

Transcript

Q4 2020 Earnings Call

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Corporate Participants:

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

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon, my name is Jason, and I will be your conference operator today. At this time, I would like to welcome everyone to Canadian Pacific's Fourth Quarter 2020 Conference Call. The slides accompanying today's call are available at www.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.

Chris de Bruyn

Thank you, Jason. Good afternoon everyone, and thank you for joining us today. As some of you are aware, Maeghan is at home with two new beautiful twin baby boys, and I'm happy to report that everyone is doing well.

Before we begin, I want to remind you this presentation contains forward-looking information. Actual results may differ materially. The risks, uncertainties, and other factors that could influence actual results are described on slide 2, in the press release, and in the MD&A filed with Canadian and US regulators. This presentation also contains non-GAAP measures, outlined on slide 3.

With me here today is our President and Chief Executive Officer, Keith Creel; our Executive Vice President and Chief Financial Officer, Nadeem Velani; and our Executive Vice President and Chief Marketing Officer, John Brooks.

The formal remarks will be followed by Q&A. In the interest of time, we would appreciate it if you limit your questions to one.

It is now my pleasure to introduce our President and CEO, Mr. Keith Creel.

Keith Creel

Hey, good afternoon. Thanks, Chris. I appreciate the opening comments. Let me start my comments by thanking our CP family, 12,000 strong team of railroaders that I'm honored to serve and lead and produce with daily. Their grit, their resilience that they've demonstrated and continue to demonstrate in the toughest times in 2020, and as we, progressively 2021, enabled these results. Without those collective efforts, none of this would be possible, so certainly a debt of appreciation in particular to the operating employees, that their heroic efforts day in and day out to keep the north economy moving in this time of exceptional need, again, is inspiring. Step out every day, put your own life at risk to protect the livelihoods of others, to protect the livelihoods of our fellow employees, the communities we serve, and our customers, again very inspiring. So, I'm super, super proud of the team. I'm super proud of the body of results that we're going to get to discuss today.

And speaking of that pride, we talk about pride a lot at CP. We talk about sacrifices a lot at CP. Contribution, certainly not a shortage of opportunities to sacrifice in this industry, nor demand for people's contributions. To recognize that, given it was such an extraordinary year in 2020 to match that extraordinary effort that enabled what I would call extraordinary financial results, we made the decision as a leadership team, late in December, to recognize all of our nonunion – our union employees, non-management employees, with a special one-time recognition bonus that was payable on December 30th to thank them for their efforts, for their contributions, and their sacrifices again that enabled this unique result that we're able to share with our shareholders and with the investment community today.

So, moving on to the results, I can tell you it was a phenomenal quarter overall. We delivered fourth

quarter revenues of CAD 2 billion, which was an all-time quarterly record; operating ratio of 53.9%; and adjusted EPS growth of 6%.

An industry-leading performance, for the year, total revenues were down only 1%. We produced an all-time record operating ratio of 57.1%. Operating income was up 6% to CAD 3.3 billion, which enabled a record adjusted EPS of $17.67, an increase of 7% versus last year. Truly an outstanding achievement across the board.

On the operating front, the CP family again finished the year with another strong operating performance, results in many full-year records being set for several metrics, including train lengths, which improved 9% (sic) [7%] year-over-year, train weights 6%. Locomotive productivity took another step up at 2% improvement over years. So, to say that Mark Redd and our operating team continued to demonstrate what PSR is all about would be an understatement. The depth and the breadth of the bench at CP is strong, absolutely what I consider to be the industry best. So, my hat is off to each – Mark and his team, thanking them for their contributions.

And on the safety front, what's even more impressive and inspiring was the strong safety performance the team produced in 2020. Train accidents were down 9% 2020 to a 0.96, which is an all-time record for the company. This marks the 15th consecutive year that we've been the safest Class 1 railroad in North America. And at the same time in 2020, we realized a 22% reduction in personal injuries, which again was another all-time record for the Canadian Pacific.

And I've always said this, and I'll be committed to this, safety is a journey, it's a constant pursuit of improvement. It's an area that we're never going to be satisfied in. It's foundational to precision scheduled railroad environment. It's about running the business the right way, earning a financial return so that we can continue to invest in a safe physical plant, and creating and maintaining the right culture, which is a culture of accountability, care and concern for each other, and as a result the safety performance will follow.

Couple of positive announcements for the quarter as well, outside of the financial and the operational performance that we're super excited about at CP, on the environmental front. In November, we announced that we were named in the Dow Jones Sustainability Index North America. This is something, it's a milestone for the company we're very proud of to have achieved and recognize that recognition. In December, we were honored also by CDP for our leadership on climate action with an A- rating. Put those two together with the other progress that we're making in this space, it caps a tremendous year of environmental progress and development at Canadian Pacific. It’s an area that we're just beginning to produce, and we'll continue to set the bar high, continue to be leaders in moving this forward.

On the CMQ, another exciting announcement John is going to provide some color to. We were able to announce in the fourth quarter that Hapag-Lloyd, a great partner of Canadian Pacific's, announced that they're going to be calling on the Port of Saint John beginning in 2021 as well. And rest assured, as we've talked about in the past and will provide more color to, this is just the beginning as we scale out and grow and partner with Saint John to create that world-class port on the East Coast of Canada.

Moving on to guidance, looking forward, I can tell you the momentum that we created in 2020, we've carried into 2021. We're targeting high single-digit RTM growth. We're going to have an opportunity to continue to improve margins in 2021, well in excess of 100 basis points, producing double digits earnings growth.

I'll note that 2020 was the third consecutive year that CP has delivered the best volumes in the industry, and I realize some naysayers may say that there's less upside of this company given the compares, but rest assured this is a team that loves to be challenged, we relish the opportunity. I don't view a track record of success as a negative. Success breeds success. Rest assured this team knows what it takes to create success for each other, for our customers and our shareholders, and you can expect another successful year in 2021 at Canadian Pacific. I've never been more confident in our team's ability to deliver.

So, that said, I'm going to hand it over to John to bring some color on the markets and then we'll let Nadeem wrap up with a bit of color on the numbers.

John Brooks

All right. So, thank you, Keith, and good afternoon, everyone. So, as Keith said, RTMs accelerated in the quarter and finished positive, up 2%. Total revenues were down 3% to CAD 2 billion. FX and fuel combined to be about a 3% headwind. And pricing gained further momentum while mix results were negative. I'm very pleased, though, with how volumes have steadily improved through the quarter. We were up over 9% sequentially, continuing the trend we saw in Q3, and I frankly believe that we have hit the inflection point through this pandemic and the issue faced in 2020, and we will continue to gain momentum and see positive volumes as we move into 2021.

On the year, total volumes were down 1% and revenues were actually – total revenues were – I'm sorry – total revenues were down 1% on an FX adjusted basis to CAD 7.5 billion. We led the industry with the lowest volume decline in this unprecedented year. Our self-help growth initiatives, disciplined pricing, combined with our resilient business mix and strong service, enabled us to continue to outperform.

So, now, let's take a look at our fourth quarter results on the next slide, and I'll speak through the results on a currency adjusted basis. So, grain volumes were up 18% on the quarter where revenues were up 8%. This operating team executed a record fourth quarter to cap a full-year record grain performance, and we delivered records in 11 of 12 months in 2020. Our franchise is only getting stronger, and the power of our innovative 8,500- foot high-efficiency operating model is driving these results.

We currently have 31 origin elevators qualified as 8,500-foot; 23 are running our highly-efficient power-on model, and we will add at least 15 more 8,500-foot facilities to our franchise in 2021. This record level of network development, combined with our new high-capacity hopper cars, will enable the CP team and our customers to continue to raise the bar in 2021.

And our US grain franchise continues to see strong demand with RTMs up over 30% year-over-year. Demand for corn and soybeans to the PNW export markets remains very robust. With a record harvest in Canada and the strongest demand in the US that I've seen for a number of years, we expect the momentum in grain to continue into 2021.

Moving on to the potash front, volumes were up 25% on the quarter to close out an all-time full-year record for revenue and tonnage. Canpotex has done very well to diversify its customer base beyond China and India, and they are fully committed through Q1. This is a reflection of solid global market fundamentals supporting the agricultural industry, and we expect potash to continue to be an area of strength for us in 2021.

And to round out our bulk business, coal volumes were down 1% as a result of demand pressures from the pandemic and supply chain challenges. I expect coal tonnages to increase in 2021, with RTMs roughly flat.

The energy, chemicals and plastics portfolio saw revenues decreased 25% while volumes declined 27%. Q4 saw very tough comps with crude as last year we moved 36,000 carloads in Q4. And this year, we saw unfavorable spreads continuing to weigh on crude-by-rail.

Excluding crude, ECP volumes were up 9% in the quarter, with improving export and domestic demand for LPG, gasoline and diesel. Now, looking at 2021, we will face tough crude comps in Q1; but with the continued economic recovery, we anticipate improved performance across our energy portfolio and specifically in our refined products area.

For crude-by-rail, we are seeing increased activity as spreads have become more favorable. Additionally, we are very excited to begin moving, later this year, DRU crude volumes from our exclusively served facility at Hardisty, Alberta. These DRU volumes will provide a safer pipeline competitive option for shippers and will help to stabilize our crude business into the future.

Moving on to forest products, volumes were up 17% and revenues were up 14% as we continued to see strong lumber prices and significant demand for pulp and paper products. We had a record year in 2020, and I expect continued strength in this space given the strong demand environment, further enhanced by our acquisition of the CMQ and the continued execution of our transload strategy.

In MMC, volumes declined 3%, largely driven by lower frac sand volumes as a result of downward oil pressure on oil prices and reduced drilling. Excluding frac sand, volumes in this space were positive.

In the automotive business, revenues were up an impressive 31% to an all-time quarterly record while volumes are up 57% on the quarter. This is an excellent demonstration of the power of our unique customer solutions. The Glovis contract ramp-up was seamless and is proving to be even more volume than we initially anticipated. Our unique landholdings in our automotive playbook execution has laid the foundation for this key contract win that this franchise will benefit for years to come. I continue to expect to grow automotive revenues at a strong double-digit pace.

Finally, on the intermodal side of the business, quarterly volumes were down 1%. On the domestic intermodal front, we had a record fourth quarter and our fourth consecutive record year. I fully expect continued growth in 2021 in our domestic book as CP is well-positioned to capture sustained consumer demand through e-commerce and inventory restocking as it continues coming out of the pandemic.

On the international side, I'm pleased with our contract with Hapag-Lloyd has been extended, and Hapag-Lloyd, as Keith mentioned, will begin regularly calling on the Port of Saint John. This is an important milestone in our journey to reestablish CP's presence in Atlantic Canada. We also welcomed Maersk to the franchise with their first vessel arriving in December. We are looking forward to this new partnership with Maersk and the volumes will continue to ramp up effective March 1. The partnership with Maersk will deliver supply chain solutions that will drive growth not only in our intact international business but also in our domestic intermodal volumes in 2021.

So let me close by saying and echoing some of Keith's comments. Looking back at 2020, I'm extremely pleased with how this team of railroaders took control of what we could control and managed through these unprecedented times that we all faced.

We demonstrated exceptional resilience, we found unique ways to go after markets, and we generated momentum in volumes despite all the uncertainty. Volumes steadily improved through the back half of the year, and I can tell you we finished the year strong and we're carrying momentum into 2021. Now as I look ahead to 2021, there remains a full pipeline of opportunities that have yet to ramp up and that are under development. Our playbooks continue to bring incremental volumes to CP at a price that reflects the value of our capacity and service. We will continue to drive sustainable profitable growth through leveraging our unique strengths and deepening our relationships with our key partners. With that, I'll pass it over to Nadeem.

Nadeem Velani

Thanks, John, and good afternoon. Keith mentioned these are tremendous results that our team of 12,000 railroaders delivered in a very challenging environment, and I'm honored to present them. We overcame the financial impact of a pandemic and still delivered the low end of the guidance we've presented a year ago. This should not go unnoticed. It wasn't easy but it's the only company in our industry to continue to provide guidance throughout 2020. It shows the confidence we have in our business model and our team's ability to execute.

This team does not make excuses when faced with headwinds. We focus on controlling what we can control. We have a culture of accountability that starts from the top, and we are paid to execute and deliver, and that's what we will continue to do.

Now getting into the results, overall, the operating ratio decreased 310 basis points to an all-time quarterly record of 53.9%, driven by strong operating efficiencies including record train lengths and

weights, improved casualty performance, and lower fuel prices.

Taking a closer look at a few items on the expense side. Comp and benefits expense was up 9% or CAD 37 million versus last year. The primary drivers of the increase were higher stock -based compensation of CAD 15 million, the onetime bonus paid to frontline union employees Keith mentioned totaling CAD 17 million, and a continued pension headwind from current service cost.

Fuel expense decreased 58 million or 26% primarily as a result of lower fuel prices. This year we achieved a full-year record fuel efficiency helping us to avoid 40,000 tons of CO2 emissions. Materials expense was up 10% or $5 million as a result of higher repair materials for track and operations and increased volumes.

Depreciation expense was CAD 197 million, an increase of 11% as a result of higher asset base. Purchased services was CAD 197 million, a decrease of CAD 97 million or 33%. The main driver of the decrease is the gain related to the true-up of our existing ownership percentage in the Detroit River Tunnel for a total of CAD 68 million. The remaining decrease was largely driven by lower casualty cost on the quarter.

Moving below the line, other components of net periodic benefit recovery were effectively flat with lower discount rates offsetting higher amortization of actuarial losses. Income tax decreased CAD 37 million or 16% primarily as a result of onetime tax recovery. This has been backed out of adjusted earnings.

Rounding out the income statement, adjusted diluted EPS grew 6% to a record $5.06 in the quarter. Moving on to full year results on the next slide, the fourth quarter performance caps an impressive year for the CP family. Our full year operating ratio was a record 57.1%, a 280-basis-point improvement year-over-year as we continue to demonstrate our ability to improve margins and deliver the best OR in the industry.

Adjusted income grew 5% and a record adjusted diluted EPS increased 7%, and we achieved this all while achieving record safety performance. As we look forward to 2021, our guidance assumes high-single-digit RTM growth, CapEx of CAD 1.55 billion, and double-digit adjusted EPS growth. A few specifics to call out, you should model an increase of approximately CAD 30 million in comp and benefits from pension current service cost largely as a result of a lower discount rate at year-end 2020. Similarly, depreciation is expected to be approximately CAD 45 million higher in 2021 as a result of a larger asset base. But as I said earlier, we are paid to overcome headwinds, and we see further opportunity to continue to improve margins in 2021, and I fully expect us to continue to lead the industry on that measure.

Moving on to free cash to wrap things up, 2020 cash from ops decreased by 6% to CAD 2.8 billion and CapEx came in slightly about the guided CAD 1.6 billion as we pulled forward certain capital projects in order to leverage the economic recovery in 2021. We have a disciplined approach to capital investment, and the strong returns we are generating are evidenced by an adjusted ROIC of 16.7%, also an industry best.

As we go forward, we expect to bring the capital envelope down in 2021 given the pull forward I mentioned, and anticipate to spend CAD 1.55 billion. Free cash came in at CAD 1.2 billion. As we continue to grow earnings and remain disciplined on capital, you can expect to see CP's free cash conversion continue to improve both in 2021 and beyond. I think another area we differentiate ourselves from our industry peers is that despite the volatility we all endured this year, we continued to reward shareholders. We paused our buyback early in the second quarter given the uncertainty in credit markets, but in June, with confidence in our outlook, combined with the strength of our balance sheet, we resumed our buyback. Ultimately, we completed 90% of our latest share buyback program at an average price of $369 per share, significantly below current prices.

In 2020, we returned CAD 2 billion to shareholders through share buybacks and dividends, and just this morning we announced a new 2.5% buyback program. We also announced a proposed 5:1 share split

that will be presented to shareholders at our 2021 AGM. We think this is an appropriate step to enhance liquidity in the stock to provide better access to ownership for a wide range of investors. Our balance sheet remains strong with leverage of 2.5 times adjusted net debt to adjusted EBITDA.

So let me wrap up by saying 2020 was a challenging year and CP demonstrated resilience in the face of significant uncertainty. We were able to provide guidance to the investment community throughout the year and we'll continue to provide transparent and achievable guidance as the uncertainty lingers. This is a team that sets a high bar and has a track record of overachieving. If you look back at the first four years that Keith, John, and I have worked together in these roles, the company has delivered a CAGR of 16% EPS growth. Our ROIC has also improved from 14% to 16.7% during that period. And I can tell you we're not done. We're all excited about the opportunities ahead of us. If we can deliver the lowest operating ratio and best revenue performance of the pandemic, it's extremely exciting to think about the art of the possible as the economy recovers in 2021 and we benefit from operating leverage. It's why I don't worry about headwinds.

So with that, I'll pass it over to Keith to wrap up.

Keith Creel

Okay. Thanks for the color, John and Nadeem. And exceptional, that's the word I think about, an exceptional year. It's enabled by an exceptional group of railroaders at this company, set us up for an exceptional 2021. We're ready for the year. We've got the momentum. Moving into 2021, wind is at our back, this team is ready to produce.

So with that, let's open it up to questions.

Question & Answer

Operator

Thank you. [Operator Instructions] Your first question comes from the line of Chris Weatherbee from Citi. Your line is open.

<Q – Chris Weatherbee>:

Yeah. Hey, thanks, and good afternoon, guys. Maybe I wanted to sort of dig into the RTM growth outlook a little bit deeper. So I think as you mentioned, there is sort of an inflection that's been going on here. So I guess maybe if you could help us sort of highlight maybe some of the specific biggest opportunities that you see, whether it be on intermodal or otherwise, as you look at 2021. And then can you also help us a little bit with the cents per RTM too, if you don't mind, just there are some FX headwinds I think you will be facing to some degree? So I just want to kind of get a sense of how that might translate relative to total revenues. Thanks.

<A – John Brooks>: Yeah. So maybe, Chris, I'll start on the cents per RTM a little bit. I think looking back at Q4, we did see a little bit of mix. We had a really strong bulk quarter, long-haul Vancouver grain, long-haul PNW grain, as I said record, potash that created a little bit of headwind overall on that front. We're facing that cents per RTM negative VRCPI on the regulated grain at least through August of 2021 looking ahead. We did lap some pretty big LDs from last year Q4 as it relates to our crude-by-rail business, and we'll face little bit of that, I would say, at a declining rate as we move through 2021. And as you mentioned and we'll get to some point where we start lapping the fuel and ultimately FX headwind that we faced in the cents per RTM.

Looking at the volume, we're excited. This year is going to be a big year for CP in terms of a lot of the projects that have been under development really the last couple of years. A number of them have come to fruition but we have got a quite number of them that are really just starting to ramp up and hit their full potential.

As I mentioned, the automotive space continues and it looks to be a really solid tailwind for us, not only in terms of volumes but also cents per RTM. The Glovis business frankly is looking to be about 30% bigger than we anticipated. We've got our Schiller Park compound that we're just on the verge of starting to get some volume running through that facility. We've taken a dormant facility in Calgary and filled that up with FCA and others, and, of course, we've had a ton of success at our Vancouver auto compound.

So I'm quite bullish in the automotive sector, but really as I say go down the list, I expect big things in the bulk franchise. We should continue to sustain what you've seen in grain and grain products. Our biofuel plants are back running at 97% to 100% capacity across our network. We got a couple of facilities actually in biofuels and also frac sand that had shut down during the pandemic that are coming up, and I expect to give us a little bit of a tailwind in those areas.

The ag nutrient side is, I think, quite exciting for 2021. Canpotex has pretty ambitious growth rates for us as we continue to enjoy that business. Our general fertilizer business particularly with Mosaic looks particularly strong. So I'm bullish across the board, and that's without even getting to the full ramp-up of our Maersk business, and then as Keith mentioned, the opportunities that we're going to see in Saint John in 2021.

<Q – Chris Weatherbee>: Okay. That's a great answer. The only clarification just on the cents per RTM going back to that, has that sort of been flattish, maybe slightly negative on that? Just kind of curious.

<A – John Brooks>: You know what, I think to start 2021, maybe slightly negative, and then an inflection, I think, Chris, as you move towards the back half of the year.

<Q – Chris Weatherbee>: Perfect. Thanks for the time.

<Operator >: Your next question comes from the line of Tom Wadewitz from UBS. Your line is open.

<Q – Tom Wadewitz >: Yeah, let's see, I don't know if I can ask you to add a touch more color on the kind of the grain comment that I guess Chris was hitting on that, I don't know if you want to consider as a question or not, but my primary question is on the crude business, it seems like I guess the Keystone XL getting canceled again and the DRU ramping up in second half. I'm wondering if you would expect to see some indications that there might be more interest in additional DRUs or a more optimistic look on crude. I know it's a pretty volatile business but I guess that's kind of the primary question, and I don't know if you mind adding a little further thought on the grain revenue cap impact in the first half.

<A – John Brooks>: Yea. Thanks. Go ahead, Keith

<A – Keith Creel>: I'll take the DRU view and then I'll let John speak to the grain piece. So, Tom, to your point, the answer is yes, we do think that the administration action of the executive order on the pipeline, that bodes for more strength and more potential demand for crude. We think it creates more support for scaling up and expansion of the DRU. So we're bullish on that opportunity. And then overall, although we still see the short term, not long term, eventually pipeline capacity is going to catch up. We just think there's a longer tail on it now. So we think there's going to be a space for some potential upside in both spaces.

And again, the most exciting part about the DRU as that scales up is that's ratable business. It's going to be part of our book of business on a go-forward. It's protected, it's pipeline competitive. We're talking about 10-year contracts, so it's environmentally positive. So, again, across the board, that DRU piece is really, really exciting for us. And given that the facility that's being built now is going to come out online mid-year and we exclusively serve it in Hardisty and it's scalable, it can go up to twice as large as it's coming out of the gate at. That's pretty exciting, that's really exciting.

<A – John Brooks>: And, Tom, just to come back to your grain question, so just on the regulated Canadian grain, we've got the headwind on the VRCPI. So we'll manage that like we do every year, our

regulated grain rates, and then actually we expect that to inflect and turn positive as we move into the new crop year.

<Q – Tom Wadewitz >: Okay. Thanks for the time.

<A – John Brooks>: All right.

<Operator >: Your next question comes from the line of Ravi Shanker from Morgan Stanley. Your line is open.

<Q – Ravi Shanker >: Thanks. Good evening, everyone. Keith, I think you said that on the OR side you're targeting well over 100 basis points improvement. Maybe you or Nadeem can give us a little bit more of a walk there. Does that – I mean, what's well over 100? Is it 150 basis points or is it 300 basis points? Sorry, I know I'm being a little bit greedy here. And maybe kind of how do we think about some puts and takes here? I know you mentioned depreciation, but any other big items to keep in mind.

<A – Keith Creel>: Ravi, you got to tell me what the spreads are going to do in crude, you got to tell me what the crop year is going to be next time around. If you could give me those numbers and a few other inputs, I could land on that OR number, but I feel confident in better than 100 points for sure. I don't know if I'm going to commit to 300 basis points but it's going to be somewhere in between.

Nadeem, you want to provide some color?

<A – Nadeem Velani>: I don't think there's too much more to add than that. I think, Ravi, if you look at some of the opportunities of what we've delivered in the last two years with volumes actually declining and if you listen to John and what we believe as far as our RTM growth, I think we are very bullish on the volumes, and we've seen the volumes return, and we have a lot of initiatives that John mentioned are ramping up in addition to things we're doing today. So, with the volume increase in a low-cost basis, the operating leverage that this team has shown we can deliver on, with a cost structure that's entering 2021 so low, we feel very good about what we can do from an operating leverage and incremental margin point of view.

<A – Keith Creel>: Yeah, I think I heard it coined last week is a double nickel. We're not going to commit to a double nickel in 2021, but we certainly have our line of sight. It's in our crosshairs would be the best way to say it.

<Q – Ravi Shanker >: Understood. Thank you.

<Operator >: Your next question comes from the line of Fadi Chamoun from BMO. Your line is open.

<Q – Fadi Chamoun > Thank you. Good afternoon. Three quick points, just clarifications related to each other. First, what is the FX that you are baking into the EPS guidance? Second, the energy cents per RTM was CAD 0.059 in the fourth quarter which I thought was a pretty big drop from the trends we saw in the first, second, and third quarter. If you can talk to that as well and kind of talk to us through how does that look like going into 2021. And overall, I mean, related to that mix and cents per RTM, you're saying RTM growth kind of high-single-digit, let's say, 7% to 8%, if that's kind of what you mean. When you include FX and the mix issues, like, does that number kind of stay around the same? Does it go up – like, if the mix overall for fiscal 2021 will be positive or neutral?

<A – Nadeem Velani>: Sure. So, Fadi, let me start and John can jump in. FX, we're looking at around current levels, so around CAD 1.28 level through the year. So, could there be upside or downside? I'd just point out that FX, it has a translation impact, but the reason that the Canadian dollar is strengthening is supportive to us. So, that means that the Canadian economy is recovering in a positive manner and it means that typically commodity prices and namely crude is improving. So, sure, it can be a translation headwind but net-net it's an overall positive. It helps our balance sheet as far as our leverage metrics; and as far as our US dollar-denominated debt, it lowers our CapEx spend. And like I said, it helps overall our volumes. If you look to your point on the crude cents per RTM, so as John mentioned, we lapped some

liquidated damages in Q4 and so you see the impact of that in the cents per RTM on crude. We talked about that likely will continue through the year, especially if you assume a certain level of crude. We've been very conservative in our view. So I think if you get the benefits of spreads widening, if you get some of the longer-term benefits of production ramping up, I think we could have further upside on crude volumes which again will impact our cents per RTM, right? So we'll have less liquidated damages but we'll be moving more business which again is a positive. Net-net, with currency, it is, to Keith's point, going to be somewhat dependent on what fuel prices do from a cents per RTM point of view. But I think you'd have a modest decline is where we're seeing things as we stand here today. If fuel surcharge ramps up, that can be kind of neutral.

<Q – Fadi Chamoun > Okay. that's really helpful. Thank you.

<A – John Brooks>: Yeah. Go ahead.

<Operator >: Your next question comes from Walter Spracklin from RBC Capital Markets. Your line is open.

<Q – Walter Spracklin > Yeah. Thanks very much. Good evening, everyone. I just want to go in to the OR question and with the double nickel target. I know, Keith, when you came over to CP you had a model that you had executed on before and you were looking forward to executing it on at this organization and certainly have done so. My question now, I guess, is, are you in uncharted territory now in terms of new improvements? And how much of OR improvement now is going to come as a result of technology? I noted in your Appendix, you've got a few slides on technology, I'm sitting at home not being able to go out with the pandemic, and I've been going through your LinkedIn profile, you've got some pretty interesting videos on some of the technology that you're implementing both from a safety standpoint and from a efficiency standpoint. So is this now new territory? How much is technology going to have to play a role here in getting your OR improvement down further? Just any thoughts on that would be helpful.

<A – Keith Creel>: Well, let's say that we certainly have not in mined all that opportunity, Walter, it is new given that we're just deployed, the exemptions we got with Transport Canada, using the portal and using the cold wheel technology that's literally two months old. So we'll continue to grow in that. It's going to be incremental change, it's going to be incremental benefits protecting our margins and it's part of the formula allowing us as just a natural outcome of running our business as long as we bring on sustainable profitable growth, those are keywords, those aren't just catchphrases. You got to bring the right business mix, you got to make a buck doing it, and it's got to fit your network. You cannot overstress your network and create some kind of congestion that jeopardizes your ability and destroys your cost structures or drives additional capital expense.

There is a fine balance that has to be managed. We've got a commitment to our customers as that terms matter, velocity matters, all those things that a PSR formula is truly baked upon its foundational, you got to respect that. But if you layer on technology on top of that, whenever you can improve the safety performance, every derailment we prevent, those derailments every time we have them, number one, it's a challenge. It's our social responsibility, it's a challenge to our social license, it's certainly nothing that we desire to occur, so every one we can prevent is a positive there but from a dollars and cents standpoint, you're talking millions of dollars every time you put a mainline train or most times that you put a train on the ground, the tracks fee, that's a lot of money. And it's a lot of adverse impact to the network fluidity given the way we run the business. Because essentially it's like having a – you got a lot of planes flying around Pearson Airport or O'Hare with nowhere to land and they're burning fuel and burning dollars and taking out efficiency and consuming capacity.

So these technologies, that's the approach that we're taking, they've got to be practical, they've got to be executable. I'm not going to be bleeding edge. We're going to develop technologies that we can convert, not talk about for four, five, six years, convert with data to make it a safer more reliable, more efficient, lower cost, better service railroad. That's what we're doing with our cold wheel technology, that's what we're doing with our big data analytics and algorithms that we use to have more predictive analytics to

allow us to identify mechanical defects before they become an issue with the train. That's what we're doing with our broken rail detection that we've created ourselves, our home-built solution to that challenge where we don't have CTC that we're deploying. We've got about four sub-divisions that we've completed, by the end of this year we'll have eleven, and we're doing it at a fraction of the cost.

So, again, those are all part of a pursuit of operational excellence, it's just part of consistently getting better and what we do becoming better railroaders and leveraging technology not to hit a homerun but just to consistently hit singles and doubles, and those singles and doubles add up the runs and you start adding those runs up and you start winning ball games.

<Q – Walter Spracklin > Pretty exciting stuff. Appreciate the time.

<A – Keith Creel>: Thank you, Walter

<Operator >: Your next question comes from Allison Landry from Credit Suisse. Your line is open.

<A – Allison Landry>: Thanks. Good afternoon. So your main competitor has been talking about scaling up the business and focusing on yield management; I would think this is a clear positive for CP. But maybe if you could speak to your thoughts just on the overall pricing environment and whether you think maybe there was a structural acceleration here that is taking place as a result of not only these actions but just the fact that rail service broadly is getting better any thoughts there would be great? Thank you.

<A – John Brooks>: Yes. Thanks, Allison. You know what, I do. I think this feels a lot like the environment we faced back in I guess it would be 2018 where we saw I think pretty strong year across the board in the rails on pricing. Just the volume growth that I see out there, and literally as I look down our list of commodities, I think there is pricing opportunities in just about every one of those sectors. I could tell you we have been very creative in how we've approached managing this capacity and working with our customers around surge, equipment, but capturing the price for the value of that that service.

Q4 renewals were quite strong, I would say on the upper end of the targets, we traditionally talk about that . And I'll remind you my sales team is largely compensated on their ability to deliver price and to have that price discipline. But I would maybe close by saying it's not a flavor of the day at CP. It has been – since I've taken this role and under Keith's guidance and working with Nadeem, our effort has been around pricing day in day out for the capacity we have and the service we're bringing to the table. And that's not going to change. And I was a wildly pleased with how we performed in the face of a pandemic. And now with some tailwinds, I can tell you there is a lot of focus to do the same as we move into 2021.

<A – Allison Landry>: Okay. Thanks, John

<A – John Brooks>: Yes.

<Operator >: Your next question comes from Ken Hoexter from Bank of America. Your line is open.

<Q – Ken Hoexter > Hey, great. Good afternoon. Just to clarify, Nadeem, to Ravi's answer there, you're including the gain from the sale, you're not normalizing it out. So when you talk about 100 basis points, Keith, you're talking about on the 57.1%, right? I just want to clarify that before I ask my main question. But the question I had was – go ahead.

<A – Nadeem Velani>: So, yes, Ken, I mean, we reported a 57.1% OR we would expect to improve off of that. That's where you get to the double nickels that Keith was talking about. We're not saying on any sort of adjusted OR.

<Q – Ken Hoexter > Perfect. Thanks. And then given the Maersk in intermodal growth and the scale that you're talking on RTMs, can you just talk maybe, John, about your thoughts on the capacity out West? Or I don't know, Nadeem, if you think there is need for sidings or capital deployment. You talked about keeping CapEx the same but maybe talk about how that's going to be deployed. Thanks.

<A – John Brooks>: Yeah, I mean, specifically, Ken, you're looking at port capacity out in Vancouver.

We feel quite comfortable with the relationships and the direction that GCT and DP World between Deltaport, between Vanterm and Centerm to handle the business. We've got a new train pair and design that will – I think we're super excited about how we can compete in the market from Vancouver into certainly day in, day out Toronto and Eastern Canada. But as we grow our business into the Minneapolis market with the capacity we've added in Shoreham intermodal terminal and also into Bensenville, that we're going to have quite a product.

And you look out East and then Keith mentioned this, the Port of Saint John's embarked upon about a CAD 200 million modernization project, and that's going to quickly step their capabilities up to 300,000 TEUs annually, but we've got line of sight in working with the port, and the province and then frankly all stakeholders out there to get that port up to an 800,000 TEU facility. So I don't see capacity at the terminals being an issue and PSR railroading and all the things we have talked about, I think we feel quite comfortable around our product to deliver inland from those ports.

<A – Keith Creel>: Ken, let me add a bit of color on the line capacity. We're not in any location constrained from line capacity. With that said, part of our normal cadence of doing business every year, we're spending what I call capacity capital dollars surgically investing in strategic sidings. We've got a list based on delays, based on velocity, based on capacity across every corridor where they're prioritize based on the turn, and we've continued to invest to create that additional line capacity, that if we don't need it from the business level and we have it, we return it to asset turns.

So if you think about 2020, when everybody else is cutting capital, we didn't cut our capital, we spent more capital in 2020 we ever had in the company's history. So rest assured we've got some capacity in our back pocket to execute on these contracts. And these contracts, when it comes to service, you talk about the cost destruction when you overcommit your railway. Talk about the reputational destruction, when you overcommit your railway. When we go and negotiate these contracts, I'm at the table with John. So all these contracts, these major contracts that we're committing, I've got a commitment to my customers that exist with us today, and we're putting our word and our reputation on line with those new customers. And the commitment I make to each and every one of them is I'm not going to oversell my railway. I know the value that it destroys for the customer as well as for this company, and that is not going to happen on my watch at Canadian Pacific.

<A – Nadeem Velani>: And I'll just add, Ken, that from a capital point of view, many of these deals we ended up doing that requires capital we partnered with our customers to co-invest. So there's – we both have skin in the game. We both have a certain level of return and conviction, and it tends to be a long-term deal. So John knows from me and my team the expectations as far as what the returns need to be, and I think that that's added to what you see the output of ROICs of close to 17%, that we put that discipline into in the process. We don't need the practice of moving it. As Keith says, it has to have to generate the right return.

<Q – Ken Hoexter > Thank you, Keith, Nadeem and John. I appreciate.

<Operator >: Your next question comes from Steve Hansen from Raymond James. Your line is open.

<Q – Steve Hansen > Yeah. Good afternoon, guys. Thanks. A question for John on the grain opportunity. John, you're coming off a record year that should be congratulated, but the bar is now higher. Ag fundamentals do look really outstanding right now which I think plays in your favor for 2021 but I think I was most struck by your comments on the number of the new elevators that plan to come online for your 8,500-foot model. Could you maybe just elaborate a little bit on the where those elevators all coming for you? You refer to network development, but I'm just trying to get a sense for your confidence in those all coming on this year and your ability to push higher in 2021 here? Thanks.

<A – John Brooks>: Steve, I think what a lot of folks maybe don't sometimes understand in our ag franchise is we've been the leader of developing these big high throughput elevators. And what we're doing now is less about adding new dots on the map in terms of elevators, but more working with our grain shippers to now reinvest into their elevators to expand them to our 8,500-foot model. And as I said,

we've got 31 of those active today. In the coming year, we're going to add 15. So, that's 15 – I think the numbers would break out, Steve, 3 new ones coming online and 12 existing elevators that will be expanding to the 8,500-foot model.

So, that means 56 car facilities, 112 facilities expanding up to handle 134-plus cars, that's converting ladder tracks into loop tracks across the prairies, that's adding sidings outside the facilities so trains can get off our main line. It's allowing the ability to keep our power on our trains when they land at origin so they can be quickly loaded and launched. And when I say quickly loaded, that's under 12-hour load times. It's adding that next level of efficiency across all of our elevators. And then when you combine that, Steve, with the investment in the covered hoppers, that becomes a powerful thing. And frankly, that's what gives me the optimism when you spread that across a Canadian franchise that continues to grow in terms of yields and production, and frankly quite a bit of headway across our US franchise to develop it, and also to meet the growing demands that we think is going to have a continued tailwind for exports of the PNW. That's what gives me so much excitement about the ongoing growth of our grain franchise.

<Q – Steve Hansen > That's great color. Thanks.

<Operator >: Your next question comes from Jon Chappell from Evercore ISI. Please go ahead.

<Q – Jon Chappell >Thank you. Good afternoon, everyone. Keith, at the very beginning, I thought it was interesting your comments on proving the naysayers wrong. As good as the years that you had, everyone thinks at a certain point you hit a ceiling. So, as you think about not just 2021 but also beyond that, are there other CMQs out there? Are you chasing big fish like Glovis and Maersk contracts or is it just basically taking this capital envelope that you continue to spend, and blocking and tackling with the current network and the current group of customers, and just trying to keep taking share from the service that you provide?

<A – Keith Creel>: I would say this – so I'm not aware of any CMQ-like opportunities. I would say that we keep a strong financial position or keep our balance sheet strong, and powder in our pockets so that we can be opportunistic if one of those comes up. But in the meantime, it's about building out this network that we have. We've just began to do this great work with the CMQ and all that potential – to realize that potential. And I firmly believe, I've said this before, I made a comment that success breeds success. When you're working with some of these big players like a Maersk, you're working with some of those automotive companies, you're working with a Glovis, you're working with competitors, they have competitors, and if you're helping become part of their success story that gives them a competitive advantage in their marketplace, then their competitors are going to say, wait a second, I've got to match that, I've got to try to develop some of those same synergies.

So, again, that gets to picking your partners and picking your partners wisely. We're never going to be everything to everyone, but rest assured the partners that we partner with, we're going to give them a service and give them an experience that allows them to compete in their space and allows them to take share. And through that, we'll grow with them. So, that's the strategy. John's got a list of opportunities. Still, these things don't happen overnight. These big, what I call, pendulum swingers, momentum creators, they take several years in the making. It's not something that's going to happen overnight. We announced just recently, I guess it was last quarter as well, about our intentions to build out our facility, our transload facility in our terminal in Vancouver. Rest assured there's already been discussions that that announcement has enabled and that some before, some after, where there are going to be customers that come in there, they're going to create capacity and create commerce for Canada as well as CP at the same time. And that's a two- to three-year timeline before we get to that point and beyond.

So, again, the one thing we are blessed with besides the greatest railroaders in the world and our franchise and the lanes we run in that can't be paralleled by other rail competitor because we run shorter length of haul. It's plenty of land currency to convert and grow in our own footprints without having to get into wars with municipalities or trying to buy land that may not be obtainable. I can grow in Vancouver, I can grow in Calgary, I can grow in Toronto, I can grow in Winnipeg, I can grow in Chicago, I can grow in

Montréal. We have land holdings contiguous to every one of those terminals that can create customer solutions, and that's exactly what we're about the business of doing. So, you can continue – you'll expect to continue to see that playbook play itself out at this company for the years to come, outside of any kind of acquisition we might participate in.

<Q – Jon Chappell > Great. Thank you, Keith

<Operator >: Your next question comes from the line of Jordan Alliger from Goldman Sachs. Your line is open.

<Q – Jordan Alliger > Yeah. Hi. Just a couple of cost questions. I'm curious on the purchase services side and just was wondering, is that sort of snap back to more normalized ranges as a percentage of revenue post this quarter? And then maybe if you can just touch a little bit on sort of your thoughts around cost per employee or wage inflation as we move through next year? Thanks.

<A – Nadeem Velani>: Sure. So, a couple of things to add. Yeah, I would expect purchase services to get more normalized, absolutely. We've got the benefit of the Detroit River Tunnel this quarter, which was outsized absolutely.

Cost per employee – so based on our high single-digit RTM growth, you should expect kind of low single-digit employee increase. And on the cost side, I mentioned that CAD 30 million impact from current service cost related to pension. We'll see how we perform. We have comp tied to our performance and our STIP or our annual bonus pay out – is going to pay out at a very high level this year, meaning for 2020, so we accrued at a very high level. So, hopefully, it's at the same level. That means we're executing. If not, then that would be a tailwind. Stock-based comp, same thing. We were the best performing rail stock in 2020. We had significant headwind from stock-based comp as a result on the mark-to-market of the stock price. Hopefully, we have the same problem. I'm sure our shareholders won't complain. So, that's somewhat dependent on, again, how we perform and how the market performs as far as CP stock.

So, if we have another strong year, then it will be neutral, and you would expect the cents per RTM to be similar levels. If our stock doesn't have the same level of increase, then you should assume the cost per employee to come down a bit. So, those are the elements that we can look at.

<Q – Jordan Alliger > Thank you. Thanks so much

<A – Nadeem Velani>: Inflation is relatively – yeah, no problem, Jordan. Inflation I would assume about a 2% type of level as well for our overall inflation.

<Q – Jordan Alliger > Thank you.

<Operator >: Your next question comes from the line of Brian Ossenbeck from JPMorgan. Your line is open.

<Q – Brian Ossenbeck > Hey. Good evening. Thanks for taking the question. Maybe one for you, Keith. When you talked about being part of the success for the partners and your shippers' service and growth in capacity obviously you're part of that, but you have a couple of extra slides on ESG, a few reports and ratings just came out. Is that angle or is that initiative really starting to resonate with some of your customers or partners? Is that more on a short-term basis where you've got their attention or do you feel like you've really started to form some partnerships that maybe are being driven by this factor above and beyond what you normally provide for them?

<A – Keith Creel>: Yeah, that's an area that obviously is becoming more and more topical every day, and its importance is growing, it's growing stronger, it's not demeaning at all. And it is part of the sales cycle, it's part of the discussions that John and his team are having with our customers, because our customers obviously have the same concerns we do about the environment, and they can see the rail is an opportunity to partner with. And again, that's why it's important in my mind that we take a leadership role in this space.

We're proud to talk about – we announced our hydrogen hybrid battery locomotive that we're developing. So, I've got – we're blessed with a team of very intelligent, talented engineers led by Dr. Mulligan that they've created their own lab, they're developing a hydrogen-fueled locomotive for the rail industry. That's a game-changer. There's hydrogen solutions out there in Europe, not for freight though, more for passenger. So, is it robust enough, strong enough? So, the challenge is, how do we do that? Well, that's the challenge they've taken on.

And when you take that kind of a leadership role and it's not just, again, semantics or words, it's actions. I've been in the lab, I've seen the hydrogen fuel cells they've created, create electricity and power an electrical motor, and I've seen they're locomotive in the process of converting. A year from now, we'll have a power locomotive. Maybe year-and-a-half at the most, we'll have a power locomotive in Calgary that's going to be switching customers using hydrogen.

And it's not our objective to get into the locomotive-producing business. It's our objective to prove what's possible, to prove out the concept and then go to the OEMs and say, listen, here it is, this is what it looks like, make it better, create a solution for the industry because this industry needs that. So, those are all spaces that our employees get behind and we get behind it, and it absolutely is becoming part of not only what we do and who we are, but how we sell.

The other one thing I'll comment to that we're super proud of, literally within another four weeks left, we'll finish our completion of our solar farm at Calgary. If you've ever been to our corporate office, it's a converted rail yard. We're blessed with a big footprint, a physical footprint, and we said, hey, how can we innovate here and why are we burning fossil fuel-created energy? Why don't we create our own? So, why don't we build a solar farm, and we've built the single largest solar farm, about to complete. I would suggest outside our commercial space in Canada, we'll be, I think, the only corporate office that's 100% zero carbon footprint, running our power, running our lights, running the business that we do in our corporate office. That's something again we're extremely proud of. It's great for the environment, it's great for our employees, and it's great for society.

<Q – Brian Ossenbeck > Right. Thank you, Keith

<A – Keith Creel>: Thank you, Brian

<Operator >: Your next question comes from the line of Scott Group from Wolfe Research. Your line is open.

<Q – Scott Group > Hey, thanks. Afternoon, guys. Nadeem, I want to ask on CapEx and free cash flow. So, it's below 20% of revenue this year in the guidance. Do you think that's sort of the new normal? And then with CapEx down and earnings up, what's realistic for free cash flow conversion this year and longer-term?

<A – Nadeem Velani>: Thanks, Scott. So, yes, I mean, our capital spend when we look through the next three years, it's in that range coming down a bit over in 2022 and into 2023 as we roll off investment of the hoppers. So, we'll have less hoppers in 2023, and that will be our final year. So, we'll probably get down to about the CAD 1.5 billion CapEx level at that point. Outside of any other major investment that's – but nothing upcoming that's in our pipeline as we speak. So, certainly we do feel that our free cash generation is going to conversion, it's going to improve rather dramatically as we increase our income and CapEx comes down. I think we're kind of in that 3%, 3.5% level right now. Do we think we can get to 4% and approaching 5% over that timeframe? Yes.

<Q – Scott Group > What's the metric you're referring to, sorry?

<A – Nadeem Velani>: Our free cash yield

<Q – Scott Group > Okay, perfect. Okay

<A – Nadeem Velani>: Our free cash conversion approaching 80%

<Q – Scott Group > Super helpful. Thank you, guys

<A – Nadeem Velani>: Thanks, Scott

<Operator >: Your next question comes from the line of Justin Long from Stephens. Your line is open.

<Q – Justin Long > Thanks and good afternoon. I just wanted to ask one about the 2021 guidance. Nadeem, could you talk about any gains on sale that are baked into that guidance? And then, as we think about the first quarter, anything directionally you can give us to help think through the OR that you're assuming within the guidance as well?

<A – Nadeem Velani>: Not to get too much in the quarterly OR guidance, but you should expect a sub-60% OR and obviously Q1 is a bit more challenging with the weather, with the seasonality on volumes, with some of the stock-based comp payments that occur. So, that naturally will improve from there and get – well, if you want to get to the numbers we're talking about, you could probably do the math, but I would expect Q1 will be the tougher kind of year-over-year comp. And then as we – sorry, your second question?

<Q – Justin Long > Any gains on sale in the 2021 OR guidance you gave?

<A – Nadeem Velani>: Yeah. They are – I mean, we didn't give OR guidance, but I would say that we do expect some level of gains on sales. We do have a couple of projects. We'll see if they close or not. But our EPS guidance of double-digit EPS growth does not necessitate any level of gains on sales.

<Q – Justin Long > Okay, that's helpful. Congrats on a great year. Thanks.

<A – Nadeem Velani>: Thank you.

<A – John Brooks>: Thank you.

<Operator >: Your next question comes from Brandon Oglenski from Barclays. Your line is open.

<Q – Brandon Oglenski > Hey, good evening, everyone, and thanks for taking my question. I know it's been a long call, but I do always love the enthusiasm that you guys have. It shows through in your results. I guess, Nadeem, coming off from Scott's question on cash flow, is this the time to be having a healthy discussion buyback versus dividend? And is the thought process changing there at all?

<A – Nadeem Velani>: No. I mean, we – I'd say that we've had a bit of a more balanced return in the last, call it, three years. We've been increasing our dividend, and I think that we have been pretty transparent in terms of our goal of getting a payout ratio closer to 25%, 30%. We've been the fastest dividend increaser in the industry for the last five years.

We will be named to the Dividend Aristocrats Fund, S&P Canada. Starting next week, we'll enter that. So, we're making headway. The problem is – first class problems, I guess, is our EPS is growing, like I said, close to 16% in the last four years. But we're mindful that we want to – that our shareholder base has also changed and there is an increasing view that they want a bit more dividend, and we're trying to have a balanced approach. We've also been very mindful that our stock has been underpriced. There's other rails that may not execute as well, but they get better premiums, and so it's been an opportunity to continue to buy back our stock cheaper, which I think our shareholders have been very pleased with. I think we've bought back, I think, close to $10 billion of stock over the last – since 2014 at half of today's price.

So, it's been a good opportunity to have a balanced approach. So, we are also price-dependent. So, bottom line is you can expect this to continue to increase the dividend, probably at a faster pace to get to that 25% to 30% payout ratio. But we will still continue to have share buybacks as our natural

opportunity and course of returning cash to shareholders, and in that around 3% level.

<Q – Brandon Oglenski > Thanks, Nadeem

<Operator >: Your next question comes from the line of Benoit Poirier from Desjardins Capital Markets. Your line is open.

<Q – Benoit Poirier > Yes. Good afternoon, gentlemen. A quick question, Nadeem. Could you maybe provide some color about the capital envelope for share buyback this year? And maybe also to provide some color on the opportunity to deploy the available 1,000 acres of excess lands in terms of how many year or maybe more specifically about the cadence in 2021? Thank you.

<A – Nadeem Velani>: So, our buyback, I mean, we, for the most part, complete our buybacks. This is the first time we didn't do a complete in NCIB since we've been at CP. So, we announced a 2.5% program. I'm not sure how much it's going to cost. The market is volatile. So, it – dependent on what you think the stock price is going to be, Benoit. That's going to drive really the math of it.

So, we will – we constrain ourselves to not push our leverage more than 2.5 times. We want to make sure that we protect our balance sheet, as Keith talked about earlier. So, if the stock gets too expensive, we will hold back. And – but we also stagger our buyback decisions and our dividend decisions partly for that reason, as to give us a bit more visibility on that decision-making and a bit of time to see how the market is reacting. So, that's how we think about it. I won't tell you what we are expecting to pay because I can't predict the stock price. On the land question, just – can you clarify it? I didn't fully hear the entire piece of the question, so.

<Q – Benoit Poirier > Oh, you've been quite good over the years to leverage the available real estate. And I still – there are still 1,000 acres of available land that you could leverage down the road in the future in the years ahead. So, I was just curious to add maybe more color about the opportunities you see in 2021 to leverage this excess real estate, Nadeem.

<A – Nadeem Velani>: Sure. So, we do have a number of transloads and investments that we're in the midst of across the property, so whether that's Vancouver, Southern Ontario, Chicago. Just completed some transload work in Montréal as well. So, that's kind of an ongoing basis. Now, there's – that's a lot of land, 1,000 acres. So, we'll see what comes up, but that's enough land for a long time.

But as far as selling land, we have a little bit of a opportunity that's somewhat dependent on the markets, somewhat dependent on interest out there. We're not actively – usually actively looking to sell land unless there's an operational aspect to it that we could benefit from or that can use as an opportunity.

So, right now, I think there's a little bit of land available that's we're getting some active interest and that's why we said that we may have some land sales in 2021, magnitude of which – I mean, in the range of CAD 25 million to CAD 50 million type of range is what could occur, but again we're not counting on it.

<Q – Benoit Poirier > That's great color. Thanks for the time.

<A – Nadeem Velani>: Thanks, Benoit.

<Operator >: Your next question comes from the line of David Vernon from Bernstein. Your line is open.

<Q – David Vernon > Hey, guys. Two questions for you, John, on the end market side. First, whether a closure of the Dakota Access Pipeline would be material for your guys' crude by rail franchise? And

the second question is really about Saint John and opening up that intermodal flow. I'm curious to know what type of the inland ports the steamship lines are looking at for that traffic? Is it Canada-bound traffic? Is it US-bound traffic? And then, how do you think about the margin profile in that project as I'd imagine that there'd be some trade imbalances as you start to initially launch that service?

<A – John Brooks>: Yeah. No, David. Dakota Access, yeah, no – we're watching it closely, we do ship Bakken crude out of North Dakota, and obviously if something happened with that pipeline we think that would generate an opportunity. Of course, there's been a lot of noise around the pipeline for a number of years. We have been able to generate some pretty, I would call, stable crude-by-rail business out of North Dakota. But I think certainly there is an opportunity for upside if they were to move towards shutting it down or putting it on the sideline for a certain amount of time.

As it relates to Saint John. I can't be more excited about the opportunity, and it's just not the import/export business that we've talked about extensively, and that ramping up. But it's also the domestic intermodal opportunity in and out of the Maritimes there. Again, our competitor has enjoyed that Atlantic Canada market, with really without another competitor for quite some time.

Certainly, there's a lot of capacity on existing trains that are running there today. I don't have a lot of concerns relative to the initial margin play. There's a ton of upside to add a number of incremental cars into those train movements from Saint John over to Montréal. I think what we see initially is maybe a little bigger mix going down into the US in the Chicago market, but I would say as it balances out, it'll be Canada, it'll be Montreal, it'll be Toronto, and may even be a little bit of a movement into Western Canada, but principally Chicago, Montréal and Toronto is the key markets.

<Q – David Vernon > All right. Thanks very much. That was very helpful. Thank you.

<A – John Brooks>: Yes

<Operator >: We are now out of time. I would now like to turn the call back over to Mr. Keith Creel.

<A – Keith Creel>: Well, I want to thank everyone for their attention and their questions. Thanks for sticking with us this afternoon and allowing us the chance to share our exciting story. As I said in the beginning, we had a phenomenal exceptional 2020, set us up for an exceptional 2021, and we certainly expect to overachieve. Stay safe, and I look forward to talk to you to share our first quarter results in April or March – April. Take care.

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