strong import activity, favorable partnerships
- › **Potential for modest domestic intermodal improvement**, benefiting from incremental modal conversions, expanding partnerships, and new lane offerings
- › **Persistently weak trucking markets** continue to cap near-term pricing upside

# FINANCIAL REVIEW

**Sean Pelkey**

Executive Vice President and Chief Financial Officer





## Second Quarter Earnings Summary

### Second Quarter Income Statement

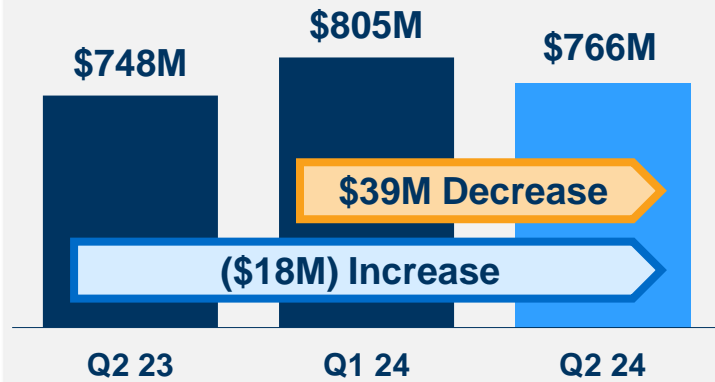
<i>Dollars in Millions</i>	2024	2023	Variance
Revenue	\$3,701	\$3,699	Flat
Expense	2,253	2,233	(1%)
<b>Operating Income</b>	<b>\$1,448</b>	<b>\$1,466</b>	<b>(1%)</b>
Interest Expense & Other Income - Net	(181)	(170)	(6%)
Income Tax Expense	(304)	(312)	3%
<b>Net Earnings</b>	<b>\$963</b>	<b>\$984</b>	<b>(2%)</b>
<b>Earnings Per Share</b>	<b>\$0.49</b>	<b>\$0.49</b>	<b>Flat</b>
Operating Margin	39.1%	39.6%	(50 bps)
Income Tax Rate	24.0%	24.1%	10 bps
Average Shares Outstanding, Assuming Dilution ( <i>Millions</i> )	1,948	2,025	4%

Note: Immaterial revisions have been made to prior period amounts. See form 10-Q for details

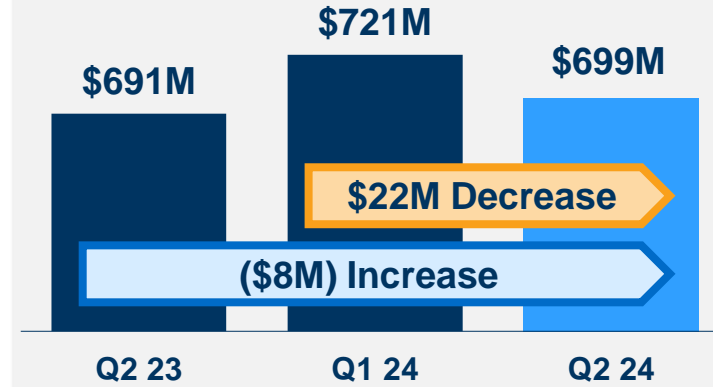


# Second Quarter Expense Comparisons

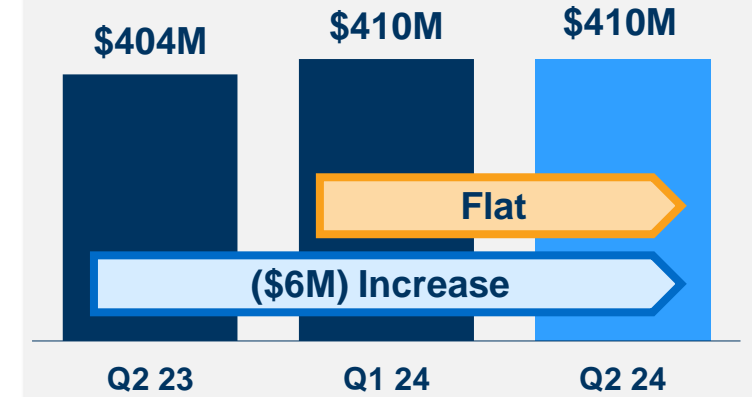
## Labor & Fringe



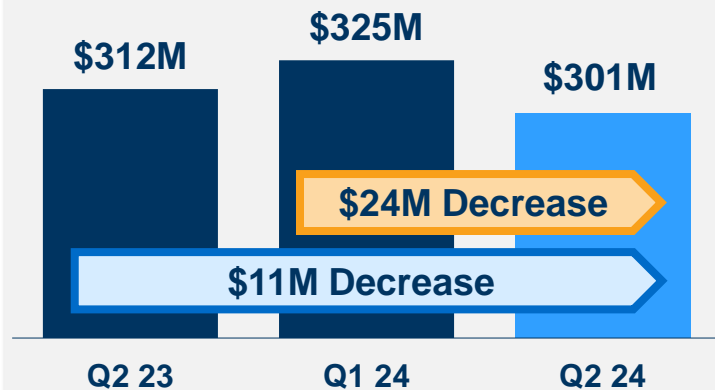
## Purchased Services & Other



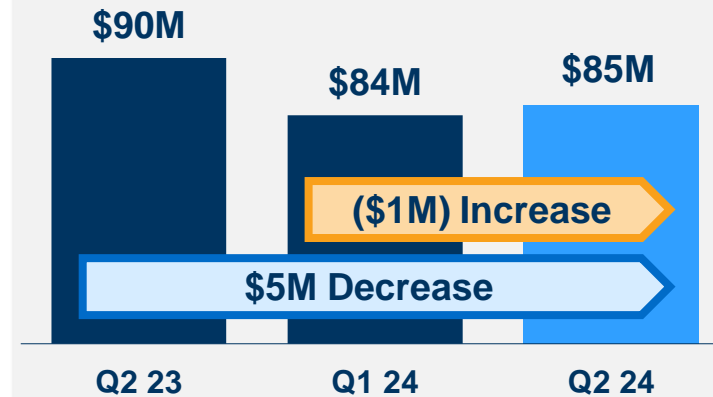
## Depreciation & Amortization



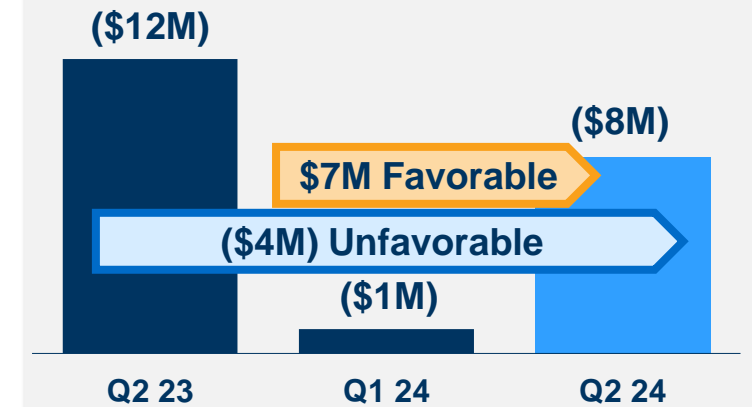
## Fuel



## Equipment & Other Rents



## Gains on Property Dispositions



Note: Immaterial revisions have been made to prior period amounts. See form 10-Q for details

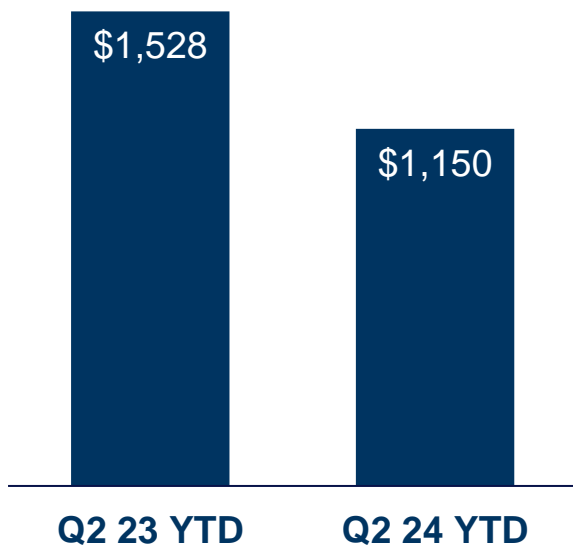




# Second Quarter Cash Flow and Distributions

## Free Cash Flow Before Dividends\*

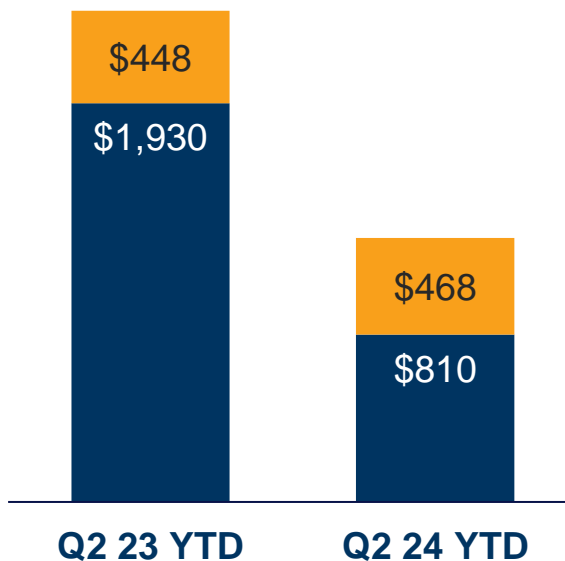
In Millions



## Shareholder Distributions

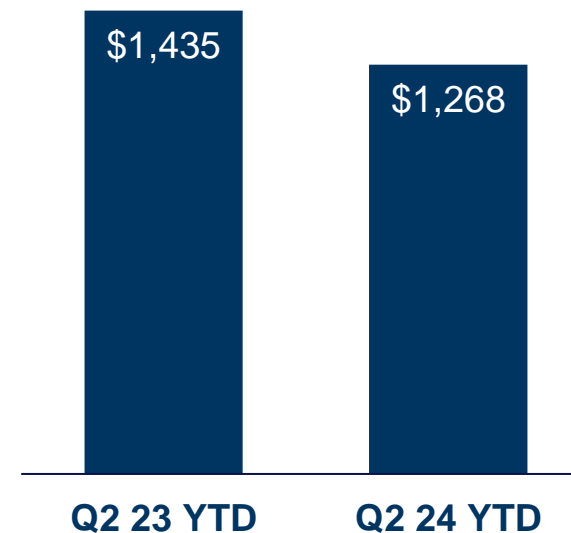
In Millions

■ Buybacks ■ Dividends



## Economic Profit (CSX Cash Earnings)\*

In Millions



\* See Appendix for Non-GAAP reconciliation

Note: Immaterial revisions have been made to prior period amounts. See form 10-Q for details

# CLOSING REMARKS

**Joe Hinrichs**

President and Chief Executive Officer



- **Low to mid-single digit total volume and revenue growth in 2H 2024**
  - Continued opportunities across Merchandise, Intermodal and Export Coal
- **Profitability supported by solid pricing, improving efficiency, and lower cost inflation**
  - Favorable set-up for strong incrementals and meaningful year/year margin expansion in 2H 2024
- **Capex of approximately \$2.5 billion**
  - Safety investments, capacity/equipment additions, technology enhancements, MNBR interchange, high-return growth projects
- **Balanced approach to capital returns**

# APPENDIX

## Non-GAAP Reconciliations





# Non-GAAP Free Cash Flow Reconciliation

## Free Cash Flow

Dollars in millions	Six Months Ended	
	June 30, 2024 <sup>(a)</sup>	June 30, 2023 <sup>(a)</sup>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,173</b>	<b>\$ 2,473</b>
Property Additions	(1,066)	(997)
Proceeds and Advances from Property Dispositions	43	52
<b>Free Cash Flow Before Dividends (non-GAAP)</b>	<b>\$ 1,150</b>	<b>\$ 1,528</b>

*(a) Reflects adjustment of prior period financial statements; see form 10-Q for details*



# Non-GAAP Economic Profit Reconciliation

## Economic Profit

Dollars in millions	Six Months Ended	
	June 30, 2024 <sup>(a)</sup>	June 30, 2023 <sup>(a)</sup>
<b>Operating Income</b>	<b>\$ 2,785</b>	<b>\$ 2,913</b>
Add: Depreciation, Amortization, and Operating Lease Expense	877	851
Remove: Unusual Items <sup>(b)</sup>	-	-
Taxes <sup>(c)</sup>	(549)	(565)
<b>Gross Cash Earnings or "GCE"</b>	<b>\$ 3,113</b>	<b>\$ 3,199</b>
<b>Operating Assets</b>		
Current Assets (Less Cash and Short-term Investments)	(\$ 1,950)	(\$ 1,866)
Gross Properties	(50,841)	(49,011)
Other Assets	(4,222)	(3,818)
<b>Operating Liabilities</b>		
Non-Interest Bearing Liabilities	10,887	10,607
<b>Gross Operating Assets or "GOA" <sup>(d)</sup></b>	<b>(\$ 46,126)</b>	<b>(\$ 44,088)</b>
Capital Charge <sup>(e)</sup>	(\$ 1,845)	(\$ 1,764)
<b>Economic Profit (Non-GAAP) calculated as GCE less Capital Charge</b>	<b>\$ 1,268</b>	<b>\$1,435</b>

- (a) Reflects adjustment of prior period financial statements; see form 10-Q for details.
- (b) Unusual items are defined by management as unique events with greater than \$100 million full year operating income impact, consistent with the terms of the Company's long-term incentive plan agreements. There were no unusual items for either period presented.
- (c) The tax percentage rate was 15% for both periods presented. This rate is applied to the sum of operating income, depreciation, amortization and operating lease expense, and unusual items.
- (d) Gross operating assets reflects an average of the year-to-date quarters reported for each year presented.
- (e) The capital charge of 8% for both years is calculated as the minimum return multiplied by gross operating assets. This is an annualized rate equivalent to 2% per quarter.

**CSX**