



# 2018 BAIRD GLOBAL INDUSTRIAL CONFERENCE

JAMES M. FOOTE, PRESIDENT & CEO



# 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

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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.

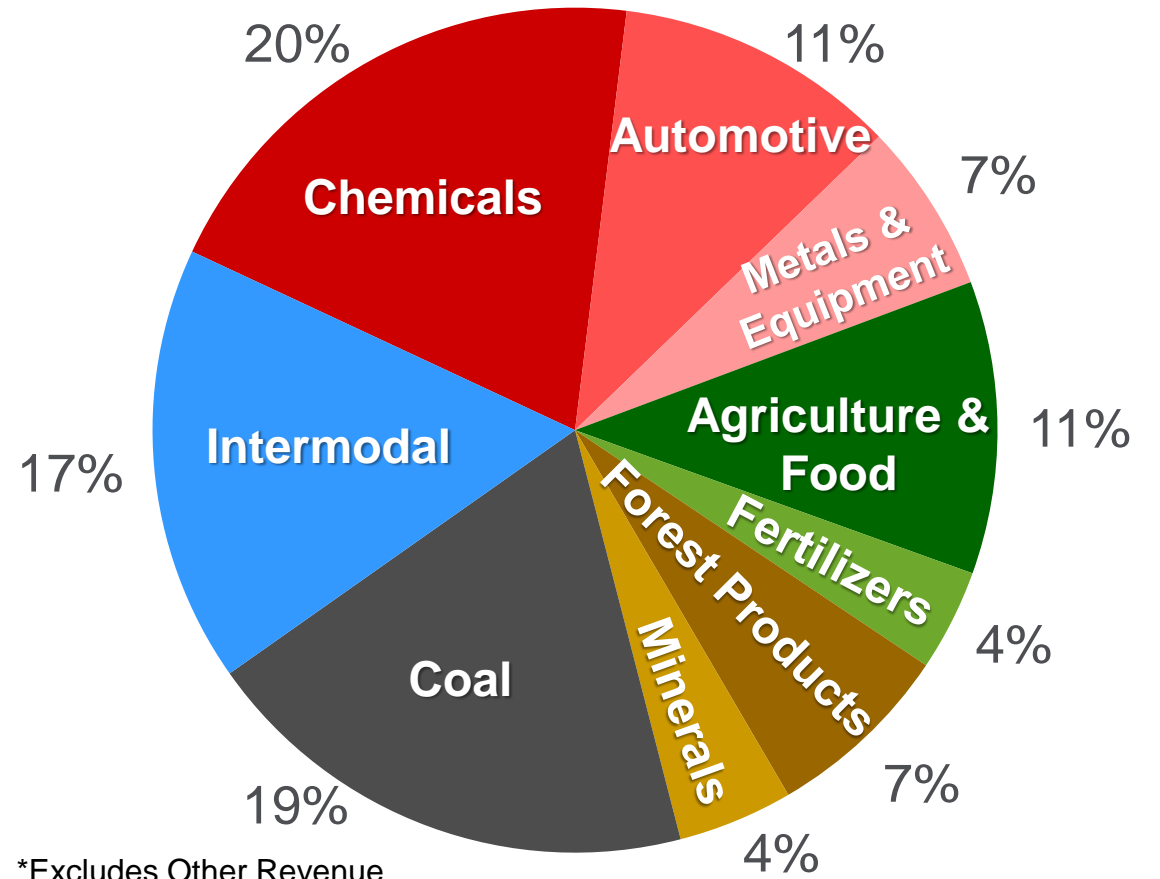
Non-GAAP measures do not have standardized definitions and are not defined by U.S. GAAP. Therefore, CSX's non-GAAP measures are unlikely to be comparable to similar measures presented by other companies. The presentation of these non-GAAP measures should not be considered in isolation from, as a substitute 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.

# CSX: A FAR-REACHING AND DIVERSE REVENUE BASE

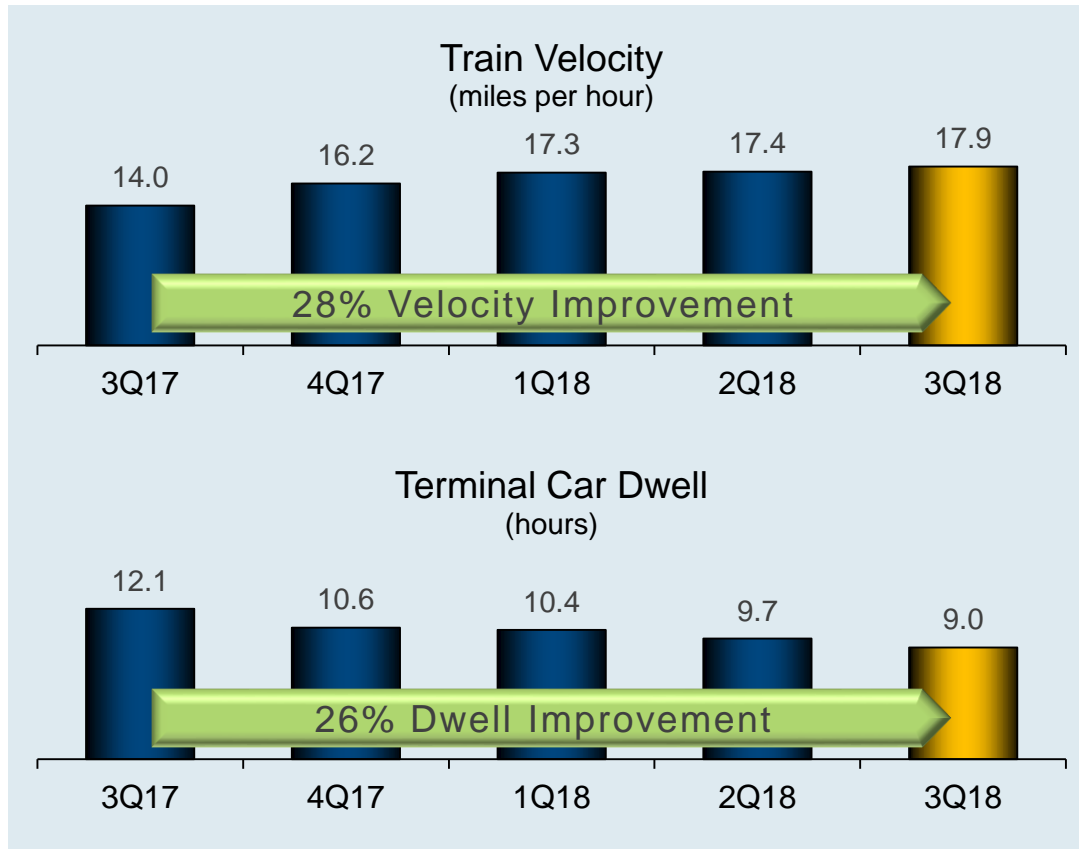
CSX network reaches nearly two-thirds of the U.S. Population



LTM Revenue by Market: ~\$11 Billion\*



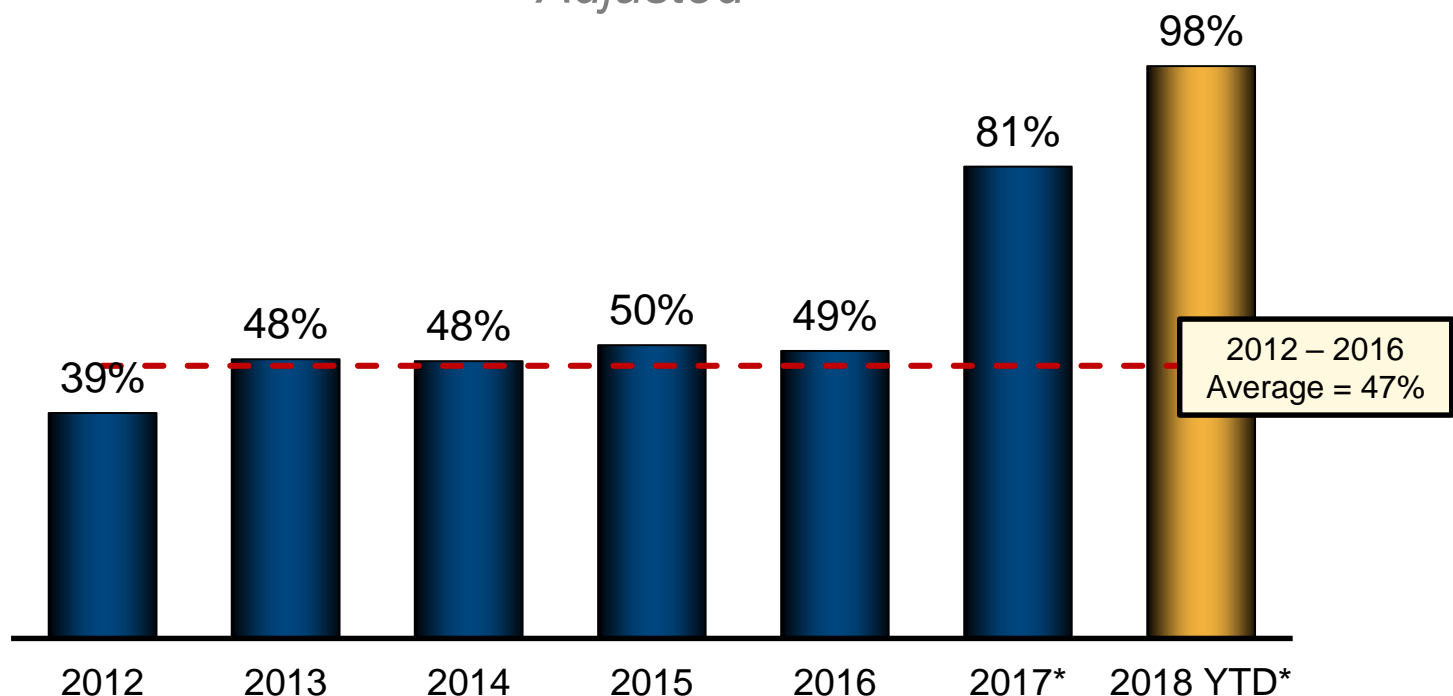
# PUTTING CSX ON A NEW TRAJECTORY



- **Focusing top to bottom on service and efficiency**
  - Scheduled railroad business model
    - *Reduced active locomotive fleet by 12% in 3Q18, while volumes grew by 4% year-over-year*
  - Operating department restructured to push decision-making into the field
- **Reengineering intermodal franchise**
  - Drive profitable and sustainable growth
- **Leveraging “Best in Class” service to grow revenues**
  - New Sales & Marketing leadership

# STEP CHANGE INCREASE IN FREE CASH FLOW CONVERSION

## FCF Conversion % of Net Income *Adjusted\**



- Significant increase in asset efficiency
  - Maintaining CapEx in track infrastructure investments
  - Right-sizing active locomotive and car fleet
  - Continuing to optimize yard footprint
  - Only investing in projects with appropriate returns
- Increased returns to shareholders
  - Authorized \$5 billion share buyback program through first quarter 2019
  - 10% dividend increase (February 2018)

Current Price to Free Cash Flow Multiple implies ~24% discount to 5-year average (2012 – 2016)\*\*

\*Non-GAAP results exclude restructuring charges and tax reform benefit. See Appendix for GAAP to Non-GAAP reconciliation

\*\*Based on current share price as of October 31, 2018

# APPENDIX

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# NON-GAAP ADJUSTED RESULTS RECONCILIATION

## Adjusted Free Cash Flow

Dollars in millions	Fiscal Year 2017	Nine Months Ended Sept. 30, 2018
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 3,472</b>	<b>\$ 3,406</b>
Property Additions	(2,040)	(1,240)
Other Investing Activities	134	249
Free Cash Flow (before payment of dividends)	1,566	2,415
Add back: Cash Payments for Restructuring Charge (after-tax)	135	11
<b>Adjusted Free Cash Flow Before Dividends (non-GAAP)</b>	<b>\$ 1,701</b>	<b>\$ 2,426</b>

## Adjusted Operating Results

Dollars in millions	Fiscal Year 2017
<b>Net Earnings</b>	<b>\$ 5,471</b>
Restructuring Charge	203
Tax Reform Benefit (net)	(3,577)
<b>Adjusted Net Earnings (non-GAAP)</b>	<b>\$ 2,097</b>