



# Q3 2021 EARNINGS REVIEW

OCTOBER 20, 2021



# FORWARD LOOKING STATEMENTS

The following investor presentation contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of other relevant securities legislation, including applicable securities laws in Canada (collectively referred to herein as "forward-looking statements"). Forward-looking statements typically include words such as "financial expectations", "key assumptions", "anticipate", "believe", "expect", "plan", "will", "outlook", "should" or similar words suggesting future outcomes.

The forward-looking statements contained in this investor presentation are based on current expectations, estimates, projections and assumptions, having regard to the Company's experience and its perception of historical trends, and includes, but is not limited to, expectations, estimates, projections and assumptions relating to: changes in business strategies; North American and global economic growth; commodity demand growth; sustainable industrial and agricultural production; commodity prices and interest rates; foreign exchange rates (as specified herein); effective tax rates (as specified herein); performance of our assets and equipment; sufficiency of our budgeted capital expenditures in carrying out our business plan; geopolitical conditions; applicable laws, regulations and government policies; the availability and cost of labour, services and infrastructure; the satisfaction by third parties of their obligations to the Company; the anticipated impacts of the COVID-19 pandemic on the Company's business, operating results, cash flows and/or financial condition; and plans to reduce GHG emissions. Although the Company believes the expectations, estimates, projections and assumptions reflected in the forward-looking statements presented herein are reasonable as of the date hereof, there can be no assurance that they will prove to be correct. Current conditions, economic and otherwise, render assumptions, although reasonable when made, subject to greater uncertainty.

Undue reliance should not be placed on forward-looking statements as actual results may differ materially from those expressed or implied by forward-looking statements. By their nature, forward-looking statements involve numerous inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements, including but not limited to the following factors: changes in business strategies and strategic opportunities; general Canadian, U.S., Mexican and global social, economic, political, credit and business conditions; risks associated with agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures, including competition from other rail carriers, trucking companies and maritime shippers in Canada, the U.S. and Mexico; North American and global economic growth; industry capacity; shifts in market demand; changes in commodity prices and commodity demand; uncertainty surrounding timing and volumes of commodities being shipped via CP; inflation; geopolitical instability; changes in laws, regulations and government policies, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; changes in fuel prices; disruption in fuel supplies; uncertainties of investigations, proceedings or other types of claims and litigation; compliance with environmental regulations; labour disputes; changes in labour costs and labour difficulties; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; sufficiency of budgeted capital expenditures in carrying out business plans; services and infrastructure; the satisfaction by third parties of their obligations; currency and interest rate fluctuations; exchange rates; effects of changes in market conditions and discount rates on the financial position of pension plans and investments; trade restrictions or other changes to international trade arrangements; the effects of current and future multinational trade agreements on the level of trade among Canada, the U.S. and Mexico; climate change and the market and regulatory responses to climate change; ability to achieve commitments and aspirations relating to reducing GHG emissions and other climate-related objectives; anticipated in-service dates; success of hedging activities; operational performance and reliability; customer, shareholder, regulatory and other stakeholder approvals and support; regulatory and legislative decisions and actions; the adverse impact of any termination or revocation by the Mexican government of Kansas City Southern de México, S.A. de C.V.'s Concession; public opinion; various events that could disrupt operations, including severe weather, such as droughts, floods, avalanches and earthquakes, and cybersecurity attacks, as well as security threats and governmental response to them, and technological changes; acts of terrorism, war or other acts of violence or crime or risk of such activities; insurance coverage limitations; material adverse changes in economic and industry conditions, including the availability of short and long-term financing; the pandemic created by the outbreak of COVID-19 and its variants, and resulting effects on economic conditions, the demand environment for logistics requirements and energy prices, restrictions imposed by public health authorities or governments, fiscal and monetary policy responses by governments and financial institutions, and disruptions to global supply chains; the timing and completion of the pending KCS transaction, including receipt of regulatory and shareholder approvals and the satisfaction of other conditions precedent; interloper risk to the pending KCS transaction; the realization of anticipated benefits and synergies of the transaction and the timing thereof; the success of integration plans for KCS; the focus of management time and attention on the pending KCS transaction and other disruptions arising from the transaction; estimated future dividends; financial strength and flexibility; debt and equity market conditions, including the ability to access capital markets on favourable terms or at all; cost of debt and equity capital; potential changes in CP's share price which may negatively impact the value of consideration offered to KCS stockholders; and the ability of the management of CP, its subsidiaries and affiliates to execute key priorities, including those in connection with the pending KCS transaction. The foregoing list of factors is not exhaustive. There are more specific factors that could cause actual results to differ materially from those described in the forward-looking statements contained in this investor presentation. These more specific factors are identified and discussed in Item 1A. Risk Factors of CP's 2020 Annual Report on Form 10-K and Quarterly Reports on form 10-Q. Other risks are detailed from time to time in reports filed by CP with securities regulators in Canada and the United States.

The forward-looking statements contained in this investor presentation are made as of the date hereof. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking statements, or the foregoing assumptions and risks affecting such forward-looking statements, whether as a result of new information, future events or otherwise.



# BASIS OF PRESENTATION

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## BASIS OF PRESENTATION

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.

As a result of the five-for-one share split of the Company's issued and outstanding Common Shares, which began trading on a post-split basis on May 14, 2021, per share amounts and all outstanding Common Shares for comparative periods of 2020 have been retrospectively adjusted.

## NON-GAAP MEASURES

CP presents Non-GAAP measures in this presentation to provide a basis for evaluating underlying earnings and liquidity trends in CP's business 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, may not be comparable to similar measures presented by other companies.

Although CP has provided a forward-looking non-GAAP measure (adjusted diluted EPS) and a target non-GAAP measure (adjusted net debt to adjusted EBITDA ratio), management is unable to reconcile, without unreasonable efforts, the forward-looking adjusted diluted EPS, and target adjusted net debt to adjusted EBITDA ratio to the most comparable GAAP measures (diluted EPS, and long-term debt to net income ratio respectively), due to unknown variables and uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value. In recent years, CP has recognized acquisition-related costs (including legal, consulting, and financing fees and fair value gain or loss on FX forward contracts and interest rate hedges), the Kansas City Southern merger termination fee, changes in income tax rates and a change to an uncertain tax item. These or other similar, large unforeseen transactions affect diluted EPS but may be excluded from CP's adjusted diluted EPS and Adjusted net debt to adjusted EBITDA ratio, where applicable. Additionally, the U.S.-to-Canadian dollar exchange rate is unpredictable and can have a significant impact on CP's reported results but may be excluded from CP's adjusted diluted EPS and Adjusted net debt to adjusted EBITDA ratio. In particular, CP excludes the FX impact of translating the Company's debt and lease liabilities from Adjusted diluted EPS and Adjusted net debt to adjusted EBITDA ratio.

For further information regarding Non-GAAP measures, including reconciliations to the most directly comparable GAAP measure, see the Non-GAAP Measures supplement to the Q3 2021 Earnings Release on our website at [investor.cpr.ca](http://investor.cpr.ca).







**KEITH CREEL**

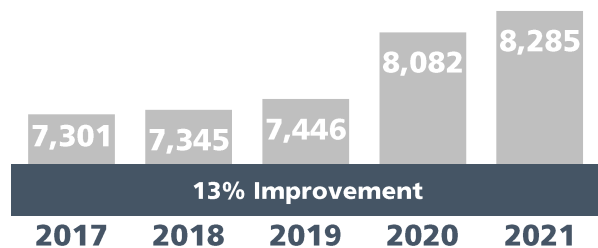
PRESIDENT & CHIEF EXECUTIVE OFFICER



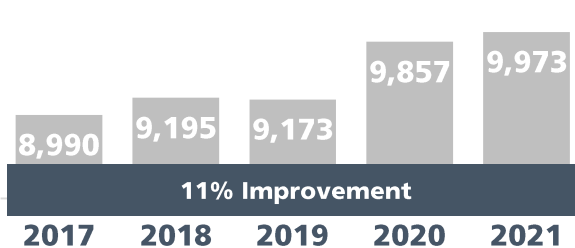
# HIGHLIGHTS

- Reaffirm double-digit adjusted diluted EPS growth<sup>(1)</sup>
- Volume environment challenged by Canadian grain crop
- Continued operational excellence – controlling what we can control
- All-time record fuel efficiency

**Q3 Average train length**  
(feet)



**Q3 Average train weight**  
(tons)



## Q3

**Revenues**  
**\$1.9 billion | +4%**

**Operating Ratio**  
**60.2% | +200 bps**

**Adjusted Operating Ratio<sup>(2)</sup>**  
**59.4% | +120 bps**

**Diluted EPS<sup>(3)</sup>**  
**\$0.70 | -20%**

**Adjusted diluted EPS<sup>(2)(3)</sup>**  
**\$0.88 | +7%**

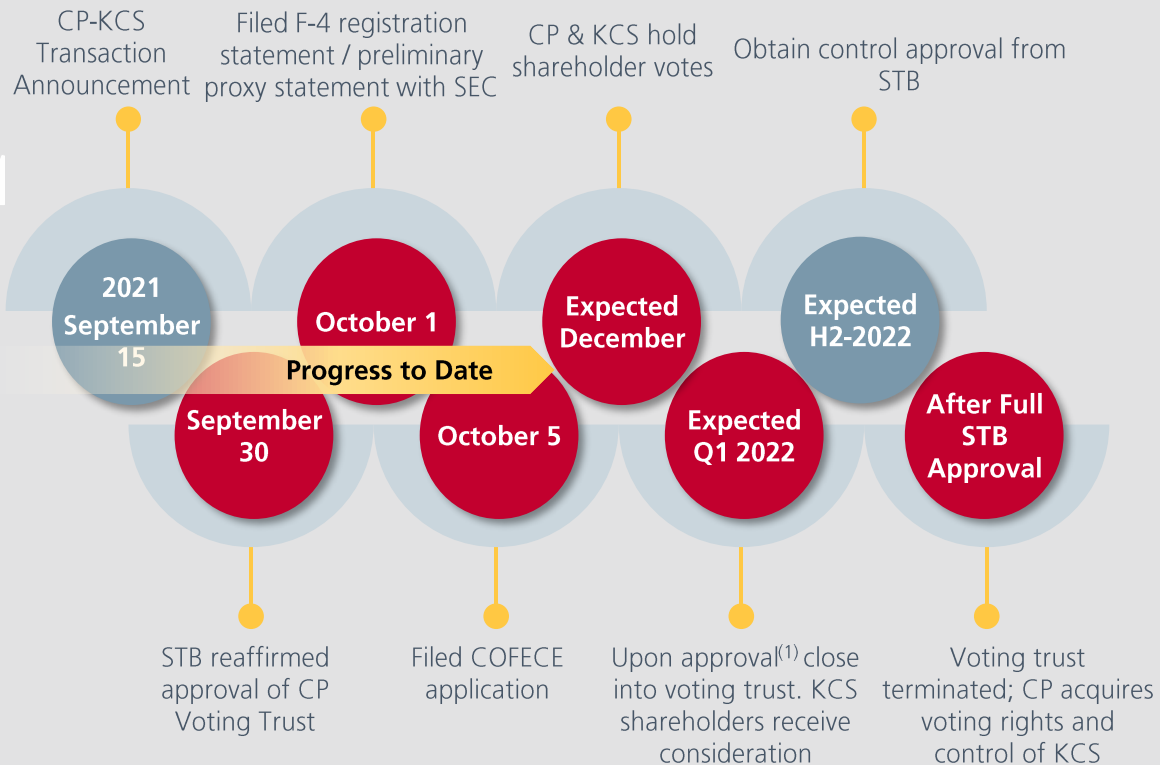
(1) CP's expectation for adjusted diluted EPS growth in 2021 is based on 2020's adjusted diluted EPS of \$3.53

(2) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2021 Earnings Release on investor.cpr.ca

(3) As a result of the five-for-one share split of the Company's issued and outstanding Common Shares, which began trading on a post-split basis on May 14, 2021, per share amounts and all outstanding Common Shares for comparative periods of 2020 have been retrospectively adjusted.



# CPKC – THE PATH FORWARD



(1) Upon shareholder approval and satisfaction of other customary conditions, including approval by Mexico's COFECE and IFT, CP will acquire KCS shares and place into voting trust







**JOHN BROOKS**

CHIEF MARKETING OFFICER



# REVENUE HIGHLIGHTS Q3

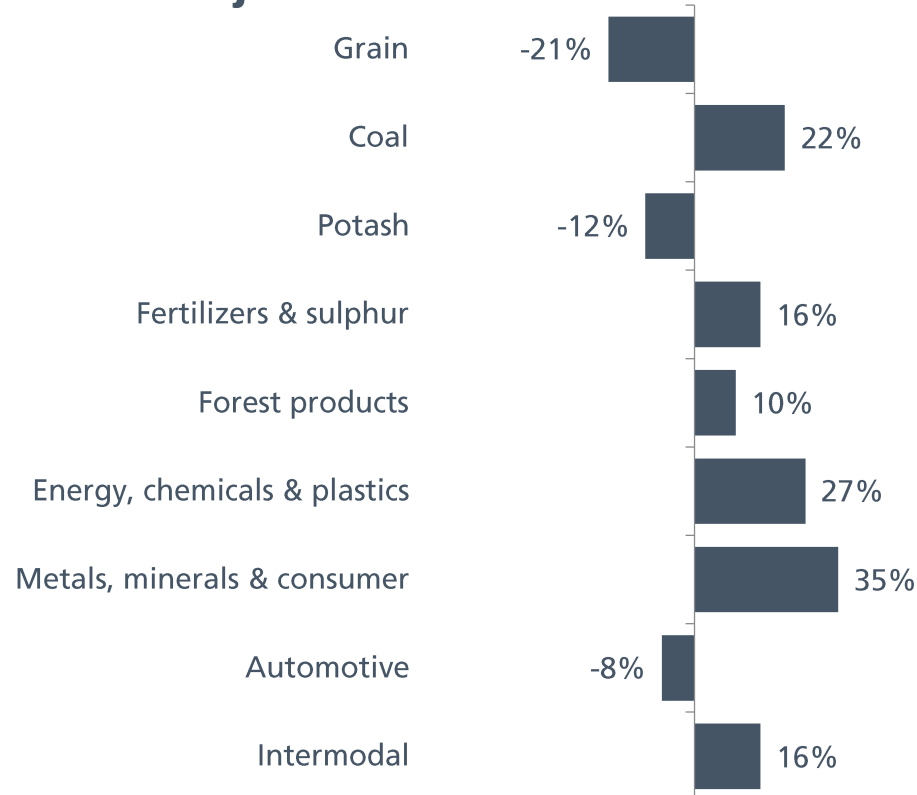
## TOTAL REVENUE

**+4%**

VS Q3 2020

- RTMs: -4%
- FX: -3%
- Fuel: +5%
- Price / Mix: +6%

## FX-adjusted revenue variance<sup>(1)</sup>



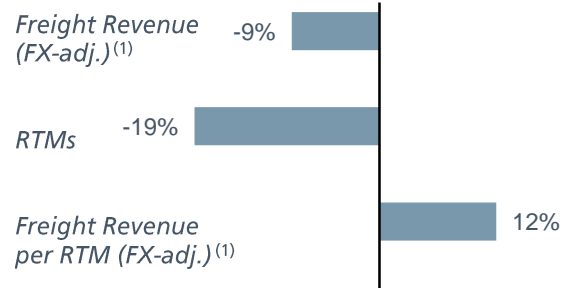
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# BULK

## Q3'21 VS. Q3'20



## MARKET DRIVERS

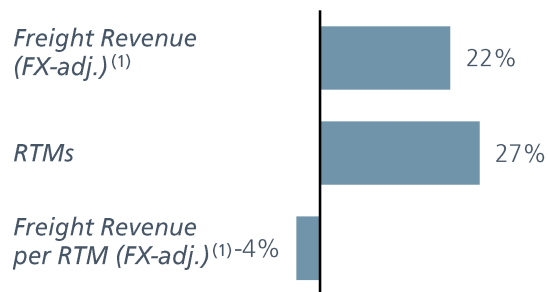
- Challenged Canadian grain outlook; 40% decrease in crop size year over year
- Potash expected to perform well in Q4 as production comes back online; demand outlook remains strong
- Fertilizer & Sulphur performed well during the quarter as demand is high for nutrient replenishment



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2021 Earnings Release on [investor.cpr.ca](https://investor.cpr.ca).

# MERCHANDISE

## Q3'21 VS. Q3'20



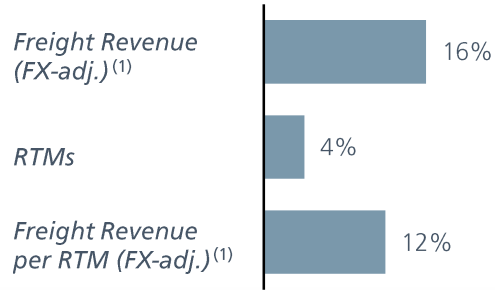
## MARKET DRIVERS

- Solid RTM growth driven by Energy, chemicals & plastics
- Metals, minerals & consumer products performance driven by strong steel and frac sand demand
- Automotive chip shortage expected to continue into 2022

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2021 Earnings Release on [investor.cpr.ca](https://investor.cpr.ca).

# INTERMODAL

## Q3'21 VS. Q3'20



## MARKET DRIVERS

- Four consecutive record quarters for domestic intermodal
- International intermodal contract wins demonstrate the value of CP's service
- New Vancouver Transload facility in partnership with Maersk



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2021 Earnings Release on [investor.cpr.ca](https://investor.cpr.ca).





**NADEEM VELANI**

CHIEF FINANCIAL OFFICER



# FINANCIAL PERFORMANCE – Q3

- Fuel headwind driven by 57% increase in fuel price; partially offset by all-time record fuel efficiency
- Acquisition-related costs of \$15M in the quarter excluded from Adjusted operating income<sup>(1)</sup>

<i>(in millions, except percentages and per share data)</i>	Third Quarter		Change %	FX Adjusted Change% <sup>(1)</sup>
	2021	2020		
Total revenues	\$ 1,942	\$ 1,863	4%	7%
Compensation and benefits	381	382	—%	2%
Fuel	199	140	42%	49%
Materials	51	53	(4)%	(4)%
Equipment rents	31	39	(21)%	(16)%
Depreciation and amortization	203	195	4%	6%
Purchased services and other	303	275	10%	13%
Total operating expenses	1,168	1,084	8%	10%
<b>Operating income</b>	<b>774</b>	<b>779</b>	<b>(1)%</b>	<b>3%</b>
<b>Adjusted operating income<sup>(1)</sup></b>	<b>789</b>	<b>779</b>	<b>1%</b>	
Other expense (income)	124	(36)	(444)%	
Other components of net periodic benefit recovery	(95)	(86)	10%	
Net interest expense	104	114	(9)%	
Income tax expense	169	189	(11)%	
<b>Net income</b>	<b>\$ 472</b>	<b>\$ 598</b>	<b>(21)%</b>	
<b>Adjusted income<sup>(1)</sup></b>	<b>\$ 592</b>	<b>\$ 560</b>	<b>6%</b>	
<b>Diluted earnings per share<sup>(2)</sup></b>	<b>\$ 0.70</b>	<b>\$ 0.88</b>	<b>(20)%</b>	
<b>Adjusted diluted earnings per share<sup>(1)</sup></b>	<b>\$ 0.88</b>	<b>\$ 0.82</b>	<b>7%</b>	
<b>Operating ratio</b>	<b>60.2 %</b>	<b>58.2 %</b>	<b>200 bps</b>	
<b>Adjusted operating ratio<sup>(1)</sup></b>	<b>59.4 %</b>	<b>58.2 %</b>	<b>120 bps</b>	

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2021 Earnings Release on investor.cpr.ca

(2) As a result of the five-for-one share split of the Company's issued and outstanding Common Shares, which began trading on a post-split basis on May 14, 2021, per share amounts and all outstanding Common Shares for comparative periods of 2020 have been retrospectively adjusted.



# FREE CASH

		For the nine months ended September 30	
		2021	2020
<ul style="list-style-type: none"> <li>More than \$1.2B in Free cash<sup>(1)</sup> generated year to date</li> </ul>	(in millions of Canadian dollars)		
	<b>Cash provided by operating activities</b>	<b>\$ 3,084</b>	<b>\$ 1,817</b>
<ul style="list-style-type: none"> <li>Share buy back program continues to be paused in the near-term</li> </ul>	Cash used in investing activities	(2,820)	(1,313)
	Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	6	12
	Less:		
	Acquisition-related costs	(47)	—
	Merger termination fee	845	—
	Payment to Kansas City Southern	(1,773)	—
	Investment in Central Maine and Québec Railway	—	19
	<b>Free cash<sup>(1)</sup></b>	<b>\$ 1,245</b>	<b>\$ 497</b>
<ul style="list-style-type: none"> <li>Leverage in the targeted 2.0-2.5x range</li> </ul>	<b>Return on average shareholders' equity<sup>(2)</sup></b>	36.6%	31.2%
	<b>Adjusted ROIC<sup>(1)</sup></b>	15.9%	16.2%
	<b>Long-term debt to Net income ratio<sup>(3)</sup></b>	3.2	4.2
	<b>Adjusted net debt to Adjusted EBITDA ratio<sup>(1)</sup></b>	2.4	2.5

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2021 Earnings Release on investor.cpr.ca.

(2) Return on average shareholders' equity is defined as Net income divided by average shareholders' equity, averaged between the beginning and ending balance over a rolling 12-month period.

(3) Long-term debt to Net income ratio is defined as long-term debt, including long-term debt maturing within one year, divided by Net income.





# 2021 REVISED OUTLOOK

**DOUBLE-DIGIT ADJUSTED DILUTED EPS<sup>(1)(2)</sup>  
GROWTH**

**LOW SINGLE-DIGIT RTM GROWTH**

**CAPITAL EXPENDITURES \$1.55B**

## ASSUMPTIONS

- Expected effective tax rate of approximately 24.6%
- Other components of net periodic benefit recovery to increase by approximately \$40 million vs. 2020

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q3 2021 Earnings Release on [investor.cpr.ca](https://investor.cpr.ca)

(2) CP's expectation for adjusted diluted EPS growth in 2021 is based on 2020's adjusted diluted EPS of \$3.53



# INVESTOR RELATIONS CONTACTS

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Assistant Vice President

**CHRIS DE BRUYN**  
Managing Director

**REBECCA STEPHEN**  
Director

403-319-3591  
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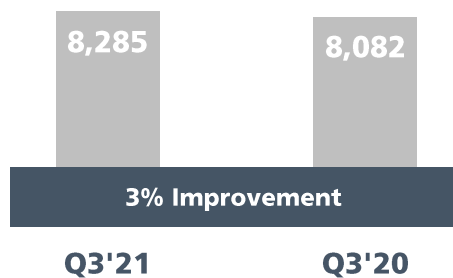
# APPENDIX



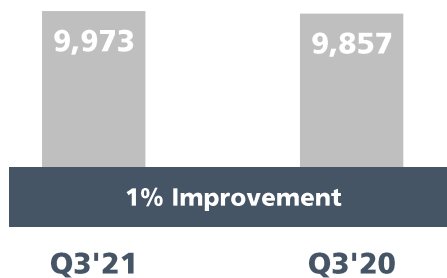


# Q3 OPERATING PERFORMANCE

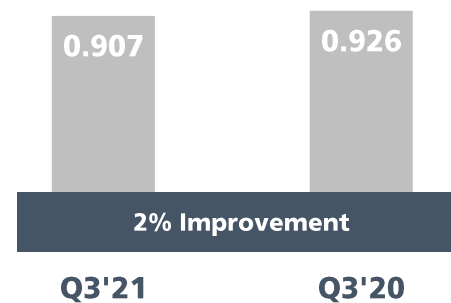
**Average train length**  
(feet)



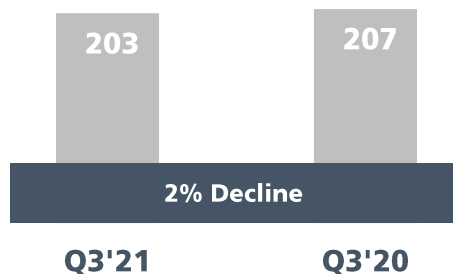
**Average train weight**  
(tons)



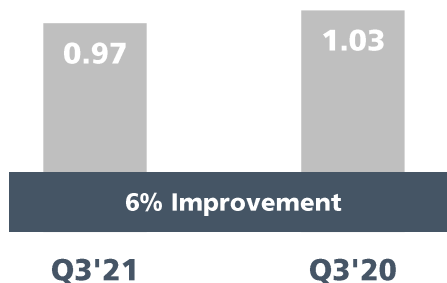
**Fuel Efficiency**  
(U.S. gallons of locomotive fuel/1,000 GTMs)



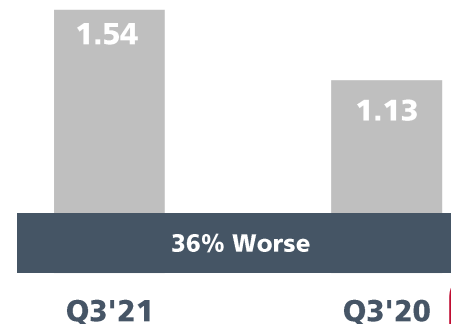
**Locomotive Productivity**  
(GTM/operating horsepower)



**FRA personal injuries**  
(per 200,000 employee-hours)



**FRA train accident frequency**  
(per million train-miles)



# ZERO EMISSIONS LOCOMOTIVE PROJECT

- CP's Hydrogen Locomotive Program is on track to deliver North America's first zero emission line-haul freight locomotive
- The program involves retrofitting a line-haul locomotive with hydrogen fuel cells and battery technology to drive the locomotive's electric traction motors
- The ability to retrofit diesel locomotives with a zero-emission technology provides a practical pathway to decarbonizing the freight-rail industry
- Since 2011, CP has improved its locomotive fuel efficiency by more than 20 percent through a variety of programs and technology deployments designed to improve fuel economy and reduce air emissions



Locomotive GHG Emissions Intensity

