



**2020 FOURTH QUARTER  
EARNINGS  
CONFERENCE CALL**



**01.21.2021**

# 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

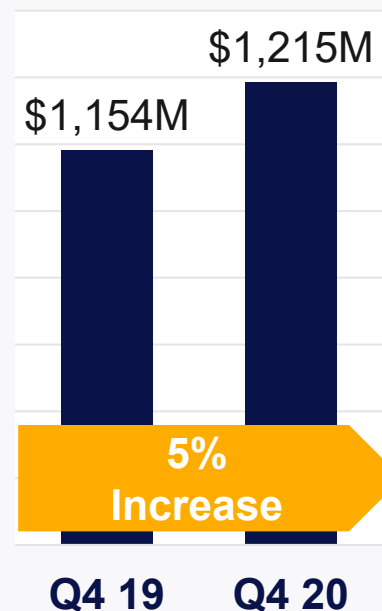
# FOURTH QUARTER HIGHLIGHTS

**1,599K**  
Volume

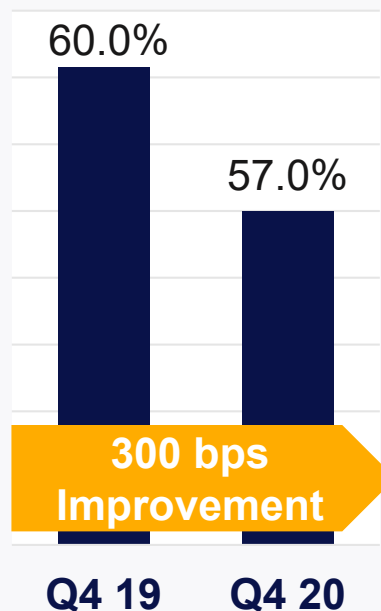
**\$2,825M**  
Revenue

**\$1,215M**  
Op. Income

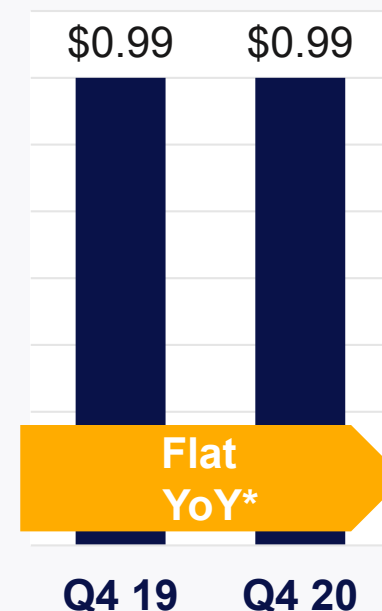
## Operating Income



## Operating Ratio



## Earnings Per Share



- Operating Income increased 5% year over year
- Operating Ratio improved 300 bps to new Q4 record
- EPS of \$0.99, includes \$0.05 of early debt retirement expense

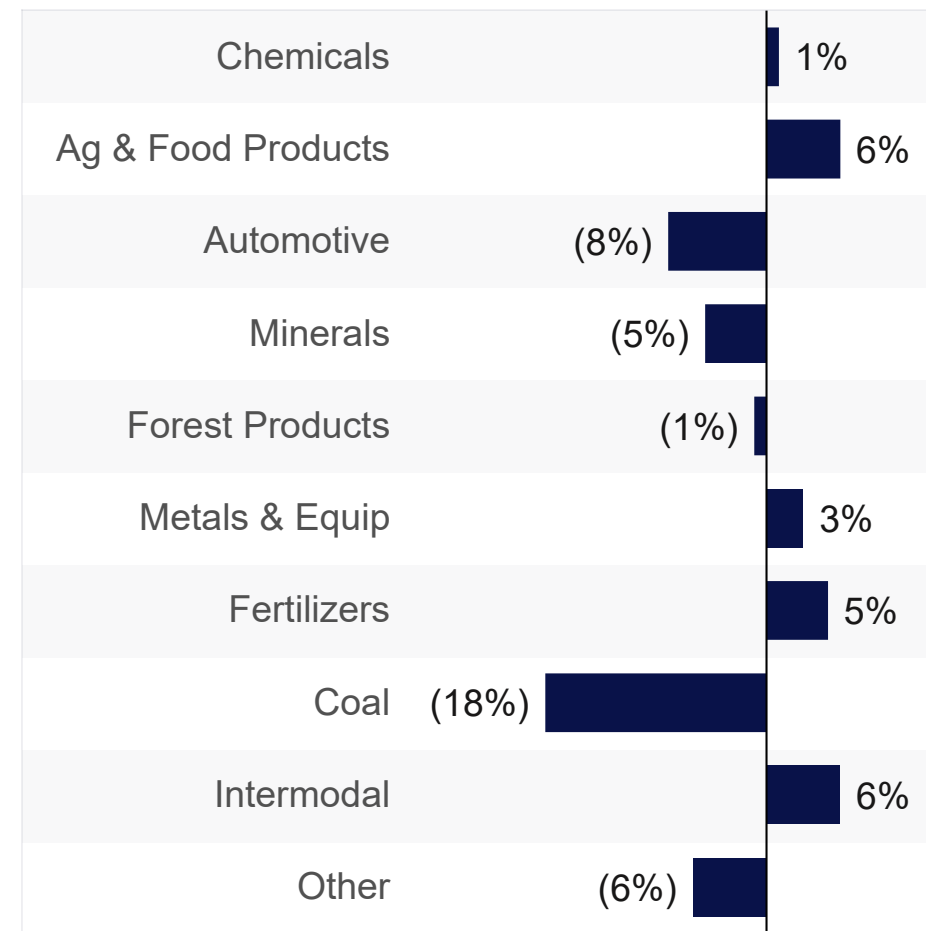
\* Q4 20 includes \$0.05 of expense from early repurchase of notes maturing in 2023. Q4 19 includes \$0.01 of expense from repurchase of notes maturing in 2020.

# FOURTH QUARTER REVENUE HIGHLIGHTS

## Intermodal Volume and Revenue Growth Offset by Declines in Coal

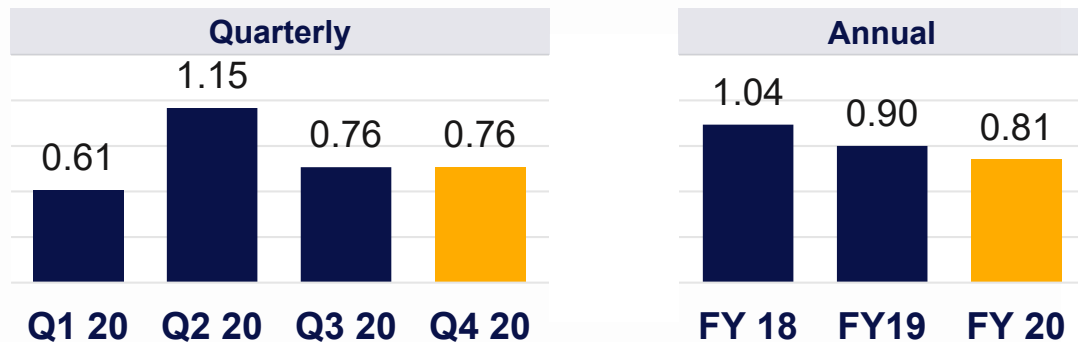
- **Chemicals** increased due to higher shipments of plastics, waste and crude oil, partially offset by lower shipments of frac sand and natural gas liquids
- **Agricultural & Food Products** increased due to higher shipments of export grains, food and consumer products, and ethanol
- **Automotive** declined as a result of lower vehicle production at plants served by CSX
- **Minerals** decreased due to lower shipments of aggregates, partially offset by higher shipments of other minerals
- **Forest Products** declined due to lower shipments of printing paper, wood pulp and building products, partially offset by growth in pulpboard
- **Metals and Equipment** increased due to higher scrap and steel shipments
- **Fertilizers** revenue increased as growth in long-haul fertilizer shipments was partially offset by declines from fewer short-haul phosphate shipments
- **Coal** decreased as domestic utility coal demand was negatively impacted by competition from natural gas prices and export coal declined due to reduced international shipments of thermal coal
- **Intermodal** increased due to tightening truck capacity, inventory replenishments and growth in rail volumes from East Coast ports

## Fourth Quarter Revenue Down 2% Year Over Year

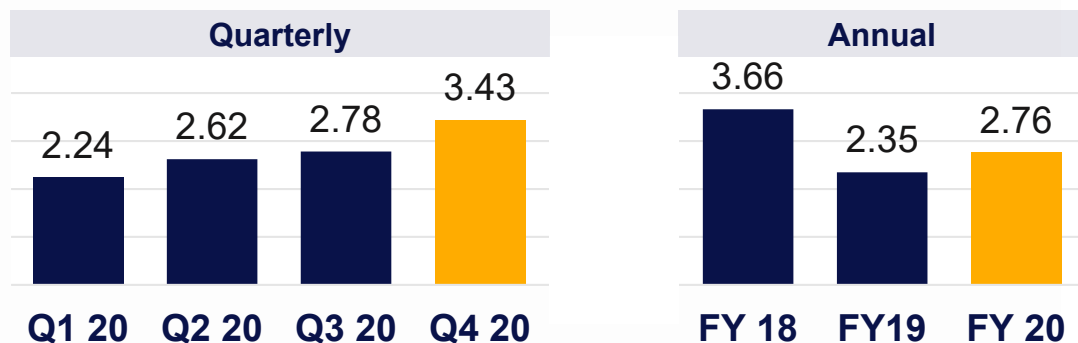


# FOURTH QUARTER AND FULL YEAR SAFETY HIGHLIGHTS

## FRA Personal Injury Frequency Index



## FRA Train Accident Rate



- › Safety is a guiding principle at CSX
- › Record Q4 low number of injuries
- › Full year injuries and train accidents at record low levels
- › New culture and engagement programs to further drive safety performance in 2021

# SUCCESSFULLY LEVERAGING NEW TECHNOLOGIES



## Continued Investment in Safety & Inspection

- › Expanding investment in autonomous train and track inspection
- › Piloting new drone-based yard and track inspection programs



## Realizing Efficiencies Across the Railroad

- › Creating smarter, more autonomous intermodal yards
- › Extending benefits of fuel saving technologies
- › Modernizing field communications



## Laying Foundation for Growth

- › Dynamic, real-time routing optimization
- › Predictive analytics furthering safety and reliability
- › Seamless customer experience



# COMMITTED TO SUSTAINABLE OPERATIONS

- › CSX is expanding the sustainability benefits of rail by focusing on fuel efficiency and customer service
- › Improved fuel efficiency by 16% compared to CSX's pre-PSR averages
- › Truck-to-rail conversions allow customers to reduce emissions without sacrificing reliability
- › Focused on maintaining ESG leadership position

## CSX's fuel efficiency advantage vs. trucks allowed our customers to avoid CO<sub>2</sub> emissions equivalent to:



**1.8M**

Homes' Electricity Use per Year



**14M**

Acres of Forest Planted per Year



**3.5M**

Tons of Waste Recycled Annually



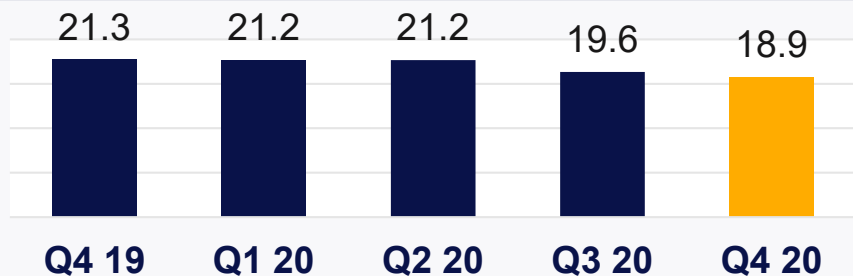
**2.2M**

Passenger Vehicles Driven per Year

# FOURTH QUARTER OPERATING HIGHLIGHTS

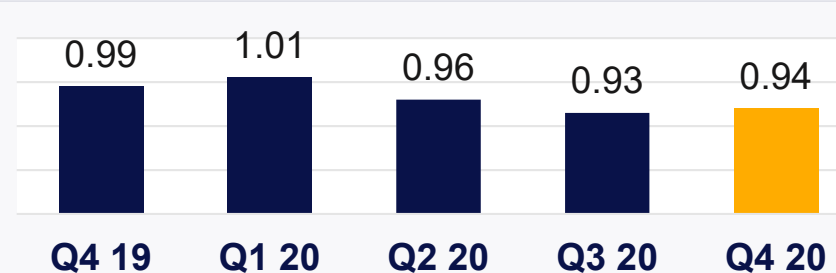
## Train Velocity

Miles per Hour



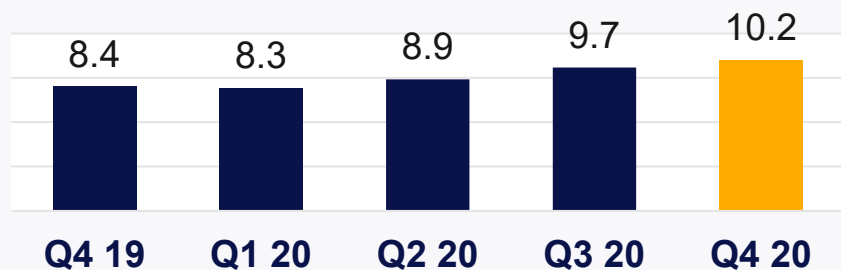
## Fuel Efficiency

Gallons per kGTM



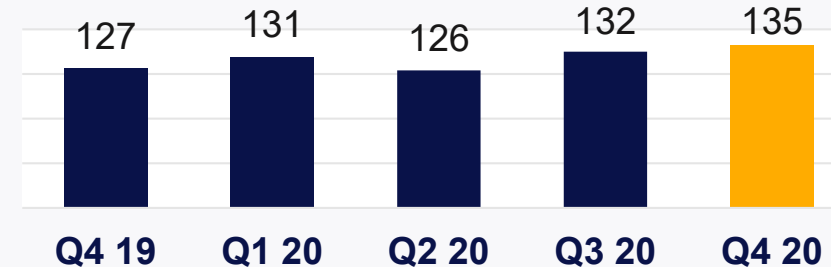
## Terminal Car Dwell

Average Hours per Car



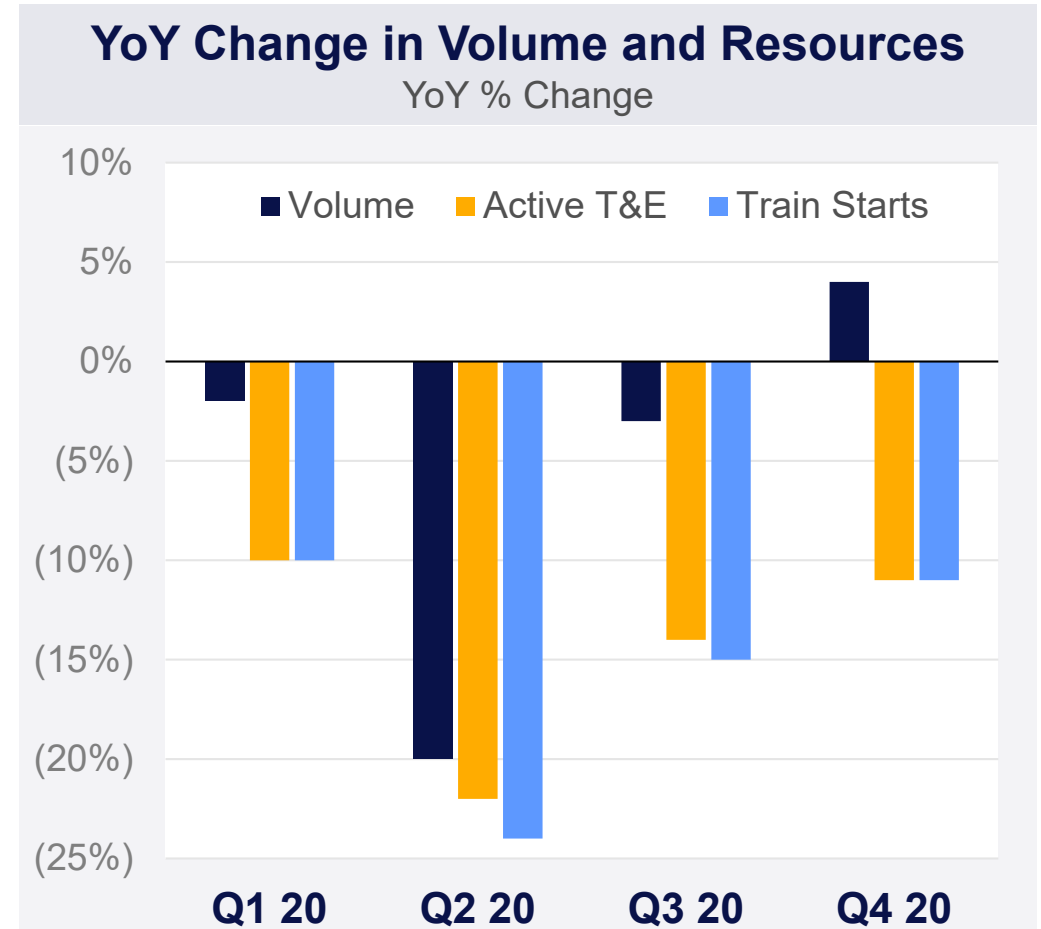
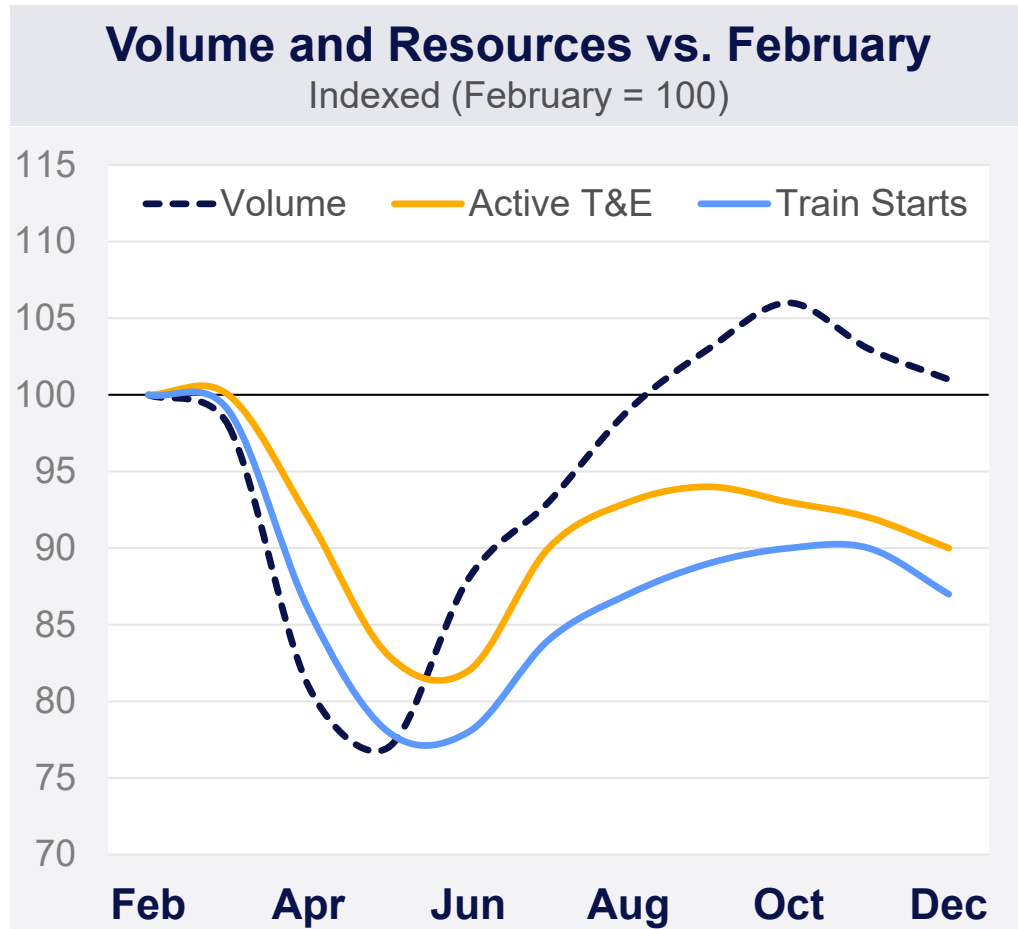
## Locomotive Efficiency

GTM's per Available HP

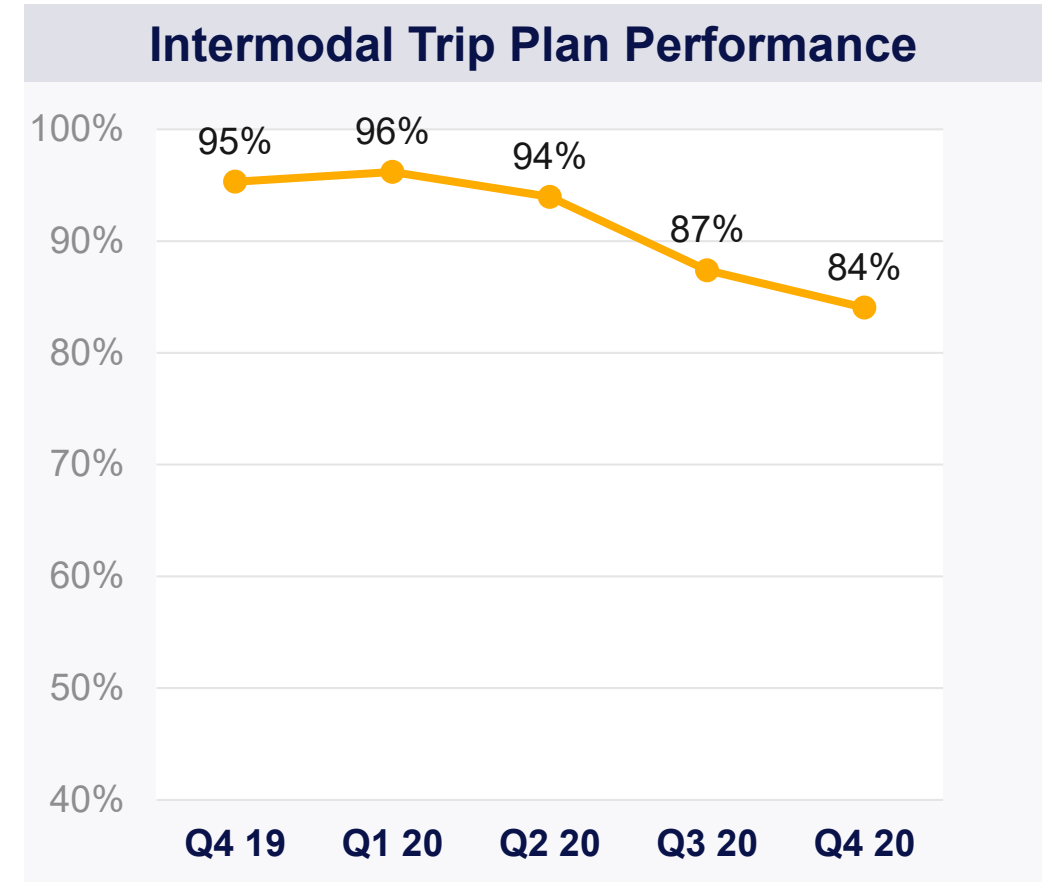
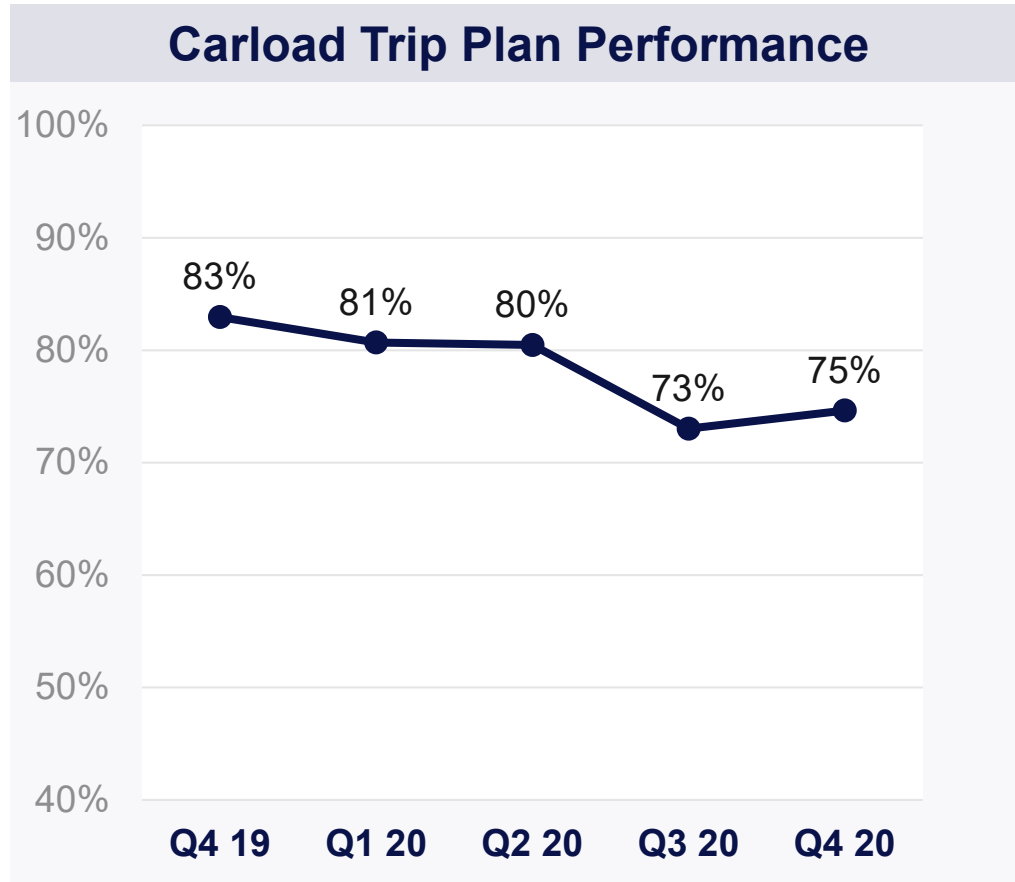


The methodology for calculating train velocity and dwell differs from that prescribed by the Surface Transportation Board (STB). The Company will continue to report train velocity and dwell to the STB using the prescribed methodology. See additional discussion on CSX.com.

# MAINTAINING STRONG OPERATING LEVERAGE



# 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 both loaded and empty cars/containers on its network that are 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

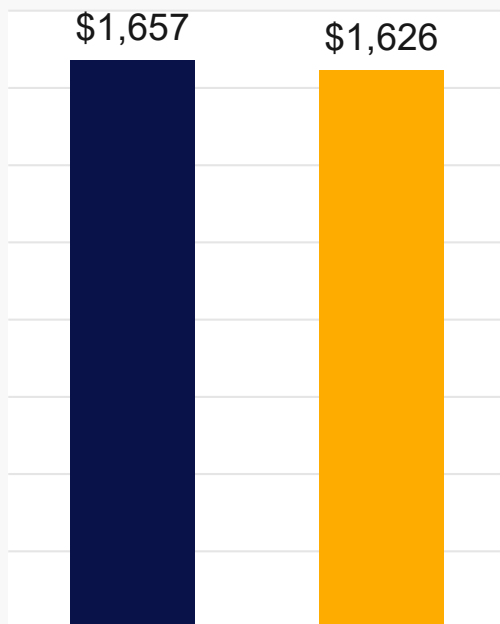
Dollars in millions	2020	2019	Variance
Revenue	\$ 2,825	\$ 2,885	(2%)
Expense			
Labor and Fringe	588	658	11%
Materials, Supplies and Other	445	426	(4%)
Depreciation	347	344	(1%)
Fuel	139	216	36%
Equipment and Other Rents	91	87	(5%)
Total Expense	1,610	1,731	7%
Operating Income	1,215	1,154	5%
Interest Expense	(189)	(189)	(0%)
Other (Expense)/Income – Net*	(32)	16	(300%)
Income Tax Expense	(234)	(210)	(11%)
Net Earnings	\$ 760	\$ 771	(1%)
Earnings Per Share*	\$ 0.99	\$ 0.99	(0%)
Operating Ratio	57.0%	60.0%	300 bps

\* Q4 20 includes \$48M of debt repurchase expense, or \$0.05 per share after-tax, due to the repurchase of notes maturing in 2023. Q4 19 includes \$10M of debt repurchase expense, or \$0.01 per share after-tax, due to the repurchase notes maturing in 2020.

# FULL YEAR CASH AND FREE CASH FLOW

## Capital Investments

In Millions

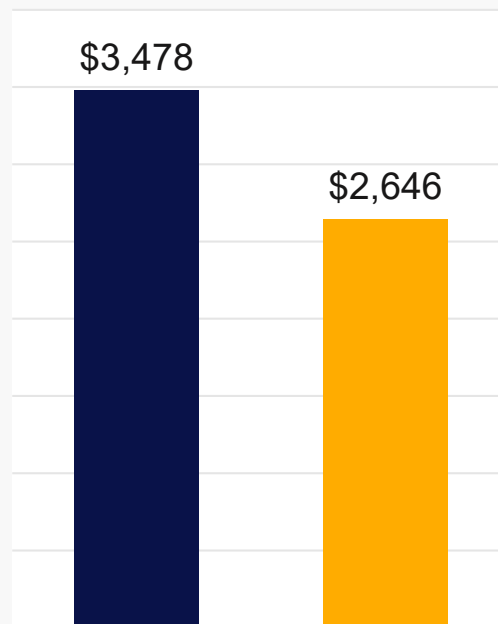


FY 2019

FY 2020

## Free Cash Flow Before Dividends\*

In Millions

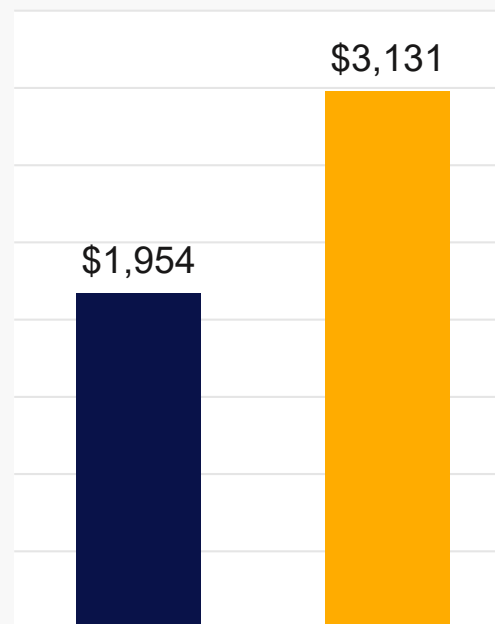


FY 2019

FY 2020

## Cash and Short-Term Investments Balance

In Millions



Dec 31, 2019

Dec 31, 2020

\* 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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- › Expect volumes to outpace GDP growth
  - Merchandise volume growth exceeds Industrial Production
  - Intermodal volumes grow faster than Merchandise
  - Coal market improving from 2020 trough levels
- › Improving service levels while controlling costs
- › Targeting capital expenditures in the \$1.7-1.8 billion range
- › 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	Twelve Months Ended	
	Dec 31, 2020	Dec 31, 2019
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 4,263</b>	<b>\$ 4,850</b>
Property Additions	(1,626)	(1,657)
Other Investing Activities	9	285
<b>Free Cash Flow Before Dividends (non-GAAP)</b>	<b>\$ 2,646</b>	<b>\$ 3,478</b>

**CSX**