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Transcript

J.P. Morgan 2021 Industrials Conference

March 15, 2021

Webcast

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Nadeem Velani – Executive Vice-President & Chief Financial Officer, Canadian Pacific

Other Participants:

Brian Ossenbeck – Analyst, J.P. Morgan Securities LLC

QUESTION AND ANSWER SECTION

Brian Ossenbeck

Analyst, J.P. Morgan Securities LLC

Hi. Good afternoon. Thank you for joining our discussion with Nadeem Velani, the CFO of Canadian Pacific. I'm Brian Ossenbeck. I cover transports and logistics for J.P. Morgan. I'm very happy to have Nadeem here presenting on behalf of CP. He'll provide an update – introduction on how the railroad is running right now and then I'll rejoin for the Q&A. If you have any questions along the way, feel free to use the chat box that's on the website we logged into.

And I'll try to look at them and work them into the conversation as we go along. So with that, Nadeem, over to you to kick things off, and thank you again for being here today.

Nadeem Velani

Executive Vice-President and CFO, Canadian Pacific

Thank you, Brian. Thanks for hosting me and hosting CP. Good afternoon to all those joining online. Appreciate the opportunity to be back here for the J.P. Morgan conference. I think this was the first virtual one we did a year ago and hopefully it's one of the last.

So let me start just by providing an update on how Q1 is unfolding. Overall, the railroad continues to run well. We had a very strong first month to start the year, well ahead of even our own high expectations. January was a record for RTMs, GTMs per operating horsepower, train weights and lengths. We exited the month of January with RTMs up 2% year-over-year despite having tough comps.

As I'm sure you'll hear from a number of companies, February was a bit of a different story in terms of weather. Winter railroading is certainly nothing new for us and we do plan extensively each year for it. But no matter how much you plan, when you get extended periods of minus 40 degree weather like we saw the first couple of weeks of February, it's going to challenge any operation. It does take capacity out of the network and you get some additional costs that are naturally incurred.

We started recovering from that cold weather here up north. And then the polar vortex moved south and impacted some of our US peers. And given the traffic we interchange, it did slow the recovery somewhat. That being said, March has recovered and it's extremely positive. So we're setting new records in March in intermodal domestic side, on coal, on grain. So it's off to a very strong start and we think it has the potential to be an all-time record month for Canadian Pacific.

So we're excited about the demand environment as a whole, both near-term and for the rest of the year. So if you even look at the first week of March, our RTMs were at their highest weekly total that we've had in the last year and GTMs were at the highest ever weekly total. So, very encouraged by where we see demand recovering.

I think we're set up extremely well for the rest of the month and the year. I think we even have a shot over the next few weeks of closing March out very strong and the potential for even getting flat to slightly up RTMs for the quarter.

So, we'll continue to claw back the volume. What was – what we didn't move in February is not lost. But it's something that you're going to start seeing us move through the month of March into Q2. So, we're certainly very encouraged by the demand opportunity. We see it strong on a number of fronts. And I'd say that even for the year I think we're even more bullish than we

were on our earnings call back in January. And I'd say that from a pricing point of view given tightness in capacity from our trucking peers and just the strong demand that we're seeing, pricing is incrementally higher and we're more bullish on the pricing environment. Certainly as commodity prices are improving and inflation starts inching up a little bit, we see the opportunity to have stronger pricing based on the service that we provide to our customers and the opportunity to improve their supply chain. So, very positive across the top-line.

If you look at some of the business updates and – in a few key categories, we started Hapag. They called on Saint John for the first time with their new weekly service to that port. They shifted their traffic earlier than anticipated as they see an opportunity to take the pressure off Port of Montreal in case of a potential strike.

The Maersk facility that we announced in Vancouver, it's on track to open in Q3 and Maersk international intermodal traffic that we took on starting March 1st has come online, so you're seeing that in our weekly volumes. We're very pleased to welcome Maersk to the franchise as a new customer. We're excited to be working with them to build a very innovative solution that benefits shippers and the communities we operate in by reducing truck traffic and local greenhouse gas emissions.

On the DRU side in Hardisty, it continues to progress. That's going to come online in the back half of this year. It's another strong business opportunity that also is an ESG story. So that facility will allow us to move 30% more crude with each train, reducing emissions 30% versus conventional crude by rail and improve safety by turning the product into a non-hazardous commodity. So we're excited about that opportunity coming on.

And lastly, in spite of some of the auto parts supply chain challenges, we continue to post strong volumes given our unique self-help initiatives in the form of contract wins with FCA and Glovis which both started late last year.

So, Brian, just a few of the opportunities that we have coming online this year, and there's more to come in the future. I'm extremely proud of the results this team has produced. We had a very strong 2020 and I'm very excited about what 2021 has in store.

So with that, happy to answer any questions that you have.

<Q – Brian Ossenbeck>: Okay. Thanks, Nadeem for the overview. Again, it seems like every year people ask when the growth is going to slow down, but I think that started probably three years ago. And now here we are, probably asking similar sort of questions.

But certainly sounds pretty strong. I can go back and just get the housekeeping out of the way for the first quarter stuff. Strong January, obviously tough February sandwiched in between, which sounds like a very strong March. So I think a lot of us are kind of remodeling a flat OR, maybe a little bit better. Is there any way to kind of sensitize that when you look at the combination the two clearly things are ramping up pretty strong, but you did come to a pretty big halt just as the rest of the industry did. So, how do you kind of see that shaking out?

If you can give some color around that?

<A – Nadeem Velani>: Yeah. I mean, we're very focused on controlling what we can. We're very optimistic in our ability to take costs out of the network. I think we had the lowest OR in the industry last year for 2020. And Q1 a year ago, we had our best quarter – best first quarter in the company's history. So, we do have a challenging comp.

That being said, given the freight environment, I spoke to some of the improvement in operating metrics that we've highlighted. We have the opportunity to have a flattish kind of OR in Q1. The one I guess area – couple areas that's – that are always volatile are stock based comp. So, we mark to market our stock price at the end of the quarter. So we'll see where that lands. It's – we've had a very strong appreciation through the first quarter of the year, and again first-class problems. But that's one thing that – we'll have to see where that lands for the quarter.

One area I think you're going to hear from the rails is fuel prices as well. Obviously fuel has increased rather significantly. And as you know, in our industry, the lag impact of fuel surcharge in this case will be a bit negative in the near term. You'll see that recover in Q2. So those are a couple areas that'll probably add a little bit of cost pressure near-term. But otherwise, we're pretty optimistic on what we can do for the year as far as the OR. We talked about 100-basis-point type of improvements for the year and we're certainly not backing off of that.

<Q – Brian Ossenbeck>: Okay. Great. So – and talk about the operating improvements. I think one thing we noticed that the train lengths and weights at CP still running at record levels even though volume has recovered, and that's not really the case with some of the peers quite frankly. So, do you think you can sort of adjust to the volume recovery and keep those weights and lengths continuing? Is there enough capacity? Is there enough visibility to do that, or is going to kind of slip a little bit when the mix starts to change?

<A – Nadeem Velani>: Yeah, I mean it's – in our business, forecasting and planning can be very impactful on your ability to get the incremental margins and protect service for customers. We're seeing demand a bit stronger than we anticipated near-term, but it's growing. We – our guidance is high single-digit RTM growth. We have the potential for beating that and having even double-digit RTM growth for the year. It is dependent on when volumes materialize. Near term, we're up 7% on weights and lengths year-over-year, quarter-to-date. And some of the opportunities and some of the productivity gains that we generated during the COVID environments are embedded into the base of the company. And so, it's our model of continuous improvement.

So, it's looking at what the new standard is and how do you build on that, and how do you improve on that. So, you factor in some of the capital investment that we did. We took advantage of the reduced volumes in 2Q and 3Q last year and we accelerated some of our capital investments and spent a lot of capital on basic infrastructure and some sidings and so forth and that's giving us a bit about a lift into 2021 to take on these volumes and generate the productivity and improve the service that we can give our customers. So, we see that as an opportunity to help us get that 100 basis point plus operating ratio improvement.

<Q – Brian Ossenbeck>: Got it. You mentioned the difficulty in planning resources with volume and getting the two matched up. So how do you feel on the head count perspective? I think CP again did a very good job of balancing the resources, and Keith was very vocal about making the commitments to the folks so that you had the visibility for them coming back when the V did ultimately happen. But you're talking about high single-digits, maybe higher in terms of RTMs. Do you have pretty good confidence you can get the right people in the right place at the right time to meet that volume demand?

<A – Nadeem Velani>: Yes. So, first of all, our model is, we'll never overcommit. So, we want to protect our service and that value proposition for our customers. So, we'll never try to be everything for

everyone. We'll convey what we can do from a service point of view, and then once we commit to that, we're going to do everything we can to meet that goal and what we've committed to.

And so when we looked at our plan for the year and we saw the opportunity for kind of high single-digit volume growth, we've aligned our resources to be able to support that. Attrition is something that occurs in our industry at a high rate. And so there's – at times there's pockets of shortage of people that you can't predict your growth in each corridor and each lane and each area.

But as you pointed out, we still had some employees kind of furloughed that – from 2020 that we're able to bring back on. We offered some relocations for those that were in areas that we didn't see the growth near-term. And then we're hiring actively.

So I think we're – we feel confident that we can meet our volume commitment to our customers while bringing on resources in a productive manner. So, you shouldn't expect us to bring on, certainly one-for-one by any stretch. We'll add some head count. But we're going to generate the productivity gains by bringing on less head count certainly than our volume outlook is.

<Q – Brian Ossenbeck>: Got it. You talked about obviously profitable growth. Not overcommitting is a big hallmark for the team. But we've seen – and you talked about pricing a little bit earlier being stronger in the freight market in general. But I think we've also picked up a tone from your competitor being maybe a little bit more focused on price, including offset some of their actions on mix. So, is there – is it a broader way to look at, there's more industry disciple at the time where there's actually tighter capacity? Or are we reading a little bit too much into that because as you know, competition in the Canadian Rails tends to get people fired up from time to time?

<A – Nadeem Velani>: Yeah. I think it's the latter. I mean, certainly we focus on our customers and our strategic partners that we can service, and they've got their growth opportunities and they have their strategy which is somewhat different to ours. So, we focus on the value that we give our customers and we compete on service. And certainly, then environment such as this where capacity is critical, you know it's certainly going to be helpful to everyone in terms of a pricing environment. But you've got to price to the service you give.

And so we feel we have an industry leading service and we should price for that accordingly because there's value for our customers, value for the supply chain. They can reduce their carrying costs, they can – customers can reduce their capital needs and so forth. So that's how we look at pricing, less so from a competitive dynamic in the sense that in certain areas we have better service. We should be able to charge more and many cases, that's what we do. But it's a win-win for the customer and for us.

<Q – Brian Ossenbeck>: So you've talked about – going back to Maersk for a second. You talked about that relationship for a while, some of the volume, the full contract, now effective I guess in March, some came over early. You mentioned it's transformative for CP a few times. Just want to understand what are the, really, the factors for that.

Obviously, the transloading, the direct shipments, but is there another play here to get more of an anchor of an export capacity into Vancouver to help balance out the network? And what are the main things you think of in terms of how this really transforms CP's opportunities now and in the future?

<A – Nadeem Velani>: Yeah. I mean they're a new customer for us, very significant customer. They're a customer that's growing. They're very much aligned with us, is why we saw this as being such a transformational opportunity. It also ties into both of our ESG strategy. Certainly, when you can tie projects such as this where you're turning assets which ties – is very much aligned with how we look at running our railroad, again, it's one of those opportunities where they can move their boxes effectively and efficiently with a view on the environment. And we can do the same thing in terms of turning their assets and our assets as well.

So right now, I'd say given the current environment where it's get the boxes to the – to back overseas as quick as possible – there is a lot more export going back empty than there is reload. But I think that that's going to evolve over time as the market changes and the environment changes. And so once we get our transload facility fully in place in Q3, we might see additional business that involves some of the stuffing of boxes and so forth.

And we're actually both very excited about this opportunity that we're looking at having discussions about how we can scale this facility up. We've built it in a way that we can increase the output capacity. And so it's certainly an opportunity to grow with a new customer, take on business that we see in an area and in a lane that's just going to have more growth opportunity, and again align with our ESG principles.

<Q – Brian Ossenbeck>: Yes. You mentioned ESG is obviously a bigger factor in the industry and now we're seeing more broadly. Clearly part of the transload story you mentioned with Maersk in a partnership, but from – I guess from the CFO seat, when you look at contracts and how business is won or lost, is there – we've got more reporting structures in place, people paying more attention to it. But what's the thing that makes you go mainstream I guess? Are you seeing a lot of those decisions when you come into these contracts, or is it just nice to have – not need to have it unless you've got an existing structure for it?

<A – Nadeem Velani>: Yeah. I mean, I think our industry has a natural advantage versus our trucking competitors. So, I think you're going to see it – and you are seeing it in our – in the rail space continue to increase in terms of the focus and for our industry to be able to leverage this for growth. It's something that I think is going to be very important over the next several years. We're more fuel efficient than our trucking competitors. And I think we have a very strong ESG story as an industry.

But now you're starting to see, it has become that much more important to our customers. We had a – we have an annual customer advisory council session each year with our key customers. We had a session with them to provide education and just to have a two-way dialogue around what we can do at CP to help them and where they see opportunities to improve their view of how their – whether it's in emission or improving their supply chain and the factors that are important to them.

And we even had recently on the automotive side a volume shift for a customer because they saw an opportunity to take out trucking costs and take out trucking as an option, reduce those savings, and it was a big factor in their decision to shift from truck to rail.

And so you're starting to see the real value of it hitting the top-line. And I think we're just at the very early stages of that. So telling that story, being able to convey with data, convey with real examples of how you can save them whether it's emissions or improve the supply chain is very critical to be able to sell that. So it's a matter of even educating our sales team, our teams internally be able to provide that

information so that they can make those decisions and their – how they look at their share of their wallet on the transportation spend.

<Q – Brian Ossenbeck>: And so the things like you just released I think last week with the fuel cell locomotive – I think you talked about hydrogen before. How do those fit in? Are those just more, you have to get the alternative fuels figured out now and which one's going to be a winner, or how long they're going to develop and at what cost. Is it still pretty early stages when it comes to that at least on the railroad side?

<A – Nadeem Velani>: Yeah, I think it is early. We made a decision this summer to start exploring this opportunity. Keith and I did a tour in the fall and very pleased with how the team is – how advanced the team has – the progress they've made on this project. And we're – we met with them last week again to look at how we can expand this even further. I'd say, so, it is early. I think we see more of an opportunity today than we thought in the early stages of this. It's something – one of those that – we're very disciplined in the use of our capital. We don't want to be on the bleeding edge of technology. But this is an area that we wanted to be a driver of innovation, a driver of innovative thinking in this space to see what the art of the possible is. And we're excited about what could occur on this front.

And so, this is a hydrogen locomotive. We announced we'd be using Ballard fuel cells. And we're looking at other partners in terms of how do we source hydrogen on the network, how can we expand this, scale this up over time if we see that this is something that can become truly implemented in our industry. And I'd say, there's more and more probability that we'll see something in service over the next, call it little more than a year. I think you'll see some use of it on the CP network. So, it's exciting.

<Q – Brian Ossenbeck>: Yeah, interesting. Great. You mentioned earlier on – I come back to the point on Montreal and Hapag-Lloyd. So, the last strike in Montreal I think lasted like 19, 20 days. The temporary agreement expires 21st. So, it sounds like Hapag saw this and started moving some traffic to Saint John. So, last year had a bit of disruption, maybe not as much for you as your peer, but are you preparing for that internally, are the contingency plans in place? And I guess the second part would be, when Hapag made that move, has that really got the attention of other customers or shippers in that area when you have a big anchor sort of land there?

<A – Nadeem Velani>: Yeah. I think it shows the − how real it is when – Hapag's, they're a very smart customer and manage their supply chain extremely well. When they made that decision to call on the Port of Saint John, they did it earlier than expected. They're doing once a week starting now. And so, I think that gave the − showed the viability of Port Saint John.

They did divert some traffic there during the strike and that was an opportunity to show − give them a taste of our service. And I think others – some of their peers and some of their competitors in their industry are certainly taking stock of that and I think it shows the legitimacy of the Port of Saint John.

That's something that they're expanding as we speak. They're expected to get that facility up to 800,000 TEUs and it can be − they can bring on that capacity at a very low incremental cost compared to building new.

So we think that it can be a – certainly an opportunity for growth. It's just adding value to that CMQ acquisition. We talked about it being a $100 million plus revenue opportunity for us over the next one to two years, and so far we're on track with that. So we're not − we're hopeful and we're optimistic that

there won't be a labor disruption in the Port of Montreal. That's certainly not our – good for us. It's not good for the supply chain. But there are alternatives that can help mitigate some of its effect if it goes that far.

<Q – Brian Ossenbeck>: Got it. So I want to talk a little bit more about technology and how it's applied across the CP network. I think you guys don't maybe get enough attention or don't call enough attention to it, although we did go to that Investor Day and saw some of it in person a couple years ago.

So looking forward to doing that again, but since then you've had some, I think, probably first in the industry, or at least first that we've heard of. So was hoping you could walk through I guess some of the three key areas: the inspection portal and how you're getting some exemptions off of that; the Cold Wheel Technology with – also reducing inspections at a consistent theme of more inspections and fewer touch points and human intervention. And I think the last one is the broken rail, dark territory when we think about just what the regulators are focused on and how much of an impact that has on safety and cost when that happens.

So those are the three things I think you guys have highlighted. If there's something I missed, feel free to dive into it, but I'd love to hear about how those have sort of developed and what sort of benefits you're seeing on the network so far.

<A – Nadeem Velani>:

Yeah. It's certainly – there's – takes two steps, right, and you got to develop the technology. You've got to test it. Then you got to get the regulator to support it to show how it improves safety. And that's been our approach. So, we have been working closely with the regulator in Canada to test a number of our initiatives and just show how it can be good for the environment, good for the communities we operate in, and good for our employee safety.

So, the train inspection portal that you mentioned on our Maple Creek subdivision, we're looking at working on getting an exemption on loaded potash trains. We've done certain things on predictive analytics, so we have a patented technology where we generate and accumulate some of the big data on wheels, rails, cars, locomotives, everything in real-time which allows us to – kind of preventative maintenance before you get an issue.

We've been – this is led by Dr. Kyle Mulligan who you met at that Investor Day and he's been building a team that continues to find innovative ways to look at our industry and ways that we've been doing things for decades and improve the – the opportunity to improve the safety which ultimately improves the reliability of our product and reliability of service to our customers. So, some of the predictive analytics have reduced online failures by greater than 90%. So, it takes − reduces casualty cost, reduces fatigue on rail, and like I said some of the service interruptions.

So we've taken some of that thinking to − on the wheel side. So we have our wheel technology which evaluates air brakes on descending grades looking at the wheel temperatures. It goes above and beyond just your normal testing – the regulatory testing procedures, and it's allowed us to exempt some commodities like coal and potash from visual break inspecting – inspections, and ultimately it improves your ability to turn assets. You can take out your dwell time by one to two hours per train in each direction, reduces our – just being able to detect 30% more brake issues than your visual inspection and it's been reducing air brake failures by about 80%.

So there's been a lot of technology that we've been able to incorporate that complements on the people side, complements the process side. And it's allowed us to do things with minimal capital spend than traditional methods.

So, I think it's an area that – you're right, we don't communicate as much as well as we can. And we're spending more time to highlight some of these initiatives. Some of them are areas where you got to test them and you got to make sure that – that the regulator is on board before you go full blown in terms of communicating that to the marketplace. But rest assured, it's an area that CP is extremely focused on and not afraid to just put some time and capital towards, because we see the results in improved safety and improved service for our customers.

<Q – Brian Ossenbeck>: Yeah. On the regulatory side, I was wondering how much of this is applicable to the U.S. side? I mean maybe you've already started to roll stuff out there, I don't know. But is it – are there enough similarities for you to kind of take the use case in the data and bring it over to the U.S. side and get a head start or is it not that seamless because it's new, it's different, and they want to look at it through a different lens?

<A – Nadeem Velani>: Yeah. I mean certainly, they are different governing authorities on different sides of the border, but – because of our industry is a network and it is something that – both sides of the border recognize the importance of safety, I think it allows you to get things progressed faster once you've got one of the jurisdictions that authorizes it. So, it adds a bit of complexity, but not significant I wouldn't say.

<Q – Brian Ossenbeck>: Got it. One more regulatory one that I think we've already addressed through some of these comments. Be just to clear – be clear, I think the Canadian rules have some track inspections, speed limitations around these high-risk key trains. So, obviously – I think a lot of the things that they're talking about are things you're doing to address some of the track failures and things like that.

But is that – how would you characterize that from investor perspective in terms of just how many key trains are out there and what types of commodities? I think this is even something the industry dealt with last year and this is just the after effect of it. So you can bring us up to speed on what this means, if anything, operational-wise.

<A – Nadeem Velani>: Yeah. So it's – they're not materially different from what we've been dealing with the last year. So we already produced a winter operating plan and then the broken rail detection under the new regulations. So, it'll allow us to move at higher speeds than we would otherwise be able to based on this ministerial order, so it's a not an issue.

<Q – Brian Ossenbeck>: Got you. Good to hear. So, PTC, positive train control, I'm sure you're happy to stop spending that money and use the capital for something else since it was mandated on the industry to begin with. But now that it's installed, interoperable and so on the US, so it's not your whole network, is that something that you've seen sort of evolving in – under the Canadian side or are there benefits you can maybe get from the US side, or is it still too early considering that the industry just got there a couple months ago?

<A – Nadeem Velani>: Yeah. I mean, unfortunately – I mean, fortunately and unfortunately, fortunately, we did not spend the capital north of the border and we don't see a big, near-term opportunity to gain any benefits by what we've experienced on the US side that we can import that into

– in our Canadian operation. So for us, I mean, we met our regulatory requirements and we don't see much of an impact for us going forward. We'll see what occurs in Canada, but there hasn't been a lot of debate or topic – talk of it in the last couple years. So we'll see where that goes, but it's not something that is high on our radar right now.

<Q – Brian Ossenbeck>: Okay. Got it. So, we have a couple minutes left. I think we got the questions from the queue already in here. So, when you look at the − we talk about technology and the train lengths, both going in the right direction and weights of course too. So when you look at just the incremental margins – I think you said in the past around 75% ex D&A and ex fuel. Is that still a good number? Is there a potential upside when you think about how much longer trains are going? How much more improvement maybe you can have on the visual inspections and therefore all the additive effects that that brings − does that really help you get closer to the elusive double nickels when it comes to an OR perspective, or are there – I guess what else would factor into that mix is always a – is an issue.

So I guess when you look at – and I think CP and you particularly have responded more positive on getting to that eventually. It's the outcome; it's not the goal necessarily, my – that's my interpretation of it. But what are some of the bigger chunks that need to go in that − in the positive ledger to get there and what are the things, like the headwinds you're fighting which I'm assuming are the usual stuff like inflation and D&A and mix?

<A – Nadeem Velani>: Sure. Yeah. So we speak to ex fuel surcharge and stock-based comp and depreciation, the ability to achieve 75% incremental margins. I wouldn't say that much has changed on that front. Does it get tougher to achieve that the better your OR is? To an extent, but it goes back to some of the planning and comments earlier about forecasting the business and be able to prepare for it and take it on in a manner that you can be efficient.

And so when we look at how we can improve margins – or whether we look at business, we look at our base productivity of how we can kind of have that mindset of continuous improvement. That's going to help your overall productivity, and that's going to help your margins.

And then taking on the right business, so, meaning, business that you can service better than your competitor, be that truck or rail. And if you're taking on that business and moving it in a manner that's as efficient as possible in terms of origin, destination, you're going to – that's going to support your overall ability to take on that – achieve that 75% incremental margin. And if you're pricing the business fairly above inflation.

All of those go into the blender of achieving kind of the incremental margins that we've talked about. So it's not necessarily just one thing. It's a lot of – a lot of little things that add up to what we think is successful PSR, and that's been our model. We certainly don't have a goal. I don't push our team here internally and say, you've got to hit this budget in order to hit this OR.

It's, you got to hit this budget in terms of showing the level of improvement that we all have – or we're all accountable for. And all of that goes into just kind of continuous improvement in the margins. Yes, we'd be more open about the fact that we think we can get to double nickels or get to that mid-50s kind of operating ratio. I think that's been very much supported by where we see the opportunities to grow, where we see the opportunity to – how we've been investing in the network, investing in our hopper cars, where we see the opportunity to grow faster than the economy. All of those are supportive of our long-term view of achieving kind of mid-50s operating ratio.

<Q – Brian Ossenbeck>: Great. I think one other – just to wrap up here, the last question. You talk a lot about visibility of growth and being able to serve it well and knowing where it's coming from and having good partners. So, that's something I think CP has done really well with, especially with the land development projects and some of the areas that are just short on space, Chicago, Montreal, Vancouver. So what does that – I mean, I think it sounds like you saw some good visibility for the next couple of years. It wasn't too long ago when you talked about maybe spinning off that whole real estate pipeline. So there's got to be a lot more left.

How would you compare and contrast like what you've put on the network in the last couple years versus what you see sort of the next three to five and if that's really changed with how people are looking at supply chains now and maybe wanting to partner and wanting to get more visibility and maybe even just planning to get better land?

<A – Nadeem Velani>: Yeah. No, I think things have changed and it's part of the reason why we shifted our mindset. We looked at what the outcomes of a PSR were in terms of creating additional capacity in terminals and land areas that didn't need humps or what have you. And we also had land in very important geography.

So, selling it versus supporting it for growth. Part of what changed is, the environment has changed in terms of customers wanting to be closer to the rail hub and how can you improve the overall supply chain in order to take advantage of that to help accelerate growth.

So we see this as add-on to what we should be doing in terms of where the economy gives us what we should be gaining from general market share. And how do we support converting truck to rail. And so, transloading is something that CP has done for quite some time, but I wouldn't say necessarily had the most – the strategy that really supported the benefits of PSR. So this is an early stage for us.

We happen to have land in some very key locations like you mentioned. And this is something that for the next two, three years fully, I think is going to help us gain 100 basis points of incremental growth above and beyond what the base growth we should get from the economy.

So, we've proven it works. We've had customers that are very much wanting to be a part of it. They support it. And you create sticky opportunities and win-win situations in that they will put some of their capital to work as well, like we saw with Maersk and some of the others. And we can – it can support a return that we would expect out of that land. And ultimately, the economics are stronger than just divesting of the land.

So I think it's going to be an important strategy for us, and John Brooks and his team have done a tremendous job of leveraging that land and creating these win-win solutions.

<Q – Brian Ossenbeck>: Great. They have been win-win, for sure. Well, we are out of time, so thank you again, Nadeem, for joining. Thanks, everybody, for joining online. Like you said, hopefully it was the first and hopefully the last virtual one. But we do appreciate you making time for us today. Covered a lot of ground, very interesting, and we'll talk to you again pretty soon.

<A – Nadeem Velani>: Thanks, Brian. Appreciate it.

<Q – Brian Ossenbeck>: Thanks a lot. Take care.