

2024 THIRD QUARTER CONFERENCE CALL

CSX

10.16.2024





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 and the company's website at 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





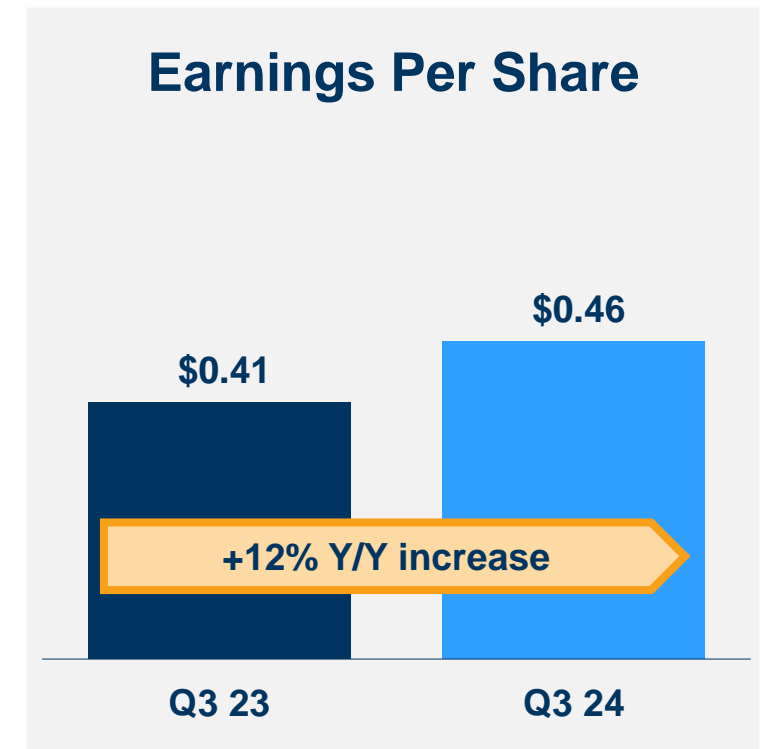
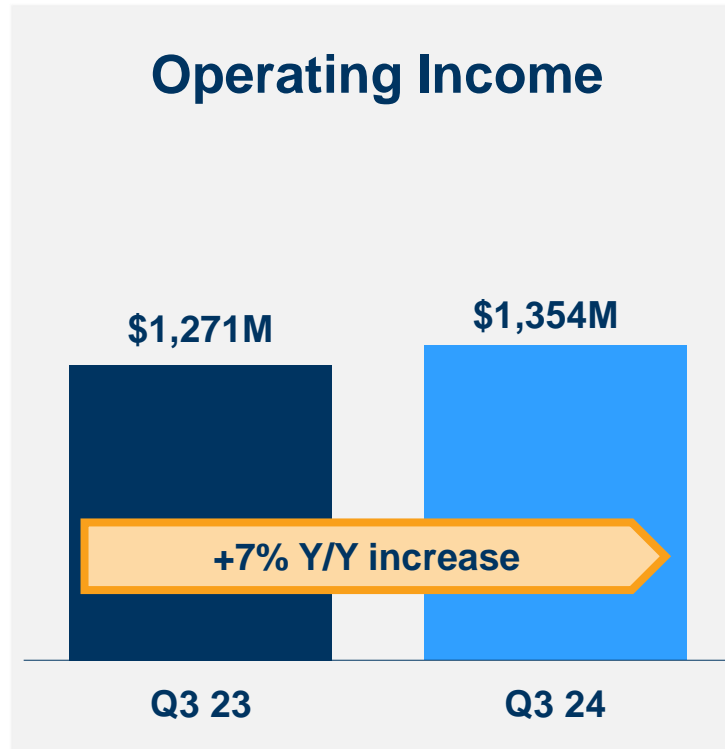
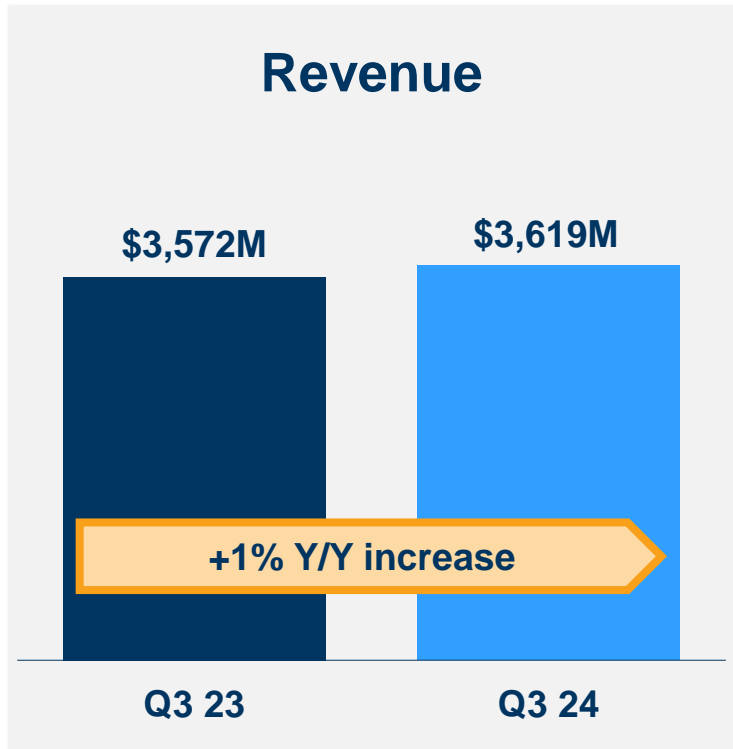
Third Quarter Financial and Operational Highlights

+3%
Total Volume

+6%
Merchandise Revenue

37.4%
Operating Margin

+180 bps
Y/Y Op Margin



Note: Immaterial revisions have been made to prior period amounts. See Quarterly Financial Report for details

OPERATIONS REVIEW

Mike Cory

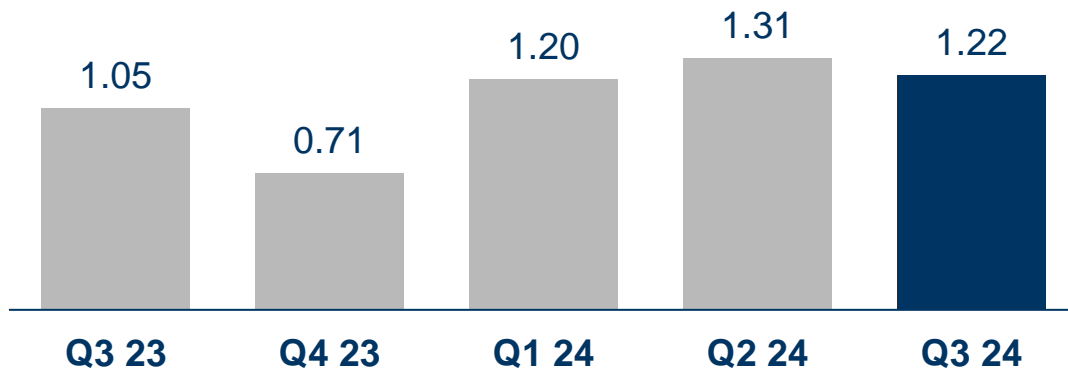
Executive Vice President and Chief Operating Officer



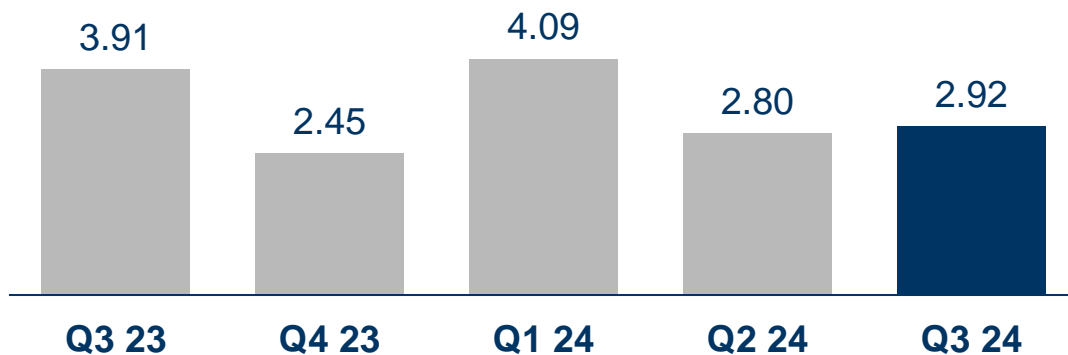


Third Quarter Safety Highlights

FRA Personal Injury Frequency Index



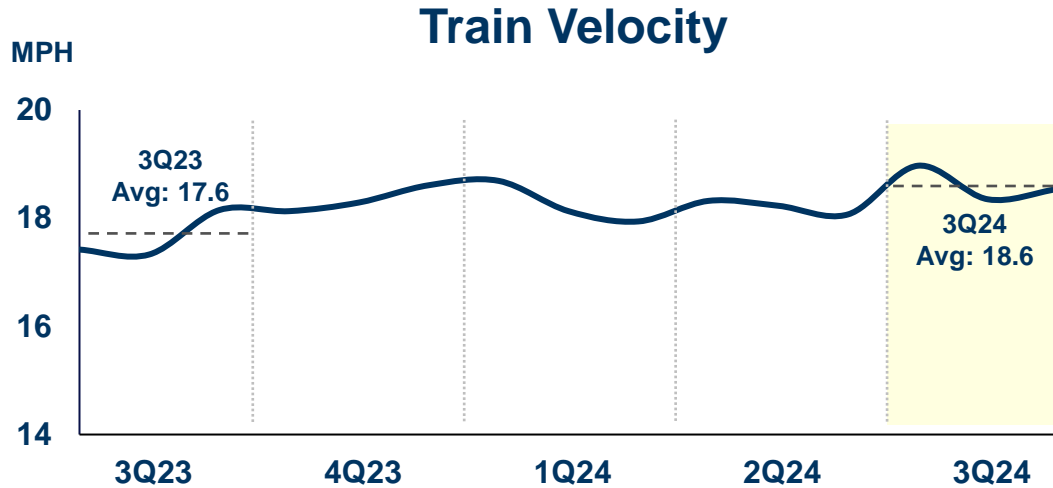
FRA Train Accident Rate



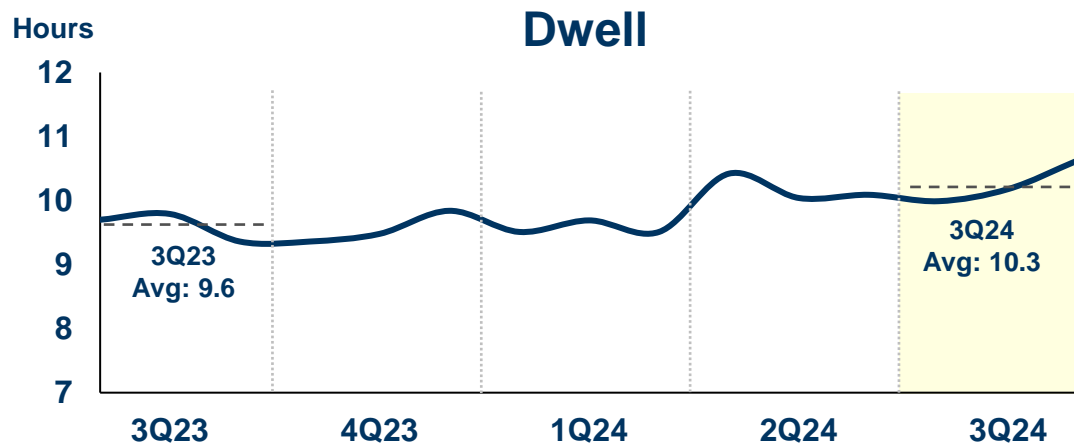
- › Safety is a core principle at CSX
- › New “SAFE CSX” program underway, driving ONE CSX forward through safety leadership
- › Taking tangible steps to strengthen our fundamental safety commitments
- › Pleased with early progress, with much more to do



Focus on Fluidity as Network Design Initiatives Take Shape



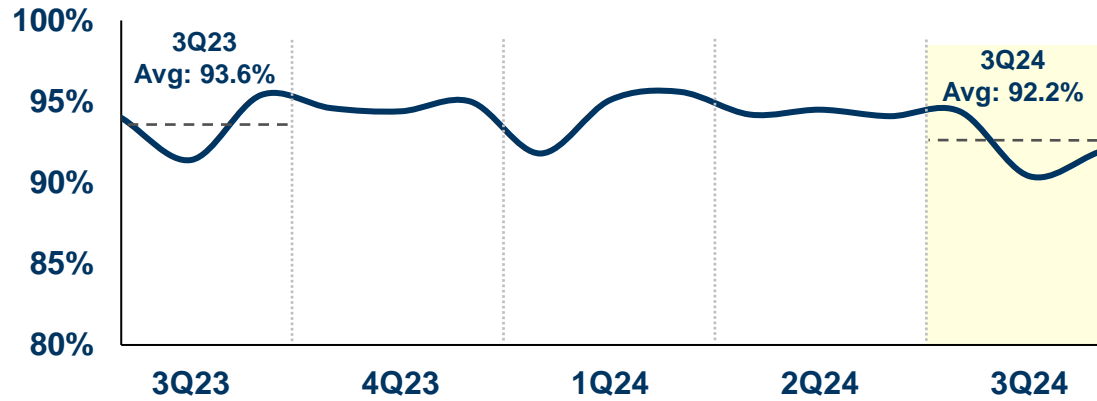
- › Velocity trending favorably compared to last year, reflecting purposeful changes
 - Improved track maintenance efficiency
 - Effective, continuous train plan reviews
- › Dwell is always an area of focus as broader network design changes take shape
- › Temporary challenges from weather events



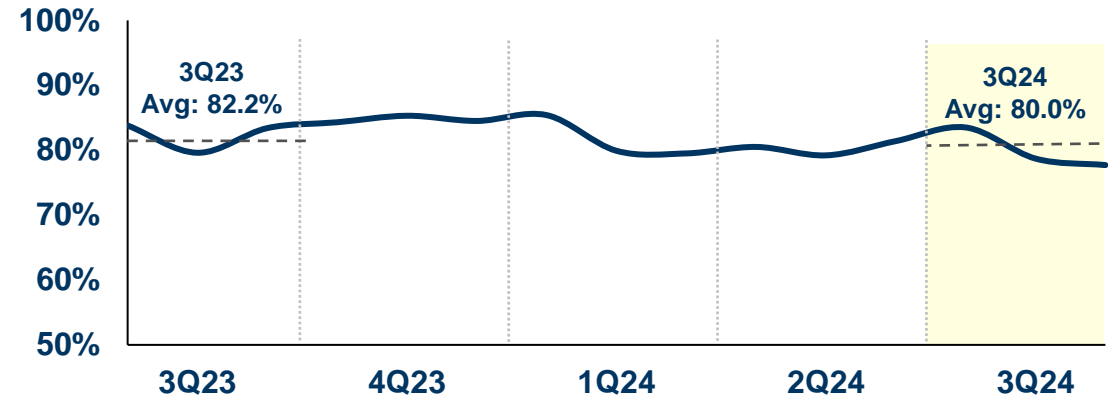


Q3 Service Metrics Affected by Weather

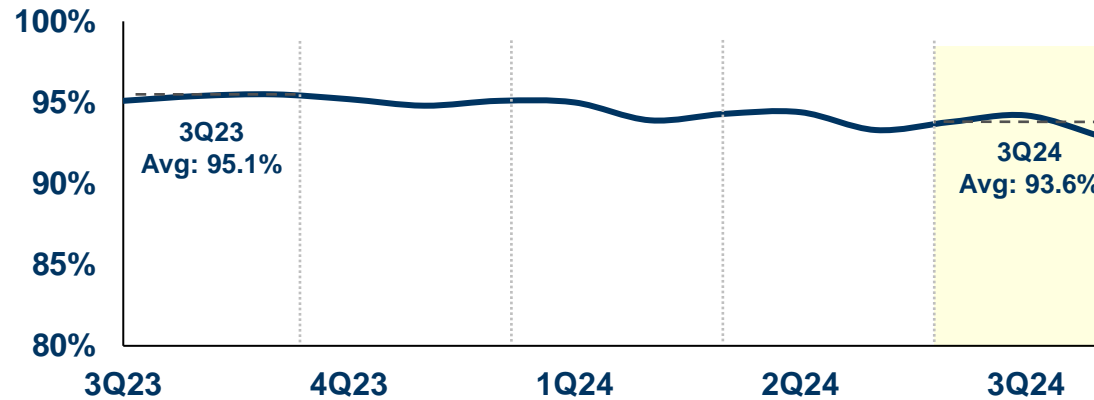
Intermodal Trip Plan Performance



Carload Trip Plan Performance



Customer Switch Data



SALES & MARKETING REVIEW

Kevin Boone

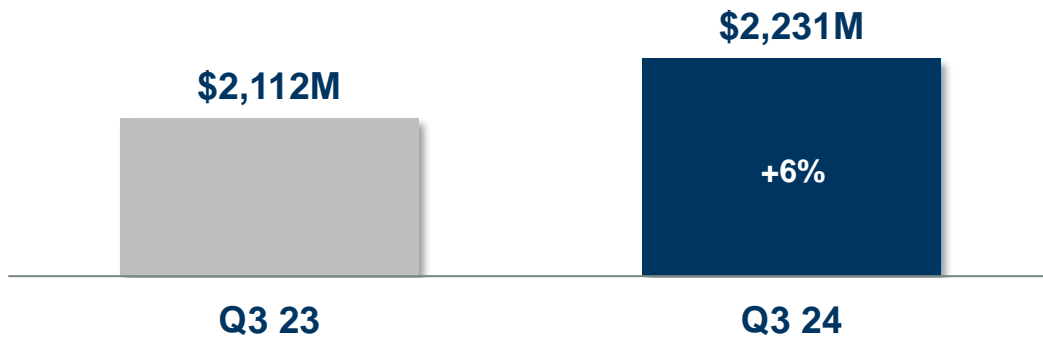
Executive Vice President and Chief Commercial Officer



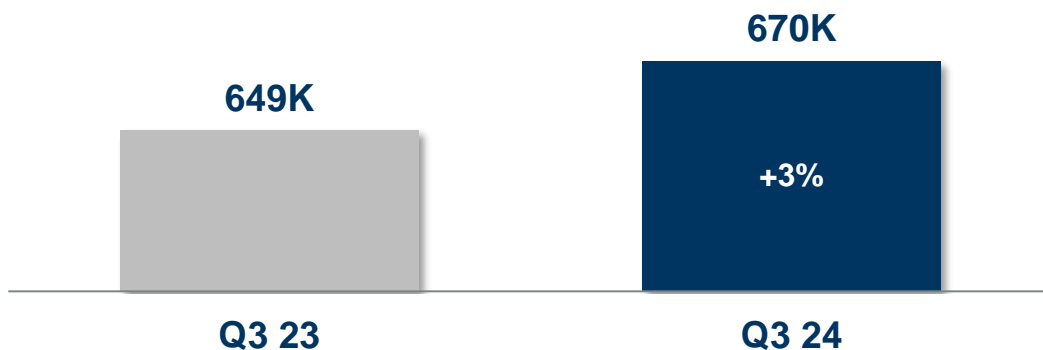


Merchandise Volume & Revenue Summary

Q3 Merchandise Revenue



Q3 Merchandise Volume



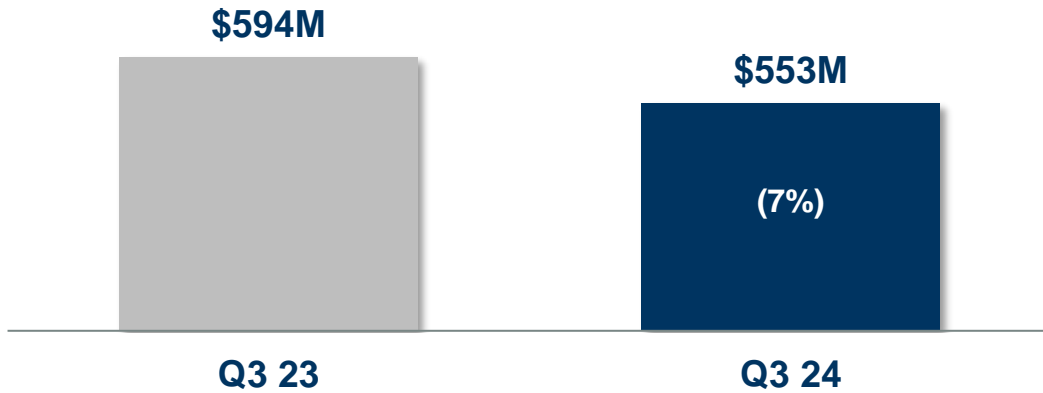
4Q24 Expectations

- › **Merchandise volume** supported by consistent operational performance, new business wins, and stability in key markets, partially offset by lingering hurricane effects
 - Positives include favorable demand momentum in Ag & Food and Chemicals, emerging regional opportunities in Forest Products, new facilities for Minerals
 - Market challenges persisting in Fertilizers and Metals, Automotive activity trending below previous expectations

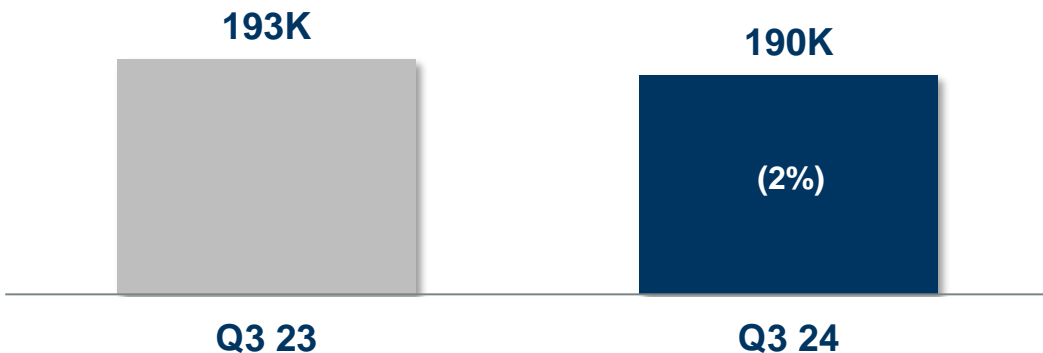


Coal Volume & Revenue Summary

Q3 Coal Revenue



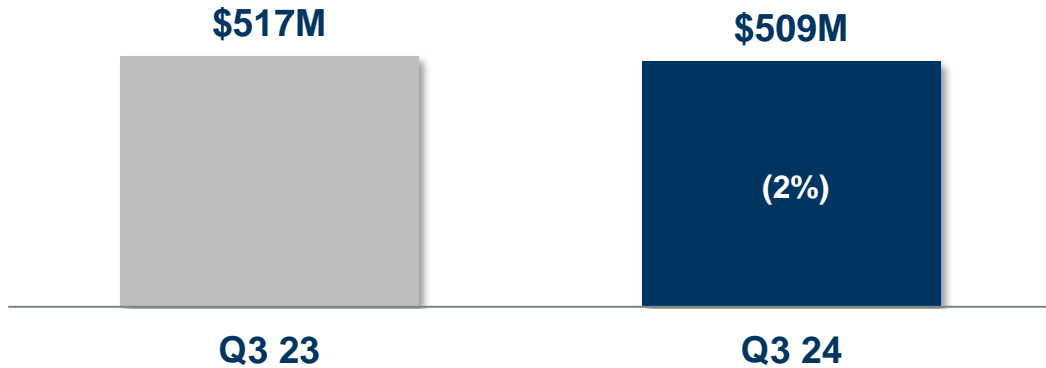
Q3 Coal Volume



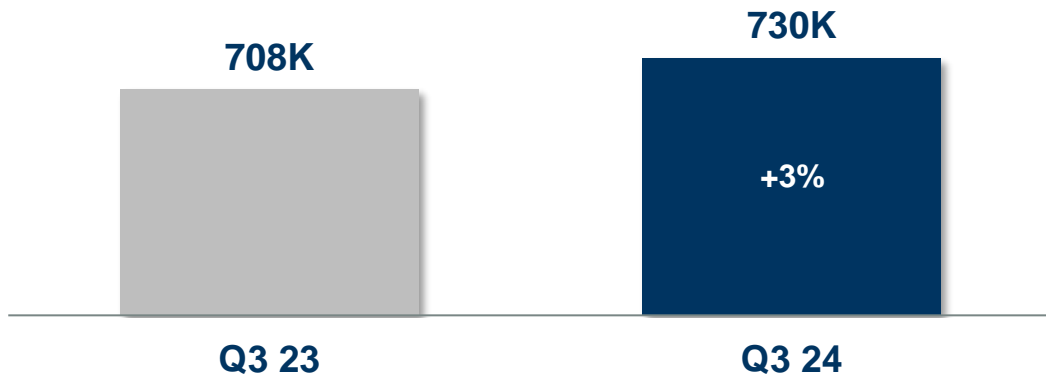
4Q24 Expectations

- › **Export coal volumes remaining steady**, supported by consistent terminal execution and solid demand in Asia, Europe
 - Global benchmark prices have rebounded from recent lows, remain below year-ago levels
- › **Domestic coal still challenged** in the near-term by low natural gas prices and weak U.S. steel and industrial markets

Q3 Intermodal Revenue



Q3 Intermodal Volume



4Q24 Expectations

- > **Slowing y/y growth for International volumes, reflecting seasonality**
 - Continued benefits from new service lanes and customer alignments
 - Effects of ILA strike not material to overall business

- > **Modest improvement in Domestic momentum, as CSX executes on new opportunities with key business partners, including our direct service**
 - Weak trucking market to remain a near-term challenge

FINANCIAL REVIEW

Sean Pelkey

Executive Vice President and Chief Financial Officer





Third Quarter Earnings Summary

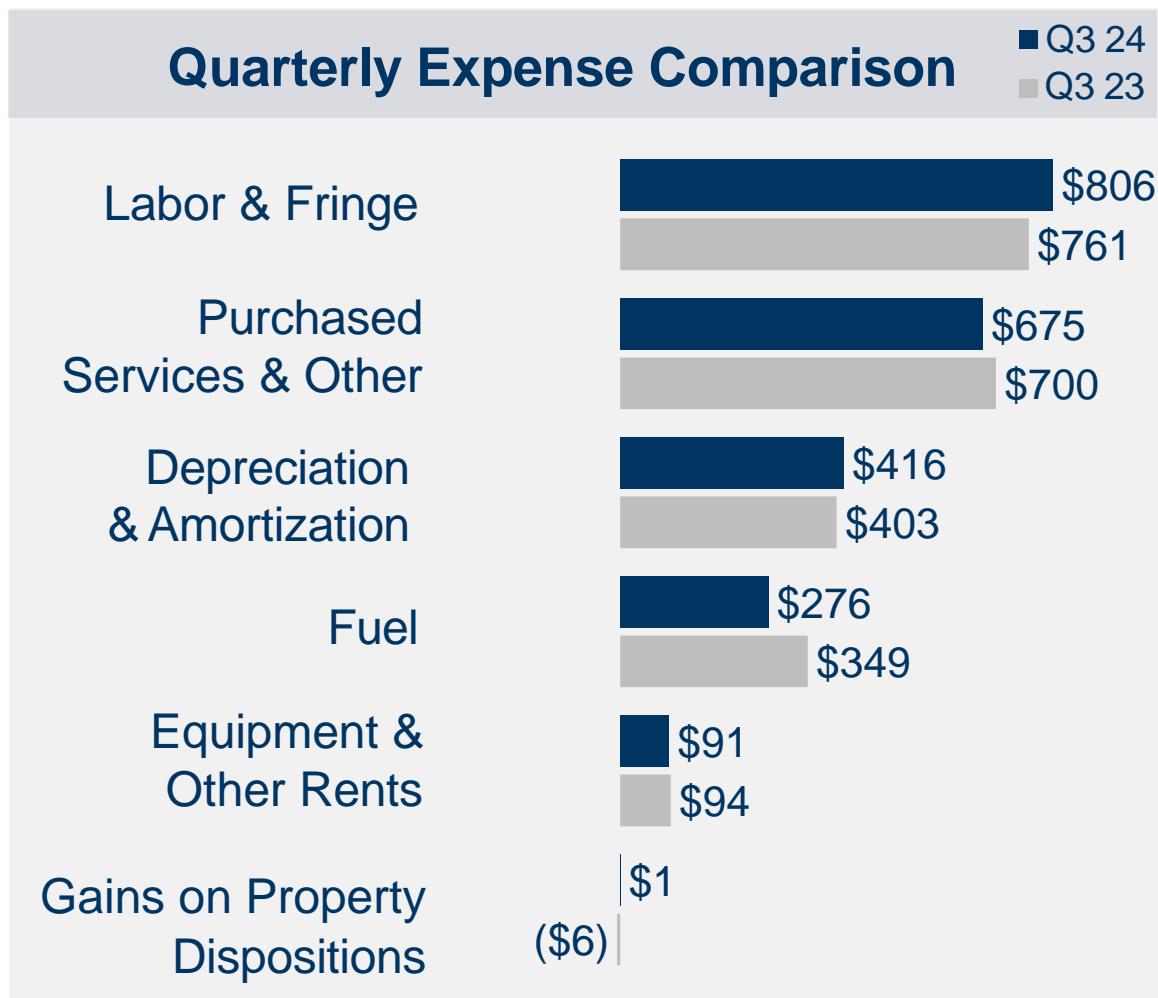
Third Quarter Income Statement

<i>Dollars in Millions</i>	2024	2023	Variance
Revenue	\$3,619	\$3,572	1%
Expense	2,265	2,301	2%
Operating Income	\$1,354	\$1,271	7%
Interest Expense & Other Income - Net	(170)	(169)	(1%)
Income Tax Expense	(290)	(274)	(6%)
Net Earnings	\$894	\$828	8%
Earnings Per Share	\$0.46	\$0.41	12%
Operating Margin	37.4%	35.6%	180 bps
Income Tax Rate	24.5%	24.9%	40 bps
Average Shares Outstanding, Assuming Dilution (<i>Millions</i>)	1,940	1,999	3%

Note: Immaterial revisions have been made to prior period amounts. See Quarterly Financial Report for details



Third Quarter Expense Comparisons



- › Labor increase driven by inflation and higher headcount
- › PS&O down due to lower casualty costs, an inventory adjustment, and efficiency savings, partly offset by inflation
- › Depreciation expense up due to a larger asset base
- › Reduced fuel expense driven by a lower price per gallon and improved efficiency
- › Equipment and Other Rents stable
- › No individually significant property gains

Note: Immaterial revisions have been made to prior period amounts. See Quarterly Financial Report for details

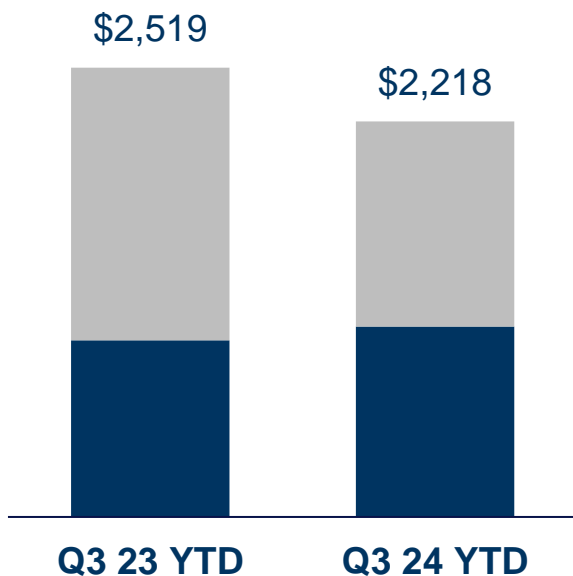


Third Quarter Cash Flow and Distributions

Free Cash Flow Before Dividends*

In Millions

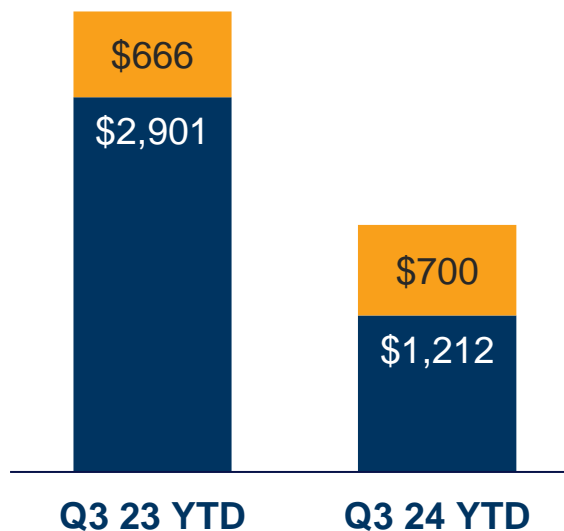
■ Q3 ■ Q1-Q2



Shareholder Distributions

In Millions

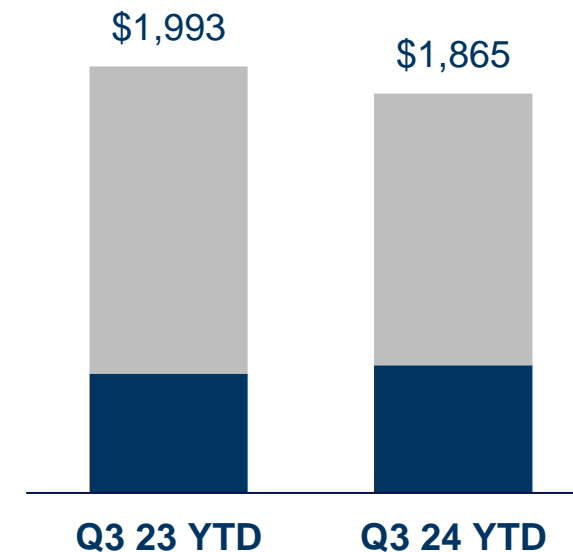
■ Buybacks ■ Dividends



Economic Profit (CSX Cash Earnings)*

In Millions

■ Q3 ■ Q1-Q2



* See Appendix for Non-GAAP reconciliation

Note: Immaterial revisions have been made to prior period amounts. See Quarterly Financial Report for details

CLOSING REMARKS

Joe Hinrichs

President and Chief Executive Officer



- **Delivered meaningful growth and margin expansion in Q3, though external factors make Q4 more challenging**
 - Q4 volume expected to grow modestly, with continued strength in Chemicals, Ag & Food, and other Merchandise markets offset by softer-than-expected Metals and Automotive conditions, along with continuing effects from recent hurricanes
 - Q4 revenue down moderately on ~(\$200M) from lower fuel prices and softer coal markets
- **Lower revenue and impacts from recent storms likely to reduce sequential operating margin in Q4, limiting 2H margin expansion**
 - Continued merchandise gains, focus on cost control
- **Capex of approximately \$2.5 billion excluding rebuild of infrastructure damaged by recent hurricanes**
- **Continued balanced approach to capital returns**

APPENDIX

Non-GAAP Reconciliations





Non-GAAP Free Cash Flow Reconciliation

Free Cash Flow

Dollars in millions	Nine Months Ended	
	Sep 30, 2024 ^(a)	Sep 30, 2023 ^(a)
Net Cash Provided by Operating Activities	\$ 3,859	\$ 4,025
Property Additions	(1,691)	(1,571)
Proceeds and Advances from Property Dispositions	50	65
Free Cash Flow Before Dividends (non-GAAP)	\$ 2,218	\$ 2,519

(a) Reflects adjustment of prior period financial statements; see Quarterly Financial Report for details



Non-GAAP Economic Profit Reconciliation

Economic Profit

Dollars in millions	Nine Months Ended	
	Sep 30, 2024 ^(a)	Sep 30, 2023 ^(a)
Operating Income	\$ 4,139	\$ 4,184
Add: Depreciation, Amortization, and Operating Lease Expense	1,323	1,283
Remove: Unusual Items ^(b)	-	-
Taxes ^(c)	(819)	(820)
Gross Cash Earnings or "GCE"	\$ 4,643	\$ 4,647
Operating Assets		
Current Assets (Less Cash and Short-term Investments)	(\$ 1,940)	(\$ 1,877)
Gross Properties	(51,062)	(49,237)
Other Assets	(4,255)	(3,814)
Operating Liabilities		
Non-Interest Bearing Liabilities	10,957	10,699
Gross Operating Assets or "GOA" ^(d)	(\$ 46,300)	(\$ 44,229)
Capital Charge ^(e)	(\$ 2,778)	(\$ 2,654)
Economic Profit (Non-GAAP) calculated as GCE less Capital Charge	\$ 1,865	\$1,993

(a) Reflects adjustment of prior period financial statements; see Quarterly Financial Report 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