Transcript

Canadian Pacific and Kansas City Southern Agree to Combine Joint Conference Call

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Canadian Pacific Corporate Participants:

Keith Creel,President & Chief Executive Officer
Nadeem Velani, EVP & Chief Financial Officer
John Brooks, EVP & Chief Marketing Officer
Chris de Bruyn, Managing Director, Investor Relations & Treasury

Kansas City Southern Corporate Participants:
Patrick Ottensmeyer, President & Chief Executive Officer, Kansas City Southern
Michael Upchurch, Executive Vice President & Chief Financial Officer, Kansas City Southern
Michael Naatz, Executive Vice President & Chief Marketing Officer, Kansas City Southern

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Annie and I will be your conference operator today. At this time, I would like to welcome everyone to the Canadian Pacific and Kansas City Southern Joint Conference Call.

The slides accompanying today's call are available at www.investor.cpr.ca. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

[Operator Instructions] I would now like to introduce Chris de Bruyn, Managing Director, Investor Relations and Treasury, to begin the conference. Sir?

Chris de Bruyn

Thank you Annie. Good afternoon everyone and thank you for joining us on a Sunday to discuss this morning's merger announcement.

On the call with me today are Keith Creel, President and Chief Executive Officer of Canadian Pacific, Pat Ottensmeyer, President and Chief Executive Officer of Kansas City Southern, Nadeem Velani, Executive Vice President and Chief Financial Officer of Canadian Pacific, Mike Upchurch, Executive Vice President and Chief Financial Officer of Kansas City Southern, John Brooks, Executive Vice President and Chief Marketing Officer of Canadian Pacific, and Mike Naatz, Executive Vice President and Chief Marketing Officer of Kansas City Southern.

This presentation includes forward-looking statements and non-GAAP measures as outlined on Slide 2. The formal remarks will be followed by a Q&A. In the interest of time, we would appreciate if you limit your questions to one.

It is now my pleasure to introduce Mr. Keith Creel.

Keith Creel

Hey thanks Chris.

What an historic day. I can tell you, the energy of our collective teams, I think, is unparalleled in our history, it is historic and in a sense for CP in our 140-year history, and I'm sure that Pat would agree as well, and KCS's 130-plus year history, and also historic to the North American economy to think about combining these two railroads to create an unparalleled network that will create the first U.S., Mexico, Canadian system on the heels of USMCA being approved last year, which gives us assurance for creating a supply chain that allows in a macro level and at a micro level unparalleled value creation for our customers and service and in competition, creating new single-line hauls, increasing capacity, investment in routes, improved routes, and again, enhanced competition amongst the rail options that exist today, increasing in every aspect and never decreasing competition.

It is going to create substantial value for our shareholders at both companies that's compelling. When I say compelling, $780 million of annual run rate synergies that are unlocked by this combination, serve and drive substantial earnings accretion, brings the two iconic companies together that have unparalleled records in service, safety and efficiency.

As the industry knows, certainly we have led these two railroads, have the best growth profile, CAGR in the entire industry for the last three years, but it takes the strength of both companies to combine and create a greater

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outcome than ever would be possible than it would be standalone. It is something that really gets us excited for all stakeholders, our customers, for our shareholders, for our employees and for the North American economy that we serve. Then above and beyond that, something that emotionally and personally that's near and dear to all of our hearts and that's our responsibility to the environment, to take a transaction that allows stepped improvement and improvements benefiting the environment, is something, again, that's equally exciting to all of us.

That said, we've got the two smallest Class 1 railroads in the industry forming a compelling partnership that potentially levels the playing field, makes us uniquely benefit from the opportunities that this network will create, a 20,000 mile railroad, about 20,000 employees combined. Although we will still be the smallest from a revenue standpoint in the Class 1 space, the value creating opportunity, again, for all those debt stakeholders, we feel, is unparalleled in this industry.

The final thing I'll say before I turn it over to Pat to provide a bit of color himself, this combination is not about cuts, it's not about line rationalizations, it's not about cutting heads, it's all about growth. It's about growing our business that this network allows us to recognize and bring to the bottom line, it's about growing jobs that move those trains as they move across this railroad to create an increased, growing profile return for our investors for putting their trust and faith and allowing us to be stewards of their money.

So, with that said, let me turn it over to Pat, I'll pause and let him provide some additional color from Pat's perspective.

Patrick Ottensmeyer

Okay. Thanks Keith, and thank you everyone for joining us this afternoon.

I too would like too express my excitement and enthusiasm about the announcement that we made this morning and about the merger and combination of these two very strong, fast-growing, well performing rail franchises.

The operational and cultural alignment between our two companies makes us a natural fit for this transaction, in addition to the power of the geographic combination and some of the other factors that Keith mentioned. It just feels like this is the right time and the right circumstances to put these two companies together, given the benefits and the expected synergies that we'll talk about in a few minutes, coming on the heels of USMCA and other trends in global manufacturing and supply chains that will certainly favor North America going forward.

If you just look at the map and visualize these two companies, it is an unmatched, unparalleled North American footprint, and all of the factors that we've discussed just lead to the creation of incredible opportunities for growth, job creation, all of those things as a result of this combination.

We do not compete head-to-head in any market, as Keith mentioned. We connect here in Kansas City. We share a facility in Kansas City, a yard. CP goes north and we go south. This is entirely complementary and that's why we feel so strongly that this combination is very unique in terms of the attractiveness of this franchise. There's not a single market where we have a customer that is facing a three-to-two or a two-to-one situation, and as we'll review over the course of this presentation, we are creating new single-line service options that will enhance competition and facilitate growth and create positive economic impact for the companies and the communities that we serve going forward.

The leadership team at Canadian Pacific has built an industry-leading franchise through the implementation of PSR for several years and, as you all know, we too at Kansas City Southern have had success with our own PSR

implementation and journey for the past two and a half years. So there's a lot of common thinking and strategy with respect to the way we operate the railroads which will help drive the growth opportunities and the synergies that we'll talk about in a few minutes.

This operation, as John Brooks will go through in a few minutes, this opportunity will connect Canadian Pacific's powerful origination network with Kansas City Southern's powerful destination network to create increased options for our customers and shippers.

This is an opportunity, as I said before, to create unmatched service offerings for the U.S., from Mexico to Canada, and all points in between. The combination of these two networks will create truck competitive options that allow us to deliver on the superior environmental and safety impact that railroads can uniquely offer.

With that, I'll turn it back to Keith to go through the map and a further description of this combined network.

Keith Creel

Thanks, Pat, for those comments, and thanks. Putting our focus on the map. You ask yourself why, I think it's pretty self-explanatory, and that's the why. it's all about reach, it's about expanding market reach for our customers that are served by CP and KCS today so that they can grow in their markets and in turn we can grow with them.

It's going to connect customers with premier ports, the U.S. Gulf, Atlantic, Pacific, with key overseas markets that's an important point to remember or to recognize; deliver customers with increased service and reduced transit times if you eliminate these hand-offs and create single-line served, cradle to grave origin to destination supply chain cycles, connect six of the seven largest metro regions in North America. Talk about an opportunity for adding a new intermodal service between Dallas, East Texas and Chicago. So a third alternative. And in fact, if you think about it, uniquely allows a single-line interval and opportunity to go East Chicago into the Northeast Detroit, etc.

So, very compelling. The other, some key attributes. If you look at the map, an opportunity to bypass some of the traffic that otherwise now we'll not have to go through the Chicago gateway via our CP route through Iowa. That's going to improve service, it's going to increase available capacity for shippers in the Chicago gateway, while reducing perhaps fuel burn and emissions in Chicago, which obviously is an important hub city in North America. Across the board, the book of business - grain, automotive, auto parts, energy, intermodal. We can make the case that all will benefit in this increased efficiency and simplicity that this combined network is going to provide, as well as the competition it represents. You bring together two very strong cultures that have strong commitments of service to our customers and commitment in culture of safety and service excellence, it’s compelling from a customer standpoint, what this enables and what's possible.

Looking at—transitioning to the book of business, which obviously becomes much more diversified as a result of this transaction. CP’s strong bulk franchise is going to merge seamlessly with KCS that just plays off our origin strength to their destination strengths, which obviously is going to strengthen the book, it's going to be more resilient, enhance outbound distribution for all of the products that originate on CP. Coming north and south, again, think about the automobile, the finished vehicles that come out of Mexico through Texas to those mid east markets, new competition, new service offerings that today move through this route.

So, these growth opportunities, if you look at them across the board, they're exciting for us, they're exciting for our customers, at the end part of the compelling reason this transaction makes so much sense.

Shifting to the transaction details itself, a lot of this has been reported. I'll just touch the high points. The transaction, which, by the way, is critical to know and important to know, I believe, that we had unanimous support on both Boards of Directors to put these companies together. Value to KCS at $275 a share, which is a 23% premium, obviously, based on our closing price with the respective companies, March 19, and $270 a share, representing a 26% premium based on the respective CP and KCS 30-day VWAP.

Following the closing into a trust, the common shareholders of KCS will receive 0.489 exchange ratio of a CP share and $90 in cash consideration for each KCS common share held. Preferred shareholders will receive $37.50 in cash for each KCS preferred share held.

To fund the consideration for the merger, CP's going to issue 44.5 million new shares. This is going to result in CP owning 75% of the pro forma entity, CPKC, and KC, obviously, shareholders today will own the other 25%. The cash portion will be funded through a combination of cash-on-hand and raising approximately $8.6 billion in debt, for which we have already received the financing that's necessary, that's committed.

You've probably already seen the press release announcing the news. I'm committed to this. I'm committed to this Company. I've worked out the commitment with the Board of Directors to remain and see this through through the integration and work and serve and lead with each of these teams at least for the next five years.

Upon final regulatory approval, the combined company, as said, will be named CPKC. Both global headquarters will be located in Calgary. U.S. headquarters will be located in Kansas City, Missouri, and the Mexican headquarters will remain in Mexico City and Monterrey. CP's current U.S. headquarters in Minneapolis, St. Paul will remain an important base of our operations. We anticipate in fact growth that the combined network will unlock will be a job creator across the network, and while we may move some of our Minneapolis headquarters folks to Kansas City, we do not anticipate overall job losses in the Twin Cities area or in Minnesota.

It's important also to note that KCS employees will benefit for being part of a truly North American continental enterprise, and again, both networks, this is all about job creation and growth.

Four KCS directors pro forma will join the CP's expanded Board of Directors, bringing their expertise and experience of the KCS' multinational franchise to the table to bear, which we value greatly, and obviously, this is all subject to shareholders of both companies approving the transaction.

Now, let me take you through the trust itself at a high level. We're obviously approaching this and applying for a voting trust. CP's ultimate acquisition and control of KCS' railway is subject to the approval of the U.S. Transportation Surface Board [Surface Transportation Board] of which involves that voting trust. The concept of the trust may be new to some of you. Since the last Class 1 voting, trust merger actually that was approved with the Canadian National/Illinois Central merger back in 1998. I'll give you a quick high-level explanation.

The approach that we're taking is a simple "plain vanilla" voting trust, like the one CPKCS will use. The KCS shareholders will receive their consideration after the trust is in effect, and during trust KCS will be run completely independent from Canadian Pacific. Pat and his team will stay, as well as their Board of Directors to steward the Company through this regulatory review period and make sure that obviously they provide the superior level of service that their customers expect and also obviously run the Company and maintain its strength and its health in preparation for approval of the trust, of the merger to get to a point where we can combine the networks themselves. We expect that to occur—or anticipate that would occur about mid 2022, and then at that point, obviously, with the combined entity, CPKC would be formed, we'd take control and go to work realizing these synergies that this very, very unique transaction unlocks.

That said, let me turn it over to Pat for a bit more color on how the KCS will be run while it's in trust.

Patrick Ottensmeyer

Okay, Keith. The idea here is to, as Keith mentioned, put KCS into a voting trust at the time of the initial closing, which is a time that the consideration would be conveyed to KCS shareholders. While in trust, I will continue to be CEO of the Company. The management team will remain intact. The idea of the trust is to have Kansas City Southern continue to operate and be managed completely independently of Canadian Pacific, who at that point would be the owner. Our Board of Directors will stay intact and provide the supervision and guidance and direction the same as they do today. At some point, Board members may be selected to go to the parent company Board, but that would be done after the voting trust is in place.

We've identified the independent trustee. I think an excellent candidate to serve in that role. Many of you will remember, his name is Dave Starling. Dave is the former CEO of Kansas City Southern, and I think is an appointment that really assures complete independence. Dave had great success running Kansas City Southern as CEO before he retired and he is absolutely thrilled and honored to come back and be a participant in this transaction. I think Dave's selection as the independent trustee will be viewed very positively by the regulatory agency, the STB. The main function of the trustee is to ensure independence of KCS while we continue to be in trust.

So, that's a very quick description. Be happy to answer questions at the end. With that, I will turn the presentation over to John Brooks.

John Brooks

All right. Thank you Pat.

Look, I am absolutely thrilled to be on this call today with you all. The growth opportunities that this combination represents, as Keith and Pat have already said, is absolutely tremendous. Having worked with the KCS team and this network for years, I look at this powerful footprint that it creates and truly get excited for what it means to the marketplace and our customers on what we can unlock in terms of new growth opportunities.

This is truly a perfect fit. If you think about it, it's matching the rich origin points with new destinations and gateways that neither franchise over the years have been able to recognize on their own. It provides customers new competitive options that simply they haven't ever had before. We see enhanced opportunities, as Keith walked through, what the book of business is going to look like. We see growth opportunities across all of our lines of business.

Starting off, taking a look at our ag franchise, obviously, this is quite strong for CP. It's really a game changer though in terms of what this combination is going to do. This deal links the origination and production rich origins that we have to now new export and domestic consumption markets that we simply just can't get to alone today. It gives our corn, our bean, our wheat, our canola producers and shippers, our grain products of meals and oils and ethanol, all these commodities gain additional domestic markets. They gain routes to the Gulf of Mexico and, of course, into Mexico itself.

Looking at the intermodal side of the business, I can tell you this is an area where, frankly, I think we've been conservative in our view of the revenue synergies. I see tremendous opportunities to create new service products

in this area that'll not only compete against the current existing rail alternatives that are out there, but really focus on taking trucks off the road and converting more freight to this rail network. As I've looked at the intermodal and truck traffic moving cross-border from Mexico going up to Chicago, in Detroit, Minneapolis up into Canada and into Toronto, there's just a massive amount of freight that should be moving on the rail network. We're going to offer a service that flat out doesn't exist today. It'll be a single-line haul move, as Keith spoke to, and we frankly only really need to capture a fraction of this market to be a needle mover in terms of synergies.

On the automotive front, the KCS franchise is almost very similar to how I would characterize our grain franchise, has very rich origination and production of auto plants - 16 to be exact in Mexico served by the KCS - of which about 80% of that volume crosses into the United States or goes up into Canada. This combination will offer the auto industry a brand new route and competitive market access. The new franchise will essentially tie the auto belt of Ontario, the Upper Midwest and Mexico, and with the strength of the things we've been doing on CP in terms of creating auto compounds using our land and our facilities to strengthen our network, if you link that to the strength of now what the KCS network brings in terms of origination, this will be a powerful automotive opportunity.

Lastly, if you think about the energy, chemical plastics and merchandise side of our business, with the strong franchise that KCS has on their side, this carload type of business will really help diversify our book, which as we've talked about in the past, is bulk-heavy. So, we see new outlets for our forest products business, our aggregates, steel, certainly our energy products, and great transload growth opportunities that as we build out on the land capacity we have on CP, will only further create transportation solutions for both CP and KCS customers.

So, look, I could go on and on. I'm super excited about what opportunities this is going to bring and this combination presents, but this is truly a transformational revenue growth opportunity.

With that, I'll hand it back to Pat.

Patrick Ottensmeyer

Okay, thanks John.

Moving on to the next slide. I'll talk a little bit more about Mexico. I think most people on this call are pretty familiar with this story. Today, our Mexico franchise represents about half of Kansas City Southern any way you look at us, whether you measure miles, employees, revenues. We are 50% in Mexico and Mexico has represented just a tremendous growth opportunity, has benefited from industrial investment and growth. As John mentioned, in the auto industry, 16 auto plants is probably the best example of that.

Here's a snapshot of our Mexican market and our Mexican franchise and some key statistics that, suffice it to say, this network covers some of the fastest and most exciting growth, industrial growth markets in North America, and the prospects of further growth as a result of USMCA being in place and other factors that I mentioned earlier, connected to changing supply chain strategies, de-risking global supply chains, all bode very well for Mexico in addition to really all three countries in North America.

But just some fun facts about our Mexican business. In addition to representing half of our total, we operated over a 2,600 mile network covering four Mexican ports on the East Coast and importantly we have exclusive access to the very exciting growth port at Lázaro Cárdenas on the Pacific side. We operate under a concession in Mexico. It's a 50-year concession that expires in 2047, which is renewable at the end of that term for an additional 50 years. One of the exciting things about our network is the fact that we cross the Laredo gateway, which is by far the most

significant freight gateway between the U.S. and Mexico, with about 44% of all U.S./Mexico surface trade passing through the Laredo gateway.

Our network continues down to the industrial heart of Mexico, Monterrey, San Luis Potosi into Mexico City, the port at Veracruz where we just recently secured direct access to the heart of the industrial port at Veracruz, which happens to be the largest automotive port in Mexico, and then to the east out to the port of Lázaro Cárdenas, which is a large intermodal, in addition to other industrial products that move in and out of the port of Lázaro Cárdenas.

For the last several years, many of you know, refined products have been a large driver of our growth in cross-border traffic, and that represents gasoline, diesel, other refined petroleum products moving from U.S. Gulf Coast refineries, down into Mexico, and we see continued extraordinary growth in that business for years to come.

Finally, as I mentioned earlier, we think Mexico will continue to benefit from an attractive investment climate as the nearshoring phenomenon we believe will continue to be strong and gain momentum as a result of USMCA trade certainty between the three countries for at least 16 years and other factors impacting global supply chains.

So, we continue to be very bullish about the Mexican outlook, and this transaction will open Mexico business moving to and from Mexico, from Canada and particularly from the Great Lakes, the Chicago, Detroit market, with new single-line service that doesn't exist today, which will further enhance the competitiveness of these products throughout North America.

With that, I think I now turn the presentation over to Nadeem to walk through some of the financial characteristics of the transaction.

Nadeem Velani

Thank you Pat. We are extremely confident that the CPKC combination will create significant operating and financial efficiencies leading to strong earnings growth and increased cash flow. As you've heard throughout the presentation, this unique combination will enable significant growth for our customers throughout North America.

Following full regulatory approval, which we anticipate will occur in mid 2022, we will begin achieving our revenue synergies. When fully realized, after a three-year period, we expect annual US$800 million of incremental revenues, which will be achieved through the combination. With our track record of adding volume at low incremental cost, we see the EBITDA generated from the top line totaling a net US$600 million, after factoring in the cost associated with additional headcount, fuel, materials and equipment, which will all be necessary to support the additional volumes. It's why, although there will be rationalization of some redundant functions, our expectation is that headcount across the network will grow when the synergies are realized in 2023 to 2025.

Kansas City Southern's PSR journey has been impressive, highlighted by improved service, growth and cost control. We expect the Company, continued to be led by Pat, through the regulatory approval period, will deliver value for shareholders as Pat and his team execute on their multiyear plan, which they presented earlier this year.

Following final approvals of the deal, we expect the combined entity will be able to utilize best practices across our Companies to support increased operating efficiencies. As a result, we expect expense synergies of $180 million through a combination of improved fuel efficiency, lower G&A cost, equipment rents, as well as facilities, IT spend and licensing.

Finally, from a capital point of view, we have factored in additional network sidings, investments in siding extensions, as well as investment in CTC to support the growth. However, we do believe there are capital synergies which will mitigate the increased investment required to better asset utilization. So, we believe an incremental net $50 million of capital will ultimately be required in addition to the CPKC-base plans.

A few comments on cash flow and our balance sheet on Slide 13. As Keith mentioned, the cash portion of the deal will be funded through cash-on-hand and approximately $8.6 billion of debt, which financing has been committed. CP's balance sheet has remained in the 2.4 times debt-to-EBITDA in the last few years, within our targeted range. That has supported our investment grade rating, and combined with strong market capitalization, has allowed us to transact this strategic deal.

With the additional debt, we will be increasing our leverage and expect it to be at 3.8 times our 2021 EBITDA. We have not initiated our NCIB program we announced in January and will not expect to repurchase shares as part of that program. In addition, both CP and KCS will maintain our dividends at current levels.

Our deleveraging plan is based on the free cash flow generated used to pay down both the acquisition financing and any near-term maturities. Based on the strength of the CP and KCS independent plans, we expect that significant cash generation will allow us to work back to our long-term leverage target in the 2.5 times range within 36 months of closing into trust, and importantly, we are not depending on the synergies to be realized prior to delevering the balance sheet. Overall, it's a very compelling cash flow opportunity.

We have engaged with the credit rating agencies and had constructive dialog on the transaction. In the end, we remain committed to our targeted BBB+ Baa1 rating over the long term.

With that, let me pass it back to Pat.

Patrick Ottensmeyer

Okay, thanks Nadeem.

Next slide is a lot of data on here. I'm going to go through quickly and wrap things up here so that we can get to your questions. Suffice it to say that both CP and Kansas City Southern have strong track records and are very committed to improving sustainability and see this transaction as supportive in that effort. Our own PSR journey has been very successful so far, so this transaction is about leveraging our combined operations and network to grow across the markets in North America.

As you all know, rail is one of the most economical and environmentally responsible methods of moving freight - four times more fuel efficient than trucking, one train can keep more than 300 trucks off the road. So, we see this transaction and the growth opportunities that we see and the synergies that will come from this as being very consistent with our commitment to climate change improvement and an environmentally-friendly transaction.

We both have recently committed to setting science-based targets to reduce emissions in line with the Paris agreement, and that work will continue as the combination moves forward. CP is an industry leader in sustainability and the combined entity will continue that leadership trend through the Hydrogen Locomotive Test Project and other initiatives ongoing at CP.

So, we'll wrap things up and move to the final slide here, which is where we started and just talk again about the significant benefits of this combination. This combination of these two companies is truly transformative for North America and provides significant benefits that we believe will increase and enhance competition, allow shippers

across the U.S., Mexico and Canada to benefit from the secure and stable trade environment, the pro-North America investment attitude, the growth opportunities that we believe will come as a result of the USMCA and other factors affecting global supply chain strategies.

As an end-to-end combination, we see this as very pro-competitive. As I mentioned earlier, we see no markets or no customers where options to ship by rail are reduced. In fact, they are enhanced. We believe this will be, this combination will be supported enthusiastically by our customers and shipping groups.

The combined companies' focus on safety and culture of operational excellence make us a natural fit. I think the time is right for this combination, the logic and the strategic value of this combination is quite powerful and we just could not be more excited about the future that we could have together as a combined network.

With that, I will turn it back to Keith for final closing comments.

Keith Creel

Thank you for the color, Pat, John and Nadeem.

Let me, in closing, I want to restate the obvious. The value that our shareholders, both shareholders, employees, both sets of employees communities that we operate in and through and our collective customers enabled by this very unique combination is absolutely undeniable. We're offering a substantial premium to the KCS shareholders, as well as an opportunity to participate in the upside of this combined company on a go-forward basis.

This combination is expected to be accretive to our adjusted diluted EPS in the first full year following our acquisition and control of KCS as we march to double-digit accretion upon the full realization of the synergies in year three. It's a win-win absolutely for both companies and stakeholders. The growth and economic benefits that comes from this transaction is absolutely more than either could ever achieve alone. Together, we will do more.

With that said, let me open it up and turn it over for Q&A.

Question & Answer

Operator: Thank you sir. [Operator Instructions] Your first question comes from the line of Amit Mehrotra from Deutsche Bank. Your line is open.

Amit Mehrotra: Thanks Operator. Congrats to both teams on this announcement. A question on the CP side related to just getting comfortable with the risks around Mexico and the concessions. I know you mentioned in the deck that it expires in 2047, but I think the exclusivity provision can be revisited in 2027. So, if you can just talk about how you get comfortable around the risks related to open access? Thank you.

Keith Creel: Let me start with this and then Nadeem, obviously, you might want to expand on this. When it comes to assessing the risk, in that path in that assessment, in that diligence. The track record that KCS had established successfully operating in that environment, not just surviving but thriving as they partnered with their Mexican partners to grow the business between U.S. and Mexico is, again, it's undeniable. The relationships, the respect, the deep understanding of the concession and how it operates and how in Mexico good business and what it looks like, is something that KCS, I would suggest, they've mastered, given their success.

When you look specifically at the concession, yes it's through 2047 and yes there's an exclusivity provision in 2027, but as I understand it, and I try to relate it to our own competitive environment that we operate in, more specifically in Canada, as long as we're providing service, adequate service and charging a fair price, you'll never

trigger what that exclusivity opens up, and that's to allow someone else to come in and provide the service that you're failing to provide.

So, again, I say this applied to Mexico, I'd say it applied to Canada and in the U.S. If you do your job and do it properly and you give the customer the value and the service that you're charging the price for, you don't have to worry about the customer being exclusive. That service value proposition creates its own exclusivity.

Nadeem, I don't know if you want to color it any more specifics on that or facts you want to add to that. But that's how I summed it up and how I look at it, it's very basic sense.

Nadeem Velani: I don't think I have anything more to add to that, Keith.

Amit Mehrotra: Can I just add one quick follow-up related to that though. I mean, this trust structure that you guys have, what if the STB doesn't approve the deal? Does the trust own the entity going forward, does it get unwound, because I think the way it's structured right now the premium is actually being paid at the creation of the trust and not the approval by the STB?

Keith Creel

Well, the first most important point is we've got complete confidence in this deal and review process. To think about the trust not being approved is not something that we're considering. We think that the facts are so compelling that when the STB rules and weighs the facts, they'll come to the same conclusions. In the highly unlikely event that that were to occur, then obviously we'll cross that bridge when we get to it. By regulation obviously, would not be allowed in that event to take control of the Company. But, I would suggest in a place two years from now, a year and a half from now, mid 2022, should that happen, KCS is going to continue to do a phenomenal job running their network. They're going to be worth more money and not less money, if that were to happen. But again, that's not somewhere that my mind goes to because the facts offer a much more compelling outcome which is exactly in line with what this vision represents.

Amit Mehrotra: Okay. Thank you very much. Congrats again. Appreciate it.

Keith Creel: Thank you.

Patrick Ottensmeyer: Thank you.

Operator: Thank you. Your next question comes from the line of Chris Wetherbee from Citi. Your line is open.

Chris Wetherbee: Yes. Hey, thanks, and good afternoon. I guess I wanted to think about sort of the bigger picture of operating ratio story for a potential combined company. You talked about the revenue synergies and maybe converting that down at about 75% incremental margins to EBITDA, obviously that implies continued progress. Both of you guys have talked about numbers in the 55 range individually. Do you think with a combined entity there is just sort of inherently more opportunity to sort of push that further while still realizing the industry-leading growth that you're positioning this business to capture? Just want to get a sense of maybe how we think about sort of balancing the revenue opportunity which seems fairly clear here with the potential for more operating ratio potential.

Keith Creel: Well, again, I'll let Nadeem get into the specifics if he wants to provide more color. But in simple terms, Chris, whenever you can expand your scale and create density and spread those costs out and run the business the way these companies run their business efficiently, providing a high level of service that allows us to

draw a fair return in the marketplace, that's a natural outcome. So, I would suggest that, certainly combined, the opportunity, the potential, again, much like the revenue, will exceed what we could do standalone in either case.

Nadeem, I don't know if you want to add anything to that.

Nadeem Velani: Yes. I mean, I think both independent companies have plans that are going to get to kind of industry-leading operating ratios. This isn't about how low can you go. That's certainly not the case. This is about growth and providing service and expanding service offerings to grow the top line and create more for the industry and taking share off the road.

So, yes, Chris, I won't disagree that naturally the OR is going to get to new unprecedented levels if we execute on our current plans and execute on the synergies we described. I think, more importantly, we're going to generate significant returns. We've been very focused on return on invested capital, and as you take on a bigger asset and you can utilize, get more revenues on that asset base, you're going to generate some significant returns and you can turn those assets and it's a pretty powerful story.

So, I won't disagree with you that we're going to get some improved operating ratio but we're very excited about the return on invested capital long term.

Operator: Thank you sir. Your next question comes from the line of Allison Landry from Credit Suisse. Your line is open.

Allison Landry: Good afternoon. Thanks and congratulations on the announcement. I just wanted to ask about the 2001 merger rules as KSU is not technically a part of those. Do you think there's a risk that this sort of prompts the STB to initiate a review of those rules and consider whether or not KCS should be a part of it just given that the size is so much bigger than it was 20 years ago? Does this potentially elongate the roughly one year timeline that you've outlined for final approval? Just curious to understand how you think about that and what the risks are related to this. Thank you.

Keith Creel: Pat, do you want to—given that—would you like to provide some color on the exemption that KCS received?

Patrick Ottensmeyer: Yes. I think the history here of the exemption that Allison's referring to was done in the wake of—during a period where consolidation in the industry was occurring at a rapid pace and most of that consolidation involved overlapping routes, overlapping networks that kind of surrounded Kansas City Southern. So, the STB at the time felt that creating an exemption for a path involving KCS was appropriate and reflected the situation that existed then. This merger is so much different and we certainly believe that that exemption will apply.

This is a merger that's different than any other that, in my recent memory or my history in the industry, has occurred and that it is totally end-to-end. There are no situations where a shipper or a market is going to lose access to rail options that they have today. In fact, as we talked earlier, this is going to create a new option for single-line rail service in some of the largest freight markets in North America that doesn't exist today, that don't exist today, and that's going to enhance competition, that's going to improve the opportunities to drive further truck-to-rail conversions.

So, we think that that path is certainly clear to the extent that that exemption was granted back in 2001.

Keith Creel: Allison, I would only add that we see the risk as very minimal risk. In fact, we feel very strongly in the deal, the facts of the deal, the review process producing a positive outcome. We are going to apply under the old rules but the same compelling facts that drive this deal will exceed the expectations and standards applied by the old rules or the new rules. It would apply in either case. It's that compelling.

Allison Landry: Great. Thank you guys.

Operator: Thank you. Your next question comes from the line of Walter Spracklin from RBC Capital Markets. Please go ahead.

Walter Spracklin: Thank you very much Operator. Good afternoon everyone and congrats on the deal. If I could look at the, perhaps, drill down on the revenue opportunity. Obviously, most of the synergies that you highlighted here are revenue driven for obvious reasons. The $600 million EBITDA driven, obviously, comes with maybe a gross revenue number of $800 million or so in total revenue opportunity. Where would you come up with $800 million? Is that better competition that allows you to take share primarily from your rail peers or is there some truck traffic in there you hope to target? Just how you came up with the $800 million in gross revenue.

John Brooks: Walter, it's John. I'll take a shot at that. Number one, it's pretty spread and pretty diversified across the various lines of business. As I look at it, there's not one area or commodity area that's overweighted versus another. I think then you go from there and there's a whole variety of buckets. You mentioned truck conversion. I think that as it relates to the intermodal product that Keith spoke to is a tremendous opportunity. I frankly think we've been conservative in that front. You look at the existing business that we do today between the two companies and the ability to work with our customers to extend and maximize the line hauls and look at different routing options that presents an opportunity.

You talk about new markets and creating access to if you think about a grain franchise in the U.S. that has largely been pointed at the PNW and some other markets that we can't control directly, having the ability to access these new markets and work with our grain shippers to bring that optionality is I think very, very powerful in this. I think creating and using some of the service products that we've developed at CP in combination with the KCS network, 8,500 foot model and some of the things that we focused on specifically, as you think about the transformation story at CP and our domestic intermodal product and how we overlay that, as Keith talked about, from Dallas or Eastern Texas up into Chicago and Minneapolis.

Then, of course, market share. We're going to compete, we're going to compete hard and I think that's part of the backbone of why we believe this is so compelling. Where there is options we're going to provide another one and it's going to come with the service you expect and you saw from CP and KCS in the past and combine it. We're going to compete hard in those lanes and create new route options and service profiles.

You look at the customer base, there's a lot of good opportunity where we've got joint customers to expand those relationships. But there's also a unique opportunity where we're individually doing business with different sets of customer groups that then you introduce those groups to some of the optionality and things we have on each other’s lines. That in itself creates a new opportunity.

Then maybe last, I think you've seen from both these companies, I think as Pat said, the fastest growing in the industry, and it's because we've stuck to some principles on how we grow. It's not growth for growth sake, it's sustainable, profitable growth, it's executing very succinct playbooks. So, it's that self-help situation that Keith talks about a lot. I think we see, certainly as you look at the slides, there's a number of what I would call very obvious opportunities. But then as I think we get in under the covers and begin to really work together, what's self-help?

How do we use land access that we've talked about a lot at CP? What does it mean to our transload business when we begin linking customers from both networks, from a transload perspective?

So it's maybe a little long-winded, Walter, but I think you can tell there's so many buckets out there and that's why we're so excited about this.

Walter Spracklin: Yes, makes sense. Appreciate the color.

John Brooks: Mm-hmm. Yes.

Operator: Thank you sir. Your next question comes from the line of Brandon Oglenski from Barclays. Your line is open.

Brandon Oglenski: Hey, good afternoon, and thanks for taking my question. Also, just congrats on being proactive here and making real bold moves for the future. But I guess, Keith, are there lessons learned from five to six years ago when you tried to go down this path with another carrier? Obviously, that wasn't a mutual deal, but there was a lot of political pushback. Do you think you have a lot more commercial or maybe shipper buy in to this deal that would make this just a lot different than what that was?

Keith Creel: I think you touched on one of the points that's a key difference between then and now. You've got two like-minded companies that are committed to this and see the value in this that are like-minded not only in the way we've run the business and the way we approach the business, but the service and the product that we give to our customers. So, the key is we make sure that our customers, as we walk through this, understand and see the same facts that we see and we're convicted then when they do, they'll not be threatened by this, so be excited and energized by this.

Because I'll remind you, think about an ability, with this kind of reach, to create not one but multiple supply chains across the book of business where these customers own their own assets. If you're an LPG shipper and you own a $100,000 tank car that's coming out of Edmonton that today's going over an interchange carrier that tomorrow doesn't have to, it can stay from origin to destination north of Alberta all the way to Mexico, what does that mean to an asset turn and cycle time savings when you eliminate all those handlings, you eliminate all those days in interchange, you do that at scale and it's a sizable, sizable amount of money and avoided capital expense for the customer, not just the reliability that that seamless, uncomplicated network enables as well.

So, there's savings across the board and benefits across the board that are so compelling. Again, the key is to get the facts heard, which we're going to do and educate and then the customers get educated. Again, I think they're going to be excited about this, not threatened by this.

Brandon Oglenski: Thank you.

Operator: Thank you sir. Your next question comes from Fadi Chamoun from BMO. Your line is open.

Fadi Chamoun: Okay, thank you. Congratulations on the deal to both teams. Maybe a question to both of you, Keith and Pat. Why now? What made this deal kind of come through at this point and didn't have value three years ago, five years ago that was a very strong rationale for kind of a NAFTA, like north-south NAFTA railroad? Just curious kind of what made this deal now more interesting than maybe a few years ago?

Keith Creel: Let me take a stab at the micro level and I'll hand it over to Pat to talk about the macro level.

Often a deal like this the stars have to align and I would suggest that the stars have aligned to make this deal happen. If you think about the last recent history - I can't go back five years but I can certainly look at the last three - and these two railroads, the two smallest Class 1s, have created the most compelling growth CAGR in the industry to the way we approach our business and the solutions we provide for our customers.

So, you take the power of the two and put it into one extended network, what that opens up is compelling. The value that it creates for competition. The value that it creates for additional service options for our customers, the reach that it creates, the value it creates for our employee bases given that the growth that it will attract drives their job growth. It's not rationalization. It's accretive and it's additional to. Then, of course, obvious, the value it creates for the shareholder is compelling. These values are unparalleled to having opportunity in today's space and time to connect two greater companies and make one greater company to realize the potential again that we can't achieve standalone. How could you not do it now?

Pat, I'll let you expand a bit on some of the background that just feeds into that whole narrative and makes it even more compelling.

Patrick Ottensmeyer: I think if you go back to the map that Keith presented earlier, I think it's Slide 6 in the slide deck, which shows the new CPKC network, just look at that map and this is a North American rail footprint that is unmatched by any other single-line option. You couple that with the recent passage of USMCA by overwhelming majorities in all three countries, the prospect that that represents to certainty and stability of a trading relationship and a broader relationship between the three countries. The pandemic has taught us that global extended supply chains involve greater risk than perhaps a lot of industrial companies are willing to tolerate. I do believe that there is a trend in supply chain strategy to shrink and de-risk those supply chains and North America is going to continue to be a very attractive source of investment and growth, and particularly in manufacturing, industrial activity. And go back to the visual here of the map, this network is not only going to be in a position to benefit from those trends, but actually help drive those trends.

We continue to feel that Mexico is going to be an attractive source and be able to attract foreign investment and grow, and the way this network can connect all three countries, there has been as everyone knows a massive amount of investment already in North American supply chains. I see that growing, I think Keith shares that belief, and creating this network, putting this network together at this moment just makes tremendous sense to help participate and drive all of those opportunities.

So, that is a reason why this combination makes more sense than it ever has and now is the right time to do this.

Fadi Chamoun: Okay. Thanks for that. Just maybe a couple of quick ones. Is there a break fee associated with the deal? Also, if the unlikely scenario that, I guess, you have very high confidence in that regulatory process, but if the STB turns this down, how long do you have to dissolve the trust? Do you have certain time limits that you have to act upon to kind of walk away from the trust to spin it off again?

Keith Creel: Yes. Fadi, I would point you to the merger application when it's filed. It'll give you all the specifics on the break fee. As far as in the unlikely event that we had to spin the Company off, yes there is a traditional—I can't get into the actual specifics, but generally it's about a two year period to exercise a controlled disposition of the asset.

Fadi Chamoun: Okay.

Operator: Thank you sir. Everyone, as previously highlighted, please limit your question to one.

Your next question comes from the line of Ken Hoexter from Bank of America. Please go ahead.

Ken Hoexter: Great. Keith, Pat and teams, congrats on the announcement. Maybe just—Nadeem had mentioned earlier thoughts on capital. I think he mentioned about a $50 million increase. Maybe delve into what your thoughts are on capital, what you need to increase? And then given the rapid growth, should we look at—and everybody's focused on improving free cash flow yields—should we see accelerating capex or PSR opportunities to keep those incremental savings? I guess, do you see the $180 million synergies as conservative? Thanks.

Keith Creel: I'll take the first answer and the last question. It's yes, they are conservative. Over to Nadeem on the capital.

Nadeem Velani: Right. Ken, to support the $800 million of growth, we are going to invest. We are going to invest in additional sidings, we're going to invest in extended sidings and we're going to invest in CTC. So, offsetting that, we do see opportunities. If we're doing our jobs as far as the service that we're going to provide, we're going to be turning our assets better. That's going to take out surplus locomotives and then in one sense—avoid the increased investment in locomotives. So, we've been doing our locomotive modernization program for many years now. We have more planned. I would expect that we would not have to do that given the pooling of assets between CP and KC.

So, incremental spend on the network and infrastructure, and less investment in assets, of rail equipment assets. Incremental total capital increase of about $50 million. I think both of us independently have plans to sustain our Capex at similar levels as where we are today over the course of the timeframe. I'll remind you we have our unique kind of hopper strategy that will start dissipating post 2022. So, we'll see some step-down in capital just on the hopper investments that we've been taking advantage of investing in $600 million of hopper cars to support growth in grain and improve the service in grain.

So, net-net, you're going to see Capex kind of flat to slightly down but greater investments in infrastructure.

Ken Hoexter: Great. Appreciate the thoughts. Congrats.

Nadeem Velani: Thank you Ken.

Keith Creel: Thank you, Ken.

Operator: Thank you sir. Your next question comes from Ravi Shanker from Morgan Stanley. Please go ahead.

Ravi Shanker: Thanks a lot everyone. This may be—they may have already answered this question, but what is the benefit to your customers from this combination that could not be achieved with just an interchange agreement that some of your peers may have entered?

Keith Creel: The primary benefit is reach and also to the density this creates that two separate companies would never be able to create. The investment in the infrastructure, the investment in capacity, the investment in the route, it allows those assets to turn faster. You think about this line going down to Kansas City, and I'll speak to CP's, it's an underutilized line but at the same time we don't have a lot of density to drive investment to perhaps take it from dark territory to CTC territory. If you do that, you get incremental steps in safety improvement, as well as velocity, which again goes back to the fundamentals of improved service, lower cost, faster asset turns, good for the customer, good for the railroad.

So, again, standalone, you could never create those kind of synergies. It would allow you to make the kind of capital commitment that would be required with two different companies as you would with one with a like mind and a like approach of capital.

Ravi Shanker: Got it. Thanks for the time.

Operator: Thank you sir. Your next question comes from Jason Seidl from Cowen. Please go ahead.

Jason Seidl: Thank you Operator. Everyone, congratulations on the transaction. I want to jump back on to the assumed synergies of $800 million in revenue by 2025. Can you give us a breakdown of how much is coming off of highway conversion, and then maybe how much might come from other railroad competitive traffic that you can go after? Then also, when you look at the $800 million between now and the 2025 timeframe, is it going to be evenly distributed or is more back-end loaded?

John Brooks: Yes. Jason, it's John here. I'll take a shot at these and the others can jump in. Your last question first. Actually, I see it being spread a little bit even over those years. Maybe not quite a third, a third, a third, but that's my initial thoughts. If you look at the spread, really, if you segment the bulk business, I'm going to call the intermodal and automotive business, and then the carload ECP merchandise, number one, I would somewhat lump the growth pretty even across those portfolios. I think then when you layer in and specifically look at the intermodal and automotive, as I said, that's an area where the intermodal specifically where we've been conservative. There's not an existing product there at all today. This is going to be a completely new product we're going to offer the marketplace which I think is going to be very compelling to our shippers. I can tell you the phones have been lighting up all day today and for my team and myself with a lot of interest on what this could look like.

Probably a little early to give you a split on what that conversion of trucks versus alternate rail but I'd say this. We've done a fair amount of work just—and I think Pat was commenting around the massive amount of freight that moves cross-border and then specifically up to the Midwest markets - the Twin Cities, Chicago, Michigan, the Detroit area up into Toronto - and I think we could hit our synergy numbers just in road freight conversion in that lane if we do this right. Again, I think this is, as Keith said, it's kind of going back to the playbook of what we started with when we did the transformation at CP, and that was get our domestic and get our intermodal product right to where it was something that was not only truck competitive but our customers can rely on it. I believe we'll get the truck conversion. But what we're also going to get is we're going to compete and for those shippers that maybe have only had one or two other options, I think they're going to enjoy having the opportunity to look at a third option in this marketplace and what we can do to help diversify their book.

Jason Seidl: So, while you won't put a fine point on the numbers, is it safe to say that based upon Keith's comments that you guys are being conservative on that number, of the $800 million? The bulk of the conservative nature comes from the off-highway conversions.

John Brooks: Yes, that's a fair way of putting it, Jason, but I don't want you walking away with this thinking and minimizing that opportunity. There's a tremendous amount of upside relative to this $800 million number in that truck conversion space, and when you layer on all of the things Pat described in terms of supply chain changes that are taking place, particularly impacting the manufacturing and in those industrial sectors, increasing pressure environmentally with trucks in that cross-border movement that takes place today, I think all of those point to that upside in that truck conversion opportunity as we get into this combination.

Operator: Thank you sir. Your next question comes from Justin Long of Stephens. Please go ahead.

Justin Long: Thanks and congrats to everyone on the announcement. Wanted to circle back on the accretion comment. You made a comment that you expect double-digit accretion once the synergies are fully ramped. But that could be a pretty wide range. So, are we thinking low double-digit, 10% to 15% type accretion or something greater than that? Then maybe you could talk about the revenue growth profile that is embedded into that accretion guidance as well?

Nadeem Velani: Okay. Thanks Justin. First of all, the first—until mid 2022, we're assuming that the CP and the KC plans that we've highlighted in our multiyear plans are executed on and then the synergies would begin upon closing in mid 2022. Over the course of three years, at the end of the three years and approaching 2025, once the synergies are fully realized, we would expect the double-digit, now characterized as low double-digits accretion. I will qualify to say we're excluding the transaction cost and financing cost and the associated amortization of the step-up in the asset values.

So, I'd characterize it in that fashion. The embedded plan is what we've described in our own kind of multiyear plan. So, at CP we spoke about the fact that we feel we can do high single-digits RTM growth this year with OR improvements of 100 basis points or greater.

I'll let Mike Upchurch speak to the guidance on KCS' side that's embedded in their plan. But we've assumed kind of that level of growth for this year, and longer term we've highlighted that we believe mid single-digits of our RTM growth and continued operating ratio improvements is the foundation of our plan.

Mike, did you want to just speak to the next few years for KCS?

Michael Upchurch: Yes. Our official guidance is double-digit revenue growth for 2021, an operating ratio of 57.5 this year, 55 to 56 next year, and our assumption's generally incremental margins of at least 60%.

So those are kind of the key assumptions behind our plan.

Nadeem Velani: Operator, next question, please?

Operator: Thank you sir. Your next question comes from the line of Tom Wadewitz from UBS. Please go ahead.

Tom Wadewitz: Yes, good afternoon and congratulations to both of the teams on this deal. It seems like it makes a ton of sense in terms of fit of the railroads and extension of reach and all those things.

I wanted to see if you could comment—I know you get a lot on the revenue side, but I guess in thinking of the regulatory approach and the shipper perspective, typically in the past shippers—you want shipper support, shippers like lower rates, maybe more competition means lower rates for shippers that use other railroads. So, I guess how would you think about the kind of revenue opportunity and how much of this is more competition versus existing railroads or existing rail traffic? Then wanted to also see if you could comment on approvals in Canada and Mexico. I know you're obviously focused on STB, but are there any kind of potential hurdles or pitfalls with the Mexico and Canadian governments or regulators? Thank you.

John Brooks: Tom, I'll start off on the rate piece. I think you've got to expect, Tom, what you've seen out of CP over the past few years. We sell to the service through a disciplined approach in the marketplace. We compete head-to-head, whether it be in the upper plains or in Canada with our rail competitor up there, and frankly, I'm not viewing it a whole lot different down here, and a lot of the markets that we're talking about here are, again, going to be completely new and unique to the combination of this network. We're going to price to the value of that service as we've done in the past and I don't see that changing. There certainly is going to be an element of competition in

CP

some of these lanes and share will be part of the story, but by no means is it the story. KCS has done tremendous things within Mexico to create their own self-help and unique opportunities. We're going to continue doing that as we've talked about on CP, and combined, the two parties, I think that's an important piece of that and that is completely independent of what you'd call using price or that share component of growing the business.

I think you can expect to see most of the same.

Patrick Ottensmeyer: There's further regulatory approval in Mexico. We would expect to need the approval of the COFCE, the antitrust commission. Obviously, in this transaction, we don't believe that's a difficult hurdle to overcome since CP doesn't operate in Mexico or operate in any of the border crossings. So, we think this actually advances competition, good for the country, and good for economic growth.

Related to the concession, there's really no change in control on the entity that holds the concession. So, all we are required to do is provide a reporting of the transaction. We do not need to seek approval from the SCT.

Nadeem Velani: There's no formal approvals required in Canada.

Operator: Thank you sir. Your next question comes from the line of Brian Ossenbeck from J.P. Morgan. Please go ahead.

Brian Ossenbeck: Hey, good afternoon. Congrats on the announced transaction.

I wanted to ask just one clarifying and another question. Can you just clarify in the slides and in the outline here, are you assuming that the STB doesn't treat this as a major merger and does that change the timeline and the synergies or anything if it were to get essentially bumped up to the higher scrutiny?

Then if you can just comment—and I know it's an end-to-end integration, but can you just comment on anything that you would be concerned at or maybe not concerned with when it comes to just integrating the systems, whether it's the back office and on Positive train controls is up and running and inoperable, so maybe it's not as big of an issue, especially relative to prior transactions in the industry. But how do you see just integration going, and then can you clarify I guess the minor versus major review on the STB?

Keith Creel: Yes. On the integration of the back office systems, we don't see that as a material risk. It's obviously something we're going to have to manage, but we'll be well ahead on that at the planning phase and expect to do that seamlessly.

When it comes to the STB approach, we are approaching this under the exclusion that KCS has enjoyed, or qualifies for, I would say, from the 2001 merger rule changes. We're going to approach it under the old rules. But as I said earlier, the facts are compelling and it will satisfy either. In the unlikely event that the new rules were applied, the timelines are not materially different.

Brian Ossenbeck: Okay. Thank you Keith.

Operator: Thank you sir. Your next question comes from the line of Scott Group with Wolfe Research. Please go ahead.

Scott Group: Hey, thanks. Good afternoon guys and congrats. Just a couple of follow-ups on some of the regulatory stuff. Keith, you sound very confident on the STB process. Have you had any initial conversations with the Board? I'm wondering if you've had any initial conversations with any of the other rails that suggest opposition

or support here. Then can you say if there's a go-shop period? Nadeem, really quickly for our models, can you just talk about tax rates and interest rate on the new debt? Thank you guys.

Keith Creel: Well, I would say we've had introductory notifications, I wouldn't say discussions, with each member out of professional courtesy of the STB. But obviously, no preliminary thoughts about where they may land other than they're going to open with a—they're welcome to receive the facts with an open mind and we're going to work to support in a transparent way to make sure those facts are understood and represented.

As far as the other roads of either connected personally or communicated with each of the CEOs, and again, other than a professional courtesy and appreciation for making that extension of notification, no discussions about their views on this proposed transaction.

Nadeem Velani: Scott, looking at debt, interest rates of 3.25%, 3.5%. I forget your fourth question—tax rates. About 25% on the CP franchise and about 30% on the KCS franchise.

Operator: Thank you for that, sir. We are now out of time. I will turn the call back over to Mr. Keith Creel. Sir?

Keith Creel: Thank you Operator. Again, let me thank everyone for spending some time with us this afternoon, on a Sunday afternoon to discuss this historic opportunity that creates a compelling, compelling value proposition for all stakeholders. We're super excited about this opportunity it represents and we're committed to it, we strongly believe and convicted in the ability for this deal to be approved and absolutely for the benefit that this deal will realize again for all stakeholders, be they customers, be they shareholders, be they employees and/or the communities we operate in and through, and finally, the environment.

With that, I'll close the call. Have a safe and productive afternoon. Take care.

Operator: Thank you sir. This concludes today's conference call. You may now disconnect.