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Transcript

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QUESTION AND ANSWER SECTION

Thomas Wadewitz

Analyst, UBS

Good afternoon, everyone. This is Tom Wadewitz from UBS. I'll be now moderating a fireside chat with CP. We have Nadeem Velani, the CFO; Maeghan Albiston in the room as well as some others. And CP, it is great to have CP joining us. Nadeem and team, thank you for spending time with us. Nadeem has some initial remarks and then we're going to go into questions. And if the audience has any questions, you're welcome to submit them through the conference website. So, Nadeem, thanks for joining us, and go ahead and take it away.

Nadeem Velani

EVP and CFO, Canadian Pacific

Thanks, Tom. It's a pleasure to join you and the UBS team for the virtual investor session. Before I start getting into the business update, I just want to take a moment and begin by thanking the 12,000 strong CP family. They continue to deliver impressive results and drive our outperformance during this challenging time. I've had a chance to get in the field and spend time with our frontline workers past few months and the respect I have for what they've been able to do delivering for our customers and communities as essential workers during these trying times cannot be overstated. When North American people were asked to remain home during the lockdowns for safety and protection of our communities, the CP team of railroaders continued to deliver much good – much needed goods safely and efficiently. So, I just want to recognize and thank the CP family that has been operating trains, maintaining and inspecting tracks and repairing locomotives and railcars, among other critical tasks, for their ongoing strength and commitment. So, let me say a few words on business environment. While the economic outlook may be uncertain, our team is working hard to adapt resources real time and deliver for our customers and the North American economy, we're controlling what we can control. Quarter-to-date, we are continuing to see the least volume decline in the industry, with RTMs down 11% year-over-year. A strong bulk performance particularly Canadian grain, which we announced yesterday in May, was another record month beating our previous high of May 2014. This has helped to offset the weakness we expected in crude, autos and intermodal. Our operating team has been doing a fantastic job and the railway is running extremely well. This led to an all-time record April OR and a very strong May performance. One area, Tom, I know investors appreciate about CP is our culture of collaboration and constructive tension that separates us from our competitor. My finance team works hand-in-hand with the marketing and sales, asset management and operating teams, which is why we have consistently been able to deliver and surpass our annual guidance and why in Q1, we were confident in providing guidance despite uncertain times. You've known us for quite some time Tom and we'll find ways to deliver even if the macro environment is challenging our ability to pivot to cost control, is unparalleled in our industry. We don't make excuses or don't get defensive, we focus on delivering for our customers and shareholders. Information flows quickly and you don't have the bureaucracy to find at other companies. When you have that type of collaboration, you're able to stay aligned and adapt quickly. So despite volumes down about 11%, we've been able to reduce train miles about 20% and our employee count is down about 11% as well. Each of our key productivity and service measures are hitting new highs, be it train weight, train length and trip plan compliance. Our locomotive count is

down 15% and we have taken out 10,000 or 18% cars offline. That's why even in this challenging volume environment, I still expect that we'll improve our full year operating ratio. From a liquidity perspective, our balance sheet remains strong with ample liquidity in the form of a USD $1.3 billion undrawn credit facility, continued access to the commercial paper market as well as greater than CAD $400 million in cash. We were in a very strong position financially entering this crisis and this has served us well. Our pension plan is also performing well despite the market challenges and lower discount rates and in fact we ended 2019 in excess of 105% solvency which will allow us to forego cash contributions to the plan this year. From a shareholder return perspective, we still plan to revisit the dividend in the coming months and the 4% buyback we announced last December which we have completed 36% of, we still expect to complete given our confidence in our outlook and free cash generation. We're increasingly encouraged that volumes will begin to recover in the back half of the year. And as I look to 2021 and beyond, our long term outlook remains strong and diverse whether it's new coal mines that will be coming online, the new multi-purpose transload we're constructing in Montréal, auto compounds that we have under construction, a new plastics facility in 2021, the diluent recovery unit coming online in Hardisty or the CMQ acquisition which we officially announced closure on today. The growth pipeline remains robust. And rest assured there are other opportunities that we'll be able to talk about further as we are continuing to develop our strategic landholdings to create unique market solutions across our network whether it'd be in Vancouver, Chicago, Toronto or elsewhere. It's growth that is going to come on at the right price and right margin. And as a result, we're going to bring that growth on while we continue to improve OR and leverage technology to become a safer and drive efficiency. A few examples to highlight include our award winning predictive analytics, which can now predict when a bearing is going to fail, allowing for preventive maintenance. This has resulted in a 95% reduction in online bearing failures. We are now expanding that technology to cold wheels to measure wheel temperature on a descending grade. A wheel measured with no heat when descending a grade signifies brakes may not be properly applied. CP's Train Vision System, we have a high speed infrared camera-based train inspection system capable of producing full body, high resolution images of trains at speeds up to 70 miles per hour. It detects 87% more required repairs than visual inspection, enabling preventive maintenance before an issue arises. Where our portal is different than the others is it uses infrared imaging which better detects issues and is less likely for images to be distorted. We're working towards an exemption of this visual inspection for our potash trains later in 2020. So, if you add it all up, you have the best team in the industry with the best volume performance the last three years, continued margin improvement, which will allow us to lead the industry in operating ratio this year, the best FRA train accident ratio in the industry and as capital comes down once the hopper investment rolls off even better for the free cash flow conversion. Tom, I've never had more confidence in our team and our story than I have today, and I believe why investors are also voting with their dollars and why we have been the best performing rail in the industry the past three years. We plan to continue to outperform going forward and we're incented to do so. So, Tom, those are my opening comments. Happy to take any questions you may have.

<Q – Thomas Wadewitz>: Great. Thank you, Nadeem. Appreciate the information and perspective, the clear perspective you provided in your remarks. Let's start with drilling down a little bit on the volume framework. How do you think about – so clearly grain, Canadian grain has provided some nice ballast for your overall volume performance. How do you think about the bottoming in volumes, are we essentially at the lows at the – kind of at the end of May, beginning of June or maybe it's much earlier than that.

How do you think about that? And as you go forward into June, is it reasonable to think that you have a less worse type of performance in the weekly rail numbers, the weekly volume numbers?

<A – Nadeem Velani>: Sure. So I think if you think about where we are down about 11%, we do have a contract that the ONE contract that shifted to our competitor starting in June but at the same time we're seeing opportunities on the bulk side that's going to continue to improve volumes sequentially as well as autos coming back very strong. So if you look at even the last seven days, our RTMs are down around 9%. So we are of the view that that June will be the bottom and that we'll see a second half that we think will start to recover starting in July with – as the quarter rolls out in Q3, we'll continue to strengthen. A few things I'd point to Canpotex, they recently signed agreements with both China and India, so we could see upside both in June and in the second half of the year. We did have easy comps in the second half so that should be favorable. If you look at the crop, Canadian grain crop that was – that had a slow start to the year, so August, September even into early October was pretty weak so we have some very easy comps there assuming we have a normal harvest. And so far, seeding has gone well. We're about 90% complete in Western Canada, so in line with historical figures. And what we're seeing is as economy does restart, we're seeing some opportunities as well in some of the domestic intermodal. So, if you think about our domestic intermodal business, we are in a very unique position because we're the largest carrier in Canada for Loblaws, Home Depot, Canadian Tire, Dollarama, TJX. So, what we've seen on that front has been very encouraging. So, if you look at our reefer business, our RTMs are up year- over-year 13%. And we're not seeing some of the panic food buying and hoarding has relented, but we're still seeing customers – hearing from customers talking about volume outlook of about up kind of mid-single digits for the rest of the year. And on the hard good sides, the Canadian Tire, the Home Depot, they're talking and reporting double-digit increases in volume and same-store sales. So, overall, we feel good about our intermodal business, the bulk which is a unique, kind of – we're in a bit of a different mix position than most of our peers, and I think that that's going to give us a bit of an advantage and why we have confidence in our second half outlook.

<Q – Thomas Wadewitz>: So, you pointed to I guess the 9% decline in the last week versus 11% for quarter-to-date, so showing some improvement. Do you think as ONE has an effect that you'll have a little bit of a step down from that 11% or the other factors more than offset it. So, it kind of improves in June year-over-year versus the down 11%.

<A – Nadeem Velani>: We're kind of splitting hairs in that 1% to 2% kind of level. So could we be down 12%, perhaps, but I do think it's somewhat that level. And then I think in July, we'll start seeing a rebound when you think about even some of the contract wins that start kicking in with Chrysler starting in July that's going to provide meaningful uplift. And we do have some very favorable comps, as I pointed out. So I think we're going to see a couple of weeks could it be down 12% RTMs potentially and then I think that that will see the bottom and will lift through there for the next sequentially going forward.

<Q – Thomas Wadewitz>: Okay. So probably June looking reasonably similar to May from a year-over-year perspective maybe a touch worse.

<A – Nadeem Velani>: Right.

<Q – Thomas Wadewitz>: What if you look at the kind of highest visibility drivers of improvement, setting aside the kind of real near-term discussion we just had on June. But if you look more broadly at

second half, what do you think are the key businesses that would ramp up and where you have the most visibility and then which businesses you think are the most likely to stay weak as you look into second half?

<A – Nadeem Velani>: Sure. So I think we have confidence in autos even feedback from some of our customers, they're seeing a return from production in terms of shipping to dealerships. So Toyota, for example, has given some very positive feedback around what their volumes are looking like. So we do feel good about autos just combining that with some of the market share wins that we have coming into play. I mentioned Chrysler in July. Glovis will start seeing ramp up in September. Domestic intermodal, as I mentioned as the economy restarts, we feel very positive about – our international intermodal has hung in there quite well. We haven't seen as many blank sailings as others have and others may expect. We've also seen our customers gaining share and so doing well through this. And then fertilizers, potash, as I mentioned, I think we have good visibility to. And coal, Canadian coal which has been a weakness through the first part of the year, we're getting signals of some good sales into the June timeframe into the second half and we do think that that is going to have visibility to stronger volumes than we've seen. And then of course grain, we've seen our market share go up to about 54% crop year to date. We're setting new records each month. That's an area that we feel very strong about. Probably the weakness is I would say that crude is something that we don't have a lot of visibility. We've seen that drop off as expected. We did learn from our last energy crisis and we've protected our shareholders through liquidated damages and contracts that do protect us from this downward – these reduced volumes. We've seen crude prices improve rather dramatically but we're not necessarily counting on that to be a savior for us, although, we do feel good in 2021, around the DRU facility that we announced. So that's kind of the overall way I'd look at our volume outlook.

<Q – Thomas Wadewitz>: So what level do you think and, I don't know, I guess you can talk about crude different ways, but in terms of kind of quarterly carloads of crude, what do you think the kind of trough levels that you end up, is it 5,000 or 8,000 cars a quarter, or what...

<A – Nadeem Velani>: You could see very limited trains in the tune of a few trains a week kind of 3,000 carload type of numbers as being the bottom in the Q2, Q3 type timeframe.

<Q – Thomas Wadewitz>: Okay. So you could go as low as 3,000 carloads a quarter.

<A – Nadeem Velani>: Yeah.

<Q – Thomas Wadewitz>: Okay. What – I guess is there a way that you think about the oil price sensitivity to that obviously that it seems like a number of markets. Every market included can move around pretty rapidly these days. What do you think in terms of – how should we think about crude price rebound, whether that affects the outlook or do you think things are just rather depressed for a period of several quarters and the pipes are available and you're just not going to see much on crude.

<A – Nadeem Velani>: Yeah. I think it's the latter. I mean I'll remind you that we haven't put crude into our guidance assumes we're not moving crude in the back half of the year. So we've – I think we've risk adjusted for that. That being said, I mean production was looking to ramp up and that's been slowed down with obviously some of the agreements that have taken place with Globe pec and OPEC and so forth. And Alberta I think has taken down 1 million barrels of production, so that combined with tight capacity availability is what's really driving whether you're going to see rail demand and right now there

is pipe capacity and there is less production anticipated. So that's not very supportive of rail volumes and that's what we're seeing and expecting.

<Q – Thomas Wadewitz>: How would you characterize where you're at in terms of kind of COVID related reopening of the economy in Canada and how that affects your domestic intermodal? I mean you mentioned a number of customers and some of them probably are reasonably resilient but how do you think about the kind of where you're at and the impact from the reopening activity in the next couple months?

<A – Nadeem Velani>: Sure. So overall it's very regional as far as how the economies are reopening. In the eastern part of Canada, [technical difficulty] it was more impacted by COVID. There were higher amount of cases and it's – as a result you've seen a bit slower reopening. We're seeing now Montréal, Québec starting to accelerate some of their reopening in Toronto as well, but I think they're going to take a bit of a slower pace than say BC and Alberta and Saskatchewan that have had less cases and just a different dynamic going on. So as far as what it means to our business, as I mentioned, some of those numbers I mentioned around reefers and around some of the hard goods that we saw with home renovation and so forth, that continued and for us, we were well-positioned with capacity and well-positioned with equipment to serve these customers that saw opportunities in terms of volumes during the lockdown, and we're also set up as the reopening starts. So, it'll be a different type of consumption. If you think about what you're buying, what consumers were buying during lockdown that was groceries and baking goods and things for the home. Now, as we see the economy restart and I would kind of put that at about a 40% in the east, maybe closer to 60% to out west, you'll see more consumer kind of opportunities as far as purchasing home goods for that are not necessarily just required while you're locked down, but more home improvement and things like that. So, we do expect that to continue to accelerate. We're seeing the acceleration. So, we are protected on the downside during the lockdown and we are set up to see the upside as the economy restarts.

<Q – Thomas Wadewitz>: So you think things are kind of 60% open in Western Canada, 40% in Eastern Canada, is that what you're saying?

<A – Nadeem Velani>: I think that's fair. I'm participating as part of the Alberta Economic Recovery Council's, one of their subcommittees on transportation and, I think that the whole overall tone has accelerated in terms of how enthusiastic the overall tone is around the restart of the economy. Just driving into the office today vastly different than where we were three weeks ago, six weeks ago, two months ago. So, it's a very different environment and you're starting to see a lot more activity out in the public and a lot more confidence I think as well in terms of what this may look like and how that recovery can take hold. Now obviously across North America you're going to have different impacts from also the economic impact right, so people are still getting paychecks to an extent from their governments since they've been out of a job, they're still getting protected. What I'm watching closely is two months from now three months from now six months from now when this pandemic is, knock on wood, hopefully over and what's the economy going to look like and what kind of consumer confidence is going to take shape and what is that going to mean for overall economy and what does that mean for consumer driven demand. I think that that's still a bit of a question mark.

<Q – Thomas Wadewitz>: Right, that's a good point. If I look at your – when I look at CP versus the other railroads, I think you have the highest leverage to grain. You have significant exposure to export potash. Your coal is obviously a different – somewhat different animal. I guess, cyclical in terms of global steel

exposure. But I think of your book as overall being more defensive. Obviously you've had some nice kind of share wins as well. With that as the backdrop, how do you think your volumes respond when there's a cyclical lift? So if we see a cyclical lift in 2021, do you think that you'll see a kind of moderate bounce back or would you expect a pretty strong bounce in terms of something that's high-single digits? I mean I think in 2010 you saw kind of 10% type of volume growth for a number of the railroads and I think CP – I know CP was a different animal back then under a different team, but CP saw something like I think 12%, 13% of volume growth then. So how do you think about the potential for a big cyclical bounce relative to what's a reasonably defensive customer mix?

<A – Nadeem Velani>: No, I think you're right. I mean, we have a very defensive mix. I mean it was for a long time you would defend yourself around the mix of business being very bulk centric. In times like this it can be a saving grace. Grain continues to set new records as I mentioned and it's a great place to be and overall outlook for grain looks very strong. And I think this pandemic has shown the importance of that to supply chain and to countries, the consumers as well. So if you think about what that means as well in other derivative kind of things that move such as fertilizers and potash, I think that supports for long-term growth opportunities for those. To your point, 2010, we were a different company. I worked for a different railroad. It was a different environment. I think looking at the numbers that CP did recover very strong. I would just point to not only the cyclical nature of our business, so what that could support in terms of our volumes in 2021, but I'd also point to some of the market share wins that I highlighted and the CMQ that we feel very excited about, we didn't necessarily buy that as a growth story and a huge opportunity for us on the surface, but the more we dig into it, the more excited we think about that and look at the opportunities, it gave us East Coast access, it gave us an opportunity to get tidewater from East Coast to Montréal, Toronto, Midwest. It's a USD $40 million US revenue opportunity or US revenue railroad that we think we can more than double over the next 24 months. And so, it's something that I think is going to allow us to also accelerate our growth into 2021. I pointed to some of the transload facilities that we're investing in, the DRU, we have a plastics facility coming online late next year, and we also have some longer-term coal opportunities as well. So, I feel good about our ability to have that cyclical rebound that you pointed to in coal and some of the bulk commodities. And, love our sales and marketing team and their ability to sell our capacity into the marketplace and sell our strategic opportunities and our strategic land, and so combined this with all of that, I feel very good about our 2021 story.

<Q – Thomas Wadewitz>: Okay. So you think you would see a pretty – if rail markets are up broadly on a cyclical lift, you'd expect to pretty fully participate in that in 2021?

<A – Nadeem Velani>: Yeah. I think we've lead the industry in terms of volumes for last three years, and I see no reason why we wouldn't be at the top of the pack next year as well.

<Q – Thomas Wadewitz>: How do you think about the cost takeout activities? I think you mentioned in your prepared comments some things that highlight how quickly you've taken out cost I guess what – train miles down 20% versus the volumes down 11%, is the down 20%, is that like a quarter-to-date number?

<A – Nadeem Velani>: Yes.

<Q – Thomas Wadewitz>: Okay. So I mean that's – obviously that's impressive cost takeout. How much of the cost takeout do you think is structural and how much do you think will come back just as volumes

come back? I mean, I think one of the – it seems like from the industry perspective there is opportunity to kind of further ratchet down the cost structure and see great incrementals when volume comes back, but how do you think about what's structural cost takeout and what is going to come back when volumes come back?

<A – Nadeem Velani>: Sure. So, I mean I think with this kind of crisis and this challenge has created is an opportunity. It's an opportunity to look at how you do things and revisit what's necessary and how you can improve. So – I'll give an example. A year ago if I told our finance team and our accounting team that you're going to close the books remotely and have report everything and work from home and everything is going to go very smooth, I don't know if they'd totally believe me. But now we're making the decision, you know what, you can continue to work from home and you're going to close the books in July and no one even bats an eye, because it's just – it became part of how we do things and how we improve processes. And you take that example and you say, well, where do we do that elsewhere in the organization? So, our engineering team that is out there hitting new productivity highs in terms of how they're laying ties and replacing rail and working in with a physical distancing, but being as productive as they've ever been. How is our T&E employees and how are we looking at our train consists, how are we setting new records on train weights, train lengths and so forth. I think when you get into this environment, when things can be so severe such as this, it takes away any sort of preconceived notions that you may have and on limits of what you can achieve. And all of a sudden, it's a new art of the possible. And instead of – Hunter used to always push us, like, don't take what we did last year and try to take out 2%, 3% whatever. Go in with a fresh set of eyes and a fresh perspective and whiteboard these things, look at it as if you didn't know how to do it before and find better ways to do things. And I think if you look at this crisis that we've gone through, to me some of the silver linings are the team is looking at how we do things, our processes, the art of the possible with a new perspective. And absolutely we're going to come out of this with all sorts of learnings, all sorts of better ways of doing things. We're going to do things safer. We're going to do things more efficiently. We're going to find capacity where we thought we were maxed out. And these are going to be structural benefits that are going to allow us to have powerful operating leverage. When we have that cyclical recovery, we just talked about, so I'm bullish on what this means to long-term OR, long-term cost efficiency, long-term capital intensity of the business and how we can do things better. So that's the silver linings I've got out of it. And once everyone returns, we're going to have that lesson learned session and put everything – put pen to paper to say what did we get out of this? How could we do things better? How did we take our overtime down by 60% in mechanical? How did we do these things to take out cost when we were forced to do so, and like, why can't we continue to do these things?

<Q – Thomas Wadewitz>: So if I try to translate that at a high level, so the way we ought to think about incremental margins, we typically hear the rails talk about kind of normal environment, 50% incremental margins plus or minus. And then, when you see a pretty strong cyclical upswing like 2010, then you can maybe do better than that, whether that's 60%, 70%, 80%, depends on where you're at in terms of underlying cost story and whether you have PSR early stage going on or so. But how do you think about incremental margins? So if you get that cyclical swing in 2021, is it reasonable to think that you get a pretty meaningfully better than normal incremental margin?

<A – Nadeem Velani>: Well, I mean, Tom and not to say this with much humility, but maybe don't lump this with the others in terms of what has been said in the past. We've always said we can deliver 70% kind of incremental margins outside of some of the specific areas like depreciation, stock-based comp

and fuel surcharge, liquidated damages and so forth. And so I fully expect the team will deliver that. And if you look at Q1 for example this year, we had incremental margins in excess of 80%. And so, as we come out of this, if you believe what I said around some of the structural opportunities, if we're doing things the right way and anticipating volumes and setting ourselves up to serve our customer, the way we feel which is the best service in the industry and doing things, aligning yourself with the right customers that fit your network that are strategic to what we can offer as far as our service, there is no reason why we can't do 70% to 80% kind of incremental margins on the upswing.

<Q – Thomas Wadewitz>: Right. Okay. So, I've got, let's see, I actually haven't necessarily been seeing a lot of questions come in, but I've got a bunch that kind of popped up here for you that's online. So I'll try to run through a couple of these fairly quickly. I think they're pretty precise questions. But – so one question, head count down 11% was one of your comments, is that year-over-year or is that sequential?

<A – Nadeem Velani>: That's year-over-year.

<Q – Thomas Wadewitz>: And that's like a 2Q to-date?

<A – Nadeem Velani>: That's as of the end of May. So May 31. So it's couple of days old.

<Q – Thomas Wadewitz>: Got it. Okay. And then there's a question, let's see. Okay. If June was the bot – okay. I think there's this broader framework that the trucks have seen, you know, late April was the bottom. They've seen improvement in May. I think the other railroads have generally been saying kind of May is the bottom, they can see improvement in June. Your timing is a little different that you're kind of saying June is the bottom. I guess the difference would be ONE. But – so, had two questions that came in related to that, why wouldn't May be the bottom for you? So, is it just ONE or are there other factors?

<A – Nadeem Velani>: Yeah, it's ONE. And I would argue that we weren't as impacted on from an autos segment as probably some of the others. So, the others are seeing recoveries in autos and we weren't as negatively impacted, so.

<Q – Thomas Wadewitz>: Okay. All right. Let's see, the – bear with me just a moment here. The network capacity, I mean, you haven't – I think you had a period of time, 2015-2016, where you just kind of continued to hammer away your productivity and efficiency, and there wasn't necessarily a lot of volume coming in. And then, as shown over the past year into first quarter this year, when the volumes come, you're really ready for it. Are there any areas if you look at the network and you say on kind of a multi-year basis, here is where we could run into some constraint, where there are line of road areas, tunnels through the mountains, whatever that would, you say, well, you know, if we have good growth next year and the following, then we've got some bottlenecks in the system we have to worry about or perhaps that's not the case.

<A – Nadeem Velani>: No, it's not the case. I mean, if you think about the premise that we won't oversell our network, we won't oversell our capacity, how we collaborate in terms of sales and marketing, working with operations, working with my team from a capital investment point of view, working with our asset management team on equipment and so forth, we won't put ourselves in that position. We'd rather not take on business and keep the respect of a customer just by saying we can't handle it based on our expectations of what we should do to service you, we'd rather walk away than fail to serve a customer. So, that's not something that we fall prey to. And if you think about what we

are looking at in terms of number of our growth opportunities, we've planned these. So we have multi-year investments both in track, infrastructure equipment terminals to support that business, otherwise we won't take it on. So – and it's why we don't have lumpy CapEx plans that surprise the market. We have been consistently – said we do that CAD $1.5 billion, CAD $1.6 billion kind of capital. This year we're not taking our foot off the gas there. We're probably going to do – we are going to do our CAD $1.6 billion, but we're going to get more value for it, more productivity and more efficiency. So, it will be worth even more than CAD $1.7 billion from an output point of view. And we're going to continue to do these, because we have line of sight to the growth that I described, and that's going to set us up well that we can handle those volumes when they come on.

<Q – Thomas Wadewitz>: How do you think about at a high level the impact of your real estate footprint and the opportunity to leverage that and leverage facilities that you kind of share with customers or kind of create a really sticky relationship with customers? How do we think about that as the driver of long-term growth? Is that primarily intermodal and automotive? Is it kind of broader based? And I guess that it seems like an advantage, but it's kind of not necessarily straightforward to think about how that affects the volumes on a multi-year basis?

<A – Nadeem Velani>: Sure. So, I mean, it's a huge differentiator for us and I think we've proven it already. We have more to come, Chrysler and Glovis and I talked about on the auto side that even some of the transload opportunities that are just – we're just in our very early innings of what we can do there. So, we're in the midst of finalizing a Montréal transload that will be more broad-based merchandise type of traffic. We built another kind of merchandise-centric transload in the GTA with more to come. Vancouver has been more focused around intermodal and autos and there's more to come there. You've got Minneapolis and Chicago. So it's not just one place, but its multiple places and we're talking hundreds of acres of land. It's not just a small parcel that you could do a small piece of business. This is a significant opportunity for multi-years and it's something that we think is a huge differentiator. Some of these properties were things that we looked at selling. We had that joint venture that we were looking to monetize those assets. And as we looked at this and pivoted towards what we can do from a growth perspective if we were to utilize this land differently, it's been an area that I think is going to give us a reason why we feel confident we can continue to outpace the industry in growth. And these are sticky opportunities. So customers invest with us in many respects. So they're either committing their own capital. They're committing their supply chains to take advantage of these unique offerings. It allows you to not get into a price war it becomes more of a aligning with strategic partners. And so it changes that whole dynamic and allows customers to win in terms of being able to benefit from that improved supply chain and improved service and allows us to win by having accelerated growth. It allows us to get the benefits of that supply chain from an efficiency point of view. So this is something that is I think still truly under-appreciated in the market.

<Q – Thomas Wadewitz>: I have one last one that's short, just kind of a follow-up on I think some comment – a comment maybe that Keith made at a – I think it might have been a couple of weeks ago at a conference or recently. I know there are a lot of conferences in May. But I think he expressed some optimism on 2Q OR that starts with a 5. Do you think that's still a reasonable expectation?

<A – Nadeem Velani>: Oh, it's extremely reasonable. Yeah, there's no reason why we shouldn't have a sub-60% OR, absolutely no reason.

<Q – Thomas Wadewitz>: Right, right, okay. Great. Well, Nadeem, Maeghan, the team, thank you so much for spending time with us. Thanks for all the great information and perspective and we appreciate you spending time with UBS conference as well. And look forward to being in touch soon.

<A – Nadeem Velani>: Nice to connect, Tom and appreciate the invitation and hopefully we'll get a chance to see you in person too.

<A – Maeghan Albiston>: Thanks, Tom.

<Q – Thomas Wadewitz>: Indeed. Indeed. Great. Thank you.

<A – Nadeem Velani>: Take care.