



# Second Quarter 2024 Financial and Operating Results

July 23, 2024

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TSX: CNR NYSE: CNI

# Forward-looking statements

Certain statements included in this presentation constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws, including statements based on management's assessment and assumptions and publicly available information with respect to CN. By their nature, forward-looking statements involve risks, uncertainties and assumptions. CN cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Forward-looking statements may be identified by the use of terminology such as "believes," "expects," "anticipates," "assumes," "outlook," "plans," "targets", or other similar words.

## **2024 Key Assumptions**

CN has made a number of economic and market assumptions in preparing its 2024 outlook. The Company continues to assume slightly positive North American industrial production in 2024. For the 2023/2024 crop year, the grain crop in Canada was below its three-year average (also below when excluding the significantly lower 2021/2022 crop year) and the U.S. grain crop was above its three-year average. The Company continues to assume that the 2024/2025 grain crop in Canada will be in line with its three-year average (excluding the significantly lower 2021/2022 crop year) and now assumes that the U.S. grain crop will be above its three-year average (compared to its April 23, 2024 assumption that the 2024/2025 grain crop in the U.S. will be in line with its three-year average). CN now assumes RTM growth will be in the range of 3%-5% (compared to its April 23, 2024 assumption of mid-single digit growth). CN assumes continued pricing above rail inflation upon contract renewals. CN also continues to assume that in 2024, the value of the Canadian dollar in U.S. currency will be approximately \$0.75, and that in 2024 the average price of crude oil (West Texas Intermediate) will be in the range of US\$80 - US\$90 per barrel. Additionally, CN assumes that there will be no rail or port labor disruptions in 2024.

## **2024-2026 Key Assumptions**

CN has made a number of economic and market assumptions in preparing its three-year financial perspective. CN assumes that the North American industrial production will increase by at least two percent CAGR over the 2024 to 2026 period. CN assumes continued pricing above rail inflation. CN assumes that the value of the Canadian dollar in U.S. currency will be approximately \$0.75 and that the average price of crude oil (West Texas Intermediate) will be approximately US\$80 per barrel during this period.

Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors which may cause actual results, performance or achievements of CN to be materially different from the outlook or any future results, performance or achievements implied by such statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Important risk factors that could affect the forward-looking statements in this presentation include, but are not limited to, general economic and business conditions, including factors impacting global supply chains such as pandemics and geopolitical conflicts and tensions; industry competition; inflation, currency and interest rate fluctuations; changes in fuel prices; legislative and/or regulatory developments; compliance with environmental laws and regulations; actions by regulators; increases in maintenance and operating costs; security threats; reliance on technology and related cybersecurity risk; trade restrictions or other changes to international trade arrangements; transportation of hazardous materials; various events which could disrupt operations, including illegal blockades of rail networks, and natural events such as severe weather, droughts, fires, floods and earthquakes; climate change; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings and other types of claims and litigation; risks and liabilities arising from derailments; timing and completion of capital programs; the availability of and cost competitiveness of renewable fuels and the development of new locomotive propulsion technology; reputational risks; supplier concentration; pension funding requirements and volatility; and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should also be made to Management's Discussion and Analysis (MD&A) in CN's annual and interim reports, Annual Information Form and Form 40-F, filed with Canadian and U.S. securities regulators and available on CN's website, for a description of major risk factors relating to CN.

Forward-looking statements reflect information as of the date on which they are made. CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement. Information contained on, or accessible through, our website is not incorporated by reference into this presentation.

# Non-GAAP measures

CN's full-year adjusted diluted EPS outlook and adjusted ROIC outlook exclude certain adjustments, which are expected to be comparable to adjustments made in prior years. However, management cannot individually quantify on a forward-looking basis the impact of these adjustments on its adjusted diluted EPS and adjusted ROIC because these items, which could be significant, are difficult to predict and may be highly variable. As a result, CN does not provide a corresponding GAAP measure for, or reconciliation to, its adjusted diluted EPS or adjusted ROIC outlook.

All amounts in this presentation are expressed in Canadian dollars, unless otherwise noted.

# On the call today



**Tracy Robinson**

President and CEO



**Derek Taylor**

Chief Field Operating Officer



**Pat Whitehead**

Chief Network Operating Officer



**Remi G. Lalonde**

Chief Commercial Officer



**Ghislain Houle**

Chief Financial Officer



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**Tracy Robinson**

President and Chief Executive Officer

# Long-term fundamentals remain intact – challenging Q2

- Strong volumes driven by CN-specific growth initiatives and Canadian grain upside
- Key Vancouver corridor (shared track directional running zone) experienced record volumes coupled with planned and unplanned maintenance that persisted throughout the quarter – impacted fluidity and increased labour costs
- Revising guidance to account for Q2 performance and late-quarter volume deceleration driven by ongoing overhang related to a potential labour disruption and weaker lumber demand

| Q2 Diluted EPS |                         | Q2 Operating Ratio |                         | Revised 2024 Guidance <sup>(2)(3)</sup>  |
|----------------|-------------------------|--------------------|-------------------------|--|
| Reported       | Adjusted <sup>(1)</sup> | Reported           | Adjusted <sup>(1)</sup> | <b>Adj. Diluted EPS<br/>growth in the mid to<br/>high single-digit<br/>range</b> |
| <b>\$1.75</b>  | <b>\$1.84</b>           | <b>64.0%</b>       | <b>62.2%</b>            |  |
| <b>▼ 1%</b>    | <b>▲ 5%</b>             | <b>▲ 340 bps</b>   | <b>▲ 160 bps</b>        |  |

(1) These non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies. See the section entitled "Adjusted performance measures" in the Q2 2024 Quarterly Review filed on July 23<sup>rd</sup>, 2024, which are incorporated by reference herein, for an explanation of these non-GAAP measures

(2) Please see Forward-looking Statements at the beginning of the presentation for a summary of key assumptions and important risk factors underlying CN's financial outlook.

(3) CN's full-year adjusted diluted EPS outlook excludes certain adjustments, which are expected to be comparable to adjustments made in prior years. However, management cannot individually quantify on a forward-looking basis the impact of these adjustments on its adjusted diluted EPS because these items, which could be significant, are difficult to predict and may be highly variable. As a result, CN does not provide a corresponding GAAP measure for, or reconciliation to, its adjusted diluted EPS outlook.

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# Derek Taylor

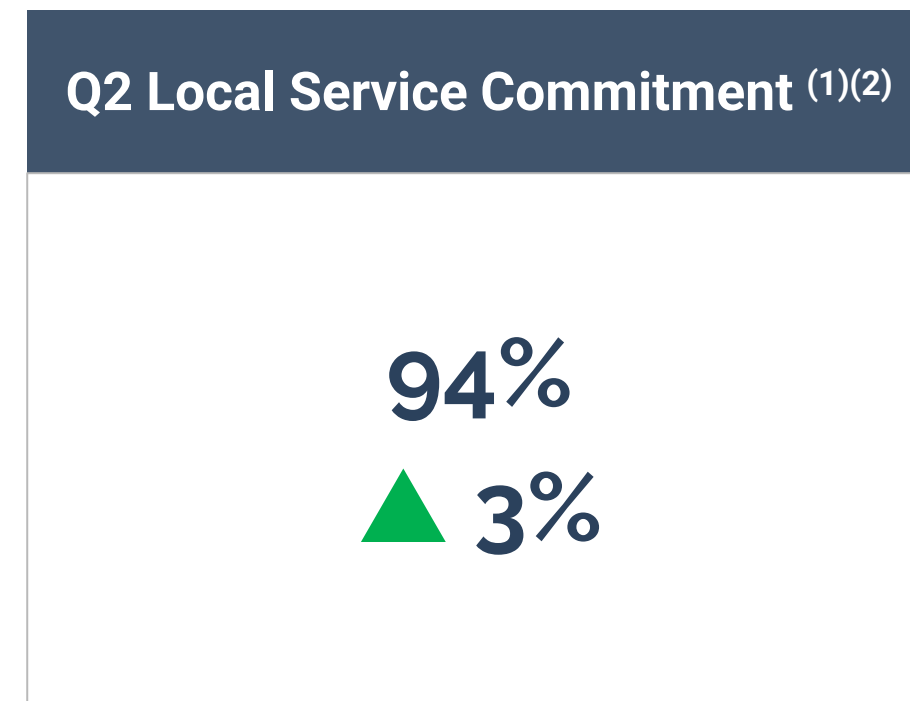
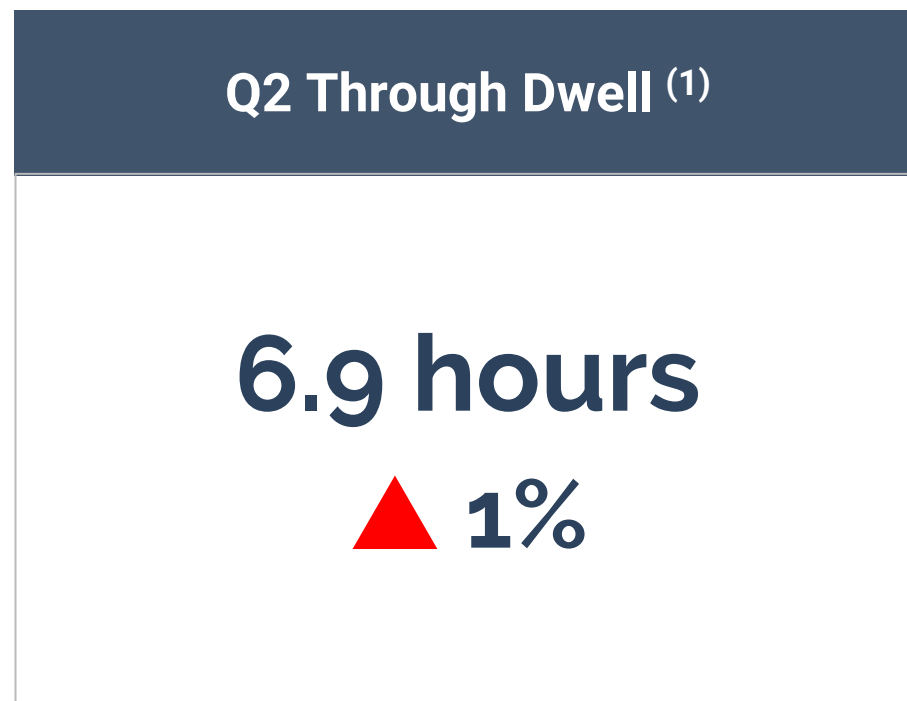
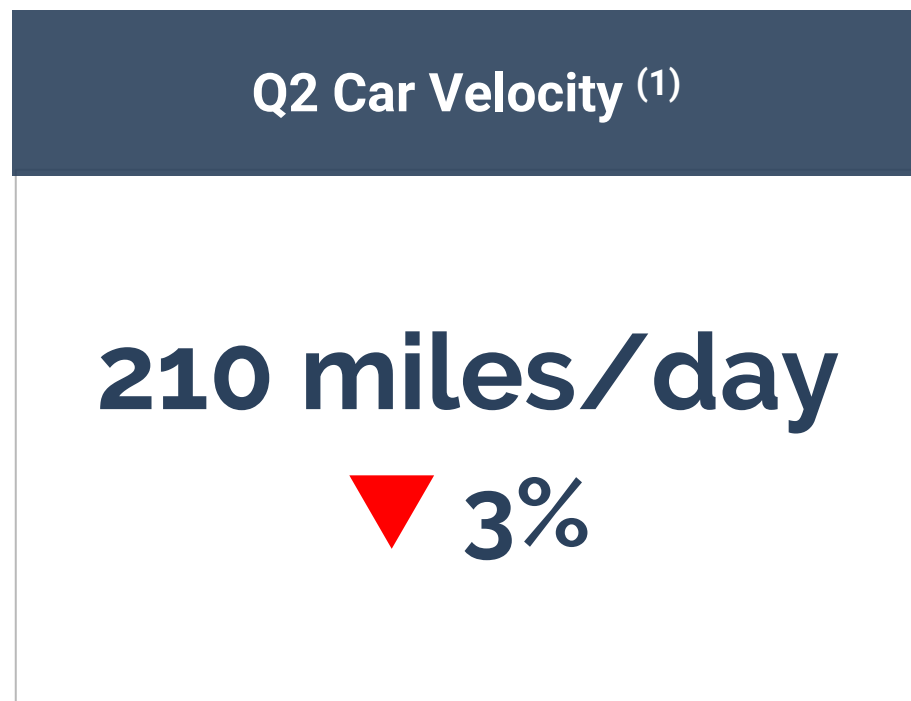
Chief Field Operating Officer



# Team continues to deliver industry-leading customer service



- Southern and Eastern Regions car velocity exceeded last year; challenges in Western Region had an outsized impact on overall performance
- Continued yard efficiency supported mainline operation and near-record local service performance for our customers
- Fluidity returned to the Western Region in July – system car velocity nearing the target range of 220 miles/day



(1) Operating measures are unaudited and based on estimated data available at such time and are subject to change as more complete information becomes available.

(2) Local Service Commitment, which is defined as the percentage of cars that successfully completed their Daily Operating Plan, averaged 94% in Q2 2024, an improvement of 3% compared to 91% for the same period in 2023.

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**Pat Whitehead**

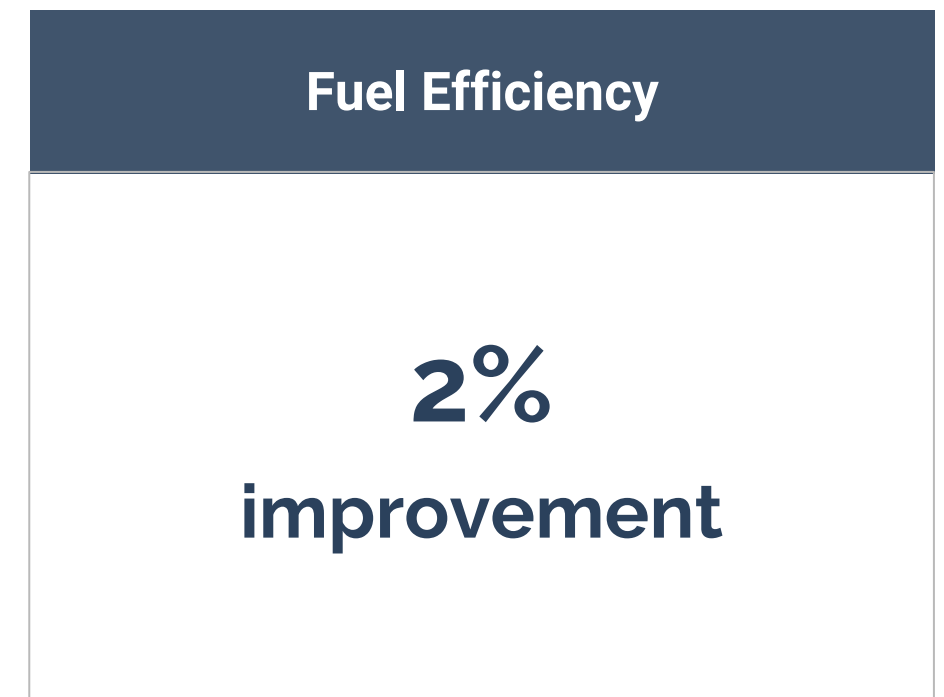
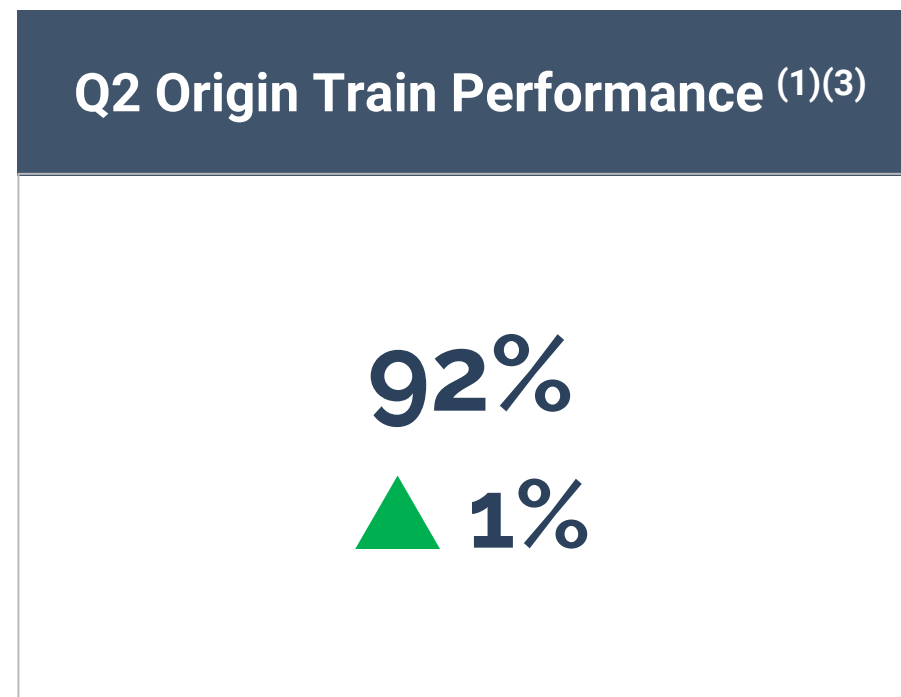
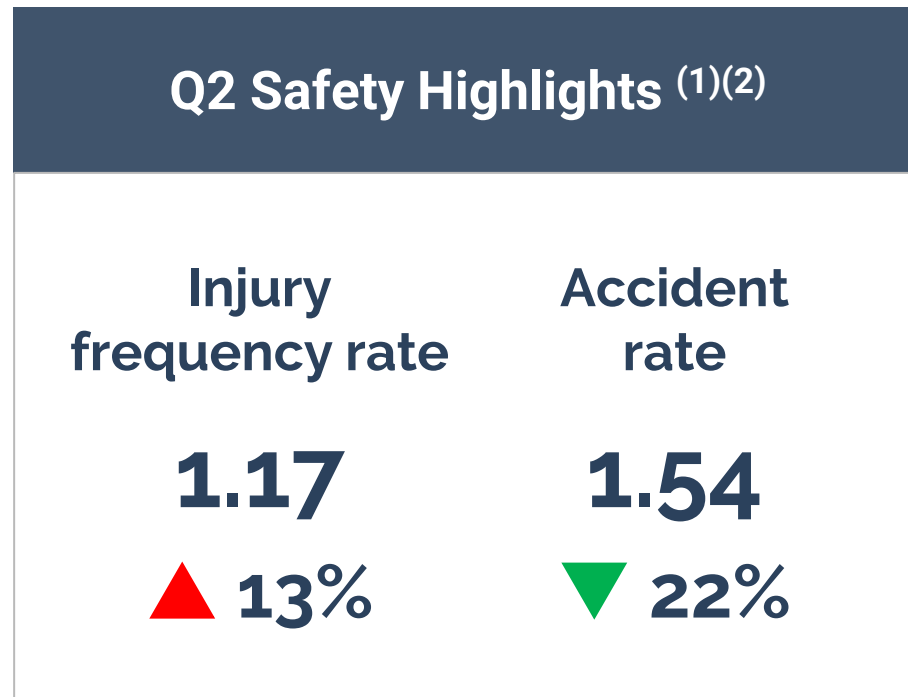
Chief Network Operating Officer





# Leaning into the plan

- Journey to zero serious injuries and fatalities continues – increasing field presence, behavior-based training, human factor root cause analysis and real-time near miss reporting with Enablon Go tool
- Origin train performance remained strong – the Plan is working
- Continued focus on driving fuel efficiency by running to plan, tight horsepower to tonnage ratio



(1) Operating measures and safety indicators are unaudited and based on estimated data available at such time and are subject to change as more complete information becomes available.

(2) Based on Federal Railroad Administration (FRA) reporting criteria.

(3) Origin train performance, which is defined as the percentage of manifest, automotive, and domestic intermodal trains departing origin within allowance of the scheduled time, averaged 92% in Q2 2024, an improvement of 1% compared to 91% for the same period in 2023.

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**Remi G. Lalonde**

Chief Commercial Officer



# Strong pricing and volume – late quarter impact from labour uncertainty

- Strong volumes up to mid-May; customer diversions related to a potential labour disruption, and a pronounced decline of lumber shipments in June
- Volume gains focused on Canadian grain and international intermodal due to higher underlying demand and share gains, as well as strong refined petroleum products and frac sand shipments
- Pricing remains above rail cost inflation – traffic mix leaned towards higher shipments of longer haul bulk and international intermodal lowering revenue/RTM

## Q2 Revenue Ton Miles (RTMs) <sup>(1)</sup>

**59.9B**

**▲ 7%**

## Q2 Revenues

**\$4,329M**

**▲ 7%**

## CN-Specific Growth Initiatives

**West Coast Intermodal**  
**Northeast BC: Frac and NGLS**  
**Renewable Crush Plants**  
**Toronto Fuel Facility**

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# CN initiatives are key drivers for balance of year growth



## Merchandise

### ↑ Petroleum Products

- Propane exports, Toronto Fuel Distribution facility

### ↑ Metals and Minerals

- Frac sand to Northern BC

### ↑ Chemicals and Plastics

- Strong market positioning

### ↔ Forest Products

- Lumber demand remaining weak

## Bulk

### ↑ Grain

- [Cdn] Running to capacity in Q4
- [U.S.] New soybean processing facility

### ↔ Coal

- [Cdn] Incremental production gains
- [U.S.] Softer global thermal coal demand

### ↓ Fertilizers

- Potash spot moves in 2023

## Consumer Products

### ↑ International

- Strong West Coast demand, favourable y/y comps

### ↔ Domestic

- Excess truck capacity and less robust Canadian consumer sentiment

### ↔ Automotive

- Trending to pre-pandemic levels

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# Ghislain Houle

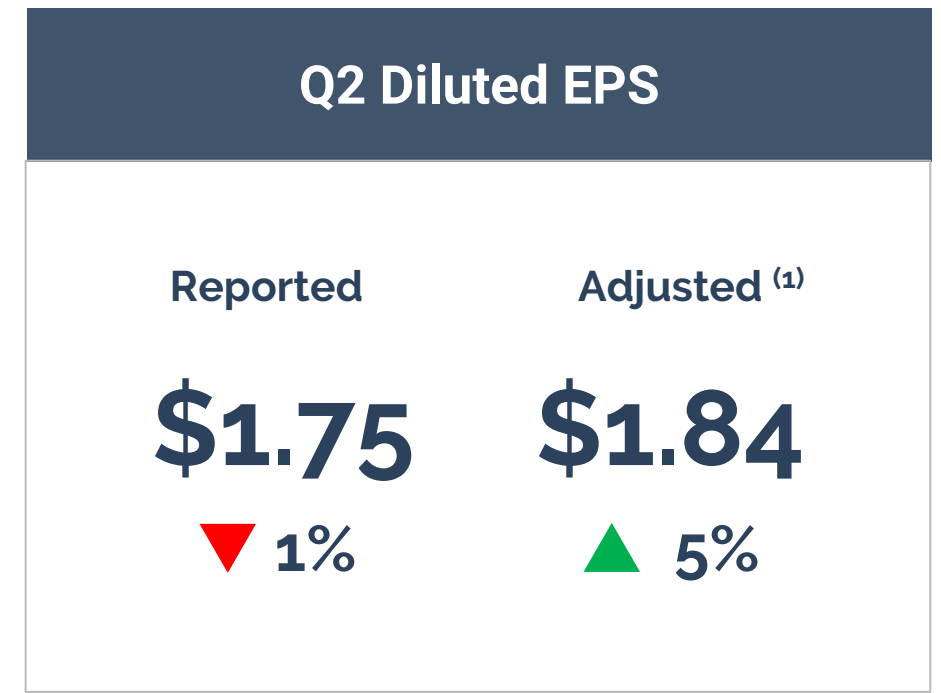
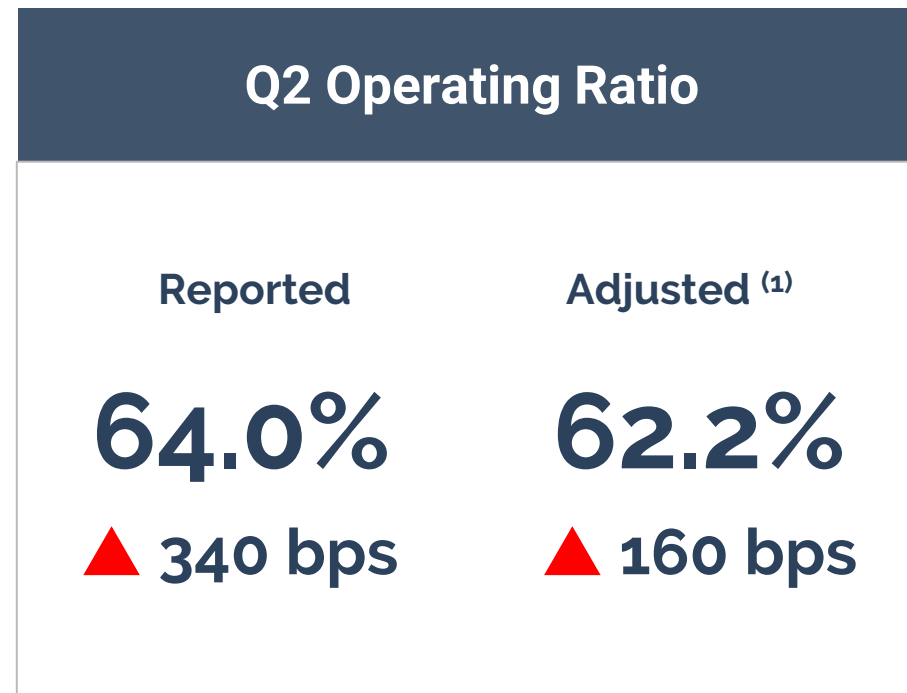
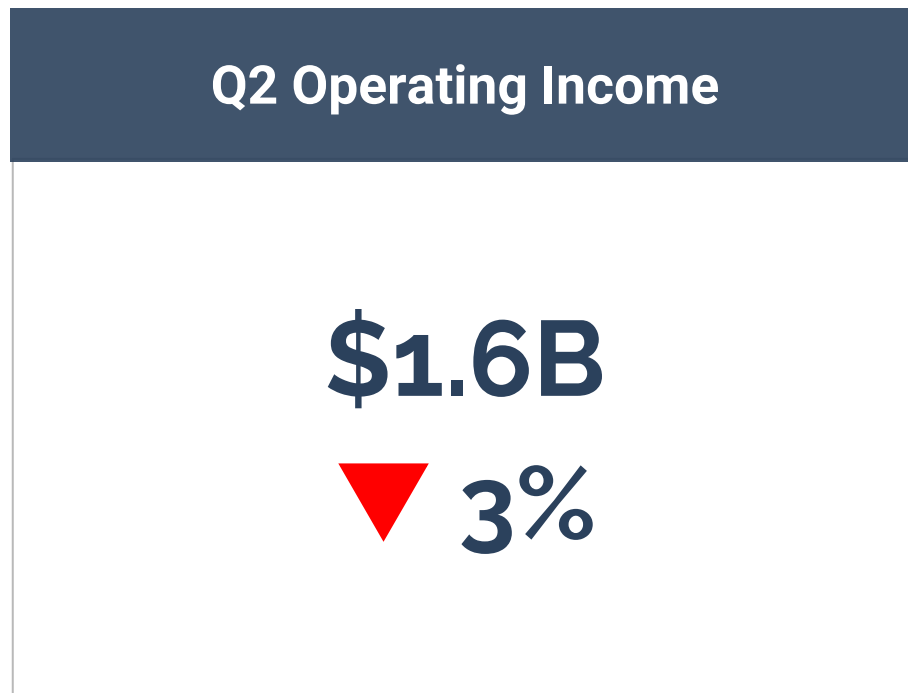
Chief Financial Officer



# Earnings growth moderated by temporary cost headwinds and impact of labour uncertainty



- Q2 adjusted diluted EPS of \$1.84, up 5% versus 2023, which excludes the loss on the transfer of the Quebec Bridge to the Federal Government
- Operating leverage hindered by additional labour costs and 130 bps negative impact of fuel price fluctuations



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# Revising 2024 financial outlook <sup>(1)</sup>

- Revising outlook: targeting to deliver adjusted diluted EPS <sup>(2)</sup> growth in the mid to high single-digit range versus 2023
  - Assumes no rail or port labour disruption and RTM growth in the range of 3%-5%
- CAPEX on track with guidance; adjusted ROIC revised to ~15%

| 2024 Adjusted diluted EPS <sup>(2)</sup> growth   | Disciplined Investment   |   | Rewarding Shareholders   |
|---|--|---|--|
| <p style="text-align: center;"><b>In the mid to high<br/>single-digit<br/>range</b></p> | <p style="text-align: center;"><b>CAPEX</b></p> <p style="text-align: center;"><b>\$3.5B</b></p> <p style="text-align: center;">net of amounts<br/>reimbursed by<br/>customers</p> | <p style="text-align: center;"><b>Adjusted<br/>ROIC <sup>(2)</sup></b></p> <p style="text-align: center;"><b>~15%</b></p> | <p style="text-align: center;"><b>▲ 7% dividend growth</b></p> <p style="text-align: center;"><b>Share buyback of up to<br/>32 million common<br/>shares</b></p> |

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## Tracy Robinson

President and Chief Executive Officer



# Long term game plan unchanged

- Run a safe, scheduled railroad
- Provide the service our customers need to win in their marketplace
- Grow faster than the economy and price ahead of rail inflation
- Drive incremental efficiency
- Consistent approach to capital allocation

**Deliver sustainable value for our shareholders**