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Transcript

Canadian Pacific Investor Day

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Calgary, AB

Corporate Participants:
Keith Edward Creel – President, Chief Executive Officer & Director, Canadian Pacific
Nadeem Velani – Executive Vice President & Chief Financial Officer, Canadian Pacific
John Brooks – Senior Vice President & Chief Marketing Officer, Canadian Pacific
Jonathan Wahba – Vice President Sales & Marketing – Intermodal and Automotive, Canadian Pacific
Joan Hardy – Vice President Sales & Marketing – Grain and Fertilizer, Canadian Pacific
Coby Bullard – Vice President Sales & Marketing – Merchandise, Energy, Chemicals and Plastics, Canadian Pacific
Maeghan Albiston – Assistant Vice President Investor Relations, Canadian Pacific

Maeghan Albiston

AVP Investor Relations, Canadian Pacific

All right. Good morning. Thanks everyone for coming out. I trust you've all had a chance to see the press release. Obviously, a great start to the morning and a great turnout here in Calgary.

Before we get started, I just wanted to make a couple of legal announcements to keep our legal team happy. So, today's presentations will contain forward-looking information and the risks, uncertainties and other factors that impact actual results are listed on slide 2, in the press release, as well as in reports that are filed with U.S. and Canadian regulators. The presentation also contains non-GAAP information, which is listed on slide 3.

As an agenda today, we're going to be starting off with Mr. Keith Creel, our President and CEO. Following Keith, will be John Brooks and his marketing and sales team. And wrapping things up will be Nadeem Velani, our CFO. We've left plenty of time at the end for Q&A, and I do promise that mid-morning, we'll take a bit of a break.

So with that, I'm extremely pleased and very excited to announce and welcome to the stage Mr. Keith Creel, President and CEO of Canadian Pacific Railway.

Keith Edward Creel

President, CEO & Director, Canadian Pacific

Thought I'd have some laughs out here and some smiles. And a lot of you probably don't know this about Hunter but Hunter had an affection for music as well. So often, a lot of times, when on the plane, he travel with the little beats he has set down. Some of the music, I don't recognize, some of it, I did. But certainly, he had an affection for music and affection for the energy it creates, the mood it creates. And he also was a great storyteller and he also was a great joke teller. I can never remember the jokes. I could remember my moods and I could remember my music. So, I thought it was very appropriate to lighten the room a little bit this morning, put some smiles on people's faces and get ready for this ride that we're going to take with you today.

I want to start by welcoming you. A lot of you joined last night. Those of you online that were not able to join us here in Calgary, we are standing in what I know to be a world-class facility. Today is another day in our journey. It's been a transformational journey, and we'll talk about that today. We'll give you some perspective on where we started and give you some perspective on where we are today, and most importantly, as an investor and as a shareholder, where we're going. How we're going to get there. Not just the vision but concrete steps and actions and initiatives that this team has been developing and working on for more than the last year, year and a half, as we grow forward for our CP family, for our shareholders and for our customers.

So, let me start by reflecting a bit. 137-year old company, iconic company, certainly existed before I arrived or anyone in this room. We're standing on the shoulders of great leaders that created the vision, that created this company, that connected this nation, first, in this nation to North America, and of course, North America to the world and the global economy we operate in today. So, I'm not going to stand here and say that we've created this.

What I'm going to tell you today is that this great iconic company, who has had its up years and its down years, six years ago, we'd lost our way. As strong as this company is and as strong as this franchise is and as strong as this network is and the team members that are in this room and many of those – us that are not in this room, we'd lost our way. I don't say this with pride. I say it is a fact-based, not on an opinion. We were known to be the worst performing railroad in North America. We were known to have arguably the worst service, certainly the highest cost, and the least opportunity from an investor standpoint for that to change. But with that said, with every challenge comes an opportunity. And there were certain investors, many of you are in this room. Those that are not, there are certain key investors that are likely listening to this webcast or will if not. That said, you know what, enough is enough. And they gave rise to a change. They demanded change. We've entrusted our precious assets, as your owners, this is what our shareholders said, and the team is not doing a very good job with it. You're not doing what you can. You're not producing what you have the potential to produce.

So with that, that triggered a series of events that history's going to unfold a very, very prolific, probably not very comfortable, challenging proxy battle, which ultimately ended up with a new board of directors. And another

series of events, a new CEO, when Hunter came out of retirement, and six months later, when I joined him from the competitor to come here and create and join this team to drive a transformational journey to restore this company to its potential. To take something that wasn't performing well, to take something that was high cost, low service, not very dependable, not very valuable, and to create a product that not only was low cost but was reliable, something that we all can put pride around that created value and solved problems – transportation problems for our customers, and at the same time, created increased returns for our shareholders, for our owners, for our investors.

So, it wasn't an easy journey. Hunter came, I came, we said about the playbook. It's called precision scheduled railroading. It's not a secret. He's written books about it. We all talk about it, matter of fact, to a lot of people, it's funny how the things that may have been criticized in the past happened to be the topical comments today in the thoughts. We said about that hard work of making that happen.

We looked at the structure, we looked at the physical plan, we looked at the inflated assets that we have, we looked at the head count we had, we looked at all these resources that this railway had that were underperforming, underutilized, complicating things, driving additional costs, driving additional complexity and impeding our ability to succeed.

And with that said, what we've created over the last six years, the results are pretty compelling. We've created a railway that runs more efficiently. It is low cost, if not, best-in-service, best-in-class, and if not the best, absolutely top of class in this rail industry. That's allowed us to create strong cash flow, from a position six years ago where we were negative cash flow, to produce over CAD $1 billion a year. Why does that matter? Number one, it's nice to be able to pay your bills. Then, number two, most importantly, you've got to drive a return. You have expectations. It's our responsibility to meet those expectations. We got to balance the needs of the shareholder, the customer and the employees, and this company was not doing any of that six years ago. We were in trouble.

So, we reinvented ourselves at this company and it's based on a premise of precision scheduled railroading. And I can tell you, as an ambassador of that, 26 years of doing this, I learned precision scheduled railroading 22 years ago. I learned from the best in the business, I learned from someone that demanded, he didn't ask, he demanded excellence. He demanded you drive the culture to respect the fundamentals that make this operating model work, and that culture is a key keyword. And I know if I don't get this asked once and I've already been asked a dozen times, it'll be another dozen times. Can this be replicated? The answer is yes. If you have the right culture and if you have the right leadership and if you have the right players on the field of play that know how to execute this and that has the intestinal fortitude and the tenacity to make it happen day in and day out because it does not just happen. It's not some catchword, it's not some phrase, we're going to PSR this and we're going to PSR that. It's literally hard skating every day.

We work our tails off, blood, sweat and tears, 24/7, this railroad does not shut down and our responsibilities never change. So, if you don't create the right culture of accountability, the right culture of performance, the right culture of execution, you're not going to succeed in precision schedule railroading. It's just not going to happen. I said this last night, and I'll say it multiple times again, I think about some prolific golfers out there. They can write a book and tell me exactly how to swing the club and how to shoot par golf. The chances of me shooting par golf anytime soon are not remote. They don't exist. I just don't have the skill sets.

Now, can I develop them? Yes. Can I learn? Yes. But I got to have the intestinal fortitude and I got to have the desire and the drive and the motivation and the tone set from the top to make it happen. You have to make this happen. It's called constructive tension, and that's the keyword when I say constructive tension. We talk about it all the time, something I always lean to. A constructive tension that says when you work in this railroad, you don't have to apologize for high performance. You don't have to apologize for having high expectations. You don't have to apologize for running a safe railway. You don't have to apologize for making money. It's our responsibility to make money for our shareholders.

You come to work every day, you know what you must be – what must be done. Individually, we all play a role. And this is a collective effort. I'm telling you, this isn't just about the leader. Now, as the leader, it's my job to set the vision. As a leader, it's my job to let people understand and know what good looks like. And as the leader, ultimately, it's my job to produce results. But guess what, I don't do it alone. Hunter Harrison didn't do it alone.

Any of us that have worked with Hunter, pre-CP, pre-CN, pre-IC, we all understand and know Hunter did not do all this alone, but Hunter had the tenacity and he had the vision and he had the drive to not accept anything else, and he knew this model works. It is a recipe for success. But again, you have to drive it and it's got to be driven with the right culture. So, we've transformed this company.

And I'm telling you now, much like the journey you took yesterday. From downtown, those of you that were able to join us, that rode that train, that started at the glass towers. That was a great financial decision. We were paying CAD $20 million plus a year in lease expense for a building that we didn't own. And probably close to that, from lost productivity time, for everyone that worked at CP that were in – that literally would be in line at the Tim Hortons downstairs, the busiest Tim Hortons in Canada, used to be, I doubt it is now. You eliminate all that. You transform, you come out, you come to a railroad. This is what we do.

Every once in a while, I've got to put this suit on and I've got to get up and I've got to speak to people and I've got to educate and I've got to share our story, and I'm happy to do that. But where I feel most comfortable, is out on that ballast. Where I feel most competent and confident is out on those leads, where I feel like I'm adding the most value. It's not up here, it's on that train doing an inspection trip. And as we go across the railroad seeing opportunities, identifying opportunities, coaching, teaching and training people to do what needs to be done. And once you do that and you start creating that momentum and you get 13,000-plus people on-side with you doing that, that's powerful. It's extremely, extremely powerful but it takes all. It takes the culture of the company to support.

It's not easily done. You don't do it slow. You've got to go fast, you've got to go hard, you've got to believe in it, you've got to be inspired by it and you've got to be an ambassador of it. But if you do that, you can recreate yourself. Much like this campus, this campus is unique. I've been to every railroad headquarters, not in the world but certainly in North America. This is a place of pride for us. This is what we do, as we sit here surrounded by railcars and locomotives and track right – literally right under your feet. Ballast, below the seat that you're sitting in. You're in the middle of it. We're in the middle of it every day.

This campus is iconic. It stands for what we symbolize. Repurposing assets, doing more with less, justifying everything you have. What you have, you do it right, you do it first-class, you do it world-class. We built a world-class headquarters, we built a world-class team. And back to the point I made a moment ago, it's the team. It's not Keith Creel. It's everyone that's in this room that's on the team with me that I serve with. We serve each other. You're going to sense a commitment and esprit de corps, a pride, like you'll not experience anywhere in this railroad.

Some people said something to me last night about the comments I made about each of the individuals. I could write a paragraph about each one of them. Each one of those individuals that were in this room last night, that are in this room today, and they're out there on those leads that are doing what they do day in and day out are world-class railroaders. They believe in what we're doing.

Now, are we perfect? No, we're not perfect. We've certainly have gotten some things wrong. You don't drive the kind of change we've driven as fast as we've driven it without getting things wrong. But from a humble standpoint, if you admit that and you recognize your weaknesses, they become opportunities. Just like these mountains that used to be the weakness, that everybody hung their head on at this railroad. Those mountains are an opportunity because those mountains, to me, when I see it, it's the shortest and it's the fastest route to Vancouver and our key gateway.

So, can I go on flat territory if I go 220 miles out of the route or 300 miles out of the route? Yeah, I could. But you know what, I'll deal with the mountains because time matters in this business. Asset utilization matters in this business. So again, what seems to some maybe challenges. The true reality in the opportunity is all about the opportunities.

So, let's quickly talk about where we stand today. We created some success. The results are compelling. With that success, and I knew this as well and I've done this a few times, when you create success, it breeds success. People get used to that. What it feels good when you're adding value, it feels good when you're creating value for your customers, for your shareholders, for your families, for our CP family, as well as our individual family. That's infectious. It catches on. It enables you to attract talent. It enables you to create an environment that's

hard to replicate, it enables, in a world where there are a lot of opportunities, to make money, but that emotional connection is not easy – easily – you can't replicate it easy. I've lived it once. I lived it in a transformation that led me to here where I felt that connection. And then, when that environment departed, it like left this whole in you, leaves this vacuum.

So, some of you are going to ask these questions and I'll answer it now. Am I worried about challenges in the marketplace where people are going to come and try to take our talent? You know what, I'm not asleep at the switch.

I understand that's the reality. I understand that every officer that works with this company has a right to do well for themselves and for their family. In fact, I take that responsibility seriously as a leader to help them enable them to be able to do that as I do that to mine. But I also understand that if I create the right environment, we pay people the right way, we motivate and we incent them and you create that emotional connection, that team is tight, that team makes a difference. And again, you may look across the street and the grass may be greener, but we've been doing this long enough to know what we have created at this company, what we're going to talk about today and what we'll talk about going forward in the future, especially. And it's not often that you have an opportunity in your professional careers to participate in that, not only participated and experienced, but in a nimble railroad like we run day in and day out to be a key contributor to that success story.

So, let's talk about driving growth. I can tell you I talked about the mandate I had as I came into the job as the CEO in January of last year. I'm, of all people, I understand the capacity that Hunter Harrison had, having worked with him at four railroads and four transformations, I understood the importance of a leader. And some and a lot had said and naysayers had said, well, how do you follow that? You're following a giant in the industry. What I know will become known, I know what to be true today, but history will show, I think greatest railroad of all time. And as I said, an even more remarkable human being and man.

That said, how do you follow that? So, you think about it. It's a bit maybe intimidating to some, and I read about it. Some of you probably wrote about it in this room. And I'll tell you a couple of things, I'll tell you some things you underestimate. Number one, you underestimated Hunter's ability as a leader and what leaders do and what he believed in what a legacy is and what's your responsibility as a leader is. He told me once, he told me a thousand times. Keith, the true legacy of a leader is not how the railway runs when you're there. It's the team you develop and how it runs when you're not. So if you think you've got to be there 24/7, then you're not doing your job because you're not developing the assets, the team, that you're entrusted to develop.

So I knew when I took this job over, he developed the team. We understand the recipe. We had an opportunity, I had the opportunity in the last two years he was here, to effectively create this team. He stood back as well as Hunter could stand back, and gave me the space to operate this railway, to develop and grow this team, and to prepare ourselves for this next stage. So check that box, I was not worried about that.

The other thing you are underestimated is the power of this operating model. Precision scheduled railroading, again, it's not just a catch word. If you engrave it into the way you operate the business and you don't forget where you came from, you don't forget the principles. You don't create all the success based on running a precision scheduled railroad, and all of a sudden, forget that capacity matters and start chasing business just for the sake of growth, for growth's sake, it's not profitable that ultimately not only jeopardizes your credibility with that particular customer you're growing with, but that jeopardizes the credibility and the potential for you to handle all of your existing business. So, you underestimate the power of it.

And thirdly, as I said before, you didn't understand or know the talent of the team that exists at this company and their capacity. And the potential and lead the right way and as they lead the right way to compound and multiply that through 13,000 folks. You just didn't understand. So when I think about following in Hunter's footsteps, it wasn't that overbearing or overwhelming to me. And I'm not going to suggest to say that Hunter Harrison is not the greatest railroader of all time. I'll suggest to say that I know he told me and he left something with me that burned in my brain. Keith, you always leave it better than you found it. And if you develop people – people are the key to this, it's not the model, it's the people, it's the culture – then success is going to follow. That's the true key recipe to success.

So, we applied all those principles. And as we went around, we started looking at opportunities that were

abound. I decided with the mandate that I had and my mandate from the board at that point, January of last year, wasn't restore the company. We were restored. It's Keith now you've got to grow the company. You and the team have got to grow the company. And a lot of naysayers had say, well, Hunter Harrison never grew the company.

Well, when you think about Hunter's journey, Hunter came in for a purpose, he did exactly what he was designed to do and what he was equipped to do at that time, but rest assured, there was another gear in Hunter Harrison. We talked about the things, we talked about the opportunities. Hunter just never had a chance to stay at a place long enough to be able to do it, I think, even back at the CN days, back when Hunter retired. What where we doing in the last two, three years? Anybody have an idea what was consuming us in 2008, 2009? It was the acquisition and the onboarding and implementation of a pretty strategic railroad in Chicago called DG&E. Hunter worked that until he retired. So again, the potential to take this model existed.

For us to come in and apply this model, to this railway, to grow, I knew we needed to do two things. I need to create the same kind of culture in the marketing team that we've created in the operating team. Strong sense of accountability, sense of urgency, produce results in lockstep with the operating department. This is an operating company. It's an operating railway. It's not a marketing company. It's not a marketing railway.

So, you had to have the right leader, leaders. And I made two strategic decisions right out of the gate. I created the Chief Marketing Officer. We named John Brooks the Chief Marketing Officer. John got it. He understood it. I'd worked with him for the past three, four years. He knew what he needed to do to build that team. And he went to work fast and he recruited and on-boarded some exceptional talent. Remember what I said, success breeds success. These people were honored and we were honored to have them on our team. We'll talk about that more. You'll hear from each of those and about their teams. It's not just those four, again, many more others behind the scenes.

The second thing we did, Mike Foran, VP Strategy, Assets, Resources. Mike's job, as I've briefly mentioned last night, his primary job, no harmony, Mike. Create constructive tension. You can either get along with me or get along with everybody else. And if you get along with everybody else and you don't get along with me, the relationship's going to end very quickly. I will constructively end that relationship. And I strategically placed Mike, not by accident but by design, next door to me. With the door – now I remember often, I haven't had to use it that often, but Mark Wallace used to be in the center office, and I'm in the corner office, and there was a door that would open, and even Ginger, she came in last night, she said, what's that door for? I said that door is for – when it was opened, if Mark got called to the office or any of us got called, he only had to do is raise his voice and it traveled over. So, I still had the door, it's open when it needs to be open. The creating tension not just for the sake of tension, but to make sure as we take advantage of our opportunities in the market, that John goes out and sells, that it's the right opportunity. That we can do what we say we're going to do for the customer, provide value to them, and at the same time, provide value to our shareholders and to our franchise. What we onboard and what we develop in new flexibilities, in new opportunities and new service offerings, it has to fit. I tell these people all the time, I tell the team, you can't be everything to everyone. You promise everything to everyone and I promise you you'll disappoint, if not all, certainly most of the people. You got to be honest with your customers, you got to know what you can do.

So, Mike's job is to make sure we continually are aware of what we can do, how business fits our network, making sure that capacity is there to handle it in lockstep with the business, not bringing the business on to figure out capacity later. And I'm telling you, throw mud on the wall and you try to figure out what you need, that's billion, billions and billions and billions of dollars of risk in this business because this is a high capital-intensive business. You get it wrong on locomotives, you get it wrong on track, you're paying for it for 30 or 40 years. Our predecessors pay for their own decisions because they didn't understand what they need. They didn't know what they didn't know.

So, Mike's job is to know. Mike knows and understands how we measure assets. Mike knows and understands how fast those locomotives are supposed to run on average. He knows how many car – miles we're supposed to get per car. He knows fleet cycle times. He knows how many people we need to run at a given level of business. So, design the right product, onboard the right product selectively, make sure we pick and choose our partners so we can help them grow in the marketplace to succeed, and so, we succeed together. So we're part of their success and they're part of ours. That's what creates stickiness and that's what creates in a world where you may

not be the biggest railroad. But if you've got the best operating plan, the best service, low cost and you provide value for the customer, you can leverage your network and win in the markets you should be winning in based on asset turns. That's what creates power. That's what creates value. It's not price. It's service. Doing what you say you're going to do. You can't be all things to everyone. Don't promise everybody everything. Don't bring on business you can't handle because if you do, you destroy the entire foundation of precision scheduled railroading.

There's just no other way to explain it. It's as simple as that. That's Mike's job. Those two together work in lockstep, and I'm often the referee. And the benefit I have, and I'm blessed by this, to survive my previous leader, I learned the business. I learned the network. Matter of fact, I know both networks pretty well. I've been to more towns and cities in Canada than I guarantee you, any Canadian in this room. I've been to places you don't even know exist that are so small, but these networks that go across this vast resource-rich company.

So with that knowledge and with that vision in this operating plan this team collectively all of us together, we've created a whole lot of opportunities. We've created with our operating model a whole lot of capacity. You underestimate the capacity, potential of precision scheduled railroading. When you're taking assets out you don't need, when you take the cars out of the pipeline, when you take the locomotives out of the pipeline and park them, not only do you save money because you're not maintaining them, not only do you speed up the pipeline, it's much like going to work, we may all try to go to work at the same time, the transit time is quite a bit inflated versus if we go in the off hours, right?

So, we create a faster pipeline, assets turn faster, we create surplus assets, we park assets, we don't have to hire as many people because we're running longer trains. We've got fewer train meets. Our physical plant has created capacity in and of itself, by itself. We're creating cash flow and money. We reinvest back in the physical plant. We increase the rigidity. We increase the safety level, we increase the robustness, the productivity potential, the capacity potential of the existing franchise. It's huge. 600 locomotives. This company had 600 more locomotives six years ago than we do today that we paid to maintain. We've sold some, and that's became our replenishment stock, that's why this company has not been in the market buying any locomotives. That's why by design we haven't signed contracts with manufacturers to buy new technology locomotives, because with new technology may eventually come new efficiencies. But there's a whole lot of headaches in between here and there. And I do not want this railroad to be in that space when it comes to a locomotive or a proving ground for technology.

That's like you want your family on a plane that's brand new and there's some bugs in it. It may or may not get you there, it might break down. I don't think you want to get on that plane. Well, I don't want to get on that train. We've got that benefit. Same things when it comes to switches, we're going to show you and talk about we've invested almost CAD $600 million in what I call productivity capacity. It's extending sidings, eliminating redundant sidings, taking out mainline switches, we don't have to maintain them anymore. So, we have immediate savings. We speed things up because we don't have to worry about slow orders. We make things safer because those components don't break under trains, and we don't have derailments. And then we also end up building stock to plan forward. So as we grow the railroad in a profitable, sustainable way, we're doing it at lower cost. It's a beautiful thing.

Again, execute the right way you create tons of capacity, which is what we've done at this company. So now, we're uniquely positioned to grow in a lot of ways. It's a very topical comment, capacity. What's out there? What do you have? Well, I'm telling you now this company and if they did anything right, my predecessors I thank them all, those that are alive and those that may not be, for having the wisdom strategically and we'll talk about that to secure additional room to grow. This chart represents the core network. Just a point of reference when you look at it, the thicker and heavier and wider the red line, the more dense, the more traffic that that may hold.

And if you look at that line going Calgary, Moose Jaw down to Minneapolis. Holy smokes. That actually happens to be over the last five years where we've been investing the most heavily. It's where we've extended the most sidings, it's where we put CTC in. For those of you that remember that CTC increases your capacity, you can move trains faster, you can move them closer, you can move them safer, less human interaction. Safer as well because you create an electrical circuit that is a derailment finder before it happens. Through our investment we've got a more robust network.

The other benefits of this network, a lot of people don't talk about that I talk about often, this thing is very sensitive. Length the haul. You look at that map Vancouver to Chicago over 200 some odd miles shorter than our competitor. And if it's a shorter distance, and I'm running the same gauge, and I'm running the same max speeds, and I'm running at my potential, I'm going to beat him to market every time. Every time, you can't replicate that. Toronto to Calgary, the single largest consumer goods market domestic intermodal market in the country, 200-some-odd miles shorter.

I could beat the competition, the rail competition to the market, to the street, to the warehouse it goes to in the city by a day, because I get here early in the morning 4:00 in the morning because they run 200-some miles longer on their best day they're going to be 8, 9 hours later. Well what happens when you're 8, 9 hours later? What's the difference between getting a container out, getting them de-ramped, hooked up to a trailer and go into destination at 8:00 in the morning versus currently do it at 5:00 or 6:00 in the afternoon. Often times that destination is closed at 5:00 or 6:00 in the afternoon because not all businesses believe in what we believe in which is 24/7. They don't turn assets the same way we do. That matters to the marketplace. Same opportunity for us going from Montreal to Vancouver.

All those areas we've always talked about or heard about how challenged this railroad is, we have the mountains, we need more locomotives, we have snow, we have cold, yeah, we've got all those things. But I've got a footprint that's superior. And those key markets, and those key lanes if we're doing our job, we should be winning them every day based on service and the value that serves, not on price, it's on service and how we can help our customers succeed and grow and help them save money by using us as a transportation solution.

Speaking of growth, and these guys, this team is going to really get into this. Sometimes, necessity is the motherhood of invention. I take you back to the winter of 2016. We were challenged in Vancouver. We were challenged in Vancouver because the way we're handling the traffic. So as Vancouver goes, the Canadian economy often goes. Largest port west coast of Canada. The amount of goods is staggering that it moves in and out of there, so it matters that it's fluid, it matters that it works.

Two railroad serve it primarily, CN and CP. We were the service provider on the south shore sea and service provider on the north shore. We were in gridlock. Coquitlam is in gridlock. The south shore was in gridlock. It was so bad, I remember going to an investor conference at the old hotel in Palm Beach early December of 2016 and I got an e-mail. I got an e-mail from at that point our ex-Chief Marketing Officer and he was – wanted some help. And what he did inspired me. He sent me an e-mail from a customer and you got to listen to the customers and they were demanding a meeting. They wanted Keith Creel and Hunter Harrison to come to China and explain to their senior executive team while the south shore was in meltdown mode and why we couldn't provide service and we were destroying the value in their company.

And if you scroll down those e-mails, you get to the bottom of it I saw there was a picture. And the picture was an article, and James is going to cringe at the back. We were so bad, the West Coast Express which is a passionate railroad that parallels our railroad that my predecessors signed the deal a long time ago to give up our capacity. We have two tracks that go from Coquitlam down to the south shore where we service our customers. Well guess what happens at rush hour, much like Chicago, much like any other major metropolis, probably 10 hours a day out of the twenty-four, its moving passengers and that matters to the passenger and that's important, I'm not going to suggest it's not. But when you're a freight railroad and you need that precious capacity to move that traffic, it matters, it matters more to us. But because it matters to the public and it had become a political hot button, there was an article that was just trashing our team in the press, how bad our service was. People were in an uproar. I guess through the –guess who it came from. Came from my competitor's account manager, he sent it to the customer. He had the nerve to send it to the customer. And I say he had the nerve, because a lot of people didn't understand this then. And this is what we again, motherhood of invention creates opportunity.

It's what had to unwind. We were the service provider on the south shore. We were providing service for and capacity for our competitors, customers on the south shore, and they did the same thing for us on the north shore. So, at a point in time, it made great operating sense. And I say that because I got a little pride of ownership in it. I was part of creating that a decade ago. But it was at a time when business levels were balanced and any time you

do reciprocal deals, co-pro shares balance is key, just like we run a railroad. So, the business mix at the time was balanced, well things had shifted, and I'd sort of lost sight of the pain of that until this happened. I go to Vancouver, I look at it. My brain, my memory is not as good as it used to be, but I start to remember, wait a minute, pull the numbers, look at this, look at that, because we measure everything. I spent a lot of time with the team, Robert Johnson, several of us in this room spent a lot of time on the leads in Vancouver, trying to unwind that mess, light bulb goes off, wait a second, we need to unwind this. I'm providing my capacity for a switch move or for a move in a place that is capacity constrained and not enjoying the line haul.

So not only am I not providing my competition's customers and doing my part for my partner in this case because I'm responsible for their service. I'm failing them and I'm failing my own customer. So I thank that account manager for waking me up to that opportunity. And we went to work over about a month period to reconfigure the south shore. To partner with our customers to give CN back their business, let them handle their own business over their own network and of course CP for our customers over ours. And what we created there, created a whole lot of capacity and a whole lot of synergies and a superior level of service and capacity and opportunity. Because when you started to look at, you start to think about what the challenges were in that location, they're not just constrained from a rail standpoint part of the constrained is trucking as well.

A lot of those containers come in they get trucked off that port. Well, if you've been to the south shore of Vancouver they don't want – you don't want all of those eighteen wheelers going through downtown and it's congested at best. So all of those trucks that you can take off the road is an opportunity, to create capacity. Well, if there's an opportunity to create capacity and it solves the problem for the port, which happens to be a key partner of ours, and we have capacity to be able to do it, we should do it. So we went about and looked and I realized when you see this map I didn't know this, I learned this about this company through this experience. See all those lines, that's over 108 acres of opportunity to grow revenue. That's over 108 acres of opportunity to expand our services, to create solutions for our customers to help them again win in the marketplace, while we win in the marketplace and to create a uniqueness about this network off of our strengths of our franchise that you can't replicate.

So we're going to talk about that. Jonathan's got a very exciting Detroit story to talk about. I'm doing my best not to let the cat out the bag, but this is one that if I go all the way back to when it truly started, I thank that CN account manager for that article because it lit the fire. These situations and ability to have this kind of land to grow, to expand, to not be constrained to do it at low cost for bringing online in lockstep with the business or the power of this transformation and this franchise actually represent, that again can't be replicated.

We continue that story, if we go to Chicago. We all know what Chicago is I live there. I lived through the worst winter of my life in 2013 to 2014. And it was much more about I couldn't get out of my driveway. It was not a very pleasant experience. I'm a prideful person. I like to lead teams that succeed, success tastes good, defeat does not taste so good. I didn't enjoy being called to Washington D.C. to testify in front of the STB to sit up front with my colleagues from the Burlington Northern and have STB commissioners just take shots at me and tell me how bad our company was and tell me how bad we disappointed and how bad we're not succeeding. But I knew at the end of the day, it was much more than just CP, it was the industry, it was capacity, It was an inability with so much business and complexity going into that location to handle all of the business compounded by all the capacity that Mother Nature sucked away. There just wasn't enough resiliency at all in the rail network or in the airports or in the truck. That winter put everybody on their knees. But again, it created opportunity because we learned things about this yard and we learned this facility, Bensenville yard which is co-located literally, you drive road over the top of it as you go down 294, it's next door to O'Hare. Strategically from interstate standpoint again it can't be replicated.

In the capacity that was created by our precision scheduled railroading we didn't need that hump yard, we shut it down. So now, as we grow forward and we look to the future, we develop plans to repurpose that land. We have a footprint there that allows us not only to handle what we handle today efficiently but to grow into the future. And when the business comes, as it does and it will to justify the investment, we have a plan to create a world class intermodal facility, and switching facility, next door to O'Hare in Chicago. And one of the most – the most capacity-constrained interchange location in the world, that's unique. And not far away you see Schiller Park, 75 acre site that was a location that we, for three or four years, shut down, we didn't need it because the level of business we enjoyed with international intermodal and domestic intermodal three years ago didn't justify. Well

with our recent contract wins with ONE and with the growth that Jonathan and his team have been driving domestically and internationally, we need that additional capacity.

So at this point, we have the two centers that we're working that create capacity to be able to provide the service so we can do what we told the customer we would do. But as we recondition repurpose this yard and create this world class facility, Schiller Park becomes redundant. Schiller Park again, where it's located, value of land, opportunity to repurpose, opportunity to sell, that's a compelling cash-creating opportunity for this railroad as we go forward.

Toronto, anybody that understands transportation in Canada understands Toronto. And from a rail capacity standpoint especially when it comes to intermodal, it's the Chicago of the industry. This location that we have at Vaughan Intermodal Terminal where, we're located not only strategically located in a great place, but most importantly adjacent to 150 acres of undeveloped land to grow into at low sustainable cost. So don't think in a world where capacity is precious and where scars are deep and service failures have been many when myself and our team go and meet with customers that have those scars on them that we don't have very active and very rich conversations about what our capacity can do for those customers.

I don't need to go and battle with a city or a town and get tied up in court to be able to expand that footprint. I need a business case, I need a grader, I need some asphalt, I need some rail and I need some leaders to go run it. We can double our capacity in that location, just by the footprint alone. So we talk about low sustainable profitable growth that's compelling value creation. Agincourt Yard, that's our switching yard in Scarborough in Toronto.

Large footprint from where the bowl tracks used to be again, to expand as we develop the business and as we develop our merchandise portfolio to provide services for customers and optionality's that fit right in our footprint. Again, the grading is done, the space is there, I need ballast, I need track and I need people to convert great opportunities.

Wolverton yard, same thing. Wolverton yard is near an automotive facility in Ontario, very strategically located 520 acres to grow into. Jonathan's going to tell you a story that played into a contract win where we created a solution. We didn't chase the price, we didn't chase the business, it came to us because we offered a solution for the customer called Glovis. And concert this with what I'm about to show you outside of Montreal, solved the problem for a customer that again can't replicate it. Very unique, very unique, very sticky, very compelling from value creation.

Bottom right, 750 acres place said Montreal that's part 2 of the Glovis story more to come on that. Piece of land that was bought a long time ago with the thought that you know what we'll build a new yard. We'll get out of the city of Montreal. We're going to run out of capacity. Well guess what happens when you shut hump yard down that you don't need. You've got a whole lot of capacity inside the yard to expand. You got more than you need, I certainly don't need everything that I have yet that in Montreal much less do I need to build a rail terminal at Les Cèdres not in the next 50, 100 years.

We'd have to grow so much it would be exponential. It's something I can't even imagine to be able justify using that, but we own it. So how do we create value? You could sell it. You create value. Part of the solution, the customer is spending the money on the capital to create a transportation solution that helps them win in the marketplace. That piece of land is strategic in doing that. That piece of land is strategic in us growing and improving not only the profitability of our business but the sustainability of our business because that one specific customer if I roll back the time clock two years ago, I had some very tough discussions in this company with a leader that was responsible for those accounts. We're about to lose a large sum of money, millions of dollars.

The first question I asked, wait a minute, I understand how much it is topline, but what's coming to the bottom line? What's contribution of the business? What's profitability in the business? Automobiles, those assets cost a lot of money, if you don't turn them or if you turn them over, they cost a lot of money. Should we really be getting this aside, well you find out when you asked the right questions? And you have the right measures in place you can actually know the answer, we weren't making hardly any money. I could have had one derailment with one car, and I would have lost profitability on the business that we have for the next four years.

I don't get too excited about walking away from business like that. It just was not the right business for this

company. We can't be everything to everyone, but if you fast forward, all that business shifts over the competitor, if you don't have the right capacity, you don't have the right mousetrap, guess what customers do. They're going to come back and they came back, and they came back and they asked for help.

And we said, you know what, we're not going to be your insurance clause. We want to be your partner. We'll help you create a mousetrap. We'll help you create a solution that's going to help you win in your marketplace which in turn helps us win. And we're going to strategically partner together. That contract, those two pieces of land Jonathan will talk about, 100% of that business comes back to us in 2020. And rest assured it's earning its cost of capital. Rest assured we're being paid for the value that that solution represents for that customer. They're saving money, we're making money. That's the power of this opportunity in the room to grow.

Same thing at Calgary, same thing in Edmonton, large pieces of land, Calgary internal to our terminal, you saw it yesterday if you rode the train. We've had that dormant, those 33 acres dormant for the last five years – five and a half years. But we knew and I knew, and I said this before, we've rationalized and optimized the main lines. We still have so much work left to do with our terminals. These are hump yards we shut down. We haven't optimized these yards, they were hump yards. The design of the hump yard is different than the design of the flat switching yard. The leads are different. The machines are different. The way you handle the cars are in them is different. We knew at a point in time, that strategic as Calgary is, it's the center of the cross so to speak; north, south, east, west.

It all comes together going to the west coast. The lion's share of it right here in Calgary. We knew at a point in time if we're going to grow our merchandize business which is part of the strategy that we talked about if you go back and read four, five years ago. We were the bulk railroad. We do well at running bulk. We're proud of it. We own grain. We own potash. We own coal. We move a lot of it. We help our customers win in the marketplace. We take that responsibility greatly, but we also with this machine that we've created where we created a reliable service low cost service and we have this capacity for something called merchandize out there, singles and doubles and 10 car shipments, 25 car shipments, 5 car shipments that are production lines for customers. Where they're producing their product at Edmonton that needs to get to Vancouver or at Edmonton that needs to get to Chicago or Calgary that needs to get to Toronto, but you've got to be reliable. You've got to have good service. And if you do, and you have the value and the opportunity to grow, you can convert an asset like that and you can drive manifest growth, which is what Coby and his team were doing in spades.

Well guess what? When you do what you've got to have the right physical plant. So we are in the process now of starting a two to three-year journey where this thing is going to be optimized. The first step is going to happen before the snow, not before the snowfall as obviously, before it freezes up, because that will be melted next week. Robert knows I've created some constructive tension, they've got the assets, they've got the opportunity, they've got the direction and I provided the motivation, they're going to get that done by December. Isn’t that right, Justin? And we're creating a flat switching lead to be able to reliably switch and provide the service to our customers that Coby has committed us to that we've all signed off on. And to bring business into this terminal from outer terminals to reduce dwell and satellite terminals and reduce cost and control the quality of the product.

In that footprint, same opportunity at Edmonton. It's across this railroad. So with that said, listen, I could stand up here and I can tell you story after story after story, fact after fact after fact, this isn't rhetoric, this is real. This is real as the room that you're setting in this opportunity. We're excited at this company. There's energy in this company. There's opportunity in this company, for us to do well for ourselves, our families, our CP family, because all 13,000 of us do it and for our shareholders, very unique time.

So as the CEO I'm telling you. Somebody asked me this yesterday, did you ever think you'd be the CEO? Never had any idea. I didn't know what the good lord had in plan for me, I didn't know what the opportunities had in plan for me, I didn't know what my journey had in plan for me, but my journey led me here. And our collective journeys have all led us here. The opportunity that is in front of us is real. This team takes it seriously. We take our responsibility to serve seriously. We understand this business we're a team of operating railroaders connected at the hip marketing, connected at the hip finance, connected at the hip IT, connected at the hip engineering. As we grow together, we do it as a team, not one individual. Collectively, we succeed together. So with that being said, I'm going to save additional time for the Q&A, I might turn it over to John Brooks who I

know to be, the most effective Chief Marketing Officer in this industry, to help elaborate and tell our story in greater detail, so you get more of the facts, and more the confidence. And I'm certain two things when you leave here today, number one, you're going to understand our story a whole lot better; and number two, if what we have achieved if what we released this morning gets anybody excited, there's more to come and you're going to share the same level of excitement as an investor that I share as a leader with the honor of serving and running this company day in and day out with all 13,000 of us. So with that said, John come up, turn over the mic to you. Thank you very much.

John Brooks

SVP & CMO, Canadian Pacific

All right. Well, if that didn't get the juices flowing, I don't really know what does. I can tell you it's truly my honor and pleasure to not only serve as the Chief Marketing Officer, but to be up here today to take you through what is the sales and marketing journey of this transformation. If you love the commercial side of the business, if you love strategy, if you love the art of the hunt, all those I guess acronyms then you're going to love the story that I'm going to tell you today. And then you're going to love the A-Team as they come up and walk you through each one of their business units and how they're driving the success and the chapter that we're writing going forward.

A little bit about myself, I've had an opportunity pretty much to meet everybody or most in the room over time but also for those on the webcast out there. I've got over 24 years of railroading. I started my career with the Union Pacific in Omaha, Nebraska. Pretty much spend all my time in the commercial side of the business. I left the UP and spent about 11, 12 years in the short line side of the business. All sorts of ABCs, acronyms there, the IMRL, the IC&E, the DM&E, but it was a time where not only are you a marketing and sales leader at those short line railroads, but as you know, you wear a number of different hats during that time. So it was an important part of my career, but it also lends well to the culture and I'll talk about it in a little bit that we're developing and have developed and that thrives at CP.

So you fast forward, I was part of this executive group that ultimately sold the DM&E to the CP back in 2008 if you recall that. I worked on the transition of the DM&E to the CP and officially in 2010 became a CP employee. So I'm telling you right now there's not many of us left in the sales and marketing team. I had the opportunity to be part of the pre-management change group, certainly was part of the transformation that Keith spoke about and am now in a wonderful position to help write this next chapter. And you know what, the writing's well begun as you saw from our announcements this morning.

So with that, as Keith said, I've reported to him since about 2015, and was lucky enough to be appointed in this role in February of 2017. So I'll tell you what. We've got a great story for you today. It's going to start-off, I want to talk to you about a little bit more depth on our evolution because I think it's critical. You guys know the story. You've written about it almost ad nauseam the transformation that took place on the service side of CP, the operation side of CP, the financial performance of CP, but I got to take you through what was taking place in the sales and marketing team during that time period. Because as Keith described, it's critical that we are tied at the hip. So you got to understand what's in my DNA, what's in the DNA of the team that's out selling and marketing this railroad.

I'm going to take you through that because I can tell you, when I came to CP, we were a commercially driven railroad and as Keith talked about, we've had the switch to that operationally-driven company. And you think about it, it's easy to say but it's really those definitions are at the core of how you market and you sell. It's not going out and selling a product to a customer and coming back to the head office and dropping it to Mike Foran and Robert Johnson's laps and saying figure it out.

I could tell you, I've been with enough other companies that that's the model. You go sell, you go sell, you go sell, you drop it in the operations' lap. That's not how we do it at CP. That's not core to precision scheduled railroading. What we do is the exact opposite. We understand the service model. We understand what we have to sell to. We've simplified our business. We're less boutique. We've developed the sales team that understands the service model that we take out to the marketplace on a day-to-day basis. Let me give you an example and

this one sticks in me. I remember we had a product at CP. It was called our multi-mill product. And what we did is we would take hopper cars from all over our network and bring them into our yards. We build a train then we put them into a grain elevator. We'd allow then that customer to build that train out and then shoot those cars all over our network, fulfill the milling needs.

And I remember I was in the Regina Airport one day, my phone rang, the bat phone, and it was the operating team. And the operating team said to me, what is this product? Do you truly understand the cost to operate this product? What value are we creating for our customers? Are we making any money at it?

I don't know, honestly, I sat there and the phone in the airport and didn't have a lot of good answers at the moment, but I can tell you what did take place. I spent six hours on the phone that day with the operating team. I missed two flights; I had to spend the night in Regina again, which I didn't want to do. But ultimately, we broke down that product to bare bones. We rebuilt then the product that day on the phone based on the principle of sweating the assets; to using our existing train service and ultimately, we created a new product that day and I was able to charge the same price in the marketplace but at much lower cost. And that was core to the principle of selling to an operating model, to selling to precision scheduled railroading. That was really sort of the trigger movement for me as I begin to think about, well, what did we do as a team and how did we have to relearn how to sell?

The other thing we had to do during that journey, and Keith spoke about it, we had to really reshape our book of business. And I could tell you, and I don't mean any offense to anybody by this, we created a list. It was called the dogs with fleas list and there was a lot of fleas out there. We'd spent a lot of time scrubbing these dogs. And I can tell you the list was built on this core principle. One is we had to look at the service we are providing in the marketplace and we had to match it up to the rates and margin that we were earning. Were we creating value for what we were doing? And unfortunately, the list was fairly long.

The learning point for me and the learning point for the sales and marketing team, and Keith spoke about it, was we had to learn how to say no. We had to learn how to have those tough discussions with our customers and honestly say, look, your business just doesn't fit our model. It doesn't mean it won't tomorrow. It doesn't mean we can't find solutions like we did in the multi-mill product. But as a core group of railroaders, sales and marketing railroaders, we had to learn how to say no. And I could tell you, that's not easy. It takes intestinal fortitude. Because as the sales and marketing guy, look, my job is to bring business. It's not about saying no, but to do this model right, to sell right this product, you have to learn how to say no. You have to figure out how to pick your right partners to create that value.

The next thing in – and this was also sort of a key part of this transformation, is we had to then focus specifically on the culture of the sales and marketing team. And I can remember, when I came to CP in 2010, there was about 200 sales and marketing employees on the team, 200. I think we got that down to about 97 during that transformational period and it wasn't an FTE reduction strategy or execution. This was about finding a core group of railroaders in the sales and marketing team that could say no; that wanted to sell precision scheduled railroading. It was reshaping the team from top to bottom, looking at roles and responsibilities of each one of these individuals.

Are we maximizing what that team is doing in the marketplace? And I could remember the first area where we really focused in on with our sales side of the business. In the past, at CP, I could tell you, they were order takers. The sales team was more what I would consider or you would think about it as a customer service team. We sat in the office, we took orders and we handled service issues. So, first and foremost, what we did during that time period is we got the team out of the office. We decentralized them. We got them into the field where our customers are. It's pretty basic stuff. We required them to make a certain number of face-to-face sales calls every week with our customers. The next thing we did is we put in a compensation plan that incentivized the right behaviors for our team to sell. Now, we've talked about that quite a bit. It still exists today, it's unique to the industry, but it incentivizes our sales team and how we want them to sell, depending on the market conditions in any given year.

The other point, I think it's important to understand about our sales team, and Keith would probably say most importantly about our sales team, we made them become railroaders. We had the team become conductors. We

had them to become locomotive engineers. We required the sales team to get out and ride the train, service the customer, spend time in the yards and terminals. They had to learn what they were selling. But it was all part of also creating that unified culture between not only our operating team but our sales team in the field.
Last point I'm going to make on this and then we'll sort of get to the future. I remember in 2015 and I think some of you guys we've spoken about this with, Keith spoke about it on some earnings calls in the past, we created a cold calling campaign. And I think in 2015, we made close to 8,000 cold calls. And I'm smiling because I remember this day and I'll never forget it, I was in Toronto and Keith called me and he wanted an update on where we were in this cold calling process. And I can tell you, five hours of constructive tension because we hadn't made a whole lot of progress at that point. The constructive tension was flowing in that phone call that day. But here's the reason why and here's the point I want to make.

You know what, I think we earned maybe CAD $5 million of business on 8,000 cold calls. So we got a little something out of it, but it wasn't about the CAD $5 million. What I learned that day is it was about creating a culture of accountability, it was about creating a uniformed team towards a common goal and objective. It was getting the entire sales and marketing team rallied around a goal and that's what the cold calling campaign was really about.

So as I think about that – the middle section on the slide, the light blue there, we didn't get it all right.

Actually, we got quite a bit wrong during that period. We ruffled feathers with some of our customers. We didn't get it all right with our employees, but we don't apologize. It was a time in our journey, in our sales and marketing journey, that has ultimately set us up for where we are and who we are today and the success that now you see we're having and we're delivering.

So let's move over kind of to the right box and really get into the meat of what I want to talk to you about today. I remember it was early 2017, and Keith and I were doing a number of investor and analysts – we were doing the speed dating thing where all you guys come in and the door keeps revolving. And I remember it vividly because the time period was demand was overall pretty weak, pricing was pretty weak. And frankly, our competition was having a lot of success in piling on business. And the question that came, and rightfully so from every one of you, was can CP grow? Can CP grow? Can CP convert precision scheduled railroading into growth?

And the answer today, and the beauty in this, the answer that day and the answer today is exactly the same. Yes, we can grow but we're not going to grow for growth sake. We're going to do it in a disciplined, sustainable manner. And I want to talk to you about what that means to me because those just aren't words, right? Those are a succinct plan that we're executing day in, day out that's driving that. Our growth, our performance this quarter is not happening by chance. It's happening because there's a lot of blood, sweat and tears into the succinct plan and how we're doing it in every one of our business units.

So I'm going to talk to you about the right people and culture. I want to get you up to speed on where we stand today on our team. I want to talk to you about our product and how we're executing a succinct playbook every day in the marketplace, how we're on a journey to add accessories to our service in creating a total transportation product and then I'm going to build upon a little bit what Keith already spoke about. I want to talk about what it means to the sales and marketing team in terms of our room to grow.

All right. Right people, right culture. I'm going to go from left to right on this chart behind me. I'm going to – really the ones on the left, I'm going to go through somewhat fast. But I want really then want to hone in on collaboration a little bit. So starting off, high-performance sales culture. I've spoken about this, it was a huge focus during our transformation. From a sales perspective, I consider we're fairly mature, right? We've got a strong team in place. We're in the marketplace. We're in front of our customers. I put us in the late innings of that ballgame. I feel good about that. As I said, we still have the incentive plan in place and we adjust that for year to year for our sales team to drive the right behaviors in how they sell.

Moving to the next bubble, the marketing side. When I took the role as CMO, it was clear to me right out of the chute, this is an area we had to provide a lot of focus on. This is an area that we needed to mature and grow in because as I think about and how we think about the marketing team at CP, to put it in sort of football context, these guys are the offensive coordinators. You watch that football game, you got the guy with the headset and the clipboard in his hand executing the plays, these are what our marketing managers' job is to do. They are calling the plays in the marketplace that ultimately, our sales team then need to go out and deliver. You know

what, we've come a long way in the marketing side of the business that if I had to sort of peg our maturity, I'd still put us in sort of the middle innings of where we are in that development of that team. But I'll talk about them a little bit more in a minute here.

The third thing we had to do, moving across the slide, is we had to realign the business units and we did this in mid-2017 in that we had to create three separate business units, we had to narrow the scope of these teams and then we had to bring in the right leadership to run these teams. So we put automotive and intermodal together. We redesigned our bulk group a little bit, but essentially, that's our grain and fertilizer and potash and then we put arguably what I'd say the toughest business unit together, it's the carload group; it's the Energy, Chemical, Plastics, and our Merchandise business units. So we've built three separate business units and then we went out and got the A-Team to run them. So as Keith already spoke about, I'm super excited you're going to get to hear from Jonathan, Joan, and Coby shortly here as they get in to the details of their business.

So the last area, collaboration. It is what – as I think about who we are, it's what makes CP unique to other service companies. I have spent, as I said, time at other Class 1 railroads. I spent time certainly in front of our customers, time at short line railroads, it's the collaboration. It's a culture that Keith demands. It's honestly what I call our secret sauce. It's the recipe that makes us unique and how we're growing this business.

And I describe it like this. You're looking at most companies and you got individual departments and they're siloed, and they operate within these silos, but they're not necessarily talking between it. At CP, we operate across silos. And we do that and we create constructive tension, it's respectful constructive tension between our groups, but that's how we have the confidence ultimately to go and sit down in front of our customers and drive the growth.

You think about collaboration. What does it get me? What does it get my sales team? It gets them one thing. It gives them ultimate confidence to go down, whether it be an existing account or a new account we're trying to bring onto CP, and we're allowed to – it gives us the ability to sell to them with confidence because we know the power of CP. The entire team has our back.

So I'm going to go into a little bit more detail about what that meant in terms of us delivering GLOVIS as Keith talked about earlier. So here was a customer that was – I'm telling you, right up at the top of the list of dogs with fleas. This is an account that when you looked at it just a few years ago was - had a very high cost to operating model, it consumes a lot of space on our network. Overall, the margins that were getting in that business didn't make sense. And this is a customer we ultimately, as we described, had to say no to. It just didn't fit our model.

Fast forward, we put together the team and we challenged them with creating the automotive playbook. They come to me and they say, you know what, John? We want to take another run at GLOVIS. We think we have developed a model that takes GLOVIS and scrubs them and clean them up and delivers back to us a sustainable profitable customer. All right, tell me about it. Number one, through collaborations with the operations team, we set up where we can operate the GLOVIS business on our existing trains thus delivering them a train service in margin at a very low cost. All right, well, that makes sense.

Number two, and this is where it begins to get exciting and I won't steal Jonathan's thunder, but we wanted to create a backhaul or what we call loop economics with this business. Simply stated, it means this. We're hauling autos out of Eastern Canada or out of the U.S. into Western Canada. We needed a landing spot. We needed a compound in Vancouver that we could land that business to then allow it to be offloaded and reload that equipment to move back into Eastern Canada. So think of it like this, automotive moved west, automotive moved back east. That's a pretty profitable model if you can put it together.

The third component the team focused in on and collaborated with James Clements' team, that is, using our existing landscape and land to develop an operating model that could be operated independent of our other compounds because GLOVIS takes up a lot of space. We can't impact the rest of our customers if, in fact, we're going to bring this business on. It's a core principle. It's a core principle as we talk about crude by rail in a little bit. So we used our landholdings in Wolverton, the Toronto area and Les Cèdres up in Montréal to develop an independent automotive compound structure that allows us to operate that business without impacting other businesses.

So I remember the day, it was a Saturday morning, I was in Denver, Colorado. I was on vacation with my customer, I text Keith, and it was early and I text him and I said we're ready to take another run at the GLOVIS business. And I could tell you, my phone rang in less than three seconds and the discussion was this. Let's talk about - if you're going to do this, let's talk about how we're going to make it sustainable and profitable. And there was about 30 minutes of uncomfortable constructive tension but ultimately, the green light to go earn that business. That's how we do it. We're aligned on the front end, we're aligned at the top on how we want to grow. And ultimately, as Keith said, we're going to start seeing GLOVIS start to bleed on here in 2019 CAD $50 million revenue stream starting up in 2020.

So you've heard me talk about creating playbooks and I just want to go into a little more detail of what that all means to me. As I said, when I took the CMO position in February of 2017, sort of job one for me was to really assess our marketing side of the business. So that first 100 days in my role, I went - personally sat down with every marketing person we have on the sales and marketing team. And I did it for two reasons. One is I had to assess where we were, how mature were we? How much uphill battle was this going to be to get our marketing where we needed to be in quick order?

But the other point was, we began to develop the playbooks. We walked through commodity by commodity and in some cases, customer by customer to develop these documents that ultimately set the priorities of how we want to sell this property. Keith spoke about it. We are not going to be everything to every customer. I just looked at an RFP the team put in front of me just the other day there. I think there were 2,000 cars available to CP. You know what? We bid on about 200 of them. At the end of the day, we don't need it all. We want the cars and the opportunities; we want to put the playbook in place that makes sure the business we win is the business we want; the business that we can create value for our customers but also value to CP and our shareholders. That's what our playbooks do. We go lane by lane, we go train by train. We work every day with Mike Foran's team on figuring out where we have latent capacity, where we're still running manifest trains that are only 7,000 feet, where we can add very low cost incremental cars to our portfolio.

It also has to do with how we utilize this land footprint that we spoke about. Within these playbooks specifically, if we can attract X, Y, Z customer here, what does it mean? I think of these playbooks like this. It's not by accident the New England Patriots are in the AFC Championship game or the Super Bowl every year. Why are they in it? Because on Sundays and Monday nights, they execute the best playbook, the best game plan, week after week. They're unified. The punter to Bill Belichick, they're all on the same game plan.

That's our playbook. We're all in the same game plan and it's unique. I'm telling you, it's unique. It's a unique approach to the marketplace. So when I reflect on GLOVIS, yeah, it's a great win. But it didn't happen by accident. It happened because the automotive playbook said this. It said we need to develop a compound in Vancouver. It said we've got to reintroduce service into Detroit. It said we've got to develop the best-in-class damage prevention for our automotive customers and you know what? It's the culmination of all those things in executing the playbook that ultimately delivered GLOVIS back to CP. So it's not by accident that Shell, we've talked to you about Shell before, was a CAD $20 million customer just a couple years ago. Now, they're a CAD $100 million customer. It's not by accident. We had a playbook. We had a strategy on how we wanted to create and maximize value for that customer.

Last point I'm going to make on this slide about our playbooks. You see that pink vessel in the background on the slide, Ocean Network Express? January of 2017, I went to Toronto. I was tired of losing international contracts. We sat down, we got in front of a whiteboard and we began to build the building blocks of what we needed to do in this space. What was going to be the playbook we needed to execute to ultimately get us in the spot to earn the international business that we want to CP?

I remember it well, it's three days. It was going through every strategic alliance that's out there, looking at every customer, their flows, what ports they were calling, what lanes meant the most to us, where we were most advantaged. Keith talked about those transit times. How do we leverage those? It was about equipment and products we needed to add to that business unit and lo and behold, we put it together and Jonathan and his team have executed it flawlessly over the last year. But that's the other key point. It was a year in the making. It didn't just happen overnight. It was a strategic playbook that drove us ultimately to get to the ability to win this

contract and Jonathan's going to go through that product because we feel good about it not only where our product sets us up today, but as the opportunities start rolling in over the next 12 to 18 months that we're going to win our share of the business we want though.

All right. Let's talk about this total transportation product. It's a real simple concept but I believe it's really core in our maturity as a sales and marketing team. So if you think about service from A to B, to me, it's table stakes. It's what it takes to get in the game and we're a good service provider, but if you think about our customers, they're sophisticated. They want more than just A to B. We all want that Amazon Prime, we want that UPS buying experience.

So creating and maturing as our total transportation product is a core focus to us. It's all the other elements that we build on the service that makes customers sticky to us that, again, makes us unique in the marketplace. And, yes, some of the concepts maybe aren't unique, other railroads have transloads, other railroads are using technology, but is the key elements that this team is going to talk to you about that we believe we can create that are unique to CP that best fit the customers we want to create the value for us.

Just real quick, I'm going to touch on these because the team's going to go into a lot of detail about each one of them. Network development, I think about it like this. This is the transloads, this is the adding the dots on a map but just not any dots; strategic dots on the map that we can operate at low cost. This is about building our relationships with our short line partners. Think about this. CP hadn't hosted a short line event for 10 years. We just hosted 37 different short lines to this building. They were sitting in the chairs you're in today. They represented 20 different states and provinces. We had only over 100 people here. It's an untapped gold mine of opportunity out there and it's the profitable stuff. It's the stuff that Keith spoke about that rides our manifest. The singles and doubles, the onesies and twosies that drive a lot of value.

Enhancing our product offering. Coby and Joan are going to focus in on this. In the grain space, this is about our 8,500-foot grain model and the productivity and value that not only that creates for us at CP, it creates for the grain-handling customers and industry out there, but also the capacity that that model creates to drive more capacity in our western corridor; to be able to handle more intermodal, more potash, more coal, more manifest business. And then Coby is going to talk about product enhancement in terms of this energy train, a train that was developed and put together on one core principle: how do we spin our customers' assets faster to create value for them so we can charge a premium price and provide good service?

The next two items or boxes on there, customer experience and technology, that kind of go hand in hand. So I think of customer experience in this light. Number one, you got to talk to your customers, right? We created a customer advisory council of 19 different customers, big and small, across every business unit. We bring these people to Calgary. We go see them, we hold conference calls with them around creating an understanding of what we need to do to better our product, to make us more sticky to those customers. We've developed the short-term, medium-term, long-term list of initiatives that have come out of that. A lot of those areas that we're focusing on bleed into Mike Redeker's space, the technology side.

The other thing we're going to start doing at CP, we're going to start measuring satisfaction. We're an operating company. We got to know how we're doing. So we're – we've put out a customer satisfaction survey. We're going to do it on a regular cadence. We're going to cover – try to cover as many of our customers as we can to ultimately build our understanding of how we create a better product for our customers.

Technology side. I'm going to say this, our focus the last year-and-a-half in sales and marketing and technology has somewhat been internally focused. You talked to Mike and Mike yesterday over at the OC about how we created the tools on the operating side to create transparency and a better understanding of our operating metrics. We've really spent the last year-and-a-half in the sales and marketing side doing the same thing. We've put the tools together to give to our sales team, so when they're out in front of our customers, they can easily pull up our train performance, our trip plan, how we're doing for our customers out in the marketplace. We've rebuilt the tools for our marketing team, so they can develop quotes quicker so we can get to the market faster.

But technology is just not about that. It's what you heard from Dr. Kyle Mulligan on predictive analytics. It's what you heard from James and Pam yesterday about how we're using bots and auto gate. All those elements are critical in the technology space in bettering our products, and ultimately providing better service to our customers.

All right. Let me talk a little bit about capacity in the terms of how it rattles around from a marketing and sales guy. I think about it like this, it's got two core principles and it drives a third. All right, first and foremost, network capacity. So this is precision scheduled railroading at its best. This is what – it's Mike's job to help us guide where we sell. This is, as Keith would say, precision scheduled. It's the gift that keeps on giving to the marketing and sales team. It creates capacity by itself, and it's all low cost incremental capacity, it doesn't require a lot of capital. So when I look at Q3 results over 12% RTM growth, it's because of this that we can absorb that type of growth.

The second piece is the footprint capacity, and those were the slides that that you saw earlier. Look, that one gets me so excited, and Nadeem is going to cringe when I'm saying that, but the founding fathers of CP set us up well in this space. We've got the footprint, as Keith described, not only in these key yards and terminals to grow our operation if we need to, but we have a sales tool in our kit that you're going to hear from Jonathan, Joan and Coby about, that we're out marketing to our customers. We're not just marketing to any customers, the right customers that we can create value with that footprint for. And you combine those two elements, and ultimately its capacity that makes us unique in how we can sell. Can you imagine being a service customer – or a service provider and going out to your customers, you got all the best products in the world, but if you don't have the capacity to execute it, what are you selling? Hope? We're not selling hope, right? We're selling a plan that we've put together, that we're executing, and now we've got all the capacity required to deliver. All right.

So look – and this came up last night in a number of my discussions. A few of you asked me, well, Keith always talked about CAD $300 million of – CAD $200 million to CAD $300 million of share rebalancing in growth you guys are going to deliver heavy. You obviously got that if you got that. All right. Yeah, we've checked that box. Well, actually the box is so checked you can't see – you can't hardly see the box anymore. And I don't know, were we sandbagging or we're being conservative? Probably both, probably somewhere in the middle, but we've delivered, and this team's delivered and we've delivered on the foundation of our service.

So look, when I think about what these next two years look like, what our multi-year plan looks like, I think of it like this. Given the four key principles that I've just talked to you about today, our people, our playbooks, the journey we're on, and our product and our capacity to grow, we've got to tune that number up a little bit. It's now CAD $300 million to CAD $400 million. I expect there's an additional CAD $300 million to CAD $400 million a year in share rebalance and new initiatives that this team has not only begun to deliver, that will continue to deliver if you think about this multi-year plan. So, I mean, it excites me to see all these logos. Certainly, a lot of these companies are the companies we're delivering this growth with, but the opportunity pipeline is stacked.

All right. So that's my sort of build up to now the opportunity for you guys to hear directly from the A-Team. I think we're going to take a 20-minute break. So, what time does that get everybody back? 10-minute break?

Unverified Participant

At 10 o'clock.

John Brooks

10 o'clock. Right. Go do your thing, back to your seats at 10 o'clock. And then I'm going to introduce Jonathan Wahba to the stage to talk about Automotive and Intermodal. Thank you.

Let's make this happen. Okay. So, now you're going to get the opportunity to hear from the A-Team, and I can't say A-Team enough times. So to lead things off, it's my honor to introduce Jonathan Wahba. Keith spoke about Jonathan's history a little bit last night. I'm not going to go into the gritty details, but what you're going to hear from each of these individuals is they each bring not only a strong foundation in their past lives in railroading, Jonathan five years or so with the CN, but they also bring a diversity in their backgrounds in terms of their experience whether it'd be in the trucking side of the business or as a customer of the railroad. So again, don't underestimate that's the unique attributes of each one of these individuals and how it puts this recipe together.

So, without further ado, ask Jonathan Wahba, there's nobody in this space that has more energy and passion on a day-to-day basis than Jonathan. You're going to love it.

Jonathan Wahba

VP Sales & Marketing – Intermodal and Automotive, Canadian Pacific

Good morning. Thank you, John. Thank you. So, 18 months ago, I was sitting at my desk in Toronto, I was leading one of Canada's largest privately held trucking companies, I was minding my own business, and my phone rang. It was a 403 area code, and on the other end of the line was my old friend, Nadeem Velani, and Nadeem was calling to let me know that Keith Creel was about to be appointed CEO of Canadian Pacific and that they were wondering if I would be interested in joining the organization to lead the Intermodal business.

At first blush, I was flattered, of course, what an opportunity. But as I thought about it and as I talked to Nadeem, I realized I had some personal reservations. And as somebody who had followed CP throughout the years, the reservations were not based on how CP treated its shareholders, which have been exceptionally well during the turnaround phase, but more on how CP treated its customers and its employees. And you heard today, at times we didn't get that right. So I shared that with Nadeem, and he said, well, why don't you fly over to Calgary? Why don't you come over to Keith's house for dinner this week? John Brooks, our new CMO, will be there, and we can have this conversation.

So I got on the plan, I flew to Calgary, I went to Keith's house, and we had that dinner. And I sat down with that team and I explained my reservations to them, and it became very clear to me very early in that conversation that the CP under Keith Creel was a different CP. Much like what had happened at the other railroad when the CEO transition occurred there, CP was turning to a growth story, while still not losing its roots as a low cost provider in the industry. So, that made me interested. And when I heard Keith say that he wanted to grow the franchise, it peaked my interest. So as we went through that interview and that dinner at Keith's house, I shared with Keith and with John and Nadeem a couple of thoughts I had about growth, and I said, if you guys really are serious about growing, you're going to have to do some things that perhaps you're uncomfortable with, that you haven't done in the past. You're going to have to hire some people, you're going to have to spend some capital on the projects, meaning most importantly, you're going to have to tolerate some risks, and that – those weren't things that were occurring in the turnaround.

And as we – dinner concluded we wrapped up that meeting, Keith told me – looked me in the eye and shook my hand. He said, if you join the organization, I'm going to give you the things you need to be successful so long as they meet the minimal capital returns that the company requires. So, with that, I was sold. I went back to Toronto, had an offer the next day, and here I am.

30 seconds on the rest of my CV. As John and Keith mentioned, I spent five years at the Canadian National from 2006 through 2010. Two things I take away from my time there at CN. Number one, I was there during the creation of the Prince Rupert project, which certainly served me well now, leading the international group. And then number two and probably most importantly, and I didn't realize it at the time, I was at CN when Hunter left and Claude came in. I was there as that organization went through the exact same transformation that this organization is going through today, and I'm realizing that's serving me especially well.

After I left CN, I spent seven years in the trucking industry, I spent three years as the General Manager or the Country Manager for Canada at Schneider National, and then most recently I spent four years as the Chief Operating Officer for the Kriska Transportation Group, which is a privately held company based in Toronto.

So, enough about me. Let's talk about the business units that I have the honor of leading. I have responsibility for four things here at CP. I have responsibility for our domestic intermodal franchise, so where we move containers within North America. I have responsibility for our international franchise, where we move containers from overseas through the ports of Montréal and Vancouver. I have responsibility for automotive franchise where we move finished vehicles mostly from OEM plants to destination cities. And lastly, I have responsibility for our business in Asia. We have offices in Japan and in China that roll up through me.

And over the next 20 minutes, I'm going to get into some level of detail about what we've been up to in these

business units and what we're going to do in the years ahead. And there's a common theme that you'll see throughout my presentation, and that's regardless of the stage of growth that each business unit is in, we have a very long runway of growth ahead of us. We have a full pipeline of opportunities regardless if the business unit will be considered mature, mid-innings or lead innings.

So before we get into the specifics of each business unit, I want to talk to you about capacity. Capacity is something John talked about, something Keith talked about, and as it relates to intermodal, I want to walk you through the capacity we have in the franchise so you understand the capability we have to grow at a very low cost. In intermodal franchise, you need capacity in four areas, and you see them on the screen behind me. On the left-hand side, you see unique capacity at the ports. So for those of you that are – that follow the international intermodal scene, you'll know there's been this global arms race over the past decade at West Coast and East Coast ports in North America to get bigger.

Why is that happening? Well, the steamship lines continue to consolidate. We're down to about 10 major steamship lines in the world. They formed three major alliances, and every year they bring on larger and larger vessels, which means the terminal operators at the ports have to increase their capacity to keep up. The largest and most important marine terminal in Canada is a place called Deltaport, it's on Roberts Bank in Vancouver and its run by global container terminals. It was one of our closest and longest serving partners in the supply chain.

GCT at Deltaport this month is finishing a multi-year upgrade project that's going to add over a million TEUs of capacity to their facility. Stated differently, when GCT has finished their work at Deltaport, they will have more – they will have a million TEUs of capacity more than the next largest terminal in all of Canada. So as I look about our ability to handle more growth on the West Coast, I can check the box as it relates to port capacity.

Second, you need network capacity in this business. You need land to run trains on. And John talked about it and Keith talked about it, precision scheduled railroading is truly the gift that keeps on giving as it relates to network capacity. The turnaround from ‘12 to ‘16 created a lot of lane capacity on the physical plant of the railroad. Said differently, we're not racing to get tracks into the ground before winter. We're not scrambling to have capacity to move the freight we have. We already have that freight or that capacity in the ground today.

Third, on the domestic intermodal side, you need containers. And I'm happy to tell you that over the past couple of years CP has been aggressively investing and upgrading and growing our fleet of reefers, heaters, and dry vans. So I don't have any concerns that we're going to get pinched on capacity as it relates to our container franchise.

And finally, and I would argue, most importantly, you need inland terminal capacity if you want to be able to grow. So, why is it so important? Well, remember what I said earlier about port expansions on the West Coast. The ports get bigger and bigger and bigger; the ships get bigger and bigger and bigger; the demand to move more freight faster from the port inland grows. But here's the thing. If the terminals inland haven't been upgraded, if they don't have the capacity to grow, well, then you're snookered. It doesn't matter how fast you can move stuff off the port. You can't process it inland. And this is an area where I believe CP has a true competitive advantage in the Canadian marketplace. You can see on the slide behind me, we put a number up, 20%. We have 20% more capacity at our inland terminals. And what does that mean? We moved about 1 million containers this year. It means it can handle about 200,000 more containers, let's call it CAD $250 million to CAD $300 million more business without having to do anything without having to acquire land, without having doing, but other than really hire people.

So I believe we have a true advantage as you look at capacity. And there is one place in particular that I want to focus on, and Keith touched on it briefly earlier this morning, and I want to take a few minutes to talk to you about this. The video you see behind me, the flight I'm taking on right now is over our intermodal terminal in Vaughan, which is in Toronto. Toronto is the heartbeat of the intermodal business in Canada for both railroads. There's no place that is more important. And there's something very, very unique about our facility in Toronto. If you remember nothing else from my presentation, remember this video. The left-hand side of the screen shows our current working intermodal facility, state-of-the-art, high-efficiency, purpose-built, low-cost facility. The road we're flying over right now is sort of the middle point of the terminal. And all of the land you see to the road on the far right and the road at the far top of the screen, that's all ours. It's a 165 undeveloped acres, shovel ready, ready to go.

Why is that unique? Well, it's unique because we're the only ones in the marketplace that have this. We don't have to ask the government for permission to do so. We don't have to acquire land. We don't have to spend a couple hundred million dollars to build a new terminal, and we don't have to fight with NIMBYs who are up in arms in Toronto about expanding projects. We are unique in the marketplace with our ability to grow in Toronto. Said differently, we don't have years of capacity on the slide behind me. We have decades of capacity on the slide behind me.

So when you layer in the port capacity, the rail capacity, our investment in containers and our capacity at our terminals, I think it's very clear and hard to argue, we can grow on this franchise. So if we establish that we can grow, now the question is, what are we going to do and how are we going to do it?

So let's switch gears and talk about these three business units. The first business unit I'd like to talk to you about is our domestic intermodal franchise, that's where we move containers within North America. And as you can see on the screen, we've put up some pretty impressive numbers. A 6% compounded annual growth rate for five years running. This is a business unit that is now getting within spitting distance of CAD $1 billion in revenue. So this is fairly significant growth.

So you probably have two questions. You're probably wondering, well, how did you do that? And can you keep doing it? So let me address those two questions. How did we do it? When Keith got here in 2013, one of the first areas he got after was the domestic intermodal franchise. And as he alluded to in his opening remarks, he and the team realized that if we're going to grow, the competition isn't the other railroad. The competition is the highway. That's the large part of the market share, that's where the growth is going to come from, and that's where we have to focus on.

So Keith and the operating team executed PSR to a tee, and improved the on-time performance of our transcontinental domestic intermodal train. That's the train we call 101, from what was a laggard to a leader in the industry. We get from Toronto to Calgary and then on to Vancouver faster than our rail competition. We get there faster than a single driver truck in an ELD environment. So what does that mean? What have we been able to do? Well, we've been able to attract a very unique, very sticky customer base because of that. You'll see some buckets up on the screen behind me. You see the UPS truck. So I'm proud to tell you that if you ship a package in Canada today, from Toronto to Western Canada, and you don't select the air box, it's almost universally going to ride on CP, whether it's UPS, whether it's Purolator, whether it's Consolidated Fast Freight. The time-sensitive small package in LTL companies of the world are riding on CP, because our service is so reliable and we have available capacity for them.

You see a Home Depot picture there, a retail picture. Whether it's Home Depot, Canadian Tire, Loblaws, TJX, CP is the leader in the retail space. And again, why is that? Because these retailers operate in a just in time environment. They value that extra day of transit we can save them by riding on our railroad. You'll see a logo up there TempPro, pretty pictures of fruits and vegetables. That's representative of our temperature control division. CP has the largest fleet of refrigerated containers in Canada. It's the youngest fleet and it's equipped with the most advanced telematics in the world. What that has allowed us to do over the past five years is attract time-sensitive, perishable shippers; fruits and vegetables, poultry, pharmaceuticals, you name it. It's riding on our railroad and it's riding on our railroad in spades.

And then the last thing about our domestic franchise, you see the colocation, you see a picture of Canadian Tire up there. And John referenced our forefathers buying a lot of land. Because we have some excess land in our terminals, we've been able to invite some retailers to co-locate with us, Canadian Tire co-locates with us, Home Depot co-locates with us. So what's – so, what? He makes them sticky to our franchise. It means the dray cost to them to go from the ramps to their building is CAD $50 instead of CAD $200 to go across the city. It means we can weather the ups and downs with those customers because they're co-located with us. So, the question you're probably asking is, great, – that's what you've done for me lately. What are you going to do next? Can you keep growing? And the answer I'll say is, undoubtedly, yes. And there's a few things driving our growth. I'm going to explain how we're going to create capacity to do so. You're probably wondering about the Amazon effect. How does that affect the railroad? And here's the nice thing about our business. As the consumers' habits change in terms of how they want product delivered to their home, some consumers want to buy it from Amazon, some want to buy it from Home Depot, some want to go to the store, some want it to their home, some want it to

their offices. The beauty of our network is because we have the courier base and because we have the big box retailers, however the growth comes, it's coming to CP. Everybody wants things faster, and because our network delivers that and because we're unique in that regard, we're not concerned about the shift in consumer behavior in years to come because we believe it's going to come to us either way.

So that's what we've done and that's sort of an outlook on the future. The question is, how do we create capacity? So I'm going to outline a product or a project we've been working on it at CP and I'm going to share with you publicly for the first time. We call it Intermodal Demand Management. I admit it's not the sexiest title, but it very clearly describes what we've been doing. And to understand the importance of this or why this matters, I need to take you back in time 30 years to what intermodal looked like in the 1980s. In the 1980s in Canada, neither CN nor CP had embraced PSR. So the intermodal service was not reliable, it wasn't very fast, but it was cheap. So what happened over time is that customers realized if they moved a load on the railroad on Wednesday, Thursday or Friday going to Western Canada, they could use the weekend days to make up for the sloppy or slow transit. So product could get there on Monday. But for anything that has to get there in a hurry, it went over the road.

15 years or so ago, both railroads came to the realization that maybe if they offer the customers a discount at the start of the week, day of week pricing, and then they could smooth out that demand curve; and they had some success with it, but not a lot. So when I arrived at CP, one of the first meetings or conversations I had here was with Mike Foran who's the gentleman, Mr. Creative Tension, and Mike and I had a long conversation about state of our intermodal franchise. And Mike said to me, he's like, Jonathan, this is ridiculous, we have these huge long trains on Wednesdays, Thursdays and Fridays, and little baby trains on Sundays and Mondays. You've got to fix this. We're not going to start more trains until you fix this because there's a latent capacity you're not using.

So Mike and I decided that we would take a small group of people from both of our teams, and we created a little skunkworks. We didn't tell John, we didn't tell Keith. We just kind of put them in the corner and said, hey, figure how we're going to solve this problem once and for all. So the team went to work, and they went out and they talked to our customers, and they said, you know, customers, our train, you can set your watch by our train, but we still have these big troughs and valleys, why? And we found, we were surprised, two-thirds of all the traffic we delivered in Western Canada on any particular day didn't need to be there that day. It need to be there the next day or the day after. We were hurrying up to wait. So we said to those customers, if you keep your transit time the same, but you tell us the “RAD” date, the required at delivery date, and you give us the equipment, you give us the containers, you give us the shipments, let us decide what train on what day the freight goes on, we'll get it there when it needs to be there because the trains are so reliable. A small number of our largest customers said, okay, we'll try this little pilot project out.

The project went really well for us. We, just with pens and paper, were moving around a couple of hundred loads a week. It went so well that we actually decided to tell John, Keith and Nadeem about it. And we said, hey, give us a couple hundred grand, give us a little bit of money, we're going to hire a person, we're going to get little more sophisticated and try and bring some more customers into this. And that went really well. So we went back to them and said, okay, we got to get Mike Redeker, Head of IT, involved. And we'd like a little bit more money, like CAD $1 million. And with that money, we want to take this from an idea to the future, full-blown production. This is how we're going to price and sell our service. We're going to get rid of day-week pricing from now on. So we did that. And Mike's team did an incredible job.

And today at CP, we run our own custom algorithms that decide what box gets on what train on what day. Humans don't make that decision anymore. The old concept of reservations that the rest of the industry uses, we have abandoned. Today, we price in a dynamic way to our customers. So, in the past, the rates at Calgary was fixed, really like the post office. You put a stamp on it, one rate, one service. Today, we're selling it like we're FedEx. At FedEx, you can get it there tomorrow for 8 a.m., 9 a.m., noon, 5 p.m., second day, third day. You can pay them a little more if you want a signature capture or you can get a bit of a discount if they just throw your package on the porch. That's how we're pricing now our domestic intermodal business.

And what's – so what's the so-what of all this, right? Great story, Jonathan. What does it mean? Take a look at this chart behind me on the right-hand side of the screen. This is a chart from August 2017 and every dot represents a train. On the left hand side is the train of the first day of the month, on the right hand side is the dot

on the 30th of the month. The axis on the left hand side is the length of the train. And what does this show? This is last summer, it shows that classic peak and trough cycle we've had for 30 years. Monster 12,000-foot trains on Fridays and Saturdays, the little baby 6,000-foot trains on Mondays and Tuesdays. That's not scheduled precision railroading. The trains would leave on time but it's inefficient. It's wasteful.

This is August 2018, the red dots. This is a fully automated demand management environment operating. And look at the difference. The variability of train length has gone from 6,000 feet to 500 feet. Every single day we run a 10,000-foot train from Toronto to Western Canada. So think about from the operating side what that means. It means horsepower, locomotives, crews, maintenance, scheduling. Every aspect of our business is now perfectly planned and balanced. What does it mean from a revenue perspective? Demand management in the domestic intermodal franchise has generated CAD $50 million of low cost incremental capacity on this network. We didn't have to start another train, we didn't have to hire more crews, we didn't have to buy more locomotives. We just changed the dynamic in terms of how we price. So if I go back to that earlier question, can we keep that 6% CAGR going through this multiyear plan? Undoubtedly. And we're going to do it in a low cost manner that protects our service model.

So with that, I'm going to switch gears on you and take a quick sip of water. And I'm going to switch gears and talk about international intermodal. So if our domestic intermodal franchise is what I would consider a well-oiled machine, getting very sophisticated in terms of how we price the business, international intermodal was not in the same space in early 2017, and John alluded to it. It's when I joined the organization. In fact, we hadn't won an international intermodal contract in eight years. During the turnaround, it was a part of the business that was purposely de-marketed. But during that dinner meeting I had with Keith, John, Nadeem at Keith's house, I said to those guys, guys, we can grow this franchise. The market share has gotten out of whack. If we invest in the product and if we invest in the service, I think we can win in the marketplace again. So let me take you through some of the specific things that we did as it relates to international intermodal to enhance the product. And really, the team came up with three things we had to do. We had to improve our reach. So we can't go everywhere. We're not going to be everything to everybody, but we had to go through a few more spots than we did on January 1, 2017.

Number two, we had to improve our product. It's an area where our competitor had us beat. And then number three, we had to get out, get around the world, get to Asia, get to Europe and tell our story. So let me walk you through some of these items in a bit more detail. So from a reach perspective, as Keith shared with you, coming off Vancouver, coming into the heartland of the continent into Chicago, into Toronto and into Minneapolis, nobody gets there faster than CP, shortest route miles, most predictable service. But we heard from our customers a few more dots on the map would be nice, because that's what the customers in Asia or in Europe want.

So we went – John talked about collaboration. We sat down with our operating teams, with our finance team and said, where can we put some dots on this map? And a couple of spots emerge. One of them was Detroit. We had a service in Detroit pre-2012 but it got shut down during the turnaround, because there wasn't enough volume. We went to Hapag-Lloyd, our largest customer, and said if we turn the service back on would you use it? And they said, well, it's got to be faster and more reliable, more consistent than what's available in the marketplace today. Our service design team came back to us and they blew our socks off. They said, with our PSR model, we can get to Detroit 48 hours faster than the competition and we'll do it seven days a week. We'll do it on existing trains at a very low cost base.

We took that back to Hapag-Lloyd, we told them this is what we can do. They said, okay, you turn it on and we'll use it. Today, our Detroit service just a year in is generating over CAD $1 million a month in revenue, riding on trains that were going anyway. The Ohio Valley is another dot we put on the map just this past summer we moved our first boxes into a ramp in a place called Jeffersonville, Ohio. What's unique about Jeffersonville? Two things. Number one, it's 35 miles from the Honda assembly plant in Marysville. And number two, it sits right in the heart of the largest soybean growing region East of the Mississippi.

Now how do we get to the Ohio Valley? We get there via partnership with a shortline which John mentioned earlier. The Genesee & Wyoming had a dormant intermodal terminal there. They offered it to us for our use. We were able to sign a deal at very attractive financial terms to CP. And it allowed our marketing team to get out

there and say we've got another dot on the map right in the breadbasket of mid-America, which is really our stronghold. So I've summarized in a few minutes, it was a lot of work at the time, but we put two important dots on the map as it relates to international intermodal.

The heavier lifting though came around the product, and as I said earlier this is definitely an area where our competitor had us beat. We were laggards and they were leaders, and we said, if we're going to be in this space we need to become the leaders. So there are five things that we went about fixing and we said we've got to do it in a short amount of time so we're ready for the next contract cycle.

The first thing we talked about you see the picture behind me was need to reinvent our refrigerated product. So in international intermodal you'll see white containers moving around continent and those are refrigerated. They run on electricity that powers a refrigerator that keeps the product inside cold. On the railroad we had a fleet of these boxes, these are big power packs and we had 28 of them, and I'll admit they were junk. They were at the end of their lifespan, they had no telematics on them. We were laggards in the industry. So we made the decision. We're going to become leaders in the industry, and in 2017 we retired the entire fleet and we announced the largest purchase of gensets in railroad history.

We equipped our gensets with the most advanced telematics in the world. So now our customers cannot just see the basics like where's their box, they can see things like the quality of electricity being pulled to their specific unit. And why that's important, because if the quality of the electricity is poor it means something bad is about to happen which means we can react ahead of time and save that load. So we went overnight from laggards to leaders in this industry.

The second thing we said we had to get after was our terminals and many of you yesterday would have had a chance to see Pam Arpin and her give a demonstration of our FastPass. And as a Pam probably told you yesterday we were the last Class I to adopt automation at our intermodal terminals. Sometimes being last is advantageous and this is certainly the case. In the 1990s and the early 2000s, our class one competitors went to automated gates but their automation largely focused on biometrics, drivers would scan their fingerprints, their retinas would get scanned. And what those companies failed to have the foresight to realize is that using a mobile application gives us access to big data. It allows the truck drivers to see how long is the line. It allows us to offer surcharges or discounts to try and smooth out that demand. We again have gone from laggard to leaders as it comes to getting in and out of our terminals.

And why is that important relative to international intermodal? Well, for the steamship lines, the biggest challenge they have in North America today is purchasing dray. The ELD situation in the US, the driver shortage has pushed dray prices through the roof. So if we can say to those steamship lines, it'll take you seconds to get in and out of our terminal not minutes or hours, that makes us an advantageous carrier for them and it gears them to want to do more business with us. So again, laggards to leaders.

Number three, we had to address a problem with the border in the United States. So when our trains cross the border previous to us installing this new little terminal and portal, the trains had to stop, be broken apart, cars were sent off, trains put back together and off they went and that would take hours. And if we were to have the fastest, most reliable service from Vancouver to the United States, you just couldn't have that. So we installed a small intermodal terminal at a place called Portal which is where the Canada/U.S. border is. This is where our trains cross. And so now if U.S. Customs says we'd like to inspect the container, we simply plucked that container off as the picture behind me shows, put it on the ground and the train keeps going. Trains stop today for CP at Portal for an average of 12 minutes, allowing us to give that reliability and the surety of the fastest transit time across the continent.

Number four, we had to get to Asia. I'm not sure if John mentioned it this morning, and we talked about it last night. So one third of CP's total book of business somehow touches Asia, whether it's the raw materials that we pull out of the ground and export over to Vancouver, or the finished vehicles and consumer goods products that we import from Asia, over CAD $2 billion our franchise touches Asia yet up until 2017 it was largely ignored by CP. So we made a strategic decision in early 2018 to open a new headquarters in Shanghai. Further, we made the decision to put an expat over there, a gentleman named Corey Heinz who reports up to me is our Managing Director for Asia and he's there in Shanghai. Corey's got oversight of our office in Shanghai, in Beijing and in Tokyo. And what that means is we are now instantly closer to our customers. We're responsive to our customers.

We're not making the token trip every six months, but we are deep in their businesses, meeting their customers in their supply chain. As we want to sell this product around the world, the reality is there are no steamship lines based in North America. They're all based in Asia or in Europe. So by making this strategic decision to invest in an office in mainland China we're getting that much closer to our customers so we can tell this wonderful story to them.

The fifth and final product enhancement we had to make in the international intermodal space was an transloads or on exports. So for those of you that are familiar with steamship lines, you know they look at economics on a global roundtrip basis with the cost from Shanghai to Toronto back to Shanghai. So one of the things the railroad can do to incent a steamship line to come on to our franchise without lowering price is to have readymade exports somewhere on your network. And again this is an area we didn't focus on during the turnaround for obvious reasons. So we challenged ourselves to where in our network can we do this? Where would it be most impactful and where can we do it in a low cost manner? And the answer is Vancouver. This picture behind me is our facility in Vancouver.

So when I started at CP in 2017, a month into the job I went to Vancouver. My team was touring me around our facilities and we drove by this building. It was empty. It had a for sale sign on it. And I asked my team, what's that, and they said that's an old rail served, collocated building that we don't use so we're going to sell it. And a light went off to me and I took it back to my team and said could we build a transload here. I took it to the Coby's team, the merchandise group and said, could we get our customers to ship pulp into this, and the answer is yes. It's our building, our land, already rail served, minimal capital investment required to turn this facility back on so we did.

Some of you I had the pleasure of taking for a tour through there earlier this year, and as you'll recall on that tour, you saw that building was full. Full to the brim of pulp. So today we're exporting pulp into our 40-foot containers for our steamship customers and off they go to Asia. So you say it was a nice story, but Jonathan, transloading has been done in BC for 50 years, what's unique about this place? What's unique about this place is the best mousetrap from an economics perspective on the West Coast.

So here's your options for transloading in British Columbia today. You can do it in the interior, you can do it in Prince George, you can do it in Prince Rupert. What's nice about those places? Well, you're close to the origination of the product, you're in the forest. But the problem with those places is there's no supply of 40-foot containers because there is no population. So where do the containers come from? They’re railed hundreds of thousands of kilometers from somewhere else out there.

So it's an okay model, but it's not most efficient. The other option you have is you could transload in Vancouver. There's a large local population. But the problem with Vancouver for those of you that live there is that the trucking costs in Vancouver are the highest in North America. A couple years ago the truckers went on a wildcat strike and the government came in and posed a heavy hand and said we're going to regulate this business. So dray move costs CAD $250 bucks, it's wildly expensive. This transload you see behind me offers the best of both worlds. It's rail served on the carload side and it's rail served on the intermodal side.

So if we look at an import retail transload move, in the old world Canadian Tire will bring in a box to Deltaport. It would get trucked for CAD $250 bucks somewhere into Vancouver, transloaded into one of our containers and then trucked to our terminal. They're CAD $250 bucks across the city. In today's world, that Canadian Tire 40-foot import comes off the ship at Deltaport and it's railed to our terminal. It doesn't touch a truck. A much lower cost and a much greener option. We transload the 40-foot into a 53-foot, and it's already at our terminal. We shunt it across the yard, we don't touch a public highway. So we're generating tremendous economic value for our customers at a very attractive margin to CP.

So you put these five things together on the product side. We reinvented our temperature control business. We went from lager to leader in terms of getting into our terminals. We put a live lift on the border. We've sharpened our focus on Asia. We've built a best-in-class transload. And we put new two dots on the map. What was the end result? The end result was this big beautiful pink ship, Ocean Network Express, that John talked about. This is the combination of three Japanese legacy carriers, MOL, NYK and K Line. This is a CAD $135 million win for Canadian Pacific, which CAD $85 million was net new directly from our competitor. And I can tell you, we didn't win this

business on price. We won it because our product was better and because this customer values the precious capacity that our railroad has.

We made a commitment to this customer that we wouldn't get oversold, that we wouldn't get bogged down and we wouldn't let their containers dwell on the dock in Vancouver. It's proof positive to me and hopefully to you that the enhancements to our product show we're back in this business. So last night at dinner at table 10, my table – looking for you table 10 – you're pestering me about what the future holds. ONE is great, but what's next, Jonathan? I told you I had a slide so hopefully you got a little bit sleep, you're so anxious to see this.

Here's the slide I was talking to you about, table 10. The top side of the slide shows the current CP book of business; ONE, Hapag-Lloyd, Hyundai and COSCO. This is our current customer base. And what's important to note about this base is we are locked into contracts with all of them through 2020 and beyond. Said differently, the risk of losing business here is low. In fact, I'd argue the risk of organic growth because the quality of our service is high.

On the bottom side of the screen, you see the available market: MSC, CMA, ZIM, Yang Ming, Evergreen. It's about the entire international intermodal community, but it's just the lumpiness of when contracts come up. And through 2018 and the first quarter of 2019, these five carriers' contracts expire with the incumbent which is not us. Collectively, that book of business is worth somewhere north of CAD $600 million, it's a lot. So the question you're asking is, are you going to win that business? I want to tell you unequivocally the answer is, no, we're not going win all that business. We have zero desire to win all that business. It will be wildly irresponsible to our current customers to try and swallow that much freight because we don't have that much capacity.

The other thing important to note is not all of these companies value our precious capacity. Some of them see rail services as a throwaway commodity and that's fine. The takeaway, though, is those aren't the partners that we're going to pick. Those aren't the people we're going to do business with. Over the past year and through the year ahead, my team and I have been traveling the world meeting with these customers, telling them our story. Some of them are really interested in it, some really only care about price. So we'll see how the year unfolds. I don't want to make any predictions, but I'll leave you with this. Do I think a year, a year and a half from now at least one of those logos in the bottom is going to slide up to the top? I have absolutely no doubt.

So if international is in a place where we've had a big win and I think the future is pretty bright, automotive is probably the one business unit that was the least evolved of the bunch. And again, this was by design as during the turnaround, it was a business unit that we purposely de-marketed from. But as we enter 2018 and John made the decision to realign the business units and move automotive over to international, it was an area that we felt if we applied the same discipline and the same playbook that we applied in international intermodal, we could probably have some success in automotive.

So from a structure standpoint, we got kind of lucky with the characteristics of these customers. In the automotive franchise, there's just a few big players in the world, a few in the U.S., a few in Europe and a few in Japan, in South Korea. Very large contracts. They don't come up very often. That's very similar to international intermodal. So the gentleman who leads the international intermodal group for me, we put him in charge as well of the automotive franchise and we said, take the same playbook, take the same approach. So that's what we did.

So in early 2018, we went out and we saw the automotive customers, the OEMs, our customers and the ones we don't do business with. And we said, hey, we want to get back into this space. What do we need to do? Like in international, what do we need to do to improve the product or the service? And what we heard was very surprising. We heard, we love your service CP. You've got the lowest damage ratio in the business. You've got great car supply. You've got great on-time service. We're really quite pleased with you as a company. We said, well then how do we grow other than just waiting for your contracts to expire? Every single one of them told us the same thing. They said if you can fix one problem, we'd like to do business with you.

And that problem is this, for those of you not familiar with Vancouver, this is a picture of Annacis Island. It is the only automotive compound in Vancouver and it serves two purposes. It receives inbound imports from South Korea and Japan, and it's the destination terminal for any cars made anywhere in North America. And as anybody

can tell, even if you're not familiar with automotive compounds, it shouldn't look like this. This terminal is oversold. It's beyond full. It's way over its stated capacity. But the problem in Vancouver is there's no land so this is all the market has to deal with. The problem with a terminal like this is that because it's so crowded, you end up with problems, you end up with poor service. It takes a long time to get vehicles and railcars in and out of there. It's expensive, it's the only game in town. It's got a high damage rate because it's so jam packed.

So our customers told us, if you could fix this problem, we'd do business with you. Just as an aside, I did not charter a plane to take this picture. I was – Keith wouldn't allow that. I was flying into Vancouver a few months ago I had an aisle seat. So I will submit it to Apple for one of those shot from your iPhone awards. So we took this back to our service design team. We took it back to finance, we took it back to real estate and we said, team here's the problem, do we have a solution. And you recall earlier, Keith had a slide of Vancouver. And so we looked at our Vancouver footprint, our franchise. And a plot of land jumped out at us, right there kind of in the middle of the screen, I'll highlight it on the next slide.

We have 20 acres. It's ours. We can develop it as needed. And we thought, hey, could we build an auto compound here? Could this be the solution to Annacis Island. So that collaboration approach that John talked about, it kicked into high gear, finance, real estate, sales and marketing. Could we do something here that needs our minimum capital requirements, our minimum return on investments that make sense in the marketplace? And the answer was yes, we thought we could. So I remember this day clearly, I remember running to John, Keith and Nadeem, so happy I've got this business case in my hands to say, gentlemen look, we can build a compound here, we can fix this problem, we can win new business and I'll never forget Keith's answer. He said Jonathan, we don't build compounds on hope. We don't spend shareholder capital on hope. We only spend it if you have guaranteed business. We're not in a hope business.

And so they sent me away and said if you can sign an anchor customer, let's just build the whole thing. Sign an anchor customer, lock them into a long-term contract, underpin the financial cost of the project and de-risk CP, you could have the CAD $15 million in capital you'll need to build it. So myself and my sales team we went back out to those OEMs, we told them our story, we said, hey, we'll build it but it's not going to built in the hope you come, we need somebody to sign up. So today I'm very proud and pleased to make two public announcements. The first is that we are beginning construction on our auto compound this month and – that was Keith clapping. Thank you. The second and probably most important announcement is that we have an anchor customer, and I'm very pleased to announce for the first time today that anchor customer is Ford. Ford is not a company who does a lot of business with today so this is a big win and we're excited about it. I can't share many more details about the value of the contract until a later date, but I can tell you this. When this compound is fully operational and when we fill it and I have no doubt we will, the compound in total will generate CAD $50 million of incremental business for Canadian Pacific. Low cost, high service, sticky business that we're going to have for years to come.

So back to my buddies at table 10, same question, what are you going to do next? On the top left hand side of the screen, you see Toyota, Honda and Glovis. Those are our three anchor automotive customers. The good news, just like International, we're locked down with that customer base through 2020 and in some cases beyond. So again said differently, very little risk of market share erosion, very high chance of organic growth. At the bottom you see the available market. And just like international, it's lumpy. These contracts come up every three years to five years, but in 2019 and 2020, there's a big tranche of freight coming available.

How do I feel about it? Same answer as international. Are we going to win everything? Absolutely not, no desire to. It would be irresponsible. But are we going to win some business from there for those customers who value capacity and service, especially if you think about what we're doing in Vancouver? Undoubtedly. I've got confidence we're going to slide to one of those logos up to the top of the screen.

If I reflect back on that first dinner conversation I had at Keith's place 18 months ago, and if I'd been told 18 months ago that a year-and-a-half from now we would accomplish so much at this franchise in such a short amount of time, I don't think I would've believed it. What I didn't realize at that meeting was the caliber of the team here at Canadian Pacific is second to none. The operating team, the finance team and the commercial team that I have the pleasure of leading a chunk of is the best in this industry. And so I'll leave you with this comment that there's a big pipeline of opportunities that are put up there on the screen. I have very little doubt that were

going to see some success along the way and that the results we announced this morning are truly just the beginning for what this franchise is going to deliver.

With that, I thank you very much for your time and your attention. We're happy to take any questions at the end and I'm going to pass it back to John. Thank you.

John Brooks

All right. Well done, Jonathan. I told you this – there's the energy and passion, I told you there was a uniqueness. I mean, what VP of Sales and Marketing takes iPhone photos outside of Air Canada flights. That's unique but that's who Jonathan is, that's who we are as a team. We're constantly churning.

All right. So without further ado, I'd like to invite up to the stage our second speaker. So Joan Hardy. Joan Hardy is our Vice President of our Grain and Fertilizer Business Unit. I got to tell you, Joan brings with her – she's our newest member of our team. She started in March of 2018. She brings with her a ton of experience and knowledge. She'll talk about it, but 21 years with Canadian National, the marketing side of the business, the operation side of the business, the customer service side of the business. She comes most recently from Richardson International, again one of our largest grain customers, where she led that supply chain group. And I can tell you – and I'll tell you this, I've sat across the table as the railroad and customer from Joan a number of times. There's nobody that brings more knowledge, integrity and passion and grit and toughness to that negotiation table than Joan.

Come on up, Joan.

Joan Hardy

VP Sales & Marketing – Grain and Fertilizer, Canadian Pacific

Well, good morning. It's certainly great to be here with you this morning and I have enjoyed the chat that I've had with many of you over the last couple of days. In fact, I kind of feel like I told my whole story to some of you because you asked such great questions about our bulk business. So as John mentioned, I've been here for about six months now, and through that time I've had the opportunity to meet most of our key grain and fertilizer customers and have the chance to talk with them about the opportunities that we have in our business together. And I'm pleased to say that their outlook is very positive. Their outlook is positive on CP and the relationship that we have with them, and also positive about the shared future that we have with them together.

So, I'm the newest member of this team but I'm certainly the veteran of the team. I started my railroading career in 1985, and that's when I graduated from Mechanical Engineering at the University of Manitoba. And as I was going through school, I had always envisioned that I would be heading west when I graduated out into the oil patch. But there was a bit of a slump in the oil economy at that time. And so, I ended up taking a job with CN in Montréal. And I have to say that that was a great decision that I made because I have found that railroading makes for a fascinating career, one that gives you insight into so many different businesses and different segments of the economy.

So, my first 10 years at CN were spent in the mechanical department. And as the group that looks after the maintenance of freight cars and locomotives, and also the wayside detection systems, like you saw during your visit with Dr. Kyle Mulligan yesterday. And so, through that time in the mechanical department, I learned a lot and developed an expertise in freight cars, and that has certainly helped me a number of times through my career.

I left Montréal after 10 years and went out into the field in operations, and I held roles as a Mechanical Superintendent, Operations Superintendent. I led a multi-commodity sales team, spent some time in grain and forest product marketing, and then, finally, led CN's customer service team.

And through those 21 years that I spent at CN, I watched and was part of an amazing transformation of that company, from the beginning when I joined, and we were a crown corporation, and we didn't even talk about

operating ratio, to 1995 when we privatized and we had an operating ratio in the high-80s, and then, through to becoming a precision railroad under Hunter Harrison when I left in 2006, and we had an operating ratio in the low-60s. In fact, I was part of the very first operating team under Hunter Harrison when he became the Chief Operating Officer in 1999. I was an Operations Superintendent for the Manitoba zone. And I remember very vividly the day that we spent in Montréal with Hunter when he invited all of the superintendents and general managers to join him, and he talked for the entire day about his precision railroading principles and how we were going to transform this company. Keith was at that meeting as well. And shortly after that, he and his family moved to Winnipeg and he became the Vice President of the Prairie division, and he became my boss, and we railroaded together there for two years. And I learned so much from Keith and from other seasoned railroad colleagues about precision railroading, as we focus on those core principles of service, cost control, asset utilization, safety and people.

I left CN in 2006 and I joined Richardson International, and Richardson is a large privately held grain company in Canada and a very large customer of CP's. And so, they are an exporter, grain handler, processor and merchandiser. So very quickly, I learned what it's like to be a customer of the railroad. I learned about that complex relationship and the multiplicity of touch points that exist between railroads and shippers, and about the importance of good data flows and strong communication streams, and a very important part is about how railroads are really the enabler of growth for
customers like Richardson.

So during my time there, we experienced also a lot of transformation in growth. We built new canola crushing capacity, we built elevators and crop input sites, we became food processors and food packagers. And every time there was a change in that business, there was an increasing reliance on the railway and that relationship. The efficiency of the railway and of the shipper are both necessary to make sure that both are able to use their assets effectively.

So during my time at Richardson, I was also involved in a number of regulatory and legislative reviews as things were changing, and that was really helpful and that I've become very familiar with those set of rules and regulations that govern the shipper-railway relationship, and it also allowed me to create great networks of contacts within the industry and within government.

So earlier this year, when I was still a customer of the railway, I was invited to the Customer Advisory Forum that John had talked about earlier. I was a representative of the grain industry and I was there with people from many different segments of the CP's customers and we spent an amazing day, hosted by John and Jonathan and Coby. And during that day, we brainstormed with Mike Redeker and his team about IT. We met with James Clements and his group about customer service and the customer-facing tools, and we talked with Mike Foran and his group about products and services. And I left that day feeling convinced that CP genuinely wanted to understand what was working for customers and what wasn't, and figure out ways to make that better and improve that customer experience.

So here I am now, part of improving that customer experience, and it's great to be a part of this amazing team. I've always been impressed with the people at CP with their passion and their integrity. The operating team at CP is second to none. And from my chair as a customer, I have seen an amazing transformation of the service over the past couple of years.

I was also very impressed with the decision that CP made to appoint John Brooks as Chief Marketing Officer. John is always somebody who customers enjoy working with and he has a great understanding of customers' business and the importance of that relationship, and he's a pretty good negotiator, too.

I also must say that I have really been impressed with the culture that I've experienced since I've come into CP, and that's really because of the leadership of Keith. It's a culture that is not the railroading culture that I remember. It's one where high expectations for performance are certainly there, but it is a culture of respect. It's a culture that encourages innovation and new ideas and certainly embraces diversity.
So, that's enough about me. Now, let's talk about the business. So with the grain and fertilizer portfolio, I'm also responsible for the other parts of our bulk business. In total, this represents 44% of our book. Grain is our single largest commodity segment for CP. And so, I'm going to concentrate most of my comments today on grain, and then, come back at the end and talk about some of our other bulk commodities.

So, CP is really a leader in the movement of grain. We operate a very efficient and effective unit train model, and it's one that requires a lot of discipline on the part of all of the members of the supply chain, but also gives shippers the flexibility that they need. Our CP-dedicated train program is one that allows shippers to control and manage their supply chain and their pipeline, and it also is designed to reward those shippers with the most efficient supply chain with more capacity.

We service a very unique network of infrastructure at CP. In that, we have origination facilities on both sides of the Canada-U.S. border. And with that, we have grain flowing in many different directions. And our shippers are moving a wide, and diverse variation of commodities. And so, with that, we've got a good hedge in the event that there's a market condition affecting one commodity or another.

Those facilities that are located on our lines are there because we competed for them. We compete on the basis of our reach and our relationships and also on the basis of our service. I mean, once a grain elevator is built on our lines, we're going to be servicing it for the next 20, 30-plus years, but we're still competing each and every day on the basis of our service. Every kernel of grain starts its trip in a truck and the farmer is going to deliver that truck to the facility that has the capacity, and that capacity is created by our service, drawing the grain through the facility.

So case in point, last year, as I mentioned, we, in the grain industry, saw unparalleled service from CP. And in fact, CP's market share in Western Canada, because of that service, increased almost 2 full percentage points to 51.2%. That's what service does. So good news for a company like ours where almost a quarter of the business is based on grain, is that there's more grain out there to move. Crop production is increasing. In fact, over the last 20 years, we've seen the amount of grain produced in Western Canada increased at a rate of about 2.5% per year. And that's not because there's more farmland being filled out there. It's really for two reasons: science and technology.

The science is about the developments that are happening in universities and laboratories around things like seed breeding, genetic modification, plant hybridization, these developments that are causing plants to thrive in conditions and climates that they wouldn't have in the past and to generate yields like we've never seen before.

The technology side of it is really about farmers. So, farms are getting bigger. And with that, farmers can afford more expensive and sophisticated equipment. This high-tech equipment is then being combined with big data, which is a mapping of every square foot of a farmer's field, and that combination is allowing farmers to perform what I would call precision agriculture. So, farmers are applying their seed in exactly the right depth and density and their crop nutrients and crop protection products and exactly the right application to make sure that they are maximizing yield on every square inch of their farm.

And so, with that, the amount of grain is growing. So five years ago, average production in Western Canada was 55 million tons. Today, the five-year average production in Western Canada is 70 million tons, and it's easily conceivable to think that 10 years from now, farmers will be producing 90 million tons. That extra 20 million tons is going to be either processed or exported in either way it ends up on the rail.

There's also a growing demand for Canadian grain offshore. So over the past five years, exports of grain out of Canada have increased by 25%. But importantly, they've increased by almost 40% through Vancouver. The draw for the increased production is really into Asia, where wealth is increasing and dietary trends are changing. And so, the demand is constant and it – or is consistently growing into that Asian marketplace.

I mentioned earlier about our unique origination network. And there's kind of an interesting backstory to that, so let me just talk about that for a minute. So 20 years ago, there were over 1,000 elevators in Western Canada handling the grain. Today, there are less than 400 elevators. And within that, there are 145 high throughput elevators through which 85% to 90% of the grain is moving. Those high throughput elevators are the monsters that you see if you drive across the Canadian Prairies. Huge concrete silos, big steel bins for storage. They are very efficient. They have big storage capacity and that they can hold three to four trains of grain within the facility. They are very quick at receiving grain from farmers. They can dump a B-train in less than five minutes and they're very quick and efficient at loading railcars.

And they load unit trains, and that's important. This transformation of the elevator network has happened really

in response to the railway freight rates, which have been established to encourage unit train loading, because it's more efficient for the railway and more efficient for the industry and it creates capacity.

Over the last five years, there's been kind of an interesting add-on to this story. In that, there's been a lot of offshore investment building elevator infrastructure in Western Canada. We've seen investors from China, Japan, Australia, Saudi Arabia and Switzerland come in and spend significant amounts of money building elevator infrastructure in Western Canada. And that's because there's money to be made in grain, but also because these companies have food manufacturing facilities in their home countries and they need a steady state supply of Canadian grains and oilseeds to feed that manufacturing.

So with that, the longstanding Canadian elevator owners and operators have also been expanding and upgrading, and keep that to make sure that they remain competitive and relevant in their marketplace. We've seen over CAD $1.5 billion spent in elevator infrastructure in Western Canada in the last five years. With these new elevators that are being built, essentially, all of them are being built to CP's model, which I'm going to talk about in a little bit, but essentially, 8,500-foot train, loop track, very quick and efficient loaders.

We have 6 new loop track facilities built on our lines now. We got another one well under construction. And we have line of sight to 9 or 10 additional loop track facilities that will be built in the next five years. CP has and will continue to have 53% of the Western Canadian grain elevator capacity on our lines. And with that capacity and our service comes growth and market share.

There's also been a significant investment at the port end of the grain pipeline. So, all of the major terminals in Vancouver have been expanded and upgraded over the last five years. From a track infrastructure perspective, from a receiving capability, storage and ship floating functionality. And there's also new infrastructure being built in Vancouver that will create step function changes in capacity and throughput through the port. Over CAD $1.3 billion have been spent on grain handling infrastructure in Vancouver.

So through all of this change and growth, let me tell you that CP has not been standing still. And that's really what our grain playbook is all about. It's about CP's model of the future and how we are going to help our customers and CP move into the future and handle the incremental grain that is out there in this growing marketplace.

So this summer, CP announced our grain model of the future. It's our 8,500-foot high efficiency product, or HEP train, and it's a model that's unique to CP. We're the only railroad in North America with this model. So, let me talk to you a little bit about it.

So first of all, 8,500 feet. So, CP has been operating a 7,000-foot unit train model for grain for the last 20 years. We have been expanding sidings from 7,000 feet to 8,500 feet over the last 10 or more years in anticipation of this longer bulk train model. In fact, in our coal and potash businesses, we flip the switch and started to run longer trains over the last couple of years. But with grain, because of the complex origination network, we had to make sure that we had a critical mass of extended sidings before we actually flip that switch. So, we're ready to do it now. So, extending the train from 7,000 feet to 8,500 feet means instantly 20% more grain on that train. So obviously, a significant productivity improvement.

We've been talking with customers about this vision for the longer train model for many years, 10 or more. In fact, I remember early on in my days at Richardson, as we talked with CP about our network and how we would change and grow in the future, this vision was part of that discussion back then.

So, moving longer trains means moving fewer trains of grain to move the same amount of product. And that creates capacity in our system to move additional product, whether it's more grain or other commodities. This longer train model also gives us the opportunity to optimize our crews and locomotives. Think about it, moving a train of grain from Saskatoon to Vancouver takes the same crew resource, whether it's 8,500 feet or 7,000 feet, and imagine the increased crew capacity or crew utilization with that longer train model.

We're also going to be able to optimize our locomotive utilization with this longer train. So this, layered on with our new hopper car investment, which I'm going to talk to you about in a minute, but I know that you've all heard about, is really creating a game changer for the movement of grain at CP.

So, the – let's talk a little bit about the efficiency part of the high efficiency product train. So, the parameters that

are required to meet the product, the rate and service package that goes with the high efficiency product train, are number one, the facility has to be able to receive and load an 8,500-foot train, and also the receiving the terminal facility has to be able to handle an 8,500-foot train. Both the loading and unloading has to happen within 16 hours and the train has to be able to be delivered and returned to CP completely off of our main line and in a single string. And why that's important is that it means that there will be no delays to trains going by the facility during loading and switching operations.

So the ideal model for the high efficiency product train is a loop track, and you see a loop track up on the screen behind me. And as the name suggests, it's a circular track and that facility – the loading facility is up at the top of the track.

So let me just describe how this operation works. So an empty train is coming in on our main line. It pulls into the facility completely off of the main line and positions itself with a locomotive up near the loading facility. The CP crew leaves the train and the elevator crew takes the train over. The elevator crew is going to use our power to operate the train around the loading track. So the elevator crew takes over the train, does their safety inspections, and then, starts to use the power to index the train around the track. They perform the loading, remember, within 16 hours or less, and during the time that they're loading, we're in constant communication to determine when the elevator crew will be completing their loading so that we can have our CP crew back to coincide with the completion of the load. Then, when the loading is completed, the CP crew has returned, get back on the train, does their safety inspection, and departs and leaves for the end destination. So a super-efficient and seamless operation.

So the efficiency pieces here are, number one, our locomotives are used by our customers. So they don't have to have their own set of power or car moving equipment to do their loading. Number two, the fact that the power stays with the train means that when the loading is done, the train is ready to blast out of there. And that avoids a lot of delays associated with bringing a new set of power in to lift the train. The third thing is that during that operation, the train remains completely intact. The train is not separated. And that's important for our operation in terms of cold weather. So as you know and you will have seen out here, we have a lot of cold weather during our winters in Canada. And keeping the train line together means that the pressure on the airbrake system is intact at all times. As soon as the train is separated and the brake line is separated, the pressure is lost in the airbrake system, and then, putting the train back together and re-pressurizing can be very challenging in cold winters – cold weather. So this means that we avoid any delays associated with the airbrake.

We have customers who are already using this model. We have, as I mentioned, six loop tracks already in operation, and our customers are seeing an amazing lift in capacity and efficiency and productivity using this. We've seen our cycles out of loop track facilities to the port and back occurring in less than seven days. And when you compare that to the 10 to 11-day cycles that we have typically in – with our grain unit trains, this is an amazing lift in capacity.

So we are also able to modify existing facilities in order to meet the HEP train parameters and requirements, and we're working with all of our customers on plans to upgrade and enhance and modify their facilities so that they can meet the HEP train parameters and qualify for this great rate and service package that we're offering. We expect to have 40 to 50 facilities modified within the next five years, and that will bring us to a vast majority of our high throughput elevators being capable of participating in this high efficiency product model.

So now, let's talk a little bit about our hopper car investment, which is another very important part of our model of the future for grain. Most of you will have seen our brand new hopper car out on the property yesterday, beautiful big grey car with a red CP. We're very excited and proud to have those cars starting to come into our fleet.

So earlier this year, CP made an announcement that we are investing CAD $0.5 billion in hopper cars for the movement of grain, and this happened after the passage of the Transportation Modernization Act in Canada, which, among many other things, rebalance the credit that railways receive for replacing hopper cars for the movements of grain. So the first 500 of those cars will be in our fleet by the end of this year, and then, another 500 cars will be with us by the end of the first quarter of next year, and a total of 5,900 cars between now and the end of 2021. So we're not just replacing our cars in kind. The cars that are coming in are super-efficient. I think of them as shorter, fatter and lighter. They have an increased carrying capacity of about 10% by weight and 20% by volume. And both of those are important because we have a number of different densities of grain that

we're handling. Some of them need the lift in – for weight capacity and others really benefit from the increase in cubic capacity. And the cars are shorter. So they're 3 feet shorter than the cars that they're replacing. So in our standard historical 7,000-foot train, instead of carrying 112 cars, we'll be able to carry 118 cars, and each of those cars will carry 10% to 20% more grain. So that translates into a 15% increase in the amount of grain per train with our historical 7,000-foot train and our new hopper cars.

But really, the exciting part is when you layer on the 8,500-foot high-efficiency product and those new cars. You put those two together and that's really when you have a game changer for the movement of grain into the future. So the 8,500-foot train length with the shorter cars will carry 147 hopper cars. That means that 15,000 tons of grains can be loaded and carried on a train. When you compare that to the 10,500 tons that we carry today on a grain train, that means an increase of 44% increase in productivity on the movement of those grain trains. That is truly a game changer.

In the grain industry, we often talked about the fact that there's kind of a pie that represents the capacity for moving grain, and it was – we talked a lot about how that pie was getting sliced up, but really, what we wanted was the pie to get bigger. Well, this is about making that pie bigger. This is about more capacity for the movement of grain, and that's what's really going to take us into the future with this growing grain crop.

So now, let me talk a little bit about our other bulk commodities, which are also very important parts of our franchise. So coal. CP is also an industry leader in the movement of coal. We operate, again, a very efficient 8,500-foot bulk train model for coal, also a power-on model. We are moving about six coal trains per day from the coal mines in Southeastern B.C. to our very efficient route into Vancouver for export. We've been collaborating with our coal shippers over the years to make that supply chain the most efficient that it possibly can be and we continue to gain efficiencies drive. So in fact, we don't talk about our coal cycle in terms of days. We talk about it in terms of hours because it's so tight. We're operating coal trains right now in about 100 hours, which is a 20% gain from where we were five to six years ago.

Our coal customers are using our power, as in a power-on model, to load the trains. And in fact, they have also – we have collaborated with them to make their loading even more efficient. They have equipment at some of the mines that they install in the locomotives that allows them to load those coal trains autonomously. And I have no doubt that that technology is going to make its way into the grain industry very shortly as well.

There's also a growth story for us in coal. We're working with a coal development company who is working on a mine in Southern Alberta, and we fully expect development to start next year in 2019. And over the next few years, we'll start to see a good stream of business coming out of that coal mine to the range of 20,000 to 25,000 carloads a year, which will mean an extra two to three trains per week of coal moving into that Vancouver corridor. So a good growth story there as well.

Potash is also an important business for us and also an important piece in the equation of the increasing growth in grain because it's an important nutrient that's applied to crops in North America and around the world. Had good chats with a number of you about potash last night and the fact that there is a continuing and growing demand from China and from India for Canadian potash.

So we handle about 70% of the potash that moves in North America. We service 11 mines in Saskatchewan. And from those mines, we're pulling about three-and-a-half trains per day of potash. In fact, there's also a good news of growth story in our potash business. In that, one of those mines is a brand new mine, the first new potash mine development in Canada in the last 40 years.
K+S Potash has opened a mine near Regina and we are the sole service provider. And once they hit their stride in that mine, we'll be moving 3 million tons a year out of the mine which has a lifespan of 50 years-plus. So that's a good growth piece on top of the 14 million tons of potash that we handle already.

Again, efficiency is the focus for us on this bulk movement. 8,500-foot trains for potash is also the model. And because potash is denser, the cars are shorter to handle the full weight capacity. And so, in our 8,500-foot train, we carry 170 cars. But we're continuing to innovate with our potash customers. In fact, right now, we're in the process of testing the Canpotex 200-car trains just to drive the efficiency a little bit further.

So, I think you will agree with me that our outlook and our future in the grain and the bulk business is very positive. We've got a great model to handle the grain in the future and we've got a great model to handle our

other bulk commodities as well. It's really been exciting for me to come into the CP team and be part of this future, this very promising future for CP, and I have to say that I have a great team of people working with me in the sales and marketing area for grain and fertilizers as well. They are a team of seasoned railroaders and some very bright, young talent and we've made some changes within the organization to make sure that we have the right talent positioned to take us forward into profitable growth for the future.

So thank you for the time here today. It's been a pleasure to be with you. I'll turn it back over to John.

John Brooks

Okay. Thank you, Joan. Look, you heard from Joan, you heard it from Keith, you hear it from me right now. Grain has been in CP's DNA for over 130 years. We've been the best handler of that product and now, we have the innovation and productivity in the new model that will put us in the right spot for the next 130 years.

All right. So with that, let me introduce our next speaker, Coby Bullard. So Coby is our Vice President of Sales and Marketing for our ECP: Energy, Chemical Plastics and our Merchandise side of the business. Coby brings with him, like Jonathan and Joan, strong railroad background; 10 years-plus at the BNSF operating department - sales and marketing department. Coby then also brings experience in the trucking business at C.R. England and the intermodal refrigerated business there and joined us in December of 2017.

When I interviewed Coby, I knew right away he was the man for the job. He talked about precision scheduled marketing and that's exactly what we need in this space. Many of you last night asked me about what area gives me a lot of excitement and this will make Jonathan cringe because it's who is. It was in intermodal in automotive, it was Coby's space. It was, as Keith talked about, the 5 cars to 10 cars to 25 cars. It's an area where arguably, we haven't had a lot of success maybe in that case or as much success as we would like, who we've gotten a leadership
in place right now and the opportunities are plentiful. So, Coby, come talk about your area. Thank
you.

Coby Bullard

VP Sales & Marketing – Merchandise, Energy, Chemicals and Plastics, Canadian Pacific

Okay. All right. Well, thank you for being here today. I am excited to be presenting and talking about our Merchandise and Energy, Chemicals & Plastics businesses. As you can see from my bio and from John's introduction, my railroad career started in 2002. But my personal railroad story and my family's railroad story goes back quite a bit further. It actually goes back 135 years. So for those of you that don't know me, I was born and raised in Texas and most of my family is from East Texas and if you go about 90 miles east of Dallas into the Piney Woods, there is a small town called Bullard Texas. It was founded in 1883 after my family was able to convince the Kansas and Gulf short line railroad to put their station in at our small family country store. And so what happened with that station coming into our community is our community grew, businesses came into the area, we added a sawmill, but those trains brought in the goods that our family sold at our store and those trains carried away the fruits and vegetables and all the products that were generated in the area from the local farmers.

And so as I sit here today as the leader from a sales and marketing standpoint within our Merchandising, Energy, Chemicals and Plastics business, in an area that touches every small community that we operate in, I can sincerely that I appreciate the role that we play in all of the areas that we operate in and I take that with me personally just with my personal family background and history.

So, as we start talking about the business from an ECP and Merchandise perspective, John brought up the fact that prior to me joining the company, one of the first things that I said to him was I really feel like precision marketing is critical within our manifest businesses to do well. And then he started talking to me about the playbooks concepts and it was amazing to see that we were on the exact same page with the understanding that for us to truly succeed from a precision scheduled railroading model, all of the areas of the business had to be

aligned to the precision scheduled railroading principles. Most people, when they think about precision scheduled railroading, they think about it as operating and as an operating principle. And operating is absolutely at the core of what we do from a precision scheduled railroading standpoint, but marketing and being great at marketing and finance and network management and all of the other functions that we have like technology and HR, it's critical to what we do to unlock the full value of our precision scheduled railroading model.

So diving into our Merchandise business to start, so the first thing I did when I joined the organization 10 months ago was I took a step back and I said I want to understand where we are from a merchandise perspective and get a baseline on the business. And so, I went - I met with our operating or I met with our operating folks, I talked to our sales team. I talked to our marketing folks and I went out and I met with customers all across the system. And what I quickly realized is that we're really in the early innings from a merchandise product standpoint. And it really gets back to Keith's first two slides. His first slide was rebuilding the engine and his second slide was driving for growth. And that's really the same story within our Merchandise business. We've rebuilt that engine and not having that engine in place is what's held us back in previous years from growing our Merchandise business and now we're poised with capacity to grow into the future.

So I think at one point, Jonathan in his comments said, if you leave here with one thing today, I'll say the same thing. From a merchandise perspective, if you leave here hearing one thing that I say today, it's that CP is back and ready to compete in a major way in the merchandise space. And I feel that way for three reasons. First, is we have the service and the cost value proposition to compete and win in this space aggressively and reclaim business that we've lost over the last several years. The second reason that I feel good about our Merchandise business going forward is we have low cost incremental capacity available. If you look at our average merchandise train today, it's running at 75% utilization. That means that I have 2,200 feet of available incremental capacity to sell on average on every train across our merchandise network. That's huge when you're looking to grow the business and you're looking to fill latent existing capacity.

The third reason and probably the most important reason that I'm excited about growth from a merchandise perspective is our customers are excited to see CP back in the merchandise space and have a great service value proposition that they can use to diversify their supply chains and allow themselves to rebalance their portfolios that have gotten out of whack. And that's not just with our rail competitors. A lot of that's with truck and I'll talk about that here over the next few slides.

So as we look at our merchandise playbook, there are really three main pillars to our merchandise playbook. The first pillar is maximizing our existing franchise and simply said, that means with the customers that we service directly, we want to make sure that we're getting all of the rail capable business that we can get. And I'll share a story with you. The very first customer that I met with after joining CP was Chris Black with Rayonier. And we sat down and we talked about his business and we talked about our business and we talked about growth opportunities and we were talking about opportunities far and wide, he said Coby, you need to focus on the mills that you service directly. There is a mill that you service directly that you're only getting 50% of the rail capable traffic out of, the other 50% is going on truck. And that really kind of took me aback but what I realized very quickly, as I took it back to the team, we had that same opportunity at a lot of customers that we service directly. And so that's been a critical part of our playbook is to put together playbooks on a customer basis, on a location basis, on a commodity basis that allow us to go in, recapture that business and bring it back to the CP. The second area, from a merchandise playbook perspective, is optimizing our equipment. And when I talk about optimizing our equipment, I'm talking about two key things. The first thing that I'm talking about is I want to make sure that we have alignment between our commercial team and our equipment allocation team to make sure that we're maximizing the revenue per car day and the contribution per car day in the way that we're allocating our equipment and where where allocating our equipment as we send that equipment out to our customers.

And ultimately, if you improve the revenue per car day and the contribution per car day, you're going to improve the return on invested capital. And from an asset-intensive industry and business standpoint, that's critical to our success. The other area from an optimizing equipment standpoint is making sure that we realize the value that our equipment provides in the commercial agreements that we put together with our customers. And a good example of that is in our center beam business. If you go back to January 1 of this year, less than 5% of all of our business that moved into center beams was moving under a minimum volume commitment. If you fast forward

to the end of 2018, we're going to have over 70% of the business that's moving in our center beams, moving under minimum volume commitments. So if you're thinking about it from Nadeem's standpoint and you're thinking about it from a return on invested capital and a growth standpoint, if you're focused on improving return on invested capital and you're getting commitments from your customers, you have a great recipe for growth and reinvestment. And so that's why that's a critical part of our playbook because we want to make sure that we're poised, so that we can continue to grow and increase our assets in this space to grow our merchandise business.

And then the third area, from a merchandise playbook standpoint, is extending our reach. And I'm going to take a little bit of time and dive into this, but there are two critical areas when we talk about extending our reach that we're focused on. The first is on transloads. When you look at our transload network, we have a tremendous transload network. We have 100-plus transloads strategically placed across our franchise that are there to allow us to bring freight onto and off of our network and they do a tremendous job of bringing freight onto CP rail network.

But they're limited in some regards in that they're just basic transloads that bring freight onto and off of the railroad. The future, from a transload perspective, are transloads that do two things. One, is they provide value-added services similar to what Jonathan talked about when he talked about the Vancouver transload and how we're bringing together rail solutions. We're bringing in pulp, we're putting it in international boxes, we're railing it over to the terminals. Those are value-added services and those are transloads that create stickiness and value for the customer and for CP.

But the second area, from a transload perspective that we see from a future perspective, our transloads that add value to our overall franchise and a great example of that is what we've done at Hamilton with Georgia Pacific. So if you look at where we were a year ago with Georgia Pacific, we had no business from a forest product standpoint going into the Greater Toronto Area. We had incremental capacity on the key trains that they were going to ride on to go into this area and we had vacant land sitting next to an existing Transcare facility in Hamilton. And for those of you that aren't familiar with Transcare, in 2015, CP bought Steelcare, which is Canada's largest steel transload and then we transitioned the business and repurposed the model and called it Transcare so that we could serve multiple commodities with the same footprint. But we had a Transcare facility with land next to it that was available and so we put together all the pieces to some of the things that John said earlier and we put together a total transportation solution offering to them in the fourth quarter of last year.

I went back to GP and we said we have low cost existing capacity, we have speed service and value that we can provide and we have land where we can put in a world-class transload facility that's going to allow you to service the Greater Toronto Area with your products more efficiently. And if you fast forward seven months later, in June of this year, we signed the contract, we opened the facility and we took our first shipments in at the Hamilton facility. In addition to getting 100% of the Georgia Pacific business into Toronto, now, with the opening of that new facility, we've also signed a new customer last week on the paper side that's going to join them in the facility.

So we're using it to grow with one customer, but it's great that it helps us attract additional customers as well. So I talked about us putting together a transload solution at Hamilton and Keith and John and Joan, we've all talked about this room to grow concept in our comments as we've gone through this and it's no different within our merchandise space. And we have opportunities and room to grow all across our network. The two areas that I'll highlight for you, basically as a teaser, are the two sites that we have at Milton and St. Luc.

So these are former Expressway intermodal sites and about a year ago, Jonathan and the financial team got together and started looking at the business and were working to understand if that was the best and highest use for our assets and as of June of this year, we de-marketed that business or with de-marketing that business, we opened up two locations that are what I would consider to be gold mine opportunities for Merchandise and Energy, Chemicals & Plastics team to go out and sell.

And so I'm not here to tell you about specific wins that we have today at those sites but what I will tell you is as a teaser, we see tremendous opportunity at both of them and I think, in the very near future, we're going to be announcing some big wins on our quarterly calls so lots of good stuff to come there.

So the other area from extending the network that I want to talk about is short lines. And when I talk about short lines, I just want to leave you with two numbers. The first is 59 and the second is 23. So 59 represents the fact that 59% of all of our Merchandise business touches a short line. That's a tremendous number and it's a key reason why having short lines is a critical part of our merchandise playbooks.

And 23% represents the growth that we've seen year-to-date with our manifest business that touches short lines. That's tremendous growth in that area. But we're not done. John talked about the fact that we hosted our first Short Line Conference in 10 years a month ago and we had 37 short lines and 100 participants from all across our franchise that were here. And Joan, Jonathan, John, and myself, we all spoke and had presentations but we also had breakouts by each of our lines of business so that we could talk about specific opportunities where we could work together with those short lines to bring more freight onto our network. And I walked out of there with no less than 10,000 to 20,000 loads of incremental opportunity. And so, I'm happy with the 23% growth year-to-date, but it's in our nature to push forward to the next thing and so as I look forward to the next thing, I see tremendous growth potential as we continue our outreach and we continue to execute upon our playbooks from a short line perspective. So the last slide that I'm going to cover from a merchandise perspective is really a slide that ties it all together. So I've talked about short lines and I've talked about transloads and the ability that they have to extend our network but I'm pleased to talk to you about today as a new partnership that we haven't really talked about publicly yet and that's the Indiana partnership. And in this partnership, we've worked with the Indiana Railroad to gain short line access into Indianapolis. In addition to getting access into the 12th largest U.S. market, that's a great springboard into the Ohio Valley area and also gives a single day truck access to nearly the entire East Coast.

It also comes with the 15-acre transload that's already operational and has the ability to scale from 15 acres to 30 acres as our business grows. And so as we talk about our overall business and we talk about our growth and we talk about the successes that we've had with short lines, these are opportunities in markets that are created that weren't here a year ago that are available for our customers and give CP room to grow even further into the future.

So, I'm going to shift gears to ECP, but my story is going to remain largely the same and the story remains growth. So if you look at the last three years from an Energy, Chemicals and Plastics standpoint, we've grown by 5% in 2016 on an RTM basis. We grew by 9% in 2017 and then in 2018, we're going to grow by about 10%. So you can see that we have a strong growth rate. And the question naturally becomes, well, what's leading to all of the growth? And the answer is simple. We've earned the right to grow because of our service value proposition. When you can offer your customers faster service in a business where they're running private equipment, you're going to win freight based on value and total transportation supply chain costs versus just our rail price. And so that's what we've done in a major way to win in this space and in a few slides, I'm actually going to give you example of how we've done that with our energy train between Northern Alberta and Vancouver in a little bit more detail.

As we look forward from an Energy, Chemicals and Plastics standpoint, the story remains growth and we think of it from a growth standpoint for two reasons. First, is our franchise. If you look at our franchise, we have a tremendous destination franchise. We have great service into the Northeast U.S., Eastern Canada, the U.S. Gulf Coast, cross-border into Mexico and to the Canadian West Coast for export. And we always – and we look forward from this standpoint and we talk about our franchise, the growth is really going to come in kind of the Northern Alberta area and more specifically, in the Alberta Industrial Heartland. And there have been a lot of comments about the Alberta Industrial Heartland and access and things like that in the past. And what I'll say is we have tremendous access now in the Alberta Industrial Heartland. It's been a key part of what's allowed us to grow at the levels that I talked about on the previous slide, but we have those same landholdings that we've talked about in other areas of our business in the Alberta Industrial Heartland.

We have the ability as it makes sense for our business and it makes sense from an investment standpoint to grow into every corner of this as we choose. But similar to Jonathan's slide where he put up the international slide and said here are the customers that we have locked up, here's what's available and he put up the auto slide and said, here are the customers that are locked up and here's what's available, I'll point to our Alberta Industrial Heartland slide and say the same thing.

There are a lot of customers, there's a lot of growth that's going to happen in this area. You have the Alberta province putting in CAD $1 billion. They've already allocated CAD $0.5 billion of it with another CAD $0.5 billion to be allocated later this year. You have private investments with companies wanting to grow their facilities and either add to what they already have or put in new facilities. So there's going to be plenty of growth in this area. But it's similar to our story from an overall perspective. We want to grow in a responsible way, targeted with the right customers that are going to value our service and the capacity that we provide over the long-term.

So I'm going to wrap up my comments on Energy, Chemicals and Plastics by walking through an example of how we've used playbooks to win in the marketplace. So the best example that I can give you is our energy train example. If you go back to January 1 of this year, our energy train was running at 37% utilization.

So our energy train, for those of you that don't know, is our service between Northern Alberta and Vancouver. So we were running at 37% utilization on a train that runs 48 to 72 hours faster than our competitor, that runs with high on-time percentage performance. And so what we did as a sales and marketing team, as we pulled together finance and the network team and the operating team and we sat down and we said, look, we want to strategically go after this train because we have low cost existing capacity. We have a service advantage, this is exactly where we need to win and we feel like we can win big in the marketplace.

And so through the first quarter, we put together our playbooks. We worked with the internal team to make sure that we had the resources in place to execute if we were able to win and grow. And then we went out in the second quarter and we signed three new contracts that allow us to go from 37% utilization on January 1 to 75% utilization today. And even better than that, we have contracts in hand that are going to allow us to fill up this train completely as we go through the next six to 12 months. So it's a tremendous story of winning where we have low cost existing capacity. We have the ability to serve and we're able to improve the margins on all of the business on the train because we're able to allocate those fixed costs out over more units.

So as I wrap up my comments on Energy, Chemicals, Plastics and Merchandise, I just want to leave you with a few highlights. So from a merchandise perspective, we're in the early innings. We have all of the components, the speed and value proposition. We have the excess capacity available at 75% utilization and we have customers that want to help us grow in this space and so we feel strongly about our growth in that area. And then from an Energy, Chemicals and Plastics standpoint, we have a strong history of growth. We have the growth prospects into the future, but we're going to make sure that we're picking our partners and that we're doing it in a way that's responsible to our overall franchise.

So thank you so much for your time today. I'm going to hand it back over to John for some closing comments from a marketing perspective.

John Brooks

Okay. Well done, Coby. All right, so let me – if you all woke up and drive this home a little bit here for you. I warned you coming in that – and I've talked about it time and time again, we've got the A-team. We've got the people in the culture and the three leaders you just heard from is going to drive this thing, and that, combined with our foundation and precision scheduled railroading, that, in itself, is a good thing. Like that sets us up in itself to be successful. So, look, you layer in and you begin to combine that with the unique capacity to grow.

What was presented from the team today and Keith spoke about, I'll say it again. It's unique to CP. It's a tool in our tool box that just flat out the other players in the industry don't have. So when you combine those with the maturity of our product, you combine that with the ongoing execution and surgical execution of our playbook, it gives me a ton of confidence.

You all ran up to me after our discussion as we talked about CAD $300 million to CAD $400 million. This is why I have confidence that this team will deliver it. So, look, you just heard the opportunity pipelines are full between Jonathan's group, Coby's group, Joan's group. We've got a lot of opportunities now that we're putting the puck in the net on, but we've got a lot of opportunity that set us up well for that share and ongoing share rebalance into the future. And as I look at our book of business as it stands today, it's diversified and it's stable. It's the right contracts we've gone after and set them up to be in place for the next two to three years. We don't have a lot of

risk in that space. And then as I think about this, crude by rail, all right. So everybody's head just went up. Crude by rail, it's part of the story, but it's not the story, right? We've done exactly what we told you we were going to do in that space. We've gone out and we've made crude by rail a profitable, sustainable, investable revenue stream. And we've done that by taking our partners, and yeah, it's been a long process. There's been a lot of dances, but we've picked the right partners in that space that not only deliver us crude by rail, but also deliver other opportunities in the marketplace.

We've put contracts in place with strong pricing, minimum volume commitments and penalties if those customers who don't make that commitment. We don't want to fall into the same trap we did last time. And I could tell you, we've also set that business unit up where we're well-positioned over a multi-year horizon. These aren't just one-year deals.

So overall, I don't know where the WCS, how low it's going to go. I can't give you answers on Trans Mountain and Keystone XL, but I can tell you this. Whether or not this company decides to extend and do more crude by rail, we're going to look at that with the same deep level of scrutiny that we have and we do across all our business units. It's got to be investable and regardless what we do in that space, it's going to be upside to this volume plan. Okay. Well, you know it will be at our choice at the end of the day.

Let's just touch on pricing just a little bit. I'll simply say this. As I look at the next 18, 24 months just from a pure demand perspective, you guys know it as well as I do, it looks strong. Yeah, there's going to be a little bit of ifs out there but commodity by commodity, I think things shape up pretty well across the industry as a whole from a demand perspective. You layer in North American railroad capacity, all right, so that's found in the U.S. and what's going on down in the States up here certainly with us and our competition in Canada, I think for the most part, railroad capacity as a whole remain somewhat tight.

And then the trucking side of the business that Jonathan talked about. We all see what's going on in the U.S. how do you think its going to change? There is not an easy solution to the trucking dilemma that's taking place down in the U.S. right now and I'm telling you, we're seeing it day in, day out that bleed more and more up into Canada and that's certainly going to be a dynamic as driver logs come into play also in Canada.

See, you kind of put that all together, I think you – we find ourself in this 3% to 4% pricing environment that's sort of here to stay, that gives me confidence over the next couple years that we should be consistently executing in that space. So, look, when you bring this all together, I simply say this. The proof is in the numbers, the proof is in the execution that this team is delivering today. It gives me a ton of confidence with these fundamentals to say it's not only today's story but the stage is set with this team to continue to deliver long-term sustainable profitable growth. So look, that concludes the marketing and sales part of this presentation. I hope you – and I look forward to all the questions. I hope you enjoyed as much as I do working with and hearing it from Joan and Coby and Jonathan because if we've got a great story that we're going to continue to deliver on.

So with that, I'd like to invite Nadeem up to the stage to bring this home for us.

Nadeem Velani

EVP & CFO, Canadian Pacific

So what John didn't say was, that concludes the exciting sales and marketing growth strategy and here comes the boring CFO with some slides of a few numbers. But we all know those were the numbers you took a look at the first thing you did when you got the book, when you got the presentation. We know you peaked at the back. And all of us financial nerds in the room can certainly drool over what's in front of us.

When we think about what – why I was so excited to have the team here, the revenue team, the sales and marketing team here to present in front of you was we've had this dramatic turnaround on the sales and marketing side. I mean, it's extremely exciting for all of us to see how we're going to take precision railroading and grow it. We've been talking about this for some time. This was always the plan, to take our service, take this lower cost structure and drive outsized growth, and we're set to do that.

But before we get into the margin opportunities, before we get into capital allocation strategy and how we're going to bring this to the bottom line, I want to give you – share with you a little bit perspective why I think this

team is going to execute on this plan and what gives us the confidence that we are going to deliver. And Keith touched on it – well, like more than touched on it, he explained it in a meaningful way. But what I think is different and what gives us an advantage versus our peers in the industry is we have a unique culture.

That culture that we talked about, Keith talked about, I've worked with Keith for 15 years and my 20 years in railroading. And when he left the other railroad and came here, I joined shortly thereafter. And if you ask him and a few others that came here why we left, it was the culture, and it was a culture of what we were missing, what was different and what we wanted to build here. We talked a lot about the CP family. That's what we wanted to build. We talked about what was missing, what really drives outsized performance, what takes a company that can take a playbook on PSR and really execute it and get the full value of it.

And that sense of family, I mean, what does that mean? I mean, that's a that's a big word and it means a lot. But to us, it means it's not just another job, okay? It means we make sacrifices for one another and we're not looking for individual glory. This isn't about any one part of the team. It's about the collective set of railroaders and the benches behind us. It means we're looking to create long-term value that's sustainable. This isn't something Keith mentioned, Hunter said, leave it better than how you got it, and that's something that's in our DNA. It means we're willing to hold each other accountable and we're willing to be held accountable by one another.

Harmony, it's not about creating harmony. Mike Foran's smiling at me. That respectful constructive tension is something – it's in our DNA, it's what we do day to day. It's how we get continuous improvement. It's how we push each other in a respectful way to get the most out of one another. It's how we become better railroaders, become better people. And being led by a CEO who has led dramatic change in transformations of our organization, that up and being an operating leader sets the tone for who we are. It filters throughout the organization, I can assure you. We are a transportation company, we are an operating company, and this is not going to change, okay?

Something that people can overlook sometimes is he was also the operating leader when that other railroad went through its post-transformation growth. And having that experience executing that growth strategy, while having that experience of being an operating leader, to us, it creates that – the right internal tension. For me as the CFO, it assures us that we're going to grow in a disciplined sustainable fashion, and that's what's different. From the DNA of who we are, precision scheduled railroading will always be a part of it. It means that we will continue to control costs. It means that we're going to continue to improve margins and stay disciplined on capital. It's just who we are.

You heard many times today we're not going to grow for growth sake. We've seen the damage that can do, we try to be all things to all customers or all things to all people, what that can do to customers, what that can do to the economy, what that can do to the industry. That's not precision railroading and that's not what you're going to get from us.

He's handpicked this team, okay? We either joined here on our – we chose to be here. We want to be part of this family. And when I say family, it's not just those in the room. It's the 13,000 railroaders that are beyond their executing plan, executing the vision day to day. It's a seasoned diverse group. It's a group that wants the same long-term value creation, and that's what separates us. And behind us, we've got deep benches. We are all held accountable for how we develop
that next set of leaders.

I spend probably 20 days this year in this facility here, not with my accounting team going through the books, but rather developing the finance team that I'm responsible for. Each one of the members of our finance team has spent at least two days here in this room talking about consequence leadership, talking about the respectful constructive tension, talking about the culture, talking about the principles of precision railroading. That's my commitment to my boss and our commitment to one another that we will develop the team and the bench behind us. John is doing the same thing. The operating team started it. It's something that's going to make this a sustainable long-term value creation story.

All right. Now, we can get in to some of the numbers. So, how are we going to bring this to the bottom line? Okay. Obviously, with this kind of volume growth, operating leverage is going to be a big part of it. We feel what we're delivering on today, 75% operating leverage is what we can deliver, maybe a little bit of upside but we've

been delivering at least that this year. We talked about where we can get some of that going forward. I mean, some of the initiatives we talked to, that the sales and marketing team highlighted today, that's going to be – give us huge advantages going forward.

Coby just talked about the energy train, talked about the sell-to capacity model. Joan talked about the 8,500-foot model. Jonathan has got that sexy name demand management. The demand management, what you did with that chart since it's smooth traffic, that's all a way of growing at a low incremental cost. It all supports our principles of who we are, asset utilization, capacity management.

There's a number of strategic initiatives that we're – strategic investments that we've highlighted as well, and I'll get to a little bit more detail later. But Joan talked about the hoppers for doing unique things in the locomotive space, what we did. Those of you that were here yesterday got a chance to see our modernized locomotives.

Keith talked about some of the initiatives in the yards, and how we're utilizing and getting more optimizing those yards that we haven't had a chance to get to full transformation. All these things are going to help our fuel efficiency, the reliability of our service, lowering our maintenance costs. And as you grow the longer and heavier trains, the density of that, as Joan mentioned, it's a way to manage your labor costs.

On the technology side, there's a number of opportunities for head count efficiencies. Again, those that were here got a chance to see how we're dipping our toes in RPA, robotic process automation. We're taking a very disciplined test in that space but that could create opportunities where we can see some automation of manual processes and see our compensation cost come down.

Our labor agreements, so we spent the last three years negotiating hourly-rated agreements. And they pay extremely well and we're happy to pay that, but they also give us work rule flexibility, they also give us productivity benefits. The problem is when volumes were down and we went through the freight recession, you don't get the value of those deals. You still pay the dollars but you don't see and realize the full value of it. It also takes time for our team to get full value of how to optimize those contracts, understand them and move traffic to get the most out of those deals. So that's something that, again, we'll see as we see these volumes come up. It's what you're seeing as well of how we're delivering this operating leverage.

Another side benefit of it is it creates a better quality life for our employees, which ultimately, especially in these tight labor markets, helps with retention and attraction. So, significant opportunities for us from an operating leverage point of view, when we're going to hit the volumes of mid-single digits, RTM growth, what we're doing today, that's going to be a key factor of how we're going to continue to bring that to the bottom line.

John talked about pricing, and I'll talk a little bit more on that front. I think, because I have been in this industry for 20 years, and in the last decade-plus, I haven't seen a pricing environment this strong. Yes, it's extremely tight capacity out there. You're seeing higher inflation. You're seeing trucking capacity being extremely tight. We've priced for service and the value by the customers, first and foremost. And when you have industry-leading service, when you're improving your total transportation product, it's all supportive of us hitting the high end of our 3% to 4% price increases.

When we talk about constructive tension, it's also how we're set up as a function. Under my team, they monitor and manage the SIP payment or incentive plan for a sales team. We make sure they're held accountable to deliver. We make sure that it's being – they're incented and driven with the right meaningful targets. And we have the professor, James Clements, who comes in over the top to be a referee as well. But that's healthy. That's how you hold each other accountable, how you get the most value out of what you're doing.

So safe to say, we still see significant opportunities on the margin side. I mean, are we going to take another 20 points off the OR? Probably not, but we still see the ability to have a sustainable sub-60 OR. Over the life of the plan, you should expect at least 100 basis points of OR improvements, at least saw our preannouncement this morning reported a sub-58.5% OR.

To put that in a bit of context here, that sub-58.5 are stocked at an all-time high. We had headwind from stock-based comp. I don't think any of you are complaining. But if you took a look at the performance that quarter, and let's say for a moment you take out the fuel surcharge and we had the same fuel prices as a year ago, not out of the realm of possibility. And let's say the stock was flat, you'd be at a operating ratio below 55. Now, if I take it back a year ago before FASB rule pension changes came into place, if we had the same sort of pension

accounting treatment, that OR would be start with a 4. I don't have a mic to drop, so I won't do it, but I do think I heard a God damn Nadeem from heaven.

So, let's just say the margin improvement is plenty of room in there. How are we going to invest our capital? The team talked about it a lot. There's nothing that warms the heart of the CFO more than when you hear the Head of Sales and Marketing on ECP talk about ROIC, R-O-I-C, talk about investment. Maybe I took the constructive tension a little too far. My Head of Financial Planning Ian Gray back and Head of Accounting and the gentleman that works for him is the Managing Director of Capital Planning and Expense Management, well, they average, I think, six foot five. Cory is managing the capital envelope. He's a former lineman from the CFL. So, we filter a lot of bad projects, most of my people not wanting to go visit them with a bad business case. And so, constructive tension comes in different forms. But first calling capital is always the business.

I mean, I think there's a bit of a myth that PSR or what this team has done is cut capital. Absolutely not. If you look at the numbers, what was done post-transformation, we've taken a long-term and balanced approach. So, we have invested more in the network. We hit record numbers in 2015 in terms of our capital investment. The mix of the investment, though, did change. So as we improved our service, as we improved our train speed, as we improved the quality and the reliability of our service offering, we didn't need as many assets. We didn't need as many cars, locomotives and we took a CapEx holiday. What we did though is reallocate that capital. We didn't just cut it. We put it back into the network. We put it back into the infrastructure, allowed us to improve our services to utilize lanes that were mothballed because they're taking out of service because they were not in – they were in disrepair. We invested with the foresight of knowing that the growth was going to come over time as we implement precision railroading. And that benefit today is what we talked about a year ago, everyone talked about the network capacity room to grow, and that's what's gives us the confidence to be able to take that further. And it's what's going to allow us to support the growth at low incremental costs.

At the same time, we're proactive in how we manage our capital. We're the first railroad to cut back and lower our CapEx in 2016 when the freight recession hit. Same time, we're – the following year, I was the first CFO to give guidance that year and I said we're going to bump up capital. Tony Hatch I think said finally, someone's bumping up capital. We did it. And I think it's an advantage of how our unique kind of culture of accountability and that collaborative approach. We have an ongoing dialogue. We have, as many of you mentioned, many presentations earlier, talked about our market strategy team, we have that team-based approach, that collaborative view of how we look at projects, look at opportunities, look at investment in the network. Mike Foran's team, our finance team, the operating team, the marketing team, we do not have a bureaucracy. I can assure you that, far from it. And I think that's what gives us the ability to be so nimble, ability to react and be ahead of the game.

We're also incented to invest efficiently. So three years ago, long-term comp was much more focused on the OR. ROIC was only 20%. The last two years, we bumped that up to 60% of the teams' long-term incentive comp. Going forward, next year, the board has changed it to 70% of our long-term compensation. When you're in a capital-intensive business like – such as we are, when we've seen what, call it, inefficient use of capital elsewhere, it's important to make sure that we are being held accountable on how we look at our projects.

So, our return threshold is pretty significant. And I can assure you when you have a pipeline of initiatives and pipeline of opportunities to invest in, you can get strong returns. So, we're going to hold ourselves accountable. So over the planned period of the next three years, we should expect CAD $1.6 billion per year in CapEx, basically what we're going to finish 2018 with, may change a little bit depending on FX. A reminder, if Canadian dollar strengthens, that number will come down, majority of our CapEx is in U.S. dollars.

And as we talked about, the mix is going to change. We're going to spend a little bit more on locomotives, a little bit more on railcars, less so on some of the other – the discretionary capital will be focused more so on that. But we're also in a very fortuitous position, like I said, to have a strong pipeline of high return projects. So, we recently had a strategy session with the team to project volume and traffic to ensure we've got ourselves covered and we do say we've got room to grow. We do have room to grow. And that we can – ensure us that we can grow sustainably and profitably. As I mentioned, the heavy lifting that we did over that multi-year plan has given us the confidence that we have the network capacity to grow. And we're not going to sell in to places where we don't have the capacity. The team knows that. It's crystal clear. In fact, this plan executing the volumes

that we will move as part of this plan will allow us to extract the value of those past investments. So, it's only going to help our returns, only going to help our ability to drive growth at low incremental cost.

We also work with Class 1 partners to how we interchange traffic, optimize routing to avoid congested areas, to allow ourselves to grow in the areas that are underserved. And if PSR gets exported down south, that can only be a positive. As our partners in the U.S. get stronger, get better, get more efficient, that creates capacity for us. That creates a better service and product for us collaboratively. So, I think there's some upside there.

The team talked about on the industrial development side, whether it's transloads, how we're looking at extending our reach. We have a numerous cost effective, high return investments in that space. Jonathan talked about Vancouver, talked about how he got that Ford business and the constructive tension. But it guarantees you get a strong return and it guarantees that you're not throwing away capital. We're not going to get sucked into that. We are going to partner strategically. We're going to support our growth agenda. We're going to get roundtrip economics and get that stickier customer. So, we're not going to do it by throwing away capital, period.

On the IT side, talked a lot about the initiatives that have taken place. In the past, I mean, we spent CAD $450 million to rebuild our systems, rebuild what we needed to run precision railroading. We got better visibility, we got actionable insights and a much better customer experience. It's a team that Mike Redeker led. And he – hopefully, some of you got a chance as well yesterday to spend time with him to see how we're going to leverage data to enable further decision making. We talked about Fastpass and talked about some of the unique initiatives that we're doing, RPA, a lot of exciting things to invest in.

On the locomotive modernization front, this is the prime example of the efficient use of capital. We're going to allow us to keep a homogenous fleet with proven technology, allows us to extend the useful life of these assets by 18 years, improving the reliability, improving the product or service. Failures are down nearly 60% as a result. Improves our fuel efficiency, lowers our maintenance costs. This year, we pulled forward with our strong growth. We pulled forward 30 units from 2019. We bumped up capital a bit earlier in the year, up to CAD $1.55 billion, CAD $1.6 billion round up, and that was part of the reason. We're going spend CAD $145 million on 80 units this year. The high capacity grain hoppers, again, biggest investment in CP history. Joan talked to you about a lot of the benefits, more grain per car, more cars for train, enhanced reliability, lower maintenance costs, faster loading and unloading, improves our supply chain, supports our agenda of asset utilization. Again, that's going to be a big driver and why the CAD $1.6 billion that will be spread out over that timeframe. And also, more importantly, it gives us the visibility into the return – strong returns from the MRE. That's why we waited. So, that's why we weren't going to put capital into something that we didn't get the visibility and we didn't – if in case we had to share it with our other railroad.

These are just the sampling of initiatives. We have a number of those. Again, at the ready, Keith talked to you about what we're doing in Alyth. We avoid that whole bureaucracy so we can take advantage when capacity is available, when projects don't come through, that we can put the next one through the pipeline. I think this is a very powerful slide to show what we've done from a rewarding shareholder. A lot of rails are talking about issuing debt, levering up and buying back stocks. It's certainly something that we know. We did that. We've been down that path and it was very effective for us. We bought stocks CAD $7 billion worth, 35 million shares at about CAD $200 a share, compared to today's CAD $280. We have a history of being opportunistic. We've completed every share buyback program that we've announced. Buybacks are certainly going to be a part of our way of distributing cash back to shareholders. It won't be the only way. We've done some things on dividends as well. Our dividend yield is quite low. We've done a lot to increase it. We've raised it by 86% over the last three years. We'll get there eventually. When you're in the midst of a growth story, when you're in the midst of – Keith reminds me a lot being in the trading at a discount relative to your peers. We believe in our story. We believe in what we can deliver. And so, you'll likely see us, you will see us buying back our stock. We made a decision to delay our buyback and line it up at the end of the year. So, I'll get to it a little later. But you can expect us over this planned period to buy back approximately 3% a year.

From a balance sheet perspective, when – one of the, I guess, underappreciated benefits of precision railroading was the impact that had on our balance sheet.

We went from BBB- near junk status, took it up to BBB+. We were opportunistic in 2015 to issue – by issuing USD

$2.7 billion in debt. And then, when the Canadian dollar depreciated, we saw our leverage go up pretty significantly. We were in that 3.2 to 3.5 range. When I took this role on a couple of years ago, one of the first names I have was with the rating agencies, and looked in the eye, made a commitment to say, we will get our debt-to-EBITDA down under 2 to 2.5 range. We will grow to that leverage target.

So, we – over the past couple of years, the team has delivered. We're going to be there – we're there now. And so, if you think about what we're going to do with our balance sheet, you can expect us times in the cycle where we're willing to be at the high end of that range. And if we see the opportunities in a strong macro environment, I think we'll be comfortable being in that 2.5.

We benefited from some refinancing earlier this year. We have a very manageable maturity ladder and we have some further opportunities if you look out into 2019 and 2021. So, further upside from an interest expense point of view. And if you look at what our latest guidance and what we're delivering, certainly, we have leverage capacity into next year. And so, we have some options and we have some flexibility. So, it's a much better position to be in than where we were even just a couple of years ago. So, we expect to probably end the year with about CAD $500 million of cash. We're not going to sit on it. We're not going to allow that just to sit on the balance sheet. So again, expect in December, we'll come back to you with a buyback.

This is one of my favorite slides, not because I'm an actuary, but it allows me to sleep at night. We can create value for shareholders without worrying about our pension. And we talked to you about the balance sheet, the trouble it was in prior to the turnaround. The pension plan was that much worse. The company had to fund CAD $2.1 billion into the plan because it was critically underfunded. The company issued equity in, I don't know, it was in the CAD $30, CAD $35 level versus where we are today, just to manage its obligations, not a good place to be in. The company took a lot of steps to mitigate it. So, the plan is now close to non-union employees, including myself, unfortunately. Caps are put in place, negotiated caps with our unions, the asset allocation strategy was updated. John talked about the founding fathers on the railroad. I'd like to talk about the founding board members and give credit to Paul Hilal and Bill Ackman and what they did sitting on the finance committee to help shape the asset allocation strategy. And if you look at our returns of 10% average over the last five years a lot of credit goes to them as well. And then another benefit from precision railroading when head count went down by 40% head count, that had a material benefit for the pension plan.

So we went from being 87% funded to a strong surplus position today, which puts us in an extremely positive situation. So I think what gets overlooked sometimes is by the investment community is the contributions to the plan. So we went from that CAD $2.1 billion number even recently last three, four years, we're contributing CAD $100 million, CAD $150 million to the plan. This year, we'll contribute CAD $38 million and we have light at the end of the tunnel to even have the option to take contribution holiday going forward. And as interest rates rise, as returns continue to be strong, for next year, you should expect our pension plan to be at worst flat from 2018 levels. So pension income likely upside on that front. Bottom line, pension plan is in fantastic shape.

So let me summarize quickly what this means from a financial principle point of view. We talked about capital about CAD $1.6 billion although this could go up or down depending on FX. If you layer out that plan certainly we'll be in the teens as a percent of revenue, I don't like that metric, but I know you guys all do and you're all going to write that in in your sell-side reports, but we don't look at it that way.

We look at investment. We look at returns, but if you really want to go down that path, I'll say it will be mid to high teens. Again, we're going to hold ourselves accountable from a return point of view. ROIC, our ROIC is increasing our targets next year.

We're going to increase as well on what we hold ourselves accountable to. And if we – it's a result of the high return projects, so the dividend will get that to closer our peers over time 25%, 30% payout ratio. And again, the buyback is always going to be a part of how we return cash to shareholders.

Okay. So, how does this – let me summarize a little bit on the guidance and I know we're getting to Q&A shortly and I'm sure there'll be plenty of questions on how our guidance is conservative and so forth. I'd say we have very high level of confidence in our plan. We are extremely excited about our future. I know you have a lot of other rails to invest in or you don't even have to invest in rails. But I'd encourage you not to overlook what CP can achieve, what this team can achieve, what our future looks like. We have a unique team, unique culture

that's rooted in and rooted in precision railroading. We're not looking to learn precision railroading. We're not looking to redefine ourselves. This was always the plan after the turnaround because like I said that – from the improved service, control cost get the growth.

So what's different then four years ago? Well number one, it's not a crude plan, okay? So John talked about what we've assumed. Arguably, it's extremely conservative, but we like it that way. You guys make your assumption, but we think that we're going to have plenty of runway on that front. I think what's changed as well we've matured as an organization. Four years ago, it was early innings on the turnaround and you've seen stability in the company. You've seen stability on the team. You've seen the team, the culture kind of get embedded in who we are. We've developed a bench. We've developed a sales and marketing team, the transformation that John talked about. Certainly, it's a extremely strong macro environment. It's extremely much more positive environment from a competitive landscape. On the pricing front, I think we're in a much more rational place than it's been in the past. So it's going to help our quality revenue. It's going to allow us to sell our service as we increase our total transportation product we have a better product to sell and get more for it.

We talked about the playbooks that the team generated. Extremely excited about what each of them are doing. I don't know if you can tell but there's this internal competitiveness that drives success, that's part of the model, that's part of the culture. We push each other. It's not political in anyway, it's getting the best out of one another. Everyone wants to be on the first line. Everyone wants to be taking the faceoff in that last minute on your own end and the other team has got an extra skater and pulled the goalie. It's that type of culture, that type of mindset. So we're very confident we can outgrow the industry. We're into 10% revenue growth this year at least, last year we did 6% revenue growth. We have line of sight to a very strong revenue performance going forward. And again, margin improvement story is far from over. I don't want to say that four operating ratio again but just to say that margin story has got legs and I'm extremely confident about that.

And that's going to be driven by healthy operating leverage. We're focused on returns. We're going to have disciplined capital deployment. You're not going to have a CapEx bubble from us, I can assure you that. Having a thoughtful long-term approach in how we invest capital is going to avoid that. Our balance sheet is restored. We're ready to reward our shareholders. Pre-announced – like I said this – earlier this morning, we pre-announced EPS growth greater than 40%. Raised our full year EPS growth outlook to greater than 20%. And so that's two years in a row now. And we've had double-digit EPS and surpassed expectations.

Last night I was – I didn't make this up. Last night, I was walking out of my office and on my bookshelf something caught my eye. And I looked at it and I thought how appropriate, how telling, how fitting and it was this. It was a gift that Hunter gave to me when I was – when he was retiring from CN 2009. And it's quintessential Hunter. First of all, it's like shiny gold. And second of all, it's a money clip. We all know how much he loved money. But it wasn't what it is that kind of inspired me and reminded me. It was what's inscribed here and it was even – I had chills last night during dinner when Keith was speaking and he spoke about it today and it says for the good times. He made those comment last night about it's a good time for CP, made the comment again this morning about it's a good time for CP. I think that – I don't think that's a coincidence. But why I thought he was telling, why I thought it meant so much more was, yes, it's a good time for CP. But when Hunter gave this to me back in 2009, I mean he knew how much I made, so he knew money clip wouldn't do me any good.

But he – as much as he looked backwards, he had that - he's a visionary and he looked forward and he was sending a message to me about for the good times, talking about the future. And why I thought it was so relevant is this team of railroaders here, we're committed to deliver. Yes, we have good times. Yes, we announced a hell of a quarter. Yes, we announced a hell of a year. But our commitment to you is not looking backwards. Not getting complacent. It's looking forward. It's looking on delivering this plan. But far much more than that, it's delivering, deepening the bench, delivering the succession that's going to make sure this railroad stays at the top of the heap for years to come and decades to come. We've worked too hard just to let it slip. And so for our shareholders, stay on this journey. There's plenty of good times ahead. Thank you.

I think we're going to invite John and Keith to do some Q&A.

QUESTION AND ANSWER SECTION

<Nadeem Velani>: Okay. So we've got mic set up, Maeghan. Mic's set up. I know you've been waiting this for a while, so shoot. Justin?

<Q - Justin Long>: Thank you. Appreciate the presentation. I guess I have a couple of questions one maybe first for Nadeem on the incremental margins of 75%. That's clearly a pretty impressive number. I was wondering if you could help us think about how you would allocate the improvement between operating leverage in the business versus all the initiatives that you've been laying out at this Investor Day. Is it a 50/50, is it more weighted towards operating leverage? So that's my first question and I have a follow-up for Keith.

<A - Nadeem Velani>: Tough question. Right now, it depends on the level of volume. Right now, our operating leverage in the current state is probably closer to 90%. It's going to be somewhat dependent on where that mix of traffic comes. There's a seasonal aspect to it. Right now, it's really about our train length continue to improve, our ability to operate at low incremental cost is really driven by the mix of business and how we're taking that on and running much longer trains. As far as going forward, the initiatives, having where we see the opportunities ahead of us, the roundtrip economics and so forth and what we're doing with our existing assets, that certainly is a big portion of how we're going to take on that volume without taking on additional comp. So taking on better assets, more per car, more per train and not increasing the labor on those trains. Does that make sense or not?

<Q - Justin Long>: That makes sense. And Keith, just real quickly for you, we've talked a lot about organic growth but acquisitions really didn't come up. And I know that's something you talked about in the past. Do you think the rollout of PSR in the U.S. increases or decreases the probability of Class 1 consolidating event in the future?

<A - Keith Edward Creel>: I think a couple of things. As PSR takes route distraction, I think it increases capacity I think it increases capacity for the industry especially key points like Chicago. So in one case, it gives us more capacity. The challenge is it's not enough. When you think about Chicago, you think about 25% of every ship in North America goes to Chicago. You think about population growth, dependence upon rail transportation. You think about all the contraction that we have in the trucking industry, we think about capacity on inter-states, all that stuff still says the demand for freight railways will increase.

As demands increase, you've got to create more capacity. You can't double traffic in Chicago and solve that problem with just PSR, just doesn't happen. So the only way to increase the capacity to match the increased demand is to take out complexity, extend of lengths of hauls to eliminate interchanges. So if you have two likeminded railroads that are running PSR, think about what the STB standard sort of the hurdle rate is, it's going to be pro-service, pro-competition. We can be pro-service and you've two likeminded railroads running a service-oriented business that creates capacity for customers, existing and future customers to extend lengths of haul to allow them to grow in the marketplace, allow them to partner with those railroads that might do that to win a new market space, that's pretty compelling. That's pro-service.

So again, eventually, it's going to have to happen. I mean, I don't know if it's 3 years, 5 years, 10 years, it's certainly within my bandwidth of railroading. I would say that and I would say unless we believe that the economy is going to contract so much and population growth is going to contract so much that that problem goes away we've got to believe in. The question is does it happen as a matter of necessity, what do we get ahead of. It takes progressive thinkers. It takes people, number one. They know how to execute it. It takes customers that will support it. And it takes a government that likely sees the opportunity it represents instead of the problem that if you avoid it, it's going to be created. So again, my thesis remains the same. It's not a matter of if, it's when. And to me, for this company, for the best-run railway in the industry, we have a compelling team, a compelling value proposition. We get the service fees, we get the competition fees, end of the day pretty compelling value proposition for the customers, pretty compelling value proposition for the shareholders, pretty compelling value proposition for the economy. So that's my vision. Long answer to your question but yes, eventually, it's going to happen. It's not a matter of if, it's when. And when it does happen, this company is going to be in a unique position. We're going to be a leader in this industry and service, leader in this industry and competition. Not afraid of it, we embrace it, we look forward to it. And if it offers compelling value for our shareholders then certainly we're going to consider.

<Q - Justin Long>: Got it.

<Q - Fadi Chamoun>: Hi. Fadi Chamoun from BMO. Maybe first question to John, so when we think about the

volume guidance that you provided, I mean you're tracking to probably somewhere around 8% for 2018 and as you laid out the outlook, it feels like 2019 is shaping up like 2018. Maybe you can help us think about the pluses and minuses in that picture as we look into 2019 in particular what could be kind of on each side of the column for the volume picture and maybe even the mix within that picture? And I have one more question for Nadeem after.

<A - John Brooks>: You're trying to get the – our 2019 guidance. Fadi asked me that at dinner last night too. I guess, I'd say this, I think the general landscape, Fadi, if you just step back and look at it, generally looks the same, right? I think in terms of the puts and takes commodity by commodity, obviously, we're going to have tougher comps in potash and in some of those areas we've had big years. But I think there's other areas. As we talked about, I think intermodal – we talked about, I think intermodal last night where domestically we've got a pretty good track record, full expectation, Jonathan will deliver it.

We've got some pucks that we're going to put in the net in the automotive and international space that are going to give us some additional ramp-up and lift. The things we're doing in the grain space. And as I told you last night, probably the space I'm most excited about is what Coby is doing. That's an area that I think we're going to step up that next level of incremental growth in a number of those spaces.

And look, crude-by-rail and that piece of it above and beyond, we've got some to yet layer on as we get into 2019 just that we've been disciplined and when we expect that volume to come on and start. But again, I think that all represents upside to everything else I've talked about. So that probably – that take you somewhat into a different front or a different RTM level.

<Q - Fadi Chamoun>: Good. Thank you. The other quick question, I mean when we kind of do some math on some of the guidance numbers you've provided mid-single-digit volume growth, obviously strong pricing and I think, Nadeem, you mentioned the operating leverage being also pretty strong. We can back out into a mid-50 operating ratio and I know you're not focused on OR necessarily, but how – is that other magnitude consistent with the growth or how do you kind of balance the growth in the business with the OR?

<A - Nadeem Velani>: Yeah. I mean, I'd say that just to be careful little bit on fuel that's going to be a bit of a headwind to the OR and so when I talk about operating leverage I talk about you know ex-fuel surcharge, ex-depreciation. And so I think mid-50s is aggressive. Do I think we can be sustainably sub-60 next year or in this part of this plan? Probably fair. To take it to mid-50s I think is too far, too fast. I think, ultimately, could we get there over time? Absolutely. There is always some risk with winter and so forth but apart from that, the conceptual kind of view of improving greater than 100 basis points a year over the plan is a fair one. I'll just go back to that.

<Q - Konark Gupta>: Okay. Thanks. It's Konark Gupta from Macquarie. I'll maintain the decorum here so I have two questions. One for either Keith or John whoever wants to take it. So how do you think about network capacity and opportunities as the e-commerce grows the retail footprints change in North America and new distribution centers open up?

<A - John Brooks>: I guess Jonathan hit that out of the park in his presentation. I mean, if you have the best service in the industry, the shortest route, whether it's the brick and mortar retail or its e-tail, they're going to want that best service. So I think just simply from the service perspective, we're set up well but with the other piece, I think our demand management, as we described, creating that peak capacity and really thinking differently on how we allocate the right customers to the right train again gives us that, I think, advantage as this landscape evolves to more of an e-focused sale model.

<A - Keith Edward Creel>: I think the other thing I would add, if you look at our franchise, intermodal in Canada is not the same as intermodal in the U.S. length of haul matters. So essentially, you have the major metropolitan locations where these DCs would be and where this commerce is being driven or where the consumption is being driven, where the need is being driven, all the locations where we talked about our footprint served well where we have capacity. So if you're talking to 1,600-1,700, you have a mile average length of haul so more so a partnership. As e-commerce evolves, not just compete with us, but need us to compete themselves. And the unique solution that we provide with our railway – railroad and with our footprint is unique in this space. It's going to allow us to thrive not die. We're going to thrive in this environment as far as I'm concerned.

<Q - Konark Gupta>: Thanks. And then just to follow up for Nadeem, so we didn't talk about this time I guess real estate monetizing opportunities you guys have because I think there was some discussion years ago. Can you update us on that? What kind of land sales are we anticipating over time in terms of like gain on land sales as well as cash flows?

<A - Nadeem Velani>: Sure.

<Q - Konark Gupta>: Thanks.

<A - Nadeem Velani>: So we've assumed in this plan. No land sales. So when we talk about what that means from a margin point of view and from an earnings point of view, in our partnership with Dream I think it's something that still exists and we're not going to do things just for kind of short-term gains. We talked a lot about some of these opportunities from a real estate point of view, revisiting them and seeing what it can mean from a growth point of view and whether that we're always going to first call on cap was always the business. That works with real estate too. So if there's a piece of land or there's, there's when you revisit it and say, okay, Jonathan described Vancouver. We were selling a building. We saw better use of that asset and revenue generation. That's going to be where you're going to put your focus on and prioritize. So could we see opportunities down the road with Dream? Absolutely. We've highlighted a number of the footprints that are available. But again, we're right now focused on what we can do to drive rail
revenues on it. So...

<Q - Thomas Wadewitz>: Hi. It's Tom Wadewitz from UBS. I've two for you. I'll give you both same time. So, I mean it seems like a pretty very compelling setup you have with – your competitor has some capacity constraints, you've been investing for years to set this up, you have compelling growth outlook. But it's possible the competitor comes back and says we're not giving up any volume back. And consistently, they come back and say, I'll cut price to defend against your service proposition. So how would you think about that, is that – what's your assumption how they respond? And what do you do if that is their response that every time they cut price to keep the business?

The second one is just more thinking about your real estate footprint. It seems pretty compelling. You've got land, you've got available capacity but how do you avoid giving too much value to the customer in saying do you just do that by multiple customers or give a new facility or can you use single customers' things where you say, this is land, it's valuable but you're worth it as a customer? Thank you.

<A - Nadeem Velani>: I mean, from – I'll take your second question first, Tom. And maybe I'll leave that first one for Keith and John. We put agreements in that give us the opportunity to – the flexibility if we have a better use of the asset that we can take advantage of it. So if we need to exit a customer, we build in some of that flexibility into the agreement. We also – when we look at opportunities, we create that internal tension and internal competition to say what's the best use of that asset. So it's not, okay, Jonathan came first and said, I want Vancouver and he beat Coby and Joan to the punch. It's my team, other parts of the team, James, who manages our real estate function. What's the best use of the asset, number one? Is that the – and he's got to have a compelling return and so forth. So many cases, we're not necessarily giving away that asset long-term.

<A - Keith Edward Creel>: Let me – I'm going to comment and I'll let John add some color if he wants to when it comes to competitive behavior. I'm not kidding myself. I understand CN's network. I understand where the reach is. I understand where they're strong. I understand where they might be more room for opportunity, but I also understand this network. And all alone, I've known. They made some missteps. It's a good company. I'm not going to talk bad about them. I've worked with a lot of them for a long time. So they have capacity. They're investing a lot of money. They're going to come back and they're going to offer compelling value to some of their customers. But the reality is there's enough space for both to do well. The reality is I think we've all learned and I think CN would admit this themselves, growth for growth's sake can be very dangerous and very costly and very damaging. So sell to the strengths of your franchise, sell to the strengths of your network. Customers have learned not because we've just told them because they just don't prove that and they experience it now. Their supply chains matter. Reliability in their supply chains matter. Customers are competing in this country. We're not talking a huge – a lot of these are common customers, common lanes, common industries. They're competing for market share themselves. The steamship line is a great example. The steamship line that partners

with the railroad that has capacity both at the ports as well as inland so that when they sell that service proposition to their customers in Asia, can deliver the steamship line that's going to grow business. That's compelling.

So before you make a transportation decision just because of price or some short term gain to shift your business because you think somebody else is going to save you a little bit money on your transportation bill, it is the day that will cost you a whole lot of money on your revenue top line and not really winning the marketplace. So when we go and we talk to our customers, we talk about these opportunities, you know what, I could go in and pump our tires and I could talk about what we can and can't do and make a whole lot of promises. But at the end of the day, I'm not wired that way. And I am not going to let our team be wired that way.

We've had these conversations already. We continue to have the conversations even in the moment now. How can we give you values when at the end of the day you can grow, you can win in the marketplace and I can grow to? And how is it – how can we create stickiness so it's not easily replicated. What we're doing in Vancouver with that facility, that auto facility, that's not easily replicated. What we've done with our length of hauls and what we have with our capacity in Vaughan, that's not easily replicated. What we do here in Alyth how we're taking cars out of Edmonton and creating improved cycle times that are two days faster. You think about that if you're a chemical company that owns those assets, we don't own them, those tank cars are CAD $110,000 a piece.

CN is going to have a hard challenge to go into some of those customers if we're doing our job, and returning those assets two to three days faster, say, you know what, you've got to increase your fleets 30% to put your traffic back on us we'll give you a great rate.

Number one, I think CN is more responsible than that; and number two, the customers are smarter than that; and number three, we're going to do our job and make sure, we sell that value proposition, not price, but the value of the service.

That's what this railroad is about and that's what we'll continue to do. And as we create these different strategic dots on the map that allow us to not just expand and promise the sun, the moon and stars to strengthen that value proposition that's why I don't lose sleep at night.

At the end of the day, CN should win in their markets that they have the best network in. CP should win in the markets that we have the best network in and we have like operating models. If their precision scheduled railroad they used to be and if they still, they say they are, and they say that they care about their return on invested capital and they say they care about not being a commodity and selling services and net value proposition then these two railroads they're the best in North America now, they're going to continue to be based on those sound fundamental principles. So, you've got to saddle-up when you grow up. Are you a precision scheduled railroad? We are. CN says they are. I know they were and I believe they still have the potential to be. I'm going to take them at their word.

I'm going to take them at their word because they're a strong company and I think they're a balanced company. I think they're a reasonable company. I think they're a smart company. I think they'll do well and I know we'll do well in this market space. So again, we've got to compete, we're tough competitors, but if we do our best job on our best day, on the strength of our franchise footprint, they're not going to be able to compete with us. If they do the same thing, I'm not going to go try to compete with them. We've tried to bind the business. We've swapped things around. We played the shell game. At the end of the day, that's not sustainable. It's not smart and it's not necessary. And I firmly believe that. That's not going to change as long as I'm in this company.

John?

<A - John Brooks>: The only thing I'd add is these types of pricing environments don't come around – 24 years of sales and marketing, I've seen the peaks and valleys, and we've been in quite a valley, right? There's a compelling price story that's emerged. And again, I think because of that, in itself, we've got to take those opportunities in the marketplace.

<Q - Unidentified Participant>: So just a question on people. We talked a lot about the growth, but facilitating that will require people. Maybe just describe the cadence of employee count that we should expect to facilitate some of this growth and how the plan is unfolding behind the scenes. We talked about training a little bit yesterday, but

are you able to find the people on pace and just how we should think they should come on again in accordance of the growth?
Thanks.

<A - Keith Edward Creel>: Yeah. I'll start with the latter first. We're on pace, we're finding people, we've got a compelling story, we're creating a whole lot of success. This company has a very widely known profile. This company has a lot of respect, especially in Canada, and we're earning more and more respect in the U.S.A. every day. And in the U.S.A., where maybe we don't have the same profile with U.S. that we do in Canada, we have a very, very, very good collective agreement where our employees, our engineers, our conductors, the employees that work in the running trades were the most – you see the most competition for employees.

They make a lot of money. They work hard. They earn every penny of it, but at the end of the day, our engineers and conductors on this railway on average, they're making more than some doctors make. And I'm telling you, what they do, to me, matters just as much as what the doctor does, because moving our trains efficiently keeps our network healthy. If we don't do that, it's hard for us to maintain our fluidity and our asset turns and all those things. So I think we're in a good spot there, something we're going to be pay attention to. Obviously, we've got to compete for employees, but if we treat people fairly, if we pay them well, and we create some success that they get to enjoy and take part in, you know what, it's a pretty compelling value proposition.
And as far as productivity, my goal, my objective is to sort of incremental gains. We've made quantum leaps in productivity when it comes to manpower. We've had huge head count reductions. We're at a point where we're running, if not industry best, approaching industry best on train length, on train weights, productivity with our locomotives, the people that maintain them, productivity with our carbon. This is not a head count story anymore. This is about treating the employee correctly, creating team work, building bridges, creating productive employees that are here and want to be here because they choose to be here, not because they have to be here. And if you do that, I'm confident that there'll be more productive employees.

I'm confident that through these initiatives we're talking about, as we bring these hopper cars on, as we convert these opportunities from 7,000 foot trains to 8,500 foot trains, hauling 40% more grain, just by the sheer math of it I don't need as many employees. So it's more about bringing in on additional business at lower incremental cost and managing the head count. It's not one for one, there's always going to be an expectation to incrementally improve productivity in everything that we do. We always can get better, we're not perfect.

When I think about margins, I think about next year, I think about head count. We haven't even talked about this a little bit. First half of this year was atrocious. We had a tough, tough winter. Tough winter. We had a derailment. I haven't had to deal with this company in a long time when we lost a ton or we derailed a grainer train or a potash train West of here in our heaviest, densest piece of railroad we have going, it's stopped all of our intermodal traffic, it stopped the grain traffic, it stopped our potash traffic, it stopped our coal traffic. Knock on wood, that's first time in 18 years of railroading in Canada I've had to face that. I certainly hope I don't have to face it in the first quarter.

Second quarter. How many times could we start and stop the railroad because of labor disruption? I mean, our customers had labor fatigue. And rest assured, when I was at the negotiating table, when we had our – the final strike and we've came to a negotiated deal, I explained that, I explained that to our labor leaders. I explained to them and told them, you're in a very critical point in this company's history. Blood, sweat and tears, we've all sacrificed to get this company restored, we've all sacrificed to create this service, we all sacrificed to create this value proposition.

But it means we've got to do two things if we're going to grow the company because it's not just going to come, we've got to compete for it. I've got another company that some of your fellow brothers and sisters work for. Their paychecks starts with the same C but ends with a different letter. So I said, do you want them to have it and do you want to have it? Because if you don't give me an ability to provide better service and to maintain productivity, then we're not going to be able to do that. So when we negotiate, it's about, you know what? I'll pay you more, which you've got to become more productive. You got to work with us, it's a partnership.

And that's what we've been doing, that's what we've been selling. So this story is not just with the customers, it's soup to nuts, it's A to Z, it's the entire foundation, it's the entire culture. So again that's always going to be a part of PSR. You're always going to be challenged to do more than less. You're always going to be challenged to innovate.

You're always going to be challenges, is there a way to run the train longer, safer, more fuel efficient? Is there way to eliminate crews savings? Is there a way to switch cars in a more productive fashion? That's all part of the process. It evolves. You set the plan, you execute the plan, you measure it, and you always strive for conditional and constant improvements in your pursuit of operational excellence. And when you do that, you don't get to a store where it's always one for one, but there's always incremental opportunities when it comes to productivity, when it comes to head count, when it comes to labor. It just stays what it is. It's a natural byproduct of executing the PSR model.

<Q - Chris Wetherbee>: Hey. Great. Thanks. Chris Wetherbee from Citi. So Nadeem, I wanted to take you up on that conservatism comment. So when you start to break down some of the pieces of the guidance and think about the CAD $300 million to CAD $400 million of share rebalance in the mid-single digit, RTM growth, I'm just trying to sort of balance that all out with the pricing dynamics. So could you give us a sense of maybe where we should be a little bit conservative in our models? Where are the areas where you think maybe there are some pockets or otherwise where it's appropriate to be conservative?

And then, as a second, sort of follow-up, John, probably on the crude-by-rail side, you guys are obviously taking a very prudent approach to the growth there and that makes a lot of sense. But when you sort of think out over the next couple of years, what are the realistic numbers we should be thinking about in terms of volume for CP? So what can you bring on the network in the context of everything else you want to do? Thank you.

<A - Nadeem Velani>: So in terms of where is the risk or whether it's potential headwinds, I think safe to say U.S. grain right now, tariffs associated with some of what's going on south of the border and what's happening with China trade specifically. Could that be a headwind over the plan period? Potentially, yes. I think the NAFTA issue, I think, is resolved. I think that was more headline risk than it was meaningful risk to the business. But we're seeing some challenges on the steel side and so forth. Yeah, I think that's fair. So I'd say, broadly from a macro point of view, trade could be an aspect that we're watching, U.S. grain could be an aspect that we're watching.

The competitive response is something that we've talked about a little bit. I think, regulatory wise, there's nothing there that that looks at us. We went through a very extensive review in Canada, which we're living with today. There's some good and bad that really gives us angst. Apart from that, I'd really say there's a lot – there's probably more good than bad. Maybe I'm not a good CFO because I'm not scaring the crap out of you, but there is no real reason to do that. So we feel very good, we feel very strong about our prospects and the way things are shaping up.

So down the road, could there be challenges with tax reform and what that could mean to the U.S. economy and what that could mean and the burden associated with some of the fiscal decisions there, could there be some challenges surrounding on the U.S. side again on the regulatory side? Perhaps, but nothing really that, again, makes us worry, so.

<A - John Brooks>: All right. So I'm not going to give you an art of the possible. But I'll say this, I feel comfortable with the deals we've put in place and the terms that I described earlier, that we're going to hit, let's call it a, 100,000 car a year sort of run rate as we move into 2019. And I can honestly tell you though, as right now we've sort of paused to say, look, we've put the resources in place, the manpower in place to sort of be ready for that level. I don't honestly know where this goes beyond there. But I think we're set up well as we get into mid-2019 if, in fact, we believe crude presents itself as a longer term opportunity pipelines continue to get pushed.

Big question I have right now, we spoke to a group last night about it, is paint car manufacturing. And the next, having enough of 117s to really be able to feed the marketplace on a longer term if in fact crude-by-rail is here to stay longer term. So I don't know what the art of the possible is beyond there. But look, we are going to maintain a sort of disciplined, prudent approach. I think we've again partnered with the right companies in the business for handling, that if it in itself -it presents itself and it's completely investable, we're going to consider it. But I don't see anything imminent that sort of changes that in the near-term.

<Q - J. David Scott Vernon>: Hi. David Vernon with Bernstein. Two quick questions. First, on the capital envelope. Within rolling stock 25% of the CapEx budget, it seems like there's quite a few big platform investments like the high-capacity grain cars. As we think out past 2020, should there be an expectation that that additional sort of

platform investments of that nature will be in there or should we expect those assets to be sweat a little bit, maybe some of that rolling stock CapEx could come off?

And then the second question would be more for Keith. We didn't see much in the way of operating metrics or operating targets on the slides today, which I commend you for in terms of focusing on the growth, but it will be great if you could talk a little bit about what your expectations are for how much further you can push the operation around some of the key operating metrics that you use to run the business, just to give us a sense for how much more potential there is on the efficiency side? Thanks.

<A - Keith Edward Creel>: Well, let me do efficiency first, and I'll let Nadeem -I'll tell you this now, we made quantum leaps. We expect quantum leaps again. I'm a realist. In spite of this increased demand though, in spite of the challenges we've had, we still have driven increased train length. We still have driven increased train weights, but again it's incremental steps. It's 1%, it's 2%. We're not talking – we're not going to double train lengths. The equipment won't handle it. The infrastructure is not set up to build it. But when you talk about and think about the comment that Coby made, we're going to grow in the merchandise space.

And if that's where a lot of the growth is focused, then we're 70% on our trains. If I can run a 10,000 foot train in the corridor with no more incremental investment and I'm running 7,000 foot manifest trains, then you know what? There are significant steps to make quantum change, but at the same time if I go to coal trains, I don't know that I'm going to get it much bigger, the supply chain won't handle them. I have to be able to launch them and land them. That's part of the grain train story though, is we get this new investment with this new car, which it's going to take this investment of the rolling stock, yes, it's going to roll off because those cars will be aligned by then, but then that's when you really start to see, when you have enough critical mass in 2021 and 2022. If 25% to 30% of our business is grain, is ag product, we can grow train length on grain and grow train length on potash trains, then you'll start to see the needle move again; but again, yeah, I go to that investment, not just our investment.

Going down to Portland, Oregon, UP's got invest. Customers that handles the terminals. You got to be able to launch them and land them to create the asset turns to justify the investment. So when you do that, that's when you'll see the needle move more, but in the meantime, it's all about incremental change and productivity improvements.

<A - Nadeem Velani>: David, just – I mean, I think you're right on; where, in the near-term, hopper cars is a strategic opportunity for us. And what we're doing on the locomotive modernization side and what we're doing kind of in the near-term over the next couple of years on locomotives is the big focus area. Beyond that, it's going to be somewhat dependent on where growth is. But you see that that rolling stock investments come down considerably, so.

<Q - Walter Spracklin>: Hi. It's Walter Spracklin, RBC Capital Markets. I got one for Keith and one for John. Keith, a lot of the questions coming into this event were around capacity, given everything that happened with your competitor last year. I think you did a great job of providing us some of the resiliency you brought into your operations with regards to capacity. My question therefore is, where do you see the highest risks? If you were to look at the different parts of where capacity could become a problem, what's the one that is really keep you up at night whether it's exogenous, whether outside of your control? Whatever it is, what would that be?

And the second one, for John. I heard Coby indicate, increasingly amount of contracts that are building in minimum volume commitments. I know you're bringing that in on the crude business, but I was surprised to hear it now, coming in on center beam.

How much of your business in total do you consider covered under a committed minimum volume? And how much do you consider it as possible down the road as being covered under those commitments?

<A - Keith Edward Creel>: Okay, let me start. Walter, to – one answer is a common answer for me until somebody solves the problem. Chicago, from a capacity standpoint, is always catastrophic derailment or a tough winter away from melting down. It's much better than it has been. There's capacity that's being created. The more we PSR, the more we invest, the better it's going to be. But still the problem's not solved. So if I think about having a long prolonged winter that affects the railroads the way that winter in 2013 and 2014 affected the railroads, that keeps me up at night.

The other piece I think about is locomotive capacity. At the end of the day, there's a lot of demand out there. As freight comes to the railways, it's important that we partner right with the OEMs to manufacture locomotives, the GEs and the ENBs of the world. They've got to be able to ramp up and lock step with the railways to be able to produce that capacity. I think about now, if the turns were there and if the business case were there to bring on more crude by rail for example, is there the capacity in the locomotive space, whether it's through remanufacturing
locomotives or by new locomotives to feed that market? And I would suggest that it's not. It's a limiting factor that we have to pay attention to. So, can they ramp up? Yes. But it's much like everything else. They haven't built their church for Easter Sunday, they've had to deal with pretty challenging times to stay in business which we want them to do, but it takes time to ramp up, and they're going to make business decisions as well. They're not just going to chase a peak, just like we're not going to chase a peak. So those two areas, to me, are areas that we've got to pay attention to. I don't lose sleep unless, again, we get into a long prolonged winter, but it's certainly something I pay attention to.

<A - John Brooks>: Walter, I'd say this, philosophically, I like tariffs, I like the flexibility that our tariff business gives us, it rolls over, there's a lot of control in using that pricing mechanism. The flip side is where it makes sense and where we are entering into contracts or – yeah, contracts or longer term agreements. There's a give and a get, right?

In my mind though, we should have an expectation that if we're going to provide a price and a term and a contract and the reliable service that we're going to commit, to get should be – we should get a commitment on a certain level of volume. Now, that doesn't, again, mean everything all the time with that customer, it's got to make sense for us. As Coby talked about, specifically to the forest product business, there's a lot of demand out there, right? The demand is outstripping our available – our supply. So we've – we're going to go on, we're going to bring on additional center beams to this property for next year. But rest assured, we're not bringing on the additional assets unless we have the minimum volume commitments to underpin those assets. That's specifically what he's talking about. And again there's a world of opportunity that Coby has identified in a space where there's mills out there on our property, that we've just under – we've underserved, we've took our eye off the ball.

They've converted a lot of their business to truck, but as we go in there and rebuild those relationships and build that confidence and reestablish ultimately the service, if we're going to do that, I want to get a minimum volume commitment out of that. So, yes, I think we are doing that more, and it's simply on the principle of sort of that a give and a get.

<Q - Brandon R. Oglenski>: Thank you. Brandon Oglenski from Barclays.

<A - Keith Edward Creel>: Sure.

<Q - Brandon R. Oglenski>: So, Keith, I just wanted to ask one. You talked about constructive tension quite a bit here and driving the culture at CP. And I think it's pretty clear that I think the CP folks in this room are very aligned on that, and Nadeem wants to fill that money clip in the future, I think. But how do you get that culture down to the frontline employee? You did say last night that this is the first time, I think, you've had with your conductors and engineers an agreement in 10 years...

<A - Keith Edward Creel>: Yeah.

<Q - Brandon R. Oglenski>: ...but from the outside looking in, it sure seems like it was pretty acrimonious. So, how do you get buy-in at the lowest level of the organization, and is that important to the future here?

<A - Keith Edward Creel>: Yeah. So, the constructive tension, culture of accountability sum have coined I think mistakenly not understanding in the history especially here in Canada, a culture of fear. Listen, it's all about – it's as simple as, and I think we all understand, I believe human beings, number one, couple of things; human beings do what they're allowed to do, myself included. They're creatures of habit, will take the path of least resistance, if we're allowed to take the path of least resistance. And we run a railroad business that starts with the employees showing up to work on time and getting on the engine on time and getting out the service to the customers based on our schedules, that matters. So if you allow the employees to come to work when they want to come to work, if you allow them to get here 20 minutes late, if you allow them to take 30 minutes to come out before they go to work, if you allow them to take two-hour lunch breaks, or if you allow, like we used to allow at

this company, early quits or deals that are cut locally to circumvent our large agreements, it's called local agreements, that we went through a lot of pain and suffering, counseling, to pay people to sell your soul to get them to work, you know what? That's what you're going to get.

But in this railroad, when we talk about constructive tension, and we've shared those stories with our employees, we talk, we communicate, we educate; listen, at the end of the day, we were likely to do that for a long time and this company wasn't doing very well. This company was in trouble. It was a going out of business recipe for failure, is what it was. These employees today know. And as we think about the demographic, as we on-board employees, we talk about consequence leadership, we talk about constructive tension. It's not just this is the way we're going to lead, it's teaching our employees this is the way you will be led. It's a simple proposition. Honest day's pay for an honest day's work. And if you do that across the board, most people, human beings, if you let them know that's the expectation, that's not an unfair proposition, that's not a culture of fear. That's a culture of accountability that says, if I do that, I'm going to succeed, the team is going to succeed, the company is going to succeed, we're going to grow business, and the shareholders we're all going to be rewarded, we're going to make a great living for our families, and we're going to create sustainability. I'm not apologizing for that.

Likewise, if somebody doesn't do that, they don't sign up for that, they don't deserve to be here. And I'm not apologizing for that either. And we haven't always gotten that, don't deserve to be here right, and I've had to apologize rightfully so to many of our employees in this position because, you know what? We pushed hard and we pushed fast, and the pendulum swung quickly, and we didn't get it all right. We had some officers that did it well, we had some officers that didn't do it well. We've taken a lot of steps and a lot of efforts. That's where we started this when I took over as the CEO. We changed our discipline processes. We did town halls. We engaged with our employees. We're communicating better than we ever have. We're explaining why it's necessary. And they know, the ones that have been here and that are enjoying the success now, they were here when the company wasn't doing so well, when we couldn't refurbish our locomotives.

We couldn’t spend money on our ballast. We couldn’t spend money to make our leads effective. We couldn’t spend money, at the end of the day, to run trains faster, to run them shorter routes. They understand what it was like, and they understand that's like today, and it's a quantum change.

And as we bring those new employees on, and you let go of all the history in the way it used to be and it's more, this is just the way it is, this is the natural way we run our business, and this is how we win in the marketplace. The CP pride in this company, it just spreads like wildfire, and these employees have stepped into that. That's why it's not just us, it's this family of employees. And if you go out on a lead, I'll tell you, this is compelling. I started to print this this morning and I ran out of time.

In the middle of our strike, leading right up to it, I tried to make myself approachable. I spent a lot of time out on the railway. And I can speak the language, I understand the job, so I understand the challenges, I understand the things we do well, I understand the things we don't do well. So through this process, I had several employees, craft employees started to reach out to me directly. Some CEOs, number one, won't respond; a lot probably have other people read their e-mail. I do my own e-mail, nobody has access to it but myself.

When I read it, I take what they tell me in confidence and I take it in trust and I take it seriously and I respond. And dialogues were created where a lot of what was developed into our solutions that we negotiated, I knew they address what was needed in the workplace because I was getting it firsthand. I understood some of the challenge we've gone through. And ultimately after those deals were ratified, I remember there was one particular e-mail I received from a signal employee, and the title of it and the theme of it is, I'm not just a – I'm not just a signal employee, what I do matters. I'm one of 13,000, but what I do when I go out, I'm not just going out to fix the signal, I'm going out to make sure signals maintain, that within the day I know if that signal doesn't function properly, commerce is impacted in this country. Our precision scheduled railroading model doesn't work. I'm affecting not only my job security, but my brother's job security. At the end of the day I'm more than just a signal person. I'm a professional railroader, I'm a part of this team.

You – when you get an employee that's at the frontline, that shares that with me in that level of detail, I'm telling you, we're not there yet, but the message is, it's where the rubber meets the road, where the steel hits the rail. Again, we're going to continue to work on this, we're going to continue, I'm going to challenge, and I do it all the

time. Jeremy Berry he is running our Public Relations, he is running our Communications. He has been with me in all the town halls. He knows my challenge to him is, help us develop a way in concert with Mike Redeker so that we can get our message out, we can communicate and resonate this culture and sustain it, and they're making similar kinds of remarkable progresses in quantum steps in their space that the marketing teams make it in their space, with the operating teams making theirs. So, every day, that's something we pay close attention to and that's something, I think, we're making strides, but again it's work in progress. It's a journey. You're never going to get there, but it's something that we're improving upon.

<Q - Ken Hoexter>: Hey, Keith. It's Ken Hoexter from Merrill. Thanks for the update and, just to mention, a great room to host it in. Your revenue ton miles were up about 14% last quarter, I think almost double your carloads and you kind of highlighted you de-marketed some short-term lanes like the Toronto and the Montréal lane. How many more opportunities on there – on kind of some of the short haul shifts to longer haul, just given the impact that has for average revenue per car?

And then, while I have the mic, just let me throw in a second one. Coby noted the crude filled up room for additional growth. I think you were mentioning that energy train went from 36% to 75% to now with given revenue would be at 100%. So contrast that with what you talked about the available capacity in the rest of your network, how then do you grow that business if it becomes compelling?

<A - Keith Edward Creel>: Let me – I'll go first, and I'll let John speak. When it comes to the opportunity that we haven't converted yet on length of haul and RTM growth versus carloads a lot of it – the big rocks we've moved I think the more we do eliminating empty car miles on the intermodal side is going to help us, I think, the success that Coby has in our merchandise growth, we think about where that merchandise comes from. A lot of this business, we're serving the same cities. We have zone switches in Canada. You want to get the car with the zone switch at the end of the line and not get the benefit of the RTMs in between origin to destination, or do you want to get it at origin and handle it cradle to grave?

So the better we are at selling our service offering and converting cars that might be given to us now in interchange with its own switch versus tomorrow we can earn line haul, the road haul, that's where we're going to see additional RTM growth that mirrors and reflects that same kind of quantum change that we've driven with the mix that we have today.

<A - John Brooks>: Yeah. Ken, I don't – just thinking about it, what jumps out at me or doesn't jump out at me. I don't see just any obvious sort of the short haul where we de-market or look at it different that jumped out at me at the near-term. I think, to Keith's point, if we do what I think we can do in those areas that Coby spoke about, that's strong sense for RTM business, and frankly it's a lot of strong just general miles it's good length of haul businesses out there. But in terms of just switches like we've seen here recently, with sort of the Expressway taking out some of that, it's nothing that's sort of imminent that makes a change.

< A - Nadeem Velani>: Growing the energy train.

<A - John Brooks >: What was the other one?

<A - Nadeem Velani>: Growing the energy train. So, it's a step function, you add another train at some point.

<A - John Brooks>: Yeah. I could tell you, it's been a huge success story. But us growing that train and then contemplating if we grow it to the point of having that next train start building, I can't tell you the amount of constructive tension that Nadeem and him team and then Mr. Creel put on us that underpin that, right? So that is at the heart of what we do. So, for me to grow that and then sit down and say, look, I've got to have another crew, locomotives, and we've got to issue another train start in that lane to support the business. Coby had to go to deliver the business first before we even consider taking that on.

<A - Nadeem Velani>: I mean, we had a negotiation earlier in the year where one of my capital guys was with Coby and John as part of the negotiation, like that's how close we are in that sense. I mean, it's – we're focused on our turns, and so, Tony I think you had...

<Q - Tony Hatch>: Yeah. Thanks. I've got a short line one, but first the – I do have a CapEx question. You keeping it flat the three-year period, but you expect to grow your GTMs, I would assume, by mid

single-digit and there's inflation. So you could also argue sort of reducing it a little bit, given all the opportunity now. I'd just like to hear what you think about that. And as a subset, given all the rolling stock purchases and that big component that was asked about, why don't you guys send your customers to buy the cars like the big U.S. carriers do, where they're declining ownership of rolling stock?

And then the short line bid is, as you go through PSR, you see CN bought short lines or regionals, a lot of them. CSX is in the process of selling a bunch. You guys have did a great demonstration of how you like short lines. Why don't you create more to help you?

<A - Nadeem Velani>: So, I mean, an easy one on the capital side. PTC will roll off, and that creates other opportunities. So it's static, but the mix is changing pretty – there's a number of lumpy things in any year in capital. So, PTC is one of them. So that will allow us to reduce it to an extent. At the same time, some of the – some of your – our yard initiatives, some of our other usefulness of our capital investments will roll off just the lumpiness of it. So I wouldn't say that we're necessarily, truly from a GTM point of view, reducing CapEx. That's – the GTM-sensitive capital is not being reduced.

<A - John Brooks>: And Tony, I'd say on the short line front, and I'm just – I don't want to make – I want to make sure I get your question right. Look, it is a key focus in our product development. It's not only going to make us stronger with our customer base out there, but also it adds a whole another sales team of short line railroads that are out helping to support our business. Like, that's an area honestly that we have, it's on mind at CP, right? Coby talked about the growth in it, and I'm telling you, that growth is – we've got that by accident. Now, we get out and we put some blood, sweat and tears in those relationships, alignment and operations, working with them and their customers. I think there's a big growth opportunity there. And whether or not it involves us short lining more property or potentially buying a short line, that's sort of a whole another basket for me. Just the fact of rebuilding that relationship in those customers and developing those opportunities is about this whole notion of how we create a better product.

Maeghan Albiston

So I know people have flights to catch, so we'll wrap up the Q&A here. The team will be around for those of you who still have any leftover questions. Likewise the Investor Relations team is also happy to chat with you over the next couple of days. I'll hand it back over to Keith just to make some closing remarks.

Keith Edward Creel

Let me – number one, I'll finish where I started. Thank you for coming and joining us today. I made a commitment to you when we started. I was convinced you'd leave with a better understanding of what we stand for, where we are, and where we're growing to, not by accident but by design. We're not here pumping our tires, and we're not here making empty promises. We're pumping principles, that's what this railroad is ran by, and it's what this railroad will always be ran by as long as I have anything to do with it. And I know this collective team around me feels the same way.

So those of you that have been with us and enjoyed this ride, I want to thank you. Those of you that have just joined us, this ride is a journey, it's far from over. You could say that we've been conservative, I wouldn't argue with you. But I'd also say that we've been responsible. We're confident in what we've talked about. Again, we're not talking about what ifs, we're talking about facts. This team is going to produce, and it's our objective not to underperform. It's our expectation to meet and exceed not only your expectations, but our customers' expectations as well. And with that said, I wish everybody a very safe trip back. Again, thank you for your vote of confidence, your support, and the trust you put in our team. Have a good evening.