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Transcript

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Webcast

Corporate Participants:

John Brooks – Executive Vice-President & Chief Marketing Officer, Canadian Pacific

Other Participants:

Chris Wetherbee – Analyst, Citigroup Global Markets

QUESTION AND ANSWER SECTION

Chris Wetherbee
Analyst, Citigroup Global Markets
All right. Great. Thanks and good morning, everybody. Chris Wetherbee back for another day here at the conference. Really excited to be joined and kicking off another day of transport companies with Canadian Pacific. From CP, we're really excited to have John Brooks. He's the EVP and Chief Marketing Officer; Chris de Bruyn, who is part of the Investor Relations effort is also with us. Although, I think his camera is going to be off, so it will just be me and John. You get to look at our pretty faces over the course of the next 40 minutes or so.

We want to cover a lot of topics, a lot of ground, but we do want this to be interactive. So, there is a dialog box through the video that you're watching, you can submit questions that way. You can always just e-mail me, I'll try to get them into John so we could kind of go through it. But with that sort of said, John, first off, welcome. Thanks so much for joining us. I'm going to turn it over to you. Would love to just sort of get a little bit of the lay of the land. There's been a lot of sort of interesting weather dynamics going on. We've been hearing about them at the conference, pretty consistently over the last couple of days. Just want to get your take and then we can kind of jump into stuff a little bit deeper.

John Brooks
Executive Vice-President and CMO, Canadian Pacific
Yeah. No. Certainly, sounds good. And thanks for having me this morning, Chris. I certainly appreciate it. So, yeah, let me kind of kick things off. I'll start off by saying thank you to the 12,000-strong CP family out there. Frankly, Chris, their relentless drive and efforts to deliver this CP success story is inspiring. And particularly with the elements as you describe that they're battling and have battled this last couple of weeks in particular. We believe it's the best team of railroaders in the world.

I will – I'll touch on two points. We'll talk a little bit of how the quarter is shaping up, particularly in light of some of the challenges here we've faced, how I'm viewing a few of the commodities. And then, there are a couple of key initiatives I just want to touch in before we jump into the questions. So, I'll tell you this. I was super pleased with how January came out of the chute. We got through the holidays well and January stacked up and unfolded very nicely. Pretty much through that month, the weather was pretty good. And I would say we outperformed just about in terms of every volume, revenue metric across our commodity base. So, I was quite pleased.

We moved into February here. Of course, Mother Nature has reared her head, that's for sure, pretty much across all of Canada for the last couple of weeks, of course, we're seeing now the impacts of our peer railroads as it has moved through the US and is presenting challenges for, I think, for everyone. Our – as I said, Mark Redd, our operating team, men and women out there every day are battling these elements for our customers to deliver their products safely and reliably.

The good news is, I think, we're turning the corner. And we were talking about earlier that here in Minneapolis today, the temps are on the rise a little bit. So, I think we'll see over these next couple weeks as things normalize and we move into March that the volumes and sort of the trends we saw through January will pick up and we'll carry that momentum through March.

I will say I know that the next couple weeks, as you think about last year, we are facing some pretty tough comps. Actually, I think the toughest year-over-year comps these next two weeks. But then, as we do move into March, actually, those comps moderate and become favorable as you begin to sort of bump up against some of the pandemic volume declines we saw last year.

As I look across the business, Chris, just to give you a quick sense, our Canadian grain franchise continues to perform well. I think we set records in January, despite cold weather, we're performing well in February, records 12 of the last 13 months. I'm quite pleased. I expect that area to continue to be strong. Our US grain businesses continued to be strong. I think quarter-to-date, we're up close to 40%, largely driven by P&W export volumes out of the US.

Our ECP volumes, excluding crude, continue to rebound. I'm quite pleased with our LPG, our refined fuels, some of those business units. We are seeing some pretty good recovery. Crude-by-rail is – I would say, again we had a really big Q1 last year. So it's tough comps. But sequentially, we're going to definitely see an uptick from Q4 last year, into Q1. So I think generally positive on crude-by-rail. Automotive is very strong for us despite some of the industry challenges.

And our intermodal franchise, domestic intermodal is, I think, about up about 5% so far on the quarter. And we faced some challenges in the international space. But generally, that demand looks positive into Q2. So, on the demand environment, Chris; I actually am – I remain quite bullish. We were bullish on our quarter call. I think we put out there some pretty strong guidance and nothing has changed those thoughts. We just – we need to get through this weather.

I'll just shift gears, if I can. I do want to comment on just a couple of our projects because I think they are timely, and we can talk about them a little bit more in the Q&A if it makes sense. But in March, we're going to start up our international business with Maersk. We've talked a lot about that. We're quite excited about joining – having them join our franchise. That's going to be a transformational opportunity not only for our international business, but I'm particularly excited about this transload facility that we're building in partnership with them in Vancouver. It's going to take thousands of trucks off the road. It's going to provide a really unique export opportunity for our shippers back out of Vancouver. And I'm super excited about what it's going to do for our domestic intermodal franchise particularly the back half of the year.

The second area in terms of an update. I continue to be just amazed around the – in my expectations completely, over the top, in terms of what the CMQ have done for the Canadian Pacific in that acquisition. We announced late last year, Hapag-Lloyd coming to the Port of Saint John. We continue to be quite excited about that, working closely with them. Actually, I think we're going to see some test shipments into the Port of Saint John possibly yet this month. But then beyond the import-export business, the general merchandise, the forest products, the steel, the transload business, the domestic intermodal business, the automotive business in and out of Saint John where it's pretty much exceeding our expectations on all those fronts, and I would say, generally, we're still in the early to mid-innings on many of those opportunities.

And last, and then we'll get into some questions, we're particularly excited this year about the diluent recovery unit that'll be coming on exclusive on our lines at Hardisty, Alberta. That construction is progressing well. All expectations remain that'll be mid-year, let's call it July-August timeline for that first 50,000 barrels. And that'll equate to, let's call it, a little less than a train a day of this non-hazardous,

much improved safety product, that finally will help give our crude-by-rail space a little bit of long-term stability.

So we're quite bullish about that. As I said, we're bullish and remain convicted around our high single-digits guidance on our RTMs. And maybe with that, I'll turn it back to you for questions.

<Q – Chris Wetherbee>: Great. Yeah. Well, John that was a great overview. Appreciate that color. So let's just sort of just get the weather stuff out of the way right now. It sounds like it's something that is manageable for you guys. Obviously, you operate in challenging winter weather every year given where your network lies. So anything in terms of – are there any sort of specific cost items or anything that we should be focused on because obviously we'll be watching the RTMs on a weekly basis as they accrue so we'll sort of see what the potential volume impact may be. But anything we should be thinking about specifically from a cost standpoint?

<A – John Brooks>: Again, Mark Redd and his team, we've got a winter plan. As you said, we deal with it every year. The first thing you see right away is we reduce those train lengths, typically creates more train starts, can put certainly some pressure on our crews. So, I think there are some natural cost upticks that you experience. But again, we're pretty good at this. We do it and yeah, look, we don't typically face whatever it's been 10 straight days of, of minus 30. So, maybe it's been a little out of the norm. And then, yeah, certainly, we have the derailment here last week that'll put a little pressure on some costs from that perspective.

But outside of that, as I said, the demand Chris, nothing's changed from that profile. Actually, I was looking at some metrics on our network speed this morning. And just over last week, we're running almost a couple miles per hour faster. So, we get that velocity going back on our assets. And I think you'll see the network come around pretty quickly.

<Q – Chris Wetherbee>: Got it. Yeah. No. That's great. That's very helpful. Okay. So, let's dig in a little bit to some of the stuff that you highlighted there because there's a lot of really interesting stuff and excited to have you here because you're obviously sort of the eyes and ears of everything from a revenue perspective for the company. So, and that's really where there's a lot of excitement. Obviously, I want to talk about double nickels as we talked about on the conference call. But let's focus on the revenue side of the house, first.

I guess, crude-by-rail, because that's been the thing that's been bouncing back and forth, and I think people – it was sort of left for dead for parts of 2020. And maybe there's been a little bit of a resurgence. There's been a lot of interest around energy in general in the markets. And so, obviously, the toughest comp is right now, and then it gets an awful lot easier. But what's the magnitude of – that we should be thinking about? Is there a reasonable sort of quarterly run rate for crude-by-rail that can be just a base load before we get to the DRU later this year?

<A – John Brooks>: Yeah. So, you know what? Since the Alberta government has relaxed curtailment, and as we've seen energy prices get on the rise here and the spreads open up a little bit, I can tell you that the phones have started ringing pretty aggressively. We saw a nice uptick just going by memory. I want to say we were around 13,000 or so units in Q4 of last year. I see a path to, let's call it, 18,000, 19,000 units here in Q1.

And then, I think being conservative a little bit where that 20,000 a quarter run rate is sort of where I've had in my mind as a sort of base benchmark. But I can also tell you I think there's significant upside. This could be – and I think there's an opportunity for maybe 100,000 plus units on a full year basis, Chris. Again, some things got to kind of work out right. But I do think there's momentum out there. And certainly, the discussions with our customers sort of point us – pointed us in that direction.

And then, of course, frankly, this year, the DRU coming on, that could be somewhat additive. We've talked about it as – in the past as maybe a one-for-one replacement. But I think, over time that holds true. But it could be fairly just incremental upside as you think about this year

<Q – Chris Wetherbee>: Got it. Yeah. That makes sense. And just so I understand and I think I know the answer to this, I'm guessing 100,000 plus crude-by-rail carloads, probably not necessarily included in the high-single digit RTM.

<A – John Brooks>: No, not at all. That would be – more of that run rate I was talking to is where you sort of set the base and then we certainly see some pretty good upside if that comes to fruition.

<Q – Chris Wetherbee>: Got it. Okay. That makes sense. And so the great transition to the DRU opportunity, and so this is one that we've been thinking about for a while. And obviously, it seems like it's coming to a head here. So I guess maybe if we could – we talk a little bit about sort of what the move looks like from origination. What are the sort of key destinations that you guys are targeting with this? Is this going all the way to the Gulf Coast? Is it going to Kansas City for interchange with the KCS? How do we think about it?

<A – John Brooks>: Yeah. So again, we're quite excited about it because we have – we've ridden the wave of this crude-by-rail, the good, the bad, and the ugly for sure. Now, I think we've got a heck of a lot smarter than how we did it in the past. And in collaboration with our customers, creating the view if we're going to commit the capacity, we're going to commit the resources, the locomotives, the people, and we need to have that sort of bilateral commitment. And so, we're going to stick to those principles, whether it's DRU or regular crude-by-rail business into the future.

This particular opportunity, we've got a long-term contract with COP, and Gibson, and US Development, 10 years; as I said, that's the first 50,000 barrels, a little under a train a day. And so, that'll all originate at the CP exclusively served location out of Hardisty, Alberta. That's where the actual process of the removal of the diluent once it's piped in will take place. The team there will load those trains 100 – I think 110, 115-car trains is our model. We'll run those from Hardisty down to Kansas City, and we'll interchange that business, at least initially this first chunk with KCS. So, that is going to be principally all Gulf-driven, Port Arthur to be specific, and we'll actually terminate at a facility that USD is in the process of building down in Port Arthur.

<Q – Chris Wetherbee>: Okay. Got it. So, a little less than a train per day coming online sometime during the third quarter is what it sounds like, maybe kind of full run rate 4Q-ish, I guess, would be sort of, maybe we can start to see sort of the full contribution of that. And then, I guess, how can that contract, from a volume perspective, expand over the sort of multiyear length of the contract? What would be the next step and what would you need to see happen for that to be executed?

<A – John Brooks>: Yeah. So, the facility is going to be built to 100,000 barrels a day. So, that scalability of that next 50,000 barrels is really what we're working on right now. It's probably too early to talk

about too many details on that. But I think there's a pretty strong comfort level and confidence that as we get towards putting out the first 50,000 barrels that we'll also have then that strategy locked down for what that next 50,000 barrels looks like. I think that's most likely a 2022 story for us. So that will bring us up to just under two trains a day out of that facility.

Now the other good thing about this is the scalability at Hardisty to go to another 50,000 barrels, if in fact the opportunity and demand is there in the marketplace. Now I think we believe and continue to be quite bullish that this is going to be a prolonged story, particularly as you just continue to see all the pressure on pipeline economics, and capacity that I think we're – is here to stay or going to continue to – it's – that pressure has always been on that industry. And I think you just saw it get amped up. So we're excited to start the first 50,000 barrels. I'm confident the second 50,000 barrels will be a 2022 story, and then we'll watch for that potential to scale it up from there.

<Q – Chris Wetherbee>: Okay. And then you've talked about how this could be sort of a replacement to some degree. And I think the sort of the message behind that is this is what creates sustainability of the crude business in your portfolio, right? It's sort of the thing that can be there despite fluctuations in the price of the product coming out of the ground. So – but initially maybe this year, it feels like it could be additive, maybe it could be additive next year. So, is that the right way to think about it, so, for at least a period of time, early in the process, it'll be providing you a little incremental growth, and then over time what it does is provide a baseload sustainability to the volume?

<A – John Brooks>: Yeah. I think that's fair, Chris. That is how we're modeling it right now. That's our discussions with COP and our other customers that are involved in it. And then we'll see how that sort of shift or transformation between the DRU to the dilbit or the actually the other way around the dilbit to the DRU unfolds.

<Q – Chris Wetherbee>: Okay. That's great. So switching gears a little bit to grain. So we've seen a lot of press releases out of you guys over the course of the last little bit that have been very constructive on the amount of volume that you guys are moving. You're obviously doing a great job moving a ton of grain right now. So can you talk a little bit about the sustainability? How long is this – are these sort of record volumes going to stick around. I know there's some interplay with exports in the US versus Canada. So can you little – unpack the grain dynamic a little bit for us?

<A – John Brooks>: Yeah. Absolutely. It's our wheelhouse. I've argued since I've taken this role that Canadian Pacific franchise for grain is the best in the industry and I truly believe it is. And to your point with all the records being set, and the focus that not only my team, but our operating team puts on executing that business every day has produced these results.

And I have no reason to believe, Chris that they can't continue. And I'll help you understand why. So I think our focus for the past couple of years has been less around, we need to develop a whole lot of different infrastructure in terms of new builds, new elevators on our property. Our focus has been truly around yield, efficiency.

How do we create a pipeline in Canadian grain that frankly we believe is world class, can't be matched, and will really set the franchise up for the next 50 years. The old model of Canadian grain started at 56 cars, and advanced to 112 cars. Our 8,500-foot model will really be this next evolution that again I think sets Canada up on the world stage to – from origin to port to be the most reliable system in the world. If

you think about it, I said on our quarter call, and I think this will help sort of really peel it back what it means in terms of not only revenue and sustainability, but also the efficiency it drives, how it gets us to that double nickels that we talk about.

But think about it this way. We've got 15 new 8,500-foot facilities that'll come online in in 2021. So that's a combination, Chris, of existing 56 car elevators, 112 car elevators or greenfield elevators that are being either built new or expanded up to our 8,500-foot model.

You then combine it with the car investment that we've talked about and it becomes a powerful thing. So those 15 elevators to run them under the old model, 112 smaller cars will typically take about 430 train starts to run that business, okay? If you then take our 8,500-foot model, and our new bigger cars to run that same amount of grain out of these 15 elevators, it's going to require about 300 train starts to run the same grain.

Your crews, the locomotives, the capacity, 130 train starts essentially being pulled out is a powerful thing. It's a huge yield, margin, capacity story for this railroad. And you think about the majority of that being in our Western Corridor where we're seeing a lot of growth opportunity.

Think about what that does for my team to be able to then go and backfill that capacity whether it be with potash, or intermodal, or forest products. But also, if it's just grain, if we continue to sort of run at 430 but now there are these 8,500 foot trains that allows us to move about 2 million more metric tons of grain from those same 15 elevators. This is why when Keith talks about it, I talk about it, we get pretty pumped up.

<Q – Chris Wetherbee>: Yeah. I can see why. There's a lot of good opportunities there and I think that's a pretty powerful dynamic, the idea of taking those train starts out and I guess that's sort of – is one of – is one of the factors that can drive this really strong incremental sort of margin model that you guys have developed over the years there.

And – okay. No that's really helpful. I guess the one thing that I get questions about a lot that's always helpful to run through if you could help us is sort of the regulated grain piece, the pricing piece of this because I know this year, there's going to be a little bit of a giveback because of some of the cost dynamics or the sort of anti-inflationary cost dynamics of 2020. So there's going to be a little bit of giveback. Can you talk about sort of what that number looks like and then frankly what it applies to as your – as a part of your book of business in grain.

<A – John Brooks>: Yeah. So as you described, we're – we are regulated by the maximum revenue entitlement in Canada for our grain business. Our regulated grain business is defined by principally, we – to make it simple, it's our export grain. So it's export of Thunder Bay, export out of Vancouver which is the biggest part of our grain book in Canada. So it's significant. The pricing for this 2021 crop year which we're in right now, was set at a minus 7.2%. As you said, sort of a reset, recalibration. So we'll manage that like we do every year. And so, so we'll hit that. The grain crop year ends at the – in August and then it will be reset for the 2021-2022 year. And we've modeled that a number of different ways. It's probably a little early, but I think – we think that turns back positive as you look to this next crop year.

<Q – Chris Wetherbee>: Okay. That's helpful. So, let's see, there's just so much to talk about. So, I want to keep moving on here.

<A – John Brooks>: Yeah.

<Q – Chris Wetherbee>: So, Maersk, you talked about that early in your opening comments in the transload facility that you guys are building out in Vancouver. When does that business start? What's sort of the size of the pie of that? And sort of how does that sort of play into your RTM assumptions for 2021?

<A – John Brooks>: Yeah. So, as I said, it's a significant near-term opportunity and long-term opportunity for us. I think the partnership is cemented in a way that takes what we believe our best-in-class service, particularly in certain corridors that we've focused on with Maersk and their breadth and their scale as one of the leading steamship lines in the industry and puts together that combination. So that business is actually starting up right now as we speak. We've started to onboard some of it.

The contract actually starts up March 1. So, we'll see sort of the full volume ramp-up as we move through March. That'll be principally what we call the intact business. So that'll be the business that imports through the terminals in Vancouver and then, will go in train load into, whether it be eastern Canada or a US franchise. So, we're quite excited about that.

Not going to talk about the exact revenue value of that, Chris, but I can tell you it's significant. And it would be sort of along the lines of what you'd see in a lot of these major international contracts.

<Q – Chris Wetherbee>: Okay.

<A – John Brooks>: But that's only part of the story. And frankly, that's an exciting part of the story. But the transload and what that's going to do for our franchise is on a number of touch points is what I think really gets us excited, I think what gets Maersk excited. That's going to come on. That construction is well underway, on schedule, on budget. And we expect to have that facility up, let's call it, September – August, September time line. And then that'll bring in a combination of not only the international business that will go intact into Western Canada and the US. But also the business that will go into the transload, we offload it and then reload it into 53-foot containers.

And actually, it will shift from sort of an international move in our mind to more of a domestic intermodal move. And so, we're currently working with Maersk. The uptake in that facility has been very strong, so we're quite excited. And as I said earlier, it's going to take – it's got a great ESG story behind it, too. It's going to take a bunch of trucks off the road that shuttle these containers between the ports and intermodal facilities in Vancouver. So, we're quite excited about it from that aspect also.

<Q – Chris Wetherbee>: Yeah. No. That's – and that's an important one. We've been talking a little bit more about that over the course of the last little bit, and I do want to touch on that in a second, the ESG angle here.

<A – John Brooks>: Yeah.

<Q – Chris Wetherbee>: But wrapping up on sort of the bigger picture revenue stuff that I want to kind of touch on is the CMQR and its interplay with Saint John. So, obviously, you guys have talked about sort of developing that. You want to get more out of that location. And there appears to be sort of the demand and the desire to serve that area. I know there is the potential – the potential, I think, also for partnerships potentially with some of the other railroads in the east.

Maybe you can funnel traffic through Saint John and maybe kind of help satisfy demand in the eastern United States. But can you – maybe broadly speaking, sort of what are you getting out of CMQR right now, and then how does that sort of play with Saint John?

<A – John Brooks>: Yeah. So we – I would say we were generally pretty conservative when we built the business case around purchasing that property. The eye of the prize there was reintroduction of CP into Atlantic Canada into the Maritimes and doing it, Chris, with a route that can't be matched. It is 200-plus miles at the end of the day, shorter than our competitors' option out of that area. We're investing and actually maybe a positive of the COVID in the volume environments that we saw in 2020, we were able to pull capital ahead. And so, we're deep into the process of rebuilding much of that line from Brownsville Junction into Montréal. We're going to end up with a product that has been, I can tell you, overwhelmingly embraced by the customer base there. They were starved of a real competitive option for 25-plus years from that region.

So, we're going to provide a service that is consistent, reliable, 24 hours to Montréal, 48 hours to Toronto, and 72 hours into Chicago. And again, it's not just about, although a big part of the story is, the Port of Saint John and the reintroduction of that really as a competitive port on the East Coast. That facility, Chris, today has the capabilities to do, let's call it, 150K TEUs. It'll grow to 300K TEUs. And we've got expansion plans in the works with those folks to get that up to 800K TEUs. So, we're going to take that facility in partnership with New Brunswick, in partnership with DP World up to what we believe can be a world-class competitive port.

And as you alluded to, we're quite excited that our – one of our largest customers, Hapag-Lloyd, which we did a long-term extension on their contract recently, are going to join that effort and start calling on that port. And then, as I said, I think we're going to see a test later this month.

<Q – Chris Wetherbee>: Okay. Yeah, no, that's it. It sounds like an interesting opportunity and obviously, getting buy-in already and the potential to grow. It seems like the demand is there. So that's going to be interesting. A couple more questions here before we wrap up. So, we're getting a little late in the time here. So, we talked a lot about revenue opportunity. And I think I wanted to sort of just touch on conceptually, how do you think about your growth opportunity in the context of sort of the competitive market? So, I think there's always that question of is there the ability for CP to sort of grow faster than the industry for a sustained period of time. And you've just outlined a number of things that would suggest that you're at least on the right track to doing that. But can you maybe talk a little bit about it? How does that sort of competitive dynamic play in with CN and the other rails in the United States and how do you think your position is in terms of outgrowth relative to the group?

<A – John Brooks>: Yeah. You know what, Chris? And here's the thing. The effort – and we had to pause maybe on the growth element of this company during the early years that if you want to call them the Hunter years. And when Keith first came to the company, we had to get the ship right. We had to get ourselves on a cost competitive, and if you want to call it OR or whatever you want to call it, competitive basis against our – well, our number one competitor in Canada had a significant cost advantage over us.

I would say today or even a few years back, we've evened that match up, maybe even moved ahead a little bit in some areas. So that set us up for this growth opportunity. I think there has been a – at least in the early part of this story, a natural share rebalance that just needed to take place.

We didn't perform well. We didn't provide good service and naturally, they gravitated to other rails that were. So, it's – a little bit of this initial story is about reintroducing ourselves to our customers, our markets, educating them on our service and our lanes and doing it a way that is, I think, different than maybe some of our competitors do.

We've been very surgical and Keith talks about it a lot, you hear Nadeem talk about it, it's not growth for growth's sake. We've really tried to partner with customers that we believe our network matches most closely with, there's a tight fit. It's a partnership. And sometimes, Chris, that doesn't mean we go after 100% of every customer. It might be, I want 30%, because that 30% I can do with you today creates the most value for both of us.

So, I talk to my team about it relentlessly. It's a surgical approach. It's how we grow sustainably and profitably at CP. And I think that's a differentiator. I don't think others have deployed that level of maybe intricacy into how they've wanted to grow. It's a rifle shot, not a shotgun blast in how we do it. So, yeah, maybe to the root of your question, can we continue to grow at the pace we are at? I'm super bullish. I think we've converted the things that we said we were going to convert looking back to our initial Investor Day as we pivoted to growth.

The pipeline of opportunities, I think, remains extremely robust for the next couple years for sure. And you know what, I can tell you we're constantly looking for that next opportunity and how we can continue to extend our reach and create that unique product out there that is going to attract these customers for our rail line. Just maybe one final thought on that is, we have this unique land profile at CP that just cannot be replicated. We've got land in major metropolitan areas across our network that whether it's for terminal expansion capabilities or customer colocation capabilities, that I think allows us to create these solutions. So, I'm very bullish on our opportunity to sustain this.

<Q – Chris Wetherbee>: Yeah. Yeah. And it certainly sounds like it. It sounds like there's a lot out there for you. And I think you've touched on sort of the service or the improvement, the cost dynamic that you guys have put a lot of hard work and effort into. And I guess you're showing us that there is the ability to do both, right. So you've been able to grow the top line, but also been able to manage the cost side of it to be able to leverage all of that growth into better margins over the long run. So, I guess maybe the last quick topic I want to talk touch on is really kind of funny to think about. We've done 30-something minutes and we haven't talked really about operating ratio. I think that does speak to some of the stuff that's sort of changed at your company over the last several years, right.

We almost take the operating ratio as a given, not that we really question folks like Hunter and Keith in the past. But I think things have changed a little bit. And there is this exciting revenue story to talk about. But, listen, investors sort of always sort of start and then ultimately come back around and stop at operating ratio. And you guys are doing a really good job with that. So, I guess the last question I'd have is, what would be the dynamic? What do you need to see? What are you pulling and your team pulling for to try to get towards that 55% number? I know that's not the guidance specifically for this year, but it's sort of in the ballpark, I guess. And so, how would you think about achieving that?

<A – John Brooks>: No, I – hey, I knew you would get there eventually, Chris, for sure. Look, Keith says it constantly and he reminds his management team of this. The OR is an outcome. We don't have that dartboard that has this bull's eye in the middle. It's doing all the things you and I just talked about for

the last 30 minutes that produces this. And there's a lot of fruit still out there to be picked. Just the power of what I described in the grain model is a primary example.

But maybe to your real question is, how does it apply to me and my team, our contribution, look, we got to price the value of our service. We got to remain disciplined in that area, and I think we've demonstrated that over the last years. We talked about how do we create efficiency, how do we improve yield in our book. I think that becomes critically important. It's not an initiative for us to do that. It's in our DNA. It's the makeup of how do we go to work every day. It's making sure that our asset turns on our center beams are as tight as possible. We're keeping that constructive tension not only on our customers to load and bill and do the right things, but equally on our operating team, to live up what they said and what we sold in the marketplace. You just keep building and stacking those things on top of each other and that operating ratio takes care of itself.

<Q – Chris Wetherbee>: Yeah. Absolutely. Okay. Well, we hit that mark perfectly so that was a great answer. It got us right to the 40- minute mark of our conversation this morning, so we'll have to leave it there. I know you have a busy day at the conference and I know investors do, too. But, John, thanks so much for joining us. This was a great conversation. Appreciate your time, appreciate your support for the conference. Thank you.

<A – John Brooks>: Absolutely, Chris. Totally enjoyed it. Have a great day.

<Q – Chris Wetherbee>: You too. Thanks. Thanks, everybody. Take care