



Q3 2019 EARNINGS REVIEW

OCTOBER 23, 2019



FORWARD LOOKING STATEMENTS

The following investor presentation contains certain forward-looking information within the meaning of applicable securities laws relating, but not limited, to Canadian Pacific's operations, priorities and plans, anticipated financial performance, including our 2019 full-year guidance (including volume and adjusted diluted earnings per share ("EPS") targets), business prospects, planned capital expenditures, anticipated revenues and the source thereof, programs and strategies (including financing strategies). This forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance.

Forward-looking information may contain statements with words such as "anticipate", "believe", "expect", "plan", "financial expectations", "key assumptions", "outlook", "guidance", or similar words suggesting future outcomes.

Undue reliance should not be placed on forward-looking information as actual results may differ materially from the forward-looking information. Forward-looking information is not a guarantee of future performance. The purpose of our 2019 guidance is to assist readers in understanding our expected and targeted financial results, and this information may not be appropriate for other purposes.

By its nature, CP's forward-looking information involves numerous assumptions, inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking information, including but not limited to the following factors: changes in business strategies; general North American and global economic, credit and business conditions; risks in agricultural production such as weather conditions and insect populations; the availability and price of energy commodities

; the effects of competition and pricing pressures; industry capacity; shifts in market demand; inflation; changes in laws and regulations, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; uncertainties of investigations, proceedings or other types of claims and litigation; labour disputes; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions and discount rates on the financial position of pension plans and including long-term floating rate notes; and investments, various events that could disrupt operations, including severe weather, droughts, floods, avalanches and earthquakes as well as security threats and governmental response to them, and technological changes.

The foregoing list of factors is not exhaustive. These and other factors are detailed from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in CP's annual and quarterly reports filed on Form 10-K and 10-Q, respectively.

Forward-looking information is based on current expectations, estimates and projections and it is possible that predictions, forecasts, projections, and other forms of forward-looking information will not be achieved by CP. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.



NOTE ON NON-GAAP MEASURES

Except where noted, all figures are in millions of Canadian dollars.

Financial information is prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), unless otherwise noted.

CP presents Non-GAAP measures in this presentation to provide a basis for evaluating underlying earnings trends that can be compared with the prior period's results.

It should be noted that CP's Non-GAAP measures as described in this presentation, have no standardized meanings and are not defined by U.S. GAAP and, therefore, are unlikely to be comparable to similar measures presented by other companies.

In this presentation, CP has provided a forward-looking Non-GAAP measure. It is not practicable to provide a reconciliation to a forward-looking reported diluted EPS, the most comparable GAAP measure, due to unknown variables and uncertainty related to future results.

For further information regarding Non-GAAP measures see the Non-GAAP Measures supplement to the press release on our website at investor.cpr.ca.

NOTE ON ADOPTION OF LEASE ACCOUNTING

The adoption of Accounting Standards Update ("ASU") 2016-02, discussed further in Note 2 Accounting changes in CP's Interim Consolidated Financial Statements in the Q3 2019 Earnings Release on investor.cpr.ca, was by the cumulative-effect transition approach. Accordingly, comparative financial information has not been restated.



KEITH CREEL

PRESIDENT & CHIEF EXECUTIVE OFFICER

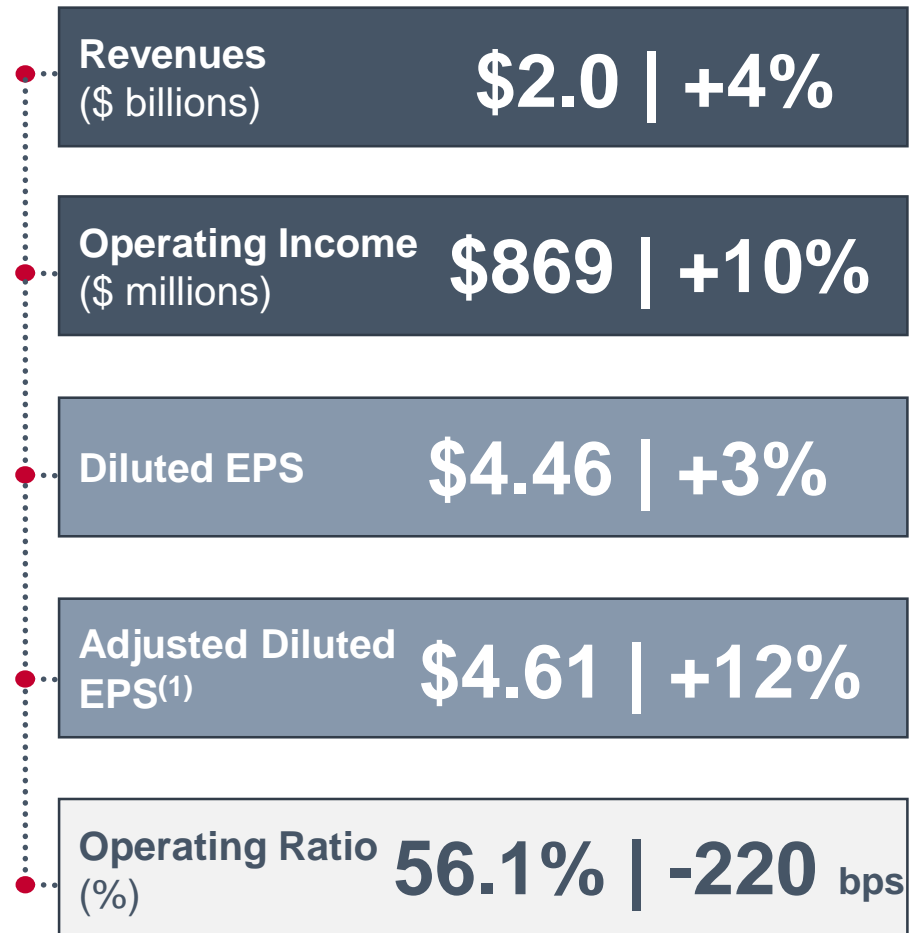


CP

HIGHLIGHTS

- Record third quarter financial results; all-time record-low operating ratio
- Record operating metrics and continued safety performance
- Confident in our ability to generate double-digit adjusted diluted EPS⁽¹⁾ growth for the year

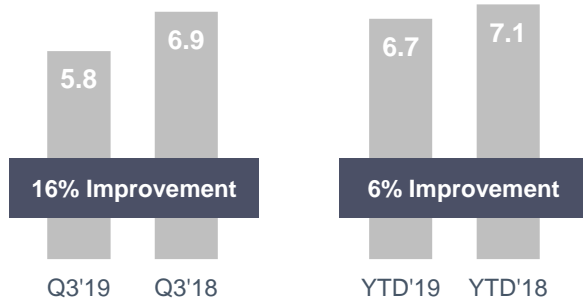
Q3 PERFORMANCE



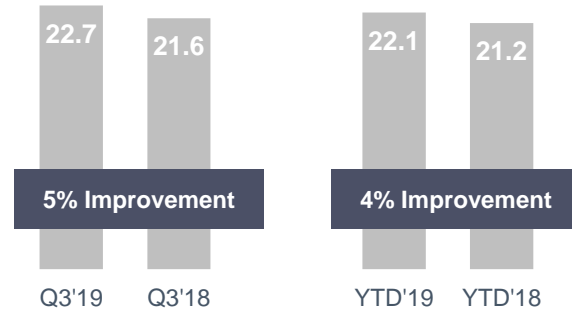
(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2019 Earnings Release on investor.cpr.ca

OPERATING PERFORMANCE

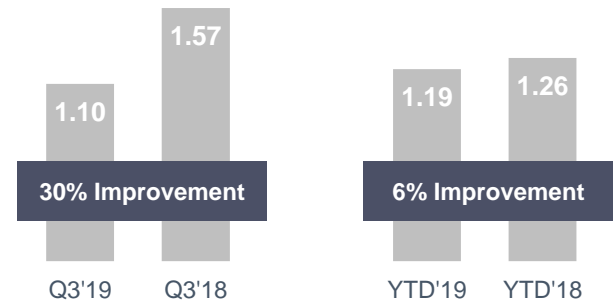
Average terminal dwell
(hours)



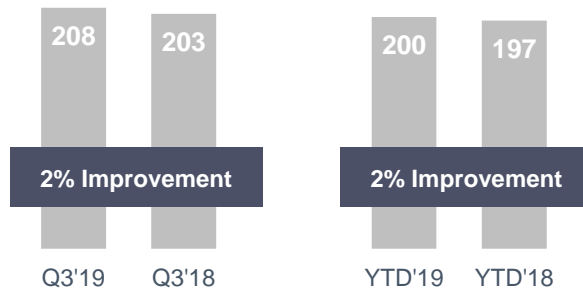
Average train speed
(miles per hour)



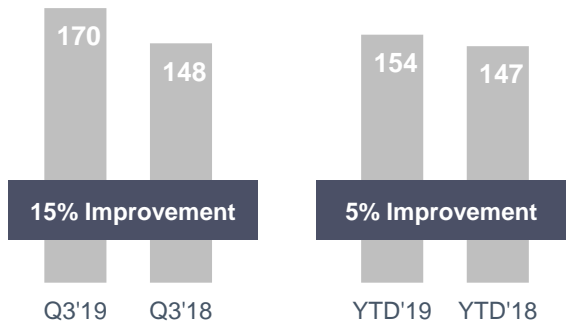
FRA train incident frequency
(per million train-miles)



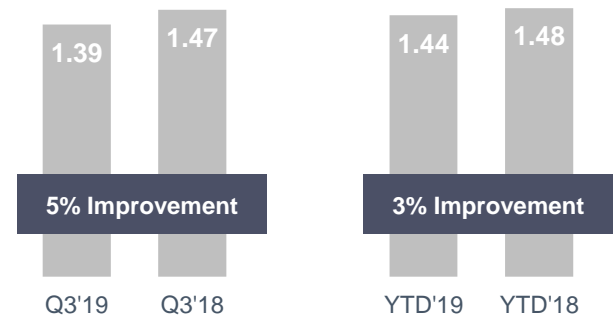
Locomotive Productivity
(Gross ton-miles / Operating Horsepower)



Car Miles / Car Day
(Total Miles / Active Cars on Line)



FRA personal injury rate
(per 200,000 employee-hours)



Certain figures have been updated to reflect new information or have been revised to conform with current presentation





JOHN BROOKS
CHIEF MARKETING OFFICER

REVENUE HIGHLIGHTS

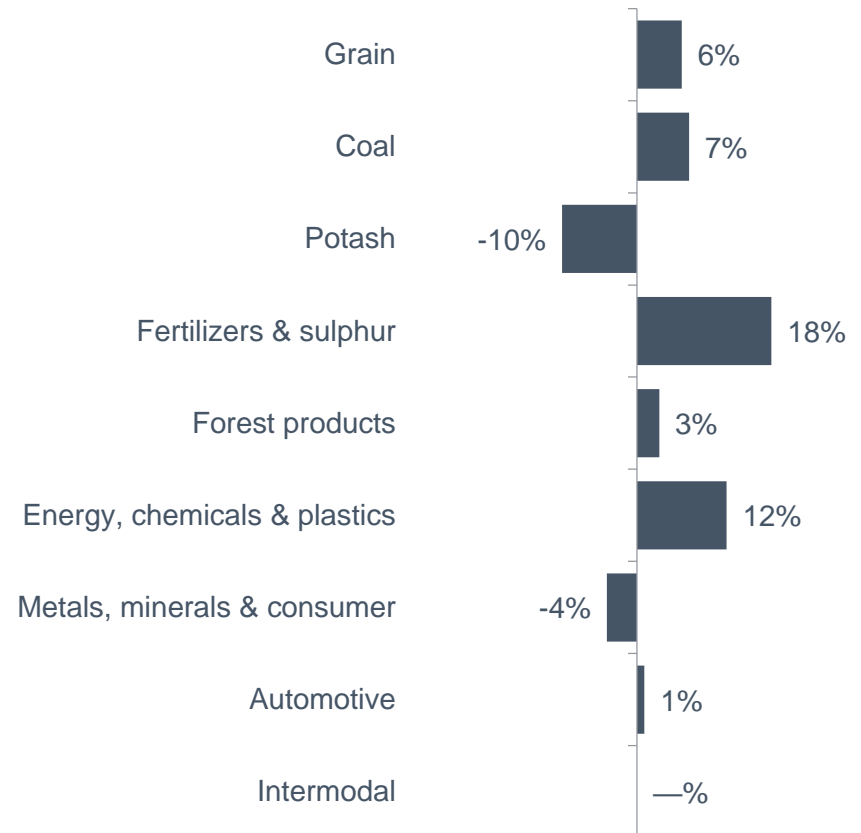
TOTAL REVENUE

+4%

VS Q3 2018

- RTMs: -1%
- FX: flat
- Fuel: -1%
- Price / Mix / Other: 6%

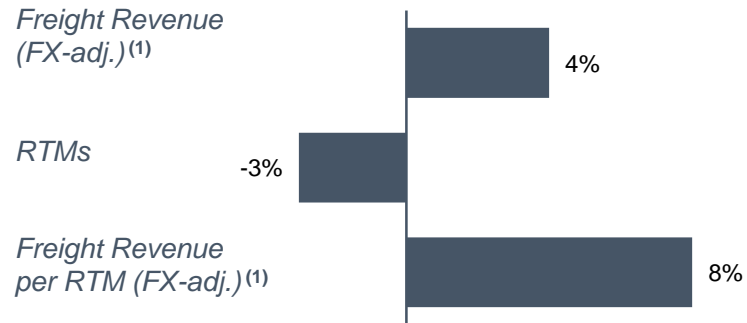
FX-adjusted revenue variance⁽¹⁾



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2019 Earnings Release on investor.cpr.ca

BULK

Q3'19 VS. Q3'18



MARKET DRIVERS

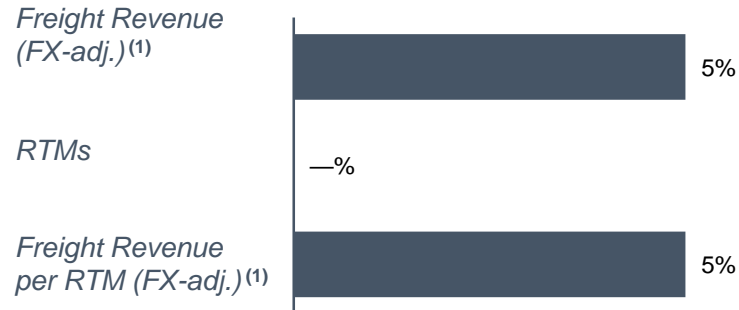
- Delayed start to the Canadian grain harvest; 2019/20 crop expected to be approximately 71-72 MMT
- Export potash volumes down due to delay in contract signing between potash producers and customers



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2019 Earnings Release on investor.cpr.ca

MERCHANDISE

Q3'19 VS. Q3'18



MARKET DRIVERS

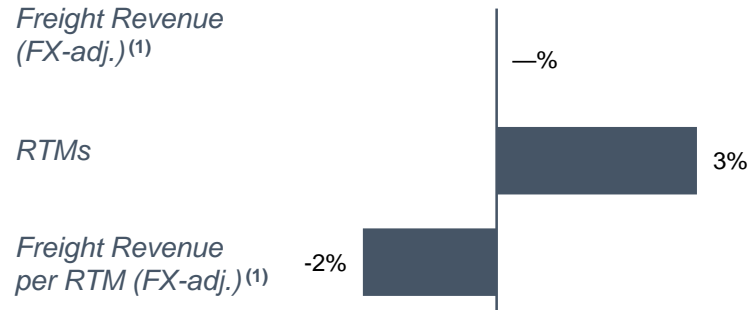
- Forest products continue to benefit from the growth of CP's transload network
- Continued growth in automotive driven by new automotive compounds
- Decline in metals and minerals driven by frac sand and steel; partially offset by record cement



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2019 Earnings Release on investor.cpr.ca

INTERMODAL

Q3'19 VS. Q3'18



MARKET DRIVERS

- Continued strength in international intermodal volumes through the Port of Vancouver
- Domestic volumes mixed – retail growth offset by softness in wholesale
- Expecting modest peak season



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2019 Earnings Release on investor.cpr.ca



NADEEM VELANI

CHIEF FINANCIAL OFFICER



FINANCIAL PERFORMANCE – Q3

(In millions, except percentages and per share data)

	Third Quarter			FX adjusted
	2019	2018	Change %	Change ⁽¹⁾ %
Total revenues	\$ 1,979	\$ 1,898	4%	4%
Compensation and benefits	355	365	(3%)	(3%)
Fuel	210	226	(7%)	(8%)
Materials	50	47	6%	6%
Equipment rents	33	33	—%	—%
Depreciation and amortization	185	174	6%	6%
Purchased services and other	277	263	5%	5%
Total operating expenses	1,110	1,108	—%	—%
Operating income	869	790	10%	9%
Other expense (income)	29	(47)	(162%)	
Other components of net periodic benefit recovery	(99)	(96)	3%	
Net interest expense	110	112	(2%)	
Income tax expense	211	199	6%	
Net income	618	622	(1%)	
Adjusted income⁽¹⁾	640	589	9%	
Diluted earnings per share	4.46	4.35	3%	
Adjusted diluted earnings per share⁽¹⁾	4.61	4.12	12%	
Operating ratio	56.1%	58.3%	(220) bps	

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2019 Earnings Release on investor.cpr.ca



FREE CASH

<i>(in millions)</i>	<u>For the nine months ended September 30</u>	
	2019	2018
Cash provided by operating activities	\$1,957	\$1,781
Capital expenditures	(1,147)	(1,084)
Other property and asset sales	18	16
Other	(6)	(1)
Cash used in investing activities	(1,135)	(1,069)
Effect of FX on USD-denominated cash & cash equivalents	(1)	4
Settlement of forward starting swaps on debt issuance	—	24
Free cash⁽¹⁾	\$821	\$740

- Adjusted net debt to adjusted EBITDA ratio⁽¹⁾ 2.4x
- Current 4% share buy back program now complete; in total 5.68 million shares were repurchased
- Continued opportunistic approach to share buy backs and dividends

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2019 Earnings Release on investor.cpr.ca

FULL YEAR GUIDANCE

LOW SINGLE-DIGIT RTM GROWTH

CAPITAL EXPENDITURES \$1.6B

DOUBLE-DIGIT ADJ. DILUTED EPS ⁽¹⁾
GROWTH

(vs. 2018 Adj. Diluted EPS ⁽¹⁾ of \$14.51)



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2019 Earnings Release on investor.cpr.ca

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