

# 2023 FOURTH QUARTER CONFERENCE CALL

**CSX**

1.24.2024





## 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



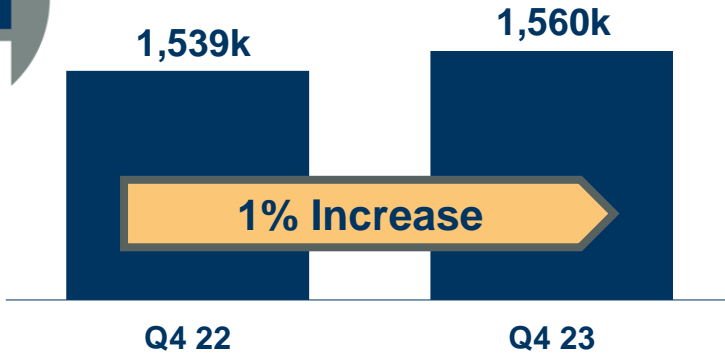


## Key 2023 ONE CSX Achievements

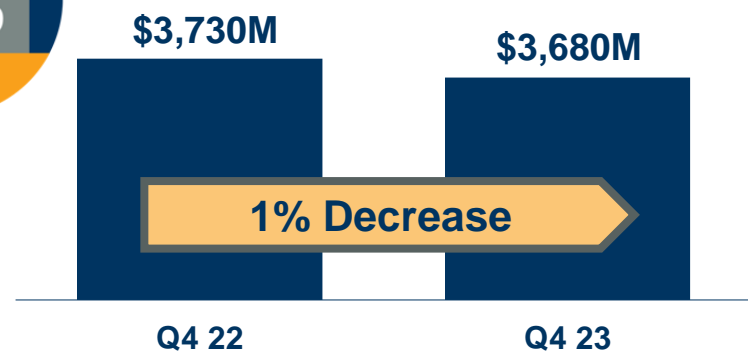
- › **Improved safety performance** through the year
- › **Consistent, industry-leading service metrics** with improving cycle times and efficiency
- › **Merchandise volume growth** ahead of industrial production, solid coal volume growth, and superior intermodal service performance
- › **Strong alignment between Commercial and Operations**, focused on customer experience
- › **Cultural transformation** progress driving greater transparency, trust, and engagement



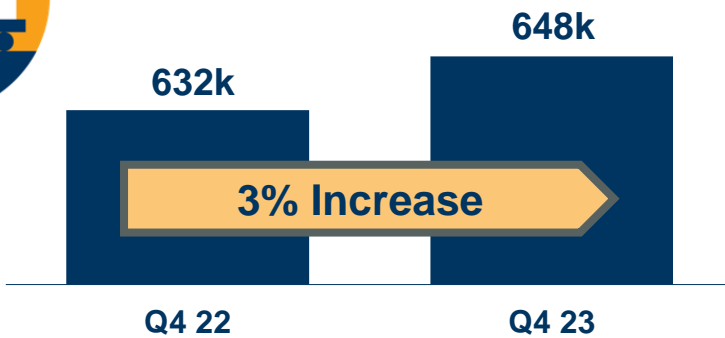
## Total Volume



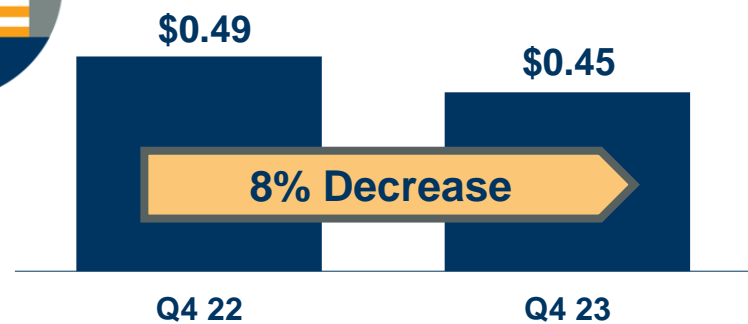
## Total Revenue



## Merchandise Volume



## Earnings Per Share



# OPERATIONS REVIEW

**Mike Cory**

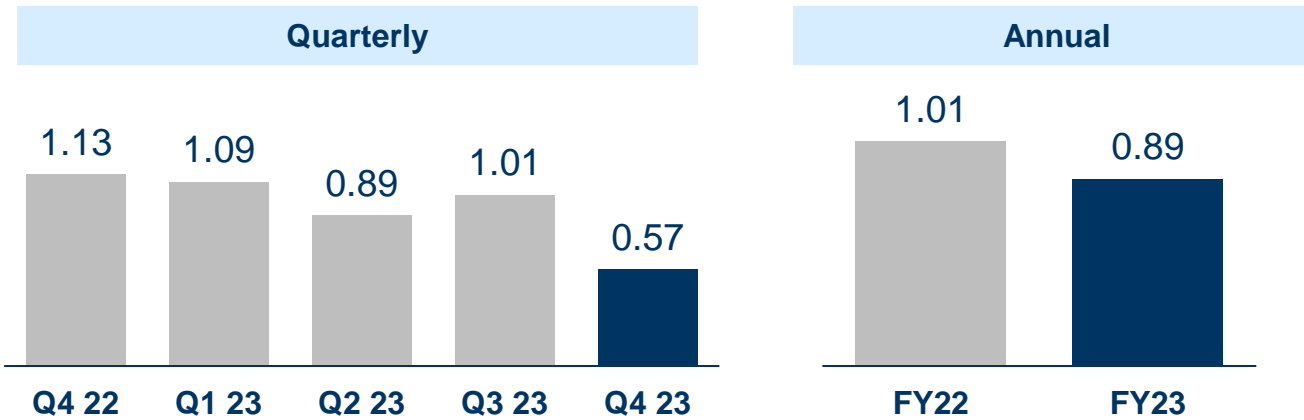
Executive Vice President and Chief Operating Officer





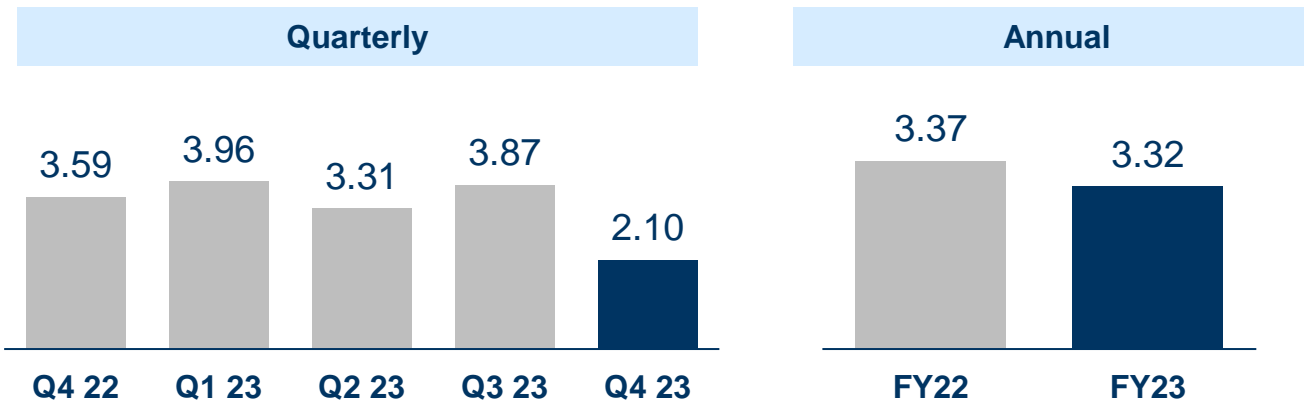
# Fourth Quarter and Full Year Safety Results

## FRA Personal Injury Frequency Index



- › Safety remains a core principle at CSX
- › Implementation of unionized mentors and risk-based safety strategies have helped drive substantial improvement
- › Injury frequency and the FRA accident rate decreased sequentially and year-over-year in Q4

## FRA Train Accident Rate

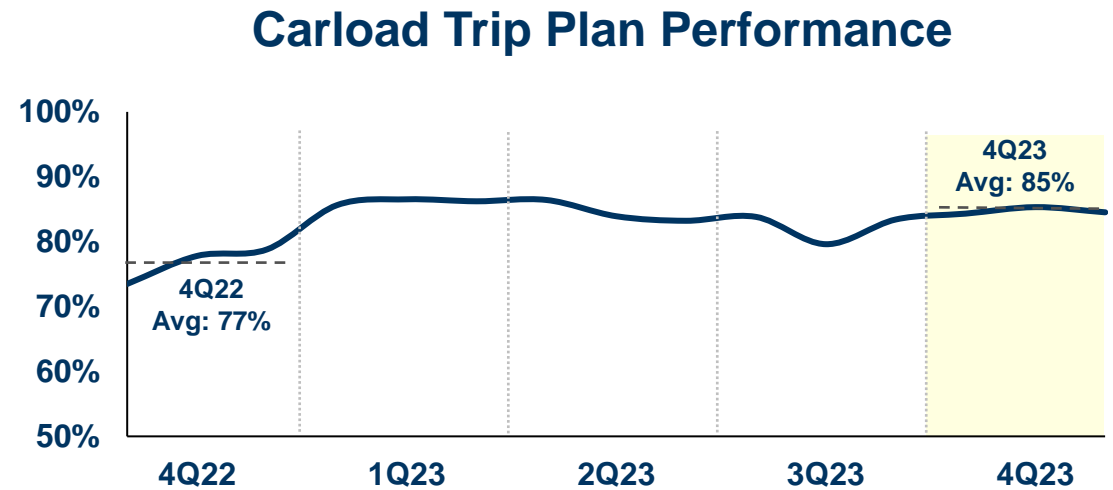
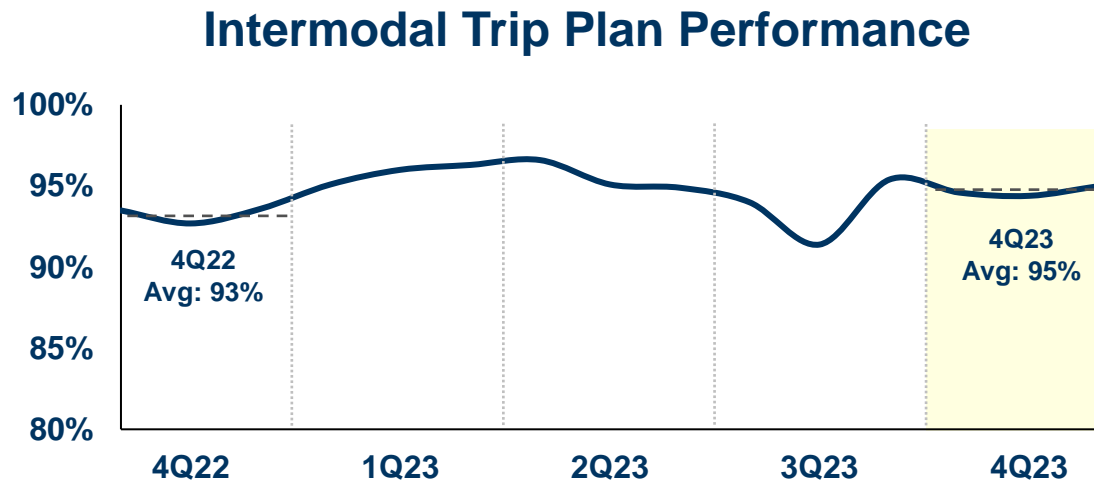
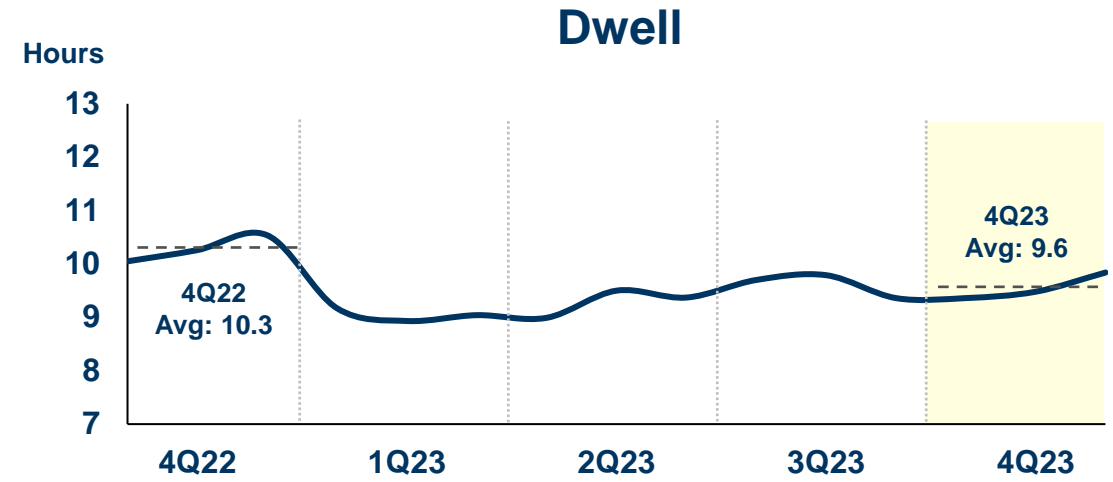
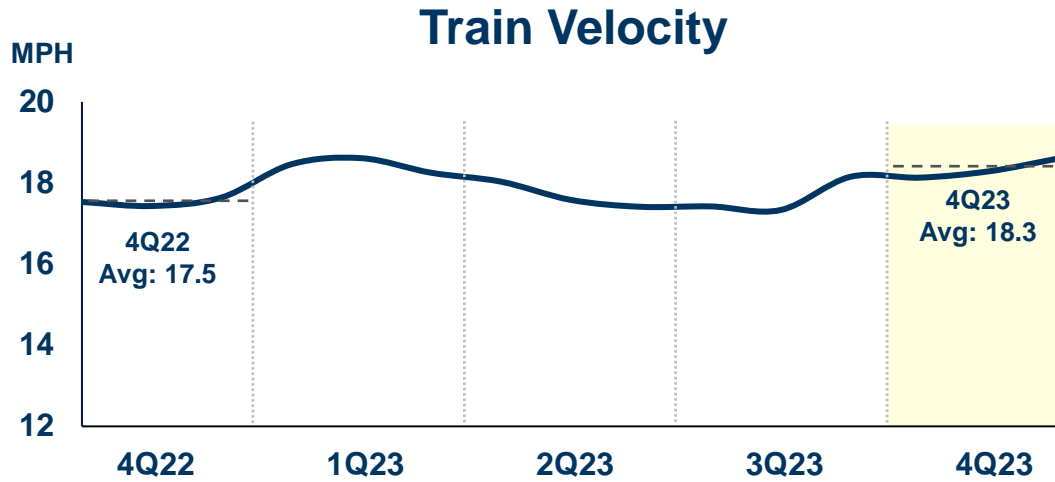


- › Launching new safety training program for operations leaders in 2024





# Key Fourth Quarter Service Metrics Improved vs. 2022



## Operational Highlights

- › Achieved year-over-year improvement for key service metrics through 2023
- › Q4 average train tonnage reached the highest levels of the year
- › Substantially reduced cycle times for grain and coal unit trains through year-end
- › Leveraging real-time analytics to reduce active locomotive count and increase fuel efficiency
- › Balancing prudent consolidation of crew starts while maintaining customer connectivity



# SALES & MARKETING REVIEW

**Kevin Boone**

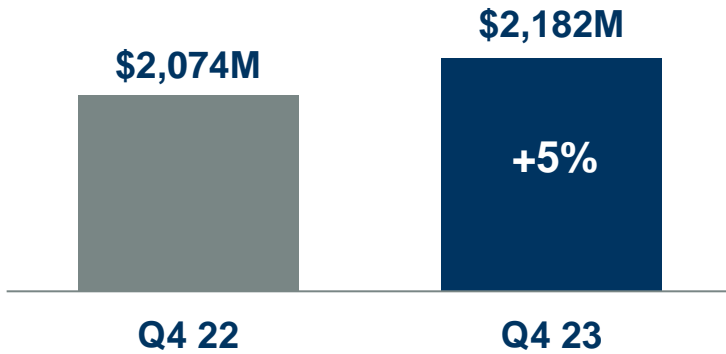
Executive Vice President and Chief Commercial Officer



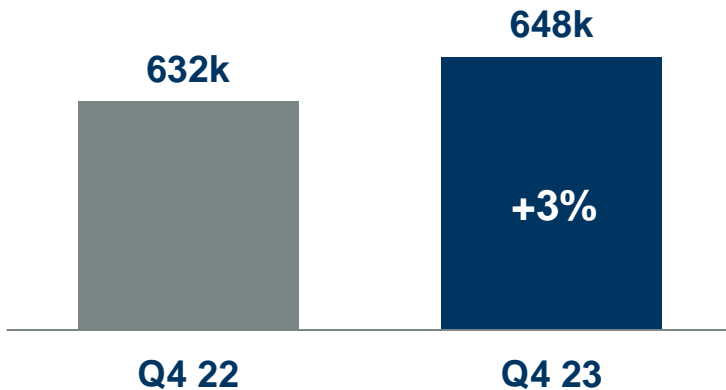


# Merchandise Volume & Revenue Summary

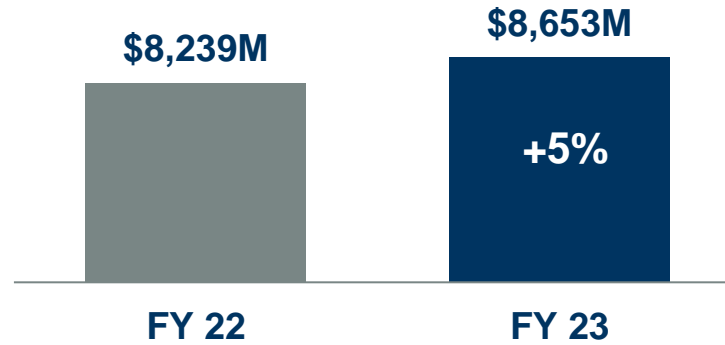
## Q4 Merchandise Revenue



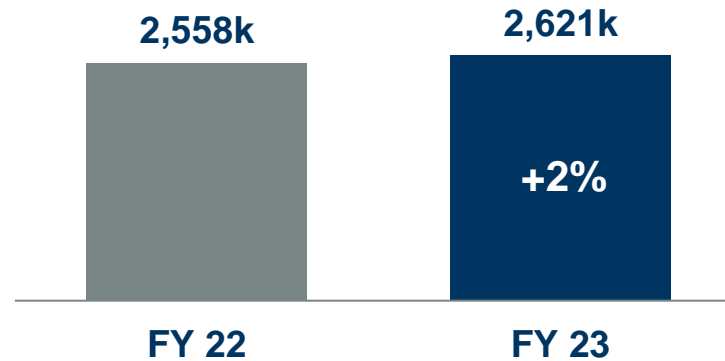
## Q4 Merchandise Volume



## FY Merchandise Revenue



## FY Merchandise Volume



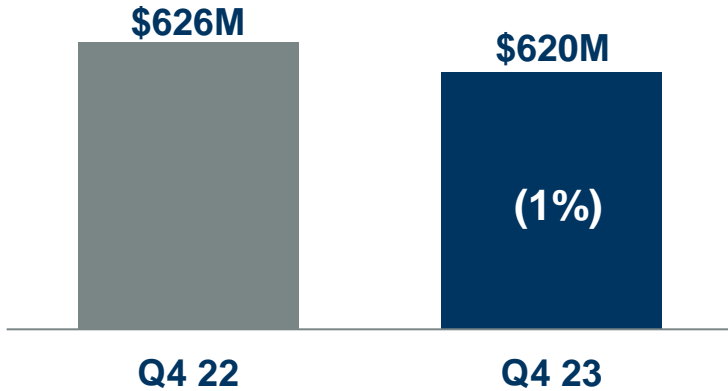
## 2024 Expectations

- **Total merchandise volume growth** supported by service leadership, recent business wins, and modal share gains
- **Promising trends emerging** in Chemicals, Forest Products, and Fertilizers markets
- **New Industrial Development projects** contributing ~1% to merchandise volume in FY 24
- **Supportive pricing environment** reflecting strong service performance

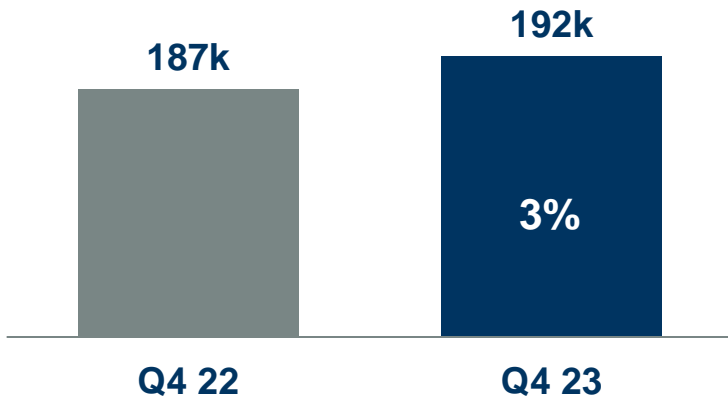


# Coal Volume & Revenue Summary

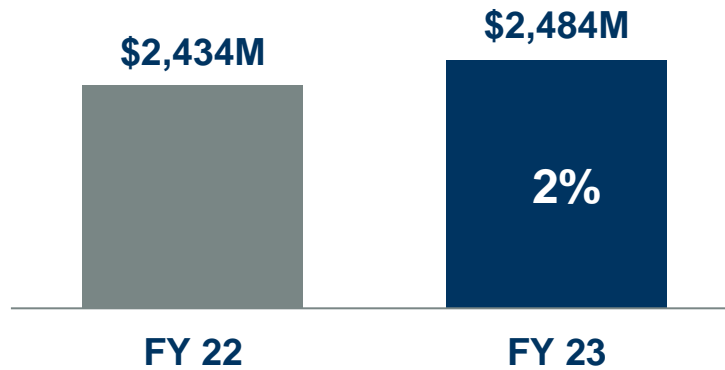
## Q4 Coal Revenue



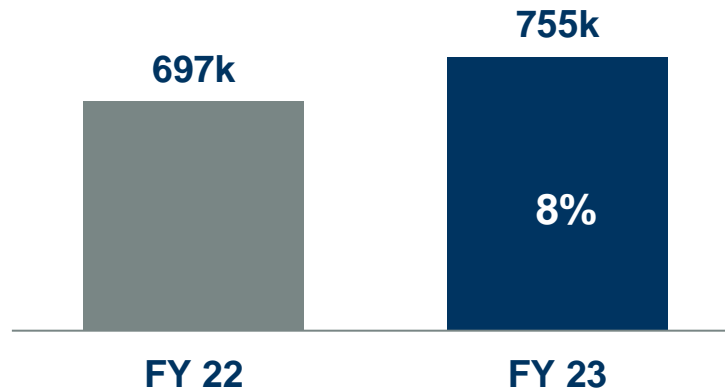
## Q4 Coal Volume



## FY Coal Revenue



## FY Coal Volume



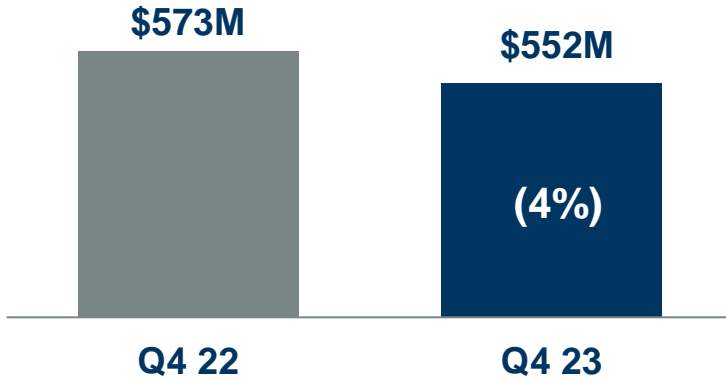
## 2024 Expectations

- **Robust export coal demand**, with volumes supported by unit train performance and new mine ramp-up
  - Current spot global met coal benchmarks remain elevated
  - Export thermal prices have softened but remain higher vs. pre-pandemic levels
- **Domestic coal demand modestly impacted** by more normalized utility stockpiles, lower natural gas prices

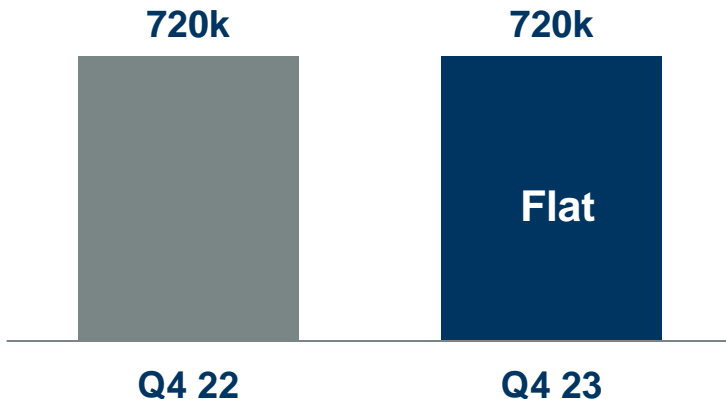


# Intermodal Volume & Revenue Summary

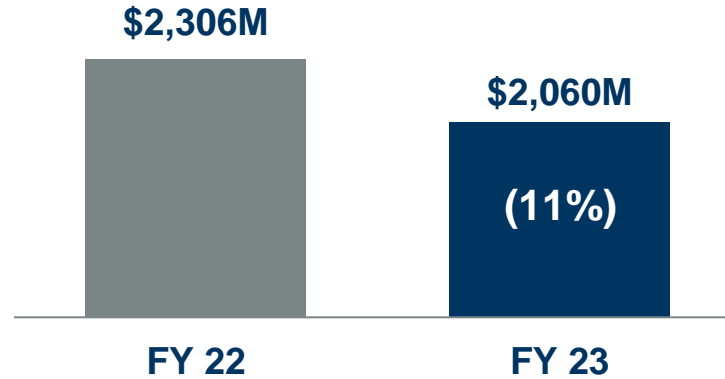
## Q4 Intermodal Revenue



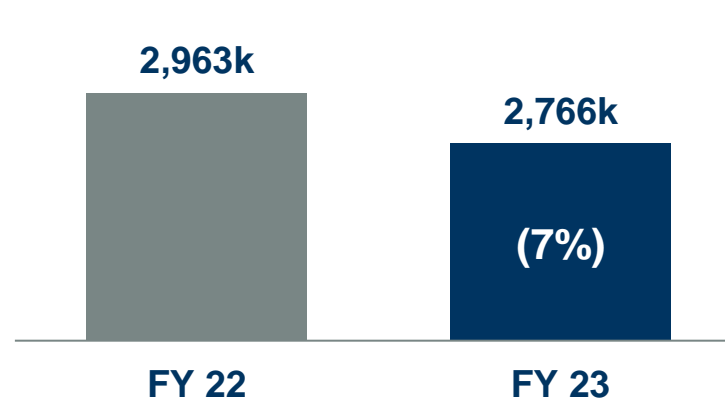
## Q4 Intermodal Volume



## FY Intermodal Revenue



## FY Intermodal Volume



## 2024 Expectations

- **Continued momentum for domestic volumes**
  - Anticipate solid growth led by strong channel partner relationships, direct partnerships, truck conversion
- **International volume growth turning positive**
  - Normalizing inventories, better import levels and inland port activity supportive of demand
- **Network performance remaining flexible and resilient** through dynamic weather and uncertain geopolitical events

# FINANCIAL REVIEW

**Sean Pelkey**

Executive Vice President and Chief Financial Officer

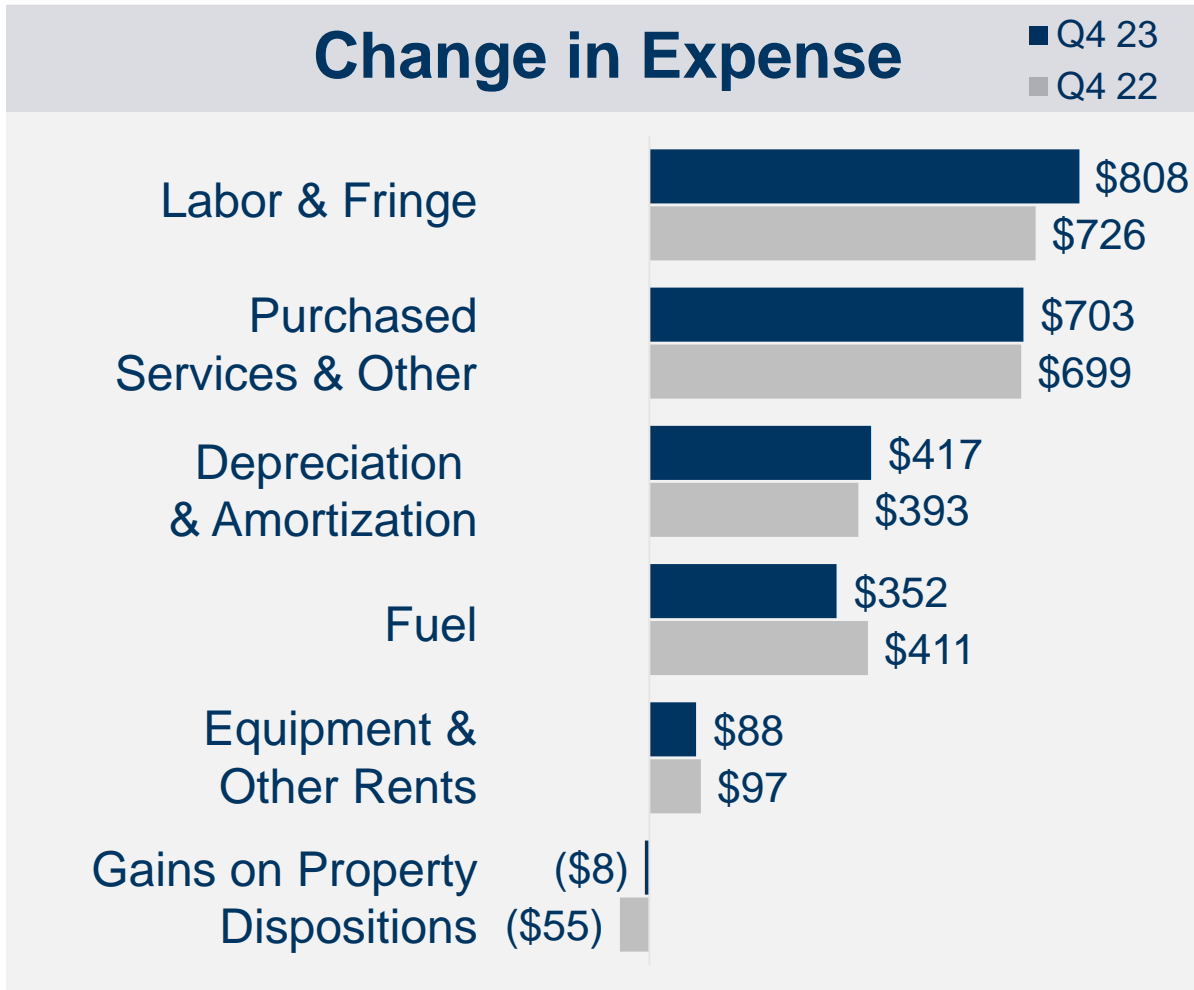




## Fourth Quarter & Full Year Earnings Summary

<i>Dollars in Millions</i>	Fourth Quarter Income Statement			Full Year Income Statement		
	Q4 2023	Q4 2022	Variance	FY 2023	FY 2022	Variance
Revenue	\$3,680	\$3,730	(1%)	\$14,657	\$14,853	(1%)
Expense	2,360	2,271	(4%)	9,096	8,830	(3%)
<b>Operating Income</b>	<b>\$1,320</b>	<b>\$1,459</b>	<b>(10%)</b>	<b>\$5,561</b>	<b>\$6,023</b>	<b>(8%)</b>
Interest Expense & Other Income - Net	(171)	(155)	(10%)	(670)	(609)	(10%)
Income Tax Expense	(263)	(286)	8%	(1,176)	(1,248)	6%
<b>Net Earnings</b>	<b>\$886</b>	<b>\$1,018</b>	<b>(13%)</b>	<b>\$3,715</b>	<b>\$4,166</b>	<b>(11%)</b>
<b>Earnings Per Share</b>	<b>\$0.45</b>	<b>\$0.49</b>	<b>(8%)</b>	<b>\$1.85</b>	<b>\$1.95</b>	<b>(5%)</b>
Operating Ratio	64.1%	60.9%	(320 bps)	62.1%	59.5%	(260 bps)
Income Tax Rate	22.9%	21.9%	(100 bps)	24.0%	23.1%	(90 bps)
Average Shares Outstanding, Assuming Dilution ( <i>Millions</i> )	1,969	2,085	6%	2,013	2,141	6%





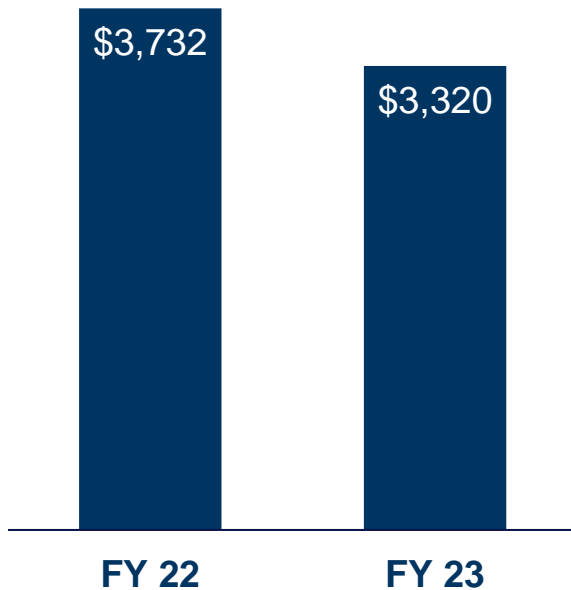
- Labor increase driven by inflation, higher headcount, and increased union employee vacation and sick benefits
- PS&O expenses stable, with inflation mostly offset by efficiency gains
- Depreciation expense up due to a larger asset base and prior period adjustments
- Reduced fuel expense primarily driven by a lower diesel price per gallon
- Equipment and Other Rents reflects improved network fluidity
- Cycling higher real estate gains from Q4 22



# Full Year Cash Flow and Distributions

### Free Cash Flow Before Dividends\*

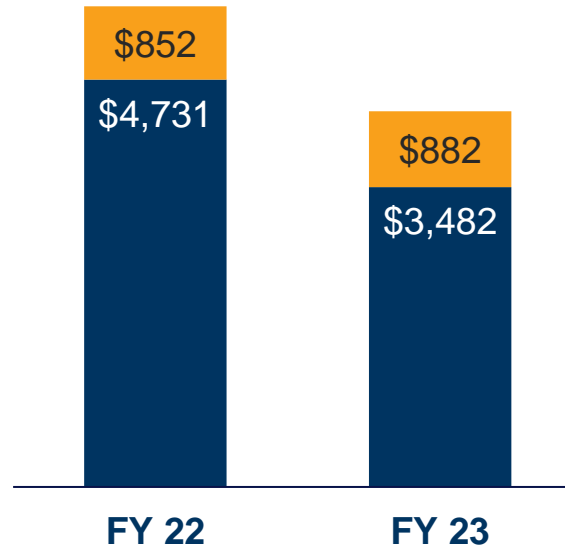
In Millions



### Shareholder Distributions

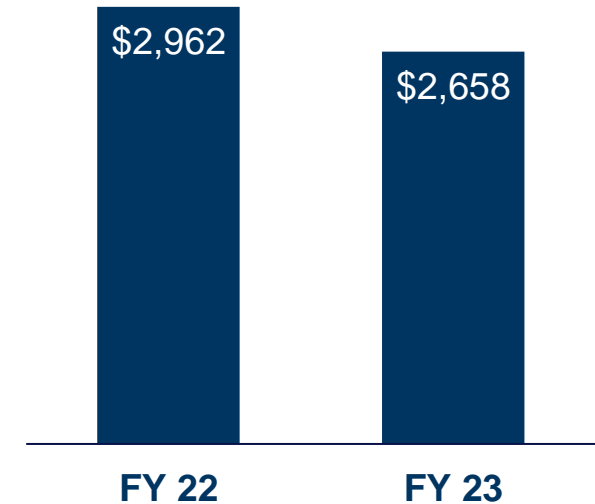
In Millions

■ Buybacks ■ Dividends



### Economic Profit\*

In Millions



\* See Appendix for Non-GAAP reconciliation

# CLOSING REMARKS

**Joe Hinrichs**

President and Chief Executive Officer



- **Low to mid-single digit total volume and revenue growth**
  - Solid momentum across Merchandise, Intermodal, and Export Coal
- **Profitability supported by solid pricing, improving efficiency, and lower cost inflation**
- **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	Twelve Months Ended	
	Dec 31, 2023	Dec 31, 2022
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 5,549</b>	<b>\$ 5,619</b>
Property Additions	(2,281)	(2,133)
Proceeds and Advances from Property Dispositions	52	246
Free Cash Flow Before Dividends (non-GAAP)	\$ 3,320	\$ 3,732



# Non-GAAP Economic Profit Reconciliation

## Economic Profit

Dollars in millions	Twelve Months Ended	
	Dec 31, 2023	Dec 31, 2022
<b>Net Income</b>	<b>\$ 3,715</b>	<b>\$ 4,166</b>
Add: Income Tax Expense	1,176	1,248
Remove: Other Income - Net	(139)	(133)
Add: Interest Expense	809	742
Add: Depreciation, Amortization, and Operating Lease Expense	1,720	1,609
Remove: Unusual Items <sup>(a)</sup>	-	(144)
Adjusted Earnings before Interest, Taxes, Depreciation, Amortization (Adjusted EBITDA)	\$ 7,281	\$7,488
15% Assumed Cash Tax	(1,092)	(1,123)
<b>Gross Cash Earnings</b>	<b>\$ 6,189</b>	<b>\$ 6,365</b>
Current Assets (Less Cash and ST Investments)	(\$ 1,908)	(\$ 1,843)
Gross Properties	(49,212)	(47,471)
Other Assets	(3,896)	(3,862)
Non-Interest Bearing Liabilities	10,873	10,640
Gross Operating Assets <sup>(b)</sup>	(\$ 44,143)	(\$ 42,536)
<b>8% Capital Charge</b>	<b>(\$ 3,531)</b>	<b>(\$ 3,403)</b>
<b>Economic Profit (Non-GAAP)</b>	<b>\$ 2,658</b>	<b>\$2,962</b>

<sup>(a)</sup> Unusual items are defined by management as unique events with greater than \$100 million full year operating income impact. Gains from the Virginia transaction of \$144 million were excluded for 2022<sup>(b)</sup> Gross operating assets reflects an average of reported balance sheet figures

**CSX**