



Transcript

Q2 2025 Earnings Call

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Canadian Pacific Kansas City Corporate Participants:

Keith Creel – President & Chief Executive Officer
Nadeem Velani – EVP & Chief Financial Officer
John Brooks – EVP & Chief Marketing Officer
Mark Redd – EVP & Chief Operating Officer
Chris de Bruyn – VP, Capital Markets

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon. My name is Margo, and I'll be your conference operator today. At this time, I'd like to welcome everyone to CPKC's Second Quarter 2025 Conference Call. The slides accompanying today's call are available at investor.cpkcr.com. 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 like to introduce Chris de Bruyn, Vice President, Capital Markets, to begin the conference call.

Chris de Bruyn

Thank you, Margo. Good afternoon, everyone, and thank you for joining us today.

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 U.S. regulators. This presentation also contains non-GAAP measures outlined on Slide 3.

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

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

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

Keith Creel

Hey. Thanks, Chris. I want to thank everyone for joining us here today. As I always do, let me start by thanking the 20,000 strong family of railroaders we have across our three-nation network that delivered the results we get the honor to share with you today. As a leader, it's always my honor with these folks that I work and serve with on behalf of their body of work to represent that.

So, speaking to the results, you know, for the quarter, the team delivered volume growth of 7%. Revenues were up 3%, \$3.7 billion, 110 basis point improvement on our operating ratio to a 60.7%, and earnings of \$1.12, which is an increase of 7% versus last year.

From an outlook on the balance of the year perspective, I'm very pleased with where we stand midway through the year. Certainly, see a clear line of path to our year-end guidance with opportunities that -- before us, the second half of 2025. So, despite all the headlines, all these evolving trade policies, the challenges that we've all faced as an industry, we continue to drive differentiated, sustainable, and profitable growth at CPKC. And as you all know, this is not just a 2025 story. This franchise continues to be positioned to deliver a unique outcome for years to come.

Now that said, let me share a couple of exciting developments in the quarter that underpin some of that forward-looking thinking. Continued ramp-up of our Gemini partnership, something we're extremely

excited about, that's creating meaningful international growth for us, 180/181 premium domestic intermodal service, which again grew 40% versus last year, continued increase in our traffic flows between Canada and Mexico via our CPKC land bridge that we have spoken to uniquely enabled by this North American network. And then lately, the momentum behind our newly named Southeast Mexico Express Service, which is our partnership with the CSX over the Meridian Speedway through our new gateway to the Southeast, again, creates an unraveled network, bringing new solutions to the market.

So now, maybe a couple of comments on maybe the proverbial elephant in the room, or maybe better said, the one that wants to come into the room. Obviously, there have been some recent developments in our industry with yesterday's announcements of this proposed combination between UP and NS. Let me start by saying this team remains focused as it always has been on our fiduciary responsibility to maximize our shareholders' value.

Our value proposition is unchanged from yesterday's news. This is a unique and powerful network, the only network that connects all three nations in U.S., Canada, and Mexico, a network that will continue to drive differentiated growth, and a management team that certainly has the track record of execution to back up our actions with our words. The value and the position and strength of this network that we've created puts us in a very unique position that's allowed us to produce what we've produced the last two years, that does not change. And similar, our multi-year outlook and the value proposition is unchanged. The team and the network will continue to deliver differentiated results.

On the regulatory front, we'll be actively engaged, as you can imagine, in the regulatory process to ensure, number one, that our customers and our industry interests are protected in this proposed combination. Number two, that the high standards that have been set around mergers is defined in these new untested 2001 merger rules, which require the applicants to demonstrate enhanced competition and consider downstream effects, that standard is met. Rest assured, we'll be a loud voice in the room to ensure that the facts are known, the facts are understood, fully understood, and weighed on by the STB when they come to their conclusions and their decisions.

The other part, in the meantime, when it comes to the regulator, I can see this from experience. We're dealing with a regulator that -- they take their job very seriously. They will be pragmatic. They will be diligent. They will be fact-based. They will base their decisions, I believe, on the facts that are developed, the truths that are represented and presented, and debated and discussed in a very fulsome way to lead to the right outcomes.

That said, in the meantime, outside of that process, you can imagine this network is uniquely positioned, as I've said in the past, to compete or to partner with any Class 1. We -- literally, we're two and a half years old. We've been working hard to develop these alliances and to create these new revenue streams and these new customer solutions, not only uniquely in our network, but also uniquely in the partnerships as evidenced in what we've done with the CSX less than a year after we came into existence.

I can tell you, in this world, that list of opportunities is not exhausted, the list of potential partners still exists, and I can tell you those other partners not involved in this combination are more motivated than ever to have those discussions, and rest assured, we're well into having those discussions. This isn't something we just started. This is something that will only enhance and gain momentum.

So, in closing, let me say this, whether short-term and continued uncertainties from the macro trade policies, we are going to continue to deliver a differentiated outcome, the network, the team, the opportunity is unique. We'll continue to deliver value for our stakeholders. So, with that, let me hand it over to Mark. He's going to speak to the operations. John will bring a little color on the markets, Nadeem will elaborate on the numbers, and we look forward to the Q&A.

Mark Redd

Hey. Thank you, Keith, and good afternoon. I'd like to start by thanking our employees for their hard work and dedication in the quarter and for their efforts toward the integration of our operating systems in the U.S. and Canada. This is a major merger milestone and a complex undertaking. While not without challenges, we have a lot of -- we have made a lot of progress over the last two months. I'm very pleased with how the team has pulled together to restore service to customers in the Southern region of the U.S. network who were impacted the most by the change. The rest of the network continued to perform well through the quarter, and we are carrying operating momentum into the third quarter.

Now looking at the results. Turning to the results I've got -- we saw 1% improvement in both train weights and train lengths. System-wide dwell increased by 7% in the quarter, driven by the increase in the dwell on the legacy KCSR, Southern U.S. terminals. Terminal dwell in the region peaked in early June, but largely recovered to pre-cutover levels.

Dwell on the legacy KCSR improved 42% over this two-month time period, and car miles per car day improved 38% as well. Although with regret to the disruption to the customers during this time period, I'm extremely encouraged by the progress we have made -- delivered over the last two months. As those improvements continue to take hold, we are -- our service largely back to pre-cutover levels, we're expecting improvement of efficiency and the fluidity to flow through the network and metrics in the second quarter.

Looking at safety, taking a look at -- FRA personal injuries were 0.77, which is an 8% year-over-year improvement, FRA train accidents of 0.97, which continues to be a year-to-date record performance. We posted another notable reduction to personal injuries, a testament to the team's dedication to our home safe culture, while our industry-leading train accident frequency increased from weather-related incidents in the quarter, namely our engineering and mechanical related train accidents continued to decline year-over-year. This improvement is being driven in part by our increased use of geometry cars and also the well of the wheel-bearing management technology we have.

Now looking at resources and capital. Now, as I look for the second part of the year, we continue to have -- control our resources and invest in our unique growth that this merger has enabled. From our resource perspective, we are selectively managing headcount to backfill attrition for the volume growth we're bringing onto this network. Our resources remain well in line with the growth outlook, and headcount is slightly down on 7% RTM growth is driving strong labor productivity.

I'm encouraged by the progress that we continue to see from FRA on initiatives to enhance safety and network efficiencies. We're also making good progress with combining crew districts still today, most recently between Kendleton, Texas, and Laredo, Texas, so we can improve cycle times and deliver more resilient customer service to the key cross-border corridor.

As we look at the capital perspective, in addition to the safety investments across our network and capital improvements in this area, we have received the first 40 of the Tier 4 locomotives. These locomotives are supporting our strong growth and improving the reliability and the fuel efficiency of our fleet.

So, in closing, we have operational momentum heading into the second half. Our network is prepared to safely and efficiently deliver strong growth over our plan. We have resources in place and certainly the management team to deliver and execute on the growth.

And with that, I'll turn it over to John.

John Brooks

All right. Thank you, Mark, and good afternoon, everyone. Let me say I'm extremely pleased that we delivered another quarter of record volumes and revenue, and I certainly want to thank all of our customers for their ongoing support and collaboration over the last few months.

The strength and the diversity of this franchise is reflected in our results, and I'm proud of the team for what they do every day to deliver sustainable, profitable growth. Now, despite continued uncertainty from the macro and trade policy, Q3 is off to a solid start, and we are well-positioned for continued differentiated growth.

Now looking at our Q2 results. This quarter, we delivered freight revenue growth of 3% on a 7% increase in RTMs. Our pricing results remain strong as my team is achieving renewal pricing in excess of our long-term outlook of 3% to 4%. Yields in the quarter were impacted by lower fuel surcharge, the removal of the carbon tax in Canada, as well as negative business mix.

Now taking a closer look at our second quarter revenue performance. I'll speak to FX adjusted results.

Starting with bulk. Grain revenues were up 11% on 13% volume growth, a record Q2 performance. Grain volumes were up 16% -- Canadian grain volumes were up 16%, driven by increased grain to Vancouver, Thunder Bay, and down into the U.S. markets. For July and August, our volume growth has decelerated as the remaining stocks in Canada are starting to get low, and the farmers have become more reluctant to sell.

Now looking ahead at the upcoming harvest, our outlook is positive, and we currently expect crop size to be in the 70-75 million metric ton range, which is in line with the five-year average.

We also had a strong quarter in U.S. grain with volumes up 11% over prior year. We continue to move more grain into Mexico as our network matches our strong areas of production with the demand in the South.

While we are watching the impact from potential tariffs on soybean exports this fall, the upcoming crop across all portions of our U.S. network looks very strong, and we're well-positioned for a strong grain season.

Potash revenues were down 8% on 7% volume growth. With positive demand fundamentals, Canpotex is fully committed at record levels. We expect a strong second half with a more normalized mix.

And to finish out bulk, we closed out the first quarter with coal revenue up 8% and 5% volume growth. This strength was driven by higher U.S. thermal coal and higher Canadian met coal as we move more volume-driven by production improvements at the mine sites and continued inventory drawdowns.

Moving to the merchandise business. Energy, chemicals, and plastics revenue grew 2% on a 5% volume decline. Our base ECP franchise continues to deliver revenue and diverse volume growth across multiple commodities from synergies, self-help, and market-share gains. That growth this quarter was offset by lower crude volumes, primarily due to an outage at our Hardisty terminal.

We delivered strong growth from LPGs and plastics in the quarter as our network continues to connect Canadian production with destinations in Mexico, using our network as a land bridge and facilitating new trade.

Forest products revenues were down 5% on flat volumes. Volumes in this space continue to be impacted

by macro softness to the base demand. However, the team remains laser-focused on what we can control through driving synergies and extended length of haul, which is helping to offset some of these headwinds.

Metals, minerals, and consumer products revenue was down 3% on a 1% volume decline. Increased tariffs on cross-border steel impacted volumes in the quarter, partially offset by higher frac sand. We continue to be encouraged by industrial development projects in this space with new aggregate and steel business ramping up the second half of the year.

Moving to automotive. Revenue was down 5% on 8% volume growth. This continues to be an area of unique growth for CPKC, driven by our advantaged footprint serving production plants and auto compounds across North America, along with our closed-loop service solution. While evolving trade policy resulted in some choppy volumes early in the second quarter, we are staying close to our customers, and we have recent wins in this space that continue to support our conviction and growth, and another record year in automotive.

On the intermodal side of the business, revenue was up 8% on 18% volume growth, another record quarter. Starting with international intermodal. Volumes are up 28% on strong growth from Gemini as this alliance continues to ramp up volumes through our CPKC-served ports at Vancouver, Port of Saint John, and Lazaro Cardenas. So, although there is ongoing volatility within international intermodal volumes, we continue to see upside for CPKC in the second half of the year.

We also delivered strong growth for domestic intermodal, with volumes up 8%. Momentum on our MMX continues with volumes on this service up 40% year-over-year and 20% sequentially from Q1 to Q2, as more and more customers take advantage of the fastest, most efficient cross-border rail solution between Canada, the U.S., and Mexico.

Now looking ahead, there's still a lot to be excited about in this space. We have a strong line-of-sight to domestic intermodal growth with our partner Schneider as they continue to outperform in the marketplace.

Second, we have new auto part lanes ramping up, and volumes out of Americold's cold storage warehouse, co-located in Kansas City, will start moving in August.

And finally, I'm also excited about our SMX service that Keith spoke about with the CSX. This is our newest East-West service product that connects shippers between Mexico, Texas, and the U.S. Southeast.

To close, while the macro and trade policy remains uncertain and creates certainly some choppiness across many of our customer supply chains, our unique franchise is proving its resilience, and we continue to produce diverse new volume growth.

Now looking forward, we are confident in our self-help growth initiatives, the strong fundamentals that underpin our bulk business, and our disciplined pricing strategy. And I feel good about our volume outlook as I look towards the full year.

So, with that, I'll hand it over to Nadeem.

Nadeem Velani

All right. Thanks, John, and good afternoon. I'd like to start by thanking our railroaders for their hard work as well and dedication in producing this quarter's strong results. Our systems integration was a major

merger milestone, and having combined systems in Canada and the U.S. will make this organization stronger and more efficient, while also creating opportunities for efficiencies and savings as we have better visibility to data and the ability to optimize workflow.

Now turning to our second quarter results on Slide 12, CPKC's reported operating ratio was 63.7% and the core adjusted operating ratio came in at 60.7%, of 110 basis point improvement over last year. Diluted earnings per share was \$1.33, and core adjusted diluted earnings per share was \$1.12, up 7% versus last year.

Taking a closer look at our expenses on Slide 13. I will speak to the year-over-year variances on an FX adjusted basis. Comp and benefits expense was \$659 million or \$652 million adjusted for acquisition costs. The year-over-year increase was driven by higher stock-based compensation, inflation, and volume-driven increases from higher GTMs. That increase was partially offset by lower incentive compensation, efficiency gains from workforce optimization, and improved train weights.

As we look to the rest of the year, we continue to expect our average headcount to be roughly flat, driving strong labor productivity gains against our expectation for mid-single-digit volume growth.

Fuel expense was \$405 million, down 12% year-over-year. The decline was driven by lower fuel price, including the removal of the Canadian federal carbon tax, effective April 1. That decline was partially offset by higher GTMs from increased volumes. Overall, changes in fuel prices were a \$0.02 headwind to EPS in the quarter.

Materials expense was \$124 million, up 29% year-over-year. The year-over-year increase was driven primarily by the long-term parts agreement that was put in place last year, driving higher materials expense with a favorable offset within purchased services and other for net savings in the quarter. Additionally, we saw higher spend on safety materials and volume-driven increases in materials expense.

Equipment rents were \$103 million, up 23% year-over-year. The increase was driven primarily by higher car payments from increased dwell.

Depreciation and amortization expense was up 4%, resulting from a higher -- from a larger asset base.

Purchased services and other expense was \$560 million adjusted for acquisition costs, down 5% year-over-year. The decline was driven primarily by savings from the long-term parts agreement and other productivity improvements. These savings were partially offset by cost inflation and volume-driven increases.

Overall, we delivered strong financial results this quarter. Despite systems integration challenges that impacted earnings by \$0.03 to \$0.04, looking forward, with operations largely restored, we expect the second half that fully recaptures the financial and operational momentum that we had prior to the integration -- systems integration.

Moving below the line on Slide 14. Other income was up \$16 million in Q2, driven by lower equity income year-over-year. Other components of net periodic benefit recovery were \$107 million, reflecting the effect of favorable pension plan asset returns in 2024.

Net interest expense was \$208 million or \$203 million excluding the impact of purchase accounting. The year-over-year increase was driven by interest incurred on new long-term notes. In the quarter, we also recognized a \$333 million pre-tax gain on sale of our 50% equity investment in the Panama Canal Railway Company, which is excluded from core adjusted results.

Income tax expense was \$357 million or \$336 million adjusted for significant items in purchase accounting. For 2025, we continue to expect CPKC's core adjusted effective tax rate to be approximately 24.5%.

Turning to Slide 15 and cash flow, Q2 cash provided by operating activities increased 6% to \$1.36 billion. We continued our strategic investments in the network for safety and growth with CapEx spend of \$743 million in the quarter. Cash flow remained strong as we delivered \$605 million in adjusted free cash for the quarter. As we continue to generate strong top-line and earnings growth for the next several years while holding CapEx relatively flat, we expect continued strong cash flow generation as we reduce the capital intensity in the business.

Turning to our share repurchase program, we continue to take advantage of the volatility in the market to reward shareholders with disciplined and opportunistic returns. At the end of the second quarter, we repurchased 16.4 million shares or approximately 44% of the current program.

As we look to the second half of the year, John and his team are delivering strong growth, and we are well on track to deliver mid-single-digit volumes for the year. The network is running well, and we continue to deliver discipline on price and cost control with more opportunities on that front in the second half. We feel very good about our guidance, and CPKC remains well-positioned to once again lead the industry with double-digit earnings growth this year.

With that, let me turn things back over to Keith.

Keith Creel

Okay. Thank you for the color, gentlemen. Let's open it up for questions.

Question & Answer

<Operator>: Thank you. (Operator Instructions) And our first question comes from Chris Wetherbee with Wells Fargo. Please go ahead.

<Q – Chris Wetherbee>: Hey, thanks. Good afternoon, guys. Keith, I just want to maybe address, like you said, the sort of elephant in the room. Maybe you could expand a little bit on your thoughts here. I guess, maybe the question is, as you see these industry dynamics playing out, I guess, how do you -- or what do you view CP's sort of role in this process? Is there something to do from a strategic perspective? Are there commercial things that you can try to accomplish? And is this something that you sort of push back against? I guess, how do you think about it from a regulatory perspective? So, just sort of broad comments on your view of what's happening?

<A – Keith Creel>: Yeah. I think the answer is yes. Commercially, there's opportunity that's undeniable. This network that we've created, again, the way we connect with and partner with all railroads across all three nations right down the middle of kind of the heart -- the heart of America gives us a chance to create unique partnerships and alliances. That's what we've been about doing. That's what we'll continue to do. You know, again, the CSX example is but one example.

So, rest assured, this gives us an opportunity and obviously the other parties motivation where we can help them win in marketplaces and compete to create new revenues or to protect existing revenues, to provide better service for customers, or to win new customers that may or may not be concerned, or might -- I'd say, in this case, might be concerned about the risk that this proposed combination entails, it creates opportunities for us. So, we're going to be hard at working those opportunities. I know with the best of intentions, the applicants would say they're not going to be distracted. But the reality of it is,

having gone through this, the gravity of what they're pursuing is undeniably enormous. The complexity of it is undeniably enormous. There's going to be some distraction. And even if there were not, I guarantee there's some customers out there that they're sitting on the edge of their seats, looking at their existing supply chains, trying to hedge their bets, thinking what's at risk, and what do they know.

Their memories are not certainly clear from perhaps the condition the industry was in specifically in the U.S., undeniably three years ago. It was a world where UP was in trouble, BNSF was having challenges, NS was having challenges, CSX was having challenges, all coming out of the pandemic and all the associated kind of quasi-meltdown of the industry as a result of all those things. And those customers experienced a lot of pain and suffering.

So, to think about a combination and the risk that's going to unfold before them, consolidating with an industry, and I would suggest undeniably, they said it themselves, two railroads that have part in, that problematic history of less-than-ideal integrations, they'd be irresponsible not to start looking at alternatives. So, we're going to help in those discussions. It's our responsibility to. We owe that to our customers. We owe that to our shareholders. And I think the partners that we'll talk to that can play a part in that will feel the same way. And in fact, I've already had a couple of conversations, and I can tell you the sentiment is aligned with mine.

That said, on the regulatory front, here's the other piece, Chris. This is not a standalone proposal. This does not just affect UP and NS. UP and NS both know this. The regulator knows this. We all know this. This could well be the trigger if this is approved and their facts fully represented, and that's our job to make sure they're fully represented before the STB, lead them to a decision that says this serves the public interest best. That could well and might likely trigger additional industry consolidation, an endgame scenario.

So, this downstream analysis that the rules require is taken into consideration -- the new rules, which are new to UP, new to NS, they're untested, they're new to all of us. This downstream effect, when you're talking about enhancing competition, that's going to be a fulsome and a broad review. So, that application, when it comes to the regulator, has to speak to all those points. Again, it's not speaking to just the isolation and the benefits and the considerations of UP and NS. They're speaking to the entire industry. They're speaking to every customer that ships on any rail network in North America, and it is a North American rail network. So, the gravity of this is not to be taken lightly. Jim Vena said yesterday, and I believe Jim, to his word, he hasn't taken this lightly. But at the same time, we have a responsibility to make sure that their view aligns with what our view is, and I'm sure the other railroads would speak for themselves, they would feel the same that the view is wholesome and full in the case, and the evidence is fully represented. And so a lot to be said about that. I kind of think it boils down to thinking about that public interest test.

The core public interest question will get down to a point of whether or not this two-duopoly structure truly serves the public interest. Because it is the trigger that leads us to that potential outcome. The regulator knows that. The regulations have anticipated that. That's the reason they were written in the first place in 2001, and quite frankly, again, I go back to taking people at their word, UP was very active in those comments. They said they believed it to be true then in their comments in opposition to other proposed transactions at that time. So, if it was true for UP then, and it was factual then, again, how can you deny that it's not factual now?

More to follow, we're going to be active participants. And again, the truth matters, and we've got a little experience making sure that the truth is understood and heard, and we're going to continue -- we're going to apply that muscle memory in this case as well.

<Q – Chris Wetherbee>: Appreciate the comments, Keith. Thank you.

<A – Keith Creel>: Yes.

<Operator >: And your next question comes from Fadi Chamoun with BMO. Please go ahead.

<Q – Fadi Chamoun>: Yeah, good evening. Thanks for the perspective, Keith. Just maybe a quick follow-up, just trying to make sure I and others take the proper takeaway. Through a regulatory process and assuming we have an endgame with transcon networks in the US, is the commercial opportunity for CP neutral or potentially better than they are today?

And my main question is, I wanted to ask like, when you look at the pipeline of opportunities that I think John highlighted and you highlighted kind of early in the call, going into H2 and into 2026, is this mid-single-digit volume run rate that we're seeing and your -- it looks like you can potentially sustain going into '26. Can that be achieved even in a scenario where the economy is stable, not really gaining any momentum from where we are today? Is the pipeline sufficient to kind of say, you know, we can get this level of growth on a sustained basis, you know, going into the next two quarter plus 2026?

<A – Keith Creel>: I'll start with answering that. The answer is yes. We see an ability to be able to do that, Fadi. And then let me go back to the question about the merger. Kind of the way I see this as the only way one or two mega mergers get accomplished is if they meet and exceed the public interest test, which means they've enhanced competition, not just preserve competition, which means they've adequately considered downstream impacts, which means to do that, the only way to meet that standard in my mind is a definition that will ultimately be defined by the STB that involves concessions. Concessions that when you have a network, again, that uniquely connects north to south, right down the spine of America, connects U.S., connects Canada, connects all these different markets.

We have a network and a foundation that -- with the right concessions, and rest assured, we'll be arguing the case and the need to meet the enhanced competition, perhaps a Houston that we don't have unfettered access to compete into today. We don't have an ability to sell into or sell directly out of Houston.

In the world tomorrow, what markets might open up as a result of that, that we could uniquely feed with other partners in our network, that's enhanced competition. And you can apply that same definition, go up our railroad to the network, or go to Kansas City. What about the industry in Kansas City? Go to St. Louis. What about the industries in St. Louis? Go to Baton Rouge, go to Shreveport, go to these common locations which have significant industry basis, which today are not open to our network in an unfettered way, which become unfettered, which have whatever the final definition of open access is, interswitching to our network, to use our length of haul, to use our reach, to bridge to another railroad, to bridge into Mexico, to bridge into Canada.

So, again, our network, the strength of this network we put together, allows us to compete and win in any of these scenarios. It's that unique that, certainly, there's going to be puts and takes. Certainly, we're going to have to compete. But when you have a great service and a great team and a great network, that should never and will never intimidate this railroad. And we're proud to be able to say that. We worked hard to create this to be able to say that, and we don't say that just for the benefit of ourselves, but equally, it's important for the benefit of all stakeholders we partner with. And that's our partnering railroads, that's our customers today and tomorrow, and that's our employees and our shareholders.

<Q – Fadi Chamoun>: Thank you.

<Operator >: Thank you. And your next question comes from Jonathan Chappell with Evercore ISI. Please go ahead.

<Q – Jonathan Chappell>: Thank you. Good afternoon. I'm going to bring it back to CPKC. Nadeem, thanks for the \$0.03 to \$0.04 impact from the system crossover. From a cost/revenue/OR perspective, is there a way to quantify that for the second quarter? And then was it fully ring-fenced to that period, or is there going to be some overhang into July? And just how do we think about that sequential impact moving from 2Q to 3Q?

<A – Nadeem Velani>: Yeah. So I'd say it's about \$30 million to \$40 million of revenue impact overall. So – and then a bit of -- you saw that some of our operating metrics that were hampered during that post the Day N period where we had additional dwell, we had some impacts from overall velocity as well, and impacted fuel efficiency. So, the remainder of kind of operating income is tied to higher expenses and missed efficiency opportunities. I'd say there's a small carryover into July, but not significant as far as some of the -- on the cost side, limited on the revenue side. So, we'll start Q3 pretty fresh, I'd say.

<Q – Jonathan Chappell>: Great. Thank you.

<A – Nadeem Velani>: Thank you.

<Operator >: Thank you. And your next question comes from Tom Wadewitz with UBS. Please go ahead.

<Q – Tom Wadewitz>: Yeah. Good afternoon. So, Keith, you -- I mean, you have in -- kind of a different setting expressed a pretty favorable view on single-line service. And I think even looking at the success of the 180/181, you know, relative to your competitor, single-line is important. Do you think that there -- I guess when you look at it, you're taking a seemingly -- a pretty strong position or a strong view versus the UP/NS, do you think that there are kind of opportunities they have on single-line intermodal that would not affect CP? Or I guess I'm -- I just want to understand a little bit better why you're -- there are some things that seem like they could be good for rail service, good for rail markets that wouldn't necessarily be harmful to you. So, is the concern about market power? Is the concern about -- just want to understand that a little bit better, recognizing that it seems like there is a case for single-line service in broadening rail markets.

<A – Keith Creel>: Yeah. Let me start with this. In isolation, I'm never going to argue against the benefits of single-line service for any railroad and any customer. If a railroad can operate their network appropriately and manage their capacity and their service and produce the benefits of a single-line move for a customer, I mean that's the gold standard. So, I'm not going to say that suggest that what UP and NS has proposed or what any combination will propose that enables that outcome if it's exercised and produced the right way is not a superior product.

It's tough to compete against. I stand by that statement. But the reality is, this isn't just a standalone isolated review of single-line service. There are so many more multiple facets and complexities that get created by this combination that have to be weighed into this that will be in our analysis. So, if I look specifically at intermodal, their single-line service intermodal doesn't threaten my single-line service intermodal. They don't have a network in Canada. That's where we're strong. We play to the strength of our network. We have the shortest routes in the most key markets, and we do extremely well with a premium service in Canada.

With our combination, we've replicated that same model from Chicago to Mexico. This proposal doesn't impact that. It doesn't replicate that. It doesn't replace that. So, again, I'm not threatened by that at all. So, again, single-line service is the gold standard. If you can do it and execute it the right way and manage a railroad, to deliver a service that allows the customer to benefit from reliable service, efficient service, that will let you turn assets and take out handlings and car savings, all those are to be true in a formula. I

agree completely with Jim in that. We're aligned on that. It's the undeniable truth.

But again, this isn't just about single-line service. This is about a whole lot more than that. And again, all the facts have to make sure that they're known and understood as it relates not only to UP and NS and their customers, that would benefit from that, but also as it relates to a duopoly system of railroads in this North American network. That's potentially what we're going to. That's what this triggers, most likely. And they know that, and we know that, and you know that. How that all shakes out? I don't know. The outcome of that will be determined by the regulator.

We'll all be watching closely and we'll all be participating intently to, again, make sure that the best decision, the best facts are presented to the STB that are fulsome and allows them to serve that public interest test. In the end, if they say yes, this is in the public interest and this being a likely duopoly system, based on what conditions, which will define the concessions, which will tell -- allow me to finer tune how much we might benefit with this network as it relates to that -- those combinations.

<Q – Tom Wadewitz>: Right. Okay. Great. Thanks for the thoughts. Appreciate it.

<Operator >: Thank you. And our next question comes from Brian Ossenbeck with JPMorgan. Please go ahead.

<Q – Brian Ossenbeck>: Hey, good afternoon. Just wanted to ask a little bit more -- Keith, you covered the public interest aspect of all this, but they also have to prove that the only way to get these benefits is through a merger. So, I just wanted to see if you can elaborate on some of the partnerships and JVs that you're talking about here. Obviously, it's hard to compete with single-lines, so maybe that's the answer.

And then clearly, you mentioned long history and long memories of service problems and integration challenges. I mean, yourself had one here in Southern U.S. Do you think that's a read-through to what could happen with maybe more complicated mergers and integrations? And how do you think they'll be able to address that credibly and say we won't have a wide system-wide issue here if we go down this route? Thank you.

<A – Keith Creel>: Yeah. I would -- yeah, I would say -- let me start there. The gravity of the challenges we had integrating that were isolated to the most southern part of our network pales in comparison to the complexity and gravity of getting this wrong. So, again, not to be taken lightly, not that I would suggest they would, but it can be overwhelming and the complexity of it, with the best of intentions. I know how much effort we put at it. I know how much money we spent. I know much time we took. But knowing and integrating a system seamlessly that you replace on your own network is uniquely different than taking that same system and apply it to somebody else's network with a different system. The complexity is thousands-fold, not to be underestimated.

So, if you get that wrong, and that's the challenge of this and that's what these reviews and all these assessments have to take into effect, a network that big, if it gets sick, it's not isolated to a particular geographic region in the nation. The entire nation is going to get sick. That's the magnitude of this. So then, back to if you think about what you could do in exhausting alliances before you entertain a merger, or the risks that are associated with these type of mergers, I would say it's our responsibility to make sure that we've exhausted all of those opportunities, and I can't answer for UP or NS, have they? I can tell you that we haven't. I can tell you that our network that's been created is just beginning to get busy doing those things. Now, a year from now, two years from now, three years from now, we'll be further along, yes, but I would suggest, I know that UP and NS understand the benefits of some of those alliances.

They're benefitting from it now over the Meridian Speedway. You've got UP running big trains that are coming out of Western U.S. that goes straight to the Southeast markets over our LLC, which is in

partnership with NS. So, they know the benefits. Now I would ask -- can challenge -- have you've done that in other parts of the network, if you're so aligned together, have you exhausted that? And only they can answer that question.

No different -- I heard some rhetoric or discussion yesterday, which I agree with, over the benefits of step-on/step-off interchange trains. We call those direct hit trains in our industry. Much better than going into Chicago, for instance, for perfect example, an illustration, going to one of the belt railroads or one of our terminals and switching cars out and all that associated delay. I believe in it so much that we do it today with NS in Chicago. It's a step-on/step-off, both ways. We don't go into the belt. They don't go into the belt. We switch in our terminals. They switch in their terminals. When we get to Chicago, it's a handoff. Power runs through crews change, as if you're merged together.

So again, I would ask, if you believe in that, have you exhausted all those avenues? Have you looked at, in this case, the potential proposed network, which is NS and UP, and looked at these gateways that, as they propose, will eventually be connected? Why not do it now? What are you waiting on? If the gains are there and the benefits are there for your customers, don't we have a responsibility to go mine those opportunities? And that's true, it applies the responsibility to the entire industry. So, to me, that is a great question to ask. And only the applicants can answer the question. Have they exhausted all those opportunities? I know we haven't. I can only speak for us.

<Q – Brian Ossenbeck>: Thanks very much, Keith, for that perspective. Appreciate it.

<Operator >: Thank you. And your next question comes from Walter Spracklin with RBC Capital Markets. Please go ahead.

<Q – Walter Spracklin>: Thanks very much. Can we just do kind of a hypothetical where, let's say, the transcon mergers do go ahead? In that scenario, Keith, what are the options where -- are you suggesting that commercial options are the main and only course of action for you? Or would you consider as well going to a round two of consolidation and looking to involve yourself, CP, with one of the transcon railroads from a consolidation standpoint?

<A – Keith Creel>: I think the simplest way to answer that is our responsibility at CPKC is to make sure we remain in the best position to create shareholder value and all stakeholder value. That's what our obligation is. So, as that plays out, as this unfolds, we certainly will be active participants or we're going to be active observers as well. This team and this network represents industry-unique value, and industry-unique strength. So, in all these multiple scenarios, you can whiteboard them all, and I'm sure we're going to eventually get to a point where we think and evaluate, consider all. But I could make a case that in any mix that you proposed, but one, there's one that we never would be able to from obvious -- for obvious reasons partner with in that kind of way. This industry and this team, this network within this industry, this team and this network represent compelling value. And it's our job to make sure it's realized.

<Q – Walter Spracklin>: That's excellent. Thank you, Keith.

<A – Keith Creel>: Thank you.

<Operator >: Thank you. And our next question comes from Scott Group with Wolfe Research. Please go ahead.

<Q – Scott Group>: Hey, thanks. So, Keith, when you talk about enhanced competition and concessions, if you just think about your wish list of what you'd want to get, like what's the opportunity for CP? Is this tens of millions of dollars, hundreds of millions of dollars? I don't know if there's a way to quantify it, but any thought on it? And then maybe just back to just like the quarter and earnings, Nadeem,

any thoughts on how to just think about the OR progression in Q3 and the back half of the year?

<A – Nadeem Velani>: Sure. Let me just answer that, Scott. I mean, we'll continue to see sequential improvements Q3. And I think we've had Q4 be typically our strongest quarter of the year. And so you'll see kind of a step function improvement in Q4 versus Q3. And we've mentioned this year a couple of times that we see the sub-60 OR for the year. So, I think we -- we're not backing off of that. There's no need to. We still see -- have visibility with strong volumes and the recovery of the network, and I think we can achieve that for the year as well.

<A – Keith Creel>: Okay. Scott, I'll -- you know, hypothetically, and again, this is hypothetically, I can't really give you a good answer until I see what the concessions would be. Now I've got a list, I've got some ideas. But depending on how successful we are in achieving those outcomes, we'll determine what that number is going to be. And listen, I'm not naive, and I'm not going to misrepresent the need to compete. We're going to have to compete. No doubt about it. But again, the reach of this network allows us to create unique outcomes, and what we might lose in one location perhaps because there might be some single-line service created that we can't replicate either our sales and/or through a seamless partnership with a motivated partner. Then again, we'll have to compete, but I guarantee we'll offset it in other areas. I heard something yesterday about the desire to go after Canadian ports and attack traffic that's -- convert traffic, maybe attack is a bad word, convert traffic that's destined for U.S. So, I can tell you, and I'll let John provide a bit of color, that's not a lot for us. That's not a place that we have a lot of exposure. So, again, the puts and takes, that's not a big one on my take list.

<A – John Brooks>: Scott, I hope they're not banking the business case on that volume. It's barely 1% of our revenues, and honestly, we feel pretty good about the structural advantage that Vancouver has been able to provide over the years. You can historically look at these volumes and certainly, they move back and forth. You get a trade -- you get a labor disruption down in L.A.-Long Beach, and it all flows north. You get a same one we had last year in Vancouver and you saw some of the volume slide back south/

And I think the other point is you got to realize the majority of that traffic we haul does not -- they don't need a merger to compete against it. It's Chicago, it's Minneapolis is the bottom line. NS can haul that direct out of the East Coast ports into Chicago and UP can obviously hit both of those markets today. That traffic is available. So, we feel pretty comfortable with the service product out of Vancouver that we produce, out of Saint John that we produce. And at the end of the day, as Keith said, we'll compete. If we need to compete, we're going to compete today, we'll compete tomorrow for that traffic.

<A – Keith Creel>: Scott, I can't resist asking 75% -- Scott, I can't resist asking. If it's 75% odds of getting the deal approved, you must have a pretty meaningful concession list in mind to pass the public interest test. So, maybe we take that one offline, but I'm interested in your answer to that one.

<Q – Scott Group>: Happy to catch up anytime.

<A – Keith Creel>: All right. Thanks, Scott.

<Operator >: Thank you. Our next question comes from Brandon Oglenski with Barclays. Please go ahead.

<Q – Brandon Oglenski>: Hey, good afternoon, guys. Thanks for taking my question. Keith, I recall a pretty epic (technical difficulty), but John, maybe you can speak to the specifics of tariffs on your business and the growth outlook, just looking into the back half of the year. How is that impacting the auto business, maybe specifically, but more broadly? Should we be thinking about other impacts that may (technical difficulty)?

<A – John Brooks>: Brandon, you're kind of breaking up a little bit. I think I got the most of this. Looking at the back half of the year, undeniable trade uncertainty and macro issues, we're keeping it pretty basic. We're focused on the self-help initiatives, the synergies, and frankly, that's what's driven our differentiated growth these last couple of years. The good news is that pipeline remains strong, and we see a good building of that through the second half of the year. Second piece is our bulk franchise. We had a really strong output for second half of the year on our bulk franchise. I think I mentioned we got really good grain crops framing up across our U.S. network and also across Canada. We got record potash demand - relationship with Canpotex, and that business has never been stronger. It's performing quite well, and we got a really strong call outlook, the second half of the year.

You couple that with strong pricing and disciplined pricing, we'll continue to deliver, and I feel good about where we're set up. We're -- July is roughly 3% RTM. We're around that 5% number. And we got some favorable comps as we lap some of the issues we had in the second half of the year last year.

On the tariff front, I would boil it down to three areas where we've seen impact, and we'll -- depending on what happens, we'll probably continue to see some impact here. Essentially, our steel business, our cross-border steel business, is, for all practical purposes, shut down at this point at a 50% tariff level. We've had to work hard to sort of back it, fill and find other opportunities with those customers, and we'll continue to do that. The automotive space, yes, it's been choppy, some stops some starts. The good news is we also have created a service product that I would say is industry best in leading and albeit -- we've seen chopiness, we continue to see growth with these customers and the desire to convert more and more to our single-line haul product and to use our compound. So, we've been able to insulate ourselves in that space by ongoing growth with those customers.

And then the last piece is the international space, where certainly we've seen pretty significant ebbs and flows. And that's probably going to continue. We're going to watch close the back half of the year on sort of what that area looks like. As Keith said in his opening remarks, the good news in that space is our partnership with Maersk and Hapag through Gemini is as strong as it's ever been with those partners. They're producing the volumes. And as much as Vancouver has been a success, we're seeing good growth with them at Port of Saint John that's going to continue. And honestly, we saw a dip in some of our Lazaro traffic here the last couple of months, but I can tell you the bookings here in the next couple of months look much stronger. So, we're excited to keep pushing that product as much as we can up into the U.S. market. So, again, you were kind of breaking up, but I hope that captured most of it.

<Q – Brandon Oglenski>: Yeah, you got it, John. Sorry, I'm on a train actually, right now. So, thank you.

<A – John Brooks>: All right. It's a good place to be.

<A – Keith Creel>: Good choice for travel.

<Operator >: And your next question comes from Ari Rosa with Citigroup. Please go-ahead.

<Q – Ariel Rosa>: Hi, good afternoon. Keith, you mentioned you had some conversations already, just kind of preliminary conversations. I was hoping you could share some of that? Obviously, nothing that's confidential or anything of that sort. But how are customers responding to the proposal, how are -- to the extent you've spoken with any regulators, like how are they thinking about that? Just any color on those kind of preliminary reads would be helpful.

<A – Keith Creel>: With all due respect, the conversations have been direct with other railroad CEOs and two-way conversations, only one of us is here. I'm not going to represent the conversation. I can just say that they're encouraging and positive. When it comes to customers, John, do you want to

comment?

<A – John Brooks>: Yes. So, honestly, the phone has been pretty active on that front already. I'd say as much as trying to understand, given that what we lived through these last few years leading up to this transaction, trying to get a read, Ari, on our feeling around the likelihood of this, and can it be done? I don't know. It feels like it's a little bit of a mixed bag. There is certainly the risk of operational performance and integration that I think is looming over everyone. And frankly, nobody knows that better than us, coming out of some of the challenges we faced the last couple of months in the southern part of our network.

And as Keith said, it's just a far grander scale and a much, whole other level of risk that I think these customers are going to be concerned about or are going to want to really understand what that looks like in a tremendous amount of detail, going into that. So, look, we'll continue to canvass and make sure the customers are fully educated in terms of not only what we went through and what they should expect UP and NS need to deliver and produce to them through the process that we're going to go through with the STB.

<Q – Ariel Rosa>: Great. Thank you for that.

<A – John Brooks>: Yes.

<Operator >: And your next question comes from Steve Hansen with Raymond James. Please go ahead.

<Q – Steve Hansen>: Yeah. Thanks for the time, guys. Keith, only because you referenced the probability earlier, would you hazard to put a probability on a deal getting done better or greater than 50% -- better or lower than 50%?

And then just secondarily, I think just outside of the merger topic, I just wanted to ask about the Gemini process and ramp-up in particular. I think in many cases, that's far exceeded our expectations thus far. Just curious how you think it's tracking relative to your earlier expectations back in, say February, March, when we started to see the volumes coming on. Has it exceeded those expectations thus far? And John, you've already referenced some opportunities still for growth ahead, but how do you sort of envision that over the next two to three years? Thanks.

<A – Keith Creel>: Yeah. I'll let John answer the question on Gemini. I want to make sure I got the question right, Steve, on the merger. Are you asking what my view is on the odds of it getting approved?

<Q – Steve Hansen>: Correct.

<A – Keith Creel>: I mean that answer depends on the concessions that are proposed and the concessions that are willing to be accepted. So, it's hard to put odds at it. I'll just say this, they're going to be meaningful. They'll have to be meaningful to address the holistic impact of a potential endgame scenario. There's no way to deny that. So it's not, again, just in isolation, UP-NS. It has to consider the potential endgame. The rules require it. We -- all the parties understand it. So more to come on that. We'll just have to see how this thing plays out. And rest assured, I'm kind of thinking about in history and memory the comment earlier -- a minute ago about the integration risk.

If I can remember, and I'm still working and I'm -- I mean, this is my 33rd-34th year in the industry, but as a young operating officer, I lived through the SP-UP combination, the two associated industry meltdowns with that, I lived through the Conrail carve-up. I can remember the complexities and the challenges that are created with those combinations. And I would just suggest if I'm still working, I'm a bit more seasoned than I used to be, but I'm -- still got a lot of run left in me. There's like scenarios and situations in these

large companies where they were, too. And they were people that were in entry-level jobs just like I was, and they live through the realities -- undeniable realities of these complex combinations, and they're going to be asking those questions, too. Except today, they're in positions perhaps like we are with more increased responsibility to their organizations. So, the answers are truly going to matter to them.

<A – John Brooks>: And Steve, regarding Gemini, I'd say we're extremely pleased with how it has started up so far. We've recently met and continue to meet with both partners. They are very pleased with the service performance that we've been able to tag on to their vessel and ship performance. I would say the volumes have ramped up faster in Vancouver than I think they expected and we expected, but it's been a good thing. And there's -- I would say we're still in the middle innings of the journey with them. So, I'm quite pleased with that.

And really, as you think about growth over the next 18-24 months, we haven't really scratched the surface to the level I think all the parties want to. If you think about Lazaro, so I think there's still opportunity there that has maybe been weighed down by some of the tariff and trade talks. So, we're still excited about that. And we got a lot of capacity online now at Saint John. So, I think there's still some upside with the partners at that port.

<A – Mark Redd>: And John, just to add -- Steve, this is Mark. The dream we had is coming out of South Shore with just building service straight out of the facility, being able to go and penetrate into the Eastern markets, straight from Vancouver, with Gemini we've been able to do that. We've been able to build trains straight off of that port and go straight to destination. Overlay that with the new locomotives that we're adding to the 100 Series fleet in Canada, certainly upside and really just creates that quality service plan we need to give them, and we are.

<Q – Steve Hansen>: Appreciate the color. Thanks, guys.

<Operator >: And our next question comes from Stephanie Moore with Jefferies. Please go ahead.

<Q – Stephanie Moore>: Hi, good afternoon. Thanks for the question. Keith, really appreciate the insight and time you're spending kind of walking through the puts and takes of the proposed merger here and providing your insight and your own experience. I guess, one follow-up to the point you were making earlier in terms about -- in terms of gateway options. But if I recall, I think the official ruling from your own deal here from the STB, it talked about protecting competition and not necessarily competitors. So, I wanted to -- one, do you think that the Board would likely take a similar stance in this deal, or has something changed? And then second, maybe talking about the ability to ensure existing gateways are still preserved, and if that wouldn't be the case based on the merger proposed? Or potentially both transcon mergers? Thank you.

<A – Keith Creel>: Yeah. You know, again, I can't speak for the STB. I could imagine a world where some of those solutions are part of the considerations, but you mentioned a key word. Under our consideration and under the rules that we were approved, the STB was governed by a standard that said you had to protect competition. That's not the case anymore. They don't exist anymore. There will never be another merger that just has to protect competition. They have to enhance competition. So, when I hear that, there's only 20 customers that go from two to one, and we have an answer.

Then the next question I have is, what does the answer do? Does it preserve? Or does it enhance? Because if it just preserves, it doesn't meet the public interest test. It must enhance. That's a unique and undeniable material difference that these merger rules represent. They're untested. And rest assured, the STB will want to get this one right. Because by their own admission and by (technical difficulty) the industry, including UP's own admission, this very well could trigger total industry consolidation. That leads to an endgame scenario where you have two duopolies across this nation. It has to get right. It has to be done right to serve the public interest.

<Q – Stephanie Moore>: Thank you.

<A – Keith Creel>: Thank you.

<Operator >: Thank you. And our next question comes from Daniel Imbro with Stephens. Please go ahead.

<Q – Daniel Imbro>: Yeah. Thanks for squeezing me in, guys. Good evening. John, I want to follow up on actually the pricing back on the CPKC side. I think you talked about three headwinds in the quarter on fuel prices, the carbon tax and then mix. Any way to quantify those tents for RTM headwinds as we parse through 2Q, and which of those will continue in the back half? And if we heard you right, sounds like core pricing is staying above that 3% to 4% range. I guess, when should we think about that beginning to flow through the model more to the bottom line, and maybe not being masked by some of these other headwinds?

<A – John Brooks>: Well, it flowed through first quarter pretty well. Yeah, Dan, just to give you some perspective, fuel and the carbon tax essentially 100% wiped out pricing. And mix was minus 4% is how it broke down. Frankly, just -- you saw the intermodal growth, the international intermodal growth we saw, combined with really strong bulk growth, and those average \$/RTM in those business units is slightly below the corporate average. So, hence, the mix challenge.

Looking forward, I think fuel, we expect to improve. So, we'd see, I think, a better outcome there. We're going to continue to have the carbon tax headwind. And as I look to the second half year volumes, I think mix improved some, but it's probably still going to be a headwind because we are expecting a pretty big bulk back half of the year, too, with the grain, the potash, and the coal. Hope that helps.

<Q – Daniel Imbro>: Super helpful. Thanks for the color.

<Operator >: Thank you. And your next question comes from Ken Hoexter with Bank of America. Please go ahead.

<Q – Ken Hoexter>: Hey, great. Good evening, Keith and team. So I'm sorry, just to clarify, Keith, are you saying that CP, CN is now off the table? It was only a couple of years ago CP tried to make the case for each of the Eastern rails. It sounds like you're saying you're inclined that this is only a duopoly-structured process. And you're going to now lead the fight for concessions and detailing the risk to the regulators, versus you jumping in the round and seeing -- dancing with who's left. Is that kind of what you're saying, then the only real -- realistic option on the table?

And then I guess, Nadeem, just to clarify one thing you mentioned on the OR, right? You said the -- I just want to understand, given the impact to 2Q OR from the network issues, you mentioned kind of going into the 50s. I just want to understand, should we see an outsized historical shift from 2Q to 3Q, just given the network issues from 2Q?

<A –Nadeem Velani>: No. I mean, the OR wasn't greatly impacted in Q2 by the network issueds -- by the systems integration. There was a \$0.03 to \$0.04 EPS, but didn't affect the OR significantly, Ken. So I would say that the -- year-over-year, you'll see probably the best OR improvement in Q3 relative to the other quarters. So, giving you a lot of quarterly OR color there, Ken. But I'd just say continued improvement and then continued improvement in Q4 and sub-60 for the year.

<Q – Ken Hoexter>: Thanks.

<A – Keith Creel>: Ken, the best way to answer your question is -- we're going to consider all scenarios except for one, and you figure out between the lines what that one is. At the end of the day, it's our job to make sure we create and leverage this team and network to create the most value for our stakeholders and whatever definition allows us to meet that standard. We've got a fiduciary responsibility to consider it. And that's exactly what we'll do. We won't be confined by traditional. So, maybe expect the unexpected. Who knows? I don't know. I don't know what the facts are going to be. I just know that when they're revealed, we're going to understand them, and we're going to meet our fiduciary responsibility.

<Q – Ken Hoexter>: Thanks, Keith. Thanks, Nadeem.

<A – Keith Creel>: Thanks, Ken.

<A – Nadeem Velani>: Thanks, Ken.

<Operator >: Our next question comes from Ravi Shanker with Morgan Stanley. Please go ahead.

<Q – Ravi Shanker>: Hi, thanks. Good afternoon, everyone. If I can squeeze in a non-M&A question here? Apologies if I missed this, but I think you mentioned MMX volumes were up 40% year-over-year and 20% sequentially. I don't think anything in transport is up 40% year-over-year. So, can you just give us a little more color there, kind of was this tariff related, kind of is that any pull forward into 2Q, and kind of where do you see that going in the next couple of quarters?

<A – John Brooks>: It's a really strong sales effort, Ravi. We're growing that product. It's truck-like, it's fastest in the industry, it's a seamless middle Mexico to Chicago and up into Canada, and frankly, between our partnership with Schneider and others, we've just seen really strong and continue to see strong growth. I think I mentioned in my prepared remarks, we've got a really sizeable piece of automotive parts business that's ramping up. And now with the Americold facility, you're going to start to see our reefer business ramp up on that product, too. So I expect this trajectory to grow. And hopefully, pretty soon here, we're putting pressure on Mark for a second train start. That's it.

<A – Keith Creel>: Okay. Thanks, Ravi.

<Operator >: Thank you. And we have reached our allotted...

<Q – Ravi Shanker>: Thanks, guys.

<Operator >: We have reached our allotted time for Q&A. I would now like to turn the call back over to Mr. Keith Creel. Please go ahead.

<A – Keith Creel>: Okay. Thank you. Listen, let me close where I started, thanking you for your time today. A lot of robust discussion, certainly more to come. In the meantime, the most important thing we're focused on with this team is executing our plan this year to meet and exceed our objectives. We've laid out guidance. We fully intend and see a path to achieve that as it relates to the year and as it relates to our multiyear plan. That's what we'll do. As well as stay abreast of all these current developments as they progress within the industry. Thanks very much. We look forward to sharing our results next quarter.

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