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Transcript

Q3 2017 Earnings Call

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Corporate Participants:

Keith Creel, President & CEO Canadian Pacific

John Brooks, CMO Canadian Pacific

Nadeem Velani, CFO Canadian Pacific

Maeghan Albiston, AVP Investor Relations Canadian Pacific

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon. 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 2017 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'll 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, Canadian Pacific

Thank you, Mike. Good afternoon, everyone, and thank you for joining us today. Before we begin, I want to remind you this presentation contains forward-looking information. Actual results may differ materially. The risks, uncertainties and other factors that could influence actual results are described on slide two in the press release and in the MDA, filed with Canadian and U.S. regulators. This presentation also contains non-GAAP measures which are outlined on slide three.

With me here today is Keith Creel, our President and Chief Executive Officer; Nadeem Velani, Chief Financial Officer; and John Brooks, our Chief Marketing Officer. The formal remarks will be followed by Q&A. And in the interest of time, we would appreciate if you could limit your questions to two.

It is now my pleasure to introduce Keith Creel.

Keith Creel

President & CEO, Canadian Pacific

Thank you, Maeghan. Thank you for joining us. Welcome to the call. I think the first order of business, though, before we get into reviewing the quarterly performance, I need to make an administrative announcement. Yet another change in our C-suite at Canadian Pacific, specifically in the CFO office.

I'm happy to announce that effective today, based on his leadership and his contribution and to recognize what we at CP feel and I personally feel is the best CFO in the industry, if not others, effective today we promoted Nadeem Velani to Executive Vice President and CFO of Canadian Pacific. So congratulations, Nadeem. Certainly well deserved.

On to the quarter. And listen, I can say – suffice it to say as well, I'm extremely proud of these results. Proud because they reflect success on multiple fronts: success for our shareholder, success for our customers and success for our CP family of 12,000 railroaders that make these results possible day in and day out as they execute what actually results, produces, fuels and enables these results, and that's called our precision scheduled railroad operating model, which at the end of the day, the end product is sustainable growth in a disciplined, safe and cost effective manner which are reflected in these third quarter results, driving our revenues up 3% versus last year.

Operating ratio a stepped improvement again, 100 basis points to 56.7%, a 5% increase in our operating income, 6% increase in our adjusted EPS to \$2.90, based again on a solid foundation of operating performance. On the operating team side, train weights, terminal dwell, car miles per day, locomotor productivity, all surpassing and setting last year's records, of course, establishing new records for us to work against as we go into next year.

Strong performance on the safety side as well, which is extremely, extremely encouraging. Train accidents stand at 23% year-over-year, personal injuries down in excess of 13% year-over-year. So with all that said, as you can imagine and you would expect with a solid performance year-to-date, some momentum, very good momentum heading into the fourth quarter. We've raised our full year guidance to double-digit EPS growth.

Equally encouraging on the labor front, I think it's important that I give you a quick labor status update. As I've said when I

started in this position about eight months ago, one of my first priorities as we grow forward into the future is to strengthen and deepen our relationship with our employees, the people that make this happen day in and day out for this company, certainly a key stakeholder. Historically, while we have made tremendous progress on a lot of fronts, we had not made such great progress in the change that we've driven on the TCRC, specifically running-trades front.

So after months of very encouraging conversation, certainly a lot of hard work on both parts, a step of faith on both parts, trust being built between the two parties. In September, we came to an agreement of a one-year renewal to the existing collective agreement which essentially puts us through the 2018 time period before we go back into the negotiating process both with the TCRC, as well as with Unifor at that time.

Other labor – on the other negotiating front, we made a lot of progress as well, negotiated a number of long-term agreements ahead of expiry in 2017. The two outlined contracts that we're working on currently would be the IBEW and CP Police, and I'm very optimistic on those as well. I would expect that this pattern that we've set would certainly be a positive pattern that would be followed working in concert, in partnership with those two unions as well.

As far as the TCRC agreement itself, it's out for ratification. As I mentioned, we'll have the results at the end of this month, but again, very optimistic and upbeat on what we expect that to be. I do expect that to be a strong for vote, which bodes well for us as we grow again into the future from a reliability standpoint as far as our contract employees are, both on the Canadian side as well the U.S.

From a service standpoint, encouraging as well. Trip plan compliance, which we implemented about this time last year as we worked the bugs out and continue to start to bear fruit on. Compliance has gone up to over 80% for the quarter, that continues to improve.

And equally encouraging on the grain front, although we did start a little bit slow and we talked about that. You saw it in the numbers at the beginning of the quarter. We gained momentum; we established a rhythm, and in September on the Canadian side, we set an all-time grain record for grain loading for this company, an accomplishment that was entirely supply chain driven and related and we all should be proud of working in concert both with the ports, as well as our partners in business, the grain shippers.

We had a very strong quarter as well in export coal. The last two quarters have been two of the largest coal shipping quarters on record, and all of these while moving record frac sand volumes and bringing new business onto our network.

On the customer front, we're working to leverage our network strengths. We're leveraging our service and again focused on growing in a profitable and sustainable way. Recent wins, which John will touch on, both on the intermodal front as well as the automotive space, and as well we continue to extend our reach and our service offering for our customers by giving our customers access into new markets like Detroit with best-in-class service, as well as Ohio Valley which we announced last year.

I think it's critically important though to understand as well we're not going to chase the short term. This railway, this operating model, this discipline, this culture, we're focused on building long term sustainable value for our customers, for our shareholders, for our employees, all three constituents. We've been disciplined through the downturn. We've priced our business for service. We aren't going to – have not and will not commoditize ourselves. We've been criticized that by some, some naysayers. I would suggest that they didn't understand the story. But as this proves out, we're at an inflection point as we go forward to be able to convert to sustainable long term growth and value creation again for CP, our shareholders, our customers and our employees.

With an improved demand environment, looking forward, this franchise is uniquely positioned. We've got the cost structure established, we've got the service to compete, we've got locomotives, we've got people, we've got track and terminal capacity, we've got fluidity to grow with our existing customers, as well as bringing on new business at strong incremental margins. So suffice it to say, we're excited about the opportunities we see ahead of us.

With that, I'm going to hand it over to John to bring some color on the markets, the initiatives that I've mentioned, before we turn it over to Nadeem to provide color on the numbers.

John Brooks

All right. Thank you, Keith, and good afternoon, everyone. As Keith said, total revenues were up 3% this quarter, up to \$1.6 billion. RTMs were up 4% year-over-year, and foreign exchange was a 2% headwind while fuel surcharge added a 1% benefit.

Pricing improved this quarter. Same-store price landed towards the high-end of 2.5% to 3% range. And I can tell you we're optimistic that pricing could present upside as we look forward. This was partially offset by negative mix as a result of stronger crude shipments, coal, potash, combined with weaker automotive volumes and fertilizer.

A quick reminder as you model out the remainder of 2017. It's fair to assume RTMs will continue to trend in positive territory, but keep in mind cents per RTM will likely remain a headwind due to currency and the current traffic mix.

So I won't walk you through all of the commodity lines today, but I will highlight a few of the key drivers. The bulk commodities continue to perform well. Potash volumes were up 12%, driven by our strong network and strength in domestic and our export markets.

A strong result especially in light of slower-than-expected start-up of the K+S mine. Now three weeks ago, we did launch our first K+S train from Legacy into Port Moody, and we look forward to supporting K+S as they ramp-up through the fourth quarter.

It was two different stories on the grain front. Canadian grain volumes were up 4% for the quarter, while U.S. grain volumes were down 24% against tough comps and weak market conditions. The outlook on Canadian grain, as Keith mentioned, has improved a little bit. The Stats Canada recently came out with new predictions in the range of 66 million metric tonnes for this crop year and that's in line with our three to five-year average.

And we're off to a strong start. As Keith mentioned, we set an all-time record in September and I can tell you our dedicated trains are cycling about 16% faster year-over-year in our key lanes. So despite a smaller crop and smaller expectations in our territory, our customers have signed up for a dedicated train program that's up 15% year-over-year.

We saw another outstanding quarter in domestic. Not only were revenues up 10% but it was our largest volume quarter on record, driven by our flagship service from Toronto to Calgary and Vancouver.

On the International Intermodal side, we're still lapping the loss of a major customer but the team continues to build momentum. I'm very pleased with the direction we're going in this space. I spoke to you last quarter about the efforts to expand our fleet of menus and offerings to our customers. We've done that through our facility in Vancouver. We have also done it through improved cross-border operations at Portal, and I told you we'd be adding dots on the map as we extend our reach and provide our customers new access into additional markets.

In August, we launched a new daily service from Vancouver to Detroit by leveraging our most direct route from the West Coast to the U.S. We're able to offer customers the fastest transit time into Detroit. We've seen strong demand on the new service and we expect this volume to grow.

Last week, we announced also a partnership with the Genesee & Wyoming and Bluegrass Farms to extend our reach into the Ohio Valley. CP will be the first railroad to offer a direct route from Vancouver to this region. The new terminal is strategically located on the I-71 corridor between Columbus, Cincinnati and Dayton, and offers importer and exporters a new link to key Asian markets. So we continue to strengthen our product offering, and I can tell you my sales team is active in the marketplace working with our customers and understanding their needs.

With this, we've recently taken on the initiative to improve and increase our presence in China, and we will be doing the same in Singapore. We're asking for feedback and we're working with our customers in creating ways to make it easier to do business with Canadian Pacific.

As part of this, I want to tell you about an initiative we're rolling out new technology across all of our intermodal terminals called [ph] Auto Gate. This technology automates the process by which trucks access our terminals for container pickups and deliveries. This system allows drivers to manage all aspects of their delivery through a mobile app called Fast Pass, offering ease of doing business, increased terminal fluidity and reducing driver inbound processing time by up to 50%.

So with that, let me wrap up. As I've said before and as you heard Keith say, we aren't growing from growth's sake. It's

important to remember that the sales and marketing team at CP are picking our partners, we're going to pick our markets and while, at the same time, focusing on those opportunities that deliver strong yield and leverage our network strengths.

So, I'm pleased with the sense of urgency in what we've been able to convert to date in the results, but believe me, there's still a lot of work to do. The team is laser focused and I believe we're building momentum as we head towards 2018. With that, I'll pass it to Nadeem.

Nadeem Velani

CFO, Canadian Pacific

Thanks, John, and thanks, Keith, for the kind words in the introduction. It's a pleasure to walk you through the highlights of our third quarter financial performance. This was another strong quarter of strong financial results, the top line growth and continued margin improvement.

As John already highlighted and Keith mentioned, revenues were up 3% or 5% on an exchange-adjusted basis, driven by 4% RTM growth. I am very proud of the team's performance this year and how we have been able to differentiate ourselves by growing at low incremental costs by maintaining disciplined cost control and efficiently planning resources.

This balanced approach enabled incremental margins of 75% and a record third quarter operating ratio of 56.7%. As I've said during our previous earnings calls, yes, we want to grow but it needs to be in a sustainable, profitable manner, and the CP team is delivering on this front. As we get into the details on the expense line items, I'll be speaking to the results on an exchange-adjusted basis, which is shown in the far right column of the slide.

Operating expenses were up 3% on exchange-adjusted basis. To get into the details, the comp and benefits expense was down 11% or CAD 33 million versus last year. This was largely as a result of higher pension income, lower stock-based comp and operating efficiencies, partly offset by higher labor inflation, higher incentive comp and increased volumes. I'd like to note, our workforce is still approximately 12,200, effectively flat compared to Q2.

Moving to fuel, fuel expense was up 12% primarily as a result of higher fuel prices. Also, to note, the sharp increase in diesel prices in September due to the hurricanes caused incremental expense of CAD 3 million. This additional cost was not recovered during the quarter due to the lag in our fuel surcharge.

Materials expense increased 15% driven by right-of-way maintenance and rolling stock repairs. You should expect materials to remain in the CAD 45 million to CAD 50 million range in Q4.

Finally, purchased services increased by CAD 34 million or 15%. You may recall that last year, we recognized a reduction in discontinuance liabilities for certain branch lines. This accounts for CAD 15 million of the year-over-year increase. The remaining increase is mostly due to higher casualty costs, right-of-way maintenance and dismantling costs, as well as intermodal trucking and terminal handling costs.

I'd also like to note, there were no material land sales this quarter. A reminder that our guidance at the beginning of the year of high-single digit EPS growth assumed CAD 50 million in land sales for the year. So far, we have about CAD 5 million of land sales, and with a few months remaining in the year, the probability is quite low that we will have significant land sales.

To recap, this was another quarter of continued improvements on all fronts. The team continues to demonstrate discipline in controlling costs and managing resources, ensuring that growth is truly incremental and accretive to the bottom line.

If we turn to the free cash on the next side, despite lower proceeds from land sales, we've generated CAD 575 million of free cash year-to-date, an increase of 18% over last year, driven by stronger cash from ops.

And we're putting that cash to good use. This quarter, we took advantage of the pull back on share price and repurchased 1.1 million shares or about a quarter of the NCIB we announced in May at an average cost of CAD 196 per share. Given the discounted valuation we'd be trading at relative to our peers, we will continue to be opportunistic and reward shareholders

accordingly.

So with another solid quarter in the books and better visibility to volume growth in many key end markets, we feel confident raising guidance for this year, as Keith mentioned, in spite of lower land sales and headwinds from a stronger Canadian dollar. Our revised guidance of double-digit EPS growth reflects the strong execution by the team and the momentum we continue to build.

And with that, I'll pass it back to Keith for some of his closing comments.

Keith Creel

President & CEO, Canadian Pacific

I think we'll just open it up to questions. Operator, open the line, if you can, for questions.

QUESTION & ANSWER

Operator: Your first question comes from Brandon Oglenski, Barclays. Please go ahead.

<Q - Brandon Oglenski>: Hey. Good afternoon, everyone. Thanks for taking my question. I don't like to focus on near-term stuff but, Nadeem, that was some pretty good guidance, I think, for the core fundamentals, taking the full year up and excluding the CAD 45 million that we had all been modeling for land sale gains. So I'm just wondering, is there momentum in other cost categories or is it the revenue momentum that we need to be focused on here that is driving that better outlook for the fourth quarter?

<A - Nadeem Velani>: I mean, Brandon, I'd say it's a combination of both. So as both Keith and John highlighted, the momentum on the top line continues to build. Our RTMs inflected positive quite well starting in September when the grain crops started to come in, and so, we have better visibility on the top line. At the same time, I mean, if there's one takeaway, we've said many times so far in the first 15 minutes here, it's the operating leverage and the power of incremental margins, and I think that's the way we've been raised and this model works and bringing that growth to the bottom line.

<Q - Brandon Oglenski>: Okay. I appreciate that. Congrats on the promotion. And if I can squeeze in one more for John. So, can you remind investors the pretty significant port expansion projects that are underway in Vancouver and how you guys could benefit from that and how that helps the longer term outlook for the intermodal business? And maybe just put that in the context of if we go back the past few years, CP did see some market share and some contracts go to your competitors. So, how do you think about expansion and growth going forward up from the West Coast?

<A - John Brooks>: Well, look, certainly, Vancouver is our bellwether and as it relates to the intermodal terminals there specifically, it's going to be critically important for our growth to leverage those routes, not only into Eastern Canada but in the U.S. So I can tell you, the team is closely working, not only from a sales and marketing perspective but from an operating perspective, on building those relationships and improving that fluidity out of those ports. But I can tell you, that Vancouver, it's not just an intermodal story, too. We've done a ton on the operating side on the South Shore to change the fluidity in those terminals there and we've got a number of aggressive expansion projects underway with our grain customers that's to only build that momentum there, too.

<Q - Brandon Oglenski>: I appreciate it. Thank you.

<A - Nadeem Velani>: Thanks, Brandon.

Operator: Your next question comes from Fadi Chamoun, BMO Capital Markets. Please go ahead.

<Q - Fadi Chamoun>: Yes. Good evening. So, I mean, it seems like having sort of available capacity in the rail network here in

Canada can get you some good conversation started with your customers, especially, I guess, on the intermodal side. So, I want to circle back on this, so – and maybe you can help us sort of size up the kind of growth opportunity that you see in the intermodal, especially international, going into the next few quarters. And maybe John can give us how did international intermodal do when you exclude Yang Ming this quarter?

<A - John Brooks>: I'd say, Fadi, a couple things here. Look, we made a conscious effort here the last 8, 12 months to change our product and develop ways through listening and talking to our customers on what we need to do to enhance our international product, and it started with changing the team and getting the right players in place. But then, it's also about leveraging our network strength, as Keith has talked about and I've talked about. So, part of the story is enhancing the product but the other piece is certainly, we think we're poised to begin certainly going after some of these contracts as they come available. And so, we're optimistic that next year, we're going to put ourselves in a position on those. I don't have the – Maeghan, do we have the international growth?

<A - Maeghan Albiston>: Down about 2%.

<A - John Brooks>: It's down about 2%, Fadi, in the international space, which actually represents a pretty good job despite still sort of the Yang Ming headwinds that we still continue to battle on that contract loss.

<Q - Fadi Chamoun>: Okay. And, I mean, your volume yet today are up like 5%, and I think in the third quarter, we're up 3.6% or 3.7% on an RTM basis. Is this sort of the kind of momentum you see going into the fourth quarter or you see this sort of getting a little stronger?

<A - Keith Edward Creel>: Let me add a little color to this, Fadi. This is Keith. If you back out the Yang Ming loss, what you actually see in international intermodal with our existing customers is growth. So yes, that is something we see going forward because the value of the service. We've said this before. It's an absolute fact and someday, people will understand the story and it's becoming more topical and more important now and more of a story of value creation, and yes, those customer discussions are easier to have because here's the reality. We're becoming known rightfully so for a very service-oriented business. Doing what we say we're going to do is the service offering. That's the value creation that the operating team gives John to go out and divert in the marketplace.

And in this specific space, this specific franchise adds capacity. Think about the way we used to run the railway. You think about the level of the volumes that we had on the railway, the additional capacity we've created. Think about our footprint, think about our transload strategy in Vancouver. It makes Vancouver economics, both import and export, very compelling for a steamship line. Think about the capacity we have at our facility in Vaughan to expand on existing footprint. Think about the capacity we have to expand in Bensenville and Chicago. Same story as we look forward growing into Edmonton and building a new facility.

So what you're coming away with, at the end of the day, is a very compelling value proposition for a customer that values service, for a customer that values service reliability. And if we're going to go compete for business, we're rightsized, we're running an efficient railway, we've got an available capacity to expand into with a very powerful footprint in the markets we serve that's service reliable.

The service is only as good as connecting the port to the rail to the inland terminal. It's the total service offering that you take to the marketplace that drives value, creating compelling value, creating conversations. We're armed with that ability to do that, and when you add on the Detroit service, you add on extended reach into the Ohio Valley, again, when you look at our footprint in the markets that we serve and that we have strength in, we should be converting that value. We're in a good position to be able to do that. How much of the business we win? That's to be decided, but rest assured, it's going to be very compelling in those discussions.

<Q - Fadi Chamoun>: That's great. On the volume momentum into Q4, I mean, you clearly are suggesting that we're going to have some acceleration going into Q4 given sort of the kind of guidance you're giving us on a core operating income basis. Where does that sort of volume momentum coming from specifically?

<A - John Brooks>: Fadi, actually, I think we're looking at an RTM run rate that's probably similar to Q3, again, and I think it builds with domestic intermodal. We certainly continue to expect to be strong. I think we're watching the potash. We got

certainly tougher comps as we head into Q4 with Canpotex but with the enhancement of K+S and those volumes building, and we do expect to see some uptick in some of our crude volumes.

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

<A - Keith Edward Creel>: Thank you, Fadi.

<A - Nadeem Velani>: Thanks, Fadi.

Operator: Your next question comes from Ken Hoexter, Merrill Lynch. Please go ahead.

<Q - Ken Hoexter>: Hey, great. Good afternoon. Congrats, Nadeem, again. Keith or John, maybe you talk a little bit about the grain market. You noted the Canadian crop dropping about 66 million metric tonnes from about 71 million metric tons, I guess, last year. Your thoughts, you mentioned that you were trending up. Would you expect that to then start to fall or do you book up early in the, I guess, to Fadi's question, do you book up the trends early in the year, given your excess capacity now and then it tails off as we move through? And maybe talk us a little bit about that volatility as we move through the year.

<A - John Brooks>: Yeah. I think this crop size is still a little bit of a moving target. Everything I read, it seems to tick up a little bit every day. The latest stats did come in at 66 million metric tonnes.

Typically, Ken, we would see a pretty good harvest glut. I think we're seeing that now. We'll expect to see that run pretty hard into December. I know our customers are communicating that their port sales are pretty much sold out through that timeline. And then, we're going to have to see how it plays out. So, it probably – you're right. If you start to push into Q2 of next year, is maybe where you start to have some questions on those grain volumes.

<Q - Ken Hoexter>: I guess, just looking at your outlook, can I maybe talk a bit about your excluding now land sales from that fourth quarter still targeting double-digit. I guess, maybe bring that to the intermodal question, right? So, you seem to see your competitor jammed on network capacity during the last quarter and you weren't able to benefit. Keith, I just want to get from your perspective, as you see some of that, the customer wins start to come back to you. Maybe talk a bit about the timeframe into winning some of that business as you move forward. So you – is there kind of a delay? How long does it take the customers to see your improved service and performance before they're actually starting to commit those volumes and switching either back or taking off the highway?

<A - Keith Edward Creel>: Well, what we're seeing today is there's obviously some public comments out there, public decisions that have been made to shift volume to our network, given that we have capacity to be able to handle it. I think that's, if nothing else, that's a great dress rehearsal to be able to give a customer a service experience which bodes well as we go forward into next year. But as far as significant meaningful volume starting to shift, should they shift, it would be more of some coming on late first quarter, second quarter, third quarter of next year as far as actually seeing that number.

But in the meantime, Ken, irrelevant of market shares to market wins, growing with our own customer is something that we have laser focus on. The people that we partner with now are very strategic partners. We've given them a very, very reliable, compelling service offering, especially in light of what may be their competitors are experiencing in their markets that they're shipping in, which, again, bodes well on a service standpoint and helps them win contracts and put more containers on their ships.

So, there's a two-sided play to this that we're pretty encouraged about, but again, it's all got to play out. We got a very capable competitor, both in truck as well as the railroad in the East. We're not going to be, to a point that we get cocky, we get arrogant. We're going to earn our business day in and day out. We know that it's a tough sled out there and we got to provide compelling value. I just feel very confident that our franchise has some very unique strengths which are assets at this point in the game, so to speak, that we can convert in the marketplace in a compelling way.

<Q - Ken Hoexter>: So if I can just follow-on on that just real quick, though, is the pricing gain that you got, that 3.5%, is that – would you say that's because you're charging more for customers to test out your network temporarily or is that the core operational benefits that you're getting?

<A - John Brooks>: You know Ken, the same store on the quarter came in at the high end of 2.5% to 3% range. So, I think you said 3.5%. And you know what, again, I think we believe there's some optimism and some momentum gaining in that space, but we'll see. This is sort of an emerging story and we're optimistic in 2018 on how that's going to play out.

<Q - Ken Hoexter>: Appreciate the time and insight. Thank you.

<A - Keith Edward Creel>: Thanks, Ken.

Operator: Your next question comes from Walter Spracklin, RBC. Please go ahead.

<Q - Walter Spracklin>: Thanks very much. Good afternoon, everyone. So John, just following up on that pricing, in addition to mentioning the 2.5% to 3%, you also intimated in your prepared remarks that that might even improve further from there. Did I catch that right? And if so, where is that coming from? Is that the improved intermodal kind of trucking dynamic or is it in some other aspects of your business?

<A - John Brooks>: Yeah. You know what, Walter, I think it's a little bit of all the above. I was pleased, actually, a little surprised and pleased on how the numbers played out for Q3. Keith and I have been just recently talking about sort of the dynamics around the hurricane and trucking capacity, what spot truck prices are looking like now, and it just feels like we're gaining some momentum in that space.

I'm not really sure if I can quantify that at this point, if it's a 0.25 point, 0.5 point, as we move into next year. But we're certainly going to be aggressive and we're going to test the market. And then, we'll sort of see how that plays out.

<Q - Walter Spracklin>: Okay. And then, my second question, I guess, over to you, Keith, is John has been talking about some opportunities going into next year. We've heard talk about railroads, how they shift focus to volume, and then, OR is not the key focus anymore, that OR might be stable while volume – and it trends in terms of volume. But I still always get the sense that, Keith, there's still opportunity for creating more efficiencies in this railroad for you. And could we see volume growth next year with further OR improvement? Is that possible?

<A - Keith Edward Creel>: That's absolutely possible. I mean, Rome wasn't built in a day. We've been at this for four years. I've got a little bit of experience in this, quite a bit of experience in this. As good as we are, we're not anywhere near where we need to be. And if you ever think you've arrived, that's when the slack is going to run-in, I say in this industry, and you're not going to be able to maintain momentum and sustain success.

So, we're early in the days of really, I think taking value out on the revenue side as well as the cost side with our trip plan product that we've got out there. We still have work to do in our terminals. When I look at the capital plan for next year, which we're starting to shore up, there's going to be productivity investments in our Calgary terminal which should become a flagship for us. Strategically, it's in a great location. It's in the right location. We're not running it because of the physical layout of it as efficiently as we can. I look at train speeds, I look at what we're doing right now on the operating side.

I spent a lot of time on the railroad this summer celebrating Canada's 150th. I covered a lot of ground, inspected a lot of track while I was out shaking hands and celebrating the country's 150th birthday and I saw a lot of opportunity. We've got an engineering team that they too want to be best-in-class. They too are doing things now that may be from a train speed standpoint, slowing the railroad down a little bit. You see that a little bit in the degradation of our numbers because the work they're doing, when you do that, you protect it with slow orders. But once you get that work done, that slow order goes away and you raise the track speed.

So, there are many moving parts out there. Rest assured, I've got a book of opportunities in my bottom desk drawer and it just takes time to get to them. And as I've always said, once you create the top 10 and you eliminate them and improve them, then the next 10 bubble back up and it's like playing whack-a-mole. You just keep tackling it.

It's a constant pursuit of operational excellence and that's the culture, that's the mindset the precision scheduled railroading is on. You had to adjust with the times, the uptimes, the downtimes. It's the gift in the operating model that keeps on giving. So,

absolutely expect that we're going to have margin improvement as well as top line revenue growth. As long as you protect sustainable profitable growth, that's going to happen in some form, fashion or the other.

<Q - Walter Spracklin>: That's great color. Appreciate it. Thank you.

Operator: Your next question comes from Ravi Shanker, Morgan Stanley. Please go ahead.

<Q - Ravi Shanker>: Thanks. Good afternoon, everyone. Keith, if I can just follow up on the margin commentary. I think next year, you're going to see your OR kind of optically jump up, just given the bench and accounting change. Historically, you've always said that it's kind of a natural floor for OR in the mid-50s. You're not going to be there next year or at least optically. Do you think that kind of makes it easier for you to kind of deliver some of the savings that may not have been possible earlier and get back to that mid-50s level?

<A - Keith Edward Creel>: It's still – I'm thinking about same store. So, I don't care if you call it a 56% as a 61% or a 57% as a 61%. To me, the fundamentals remain the same. I'm not going to get so consumed with operating ratio that I walk away from quality earnings. There's a balance there.

So at the same time, my main focus is to make sure I remain competitive. We were at a competitive disadvantage for a long time because our cost was so high, we could not compete for business. We've adjusted that. We've corrected that. So, I'm focused on us being the best railroaders we can be. I'm focused on continually improving the way we operate the railway, which should drive cost out. And if you sprinkle some revenue on top of that, then you should see some gains. But it all depends on the marketplace, too. It depends on the markets that surround you.

So with all that said, the fundamentals don't change. We've always been conservative on price. We think that that's the right approach. That's the sustainable approach. I'm not going to try to use leverage of demand to drive unreasonable price in the good times, just like I don't have to defend it too well in the low times. So, that fundamental philosophy is not going to change. We're still – we want to be and we're working to be best-in-class when it comes to our cost standpoint balanced with our service. Best-in-class service, low-cost producer with a great service is hard to compete with.

So, that's pretty much where we're at. I'm not focused on a number. I'm focused on the end product which is earnings growth, quality, sustainable earnings growth. I'm not going to build the church for Easter Sunday. I'm not going to drive a bunch of unsustainable earnings over two or three quarters or even a year. I'm thinking about the long-term, the long gains, what this company's in. It's 136 year old company that provides great value to our customers. It's critically important to this country, critically important to the commerce of North America and that the responsible way to run it. That's not going to change.

<Q - Ravi Shanker>: Got it. That's helpful. Also, another follow-up on crude. You briefly mentioned that as one of the drivers of the RTM growth. And to your end, potentially to Nadeem, can you just give us a little more color there kind of what are you seeing in terms of the crude barrel opportunity coming out the Canadian oil sands? Any kind of size, dimension would be great.

<A - John Brooks>: Well, certainly, the activity level with our customers and the opportunities have grown through the quarter. I think we're going to end up – we ended up Q3 with about 7,700 units moved which was pretty similar to what we did in Q2. We're optimistic that with these opportunities, there's going to be an uptick as we move into Q4. But I can tell you, as Keith said, we've been burned in this area a few times. So, it's a month-to-month basis. We're going to watch it. We're not going to – we're going to price it right and we'll haul what is available based on our capacity, but it's going to be on a month-to-month basis.

<Q - Ravi Shanker>: Can you share what's in your guidance for the year?

<A - John Brooks>: You know what? I would expect just a slight uptick to the run rate. And certainly, as we see how this plays out through the quarter, it'll get us a better sense of what we can expect into 2018.

<A - Nadeem Velani>: Rest assured, Ravi, we're not going to tie our guidance to crude volumes.

<Q - Ravi Shanker>: Great. Thank you.

<A - Nadeem Velani>: Thanks, Ravi.

Operator: Your next question comes from Steve Hansen, Raymond James. Please go ahead.

<Q - Steve Hansen>: Yeah. Hey, guys. Just a quick one from me, I'm just – how should we think about the Ohio Valley opportunity in terms of sort of the market opportunity that you see there? It strikes me as a unique new option for you, new dot on the map, as you call it. But how should we think about that in terms of the volume expectation you have going into something like that? Just trying to understand the thought process around adding the dot relative to the cost and incremental sort of steps that you made here?

<A - John Brooks>: Well, I can tell you, Steve, we've got work to do in terms of – I'm not going to give you a container expectation or a revenue amount, but part of the story here is, as I said, in building our product and speaking to our customers in really determining where they need to go, a big part of this is needing to create more export opportunities. So, we've got to bring a product that will enable our customers to fill those boxes back and create that value and that synergy.

Looking at the Ohio Valley market, they're a strong soybean producer down in that neck of the world. They produce a lot of non-GMO products, and you know what, it's ready made in that area with that production. So, we're going to target that export demand, but I'm not going to give you a number of containers at this point.

<A - Keith Edward Creel>: Steve, I'll only add...

<Q - Steve Hansen>: No, that...

<A - Keith Edward Creel>: Steve, it's just – I would add, it's part of the overall value proposition, which I've talked about, that's so compelling. It's just more reach, more optionality, service reliability with a carrier that can help you lower your cost at the same time, loading an east and a backhaul load west, takes the steamship lines cost down and drives our bottom line at the same time. So, it's just another one of those pieces of value in the puzzle that we're creating to convert with our customers.

<Q - Steve Hansen>: No, that's fair. Appreciate that. And just to stick with the grain theme for a moment. There's been a lot of comments over the past 6 to 12 months around market share pushing and pulling between the two Canadian carriers and you suggested earlier that you're moving record volumes here in the recent months. Is this to suggest that ultimately, you think you can continue to maintain share within the broader market? Is that still a fair statement? I think you made that last quarter.

<A - Keith Edward Creel>: Absolutely yes.

<Q - Steve Hansen>: Okay. Very good. Thank you.

Operator: Your next question comes from Turan Quettawala, Scotiabank. Please go ahead.

<Q - Turan Quettawala>: Yes. Good afternoon, and congrats on a good quarter here and the guidance. I guess I wanted to just also talk a little bit about the Ohio Valley. Maybe that sounds like a really interesting opportunity. Just wondering if there are other opportunities that maybe you're pursuing that you can maybe highlight or talk about a little bit in terms of other wins here that potentially could come in the near term?

<A - John Brooks>: Yeah. So look, this is all about sort of reestablishing and building that international product. So as part of that, whether it be down into the Eastern U.S. going even further East, or down into our Iowa network, or setting up additional grain transloads for export like the Ohio Valley is going to provide in the Twin Cities, we're looking at all options. So again, I would tell you we're going to add to that optionality because it creates value for our customers. If we can create that value, we feel pretty confident that we can attract more international business or domestic transload business to our network.

<Q - Turan Quettawala>: Great. Thank you. And I guess maybe, Nadeem, just one quickly in terms of obviously a good problem to have it, better cash flow maybe going into next year. Can you talk a little bit about if anything's changed as far as the balance sheet is concerned and your thoughts on how to distribute the cash?

<A - Nadeem Velani>: I'd say no at this point, Turan. I mean, we talked about getting our leverage back to that 2 to 2.5 times debt-to-EBITDA. Certainly, we're close to that as we speak now and should be close to that by the end of the year. I'd just reiterate that we want to have a balanced approach. We still have room in our current NCIB, which we'll utilize. I mean we haven't announced buybacks that we don't complete so we'll continue with that buying back the stock and we've been pretty consistent the last several years of increasing our dividend so you can expect that to also be a factor. So I'd say more of the same. Obviously we'll go before our board and get their thoughts and their feedback, but I would expect the recommendation from management would be more of the same.

<Q - Turan Quettawala>: Great. Thank you very much.

<A - Nadeem Velani>: Thanks, Turan.

Operator: Your next question comes from Tom Wadewitz, UBS. Please go ahead.

<Q - Thomas Wadewitz>: Yeah. Good afternoon. Wanted to see if you could offer some thoughts on how the total intermodal volume outlook might be. Like what kind of a growth rate can you get when you don't have market share losses in international to contend with? If you look at 2018 perhaps, can you grow it mid-single digits, is that kind of the right type of outlook that you might see? Is it higher than that? Just kind of how would you look at the growth potential assuming that we stay at a decently constructive economy?

<A - John Brooks>: Tom, I think mid-single digit sounds about right to me.

<Q - Thomas Wadewitz>: Okay. Great. And Nadeem, I don't know if I – I apologize if I missed this but it seems like on the CapEx side, if you have a better growth outlook sometimes you spend a little more money. Is that a fair assessment for next year? Are there places you might need to spend a bit more? And also, perhaps on technology, maybe some thoughts on how you're spending on technology or is the CapEx stable even as the growth outlook improve?

<A - Nadeem Velani>: Yeah. I mean, the mix of technology spend will change but I'd say the overall level should remain relatively flat. I'd say that we do have some unique opportunities on our network. I know we talked last quarter about the covered hoppers, that we're excited about that potential investment opportunity. We will likely increase our CapEx to take advantage of some of these longer-term return opportunities. I'd say that we've talked about our capacity being sufficient. It's more about investing and taking advantage of strong returns that are available to us. So likely an uptick, though, in CapEx to take advantage of those opportunities.

<A - Keith Edward Creel>: Yeah. Tom, the only color I'd add and point this out, the way I see the capital spend it's not to do with the growth that we see in the near future. It has everything to do with running the business better. It has to do with margin improvement. It has to do with the productivity, specifically speaking about those grain hopper cars. It has to do with service reliability, all the key ingredients of this precision scheduled railroad operating model. It's not to play catch-up or try to pursue growth that we've already – or that we're trying to put into our business mix today.

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

<A - Nadeem Velani>: Thanks, Tom.

Operator: Your next question comes from Scott Group, Wolfe Research. Please go ahead.

<Q - Scott H. Group>: Hey, thanks. Afternoon, guys.

<A - Nadeem Velani>: Hey, Scott.

<A - Keith Edward Creel>: Hi, there.

<Q - Scott H. Group>: So assuming no land sales, Keith, do you have a view on the operating ratio for the fourth quarter? And then Nadeem, do you have maybe an early look at land sales and pension expense for 2018 on land sales? Should we just

assume that what didn't happen this year gets pushed into 2018 and 2018 could be a pretty big year?

<A - Keith Edward Creel>: On the operating ratio side, Scott, mid-50% is a very reachable number, ex-land sales. And as far as the land sales itself, and I'll let Nadeem add color to this, we're not pessimistic on making the land sale, we're just being disciplined on the land sale. It's a tri-party deal. We know what our part is worth. We certainly see line of sight to getting over the finish line. It's just a little bit complicated given that there's three parties involved in this.

There's not a lack of desire or lack of demand, so to speak, or a lack of a path to the finish line. It's just the timing. We're going to be disciplined about it. We're not going to leave money on the table. We think it's a very compelling value in this partnership and in this agreement. And if it means we've got to wait to the first quarter to realize it at 2018 or the second quarter even to realize it then that's what we're going to do.

<A - Nadeem Velani>: And Scott, just on the pension side, I mean, we'll obviously – we won't know until January. But if you look at where rates have been doing, again that's been supportive of our pension income and I would expect our return on assets at being very strong and continue to be very strong. So I would expect it to continue to tailwind and likely an incremental tailwind to 2017 numbers.

<Q - Scott H. Group>: Just to clarify a couple of things there, so it sounds like the land sales, it's just a timing issue so you should get that \$45 million give or take in 2018 and then any sort of normal annual land sales that you typically get in the year should also come in 2018. And then Nadeem, just so I'm clear on pension, are you suggesting that it could be a bigger tailwind in 2018 than it was in 2017?

<A - Nadeem Velani>: That's correct. I'd say the land sales, obviously, we'll give our guidance in January but I wouldn't go too much above and beyond the \$45 million that you're assuming on land sales. And even that, as Keith mentioned, when you're dealing with municipalities and various parties and trying to get everyone together, it can be very difficult. I'd temper your enthusiasm on the land sales for next year. I'd take the under.

<Q - Scott H. Group>: Okay. Fair enough. And then if I can just ask one last thing on the crude by rail business. So now that we sort of know this is, for lack of a better word, a boom-bust business, can you price it differently or better said, can you price it even better so whatever volume you get you'll have better leverage to it this time around than you did last time around?

<A - John Brooks>: Yeah. I think, certainly, it's that disciplined approach that Keith spoke about. So part of my comments in terms of taking this month-to-month is exactly for that reason so we'll evaluate the opportunities, match that against our capacity and then figure out how we want to price it and I do think there is price upside there.

Operator: And the next question is from Benoit Poirier from Desjardins Capital Markets. Please go ahead. Benoit Poirier, your line is open.

<Q - Benoit Poirier>: Sorry. Good afternoon, gentlemen. Keith, I was wondering if you could talk a little bit about the merger of three Japanese shippers and what could be – if there will be some implication for CP and whether it represent an opportunity or not for CP?

<A - Keith Edward Creel>: Sure. I'd be happy to, Benoit. Pretty topical for me, actually. I was in Asia last week in Shenzhen at the Trans-Pacific Maritime Conference, spent a little time with the marketplace there learning more about that transaction. That transaction, a combination of MOL, NYK and K Line, which will be consummated and start shipping under the new brand, a formed company called ONE, will be effective April 1, 2018. And when that happens, if you think about the total – all three contracts together, right now that represents rough numbers \$150-ish million, \$160 million. Obviously, we haul and handle and are honored to earn the K Line business today which will be a piece of that, one of the legs of the three.

What I might see happening if I were to look out at this, what I think would be a good outcome and a potential outcome, I think you're going to see diversification in this industry, in this market space. I think the philosophy of putting all eggs in one basket, while there'll be some outliers, I just think that in this country there's a lot of capacity out there. But that capacity – to optimize the capacity it requires balance. I think there is enough business for the Prince Rupert marketplace to work well. I think there is enough business for the Vancouver marketplace or ports to work well. But you've got to match up that port capacity, again,

with what I said earlier, and that's called Inland Terminal Capacity. And again, these two railroads are very reliable railroads. This railroad specifically has some very accessible, reliable capacity out there. So I think you will see a natural rebalancing of the business, which overall to me bodes well for Canadian port competitive value and reliability, and it offers compelling value specifically for this company, as well as the marketplace and for our shippers.

So I do expect some rebalancing. I think that we'll earn some of that business, and I think it makes sense naturally that it plays out the strengths of our franchise and our available capacity that's out in the marketplace. So it's something we'll be focused on. That specific customer, philosophically they don't have aspirations to becoming the largest steamship line in the world. They want to be a key strategic player. But what I've heard and what I understand is a key need of theirs is service reliability, and that just happens to be something that fits right in our wheelhouse, and capacity – sustainable, reliable capacity. So I look forward to those discussions. I look forward to competing for that business, which should naturally be on this railway. So more to come on that.

<Q - Benoit Poirier>: Okay. So basically, Keith, K Line represent right now about \$50 million out of the total of let's say \$160 million among the three, right?

<A - Keith Edward Creel>: Yeah, rough numbers. Yeah.

<Q - Benoit Poirier>: Yes, rough numbers. Okay. That's perfect. And my second question, if we look at automotive, I was wondering if you could provide some color about the expectation going forward as you'll be overlapping the tough comp?

<A - Keith Edward Creel>: You know what, as we overlap, I see there's underlying fundamental softness, so to speak, from the demand standpoint in the North American market. We can't get away from that. So, with that said, I think that still remains a bit of a headwind.

But again, something that I'm pretty excited about, and I'm not going to be bashful talking about it again is capacity and service. It matters. It's not a commodity, it's a value generator. We've got a story and we've been criticized by this, and this is public information, I'm not speaking outside. There's a company out there called Glovis. Glovis handles Kia and Hyundai shipments, imports that come into Canada that serve the Canadian market, and obviously there's some connection to the U.S. markets. It's a customer that early last year we enjoyed about a third of the business, and our competitor had about two-thirds of the business.

Well through contract negotiations, our competitor secured 100% of the business. And I can tell you now at that time for CP, and I'm speaking of CP only, the margins for us versus what we had to compete to retain it made it a very easy decision for our team. We're not going to be commoditized. We're going to protect our capacity and our service.

Now let's go forward a year. Capacity matters. We've got the customer that came to us and asked us for some help in some capacity-constrained lanes. Their words, not mine. And as opposed to taking an approach that, you know what, I could help my short-term earnings by taking on this business, I would rather provide a long-term transportation solution, again on the strengths of this franchise, of our footprint.

So we took an approach that said, you know what, let us look at what we can do long term. We've got surplus land, we've got available land that we own in the Montréal area. We've got available land that we own in the Ontario area that could serve well to become standalone compounds for Glovis. So as opposed to bringing Glovis into our terminals which fluidity is critically important for our existing customers, we wanted to make sure that we could continue to do what we say we're going to do, not only for our current customers but our future customers. So we ended up proposing a service package that essentially allows Glovis to build their own facilities on our land standalone. We'll provide the switching service to and from. They run them internally. They invest the capital to establish them to put the asphalt down. It creates value generation for Glovis, and as they come back 2020, we win back 100% of the business, and the margins on the business certainly earns its cost of capital. It provides value, compelling earnings growth for CP, as well as value for Glovis with their customers.

That's what I'm talking about when I'm talking about sustainable profitable growth in selling service. That is a picture-perfect example of it. It takes a little discipline to do and it's taken some time to get there. But again, in the markets we serve, we're going to be responsible, we're going to be disciplined, we're going to create value for the customer. We're not going to chase

unsustainable growth.

And in the long term, again, that's how you build, I think, franchises and companies that have staying power now, staying power for the next decade. I think about what brought me to CP, I'm not going to repeat those past failures. I'm going to learn from that past and we're going to grow this company as we grow forward in a sustainable way.

<Q - Benoit Poirier>: Perfect. Very interesting. Thank you very much for the time.

<A - Keith Edward Creel>: Thank you.

Operator: Your next question comes from Brian Ossenbeck, JPMorgan. Please go ahead.

<Q - Brian P. Ossenbeck>: Hey. Thanks for taking my questions. Just a couple quick ones. One, if you could, John, expand on the – I know you mentioned Auto Gate and the Fast Pass on the intermodal side, can you just talk about rolling out the trip plan to the intermodal side of the business? I think you said more recently that was probably happening earlier this quarter, that you just wrapped up, so give us an update on how that's gone so far, customer reaction, and then what you hope to leverage off of that when it's fully operational?

<A - John Brooks>: Yeah. So the Auto Gate technology is separate from our trip plan, rolling trip plan into our intermodal franchise. So the Auto Gate again is a technology that we were rolling out on all of our terminals. We've got our Toronto terminal underway right now, and we'll spread it across our network. And the whole principle there is to get trucks in and out as quick as possible.

But the benefit to that then becomes downstream in terms of giving us better visibility to that trucking, the end markets, the timing, tightening up the timing and the supply chain on when those deliveries need to be made. It's sort of the next generation of that technology. As it relates specifically to trip plan, there's a part of it that we look at today, Brian, that's simply – that's ramp-to-ramp but it's really about the next evolution of trip plan that we develop a trip plan that's door-to-door. And we're not there yet, but it's certainly part of what we view as our next generation and certainly something we can put as part of the story in 2018.

<Q - Brian P. Ossenbeck>: Okay. Thank you. And then just a quick one on the regulatory front, it looks like the C-49 is coming back from the standing committee with some amendments. If you could just give us a quick update on that and if there's anything that you think might change on the big topic, which still seems to be the long-haul interswitching?

<A - Keith Edward Creel>: Yeah. I mean, we've got to wait until we see the letter of the law but our view on all the things that we like, we love and we accept on Bill C-49 remains the same. We think that we're going to have favorable legislation that allows us to do the right thing and make a quantum leap in safety when it comes to LVVR, locomotive voice and video recorders, on locomotives. We think that we're going to have a favorable bifurcation with the MRE that allows us to make solid, sound investment decisions in renewed grain fleet, which our customers will benefit greatly from and we'll benefit greatly from.

And we think long-haul interswitching – do I like it? No. Do I think it's fair? No. I don't know if those points scored a whole lot in Ottawa. At the end of the day, here's the way I look at it. If I provide reliable service to my customers and I work with my customers to make sure I get their product to market in a safe and efficient manner and they get to enjoy the value of the service offering we provide them, I'm not going to worry about anybody coming in my backyard and taking my business from me.

<Q - Brian P. Ossenbeck>: Okay. I'll leave it there. Thanks. Thank you for your time.

<A - Nadeem Velani>: Thanks, Brian.

Operator: Your next question comes from Chris Wetherbee, Citigroup. Please go ahead.

<Q - Chris Wetherbee>: Yeah. Hey, thanks. Good afternoon, guys.

<A - Keith Edward Creel>: Hey, Chris.

<Q - Chris Wetherbee>: Keith, you kind of laid out sort of the story here in terms of the ability to sort of keep working on the service and have revenue ultimately come back around to CP, and think about some of the discrete opportunities and some of the efforts that you've made. When you think big picture and step back and – maybe you could help us get benchmarks to think about how to measure your success towards getting back to growing the business. I don't know if it's individual contracts are coming up over the course of the next three, six, or nine months, or if there's sort of the grain crop and your competitiveness with the other railroad in Canada, if that is a good measure of that. Is there any sort of specific items you can point us to that'd sort of be helpful to measuring your success in getting back in this and growing that top line?

<A - Keith Edward Creel>: I think all those are pieces of it, Chris, but I think the best measure to hold us accountable to is earnings growth. That's probably the best one. We're going to have some wins, we're going to have some losses, we're going to have some areas that we'll be surprised with, both on the negative and the positive side. I can tell you this, all those areas you're talking about, we've got active initiatives focused against them.

I can tell you this, as we increase our presence and increase our reliability and our credibility in the marketplace, both the financial marketplace as well as the customer marketplace, we've got a very compelling value with this company and an opportunity to grow organically to outpace GDP, to control our costs and drive what I think are quality earnings growth over the next several years. And I'm talking three- to four-year period, that's what I'm focused on.

And I don't lose sleep at night with this company's ability to be able to do that. We just have to execute. We can't take it for granted. We can't get arrogant. We can't forget what got us here, and that's controlled, disciplined, sustainable growth. All those fundamentals matter. Our marketing team has got to understand that it's not just revenue, it's quality of revenue.

Our marketing and our operating team both collectively have to understand, when we commit to a customer a service offering, we've got to deliver it. That's why that discipline piece is so critically important. I can't fall in love with revenue for the sake of revenue and go dump a bunch of business on a physical plant that I'm not right-sized from an asset standpoint. I don't have the right number of locomotives or people hired and trained, I've got to control all those areas. And if we do that in a disciplined approach, you're going to see earnings growth and you're going to see success from this company. And to me, that's the best proxy is the shareholder.

<Q - Chris Wetherbee>: Okay. That's helpful. And is there any reason to think that the mix that you're talking about and the discipline around the revenue is not a recipe for double-digit earnings growth? I mean, is that the way we should be thinking about it going forward, bigger picture, multiyear?

<A - Keith Edward Creel>: We'll provide a little more color in first quarter for you, Chris.

<A - Maeghan Albiston>: We'll leave it at that.

<Q - Chris Wetherbee>: Well, worth a shot. Thank you very much. Appreciate it.

<A - Nadeem Velani>: Thanks, Chris.

<A - Keith Edward Creel>: Worth a shot.

Operator: And that was our last question. At this time, I'll now turn it back over to Keith Creel.

Keith Creel

President & CEO, Canadian Pacific

Okay. Well, let me wrap it up. Number one, thank you for your time and certainly for your votes of confidence, the

shareholders. You can sense the optimism at this company. We're going to work hard. We're going to stay humble. We're going to earn our customers' business, that we are going to provide a very compelling value proposition in the marketplace as we go out and compete for business.

Looking forward to 2018 and looking forward to sharing the results of our fourth quarter in January. Have a happy holiday time as well with your families, and we'll talk to you. Those of you that I don't see before then, we'll talk to you then. Take care.