



# Second Quarter 2022 Financial and Operating Results

July 26, 2022

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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.

## ***2022 Key Assumptions***

CN has made a number of economic and market assumptions in preparing its 2022 outlook. The Company assumes that North American industrial production for the year will increase in the mid single-digit range and assumes U.S. housing starts of approximately 1.6 million units, and U.S. motor vehicle sales of approximately 15.5 million units. For the 2021/2022 crop year, the grain crop in Canada was below its three-year average and the U.S. grain crop was in line with its three-year average. The Company assumes that the 2022/2023 grain crop in Canada will be above its three-year average (or in line when excluding the significantly lower 2021/2022 crop year) and that the 2022/2023 U.S. grain crop will be in line with its three-year average. CN assumes total RTMs in 2022 will increase in the low single-digit range versus 2021. CN assumes continued pricing above rail inflation upon contract renewal. CN assumes that in 2022, the value of the Canadian dollar in U.S. currency will be approximately \$0.80 and assumes that in 2022 the average price of crude oil (West Texas Intermediate) will be in the range of US\$90 - US\$100 per barrel. In 2022, CN plans to invest approximately 17% of revenues in its capital program.

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 or other types of claims and litigation; risks and liabilities arising from derailments; timing and completion of capital programs; 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.

## Non-GAAP measures

CN reports its financial results in accordance with United States generally accepted accounting principles (GAAP). CN may also use non-GAAP measures in this presentation that do not have any standardized meaning prescribed by GAAP, including adjusted net income, adjusted earnings per share, adjusted operating income, and adjusted operating ratio (referred to as adjusted performance measures) and free cash flow. These non-GAAP measures may not be comparable to similar measures presented by other companies. See the Q2 2022 Earnings Release filed on July 26<sup>th</sup>, 2022, which is incorporated by reference herein which may be found online on SEDAR at [www.sedar.com](http://www.sedar.com), on the SEC’s website at [www.sec.gov](http://www.sec.gov) through EDGAR, and on the Company’s website at [www.cn.ca](http://www.cn.ca) in the Investors section.

This presentation also includes certain forward looking non-GAAP measures (adjusted diluted EPS, ROIC and free cash flow). It is not practicable to reconcile, without unreasonable efforts, these forward-looking measures to the most comparable GAAP measures, due to unknown variables and uncertainty related to future results. Please see note on Forward Looking Statements above for further discussion.

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

# On the call today



**Tracy Robinson**

President and CEO



**Rob Reilly**

Chief Operating Officer



**Doug MacDonald**

Chief Marketing Officer



**Ghislain Houle**

Chief Financial Officer



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**Tracy Robinson**

President and Chief Executive Officer

# Q2 results – Delivering on our plan



- Adjusted earnings<sup>(1)</sup> up 30%, driven by improved operational performance and solid top-line growth
- Revenue growth of 21%, on 2% volume growth in terms of RTMs and higher fuel surcharge
- Adjusted OR<sup>(1)</sup> of 59.0%, an improvement of 260 bps over Q2 2021

Diluted EPS	
Reported	Adjusted <sup>(1)</sup>
<b>\$1.92</b>	<b>\$1.93</b>
▲ 32%	▲ 30%
	<b>Record</b>

Revenues
<b>\$4,344M</b>
▲ 21%
<b>Record</b>

Operating Ratio	
Reported	Adjusted <sup>(1)</sup>
<b>59.3%</b>	<b>59.0%</b>
▼ 230 bps	▼ 260 bps

(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. For adjusted diluted EPS and adjusted operating ratio, see the section entitled "Adjusted performance measures" in the Q2 2022 Quarterly Review filed on July 26th, 2022, which are incorporated by reference herein, for an explanation of these non-GAAP measures.

# 100-day review – More confidence in the future of CN

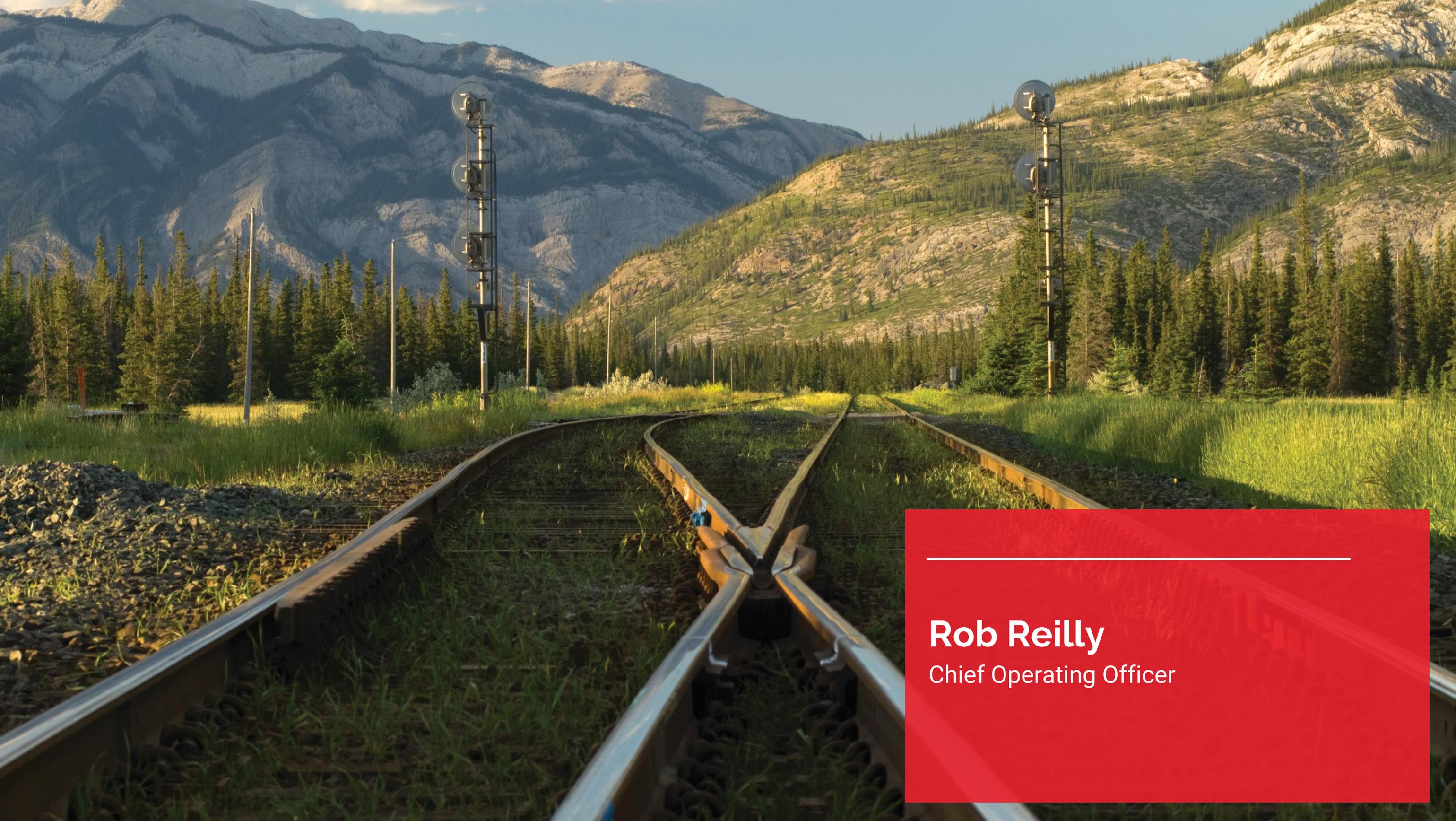


Traction on the Plan

Organizational alignment to power sustainable profitable growth

Solid team of railroaders to drive results





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**Rob Reilly**

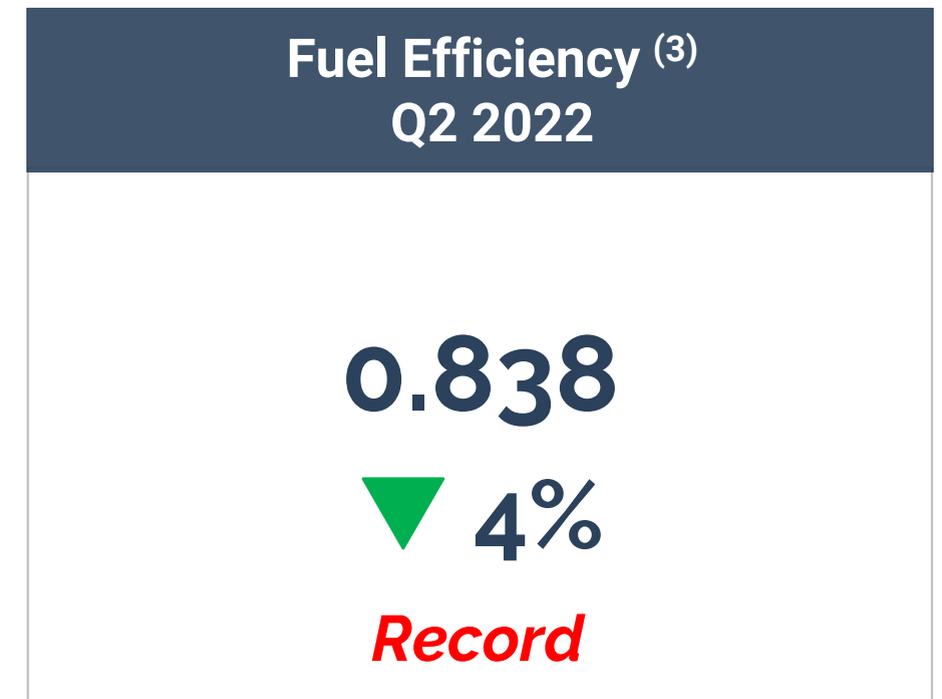
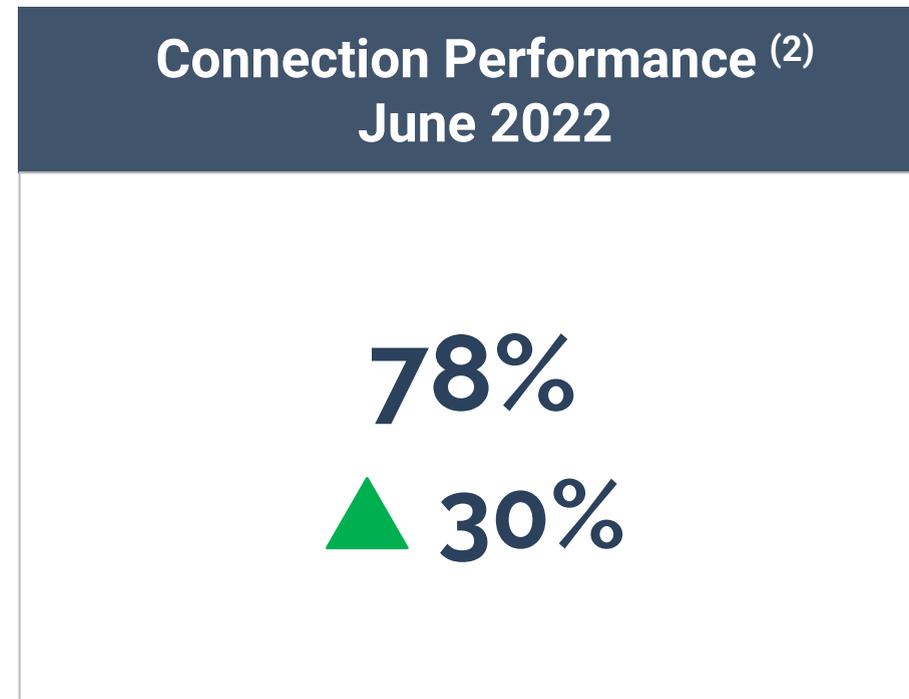
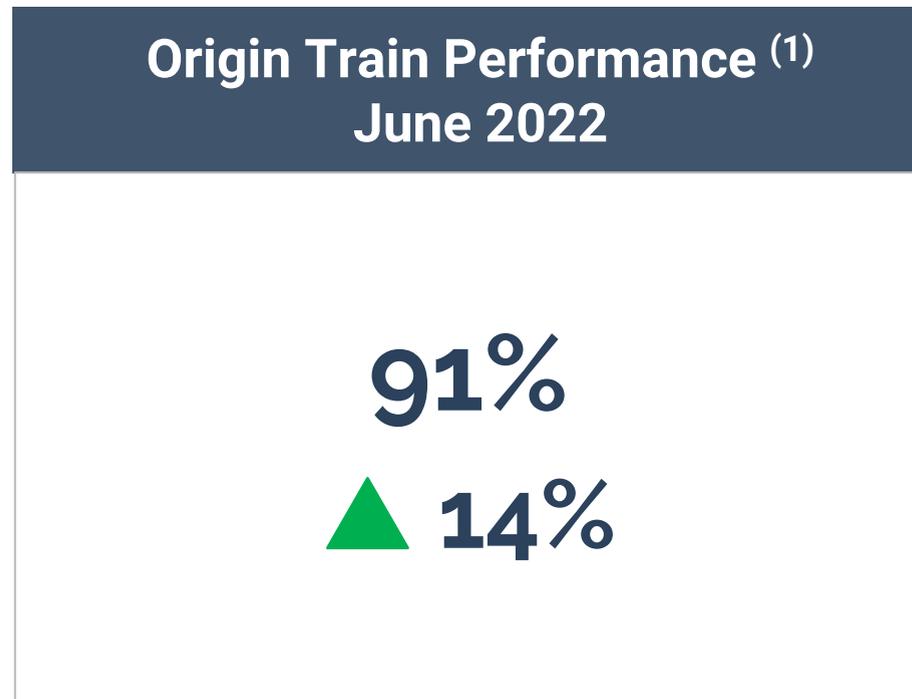
Chief Operating Officer

# Q2 results reflect improved operating performance



## Running a scheduled railroad with a focus on car velocity

- Initial focus on 4 major hump yards starting in April (Memphis, Chicago, Toronto, Winnipeg)
- Expanded to flat switching yards in May (Vancouver, Prince George, Montreal, Fond du Lac)
- Record fuel efficiency in the quarter
- Car velocity in the West is up 7%, averaging 260 miles/day (fastest since Q2–2017)



(1) June 2022 (91%) vs June 2021 (80%) origin train performance for Memphis, Chicago, Toronto, Winnipeg, Vancouver, Prince George, Montreal and Fond du Lac: percentage of actual train departure time compared to designed train departure time

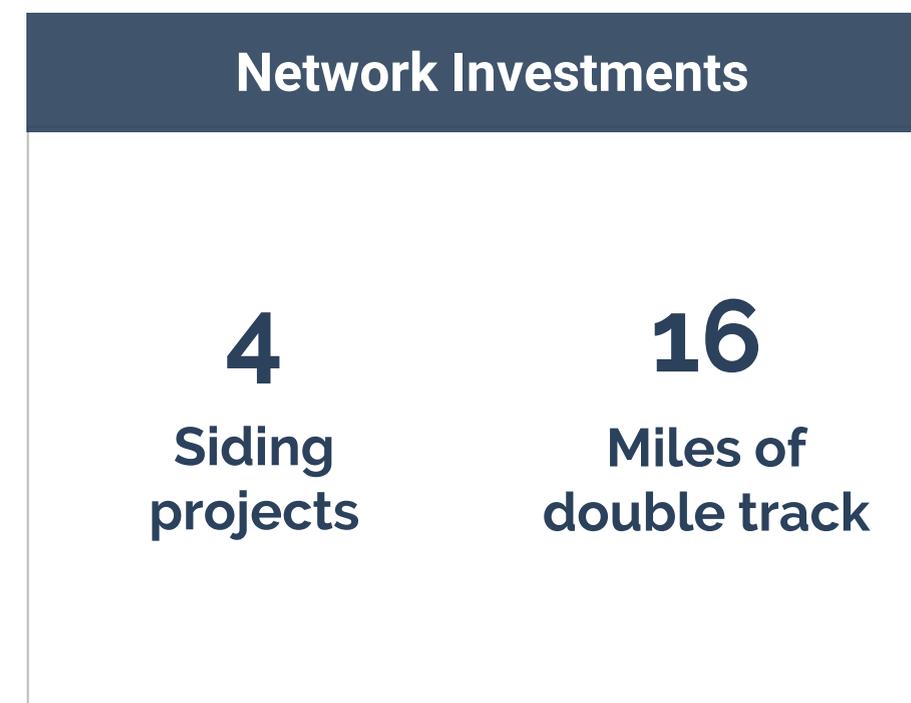
(2) June 2022 (78%) vs June 2021 (60%) connection performance for Memphis, Chicago, Toronto, Winnipeg, Vancouver, Prince George, Montreal and Fond du Lac: percentage of trains that depart with the correct connecting traffic, within the designed timeframe

(3) Fuel efficiency is calculated as US gallons of locomotive fuel consumed per 1,000 GTMs

# Getting resources in place for H2 volume growth



- New-hire conductors to address attrition and be in place for volume growth expectations
- 47 newly acquired locomotives will all be in service by September
- New grain hoppers delivered in Q1 will provide additional handling capacity to support a normal Canadian grain crop
- Network projects enhancing Western Canadian capacity



(1) CN's June 30, 2022 headcount of 22,783 does not include the ~700 IBEW personnel who had undertaken a work stoppage between June 18 and July 4



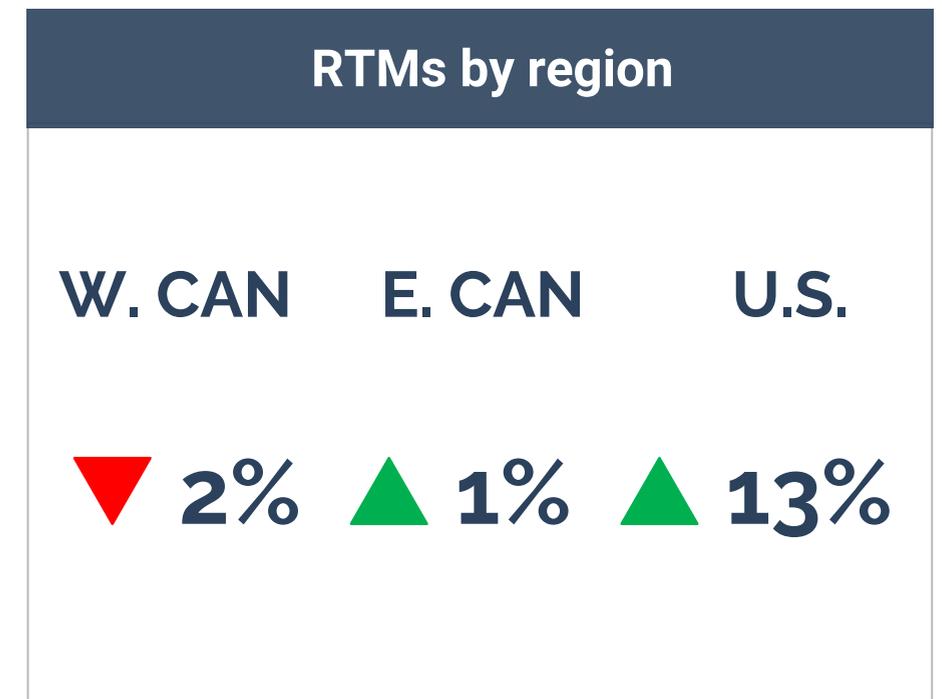
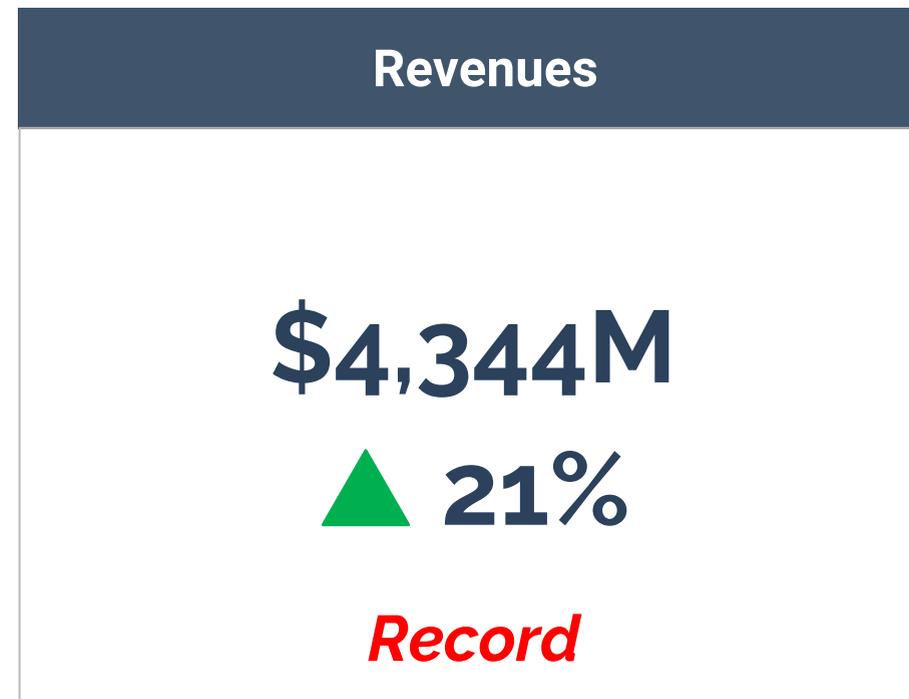
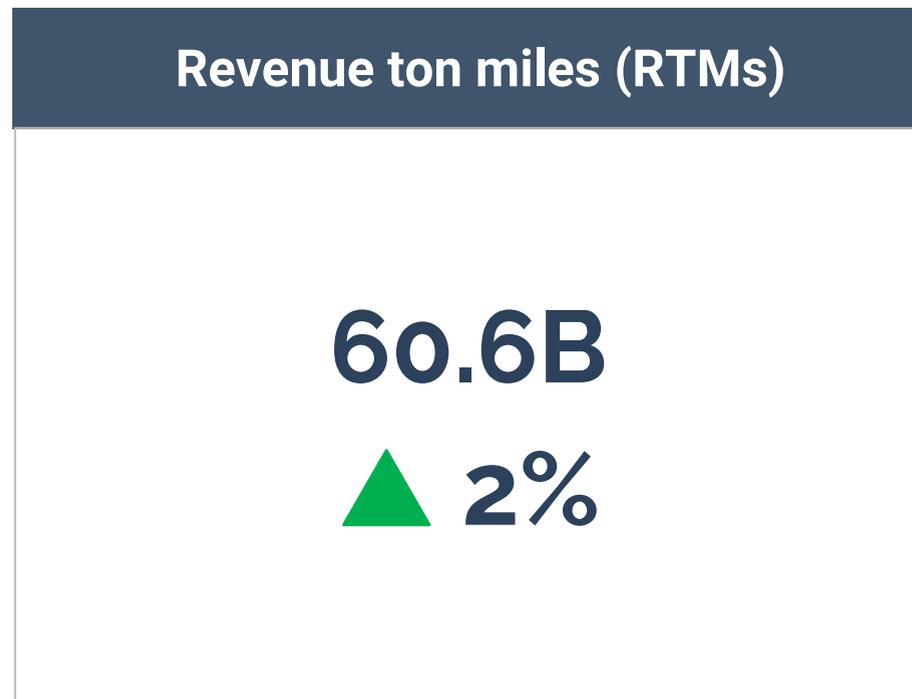
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**Doug MacDonald**  
Chief Marketing Officer

# Solid Q2 top-line performance



- Positive volume growth (RTMs), despite a 40% decline in Canadian grain shipments
- Strong broad-based demand in the quarter
- Leveraging underutilized parts of the network
  - U.S volumes driven by Grain, Petroleum & Chemicals, and Metals & Minerals
  - Eastern Canada volumes driven by Automotive, Metals & Minerals, and International Intermodal



# Demand outlook remains positive



## Merchandise

- ↑↑ Forest Products
- ↑↑ Metals and Minerals
- ↑↑ Petroleum Products
- ↑↑ Chemicals and Plastics



## Bulk

- ↑ Western Canadian Coal
- ↑ U.S. Coal
- ↑↑ Grain
- ↑ Fertilizers



## Consumer Products

- ↑ International Intermodal
- ↑↑ Domestic Intermodal
- ↑↑ Automotive

# Halifax – Well-positioned for growth

- Halifax can replicate the success of the “Prince Rupert” model
  - Drive incremental volumes through our uncongested Eastern gateway
  - Leveraging existing port infrastructure to handle growth
- CN-PSA Halifax partnership: founded on growth
- Fast and reliable in-land reach



Transit times from Halifax	
Montreal	26 hours
Toronto	35 hours
Detroit	59 hours
Chicago	56 hours

**Best transit times from any East Coast port**

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**Ghislain Houle**

Chief Financial Officer



# Q2 results – Driving top-line growth to the bottom line



- Adjusted operating income<sup>(1)</sup> up ~\$400M, driven by revenue increases across most segments
- Adjusted diluted EPS<sup>(1)</sup> up 30%, despite an unfavorable fuel surcharge lag
- Q2 Free Cash Flow of almost \$1B, up \$256M or 35%

Operating Income	
Reported	Adjusted <sup>(1)</sup>
<b>\$1,769M</b>	<b>\$1,781M</b>
▲ 28%	▲ 29%
<b>Record</b>	<b>Record</b>

Diluted EPS	
Reported	Adjusted <sup>(1)</sup>
<b>\$1.92</b>	<b>\$1.93</b>
▲ 32%	▲ 30%
	<b>Record</b>

Free Cash Flow <sup>(1)</sup>	
Q2	YTD
<b>\$997M</b>	<b>\$1,568M</b>
▲ 35%	▲ 23%

(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. For adjusted operating income and adjusted diluted EPS, see the section entitled "Adjusted performance measures" and for free cash flow, see the section entitled "Free cash flow" in the Q2 2022 Quarterly Review filed on July 26th, 2022, which are incorporated by reference herein, for an explanation of these non-GAAP measures.

# Reaffirming 2022 financial outlook <sup>(1)</sup>

- Still expecting to deliver approximately 15-20% adjusted diluted EPS growth in 2022
- Targeting a full-year operating ratio below 60%
- Planning for full-year low single-digit volume growth (RTMs) with a normalized Canadian grain crop this fall
- Capex will remain at 17% of revenues



(1) 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.

(2) CN's full-year adjusted diluted EPS outlook, ROIC outlook and free cash flow 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, ROIC or free cash flow 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, its ROIC outlook or its free cash flow outlook.



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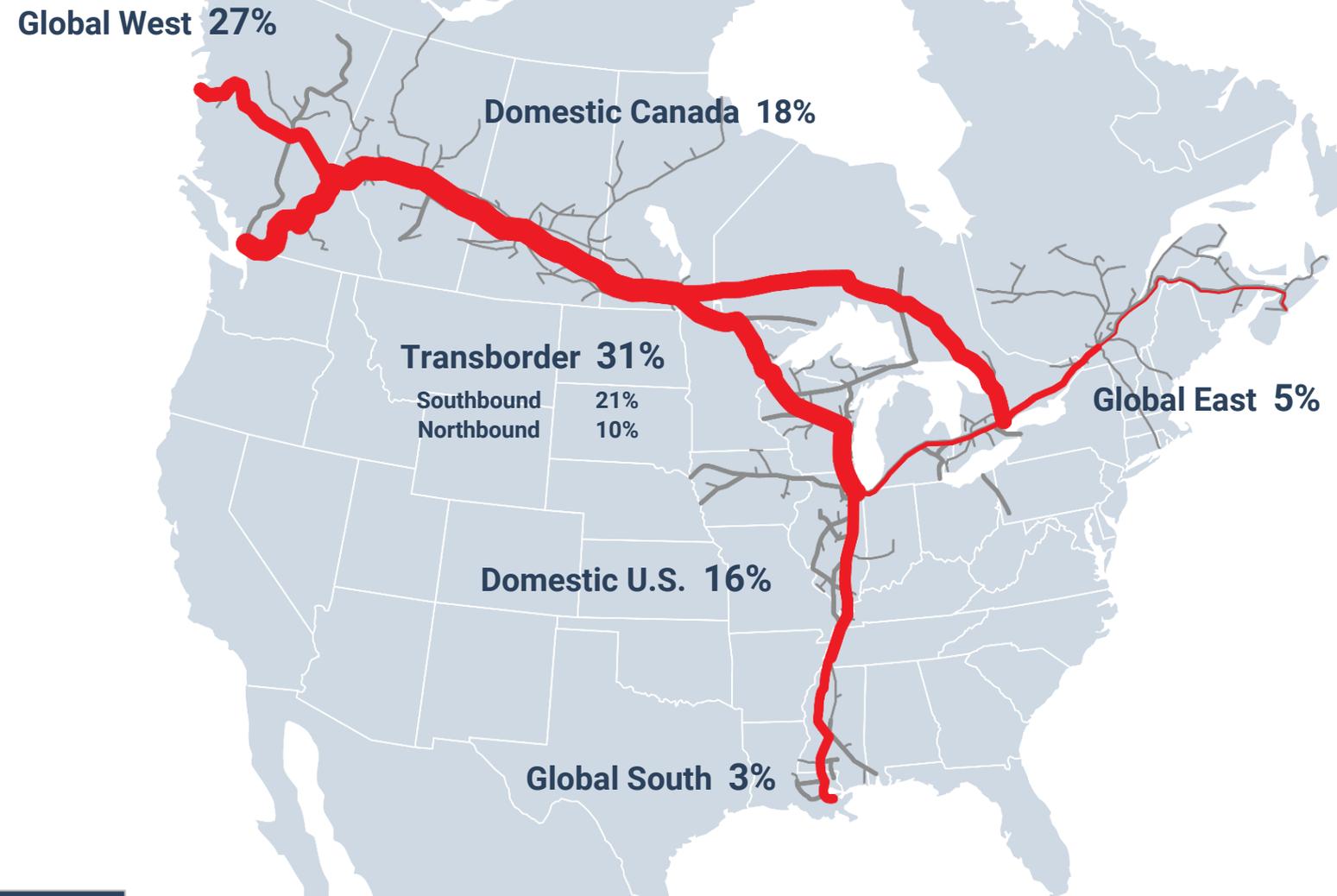
**Tracy Robinson**

President and Chief Executive Officer

# Moving forward



- Advantaged three-coast network
- Balanced book of business with solid pipeline of growth opportunities
- Focused on running a scheduled operation
- Solid team of railroaders
- Strong balance sheet that provides financial flexibility



**Driving top-line growth to the bottom line**