CSX

2022 THIRD QUARTER EARNINGS CONFERENCE CALL



10.20.2022

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.

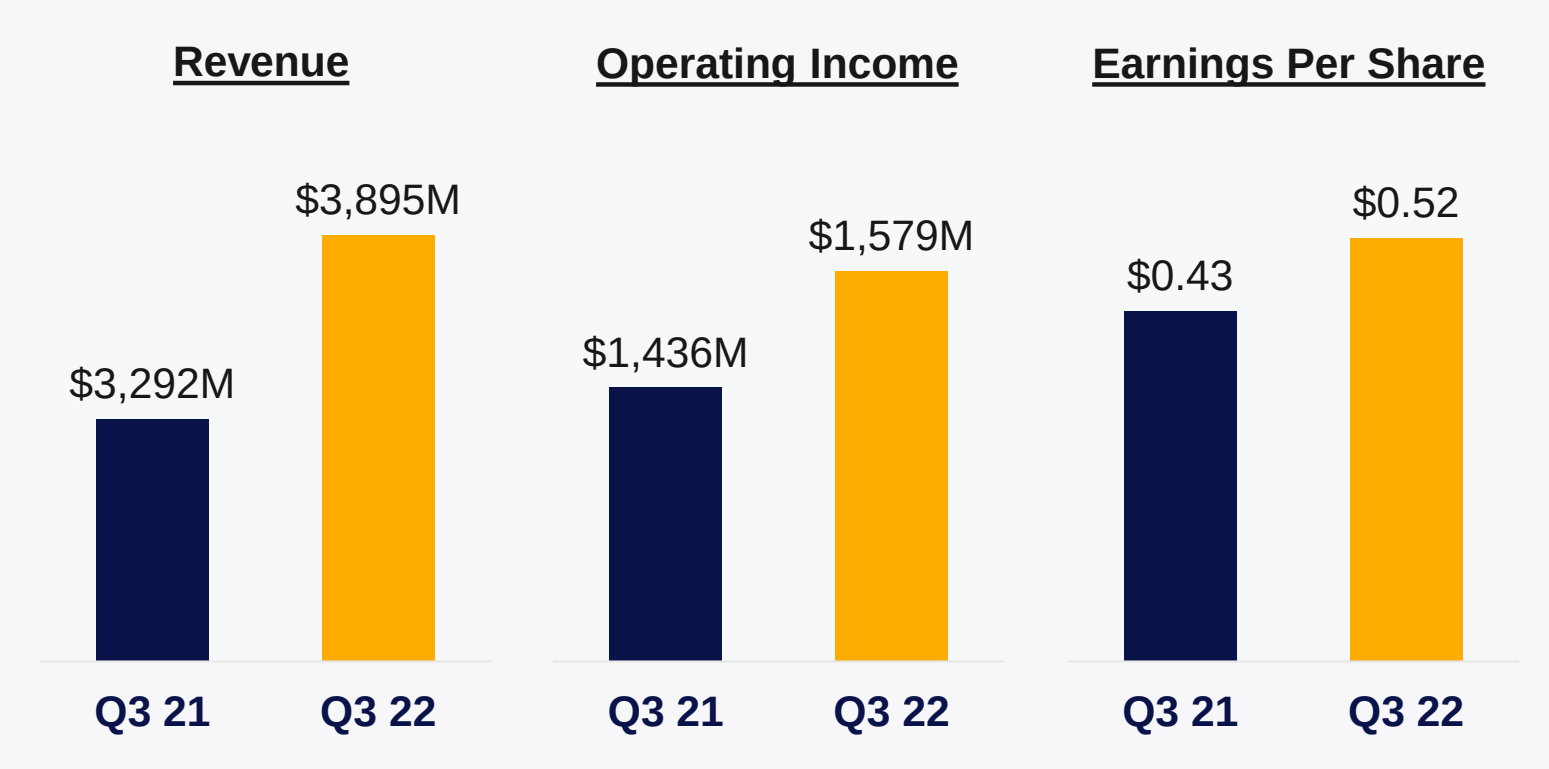
NON-GAAP MEASURES DISCLOSURE

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.

THIRD QUARTER HIGHLIGHTS

1,587K	$3,895M	$1,579M	59.5%
Volume	Revenue	Op. Income	Op. Ratio



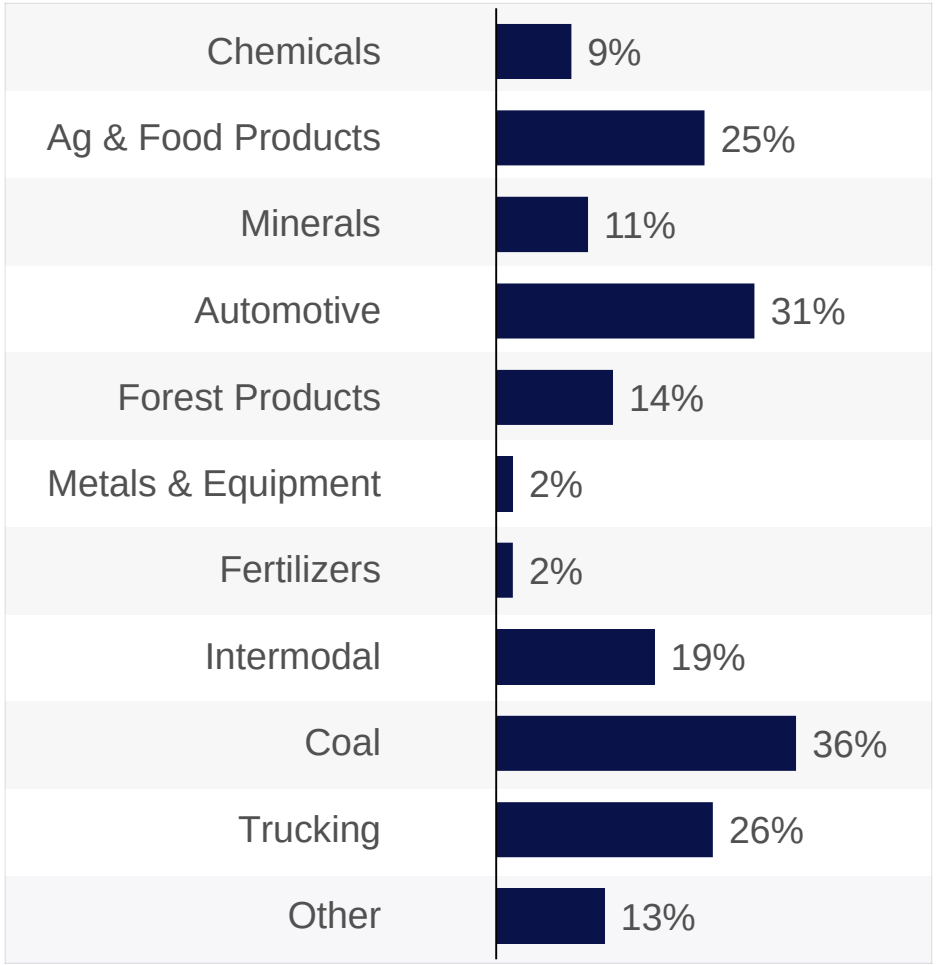
- Third quarter revenue increased 18% to $3,895 million
- Operating income increased 10% to $1,579 million
- Earnings per share increased 21% to $0.52
- Operating ratio increased 310 bps to 59.5%

THIRD QUARTER REVENUE HIGHLIGHTS

Revenue increased across all markets due to higher fuel recovery, core pricing, and volume growth

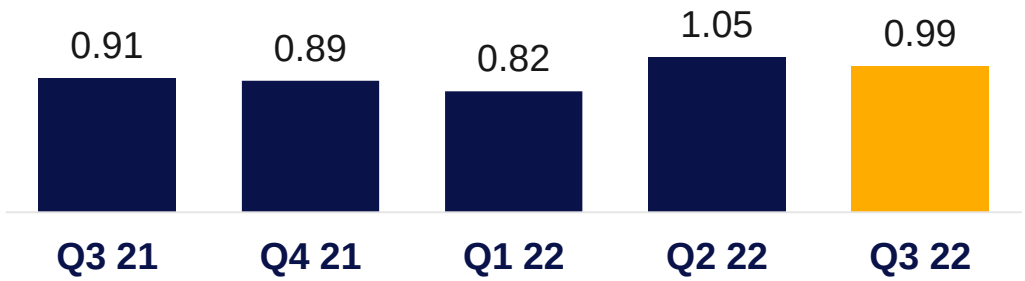
- **Chemicals** increased as higher revenue from core pricing and fuel recovery more than offset a decline in volume
- **Agricultural & Food Products** increased as a result of higher shipments of grain, ethanol, sweeteners and vegetable oils
- **Minerals** increased due to higher shipments of aggregates
- **Automotive** increased due to higher North American vehicle production as semiconductor availability improved
- **Forest Products** increased due to higher shipments of printing paper and lumber
- **Metals and Equipment** increased as higher revenue from core pricing, scrap shipments, and fuel recovery more than offset lower steel shipments
- **Fertilizers** increased as higher revenue from core pricing and fuel recovery more than offset a decline in phosphate shipments
- **Intermodal** increased due to higher international shipments and fuel recovery, partially offset by lower domestic shipments
- **Coal** increased as revenue from higher export shipments and higher benchmark pricing more than offset lower shipments of utility coal
- **Trucking** increased due to higher core pricing and fuel recovery
- **Other Revenue** increased primarily due to higher intermodal storage and equipment usage revenues

Q3 Revenue Up 18% Year Over Year

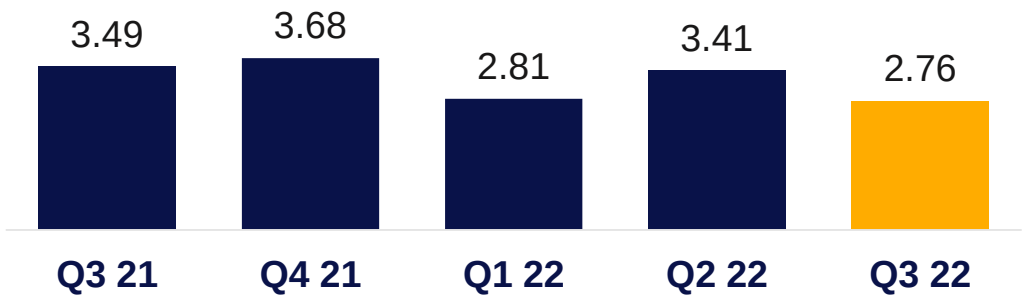


THIRD QUARTER SAFETY HIGHLIGHTS

FRA Personal Injury Frequency Index



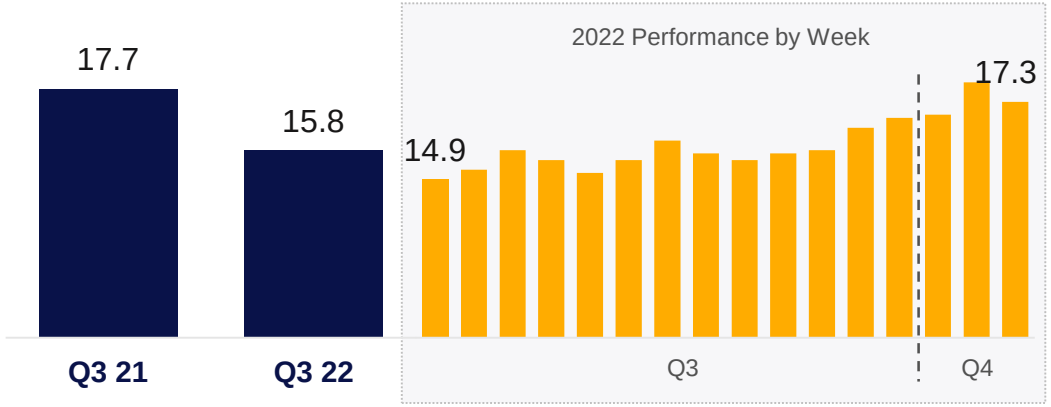
FRA Train Accident Rate



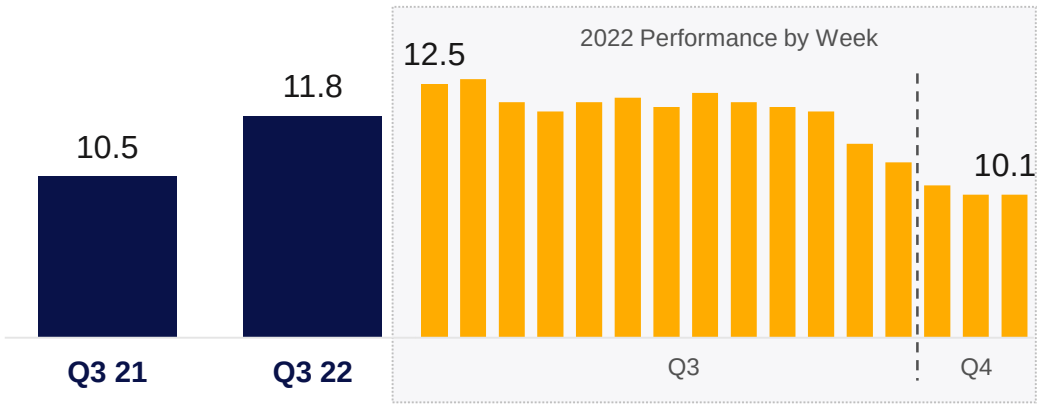
- Safety is a guiding principle at CSX
- Instilling safety culture in newly hired employees is foundational to success
- Engaging with all employees across the network to learn from prior incidents
- Fourth quarter will focus on education and awareness of seasonal safety risks, with a goal to further reduce human factor train accidents

THIRD QUARTER SERVICE UPDATE

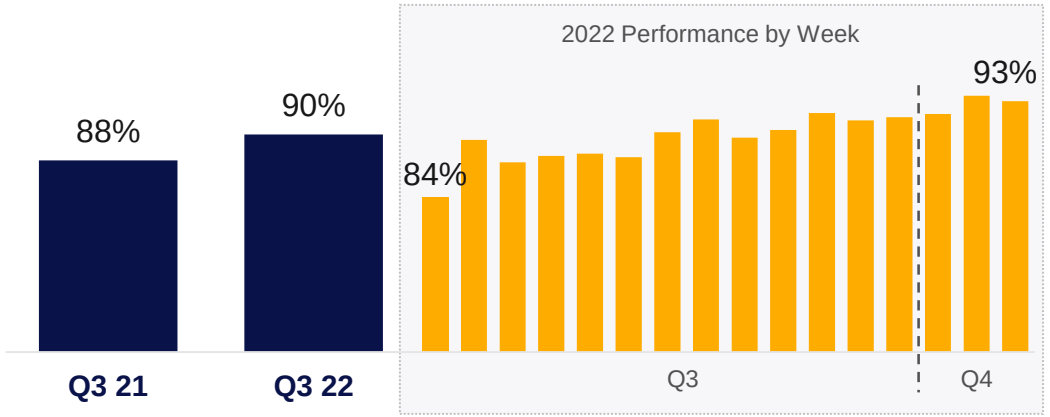
Train Velocity



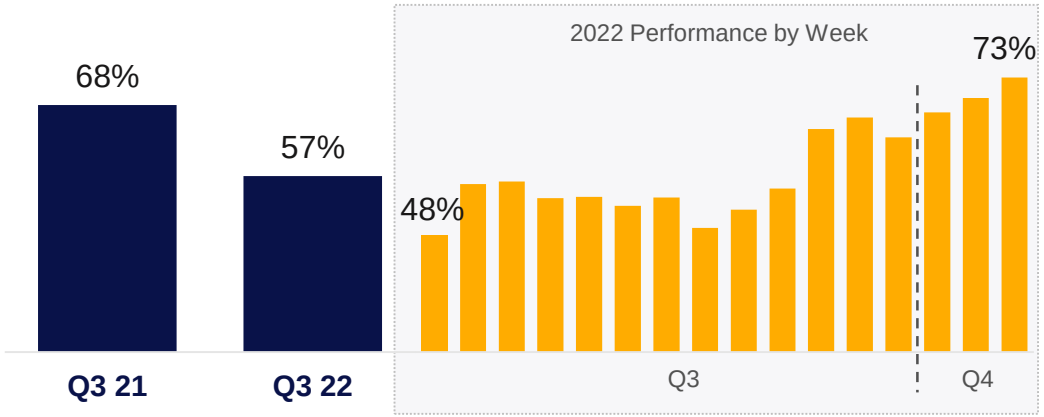
Train Dwell



Intermodal Trip Plan Performance

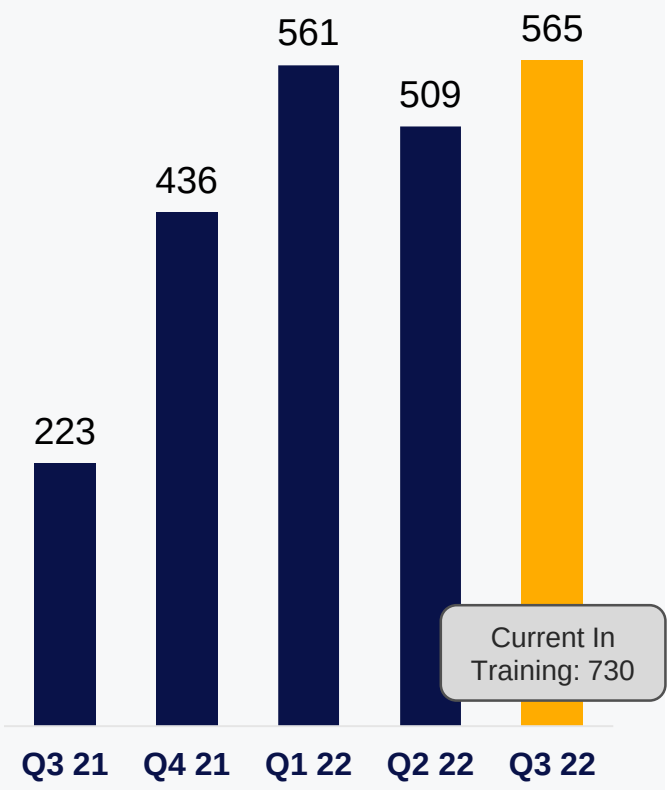


Carload Trip Plan Performance

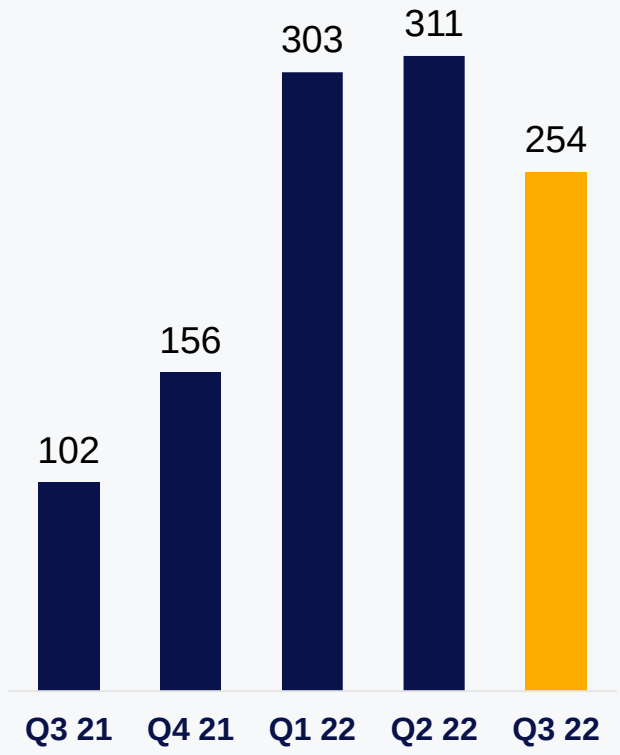


THIRD QUARTER T&E HIRING HIGHLIGHTS

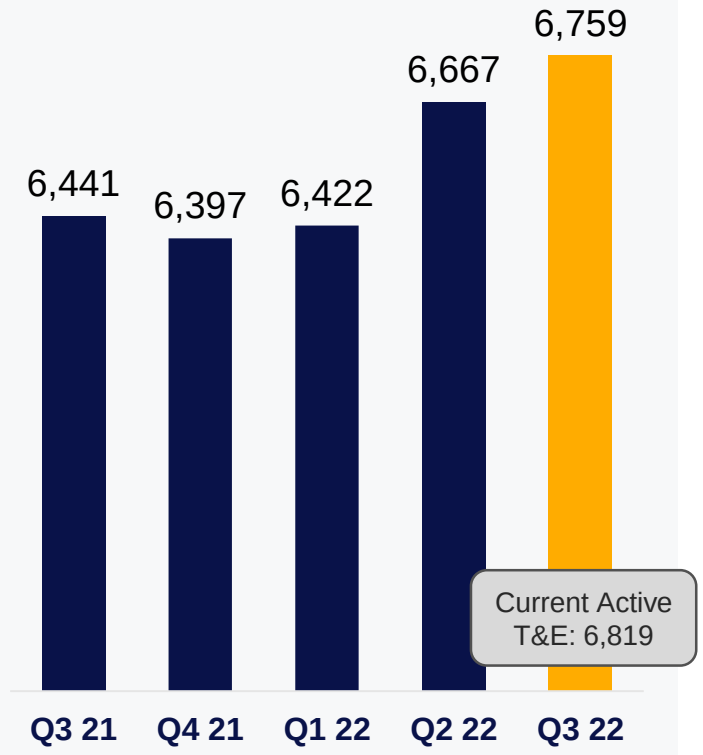
Employees in Training
Average Daily Employees



Conductor Promotions
Total Employees



Active T&E Employees
Average Daily Employees



Note: All figures exclude employees added due to the acquisition of Pan Am; Current figures reflect month-to-date average as of October 16, 2022.

THIRD QUARTER EARNINGS SUMMARY

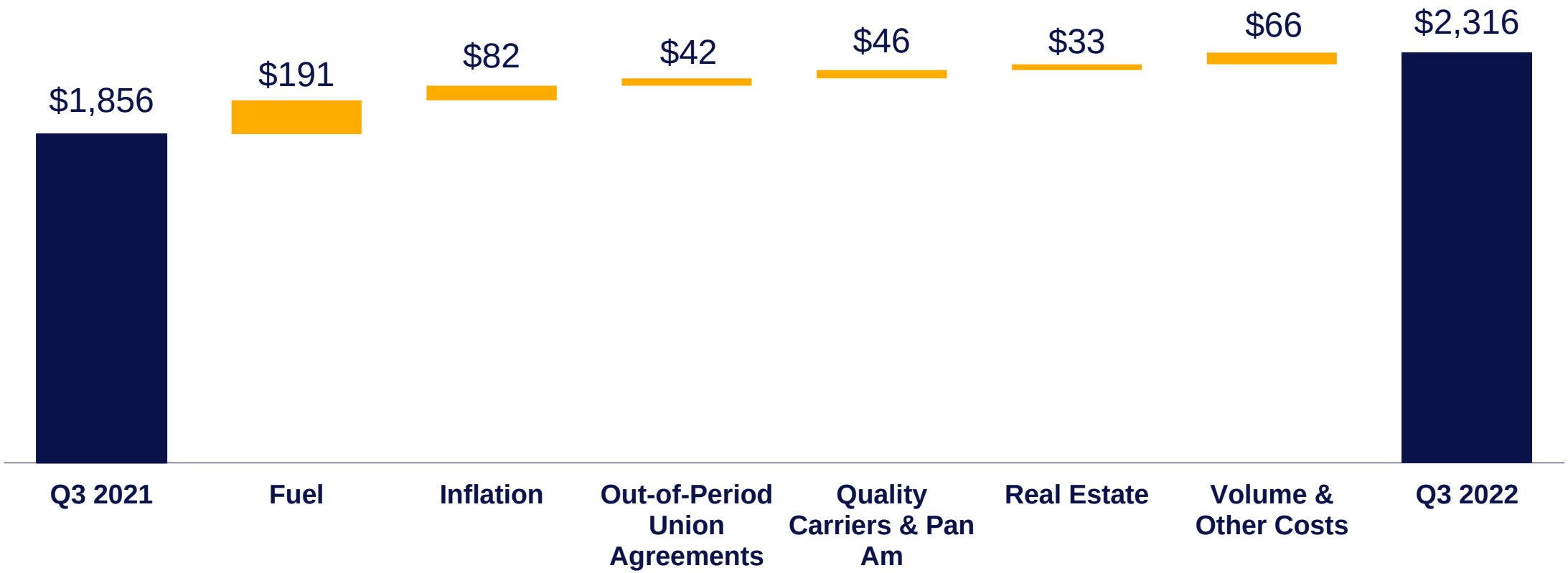
Third Quarter Income Statement

Dollars in Millions	2022	2021	Variance
Revenue	$ 3,895	$ 3,292	18%
Expense	2,316	1,856	(25%)
Operating Income	**$ 1,579**	**$ 1,436**	**10%**
Interest Expense & Other Income – Net	(156)	(157)	0%
Income Tax Expense	(312)	(311)	0%
Net Earnings	**$ 1,111**	**$ 968**	**15%**
Earnings Per Share	**$ 0.52**	**$ 0.43**	**21%**
Operating Ratio	59.5%	56.4%	(310 bps)
Income Tax Rate	21.9%	24.3%	240 bps
Average Shares Outstanding, Assuming Dilution *(Millions)*	2,126	2,242	5%

THIRD QUARTER EXPENSE UP $460M

Q3 2022 vs. Q3 2021 Operating Expense

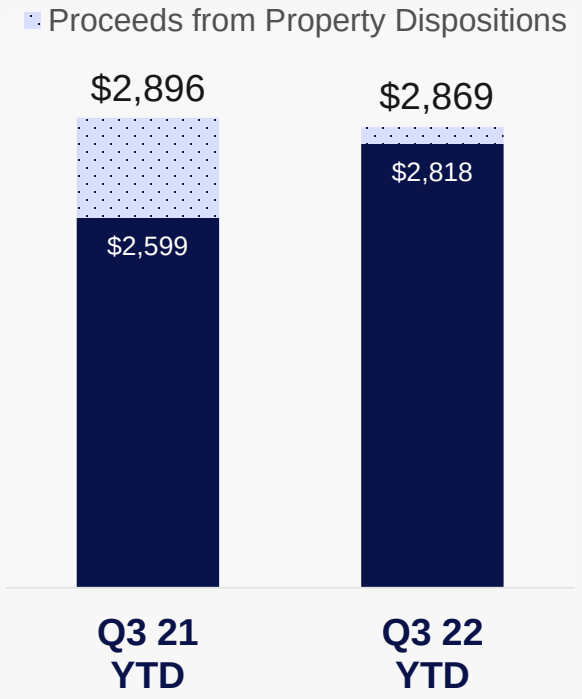
In Millions



FREE CASH FLOW AND DISTRIBUTIONS

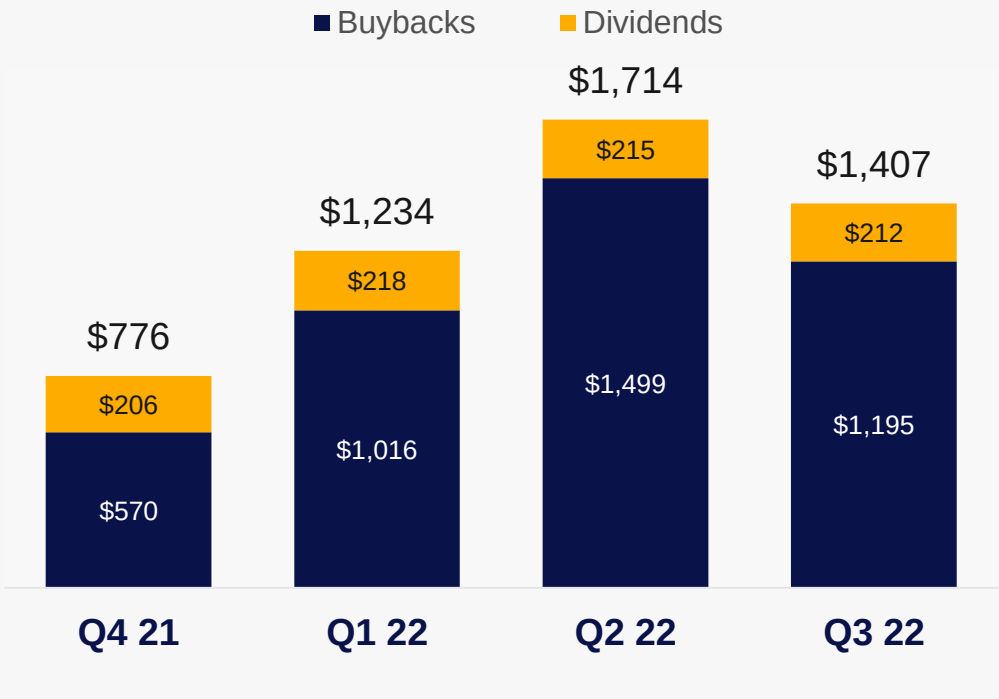
Free Cash Flow Before Dividends*

In Millions



Shareholder Distributions

In Millions



* See Appendix for Non-GAAP reconciliation

LOOKING FORWARD

- Still targeting full-year double digit revenue and operating income growth, excluding impacts from the Virginia real estate transaction
- Continue to increase transportation headcount to restore service
- Remain committed to returning capital to shareholders
- Focused on building a ONE CSX unified company culture to improve relationships with our customers, employees, and all CSX stakeholders

APPENDIX

Non-GAAP Free Cash Flow Reconciliation

NON-GAAP FREE CASH FLOW RECONCILIATION

Free Cash Flow

	Nine Months Ended	
Dollars in millions	**Sep 30, 2022**	**Sep 30, 2021**
Net Cash Provided by Operating Activities	**$ 4,255**	**$ 3,819**
Property Additions	(1,437)	(1,220)
Proceeds and Advances from Property Dispositions	51	297
Other Investing Activities[(a)]	n/a	-
Free Cash Flow Before Dividends (non-GAAP)	$ 2,869	$ 2,896
Operating Cash Flow Conversion*	135%	134%
Free Cash Flow Conversion*	91%	102%

[(a)] Effective first quarter 2022, the results of other investing activities will no longer be included in free cash flow. Prior year has not been restated as the change is immaterial.

*Expressed as a percentage of net income


CSX