



# Superior Proposal to Combine With Kansas City Southern

INVESTOR PRESENTATION  
April 2021



# 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 KCS, regarding the proposed transaction between CN and KCS, the expected benefits and synergies of the proposed transaction, future opportunities for the combined company and future shareholder returns. By their nature, forward-looking statements involve risks, uncertainties and assumptions. The Company 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.

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, or the combined company, 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: the outcome of any possible transaction between CN and KCS, including the possibility that a transaction will not be agreed to or that the terms of any definitive agreement will be materially different from those described; uncertainties as to whether KCS will cooperate with CN regarding the proposed transaction; the parties’ ability to consummate the proposed transaction; the conditions to the completion of the proposed transaction; that the regulatory approvals required for the proposed transaction may not be obtained on the terms expected or on the anticipated schedule or at all; CN’s indebtedness, including the substantial indebtedness CN expects to incur and assume in connection with the proposed transaction and the need to generate sufficient cash flows to service and repay such debt; CN’s ability to meet expectations regarding the timing, completion and accounting and tax treatments of the proposed transaction; the possibility that CN may be unable to achieve expected synergies and operating efficiencies within the expected time-frames or at all and to successfully integrate KCS’s operations with those of CN; that such integration may be more difficult, time-consuming or costly than expected; that operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers or suppliers) may be greater than expected following the proposed transaction or the public announcement of the proposed transaction; the retention of certain key employees of KCS may be difficult; the duration and effects of the COVID-19 pandemic, general economic and business conditions, particularly in the context of the COVID-19 pandemic; 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; the adverse impact of any termination or revocation by the Mexican government of Kansas City Southern de México, S.A. de C.V.’s Concession; 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 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. The Company 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.

# Additional Information

## No Offer or Solicitation

This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

## Additional Information and Where to Find It

This presentation relates to a proposal which CN has made for an acquisition of Kansas City Southern. In furtherance of this proposal and subject to future developments, CN (and, if a negotiated transaction is agreed, KCS) may file one or more registration statements, proxy statements, tender offer statements or other documents with the U.S. Securities and Exchange Commission ("SEC") or applicable securities regulators in Canada. This presentation is not a substitute for any proxy statement, registration statement, tender offer statement, prospectus or other document CN and/or KCS may file with the SEC or applicable securities regulators in Canada in connection with the proposed transactions.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT(S), REGISTRATION STATEMENT(S), TENDER OFFER STATEMENT, PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC OR APPLICABLE SECURITIES REGULATORS IN CANADA CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT CN, KCS AND THE PROPOSED TRANSACTIONS. Any definitive proxy statement(s), registration statement or prospectus(es) and other documents filed by CN and KCS (if and when available) will be mailed to stockholders of CN and/or KCS, as applicable. Investors and security holders will be able to obtain copies of these documents (if and when available) and other documents filed with the SEC and applicable securities regulators in Canada by CN free of charge through at [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com). Copies of the documents filed by CN (if and when available) will also be made available free of charge by accessing CN's website at [www.cn.ca](http://www.cn.ca).

## Participants

This presentation is neither a solicitation of a proxy nor a substitute for any proxy statement or other filings that may be made with the SEC and applicable securities regulators in Canada. Nonetheless, CN and its directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transactions. Information about CN's executive officers and directors is available in its 2021 Management Information Circular, dated March 9, 2021, as well as its 2020 Annual Report on Form 40-F filed with the SEC on February 1, 2021, in each case available on its website at [www.cn.ca/investors/](http://www.cn.ca/investors/) and at [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com). Additional information regarding the interests of such potential participants will be included in one or more registration statements, proxy statements, tender offer statements or other documents filed with the SEC and applicable securities regulators in Canada if and when they become available. These documents (if and when available) may be obtained free of charge from the SEC's website at [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com), as applicable.

## Non-GAAP Measures

CN reports its financial results in accordance with United States generally accepted accounting principles (GAAP). CN also uses non-GAAP measures in this presentation that do not have any standardized meaning prescribed by GAAP, including constant currency, free cash flow, and adjusted debt-to-adjusted EBITDA multiple. These non-GAAP measures may not be comparable to similar measures presented by other companies. For further details of these non-GAAP measures, including a reconciliation to the most directly comparable GAAP financial measures, refer to the Company's website, Fourth Quarter and Full Year Results at [www.cn.ca/financial-results](http://www.cn.ca/financial-results). This presentation also includes certain forward looking non GAAP measures (Adjusted Diluted EPS, Adjusted EBITDA and a leverage ratio being Adjusted Debt to Adjusted EBITDA). It is not practicable to reconcile, without unreasonable efforts, these forward looking measures to the most comparable GAAP measures (diluted EPS, Net income, and long term debt to net income ratio, respectively), 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 United States dollars, unless otherwise noted. All references to the "Company" are to CN.**



# Highly Experienced Leadership Team

## JJ Ruest

President &  
Chief Executive  
Officer



- 25 years with CN
- Served as CMO for 8 years

## Rob Reilly

Executive VP &  
Chief Operating  
Officer



- 32 years of rail industry experience
- Deep understanding of intermodal business at major ports & terminals

## Ghislain Houle

Executive VP &  
Chief Financial  
Officer



- 23 years with CN
- Qualified conductor and engineer

## Sean Finn

Executive VP  
Corporate Services  
& Chief Legal  
Officer



- 27 years with CN
- 21 years in current role

## Dominique Malenfant

Executive VP & Chief  
Information and  
Technology Officer



- 31 years of transportation experience
- Extensive leadership experience and deep knowledge of rail technologies

## Dorothea Klein

Senior VP &  
Chief Human  
Resources Officer



- 31 years of experience
- Strong background in HR, finance, M&A and workforce transformation

**Excellence in operations, safety, technology, regulatory, and M&A**

# CN's Superior Proposal to Combine With KCS

## Higher Premium, More Upfront Cash

- ✓ Proposal of \$325 per share; 21% premium to the CP proposal <sup>(1)</sup>
- ✓ \$200 in cash and 1.059 CN shares for each KCS share
- ✓ KCS shareholders will participate in the upside and value creation

## Best in Class Combined Network, More Synergies

- ✓ Combined revenue of \$13.6B and Adj. EBITDA of \$6.8B (pre-synergies) <sup>(2)(3)</sup>
- ✓ Establishes the premier Canada-U.S.-Mexico railway network
- ✓ Significant synergies mainly driven by ESG-positive conversion of truck to rail
- ✓ Bringing together two exceptional, talented, high performing teams

## Lower Execution Risk

- ✓ Fully committed financing
- ✓ Plain vanilla voting trust structure
- ✓ No CN shareholder approval requirement
- ✓ Continue operating under the KCS name in the U.S. and Mexico

**Better bid. Better partner. Better railway. Best solution.**

(1) Based on CN and CP closing NYSE share prices of US\$118.13 and US\$365.37, as of April 19, 2021

(2) Based on revenue for the years ended December 31, 2020, from KCS public disclosure. CAD figures converted to USD at FX rate of 0.799 as of April 19, 2021.

(3) Please see the heading Non-GAAP Measures in this presentation

# CN-KCS is Unique, Highly Strategic, and Value Accretive



**Premier Canada-U.S.-Mexico railway network**

**Unparalleled stakeholder benefits: Safer, Faster, Cleaner, Stronger**

**Accelerate ESG-driven growth and enhanced choice for the customer**

**EBITDA synergies approaching \$1B – preliminary estimate <sup>(1)</sup>**

**Strong balance sheet with rapid deleveraging profile**

**Expected to be highly value accretive to all shareholders <sup>(2)</sup>**

**Creating The North American railway for the 21st century**

(1) Management preliminary estimates based on public information

(2) The combination is expected to be accretive to CN's Adjusted Diluted EPS, excluding incremental transaction-related amortization, in the first full year following CN's acquisition of control of KCS, and is expected to generate double-digit accretion upon the full realization of synergies thereafter. Please see the heading Non-GAAP Measures in this presentation.

# CN's Foundation of Excellence and Core Strengths

- ✓ **Precision Scheduled Railroading pioneer;** first to champion and integrate PSR across our full network
- ✓ **The first and leading North American railway,** with a deep and rich history of operating in the U.S.
- ✓ **ESG leadership;** the only Class I in Dow Jones Sustainability World Index
- ✓ **Culture of safety, efficiency, integrity, and diversity;** combined with leadership in advanced technology
- ✓ **Strong balance sheet** and disciplined capital allocation
- ✓ **Long-standing acquisition track record;** strategic, accretive, and successful integrations



# Longstanding Track Record of Successful Acquisitions & Integrations

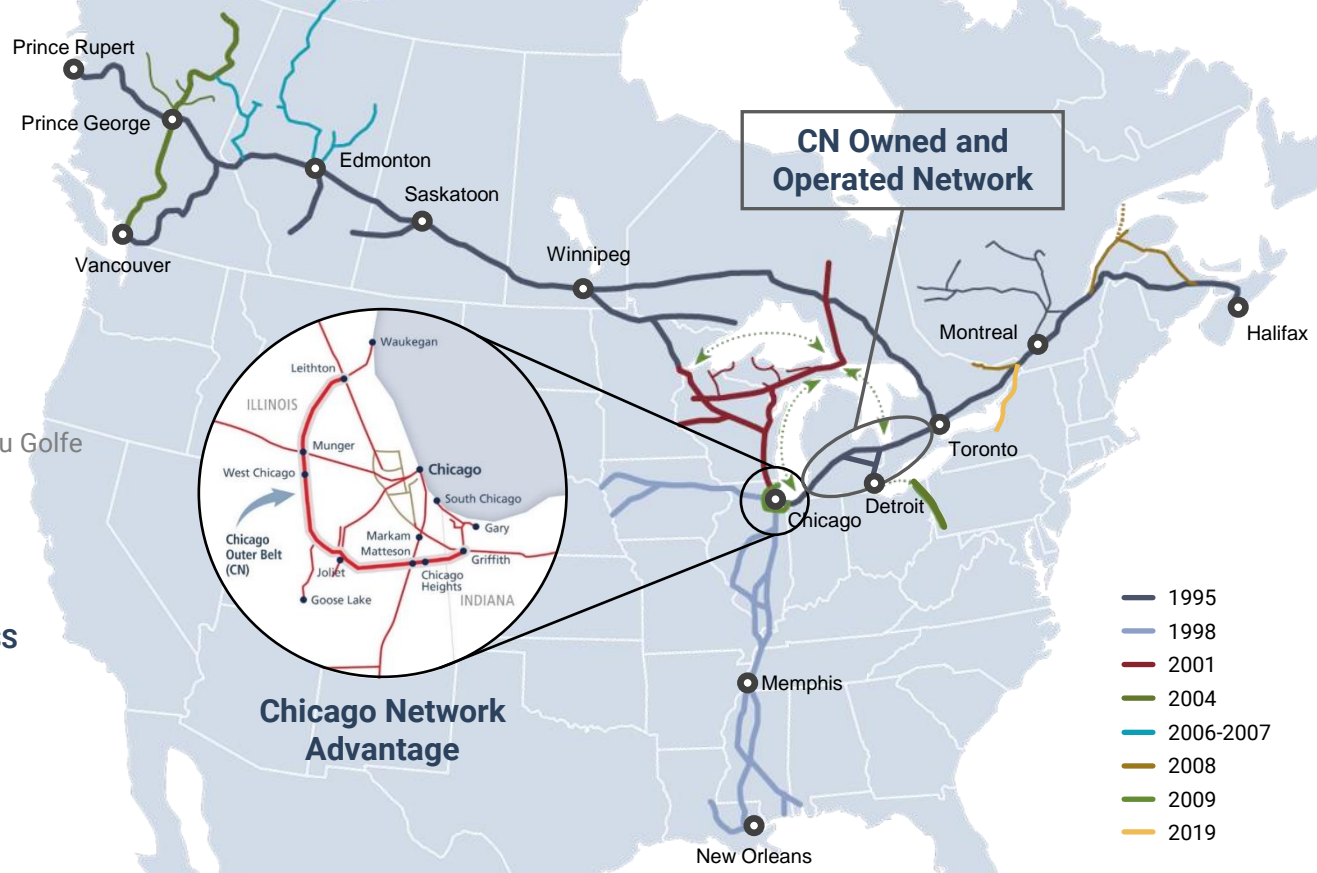
**2019-2020**  
**FURTHER EXPANDING OUR REACH**  
 Massena rail line (pending closing)  
 TransX  
 H&R

**2009**  
**STRUCTURAL ADVANTAGE IN CHICAGO**  
 Elgin, Joliet and Eastern Railway

**2006-2008**  
**SOLIDIFYING OUR REACH**  
 Savage Alberta Railway  
 Mackenzie Northern Railway  
 Lakeland & Waterways Railway  
 Central Western Railway  
 Athabasca Northern Railway  
 Chemin de fer de la Matapédia et du Golfe  
 Ottawa Central Railway  
 New Brunswick East Coast Railway  
 Compagnie de Gestion de Matane

**1998-2004**  
**BUILDING A THREE COAST ACCESS**  
**Illinois Central Railway**  
**Wisconsin Central Railway**  
 B.C. Railway  
 Great Lakes Transportation

**1995**  
**SOLID CANADIAN FOOTPRINT**  
 CN Network at privatization



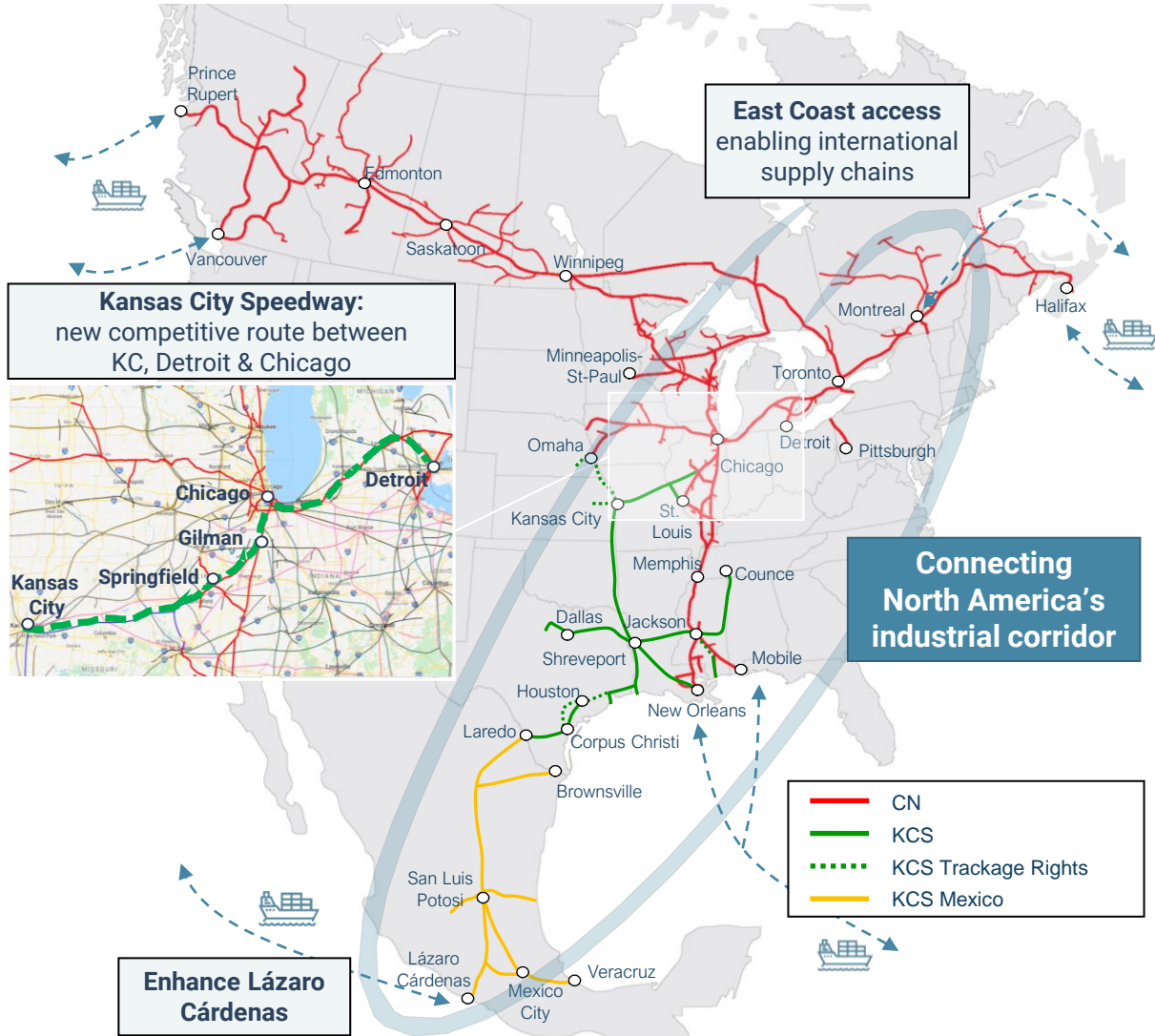
**Unmatched North American rail network with a deep and rich history of operating in the U.S.**



# CN-KCS Will Create the End-to-End USMCA Rail Network

## Unique Benefits of Combined Network (1)

- ✓ **Secure North American supply chain**
- ✓ **Deliver goods faster at lower cost**
- ✓ **Enhanced choice for customers**
- ✓ **ESG-positive truck to rail conversion**
- ✓ **Single owner-operated rail network**
  - New single line service from Laredo to Michigan & Ontario
  - KC to East Coast with no interchange
  - Leverage Prince Rupert expertise in Mexico's ports



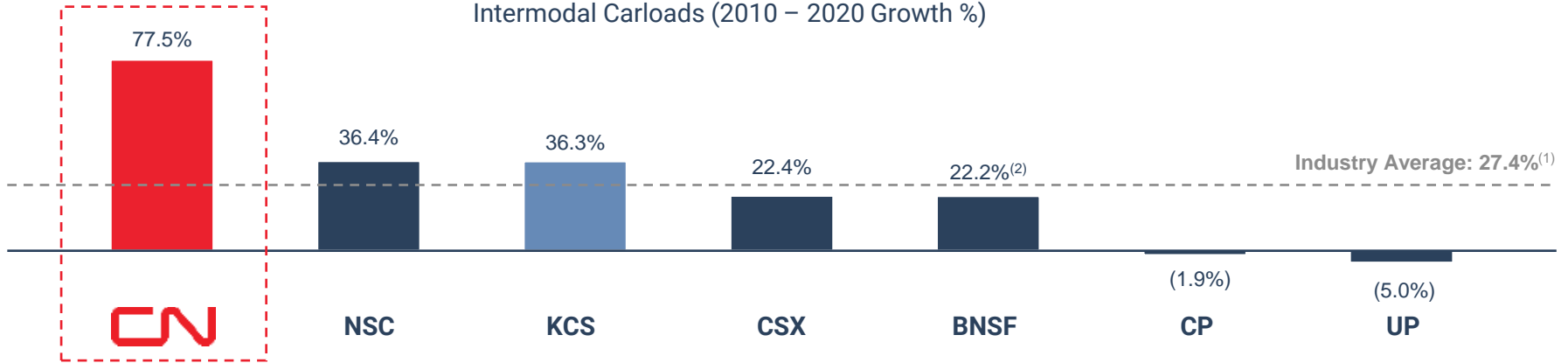
**Facilitating trade and powering economic prosperity across North America**

(1) Less than 1% of KCS route miles overlap with CN network

# Combination Will Accelerate CN's Powerful Intermodal Growth

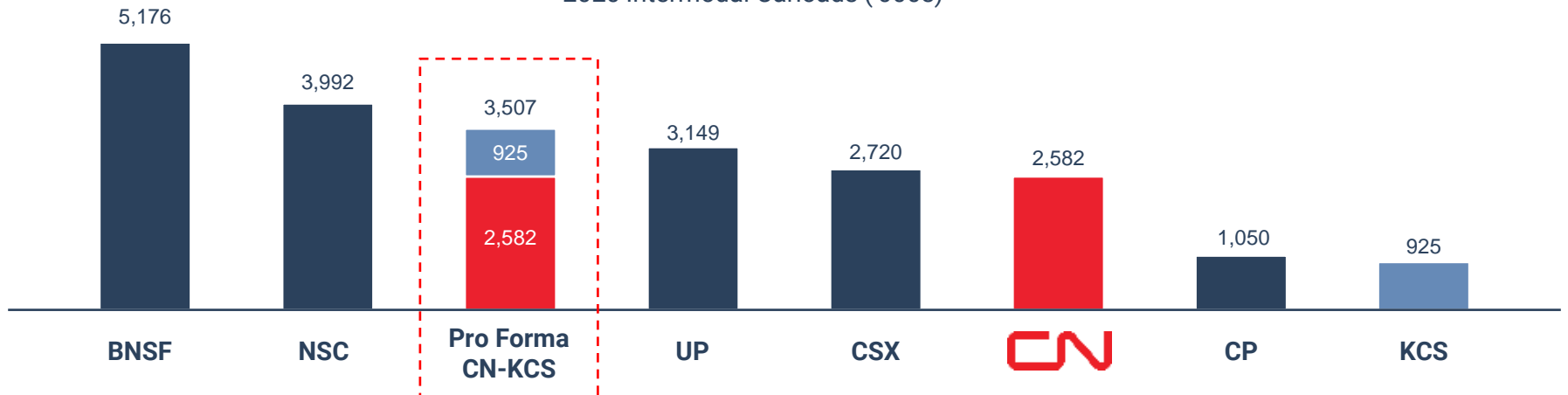
## CN is the Fastest Growing Intermodal Network in North America

Intermodal Carloads (2010 – 2020 Growth %)



## Combination Will Create One of the Largest Intermodal Networks in North America

2020 Intermodal Carloads ('000s)



Note: Based on equity research, company websites and public filings

(1) 2010 – 2020 percent growth weighted average using 2020 intermodal carload volumes

(2) BNSF 2010 intermodal carload volume based on equity research

# Enhanced Scale and Highly Diversified Customer Base



**Combined (3)**

**Revenue**

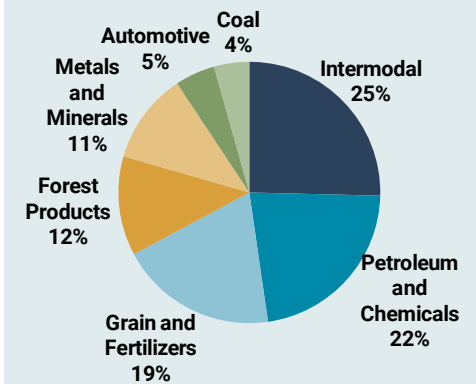
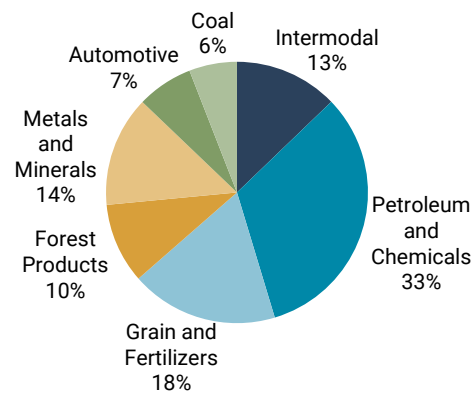
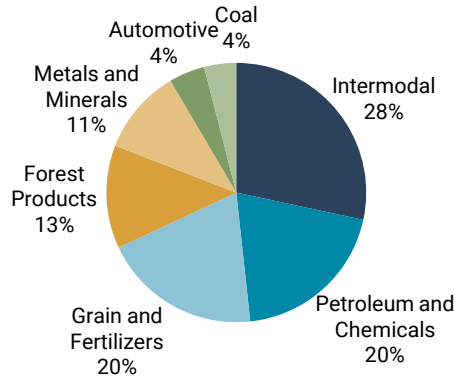
**\$11.0B**



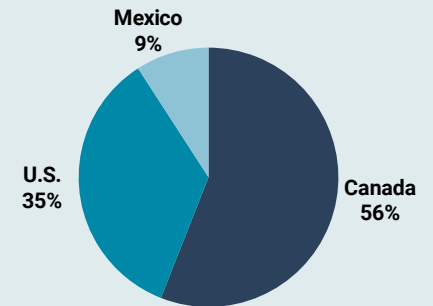
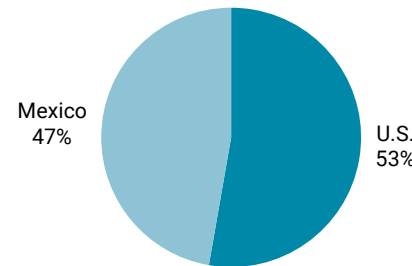
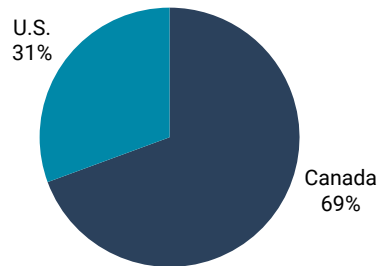
**\$2.6B**

**\$13.6B**

**Business Mix (1)**



**Geography (1)**



**Diversified by commodity & geography with minimal reliance on thermal coal and crude**

Note: Based on 2020 figures. Figures in CAD converted to USD based on April 19, 2021 exchange rate of 0.799

(1) Business mix percentage based on 2020 freight revenue; Geography based on 2020 total revenue

(2) KCS information based on public filings

(3) Pro forma revenue excludes expected synergies

# Expected EBITDA Synergies Approaching \$1B <sup>(1)</sup>

Conservative & preliminary estimates

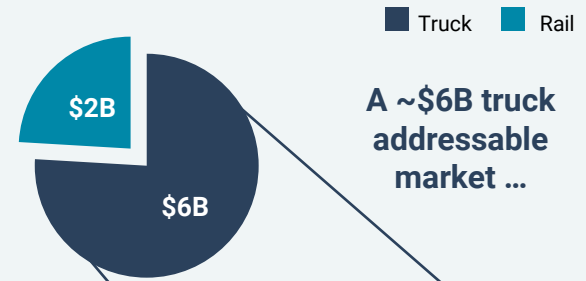
**New Revenue Opportunity**

- ✓ ~\$8B additional addressable market opportunity
- ✓ ~75% of new TAM opportunity from ESG-positive conversion of trucks to more fuel-efficient rail
- ✓ Service enhanced USMCA trade flows
- ✓ Minimal reliance on thermal coal and crude
- ✓ Growth to support job creation
- ✓ Stronger teams with one goal of customer success

**Cost Efficiencies**

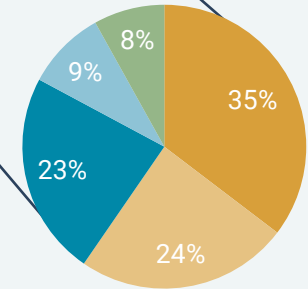
- ✓ Fuel efficiency and lower costs
- ✓ Broader technology deployment
- ✓ Potential for purchasing economies of scale
- ✓ Core of cost savings will not be people-driven

## Intermodal Opportunity Breakdown



A ~\$6B truck addressable market ...

...with rapid future growth from USMCA and reshoring trend



- Industrial Products
- Manufacturing Materials
- Food and Ag (Temperature Controlled)
- Consumer Products
- Automotive Parts

**Expected to achieve ~\$1B annualized EBITDA synergies within three years of integration <sup>(1)</sup>**

(1) Management preliminary estimates based on public information



# ESG Leader in North American Transportation

## CN's Focus Today

Environmental Protection	Active Social Responsibility	Best-in-Class Governance
<ul style="list-style-type: none"> <li>Consuming 15% less locomotive fuel per Gross Ton Mile vs. average of its Class I railway peers</li> <li>Committing to reduce GHG emission intensity by 29% by 2030 <sup>(1)</sup></li> <li>First North American railroad to formally support TCFD framework <sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Life Critical Rules reinforce CN's culture of safety-first</li> <li>Very strong community and stakeholder engagement culture</li> <li>Signatory to Catalyst Accord 2022 to accelerate gender diversity initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Executive compensation aligned with ESG performance</li> <li>Best in class corporate governance and CN Board to achieve gender parity of independent directors at AGM</li> </ul>

### Recognition

MEMBER OF  
**Dow Jones Sustainability Indices**  
 In Collaboration with RobecoSAM



### Rail is Significantly More Efficient Than Truck

**75%**

GHG reduction moving freight by rail vs. truck

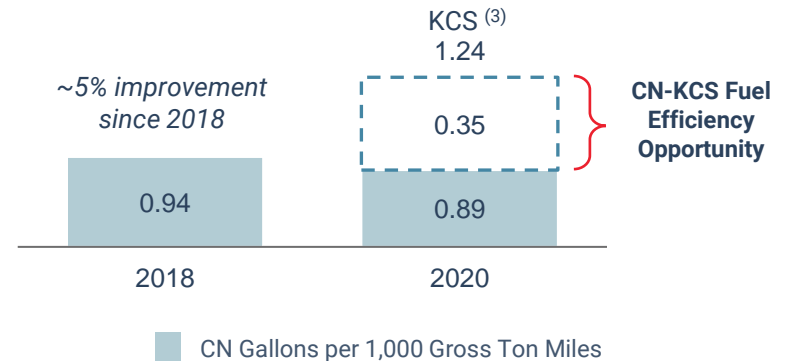
**4-5x**

More fuel efficient than truck

**300+ Trucks**

Replaced by a single freight train

### Best-in-Class Fuel Efficiency Across a Larger Network



(1) tCO<sub>2</sub>e/million revenue tonne kilometers, based on 2015 levels


(2) Task Force on Climate-related Financial Disclosure

(3) KCS information based on public filings

# CN's Advanced Technology Applied to a Larger Rail Network


✓ **Autonomous Track Inspection Program (FRA approved) <sup>(1)</sup>**

- Equipped with latest sensors and AI technology
- More accurate preventative maintenance
- Up to 20x more inspections, while unlocking capacity




✓ **Digitalized and Automated Train Inspection**

- More frequent and better quality inspections
- Coupling high-resolution imaging hardware with powerful machine learning software



✓ **Connecting the Supply Chain**

- APIs for customers to “track and trace” shipments in real-time <sup>(2)</sup>
- Reducing end-to-end cycle times



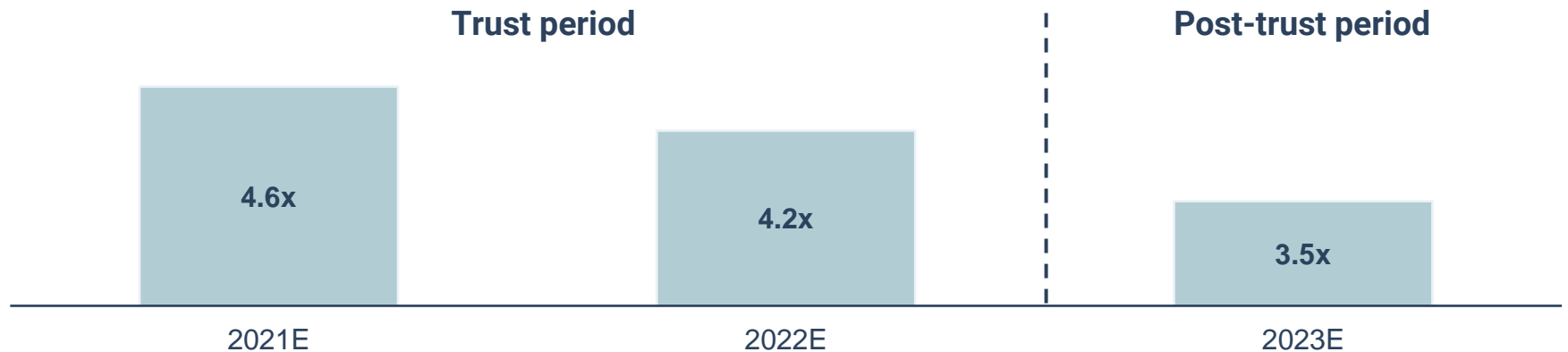
**CN's technology will improve safety across KCS' ~7,100 route miles**

(1) Federal Railroad Administration  
 (2) Application Programming Interface

# Strong Free Cash Flow Supports Rapid Deleveraging

- Committed to maintaining a strong balance sheet and investment grade rating
- Pause share repurchases and re-evaluate as leverage reaches 2.5x - 3.0x <sup>(1)</sup>
- No change to current dividend policy

## Pro Forma Leverage Targets <sup>(1)</sup>



**Committed to a strong balance sheet and expect to maintain investment grade rating**

(1) Represents adjusted debt-to-adjusted EBITDA multiple, assuming closing into trust at end of 2021. Please see the heading Non-GAAP Measures in this presentation.

# Recap: Combination Will Create the Premier Railway for the 21<sup>st</sup> Century



## Better Bid

Higher premium, more upfront cash, and lower execution risk



## Better Partner

More (ESG-driven) synergies

## Better Railway

Safer, Faster, Cleaner, Stronger

## The Best Solution

Better together – for the benefit of customers, communities and shareholders





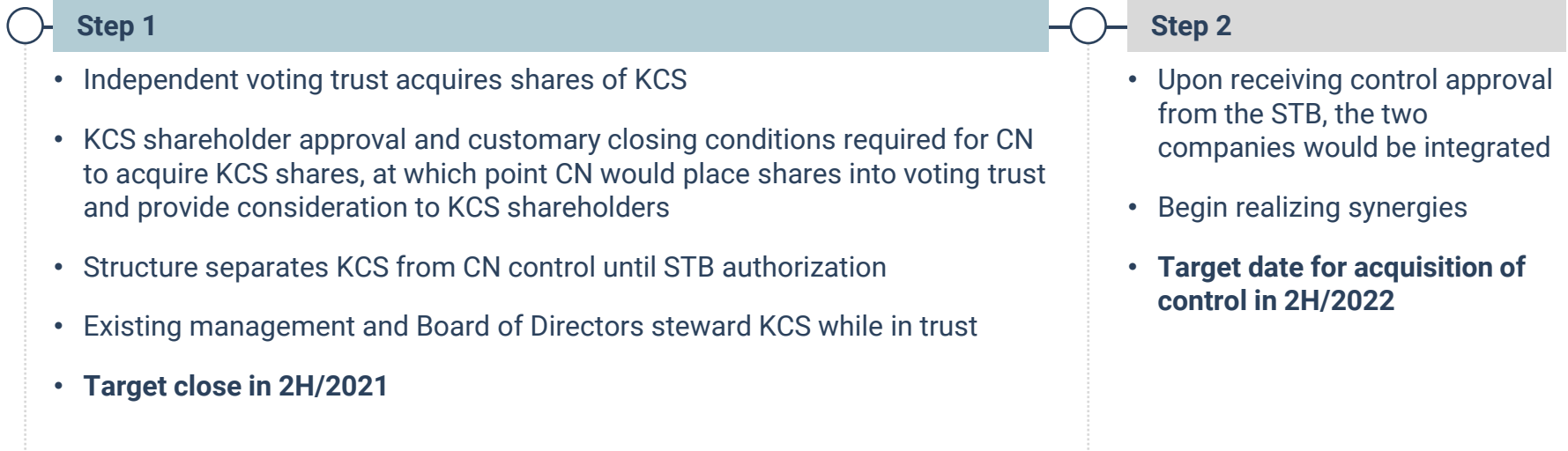
## A Superior Combination



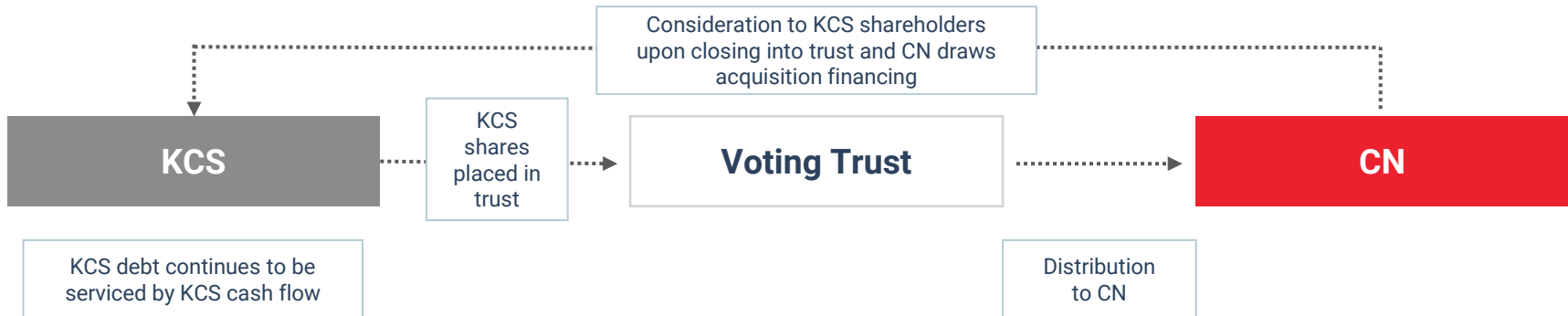
# Appendix: Voting Trust Structure

Plain vanilla structure identical to the CP proposal

## Process Overview



## Trust Structure



# Appendix: Key Terms of the Proposed CN Transaction

## Offer Price and Consideration

- CN is proposing to combine with KCS at a price of \$325 per share
- KCS shareholders to receive \$200 in cash and 1.059 CN shares for each KCS share
- Represents a premium of 21% to the implied value of the CP proposal <sup>(1)</sup>
- Implies a total enterprise value of \$33.7B
- At closing, KCS common shareholders would own ~12% of the combined company

## Financing

- Fully committed financing by J.P. Morgan and RBC Capital Markets of \$19.3B
- Committed to a strong balance sheet and expect to maintain investment grade rating

## Governance and Related Matters

- Continue operating in the U.S. and Mexico under the Kansas City Southern name and brand
- Kansas City will be headquarters of combined CN-KCS U.S. operations
- Four KCS directors will join CN's board
- CN's U.S. operating and maintenance facilities to remain

## Approvals & Expected Closing

- CN is seeking to enter into merger agreement with KCS as soon as possible
- Targeting closing into voting trust in 2H/2021, subject to receipt of approvals by KCS shareholders, U.S. Surface Transportation Board (STB) approval of the contemplated voting trust structure and Mexican regulatory approvals
- STB control approval and acquisition of control targeted in 2H/2022
- No CN shareholder approval required

(1) Based on CN and CP closing NYSE share prices of US\$118.13 and US\$365.37, as of April 19, 2021