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Transcript

Q3 2016 Earnings Call

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Corporate Participants:

E. Hunter Harrison, CEO Canadian Pacific
Keith Creel, President & COO Canadian Pacific
Nadeem Velani, VP & CFO Canadian Pacific
Maeghan Albiston, AVP Investor Relations Canadian Pacific

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Mike, and I will be your conference operator today. At this time, I would like to welcome everyone to Canadian Pacific's Third Quarter 2016 Conference Call. The slides accompanying today's call are available at www.cpr.ca. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to introduce Maeghan Albiston, AVP Investor Relations, to begin the conference.

Maeghan Albiston

AVP Investor Relations, CP

Thank you, Mike. Good morning and thanks for joining us. I'm very proud to have with me here today, Hunter Harrison, our Chief Executive Officer; Keith Creel, President and Chief Operating Officer; and Nadeem Velani, Vice President and Chief Financial Officer.

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 two in the press release and in the MD&A filed with Canadian and U.S. regulators. This presentation also contains non-GAAP measures which are outlined on slide three. The formal remarks today will be followed by Q&A. In fairness to all participants, we would request that you limit yourself to one question. If we're unable to get your question today, I would be happy to follow up after the call. It is now my sincere pleasure to introduce our CEO, Mr. Hunter Harrison.

E. Hunter Harrison

CEO, CP

Thank you, Maeghan, and good morning to everyone. Thanks for joining us. I'm going to limit my remarks this morning as I kind of step back in my role and allow Keith and company here to carry this story forward. There's a couple of things I would, though, like to bring to your attention. A couple of people we should recognize and congratulate is certainly Nadeem Velani, who you all know who's now – was, I guess, short-term Interim CFO. I'm proud to report to you that yesterday the Board approved permanent. So now Nadeem is CFO. So, congratulations. Welcome.

Most of you know Nadeem. I know he will do an outstanding job. And certainly, the thing I look forward to the most, which possibly some of you look forward to, is some stability. And also congratulations to Maeghan, who has been propping up Nadeem these years, and now she gets her opportunity to shine. So, Maeghan, congratulations on your new position.

A couple of comments about the quarter before Keith and Nadeem take over. Very pleased from an operating ratio standpoint. I think that if not, it's close to a new record for quarter performance. I think the thing that I would call to your attention the most that excites me about that is the foundation really that that builds for the future.

We did – I was a little disappointed that we missed consensus, I guess, about $0.05, but we don't control consensus, and I think effectively that story is the grain story. There was a lot of and still there's a lot of hype about the crops in Canada.

I personally think the crop is there, but it's certainly been a late harvest. Mostly it's been blamed on the weather and there has been some wet weather, but at the same time, my personal observations are it's a little bit of softness in the market. And if you see the markets turn worldwide and get a little more aggressive, the wetness of the weather might not be near as challenging a factor as it's been so far.

So if the grain had been like most – a lot of us were predicting, I think we would have been right in line with what we expected. And I think it's the case that most of the conventional wisdom is that if some grain doesn't move fourth quarter, it'll carry over into the first quarter of 2017 and give us even a stronger start there. So I really think that this OR of 57% and a fraction, 57.7%, is going to send some signals to potential guidance and what we're looking for in this organization in 2017.

We've reached a point where if you go back about four years now, conventional wisdom, the pundits and others said we couldn't get to 65% in four years. Well, they were wrong again.

And I think that Keith has put together, and almost has completed an outstanding team to carry this organization forward.

A couple of us are going to be leaving the organization, but we're still going to be supporters and advisors, if needed. So overall, I was very, very pleased with the outcome and look forward to more results like this in the future.

And with that, let me turn this over to Keith and team to get more in the detail and the granularity.

Keith Creel

President & COO, CP

Okay. Thank you, Hunter. With that said, this quarter, third quarter, was all about, again, the story of controlling what we can control and doing it well. We obviously faced some challenging environment when it came to the volume, but I'm extremely proud of what this team did, as they matched it with an outstanding operating performance which, again, demonstrates the strength of our operating model driving productivity metrics, as you see on the slide there at all time highs, both in weight, length, fuel efficiency record levels for the company. If not industry best, right at industry best, while at the same time driving improvements in the service levels, which is what we converted to the marketplace and critically important to us.

The most encouraging part though, is increased operating leverage and momentum as the volumes recover in the fourth quarter and they are starting to recover as you saw yesterday in our RTMs release that came out last week possible inflection on volume.

It reflects that now the grain supply chain, so to speak, or the shipments have hit their peak volumes, which I expect to continue exiting kind of catastrophic weather through the balance of this year. And as Hunter said, what we haven't moved in the third quarter will carry over into 2017. So it's not lost revenue, it's just revenue that's pushed forward. So the foundation's there for continued margin improvement as we move forward to Hunter's point.

On the service side, I'm extremely pleased also to advise, Hunter mentioned in the last call that we're on the verge of implementing trip plans, which again for those of you who may not have been on that call, a measure of the car from the time a customer leases it by the hour to the time it gets to destination is a commitment we make to the customer. When we measure our success, the expectation is 90% or better on a daily basis.

This was an extraordinary effort by the team; Ray in service design, Mike in the IT team and the operating team working together. But this created some pretty extraordinary results, the superintendents have gotten very engaged.

In a very short time, we've gone from implementation to the last two weeks exceeding over 90% on a daily basis, which, again, bodes well as an excellent tool for service excellence. It's going to give our marketing team a product to go out and sell when we talk about selling service to go with a customer, explain to them what we can do for them in lines of cycle time, explain to them how our shorter network in key markets can lower their transportation costs and help them win in the marketplace while we do the same.

And on the asset utilization side, cost control side, that's an even more exciting thesis. It makes us very transparent as we become better railroaders, making connections in our terminals, running our terminals better, faster asset turns, which obviously, we think, lower costs.

I mentioned also in the last call, from a productivity standpoint, an initiative we were going to go after this year on increasing our grain train lengths. We've had some success in that. We've moved up. Second quarter to third quarter, increased from about 11% at this point up to 124 cars per train with an objective to get to 134 cars, which obviously is a pretty significant productivity improvement, which is going to allows us to take out train starts and again improve fuel efficiency as we go forward and increase asset times to move more grains.

Sustainability, that's another key area we talked about. It's not enough just to do this quarter-to-quarter. As Hunter said, building the team to sustain the success as we go forward and shift this engine that we've created, low-cost type service to grow our top line.

Hunter and I spent last week with our superintendents and our general managers, we brought them together, took them off the property, spent three days in tents teaching how to become better railroaders. Some of these gentlemen, some of these ladies obviously didn't have an opportunity in their careers to spend three days with Hunter, so it's quite an eye-opener for them.

But it gave me a chance as well as we've worked with them not only to teach but to assess and build on the strength that we built through that bench as we get deeper. So extremely pleased from a sustainability and people development front as well.

Let's speak a little bit to the revenues. Obviously, a little bit less than what we expected, driven primarily by the grain that Hunter mentioned being pushed forward, down 9% RTM, 6% – we had 3% reduction in carloads, but that's obviously with the RTMs down more than the carloads. It's a reflection of declines in our low-cost crude traffic and weaker grain volumes.

Fuel surcharge hurt us about 2%. But on a positive note, as we go into Q4, the impact of fuel surcharge will be negligible. Freight was roughly 3%, excluding regulated grain. Some of that, though, is offset by the areas of business showing strength, which are our low expense per RTM, Canadian coal, export potash, U.S. grain, corn and soybeans were strong. So obviously, each of those on the commodity side have a low expense per RTM as we ship more of it.

In the fourth quarter, we expect a flattish RTM, driven by larger-than-anticipated Canadian grain moving forward taking longer to ramp up, as we explained. So that's going to drive us to a flattish Q4 as far as on RTM basis, but the worse is behind us. We're continually improving service. We're setting the foundation, as I've said, setting us up well as we head into 2017 and beyond for quite a bit of success, margin improvement and EPS growth.

So with that, I'm going to pass it on, proud to say, to our newest CFO at CP, Mr. Nadeem Velani, to provide some color on the numbers

Nadeem Velani

VP & CFO, CP

Thanks, Keith, and thanks, Hunter, for the confidence that the two of you have shown in me. I'm extremely excited with the new role and look forward to being part of the team for the long term, helping drive value for both our shareholders and customers. So thank you.

We can turn to the third quarter financial performance slide. As Keith mentioned, the top line was challenged this quarter with revenues down 9%, operating expenses on a reported basis down 6%. So if you remove the one-time gain we had last year from sale of D&H South, operating expenses were actually down 12%. So, pretty good performance all-in.

A few of the major items worth mentioning on the expense side, comp and benefits was down 16% versus last year, driven by lower head count and positive pension income. It was offset partially by wage inflation of approximately 3%. Also worth highlighting that change in share price added $26 million on the quarter and hurt the operating ratio by roughly 170 basis points. We had a strong run-up in the stock this past third quarter.

On the fuel side, expense was down 15% year-over-year, driven by lower volumes, lower fuel prices, and an improvement in fuel efficiency. However, in the quarter, fuel revenues declined faster than price, and the net impact was a $22 million headwind from the lag impact. So that was certainly a headwind that we faced this quarter.

On the purchased services side, a few of the highlights. It was down 16% to $228 million, largely due to lower crew hauling costs and fewer contractors. We also conducted a review of our network strategy this quarter. So this resulted in a $15 million favorable adjustment to liabilities that have been accrued for the discontinuance of certain branch lines.

Land sales in the quarter were $5 million and as we look ahead to the fourth quarter, we still have a significant amount of land sales, which we estimate to be approximately $50 million. All-in, our third quarter operating ratio was 57.7% an improvement of 220 basis points from the adjusted operating ratio of 59.9% in 2015.

So moving below the line, a few things to highlight on the other income and charges. It includes a $46 million charge from the change in non-U.S. dollar denominated debt as well as a $25 million charge related to a legal settlement. Interest expense was up 13% to $116 million due to the additional debt we issued in 2015 to repurchase shares, as well as the use of our commercial paper program. I want to point out the effective tax rate was adjusted to reflect change in traffic mix, as well as other tax planning initiatives. So we've mentioned it last quarter but we trued up the tax rates to 26.5% year-to-date, within the quarter it's actually 25.2%. As we look

forward, we expect to have a sustainable 26.5% effective tax rate.

Lastly, adjusted income for the quarter came in at $405 million or $2.73 per share. We did complete the NCIB program that we announced in Q1. We returned $1.2 billion to shareholders this year, at an average price of $75 per share. And over the last three years, it's worth noting we've purchased roughly $6 billion as part of our repurchase program.

At this time, we don't intend to upsize, instead, we'll be focusing on strengthening some of our key rating metric. Our net-debt-to-EBITDA metric, for example, is at 3 times. Some of the natural de-levering should put us closer to 2.7 times by the end of the year.

However, long term, we talked about our target to be in the 2-to-2.5 times range. Now that being said, if the market opportunity were to present itself, we may reconsider that position. So clearly, lots of puts and takes on the quarter, but when you take away some of the noise from fuel, stock-based comp and a few favorable items as well, the business was running closer to a 56% operating ratio.

As we head into Q4, with the land sales I mentioned, we'll probably bring the OR down to the low 50%s. If we exclude the land sales, we should exit the year at about a mid-50%s run rate. So that sets us up very well when volumes in 2017 inflect positive.

And with that, I'll pass it back to you, Hunter.

E. Hunter Harrison

CEO, CP

Thanks, Nadeem and Keith, for those enlightening presentations. And with that, Mike, we'll be glad to take questions from the group.

QUESTION & ANSWER

Operator

Thank you. [Operator Instructions] Your first question comes from the line of Scott Group with Scott Wolfe Research (sic) [Wolfe Research]. Please go ahead.

<Q - Scott H. Group>: Hey. Thanks. Not Scott Research yet. We're working on it. So, I know you guys don't typically break out price versus mix, but we haven't seen it negative before. So maybe Keith or Nadeem, can you give a little bit more color on that and break that out for us and kind of how you're thinking about that price going forward and also mix going forward as kind of some of the volume start to improve a little bit?

<A - Keith Creel>: Yeah. I'll let Nadeem add comments I guess here, Scott. But as far as I'm concerned, what you can expect going forward, the 3% to 4% stays the same. Maybe in this environment, it's closer to 3%. I'm not exactly sure. We'll look at that as we go into '14.

But what's driving the negative mix now, again, we think about the Canadian coal that's moving strong. We think about potash that's moving strong second half at a higher volume than we would have been moving it last year. We think about U.S. grain, the PNW. That grain, competing with BN obviously. We've raised the rates on that, tariffs have gone in, but in the third quarter, we didn't see the benefits from that.

So, as we go into the fourth quarter, that was a loss in itself coming flattish, and then in first quarter of next year, we were able to with the MRE take up the rates 4.8%. So, on the Canadian grain side, we'll see a positive inflection as well. So that explains from a mix standpoint. That's pretty much what drives that. I don't know if Nadeem can add anymore color than that. But I think that pretty much captures it, Scott.

<A - Nadeem Velani>: No. I think you got it, Keith, exactly.

<Q - Scott H. Group>: So, just to follow up kind of quickly, just as you think about the fourth quarter, Keith, you said kind of flattish RTMs.

<A - Keith Creel>: That's correct.

<Q - Scott H. Group>: Given some of mix and price, what does that kind of imply for fourth quarter revenue?

<A - Keith Creel>: I'd say flattish, yeah.

<Q - Scott H. Group>: Okay. Perfect. Thank you, guys.

<A - Keith Creel>: Thank you.

<A - Nadeem Velani>: So, Scott, just keep in mind, we got a bit of a headwind with currency in Q4. Fuel will be relatively flat, all things considered where we are today. So some of the elements are changing but that's what would change the percent for RTM.

<Q - Scott H. Group>: Okay. Thank you, guys.

<A - Keith Creel>: Thank you.

Operator

Your next question comes from the line of Fadi Chamoun with BMO Capital Markets. Your line is open.

<Q - Fadi Chamoun>: Yes. Good morning and congratulations to both Nadeem and Maeghan. A couple of things I just sort of looking into the next few quarters. If you can give us even a high level thought about what do you think 2017 looks like on the volume side, some of the things you think will work for you and maybe if there are any headwinds we should be thinking about.

And also, you mentioned exiting 2016 at a sort of a mid-50% operating ratio run rate. Is that volume dependent? What kind of volume you need to see in 2017 for that to sort of play out? And I'm assuming 55% is a over-the-year kind of target.

<A - Keith Creel>: I'll take a stab at this, Fadi. As far as volume in 2017, we're still doing a lot of work putting that all together. But the things that I think that are positive for us, obviously, the compares in 2017 on crude will diminish. Our book of business getting more that we'll be able to stop talking about it which is a positive thing.

First half last year, if you remember, had very weak potash volumes. I think that's a strength for us in 2017. As far as the operating ratio performance, the mid-50%s, when we say volume dependent, we're going to be flattish Q4. You can expect, I think, flattish, if not some upside in first quarter of 2017. So, barring a horrific winter, which I pray about every night, I think we can have modest volume growth in 2017 with a much improved operating base. And you're going to see some earnings growth in 2017. So we're optimistic about it.

FX as well may be something that's to think about in Q1 of 2017.

<Q - Fadi Chamoun>: Okay. Thank you.

Operator

The next question is from Ravi Shanker from Morgan Stanley.

<Q - Ravi Shanker>: Thanks. Good morning, everyone. Just wanted to dig a little bit deeper on the grain move. What level of confidence do you have that this actually happens as you expected, just given the fact that I think there was a bunch of snow over the weekend I believe in certain parts of Canada, which kind of makes this harder. And you did put out a fairly somewhat extraordinary press release I think last week where you put out this grain scorecard to make sure that everyone is kind of really delivering on this throughout the supply chain. So, again, what level of visibility do you have that this grain gets moved?

<A - Keith Creel>: I obviously don't have a crystal ball, but everything I'm seeing – I'm seeing and hearing nothing that takes me away from being bullish about grain versus last year. I was in Ottawa two weeks ago. I met with Minister Garneau. Stats Canada, there's numbers around 70%. The consensus is 72% to 74%. The issue that we've been dealing with the harvest, the late harvest in Alberta, I think it's 80% caused by the moisture. It's a real issue. I think it's causing, from a quality standpoint, more blending which is done in the prairies so to speak. So it slowed down the process of getting into the railcar.

But overall, the supply chain is doing well so far. As I said, it's fully charged now. We're going to have to keep an eye on it. And part of the transparency is exactly that on the grain car that we're producing. We were criticized heavily back in 2013 and 2014 for not doing our part which in fact was not correct. CP specifically, we moved more grain in 2013 and 2014 at that point than we ever had.

What we've learned though to make sure that we're all in the same sheet of music, this supply chain has to work in concert to grain companies, both at the port elevators that load the grain, offload the railcars and the field where they load the grain have to work 24/7 the same way we work 24/7 to optimize the supply chain. So we feel that by being leaders and being transparent and just stating the facts and not rhetoric, as we go forward, all players will see that, and I think all players will work together to improve on any deficiencies.

And if things do go south on it, at least the farmers and at least the government clearly understands what can and can't be controlled. And if it's things that we can't control, our voice is, our opinion is that they'll do the prudent thing and act on fact, not on rhetoric and speculation.

<Q - Ravi Shanker>: Got it. Thanks for the color. And just as a clarification, Nadeem, did you say in the fourth quarter you're going to be doing a mid-50%s OR ex-land sale and a low-50%s OR including that?

<A - Nadeem Velani>: Correct.

<A - Keith Creel>: He said it loudly.

<Q - Ravi Shanker>: Got it. Understood. Thank you so much.

Operator

The next question is from Walter Spracklin from RBC.

<Q - Walter Spracklin>: Thanks very much and congratulations, both Nadeem and Maeghan, well deserved. I guess, and Keith you mentioned on the crude how it's come down a little to a low level run rate. There's a lot of noise in that number with the wildfires and so on. What is a run rate we should plug into our model with regards to crude just on a base level as we look out to 2017 would you say?

<A - Keith Creel>: Walter, I'd be guessing it. I know we're going to finish this year somewhere around 30,000 carloads versus 95,000 last year. And if I guessed it, it would be a little bit less than that. That's probably what I would guess. I just don't know exactly when to put the pen yet.

<Q - Walter Spracklin>: Okay. And then the negative mix effect from that lower should – there should be less – much less of a negative mix effect on your yields in 2017, is that right?

<A - Keith Creel>: That's correct. That's exactly correct, Walter.

<Q - Walter Spracklin>: Okay. Perfect. Okay. Thank you very much.

<A - Keith Creel>: Thank you.

Operator

The next question is from Chris Wetherbee from Citi.

<Q - Chris Wetherbee>: Hey, thanks. Good morning, guys. Keith, I was wondering if you could comment a little bit on the competitive dynamic with – from a rail perspective and also from other modes of transport perspective. I think you have some shots on goal for some big contracts coming up here over the course of the next several months. Kind of wanted to get a sense of maybe how that's progressing. And then just maybe broadly speaking, how you guys are feeling your positioning is kind of going into the end of this year and the beginning of next year, given how lean sort of the operating system has gotten. It seems like things are running well on the network, just want to get a sense of how we should be thinking about that.

<A - Keith Creel>: Yeah, I would say from shots on goal, number one, the most important thing to stay focused on is we're not going to make bad business decisions. We're selling service. That's exactly what we're going to do. In key lanes, we've got a superior network. We got shorter routes. We got faster cycle times if we do our job putting in – putting that service in the marketplace and selling that compelling value to our customers.

I think that puts us in the game for those shots on goal, but more to come on that. Obviously, again, I'm not going to make a bad business decision. This team works too hard to produce what we produce. But certainly, we've got a compelling product out there. So we're definitely in the game.

I would think some of the things we've done too, if you think about some of the business that we have not secured as of late, again, that speaks to the discipline when it comes to price discipline, when it comes to selling service and actually improving the quality of our revenue as opposed to chasing bad revenue. So, again, stick with us there. More to come on that, but I think we're in good stead.

<Q - Chris Wetherbee>: Okay. So no real change in the confidence level around some of these bigger intermodal contracts that may be coming up. That's all stuff you're working on at this point.

<A - Keith Creel>: Yeah, we're approaching them with cautious optimism, I guess, is the best way to say it. The things I will say though, let's not talk about those contracts, in the areas that you see strength in our intermodal business specifically is more share coming off the highway. That cross-domestic – cross-border domestic intermodal service we put in last year is growing dramatically and has become very accretive and very beneficial for us. So it speaks again to the service, it speaks to the franchise and it speaks to what we're doing. We're not just going at the rail show – rail share, the bigger opportunities are out there on the highway which we're trying to capture and put on the railway.

<Q - Chris Wetherbee>: Okay. That's helpful. Thank you. Appreciate it.

<A - Keith Creel>: Thank you.

Operator

The next question is from Tom Wadewitz from UBS.

<Q - Thomas Wadewitz>: Yeah. Good morning and congratulations, Nadeem and Maeghan. Very well deserved. So it's great to see that. Wanted to see – I know you got a question along these lines earlier in the call, but just wanted to make sure I'm understanding it right. So you're saying like a 55%, 56% type operating ratio in 2017, that's a reasonable expectation if you get, I think, Keith, you said modest volume growth. So would that be something like 2% to 3% volume growth? Is that the right framework?

<A - Nadeem Velani>: No. Tom, just to clarify, we haven't kind of indicated – we'll get back to you on January as to when we give our guidance for 2017. I guess my point was in the back half of the year here as we – this quarter, and as we close out Q4, we'll be exiting with a mid-50%s type of OR, low-50%s in Q4 if you want to include the land sales, the kind of mid-50%s excluding. That's where we're setup. We'll get back to you on where we think the top line looks like and the various puts and takes for 2017, but it's too early to talk to that at this stage.

<Q - Thomas Wadewitz>: Okay. So you wouldn't say that's wrong. It's just you don't want to go down the path of being too specific on the guidance for next year. Is that what you're saying?

<A - Keith Creel>: You can expect margin improvement. We're just not exactly ready to tell you – guide you to where we think it

might be.

<A - Nadeem Velani>: There's puts and takes with pension, with some of the – with the volume outlook, with – obviously, we'll see where currency lands and a few other things that we're going through the planning cycle as we speak. And so it's October, we'll get back to you in a few months.

<Q - Thomas Wadewitz>: Thank you, Hunter. I appreciate that. So, on the volume side for next year, can you just give me a sense of how much conviction do you have or how much visibility? It seems like you've got leverage to some of the segments where there is good reason for optimism, potash, grain, the global met coal market seems pretty strong and your domestic intermodal is showing some traction. But I mean how much the visibility and conviction do you have that those segments can drive some volume growth when you look at 2017?

<A - Keith Creel>: I would say you summarized it. As far as conviction, I mean, obviously don't know what the economy is going to give us. I think this slow growth is sort of the new normal. But I think we've got slow growth, we've got superior service and we're recapturing market share that I think we should benefit from that, Tom. And those are the areas that you summarized are exact – some of the exact areas along with merchandise that we expect to see some wins in the marketplace.

<Q - Thomas Wadewitz>: Right.

<A - Nadeem Velani>: Last January, think about the bulk franchise and the commodity prices and how we were kind of getting penalized for how negative the commodity outlook was. Well, I would reverse that right now. And that's kind of the strength of our conviction on the top line. 40%, 45% of our business is bulk. And I think we have some – a lot more visibility there than, say, energy now. At the same time, energy's become such a low component of our business that it's going to be – it's almost insignificant once you get past the first quarter in terms of the comps. So we're setting up well with intermodal, has turned positive here in the last several months, even merchandise, autos and forest products and some of the key merchandise lanes. But it's a – but again, it's a difficult uncertain environment, but we feel pretty good about some of the – how things have transitioned the last several months.

<A - E. Hunter Harrison>: Tom, I think I would add this. I think the thing that we don't really understand and know and all these other things that Nadeem and Keith had mentioned are very positive. But I think one of the things that I give a lot of thought to is what's going to happen in November for the election. And that could have big, big impacts both plus and minuses. We're just going to have see how that shakes out. I mean, it's got impacts on freight, it's got impacts on environmental issues, and there's a lot of things that can swing with what takes place in the election. I'm not picking a candidate. I'm not telling you what the outcome is going to be. I'm not that smart, but there's more to come on that.

<Q - Thomas Wadewitz>: Right, right. Okay, great. That makes sense. Thank you for the time.

<A - E. Hunter Harrison>: Thanks, Tom.

Operator

The next question is from Ken Hoexter from Merrill Lynch.

<Q - Kenneth Scott Hoexter>: Good morning. I'll also echo congrats to Nadeem and Maeghan. Keith, maybe you could delve into the employees which are now down below 12,000 and when you think about the operating expense and your operating ratio going forward, you've dropped from 17,000. That was a big program that you and Hunter kind of focused on initially. Are we done on that side or do you still look at that with your whiteboard sessions and say, hey, there's still room for more efficiency gains on the comp and benefits side. And then just a minor one, depreciation also actually went down sequentially. Just wondering, is that a new level as you retire equipment or anything or anything on the expense side?

<A - Keith Creel>: Well, on the people side, obviously, we're not going to make the same quantum leaps we've made over the last four years. But we're never done. You can always expect productivity improvements. So I would say marginal improvement there, not quantum leaps. But certainly, you can expect us to become more productive and more efficient as we invest in physical plants, we speed trains up, midstream sidings, we reworked yards.

There are several initiatives that I've talked about that haven't been fully implemented both on engineering side as well as the

operating side that will drive the different additional synergies and manpower savings as we go forward. So that will be incremental change but always expect incremental improvement. We're not finished there.

<A - Nadeem Velani>: And, Ken, yes, it's a fair run rate going forward on depreciation.

<Q - Kenneth Scott Hoexter>: Thanks. Keith, just to follow up on your statement around on your steps to implement the trip plans, is that something that there's future efficiency? Is there a tail from that program that we should see over the next few quarters?

<A - Keith Creel>: Yeah, you'll see additional car velocity. You'll see car miles per car day go up. You'll see dwell time go down. You'll see operating costs in the terminals improve as we make connections to get it. This incremental step change is all part of the story. It's how we continue to drive incremental productivity improvements on cars, locomotives and people, hits all three areas.

<Q - Kenneth Scott Hoexter>: Is there a magnitude or CapEx impacts on that?

<A - Keith Creel>: No CapEx.

<A - E. Hunter Harrison>: Positive.

<A - Keith Creel>: Yeah, obviously, to a point, it defers CapEx when you come to replace an equipment, when you're not having to replace as much of it, I guess. But as far as anything material, you can expect the same on the CapEx side, $1.1 billion to $1.2 billion is what we see for the next few years at this point.

<Q - Kenneth Scott Hoexter>: All right. Appreciate the time. Thanks.

Operator

The next question is from Brandon Oglenski from Barclays.

<Q - Brandon Oglenski>: Good morning, everyone, and congrats as well, Nadeem and Maeghan. Hunter, I don't know how many more conference calls we have you, so I want to ask a longer-term vision of the industry if you don't mind. There's a lot of capital going into disruptive technology modes for transports, a lot of talk about platooning and autonomous or semi-autonomous for trucking. And how does the railroad industry adapt to these future changes or potential changes? We also see a lot more growth in e-commerce versus traditional retail.

So where do you see the industry going especially with the implementation of PTC? Is there hope for single crews? Obviously, there's a big push-back against mergers last year that we all know quite a bit about, but what is the future if trucking or on-highway or other modes of transport become that much more competitive? What does the railroad industry do going forward?

<A - E. Hunter Harrison>: Well, you know that my answer is going to be different than others, so it's not going to be your conventional wisdom. But I would say this, the rail industry needs to wake up and before others can go back to the basics. That's where we need to strengthen. This is not about technology. This is about we got a lot of basic things to do.

Positive train control is not positive train control, okay. It's an acronym that people don't understand. If a car rolls out of a yard, it rolls into the side of the train, positive train control has nothing to do with it. It was a political reaction.

There's a lot of, in my view, a lot of time and money wasted in those efforts. I just think that as we look at and analyze, for example, some of the accidents that take place, our view is that most of them are human behavior. And we don't spend much time on human behavior. We spend much time on technology and driverless trains and those things that I don't – I think the whole issue can be addressed with – there's nothing like a safe manner really.

And until we wake up to that – there was a well respected individual in this industry going back 70, 80 years ago. I wasn't here then, but let the record reflect, but one of the statements he made was that their strategy was to get rid of people at all costs. What a hell of a thing to say. So whatever influence or efforts I have, if any, in the future is going to be, first, to really look inside and see what is taking place and happen. And we talk about computer, computer-assisted dispatching and different things.

And at the same time you look at this article next to it and it talks about hacking and terrorism and who's going to get in the computer, and I think if we're not careful, we're going to lead ourself to places we don't want to go.

<Q - Brandon Oglenski>: Thank you.

<A - E. Hunter Harrison>: Now the AAR will love that… but that's the way I see it.

Operator

The next question is from David Vernon from Bernstein.

<Q - J. David Scott Vernon>: Hey. Good morning, guys, and thanks for taking the question. I guess, as you think about the mid-50%s OR heading into next year, if we see sort of a flat volume environment, do you think you can still sort of make some forward progress on the OR, or do you think that will be more of a flat outlook for that?

<A - Nadeem Velani>: Well, I would say, David, if you think about with some of the puts and takes, we can't control the volume environment. What we can control is the cost and the service, and that's really what we focus on. So, if you look at some of the deposits that we had this year with land sales and pension and so forth, you factor some of that out, we're not going to need volume to drive operating improvement. We're not going to need volume to drive margin improvement. There's still opportunities ahead of us on that front. So, if we finish this year kind of in that 57%, 58% range whole year and we were closing the back half of the year below that, you can expect us to see some sequential improvement. We've talked long-term about how we still have opportunities to improve the operating ratio, independent of volumes so just like we've done this year.

<Q - J. David Scott Vernon>: Thanks for that. And then maybe just on the domestic intermodal side, obviously, the sequential improvement in that volume growth, is there something you guys have made changes into in terms of the schedules and the way you're marketing that that should lead us to think that that step-up will annualize, or is this just you hit the market at the right time with some services? Can you give us a little bit of color on what's driving that inflection on the domestic intermodal?

<A - Keith Creel>: Yeah, we targeted and implemented a new service in a market that we weren't serving: cross-border domestic, so that market from Toronto – Montreal, Toronto down to Chicago to more, again, taking trucks off the road, utilizing our cost advantage and our service advantage. So, as we go forward, I think that the fuel is going to adjust. I think some capacity will tighten up, and I think that bodes well for maybe strengthening domestic intermodal proxy in 2017.

<Q - J. David Scott Vernon>: So that domestic intermodal...

<A - E. Hunter Harrison>: I've said this before, and let me add, I think this group will benefit very, very well in area of the domestic intermodal that you raised the question. When you see interest rates rise, people don't pay a lot of attention today to carrying cost of inventory and safety stock and those things with interest rates where they are. You let interest rates go back to where they were in the late 1970s, early 1980s and carrying costs are like 45% and watch the person providing the service capture the business.

<Q - J. David Scott Vernon>: All right. Thank you.

Operator

The next question is from Brian Ossenbeck from JPMorgan.

<Q - Brian P. Ossenbeck>: Hey, thanks for taking my question. A lot of the softness you talked about here until the end of the year and this quarter was the delay in grain. But I wanted to ask about more so on the coal. Coal side is running about down 7% year-to-date in carloads. I think the last time I heard an update on there was finish flat for the year. It seems like to imply a pretty hefty amount of volume in the fourth quarter. So just wondering if that's still a possibility. And then is there any type of upside you would see with working with your big mining customer to take advantage of some of the upward move in price on the seaborne market for met coal, maybe not this year but next year?

<A - Keith Creel>: Let me say this. On the carloads, that's a little bit misleading. You got to understand the franchise itself. The

carloads are down significantly year-over-year on the U.S. side. Short-haul coal, the biggest proponent to the business or the big chunk of business is actually Teck export coal which has run into pretty strong run rate now. So don't get too misled by the carloads. We'll still finish from a tonnage standpoint flat if not up slightly over last year in 2016.

And given that they're running at close to peak volumes, we're not assuming a huge upside next year. Marginal growth, but certainly some growth, on coal overall. And then from a compares standpoint, you lap the carloads, sequential carloads decreases on the U.S. side from a carload standpoint.

<Q - Brian P. Ossenbeck>: Okay, great. Thanks for clarifying that. And I guess just one quick one on capital structure, Nadeem, you mentioned a bit about leverage and buybacks. But with regards to the dividend which you just raised recently, maybe you could give us a feel for the board's thinking of that for the longer term when you look at the yields versus yourself from the rest of the peers, not in Canada but across the product group?

<A - Nadeem Velani>: Yeah, I mean, Brian, I don't want to speak for the board. I think it'd be more appropriate for Hunter and/or Keith to speak to the dividend versus buyback. I would just say that we've recognized that our dividend was quite lower. Yield was, I think, 0.7% and the board recommended a pretty significant change, increase up I think 43% in April, May timeframe which was done. Stock was trading at a pretty low value in the spring. We took advantage of that with our buyback. We've been very clear that we plan to invest back in the infrastructure or back into the business. But beyond that, we'll return the cash to shareholders. I think our pre-cash generation is very strong this year and will be stronger next year.

And so with that, it's going to be somewhat – we're not going to I think change our tune on how we distribute cash or the quantum of how we distribute cash, but other than to say, we're going to be sensitive to what the stock price is.

We're going to be sensitive to our shareholder desires. I think our shareholders' composition has increased to the highest it's been since I've been here. In terms of our Canadian ownership. We're getting close to 40% and that's going to have an influence in what the board decides. So I think those are kind of my overall thoughts and maybe Hunter can offer a bit more insight there.

<A - E. Hunter Harrison>: Yeah, Nadeem answered the question and he turns it over to me. But I would say this, we face the same questions every year. The first call on cash is back in the company, is where we need to spend it on the basic infrastructure of the company of rail ties, ballasts, locomotives and whatever, we will. Now this team has done a pretty damn good job in controlling capital spend and improving asset utilization. So our capital spend has been down. So there's been more cash. Nadeem, I think, mentioned earlier, given the rationalization of some of the operating yards, there's going to be some pretty positive free cash flow coming out of our subsidiary that we do a joint venture with called DREAM.

So I think that it will be down to what's the most effective, efficient way to return those efficiencies to the shareholder. And I think there will always be some debate between buybacks, dividends, special dividends or whatever. I think if I had to make a guess, I think in the future, and it gets into tax policies between the two countries, but I think my personal view is maybe we were a little light on dividend mix and maybe the dividend will increase a little bit as opposed to we've been stronger in the past on buyouts, on buybacks.

I think we'll always be very sensitive to the intrinsic value of the franchise going forward and we're not going to buy back to buy back, but if it's a value proposition and it's the best place to spend for the shareholder, then we'll do it.

So we have all of those things at our disposal. And given the environment we're in and the various tax policies and the mix between Canada and U.S. ownership, as well as other – probably 20% of our stock is held outside of Canada and

U.S. So all those things will be there, but I guess the positive thing is, as long as we keep operating like we are, and I'm convinced we'll do that and even better, those will be great issues to debate.

<Q - Brian P. Ossenbeck>: That's right. Okay. Thanks a lot for your help.

Operator

The next question is from Justin Long from Stephens.

<Q - Justin Long>: Thanks and good morning. I had a couple quick ones. First on land sales, so you gave an expectation for the fourth quarter. I wanted to see if you had any initial expectation for 2017 land sales. And then, secondly on auto, we saw some sequential weakness in the quarter. So I was wondering if you could just provide some more color on that business and how you're thinking about the progression of auto in 4Q and into next year.

<A - Nadeem Velani>: So, on land sales, Justin, I'd just say they're lumpy. I would say that we have opportunities ahead of us. We've had some kind of ongoing land sales the last several years and it's part of our strategy to, again, monetize assets that as they become redundant and so forth. We have this opportunity with DREAM that Hunter spoke to. Again, we'll get back to you in January with a view on where land sales will fall in for the year. But at this point, I assume, 100, 110 that we are, for this year will probably a bit of a headwind into next year's probably a fair assessment.

<A - Keith Creel>: I think on the auto weakness, the best way to describe that is, again, more about the discipline story. We're not going to chase business, some business. We just can't make the numbers work on. We're focused on quality revenue, which is what we're actually realizing the business we retain. We're going to make a buck to be paid for the superior service that we provide, and we're going to leverage the strength of our franchise, the lanes that we serve best, which is exactly what we're doing. So that's the story on the auto side.

<Q - Justin Long>: Okay. Fair enough. I'll leave it at that. Appreciate the time.

<A - Keith Creel>: Thank you.

Operator

The next question is from Benoit Poirier from Desjardins Capital Markets.

<Q - Benoit Poirier>: Hey, good morning, gentlemen. Thanks for taking my questions and congratulations to both Maeghan and Nadeem, so very happy. And just one question. Just want to – was wondering if you could provide an update, Nadeem, on the pension benefit, whether you're still expecting kind of $90 million this year. And when you look at the current discount rate, I was just wondering what type of headwind it could represent for CP going into 2017. Thank you.

<A - Nadeem Velani>: Thanks, Benoit. So, right now, we have a tailwind for this year of about $80 million, $90 million for 2016. We'll get back to you in January. I hate saying that with all these questions. But I think, at this stage, if you look at where discount rates, they're down about 60 basis points from where they were earlier this year.

But on the positive side, our asset returns are very strong. If we had a crystal ball and if we tell you where we are today, it's going to be actually a tailwind for 2017, so not a headwind for us on that front. Again, we'll have more color in January with – depending on where discount rates end up and how asset returns finish up for the year. But at this stage, it's going to be a tailwind for us.

<Q - Benoit Poirier>: Well, okay. Very good color, Nadeem. Thank you.

<A - Nadeem Velani>: Thanks, Benoit.

Operator

The next question is from Jason Seidl from Cowen & Company.

<Q - Jason H. Seidl>: Thank you, operator, and congratulations to both of you with the new roles. I wanted to get back to Keith on the pricing front. You mentioned probably at the low end of your historical range at 3%. Given the market, do you feel this is going to be a bottom, especially on some of your truck-competitive traffic? Should we look at 2017 to be potentially stronger on the pricing side?

<A - Keith Creel>: I do think it's bottomed out. Obviously, we've got to wait see how strong market it is. I don't know exactly where

to put pin, but I would say it's fair to say that I think it's bottomed. The 3% [indiscernible] (53:38) the strength of the economy.

<Q - Jason H. Seidl>: Okay. No, that's fair enough. Just also a clarification, I think you guys – I think, Nadeem, you're talking about 4Q. Was that expectations for flat revenue and volume, did I hear that correct?

<A - Nadeem Velani>: For?

<A – Keith Creel>: 4Q?

<Q - Jason H. Seidl>: 4Q

<A - Nadeem Velani>: Yes.

<Q - Jason H. Seidl>: Yes.

<A – Keith Creel>: That's correct. Flattish revenue environment, correct.

<A – Nadeem Velani>: On an RTM basis.

<Q - Jason H. Seidl>: Okay. Perfect. On an RTM basis, fantastic. Gentlemen, thank you for the time as always.

<A - Nadeem Velani>: Thank you.

<A - Keith Creel>: Thank you. Take care.

Operator

The next question is from Keith Schoonmaker from Morningstar.

<Q - Keith Schoonmaker>: Yes. Thanks. A quick follow up on the gap between intermodal unit growth versus RTM growth. You mentioned on domestic that this was from the expanded cross-border traffic into Chicago, but could you elaborate a bit on the 16% RTM growth in international with flattish carloads there? Thank you.

<A - Keith Creel>: Yes. We're growing over Vancouver, both export and import with our existing customers, which is longer length to haul drives more RTMs.

<Q - Keith Schoonmaker>: Vancouver into the Midwest, I think, Keith, is that right?

<A - Keith Creel>: Yes. Midwest and Eastern Canada as well, both the Chicago market, Montréal, Toronto.

<Q - Keith Schoonmaker>: Is that a major win or simply just growing with existing?

<A - Keith Creel>: Yes, it's existing shipping lines, leveraging our service and growing in their marketplace, which obviously benefits us.

<Q - Keith Schoonmaker>: And one more. Has it grown markedly because of the failure of Hanjin or is this just secular growth?

<A - Keith Creel>: It's excluding Hanjin. Hanjin's really had no impact at all. So, maybe that's upside for us, all that still has got to shake out. We're partnered with Hyundai, which obviously is the other Korean carrier, but at this point that we see no material change or benefit, plus or minus from the Hanjin situation, given the minimal revenue we've inputted.

<Q - Keith Schoonmaker>: Right. Okay. Thanks very much.

<A - Keith Creel>: Thank you.

<A - E. Hunter Harrison>: Let me add something about – something to be cheerful of and watch. This is not something that the industry is proud of, but our RTMs, when you're looking at RTMs from an intermodal standpoint, they're not a real good reflection of actual RTMs because a lot those trailers and containers, we don't actually get weights on. Their estimated weights, estimated by the customer, and so when you look at our RTMs for container as opposed to boxcar, the accuracy leaves something to be desired there.

Operator

The next question is from Bascome Majors from Susquehanna.

<Q - Bascome Majors>: Yeah. Thanks. Let me reiterate the congratulations for Nadeem and Maeghan in here. I just want to clarify a bit on your comments earlier about the buyback and the cash flow priorities. Can you confirm – so from a repurchase standpoint, are you going to continue to repurchase shares with cash flow and just not add debt to do it, or will you be starting to divert that cash flow to actively deleverage in addition to doing so by growing EBITDA?

<A – Nadeem Velani>: Well, Bascome, our NCIB goes with – it started back in May of this year. What I said is it wouldn't be our recommendation at this point to upsize. We worked hard to get our credit rating to an investment grade. We built up some of the leverage above our kind of natural comfort zone of 2 times to 2.5 times where we'll generate a lot of cash over the next several months. We'll delever closer to 2.7 times.

As we generate additional cash, we'll probably get closer to the 2 times to 2.5 times kind of range is where we'd like to be. Again, to Hunter's point, it's going to be dependent somewhat on the intrinsic value and where we see opportunities to get to maximize our use of free cash and do the right thing for shareholders. We're not saying that we're not going to buy back shares. We do think we're still in that growth cycle.

We're still the fastest EPS grower in the industry, and we're not signaling anything there differently, so I would just say that be patient. We're not changing our philosophy on returning cash to shareholders whatsoever. We're just going to make sure we do it in the most prudent manner.

<Q - Bascome Majors>: Understood.

<A – Nadeem Velani>: Thanks, Bascome.

Operator

The next question is from Brian Konigsberg from Vertical Research Partners.

<Q - Brian Adam Konigsberg>: Yes. Hi. Good afternoon. Thanks for taking my question. Hey, going back to some of the very early comments, Hunter, you initially talked about the grain market when you were saying things have been delayed. You think part of it is obviously the weather but also some actual market weakness or softness as well. Can you just provide a little additional color around that, and, Keith, maybe, how you're incorporating that into the confidence level you talked about?

<A - E. Hunter Harrison>: Well, I think if you go back that we have done and spent a lot of time on and analyzed the supply chain, the pipeline or whatever. And you say, why are some of the problems created? One of the things you will find is here we're sitting now with record levels. If you believe the market, and I want to be able to believe, because if you don't – you're not dealing with the facts, you can't be accurate, that there's a bumper crop out there that's not moving. We've got assets in place. We got people in place. There's expenses associated with those, and the excuse is of the pipeline and we're all part of it as well there's some weather.

Well, look, I think that if you look at the world market and what people are paying for grain, if that price went up and it's a – I'm not an expert on that and I don't follow it daily, but it's a little soft and if it gets better, they'd figure out ways to get the grain out of the field and get it to market.

What happens is the inefficiency is when you sit here, every day we sit is a missed opportunity to move grain. If the market breaks loose and the price goes up and the weather dries up, then everybody is going to want to move the grain at the same time.

Now, we're going into the holidays and we get Thanksgiving in the U.S. and we've got Christmas in both countries, and we've got shutdowns, and then we wake up in January and somebody says oh the grain's not moving. So I think as we really look at the facts,

and Keith and company have spent a lot of time with the grain freights and customers.

And there has been, overall, a cooperative effort, and I think this situation is improving, and I think all of us, to some degree, reputationally – there's much more appreciation maybe for what's being done this year than maybe there was, to go back to Keith's point, in 2012. So what I'm saying is the price of grain worldwide has impacts on the pipeline in Canada and people sometimes don't make the connection.

<A - Keith Creel>: Yeah. The only thing I want to add, Hunter is speaking exactly to the message, our motivation to move the grain, pricing capacity, and what we're losing by not shipping at peak capacity earlier than we have. As I said last week, we did hit peak capacity. We got to make sure the supply chain is going to be able to sustain it. And barring some atrocious winter. And I'm assuming – I am taking Stats Canada their word and I'm taking the consensus of the grain companies, some are higher, some are lower, but in general it's north of 70MT, which is more the grain than we moved last year. I don't say I'm bullish, but I'm confident that the grain is going to be there to move and land is going to dry out, supply chain is going to succeed.

I know that, to Hunter's point, the grain companies we work closely with, some of them more progressive than others, but some of the bigger players in the industry have invested hundreds of millions of dollars to improve their throughput capacity on the West Coast. Extremely proud to be partnering with those folks.

Our dedicated trains which were, I think, very innovative in the industry, innovative in Canada are sold out, as well as in the U.S. So, again, I don't have a crystal ball, but I'm taking Stats Canada at their word. I'm taking the grain companies at their word. They're putting their money where their mouth is, and I'm expecting a nice harvest, and I'm expecting the supply chain to sustain and this new partnership to work well for us. And I think we'll move record amounts of grain in this shipment year again versus last year.

<Q - Brian Adam Konigsberg>: Great. That's helpful. And if I could just add one follow-on, Nadeem, just on the share count. So you did buy back another slug of stock, but I would have thought that your share count would have ended lower. Was that just a case of being weighted towards the end of the quarter? And I guess on that point, maybe you could provide where the shares ended Q3 at?

<A - Nadeem Velani>: Yes. We ended at 146.3 million.

<Q - Brian Adam Konigsberg>: Okay.

<A - Nadeem Velani>: So it's just timing and in terms of the purchase. We utilized a grid that basically tries to maximize how much, buying at the right price. So we'll accelerate it when it's lower. The stock has moved up, it pulled back and so forth. And some of the timing of purchases changes. We're probably more aggressive earlier in the quarter. But we ended up 146.3 million.

<Q - Brian Adam Konigsberg>: Got it. Thanks.

<A - Nadeem Velani>: Thanks, Brian.

Operator

The last question is from David Tyerman from Cormark.

<Q - David Tyerman>: Yes. Good morning. Just a quick question on CapEx. In 2016, it looks like so far, you're running a little above the $1.1 billion. So is that still the number for the year, and any thoughts for next year, preliminary?

<A - Nadeem Velani>: Yes. We had one project that was higher level than we anticipated. And effectively, we're going to be at about $1.2 billion this year, just a little bit more color on the MD&A as well. I would say that, as Keith described, $1.1 billion to $1.2 billion is where we see things currently over the next several years. It's somewhat dependent on currency, of course. A stronger U.S. dollar does hurt our CapEx spend. So outside of any dramatic changes there or any volatility there, $1.1 billion to $1.2 billion is a fair number for us.

<Q - David Tyerman>: Okay. Thanks. And congratulations, Nadeem, and same to you, Maeghan.

<A - Nadeem Velani>: Thanks, David.

<A - Maeghan Albiston>: Thanks.

Operator

I will now turn the call over to Hunter Harrison.

E. Hunter Harrison

CEO, CP

Thanks, Mike. I was sitting here, reflecting as I was listening to this dialogue, and I think it's worth spending just a moment to reflect back when some of us walked in here as it seemed four years ago and what we found, and we said, and what has happened. And I think it gives some indication of what you can maybe expect in the future.

But as I went out in the field and visited with customers, first of all, I was advised not to do that because I might be assassinated. There were three things that were issues. One, we clearly had to get the costs under control and we were at the point, somewhere around in 81% operating ratio. That was some weather reflected bad year, so normalized that some say was 78% or whatever it was.

We were getting horrible criticism about grain handling and what we were costing the farmer in Canada, and reflections that our service was just atrocious. And our service was bad, but the problem was even when it was brought to our attention, the recovery time to fix those problems was almost unbearable from the customer standpoint.

Well, today -- and at that point, we said here's what we're going to do, here's what we're going to try to accomplish and it met with a lot of skepticism from the markets and from a lot of you, rightfully so.

But the cost has come down from 80% thereabouts and now we're debating about, God forbid, mid-50%s. And at that time, people couldn't even spell six, much less five. So cost doesn't appear to be an issue. Keith, as he's talked on the call on a good deal, and the team on the grain side have turned the situation around, and I think it's safe to say that from wearing a black hat, they've taken a leadership role and moving the grain in Canada which we are all internally very proud of.

And I think the third thing that we had to improve and the one that I was concerned, would we get there in my tenure here, and that was trip plans and that was service. And as Keith indicated to you earlier in the call, we're there. It's implemented. Even beyond my level of expectations, and they're pretty high. And we had I think a couple of days last week than we were over the 94 level.

So, we don't hear things about costs. We don't hear much about grain. And I guess the proudest, is that I don't get many calls from customers complaining about service. And so those three things were probably the key in this organization being able to improve market cap and reward shareholders and those things that you know hopefully better than I.

So, it's been a very pleasing experience, and I want to congratulate this team for those accomplishments.

And the only other comment that I would have, I'm a little bit jealous here, this morning. Everbody's congratulating Nadeem and Maeghan about their new positions. Hell, I'm leaving and nobody's congratulating me.

So, have a good day. Thank you.

Operator

This concludes today's conference call. You may now disconnect.