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Transcript

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Maeghan Albiston – Assistant Vice President Investor Relations, Canadian Pacific

Other Participants:
Thomas Wadewitz –Analyst, UBS

QUESTION AND ANSWER SECTION

Thomas Wadewitz

Analyst, UBS

Good morning. I'm Tom Wadewitz, I cover Freight Transports. Some of you may have joined us in the prior room with CSX. Next one we have here, it's a pleasure to have Nadeem Velani, the Chief Financial Officer from Canadian Pacific. I'm guessing most of you know Maeghan Albiston, as well. She's in front row. Thank you to both of you for joining us today.

We're going to continue with the fireside chat format. If you have the app downloaded, you can send in questions on Canadian Pacific, I'll offer a chance for questions through the chat. But, Nadeem, thank you for joining us. It's great to see you. And I'll give you chance to offer a few words and then we'll just jump into questions.

Nadeem Velani

EVP & CFO, Canadian Pacific

Sure. Yeah. Thanks for having us. Always a pleasure to be here in New York City. Let's say that right now things are going quite well for us. I mean, we've had few challenges overcome this year, with a very difficult winter operating conditions. And then we had a couple of start-stops through the Q2 with potential work stoppage in April, which was delayed in terms of having a chance to kind of get a deal voted on. That didn't come to fruition. But we had a short strike in May, but we were able to overcome that with a deal signed, which I think is a good win-win deal for both our union brothers and sisters and for CP.

So we're ready to see how this network hums. So that's a very strong demand environment, particularly for us. And so we're excited what's ahead of us for the rest of the year in terms of both the demand outlook and in terms of how the network is running.

So, it's exciting to be in the industry right now.

<Q - Thomas Wadewitz>: Okay. Yeah. Great. I guess on the topic of some of the noise that we've seen kind of shutting down the railroad, a brief interruption and so forth. How should we think about the impact on the quarter from that? I mean, obviously we see the traffic in the weekly numbers, and we can put that into the model, see how you're tracking. But how do we think about maybe the cost side and how you might view the impact of some of that volatility on the quarter?

<A - Nadeem Velani>: Sure. Yeah. So, quarter to-date volumes on an RTM basis are up about 4%. The impact of the shutdown of the network, both in April and then into May, has a couple of impacts. Certainly, as you lead up to the potential stoppages, some of our customers diverted traffic where they could or held out traffic. Some of that, you do catch up and you do get a chance to move later, but given kind of tight capacity and so forth, and particularly on the intermodal side, that traffic never comes back.

So probably the impact of that is RTMs probably would have been up 6%, 6.5%, so probably 200 basis points, 250 basis points impact on volumes over those two shut downs. The cost side, I mean, there are some costs too impacted by the network slowdown and kind of the inefficiencies of that. But more so, it's a missed top line opportunity is the best way to look at it.

<Q - Thomas Wadewitz>: Okay. So the cost impact is pretty minimal?

<A - Nadeem Velani>: Yeah, I mean, it'll hurt our operating ratio. I'd say some of the upside was missed I would say.

<Q - Thomas Wadewitz>: Right. Okay. Would you expect volume performance to be strong the next couple of weeks kind of accelerate versus what we've seen?

<A - Nadeem Velani>: Yes. Yes, I'd say we've seen recently volumes more in the mid- to high-single digits. I think that's a good estimate for where we should be. The biggest, I guess, unknown right now is Canadian grain. So, Canadian grain has fallen quite substantially. So whether that comes back or not remains to be seen. But that's a bit of the wildcard. So, we've had Canadian grain demand the last several weeks be very slow.

<Q - Thomas Wadewitz>: Okay. And in terms of modeling for the quarter, we should just think about a little reduction in volume maybe versus prior when we consider where we had the forecast, is that fair?

<A - Nadeem Velani>: Yeah.

<Q - Thomas Wadewitz>: Anything else we should think about?

<A - Nadeem Velani>: No that's fair. I mean, you probably would have expected a low-60s operating ratio probably trending towards closer to a mid-60s, given the impact of that lost revenues and you can't take the cost down as quickly when you have these two network slowdowns, but it isn't something that we can't recover in the back half of the year.

<Q - Thomas Wadewitz>: Okay. Great. How do you think – it seems to me that on most of your business segments, the volume outlook is good, demand is strong. Maybe you can run through some of the biggest segments and give us some thoughts perhaps on the coal, grain, potash, and then we can go into some others.

<A - Nadeem Velani>: Yeah. So, grain, certainly, we saw with the impact of that difficult winter, some of the volumes have been delayed, if you will. They're going through seeding and planting as we speak. So that's some temporary slowdown that you usually get at this timeframe. But some of the volume, the carry-in should be very strong. So far so good on the upcoming crop. It's been – I think we had one of the hottest Mays in record in Western Canada, but we've had some decent rain recently, and so the outlook looks pretty strong. We've seen the MRE will be up – the MRE grain cap should be up 2.8%, I believe, this year. So, that should be positive as well.

I think we feel good about our grain franchise as a whole. We've recently announced that we'll be spending CAD 500 million to upgrade our grain hopper fleet. So, Bill C-49 in Canada was passed. It gives us some clarity, some visibility into what type of investment returns we can get from upgrading our hopper fleet. So that's something we'll be doing over the next three, four years, which is going to be quite meaningful for our overall volumes, and more importantly, our ability to serve customers more efficiently.

So, all else being equal, the new hopper cars will allow us to get, with the 8,500-foot train model that we're pursuing, that'll allow us to be 44% more efficiency, given lighter car, shorter car, the ability to move with existing train starts, much more capacity. So that's a positive as we look forward into the back half of this year and into the next several years. So that's going to be an exciting aspect of our grain franchise in Canada.

U.S. grain has recovered from some negative demand environments, given some of the market conditions. So overall, we feel good about grain franchise, which is about a quarter of our book.

Coal is running strong in Canada. A reminder, the majority of our coal is moves for Teck, for export and metallurgical coal for steelmaking. They've seen some strong market conditions themselves and it's really a matter of how the supply chain operates.

And we look at energy, certainly there's some key drivers for energy both on, quite frankly, the frac sand volumes as well as crude. So, crude we're starting to see some step-up in volumes. We're treading carefully here. We want to make sure we're not impacting our other customers that will be here for many years. So, we're taking a very disciplined look at how we move our Canadian crude volumes, but things can be very positive there. We're moving 50, 60 trains run rate as we speak, that has a potential to double. So certainly a very positive environment there. Intermodal bodes…

<Q - Thomas Wadewitz>: What's the – sorry for jumping a bit – what's the 50, 60 trains, of what timeframe. I think so that's of train today or you've talked about carloads of crude per quarter, what's the...

<A - Nadeem Velani>: Sorry. Yeah. 50, 60 trains a month. Yeah. So...

<Q - Thomas Wadewitz>: Okay. What was the run rate in let say fourth quarter and first quarter in terms of crude train?

<A - Nadeem Velani>: In that 30 to 40 trains a month is probably a fair run rate, where we were.

<Q - Thomas Wadewitz>: So, that's kind of where you were fourth quarter, first quarter?

<A - Nadeem Velani>: Yeah.

<Q - Thomas Wadewitz>: Now, you're running 50 to 60 trains a month in crude?

<A - Nadeem Velani>: Right.

<Q - Thomas Wadewitz>: And you think you can double from that 50 to 60?

<A - Nadeem Velani>: Absolutely. Absolutely. Yeah.

<Q - Thomas Wadewitz>: And what do you think roughly is the timeframe for that, is that fourth quarter or beginning of 2019?

<A - Nadeem Velani>: Yeah, back-half of this year. So – yes, it's we're in the midst of just finalizing some deals and we're going to take a very disciplined approach to make sure that we've come on with the right backstops. So, whether it's liquidated damages or some sort of take-or-pay mechanism, that works. We're not going to get caught like we did back in 2014 and 2015 timeframe. So, if we're going to move the traffic, we want to make sure that there's some consistent volumes and we're covered for any sort of investments into locomotives and people that requires to move it.

<Q - Thomas Wadewitz>: Okay. How much of that volume that you're talking about is already signed on contract or is that assuming that you convert where you're close to signing a contract?

<A - Nadeem Velani>: We have a high degree of confidence that that volume is available to us. So the majority is either signed on or we have strong visibility to get that.

<Q - Thomas Wadewitz>: So customers have kind of gotten over the resistance to multiyear to committed volumes that – well, it seems that there was a little bit of a barrier for some of the customers, they've been able to move beyond that and make the commitment?

<A - Nadeem Velani>: Yeah. Yes, we have. And at the same time, we've also tied in some of that crude volumes with other traffic as well. So our intention was to try to keep the sustainability of it and get our return on the investment. At the same time, look to partner up with the right players in this space to also move additional traffic that could come on to our network as well. So, somewhat to hedge ourselves in terms of volumes that we move with the customers. So...

<Q - Thomas Wadewitz>: If I think of the framework back in, let's say, 2013, 2014, you had a lot more mix, I believe, of Bakken, and then you had some Western Canadian. I would assume that what we're looking at now is primarily Western Canadian crude. Can you give us kind of a framework of where is this crude is going? Is most of it to the Gulf Coast or is it kind of spread, what the length of haul looks like, and how do we think about profitability? I think you've kept kind of the learnings of the last time. You had a competitor that's had challenges, wide spreads, pretty favorable environment for positioning yourself for good margins and success. So, I guess, that's a couple of different things. So what does the flow look like and what does the profitability look like maybe compared to what you saw last time?

<A - Nadeem Velani>: Sure. I should have probably ended with crude, so you would stop me midstream here. I'd say that, yes, the majority of what we're moving right now is heavy Canadian crude. Bakken has dried up, so to speak. So the economics of the Canadian crude production, that has ramped up, that came online so far in 2018 and is still ramping up is what majority of what we're moving.

In terms of where it's going, the flows, yes, a lot of it's headed for ultimately the Gulf or, for us, we'll move it to the Midwest. We kind of line ourselves up with a number of Class 1 partners to interchange traffic. So, it allows us to somewhat not try to put everything through one corridor or one gateway or laneway. So, when you can work with each of the Class 1s in the U.S. to move that traffic, it helps the overall network and the asset turns much better. So, in some cases, we'll move it both with UP, with BN, with KCS, with our eastern partners as well. But ultimately, the majority of it, I would say, is going to the Gulf, headed in that ultimate destination.

<Q - Thomas Wadewitz>: Is it skewed among those at all, like you said, the players who can get it to the Gulf, is it skewed more to KSU or more to UP or it's really split among those three?

<A - Nadeem Velani>: It's split. And some of it, we're still in the midst of working with our partners. So, some of it's still to be determined.

<Q - Thomas Wadewitz>: Right.

<A - Nadeem Velani>: I mean, in terms of profitability, yes, spreads have widened and spreads have been favorable. At the same time, you want to make sure if you're having customers that commit to you over the long term, it's about having a fair return over a longer period of time than it is to just take advantage of a customer that's in dire need in a short-term framework, short-term piece of business. So, margins, we're going to protect ourselves. Again, we're going to – we've been looking to also augment it with other traffic. So we'd look at strategic partners who we line ourselves up with, how do we look at more than just the crude traffic as well.

<Q - Thomas Wadewitz>: Is it appropriate to view that pricing as being fixed or is there any component of relating your price to the spread where you'd participated, spreads were wider or give something back if spreads narrow?

<A - Nadeem Velani>: No, we're not doing that. It fixed in order – if I'd go back to the premise that we want to make sure we justify the returns and make sure that's what we're investing we can have visibility to that that return on capital, tying it into a fixed rate is the appropriate manner, so.

<Q - Thomas Wadewitz>: Okay. Perhaps just a little more to touch on in the frac sand side. I think the crude, obviously, gets a lot of focus from me as well as others, but the frac sand, it seems that's been good growth. Can you frame kind of the magnitude of that if you say you're running 50 to 60 trains a month of crude? What's the ballpark in terms of frac sand and how much growth potential is there in that segment?

<A - Nadeem Velani>: In terms of carloads, we're probably doing in that run rate of about 60,000, 70,000 carloads of frac. Certainly, we're looking to diversify what we move. So, versus Eagle Ford and Permian. We've signed some recent contracts to move sand into the Bakken, in fact. So, for us, that allows us to move traffic solely on our line in a much more – we can turn the assets much better, the overall carloads and the profitability of that business becomes much better. You're utilizing facilities that used to be crude facilities and moving frac sand into that.

So, our shift to traffic has been changing. So, a carload isn't a carload isn't a carload. I would say that the mix is much better for our network, as we speak. So, frac sand has been running very strong. We're hitting new highs kind of each quarter. And that's something that we see some strength in through the rest of the year. Some of the exposure of the brown sand, we've been able to mitigate by moving more into the Bakken.

<Q - Thomas Wadewitz>: What's your mix? How much goes to the Permian and do you view that is the primary source of risk in terms of brown sand or would you say it's broader with Eagle Ford and some other areas as well?

<A - Nadeem Velani>: We're pretty diverse. I think about a third is into Eagle Ford, a third is into – now I'm getting the no here from Maeghan, about a third is – sorry?

<A - Maeghan Albiston>: Third is Permian and Eagle Ford.

<A - Nadeem Velani>: Third is Permian and Eagle Ford. And the rest is into the Bakken and some in the Marcellus and so forth. So, in terms of the risk, yeah, we see most of the risk into the Permian and that's what we're trying to kind of de-emphasize as well and find other markets for.

<Q - Thomas Wadewitz>: Yeah. So, if energy prices remains well supported, would you think there's more growth in frac sand going into second half and into 2019?

<A - Nadeem Velani>: I'd say we have visibility into the back half of the year. As I mentioned, we're not counting on a big step-up in volume growth and more so the mix of business to be more supportive.

<Q - Thomas Wadewitz>: Okay. Let's see. I'll jump to the operating side. And kind of I think delivery of earnings, you've had – I think there's been a period of time where there's been anticipation of stronger volumes. It seems like there's tons of visibility to strengthened market demand, and that you have good opportunity to really capture that. How do you think about the potential for CP to really deliver in terms of running the network well, handling the volumes, not getting bogged down, and really converting with strong incrementals, and strong earnings growth?

I think you had a little bit of labor issue in this quarter; you had weather in the first quarter. It just seems like there's a lot of room for really seeing a great quarter, which we've maybe haven't seen for a while.

<A - Nadeem Velani>: Sure. Yeah. I know that's fair. Yeah. At some point, you need the noise to go away. And, as you mentioned, with a challenging Q1, and with some labor disruption and network disruption in Q2, that's kind of held us back. I would say that we don't expect any of disruptions at the back half of the year. And I think that's when our earnings momentum and our ability to convert the strong growth will really shine through.

We'll have no excuses anymore and we're set up for a lot of what we've been setting ourselves up in terms of resources that's been through the first half of the year as well. So, we've taken on a lot of locomotives, we've been investing in modernizing our locomotive fleet. We've been training and hiring people to ramp up our resources in anticipation of the demand. And that'll be a perfect test and we're excited about what the second half can – what we can deliver.

So, to have this type of level of volumes that we've been seeing, that mid to high-single-digit RTM growth and ability to convert it will be on us. And there's no reason why we can't convert that and have strong operating leverage. And see the margins and operating ratio that you're used to from us, which is closer to 60% than 65%.

<Q - Thomas Wadewitz>: So, what's your conviction that the – like you talked about the resources, you think they're in place. What's your conviction level at second half that you will see the strong incremental margins and really see you handle that volume growth well?

<A - Nadeem Velani>: Yeah. I haven't been this excited about the opportunity for CP in many, many years. In terms of what our sales and marketing team has been able to deliver in terms of who we're partnering up with, some of the market share gains. And then having a supportive macro environment, how the team internally is working together to pick the right partners; do this in a disciplined manner to get the right type of business on the network. I'm extremely enthusiastic of what's in front of us.

<Q - Thomas Wadewitz>: Great. Great. I've got – I can – if you have any questions you want to submit, I can see them on the iPad here, I don't have any that have come in, but happy to take them from the room. I don't know if – I'll offer a chance if anybody has a question, raise your hand. We've got a mic here. All right. Well, just let me know. Raise your hand. I'll keep an eye out for any questions from the audience along the way here, but I'm pretty confident I won't run out of questions...

<A - Nadeem Velani>: Sure.

<Q - Thomas Wadewitz>: ...we should be okay. Let's see. How would you think about the intermodal franchise, and the growth opportunities there? It seems like in U.S., we have clear visibility to a really tight truck market. I don't know that that necessarily means lockstep that it's exactly the same in Canada. So, maybe offer some thoughts on the intermodal opportunity and how we got to think about growth in that business.

<A - Nadeem Velani>: Sure. So, as you know, the majority of our intermodal business has been – we did a shift during the transformation, shifting more towards domestic intermodal than international until we get our service in place, and our cost structure where we could compete, and we're there. So, we recently started reintroducing ourselves into the international space.

And, again, that comes from the ability to serve them, the ability to have some additional offering. So having some roundtrip economics, having transloads that can support the match back experience of filling containers for export as well after you've emptied them on the import side, and it's been successful so far. So, we gained some market share starting in April with the ONE contract, Ocean Network Express. And so, that was kind of our revisit to international and intermodal.

We opened up an office in Asia. We've got people on the ground there. Certainly, our competitors' challenges haven't hurt in terms of customers looking to diversify some of their volumes, and have more than just one dedicated partner in terms of their supply chain. So, it's a good time to be an international account manager at CP. Our service offering is better and our customer relationships are stronger than they've been in a long time. So, we're excited about what that has in store for us.

At the same time, we're going to be very disciplined in how we look at volumes. It has to be sustainable, it has to be profitable, that's something that's in our DNA. We've seen what can occur if you don't stick to the principles of scheduled railroading, what can incur in terms of your network and so forth, and how that can impact your overall customer experience. So, it was a good lesson learned for us watching our competitor in Canada and what happened to them. So, we're excited about what is in front of us in the next several years on the international side.

Domestically, we've been growing double digits for some time now. And that's been somewhat, to your point in terms of a tighter trucking market, a more robust macro environment. At the same time I think our partnerships with many of the Canadian wholesale customers have strengthened, and we've seen a lot of strong volumes. We're also in the midst of looking to upgrade that book. So, how do you look at the existing customers, and how do you extract more value in a much more difficult and much more stronger demand environment? So, can you get increased yield from your existing customers? And so, it's not just about volume. It's also about overall yield and pricing environment. So, yeah, intermodal is definitely a strong driver of growth as we speak.

<Q - Thomas Wadewitz>: What do you think about international versus domestic? Do you think international, which had been challenged for a number of years, you think you have more growth out of that business looking forward or you think they're both kind of optimistic about mid-single or greater volume growth on those two?

<A - Nadeem Velani>: Yeah. I mean, international is definitely very lumpy, right? So, some big contracts that can swing. And so, when the volumes come on, it could be pretty significant. I think on the – where we see over the next several years, I'd say that you could see kind of mirror type of growth between the two.

So, at some point, the double-digit volume growth on domestic will not hold quarter-after-quarter, year-after-year. So, I'd say closer to a mid-single digit is probably a better run rate. Difficult to give you a line of sight into volume growth on the international side again, just because it's so lumpy in terms of the contracts. So, more to come in our Investor Day in October.

<Q - Thomas Wadewitz>: Right. Okay. Great. Let's see I'll check again on audience and just let me know if you have anything you want to jump in on. Pricing is a good topic. I think we had seen for a number of years that your competitor was pretty focused on volume, and I guess you run long enough with strong volume growth, and the risk of capacity constraints increases.

Obviously, we see what has happened there. It seems that the way they're talking about price has changed. So, to be a greater focus on price and less on volume and I guess, obviously, capacity constraints feed into that. What have you seen in terms of the competitive environment? How optimistic are you on pricing? Is there a pretty good runway ahead in terms of acceleration in price?

<A - Nadeem Velani>: Sure. Number one, we price to our service. We price to the value we can provide our customers. Certainly, it's encouraging if they're focused more there than on volume. That can't hurt. But the way we price is focused on what we can provide our customers, period.

We're more optimistic in terms of our pricing environment today than a year ago or given a much stronger macro environment, much stronger demand environment at the same time what you can offer your customers in terms of your overall service package. So I talked a little bit about our transloads. Our service experience is getting better.

Certainly, inflation is increasing and that's going to help out the overall increase in pricing and we've been focused on pricing above inflation. But as we look at some of the contracts that have come up, so some of the crude business as I spoke to, some of the opportunities on the merchandise side as the mix of business changes, your pricing's going to improve. So, merchandise is certainly an area where you can get a great amount of value, and a great amount of opportunities on the pricing end, and get better returns. And so, as we grow that as well, we're doing better in terms of overall price.

On the intermodal side, certainly, as I mentioned, as we improve the overall yield, and we turn the traffic and turn the overall book of business to have a better yield, you're going to get better pricing. Certainly, as tightness in the trucking market, that's going to help the overall pricing. So, across the board, you're in a much stronger overall pricing environment as a result.

<Q - Thomas Wadewitz>: What do you think is the right way to frame pricing? Is it 3% to 4% is reasonable or you think given how much strength you see in the markets you can go beyond that 4%?

<A - Nadeem Velani>: You can always go beyond, but mind you, our philosophy has always been sustainable kind of compounded price increases over time as opposed to having a bit of a yoyo and take advantage of a short-term market. So, we'd rather take sustainable, longer 3% to 4% price increases than 5%, 6% short-term, and then 1% to 2% the following year. So, our approach has been not to push it too far, but tie it to your service and tie it to the value you create over the longer term.

<Q - Thomas Wadewitz>: Great. Again, just a reminder, let me know if you have any questions. Let's see. How do you think about CapEx? To think that you hit a pretty low level on CapEx for a number of years. That's probably ticked up a bit, obviously, as the Canadian grain car is a kind of a one-off element. But how do you think about the CapEx, and as you're seeing strong growth, where that kind of needs to go if you look at this year or maybe out a little further as well?

<A - Nadeem Velani>: Yeah. I mean, we have some opportunities to invest into our locomotive fleet. So, we're doing some modernization of locomotives, which is a big program we have for this year and into 2019. As I mentioned, we have a CAD 500 million investment in hopper cars that we'll do over the next several years. So, those are our lumpy investment opportunities with strong visibility to returns.

Beyond that, overall, I'd say we're in that CAD 1.5 billion to CAD 1.6 billion of capital investment over the foreseeable future over the next three or four years. It's the best way to look at it with the mix of CapEx changing over time. So, this year, we've guided to CAD 1.35 billion to CAD 1.5 billion is going to be dependent on what we're going to do on the hopper cars. We'll probably be closer to that CAD 1.5 billion, given the investment opportunity, and what we've recently announced. So that's a good run rate over the next several years for us.

<Q - Thomas Wadewitz>: And what about network constraints? Do you have – I guess you've had relatively less growth versus your competitor for a couple of years. Obviously, you've made investments in the system and improve fluidity and so forth. So, do you have a lot of runway in terms of infrastructure? Sidings, train capacity, terminal capacity or are there pinch points that you may need to increase to those?

<A - Nadeem Velani>: Yeah. We don't have – I wouldn't say we have significant pinch points. So, when we plan and we do our investment infrastructure, we do it over a multiyear period. And I think we have good alignment internally with our sales and marketing team and with our network team that are in sync, and we do things over that multiyear period to kind of see what we can do over time, and where the natural pinch points may be.

And as I mentioned, we'll use other ways to avoid capacity crunch or tightness in the overall network. So, how we utilize the traffic flows to work with our partners can kind of mitigate any potential pinch points. If we know a certain area is tapping up to its capacity, we'll work with other partners to move traffic in other lanes to avoid those areas.

But over the last year, and over to the next several years, part of that CAD 1.5 billion to CAD 1.6 billion that I mentioned will be to avoid any sort of constraints in the network, to continue to invest in whether it's sidings or network infrastructure to make sure that we can handle these volumes. I mean we'll probably have one of the strongest volume growth in the industry this year. We have good visibility into a strong 2019 as well, and we're investing to be able to support that demand environment.

So, it's something that just you do as railroaders. You need to – you're – it's a network business. If you can't predict and plan your capacity, you can see the trouble railroads can get into.

<Q - Thomas Wadewitz>: The last chance for one question from the audience or if not I'll offer one more. So, the operating ratio, how do you think about the focus of management and opportunity for operating ratio to improve? How would you kind of broadly frame that?

<A - Nadeem Velani>: The operating ratio, it's an output of everything else, right? So, our focus is on return on invested capital. Our focus is on getting the returns for the CapEx that we spend, and taking on business and taking on revenues that's sustainable and profitable, and doing it at a low incremental cost. So, if your incremental margins come on strong, the operating ratio should naturally come down.

So, we're not focused just solely on the operating ratio. But that being said, I mean, we expect it to come down naturally over the next several years. Certainly, some of the things that I mentioned earlier with the difficult winter and with some strike impacts this year that could be a positive for next year. And I think if we're doing what we say we're going to do, which is to take on profitable business and improve pricing and so forth, it's all supportive for the operating ratio to naturally come down.

So, we're excited about what's ahead of us and what opportunities for CP to grow this franchise that much stronger.

Thomas Wadewitz

Great. Excellent. With that, we need to wrap up. Nadeem and Maeghan, thank you so much for joining us

Nadeem Velani

Okay. Thanks, Tom.