



# Transcript

Q3 2025 Earnings Call

**October 29, 2025**

**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 David, and I'll be your conference operator today. At this time, I'd like to welcome everyone to CPKC's Third Quarter 2025 Conference Call. The slides accompanying today's call are available at [investor.cpkcr.com](http://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 now like to introduce Chris de Bruyn, Vice President, Capital Markets, to begin the conference call.

## Chris de Bruyn

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

Before we begin, I want to remind you this presentation contains forward-looking information, and 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 would appreciate if you limit your questions to one.

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

## Keith Creel

Thanks, Chris, and good afternoon, everyone, for joining us here on the call to discuss our third quarter results. As I always do, I'm going to start by expressing heartfelt gratitude and respect for the 20,000 strong family of railroaders across these three nations that delivered the results that we get the honor of sharing with you today.

So speaking of the results, the team delivered strong volume growth in the quarter of 5%. Revenues were up -- \$3.7 billion, up 3%. Operating ratio of 60.7%, which was a 220-basis points improvement and earnings per share of \$1.10, an increase of 11% versus a year ago. Most importantly, we saw a strong performance from a safety perspective of improvements in both our FRA personal injuries, as well as our industry leading train accident frequencies.

Despite what has been consistent macro and trade policy headwinds, the team continues to generate a diverse, profitable growth across a number of areas. We produced a continuing trend of differentiated performance in our automotive franchise with another record quarter. Strengthened our bulk franchise with strong growth both in grain and potash, another strong quarter in intermodal growth in domestic and international, which included an important milestone that we've spoken to before in the quarter with the opening of the new Americold facility here at our terminal in Kansas City. This is a first of several facilities

that will be co-located on the CPKC. And again, it's a perfect example of our ability to be market makers with our unique industry network.

Mark and the team delivered a very strong execution on the operating side with results, with improvements across a number of our key metrics. The network overall is performing well. We have a lot of operating momentum heading into the end of the year to close out. And we remain on track and fully expect to deliver on our guidance of 10% to 14% earnings growth versus a year ago.

That said, while there's certainly a lot of focus currently on potential industry consolidation, we remain focused on executing this unique growth opportunity that CPKC represents. A couple of comments on UP and NS as it pertains to the proposed merger. I think we've been very clear about our views. We strongly believe further consolidation is not necessary at this time, and is not in the best interest of the industry, the shippers, or the US economy. As we said before, we remain and will be active participants throughout the regulatory process to ensure that the facts are known and understood about what a merger of this size and scale means. Just for reiterating the obvious, the proposed merger would result in one single-line railroad handling about 40% of the freight rail traffic in the United States.

This proposed merger, in spite of what's been said, represents overlap in key markets such as Chicago, Memphis, St. Louis, and New Orleans. This is not a simple end-to-end merger. The merger of this magnitude introduces unprecedented risk by heavily concentrating much of the decision-making for our national rail network with undeniable implications on the entire supply chain. That said, while this is certainly driving a lot of focus, we will remain (technical difficulty), even if this consolidation happens, on maintaining our industry-leading position to continue delivering industry-leading results.

A direct threat from a transcon merger to CPKC is minimal. This is a proposed east-west merger. Our US network is primarily north-south. By no means does the merger impair or change our unique growth prospects that our three-country network has created for us for years to come, and I am confident that for the merger to meet the regulatory standards that it will have to meet, the conditions will have to be meaningful. So, while much is still to be determined, our story remains unchanged. We have a unique network, undeniably a proven team, and a differentiated growth opportunity in front of us that will continue to set us apart in growth and execution for years to come.

We are well-positioned to finish the year strong, to produce another year of double-digit earnings growth. This network, this team, this opportunity is unique, and we are going to continue to deliver value for all stakeholders.

So, with that said, I am going to hand it over to Mark to speak to the operation, and John is going to bring a little color on the markets, and Nadeem the numbers, and then we will open it up for questions.

## **Mark Redd**

Thanks, Keith. Good afternoon. I would like to start by thanking our employees for their dedication and hard work in producing these results. The strong operating performance is a testament to the team's effort and execution in the third quarter.

Looking at the third quarter results, we saw improvements to several key operating metrics. We look at terminal dwell improved by 2%, velocity improved by 1%, train length and train weight improved by 2%. Following the technology cutover that we executed in the second quarter, we are now leveraging the integrated Canadian-U.S. operating systems to drive further efficiency in the operating discipline. In the quarter, we saw CP legacy network operate at a record productivity and car velocity levels, while the legacy KCS network achieved its highest ever throughput levels, we are carrying this momentum into the

fourth quarter with solid improvements to the key operating metrics, including velocity, dwell, car miles per car day, and on-time departures.

The strong network performance continues to provide John and his team a product they can sell into. Our 100-series transcontinental intermodal trains in Canada are delivering consistent performance, along with low-dock dwell at Centerm at Vancouver's South Shore. This is also supporting the growth within Gemini. Velocity across the bulk network is mid-single digits, driving efficient service for the grain – for the strong grain harvests in Canada and the U.S., along with the rest of the bulk franchise.

As we continue to drive efficiencies across the network, we expect to further improve in our industry-leading PSR service model, delivering efficient growth and strong customer service. Now turning to safety, while we strive for perfect -- perfection during the quarter, safety is a continuous journey. Despite a challenging derailment that occurred in the quarter, I'm encouraged that we delivered another quarter with year-over-year improvements in safety. If I look at personal injuries, we landed at 0.95, which is a 3% improvement. Train accident frequency was a 1.15, which is 20% for the quarter.

Turning to planning, as we moved into the end of the quarter, our resources are well aligned with our growth outlook. We have now received 91 of the 100 Tier 4's scheduled for delivery this year -- locomotives. As we deploy these locomotives primarily on a 100 series transcontinental intermodal service, we're delivering about a 30% reduction in service interruptions compared to a year ago.

As we look into the future, we expect to see an additional 70 plus locomotives in 2026 with further support and industry-leading growth outlook. Improve -- we will also improve the efficiency and reliability of this fleet. In closing, the network is performing well. We are properly resourced to handle the strong grain harvests in Canada and the U.S., investments in capital -- capacity, safety, locomotives are driving strong network performance and we're well positioned to execute strong this quarter.

I'll pass it over to John.

## **John Brooks**

All right, thank you Mark and good afternoon everyone. I'm pleased with our third quarter performance of this franchise. It's resilient and our team is producing differentiated growth despite a challenging macro economy. We are laser focused on the things we can control. Our operations, as Mark said, are delivering strong service that we can sell into and we are pricing to the value of our capacity and our service.

Now looking at our third quarter results, this quarter we delivered freight revenue growth of 4% on 5% increase in RTMs. Both a revenue and RTM all-time Q3 records. Cents per RTM was down 1%. Our pricing remains strong as the team continues to deliver renewal pricing above our long-term outlook of 3% to 4%. Pricing was offset by mix as we delivered strong growth in bulk in international intermodal, while continuing to leverage our full network and grow our longer length of haul traffic, all of which contributed to lower cents per RTM.

Now taking a closer look at our third quarter revenue performance, I'll speak to the FX adjusted results starting with bulk. Grain revenues were up 4% on 6% volume growth. US grain was strong with volumes up 13% over prior year. We continue to see strong growth into Mexico and the US South as our network unlocks new opportunities and we expand our share into these markets.

Looking to the end of the year, the U.S. corn and soybean harvest is going strong. While our PNW export program is impacted by the tariffs on soybeans, our grain team is working with our customers across Canada, the U.S., and Mexico to identify alternative markets and incremental opportunities to backfill a

portion of this market shortfall.

Canadian grain volumes were down 2%, driven by lower carryout stocks from the 2024-25 harvest, along with lower demand for canola exports. Our outlook, though, is positive for this new crop, and we expect this new crop to be in the range of 78 to 80 million metric tons, ahead of the five-year average, and we expect a strong close to the year for our grain franchise.

Potash revenues and volumes of 15%. The strong performance was driven by positive demand fundamentals and strong network performance that supported efficient potash export cycles. While Canpotex is fully committed to the end of the year, compares are more challenging, and we expect growth to moderate as we move through Q4. And to finish out bulk, we closed our third quarter with coal revenue of 3% on 2% volume growth.

Growth in Canadian met coal was driven by improved production at our mines and continued inventory drawdown. This was partially offset with our U.S. coal franchise, driven by a facility outage that happened during the quarter.

Now moving on to merchandise, energy, chemicals, and plastics revenue and volume were down 2%. The decline was driven by a softer base demand, lower crude, and lower refined fuel volumes due to customs border challenges going into Mexico. These headwinds were partially offset by new wins and increased volumes of LPGs. With LPG volumes starting to ramp up and refined fuel shipments rebounding into Mexico, we expect ECP to improve as we exit the year.

In forest products, revenues and volumes were down 3% and 1% respectively. Volumes in this space continue to be impacted by macro softness within our base demand. However, our team continues to outperform the industry by offsetting some of the broader macro impact to this business with self-help initiatives and extended length of haul.

Metals, minerals and consumer products revenues and volumes were up 2%. The growth was driven by frac sand volumes to the Bakken, new business wins in the aggregate space, and an increase in both U.S. domestic steel shipments and trade between Canada and Mexico. These efforts helped to offset the impact of tariffs on cross border steel. Now looking ahead, we're encouraged by industrial development projects that are coming online, along with further growth opportunities from our land bridge shipments.

Moving to the automotive area, as Keith said, revenue was up 2% on 9% volume growth. Both are records. I'm pleased with the performance and resiliency of our auto franchise, despite the uncertainty from evolving trade policy. This continues to be an area of unique growth for CPKC driven by our advantaged footprint serving both production plants and auto compounds across North America. Despite some of the recent chip and aluminum supply challenges, we are well on our way to producing another record year.

Closing with intermodal, revenue was up 7% on 11% volume growth. We delivered strong growth from our domestic intermodal franchise with volumes up 13%. We continue to have a strong line of sight to domestic intermodal growth from multiple areas, including our business growth with Schneider, new auto parts moves, volumes out of the Americold cold storage warehouse co-located with us in Kansas City, and our service with CSX connecting shippers in Mexico, Texas, and the US Southeast.

Moving to international intermodal, volumes were up 10% on continued growth from Gemini to our ports at Vancouver, Saint John, and Lazaro. While we definitely have seen pull forward volumes in a muted peak season, we expect our strong service product and diverse port access to continue to drive opportunities for us in international.

In closing, while we are certainly not immune to the many challenges in the freight environment, we continue to drive differentiated growth with our unique and resilient North American franchise. We are delivering mid-single digit volumes while pricing to the value of our capacity and our service. Now looking forward, we continue to be well positioned to outperform the industry and the macro on the strengths of this franchise paired with our unique synergies and self-help.

With that, I'll pass it to Nadeem.

## **Nadeem Velani**

All right. Thanks, John, and good afternoon. I'll be referring to our third quarter results on Slide 12 to start. CPKC's reported operating ratio was 63.5% and the core adjusted operating ratio came in at 60.7%, a 220-basis point improvement over prior year. Diluted earnings per share was \$1.01 and core adjusted diluted earnings per share was \$1.10, up 11% versus last year.

Taking a closer look at our expenses on Slide 13, I'll speak to the year-over-year variances on an FX-adjusted basis.

Comp and benefits expense was \$619 million or \$615 million adjusted for acquisition costs. The year-over-year decline was driven by lower stock-based compensation and efficiency gains from workforce optimization and other productivity actions, including improved train weight along with lower deadheading and held-away time. The decline was partially offset by inflation and volume variable increases from higher GTMs. To close the year, we expect our average headcount to continue to be slightly lower year-over-year, driving strong labor productivity gains.

Fuel expense was \$415 million, down 2% year-over-year. The decline was driven primarily by the elimination of the Canadian federal carbon tax on April 1, partially offset by a volume variable increase from higher GTMs. Overall, changes in fuel prices were a \$0.02 headwind to EPS in the quarter.

Materials expense was \$114 million, up 15% year-over-year. The increase continues to be driven by the long-term parts agreement that was put in place in the fourth quarter of 2024. Higher materials expense had a favorable offset within PS&O for net savings in the quarter.

The increase in materials expense is partially offset by reduced locomotive maintenance spend from improved fleet performance. Equipment rent expense was \$109 million. Increased car hire payments, along with inflation impacts from growth in automotive volumes, drove the increase. Depreciation and amortization expense was up 6%, resulting from a larger asset base.

Purchased services and other expense was \$565 million, or \$555 million adjusted for acquisition costs and purchase accounting. The decline was driven by lower casualty costs, savings from the long-term parts agreement, as well as other productivity and insourcing initiatives.

Overall, we delivered solid financial results despite a \$39 million sequential increase in casualty expense, which was a \$0.03 impact on earnings.

Looking ahead, Mark and his team have our network running well, and the volume outlook is solid with strong harvest in both Canada and the U.S. We continue to generate strong labor productivity and maintain line of sight to solid margin improvement in the fourth quarter.

Moving below the line on Slide 14, other components of net periodic benefit recovery was \$107 million, reflecting the effect of favorable pension plan asset returns in 2024. Net interest expense was \$222

million, or \$216 million excluding the impact of purchase accounting.

The year-over-year increase was driven by interest incurred on new debt issued in Q1 and Q2 of this year. Income tax expense was \$296 million, or \$325 million adjusted for significant items and purchase accounting continue to expect CPKC's core adjusted effective tax rate to be approximately 24.5% in Q4 and for the full year.

Turning to Slide 15 and cash flow. Year-to-date cash provided by operating activities increased 6% to \$3.8 billion, while year-to-date cash used in financing activities was up 45%, driven primarily by the share repurchase program. From a CapEx perspective, we've invested \$860 million in the quarter and remain on track to invest approximately \$2.9 billion in 2025, in line with the outlook we provided in January.

Focusing on our share repurchase program, we have continued to take advantage of the volatility in the market to reward shareholders with discipline and opportunistic returns. We see strong value in our share price at current levels and as of the end of the third quarter, we've repurchased 34 million shares or approximately 91% of the program we announced in March.

As we look towards the end of the year, our network is running well and primed to serve strong harvests in Canada and the US. John and his team are delivering mid-single-digit volume growth and strong pricing in a challenging economic -- macroeconomic environment. We're controlling our costs, improving the resiliency of our business and the power of our North American network. We remain well-positioned to meet our guidance and lead the industry with another year of double-digit earnings growth.

With that, I'll turn it back over to Keith to wrap things up.

## Keith Creel

All right, thank you, gentlemen. Why don't we open it up for questions, operator?

## Question & Answer

**<Operator>**: Absolutely. Thank you. (Operator Instructions) As previously highlighted, please limit yourself to one question.

We'll take our first question from Fadi Chamoun with BMO Capital Markets. Please go ahead. Your line is open.

**<Q – Fadi Chamoun>**: Yes, thank you. Good evening, everyone. So a question on the M&A topic, if I may. There's been a lot of, kind of, conversations, discussion out there that if this UP and NS merger ultimately happens, it's going to trigger, potentially the end game, which effectively ends up being two North Americans, kind of two major North American railroads, as I understand it. And I was just wondering, Keith, from your perspective, does this have to happen? And ultimately, does this consist of moving into that scenario in a multiple, of one phase or two phases, or, also, is there a scenario where one merger happens and ultimately the rest of the industry can continue to operate at the status quo?

**<A – Keith Creel>**: Yes, Fadi, that's a really good question and a lot, I mean, obviously it's going to depend on the details. We've not yet had the benefit of reading UP and NS's merger application.

I would say this, I know there's an echo chamber, I read it, I hear it, I sense it, I know there's a lot of invested investors that perhaps want this to be a layup. This is not a layup, number one. It's not a foregone conclusion that can get approved. What we do know is the hurdle is going to be high. These are rules that have never been tested.

There's a public interest test, enhancing competition, a review of downstream impacts, which to your point includes the likelihood or potential of additional rail consolidation that those things have to be met and this STB is thorough. I'm certain of that. I can say that more so than anybody else in this industry because I've walked this walk and experienced this journey in getting our deal approved, which was under the old rules with the hurdle rate not even remotely close to being the same standard.

So again, I think to assume or to expect it, that being said, if it gets approved, that's a big if, but if it does, then to your point, depending on what the conditions are, would answer the question. I would make a case to serve and to meet and exceed all those tests that, how could it be approved without significant conditions, to protect balance in the industry, to protect competition, to enhance competition, given the market power that that size railroad would exert.

So I would agree, Mr. Vena and I definitely agree, this STB is smart. Maybe what we don't see eye to eye on, or maybe not being recognized is (technical difficulty) this STB has experienced the applicant's behavior historically, previous mergers from 30 years ago, the integration risk that occurred, and most recently the service failures that occurred in the United States rail industry just four years ago. The applicants were before the STB at a service hearing expressing concerns. The applicants have been to the STB relative to the allegations of serious concern on utilizing embargoes to regulate their network.

So those -- that (technical difficulty) be ignored, and I don't believe that this regulator would set those memories aside in the weight of how they review not only the application, but ultimately determine what their conditions might be to protect the overall strength and health of the U.S. rail network, because ultimately that's what their mandate is. It's to protect the U.S. rail network, to make sure that their decisions protect the public interest and ultimately lead to, if we have consolidation, an environment that exists so if the UP and NS are standalone, the others that have to compete have a fair shot of doing that.

And it's not competition. Let me be clear, it is not competition that anyone is scared of. I think that's a very assumptive statement to make. It's anti-competitive that we recognize and that we're concerned about. And it will be our mandate and our objective to make sure that if that merger is approved, conditions allow anti-competitive behavior to be minimized or eliminated.

So yes, with the right conditions, Fadi, that's a potential outcome. But again, there's so much more to be determined out of this process. There's a lot of stakeholders that are going to weigh in. There's going to be people that speak loudly and speak boldly. And there are going to be customers, quite frankly, that perhaps they don't want to voice their strong heartfelt feelings for fear of intimidation or fear of retaliation. But I'm sure that if they're not said publicly, they'll be said privately. And all those facts and conditions and stakeholders views, I believe this STB will take seriously. And I believe their decision, if approved, will contain significant conditions. Or if they don't meet the standard, I believe they have the mandate, they have the commitment to get this right. History needs it to be right. Our nation needs it to be right. And if they don't meet the conditions of the standard, I believe they'll reject it.

**<Operator >**: We'll take our next question from Chris Wetherbee with Wells Fargo. Please go ahead. Your line is open.

**<Q – Chris Wetherbee>**: Hey, thanks. Good afternoon. And appreciate the comments, Keith. I guess maybe just piggybacking on that. As you think about the sort of landscape for now, and we don't have the application yet, and we don't know ultimately how the STB is going to respond to that, sort of what's the strategy that you can employ? Are there opportunities for you in the relative near term, to leverage other relationships in the space? I guess how do you think about sort of the landscape right now, at least over the next several quarters?

**<A – Keith Creel>**: Yeah, the answer is absolutely yes. And, we said when this all started, we're not going to sit on our laurels. We've been very engaged with the non-applicants to look at creating alliances and to leverage as the regulations require us to, to exhaust all avenues to achieve merger-like benefit without the risk that a merger represents.

So yes, there's opportunities that we're exploring with the Western competitor to UP. There's opportunities that we're exploring with the Eastern competitor to the NS. And we're starting to connect the dots to create markets. And I'll tell you, the strategic piece of our railroad that's becoming even more so critically important is that Meridian Speedway. That Meridian Speedway that, what was when we took over the railroad is no longer the same. It has been enhanced with the connection at Meridian with the CSX via Myrtlewood, Alabama through Montgomery to Atlanta. It unlocks a second mainline alternative that gives us unique industry advantage to create markets and bridge traffic between Dallas markets and between Southeast US markets.

And I'm not talking about just intermodal. I'm talking more importantly the industrial heartland. You think about the industrial development that's being driven to realize President Trump's ambitions. The additional infrastructure that's being put in place for these AI data centers and power centers along that corridor between those southern states and our network runs straight across it. That transaction that we made which was a niche acquisition, over the last two years we've been investing heavily in it. I had the opportunity just last month to take an inspection trip with the CSX team that started in Montgomery, Alabama, went through Myrtlewood over to Meridian and into Shreveport.

So what was a little short line railroad by I would say January, February of 2026 is going to be a Class 4 railroad that allows us to create a transit time and a product option never before possible. This is going to connect Atlanta to Dallas in about 30 hours. You think about, and people have always thought about the Speedway as being an intermodal product, yes it is and yes we're going to protect our commitments to our partners in that joint venture and what is now NS and perhaps in the future might be UP. But at the same time it's still the railroad that we dispatch. It has tremendous opportunity. It's not exclusive to freight traffic.

So to create a product that allows us to connect the industrial heartland in between Atlanta and Dallas is a pretty powerful model. And in 30 hours is truck-like competitive, single truck-like competitive. I think it's a unique differentiator that can't be replicated in a UP-NS combination that's going to allow us to win market share working with our partners in the West and our partners in the East. And I can tell you they're motivated to work.

**<Operator >**: We'll take our next question from Brian Ossenbeck with JP Morgan. Please go ahead, your line is open.

**<Q – Brian Ossenbeck>**: Hey good afternoon, thanks for taking the questions. Maybe just to stick on that topic, can you give us a little bit of perspective in terms of the headlines we've been seeing around the Meridian Speedway and some of the service disagreements? I don't know if we're going to see anything settled until the government reopens, but I would appreciate your perspective there.

And then, just what's the possibility to put through, the Bigbee side of things when you get that track speed up? Is it 2026 when things start to unlock at the beginning of the year, or is that going to be more of a ratable gain as we look into next year? Thank you.

**<A – Keith Creel>**: Well, the service product, the actual infrastructure will be done in January.

**<A – Mark Redd>**: January, yeah, we'll have it.

**<A – Keith Creel>**: Track speed to be out there. It's going to be a 49 mile an hour railroad. We're talking about 100 miles. Transit time from Montgomery to Meridian combined is going to be three and half, an hour and a half, five hours. You put that with a six hour run to Atlanta on the CSX, you got an 11 hour product to Meridian. And I think right now what the NS does is 12 hours. And there's room to improve that. It just depends on the density that we put over it for the additional capital investment if we want to unlock some additional speed. So that's not full potential. That's just the right, which we think for the market of the sweet spot.

Now the dispute itself between ourselves and NS, and that's who the dispute is, because we have a commercial agreement with the NS. To me, it's quite frankly a self-serving narrative that has no merit. We have prepared our response. We'll give it to the STB as soon as they open up and it will lay out the real details. What this is a story of two partners that don't like our decision to run the railway the way it was designed. This railway goes back to 2006, when the NS invested with KCS to create the Speedway.

There was financial consideration given. There was infrastructure built for 8,500 foot trains. Our predecessors at the KCS allowed the NS to run long trains. Frankly, the way I see it as an operating officer was to the demise of our customers. That's what we stopped. And that's what NS and UP does not like. There are provisions within that agreement. NS knows what they are. We know what they are. If they want to invest money to run longer trains, then they need to come to the table and invest the money.

The business today doesn't justify it and I'm not going to subsidize NS's operation nor am I going to subsidize UP's operation for their operational synergies at the cost of my service to my customers. I have a responsibility to protect my customers as well.

And that's kind of what it boils down to. It's built to run 8,500 foot trains. That's what we're going to do. Now, what we have done, out of respect for Mark George and his team, for a temporary time period until we can get additional crews, which we've hired and are in training right now, there's going to be an additional train start that comes on middle of November.

In the meantime, NS has worked out a temporary agreement with us to pay us for the additional delays that were occurring, allowing one long eastbound run until that second train start is added the middle of November. And then we're going to revert right back to an 8,500 foot railroad. And I'll tell you this kind of the proof's in the pudding.

When you try to oversubscribe a network and run long trains and the network's not built for it, somebody is going to suffer. Whether it's the communities and the crossings you block, whether it's the yards where you're holding the trains out, which some of the applicants have some history in that, or it's our trains that have to take a siding for someone else's train at our demise. We ran the railroad for seven, eight weeks at 8,500 feet over the last two months before we allowed this exception to occur.

We measured the delay. Our trains were taking over an 11 hour delay a day to accommodate a long east train. It doesn't make any sense. It's not the right operating decision. It's not the right commercial decision. It's not the right bottom line decision. We're being fair and reasonable. It's no more than that.

**<Operator >**: We'll take our next question from Jonathan Chappell with Evercore ISI. Please go ahead. Your line is open.

**<Q – Jonathan Chappell>**: Thank you. Good afternoon. Keith, I'm going to let you take a little break here. Nadeem and John, we've seen the quarter-to-date volumes trending not at mid-single-digits. I think there's an anticipation, just given the way that October has been, that getting to that mid-single-digit full year, that double-digit earnings growth full year, may be a bit challenging and really, frankly, off the table.

So it's a bit surprising that you've kept it.

Can you kind of just help us forge the path over the next eight to nine weeks on how you get that volume up to the mid-single digits, how you get that sub-57 OR? What do you have line of sight on that's clear to you that that's still attainable with just eight weeks to go?

**<A – Nadeem Velani>**: Yes. Good question. I'd say that, if you look at our year-over-year, certainly tough compares as we speak. So that's known to us, not really any surprises on that front, but we also have some very easy compares in November. When you think about some of the labor disruptions a year ago that impacted our business through some of our customers as well. And so, when we look at the opportunity in November and December, we think that we have the ability to deliver the mid-single-digit RTMs and that will be -- I think we have strong visibility.

Now, there's a chip shortage issue on the auto side that's come up, and we're mindful of that. But we think on the bulk side, there's enough offsets to be able to support our top-line view and our guidance from that perspective. From a cost point of view, from an operating leverage point of view, I think we're going to see benefits similar to what we saw Q4 a year ago or the previous year to that. We've had some very strong finishes to the year and we have good visibility to the ability to get a sub-57 type of operating ratio or that level plus or minus, depending on what mark-to-market the stock price is as well. But we are very confident we'll be able to achieve at least 10% EPS growth for the year. So we're not backing off of that with eight or nine weeks here left to go.

**<Operator >**: We'll take our next question from Steve Hansen with Raymond James. Please go ahead. Your line is open.

**<Q – Steve Hansen>**: Yes. Thanks for the time, guys. Quick one. I just wanted to dovetail back on the grain opportunity. I recognize you described it as being a sizable harvest. But do you feel like the customers have given you a sense for whether there's an upside opportunity or how that's going to track in terms of timing? Just mindful of some of the trade issues still out there and pricing on the farm, and whether or not the farmer is going to be eager to move it through the fourth quarter or deferring into the first half? Thanks.

**<A – John Brooks>**: Yes. Thanks, Steve. It's John. Yes. Certainly, it's something we're watching closely. There's no doubt. It feels like the grain companies are having to sort of pull the grain into the elevator a little bit versus maybe that typical push we'll see at harvest. Right now, I'm pleased with our cycles. I'm pleased with the number of sets we have in play in Canada.

And honestly, we've been able to, whatever softness we've maybe felt in the north, we've been able to backfill with good opportunities on our southern franchise. So it's going to be teamwork between the two franchises, Canada and the U.S., and we're going to need sort of all the markets at play, but our action is as we described. We're going to run it hard right to the end.

**<Operator >**: We'll take our next question from Scott Group with Wolfe Research. Please go ahead. Your line is open.

**<Q – Scott Group>**: Hey. Thanks. So, Nadeem, cents per RTM have been down a bit the last couple quarters, can you just talk about underlying pricing trends and when you think this metric turns positive? And then maybe, Keith, just bigger picture, when I think back to the Analyst Day, you guys talked about a mid-teens earnings algorithm, and it's been closer to 10%. That's still really good on a relative basis, but not like at the absolute level you talked about. Do you still think mid-teens is the right algorithm? What do we need to unlock it? Is it just macro? Is it more price? Cost? I don't know. How do you -- what do you think we need to sort of get back to that mid-teens growth?

**<A – Nadeem Velani>**: All right. Thanks, Scott. So just a reminder that federal carbon tax that was removed in April, that did impact cents per RTM. But the thing is that also the flow through, so it does come out of our expenses. So that's been a big headwind on cents per RTM the last few quarters. But all that to say, in Q4, we should see positive cents per RTM, so we should see it inflect positive right now as we speak. So that'll be supportive. I'd say that you'll see all low single digits, but it will be positive as we speak. We've also had some mix impacts that have impacted that, autos, for example, the length of haul has been up significantly and the mix of business, but we should see that turn.

Pricing has been strong. John and his team have done an exceptional job of being able to keep that above inflation and closer to 4% on a same store basis. So I'd say that, that will continue as we foresee into 2026. To your point on double-digits versus kind of mid-teens, the macro has been challenging which has also hurt us, crude this quarter was a significant -- or casualty with a crude derailment was a significant headwind, which we didn't foresee. If we didn't have that, if we had a more normal casualty expense in the quarter, we would have been sub-60 for the quarter. Now that's on us. We put it on the ground and we have to take those costs, but I would imagine, and I expect going forward, we'll have a more normal casualty. Our safety numbers have been strong, but the cost of incidents have been high, so that will be supportive.

As far as the mid-teens, we'll start seeing benefits of share repurchase starting next year, right? We announced the program in Q1, kind of mid-late Q1 of this year. So 2026, we'll start seeing year-over-year benefits from the lower share count. And that was part of the algorithm of getting double-digit closer to mid-teens type of growth. We've delivered quite well on the volume front, but I think we could do more with a better macro environment. So we're still waiting for that turn, but as that inflects, and we start seeing a more supportive economy, we start seeing some of this tariff noise get behind us and more certainty for our customers. We start seeing the benefits of strong bulk volumes, especially with this very strong Canadian grain crop.

I think you have a potential, 2026, for that to turn closer to what we highlighted at our Investor Day as mid-teens EPS growth. And that's kind of what we had highlighted as through to 2028. So we're kind of in that sweet spot of '26 to '27 to '28 of being in that mid-teens. And I still feel that we can achieve that.

**<Operator >**: We'll take our next question from Konark Gupta with Scotiabank. Please go ahead. Your line is open.

**<Q – Konark Gupta>**: Thanks for taking my question. I think maybe it's for John, perhaps. If we look into Q4, I guess, you have easier comps coming up in November-December, but any insights into the potash and intermodal traffic, John, and so far in October? It seems like pretty low. And I think you flagged some of the comps issues in the potash. But anything else besides the comps that's being on the potash and on the intermodal side, any issues you're seeing with imports coming down on the U.S. ports?

**<A – John Brooks>**: Yes. So, yes, the potash is all driven around the compares. We just -- we had some surge testing and some different things we did last year that made October awfully strong. Now, I do expect, Canpotex, as I said, is sold out to close the year. We're going to run that and push that as hard as we can.

On the intermodal front, I expect a really strong close on our domestic intermodal. We've got continued good line of sight, as I mentioned, in my prepared remarks to a number of pieces of business that are going to start up in the quarter. And frankly, we're just starting to see the ramp up of our Reefer business in and out of Mexico with Americold. So continued to be, and frankly, our Transload business across Canada continues to be strong. So I see pretty good numbers on our domestic intermodal side. The international has been a challenge relative to the third quarter, maybe the pull ahead volumes and muted

peak.

That being said, I'm not seeing the blank sailings. I'm not seeing additional challenges. I can tell you we're kind of foreseeing the current run rate to persist as we move through November and December.

**<Operator >**: We'll take our next question from Walter Spracklin with RBC Capital Markets. Please go ahead.

**<Q – Walter Spracklin>**: Yes. Thanks very much, David. Good afternoon, everyone. I'd like to come back to you, John, on volumes. And I know Norfolk Southern in their call flagged that they were seeing some diversions in volume away from them as a result of the proposed merger. And I think most would see CSX as the beneficiary of that. But I'm curious to see if you're seeing any customers being, making decisions along those lines that would favor you and seeing in terms of volumes over to your line, currently? Or could you see that as contract negotiations come up, do you see any opportunity to take advantage of that if that is indeed a trend we're seeing into 2026?

**<A – John Brooks>**: Well, I'll sort of emphasize what Keith said. There's certainly a lot of dialogue going on that front and what sort of products we can partner and create the leverage of strengths of some of those other franchises. Those are things that maybe we've looked at in the past, but are certainly maybe coming to the forefront in terms of opportunities. I do believe that narrative becomes a big part of what our 2026 growth platform could look like and add. There's no doubt about we're already seeing opportunities shift on to our Meridian Speedway route with the CSX.

As Keith mentioned, the product design is to be up and running in Q1 of 2026, but it's not a bad product as we sit here today. And there are certain customers that certainly want the optionality or have been willing to test that product. So -- and we talk a lot about maybe in and out of Texas, Atlanta in those marketplaces, but there's an awful lot of freight that is just really conducive to our network into the Southeast that flows out of Mexico. And that's frankly an area, whether it is competing against the Short Sea today or taking trucks off the road, that we've been able to key on with the CSX team.

And frankly, a lot of that is new growth opportunities. It's not taken freight off of NS or another competitor. It's new opportunities, we're bringing the routes. But in the same vein, there are those opportunities where customers are looking for optionality and we'll give them that.

**<A – Mark Redd>**: And John, I would add from an operating side, I mean from the M&B connection that we have through Myrtlewood, it's Mike Cory and team, the CSX team has been, they've been really energized with us on the operating side to make that happen to get the speed of the network up and just make the good positive connection at Myrtlewood itself. So there certainly is promise.

**<Operator >**: We'll take our next question from Ken Hoexter with Bank of America. Please go ahead. Your line is open.

**<Q – Ken Hoexter>**: Hey. Great. Good afternoon. Mark, first time in a while, I think we've heard you break out kind of the KCS Network versus the CP Network and performance. Can you delve into maybe what's left to get KCS to CP operating levels? I don't know, Nadeem, if you want to talk about the cost synergies or go back to the synergies of what you've achieved and where we're trending on those? And then Keith, just an M&A quick one, but do you think political pressure to get the M&A process moving faster can have an effect or will this take the full 16, 17 months of a normal process?

**<A – Keith Creel>**: Let me answer that one before Mark. I think, there is no way in the world for this have thorough review that occurs less than 16 to 17 months. I think that's efficient. If you think about our review, our review took a lot longer than that. You've got an STB that quite frankly, the Chair of the STB

has signaled and I believe I'll hold him to his word that he's going to take the statutes and the timelines seriously. And that means don't exceed them.

And I also think it means, especially with the gravity of this transaction, it also means don't cut them short. You've got a lot of people that deserve and want and will need to take ample time to review the application, ample time to respond. And I think that's the only way you get to a place where the STB can make a fulsome, thorough decision is if all the facts have been shared and heard and understood. And then they'll ultimately decide, does it or does it not meet the public interest test? Does it or does it not enhance competition? And if so, what conditions are required for that to be true?

And again, I get back to -- I'm not going to put odds on it. It's not a layup. I'm going to stick with basketball. It's not a half-court shot, it's a three-quarter shot the way I see it. So we'll see how efficient the applicants are to navigate that.

**<A – Mark Redd>**: So from the -- Ken, from the operating side, I would say three things. One is just getting that operating system behind us. I mean, that just, in itself, helps us. We've made those steps, I talked about it on my noted remarks. Bargaining with some of the unions that we have done on the KCS property, we continue to do that as we leverage some of the agreements, some of the stuff that we can do with customers to streamline some of the crew districts, which we have done, we will continue to do that. Those are opportunities.

I think probably one of the biggest ones is just next week. I mean, as we walk into year three of GM Meetings in Calgary that I lead with the GMs, we look for opportunities specifically on KCS of how we can look at CapEx that we put in the ground, how we can leverage those sidings, leverage those locomotives, the crew districts that we have that we can redefine, the deadheading, the recrews, all of that type of stuff that we could just do a better job at because we know more of than we did from day one.

Some of the car fleets that we can interchange and spin faster from John's group selling service that we could do something differently. I mean all that, conversations I'll have next week, that'll probably expose tens of millions of dollars that we can pull out just from the operating expense side that we'll look at. And certainly put that right back in our annual budget because it's budgeting time for us.

**<A – Nadeem Velani>**: And Ken, just on your third question, we have about USD \$165 million of synergies on the expense side that we've achieved year-to-date that I'd bucket that in operational benefits, operational improvement that some of the things that Mark just talked about. I'd say that from a sourcing point of view, utilizing, kind of merging contracts with both companies and being able to look at our procurement practices and be able to benefit on our contract spend is a big part of it.

And then I'd say that the operating efficiencies and now that we're past the Day N on the IT cutover, we've been able to reduce headcount on the G&A side by about -- almost 300 people total with the combined entity. So those are the three buckets that I'd highlight as leading to the majority of the expense benefits on the synergies. And I'd highlight that that's significantly higher than what we had initially thought we'd achieve as part of the combination.

**<Operator >**: We'll take our next question from Tom Wadewitz with UBS. Please go ahead. Your line is open.

**<Q – Tom Wadewitz>**: Yes. Good afternoon. So Keith, I wanted to ask you and then a bit more on the, kind of views on the deal, and how your commentary, how you look at it differently than what we've heard from Jim Vena, his characterization is, hey, it's less than, it's maybe 10 specific production plants that are dual served. Your commentary is like, hey, it's a number of large terminal areas or city areas that have a lot of overlap.

And I guess the other thing I want to ask about is, there's a bit of a paradox in the sense of you're saying there's really not risk for CP that's -- CPKC that's north-south flows. But at the same time, the kind of market power of such a large railroad, UP-NS, would really be something of concern. So I don't know if that market power or the risk is like, bundling, like they take some plants you serve and they serve a lot more plants of a chemical customer and they somehow wrest some business away from you or just how we ought to think about the risk and why from a rail perspective it's a concern to have such a big competitor. Just wanted to see if you could offer more on how you framed it in terms of, overlap and risk.

**<A – Keith Creel>**: Yes, I think sheer size and scale, market power is something you have to be aware of, historically you can protect gateways, but if you've got enough reach and scale, it's not the gateway traffic that gets impacted, it's the captive traffic. So will or won't the applicants utilize and leverage that market power to take prices up on captive if they're not rewarded with traffic over the gateways. And that's their question to answer, not mine. Those would be the things that I would look at.

And then the other thing I think about is to minimize it to only a few people that are impacted. Enhancing competition, number one, it's not -- there's no precedence on what that definition standard is yet. But I would argue that just considering a two-to-one as the definition of reducing competition, and that's the only concern that need to be addressed is a very minimalistic, ill-fated definition. I just don't think that's going to meet the STB standard. And that's quite frankly, the way it's been presented. You've got overlap in key markets. You've got customers going to have fewer options. I don't say you're enhancing competition if you reduce options. So, again, all that's got to be worked out in the application.

The other thing I want to be true and I want to make sure conditions exist, is that the applicants are held to their commitments and held to, kind of teeth, so they don't behave in anti-competitive behavior. I don't take it lightly with our experience since our merger. With -- what happened in the battle that we had to fight just over an existing condition that was given to the KCS that we inherited by way of the UP-SP merger, the Southend rights. A lot of people forgotten about that. I have not. UP decided once we came together by sake of name change alone, what historically had been acceptable Southend rights traffic that CP would interchange to KCS to go to the Houston marketplace was cut off by the UP.

They said, you know what, you're not CP interchanging to KCS anymore. By name alone, your shippers are not entitled to that market anymore. That's anti-competitive. You cut off a market. They knew it was wrong. We knew it was wrong. We took them to the STB. The facts were heard. It took two years to get to a decision, just because you can. I don't think it's right for any railroad or any business just because they can to try to impose their will that has an adverse impact on the marketplace. So when you want to talk about what we're concerned about, that's the kind of behavior we're concerned about.

And I hope that -- I'm surprised and I hope that Mr. Vena and team submit the conditions and the assurances in their application that makes us all rest easily. I don't know. All I know is what's happened in the past, and what's happened in the past is not a very warm thought about what might happen in the future without the right conditions and the right teeth to, I guess, make sure that those conditions are enforced in a decision if a decision comes that's favorable so we can protect and enhance competition for this nation's freight shippers.

**<Operator >**: We'll take our next question from Brandon Oglenski with Barclays. Please go ahead. Your line is open.

**<Q – Brandon Oglenski>**: Hey. Good evening, everyone. Thanks for taking the question. John, as you look into next year, especially with all the ups and downs of trade. But can you talk to maybe some of the business wins that you have that support the longer-term growth profile of this business? And maybe if you could give us some early insight to maybe where you see volumes next year too, if you're willing to

go there?

**<A – John Brooks>**: No, Brandon, I don't know if I'm quite ready to go there yet, but I'm sure that'll be a topic in January. I know it will. Look, I fully expect we will outperform. We'll do what we do. We outperform our peers. We outperform the macro. I fully expect that in 2026. I don't see the recipe right now changing a whole lot. If some of this grain, whether it be soybeans or the Canadian crop rolls out of Q4 and into next year, that's going to be an area of strength for us. There's a sizable crop on both sides of the border. If we don't get it now, we're going to get it next year. So I see that as an opportunity.

We exceeded my USD \$300 million target this year for where I saw new synergies. I fully expect our self-help initiatives and synergies, whether it be continuing to grow our MMX, our intermodal route, our 180/181, the Reefer business that I spoke to, continued growth down at Lazaro with Gemini. I fully expect the synergy area to produce another USD \$300 million of opportunity for this franchise. We'll continue that price discipline that Keith spoke to. Maybe two areas that are a little unique to next year that I see is we've got a really strong industrial development pipeline shaping up.

These are fresh new facilities that are being built on our railroad that will be up and running here in Q4 and early in 2026. And frankly, that's a \$200 million plus opportunity of, again, just new business that's going to start up on the railroad. And then you combine that finally with, stuff we already talked to relative to some of these partnerships and opportunities with our connecting roads. And that's sort of what the recipe looks like, Brandon.

**<Operator >**: We'll take our next question from Ravi Shanker with Morgan Stanley. Please go ahead. Your line is open.

**<Q – Ravi Shanker>**: Good evening, everyone. So just on pricing, I know you kind of commented on the kind of pricing being above the long-term target of 3% to 4%. I think it has been for a few quarters now. I'm wondering if there's any opportunity to maybe take up that long-term target, or do you think that you guys are just over performing now for whatever reason and maybe that kind of comes back down to that 3% to 4% over time?

**<A – John Brooks>**: I don't, Ravi, I don't see it really. Inflation has certainly come down and those pressures, I think we've felt them kind of through the year. We knew they were going to play out that way. Again, it's all around pricing to the value of the service and capacity. And frankly, that's a discipline that, as Nadeem said, I'm super pleased with the team's efforts on there. I'll tell you, we're definitely outperforming our peer railroads on that front and we're going to push hard. Those targets for my sales team are going to continue to be in that neighborhood as I look to 2026. So, yes, I fully expect those pressures to be out there, but we're going to fight for every quarter point, based on the service and the capacity this railroad provides.

**<A – Nadeem Velani>**: Yes, Ravi. If we had a stronger macro, as I commented earlier, I think that would be supportive of some incremental pricing, but I don't think that that's something that we've been able to benefit from the past, say, 10 months or past year.

**<Operator >**: We'll take our next question from Ari Rosa with Citigroup. Please go ahead. Your line is open.

**<Q – Ariel Rosa>**: Yes. Hi. Good afternoon. Keith, you mentioned that maybe some shippers or various stakeholders might be reluctant to speak up for various reasons. I'm just curious, behind the scenes, what kind of conversations you're having? And where do the fears lie in terms of what the risks are that are posed from kind of the UP-NS proposal? And then not to be overly cynical, but is there any dimension in which you worry that by virtue of being a Canadian rail, your voice might not be listened to as carefully or

kind of you won't get the same weight that a U.S. rail might have as the kind of merger process moves forward?

**<A – Keith Creel>**: I guess the way I'd answer the second question first is, we're a North American rail company. We're uniquely the only rail that connects all three nations. 40% of our revenue, 40% of our business is in the United States. The monies we invest are significant. A third of our employees live and work and are taxpaying members of the United States, taxpayer citizens. We are undeniably wrapped in the American flag and we care as much about America as we equally care about Canada as we equally care about Mexico. We have that responsibility.

So I can't decide if someone's going to dismiss our impact. I think it's material. I think it's meaningful. I think we've invested heavily into this nation as we'll continue to do that and we're going to have a voice. It's up to those that listen to decide if they want to diminish it. I think it's relevant and I think it's truth-based and I think it's facts that truly can't be denied. The part about the customers, I can't reveal the specific discussions, but undeniably there's a common theme and concern about retaliation. People are reluctant to speak up publicly. Yes, you hear associations. You know, I heard Mr. Vena say they don't have a direct commercial relationship with UP. I wouldn't disagree, but they're speaking on behalf of their customers who do.

So to be so dismissive I think is a bit irresponsible, but again, that's my view, not, obviously, Jim's. But in time, we'll see. There'll be private discussions. There'll be public discussions. You're going to hear the associations speak out. In the end, I'm sure that some customers will take that step, their application and their comments will bear their concerns and they'll best bear their concerns better than I can. But I think the powerful thought, I hear this word, there's been 400 customers that have offered letters of support, and I'm not saying that doesn't matter. Their voice matters, but how many more have said nothing? That one says a lot.

**<Operator >**: And we have reached our allotted time for Q&A. I'd now like to turn the call back over to Mr. Keith Creel.

**<A – Keith Creel>**: Okay. Well, listen, thank you. Let me wrap up with where I started. Thank you for your time this afternoon. It's been some thoughtful discussion. I know this is an industry that, quite frankly, seems to be continually in a state of change. Regardless of how those changes may roll out, this company, you can believe, is going to be focused on safely and efficiently delivering for our customers and delivering on the growth. Opportunities that this unique network has created that enables the value creation that we've committed to for our shareholders and for those that have trusted us with their capital dollars.

We look forward to executing a strong fourth quarter and we look forward in first quarter sharing those results with you. Everyone have a blessed holiday. Until then, we'll talk soon. Thank you.

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