



Q4 2018 EARNINGS REVIEW

JANUARY 23, 2019



FORWARD LOOKING STATEMENTS

The following investor presentation contains certain forward-looking information within the meaning of applicable securities laws relating, but not limited, to Canadian Pacific's operations, priorities and plans, anticipated financial performance, including our 2019 full-year guidance, business prospects, planned capital expenditures, financing strategies, programs and strategies. This forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance.

Forward-looking information may contain statements with words such as "anticipate", "believe", "expect", "plan", "financial expectations", "key assumptions", "outlook", "guidance", or similar words suggesting future outcomes.

Undue reliance should not be placed on forward-looking information as actual results may differ materially from the forward-looking information. Forward-looking information is not a guarantee of future performance. The purpose of our expected 2019 adjusted diluted EPS is to assist readers in understanding our expected and targeted financial results, and this information may not be appropriate for other purposes.

By its nature, CP's forward-looking information involves numerous assumptions, inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking information, including but not limited to the following factors: changes in business strategies; general North American and global economic, credit and business conditions; risks in agricultural production such as weather conditions and insect populations; the availability and price of energy commodities;

the effects of competition and pricing pressures; industry capacity; shifts in market demand; inflation; changes in laws and regulations, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; uncertainties of investigations, proceedings or other types of claims and litigation; labour disputes; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions and discount rates on the financial position of pension plans and including long-term floating rate notes; and investments, various events that could disrupt operations, including severe weather, droughts, floods, avalanches and earthquakes as well as security threats and governmental response to them, and technological changes.

The foregoing list of factors is not exhaustive. These and other factors are detailed from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in CP's annual and quarterly reports filed on Form 10-K and 10-Q, respectively.

Forward-looking information is based on current expectations, estimates and projections and it is possible that predictions, forecasts, projections, and other forms of forward-looking information will not be achieved by CP. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

NOTE ON NON-GAAP MEASURES

Except where noted, all figures are in millions of Canadian dollars.

Financial information is prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), unless otherwise noted.

CP presents non-GAAP earnings information in this presentation to provide a basis for evaluating underlying earnings trends that can be compared with the prior period's results.

It should be noted that CP's non-GAAP earnings as described in this presentation, have no standardized meanings and are not defined by U.S. GAAP and, therefore, are unlikely to be comparable to similar measures presented by other companies.

For further information regarding non-GAAP measures see the Non-GAAP Measures supplement to the press release on our website at investor.cpr.ca.

NOTE ON RESTATED FINANCIALS

Prior year comparative period figures in this presentation have been restated for the retrospective adoption of Accounting Standards Update ("ASU") 2017-07, discussed further in Note 2 Accounting changes in CP's Interim Consolidated Financial Information in the Q4 2018 Earnings Release on investor.cpr.ca.



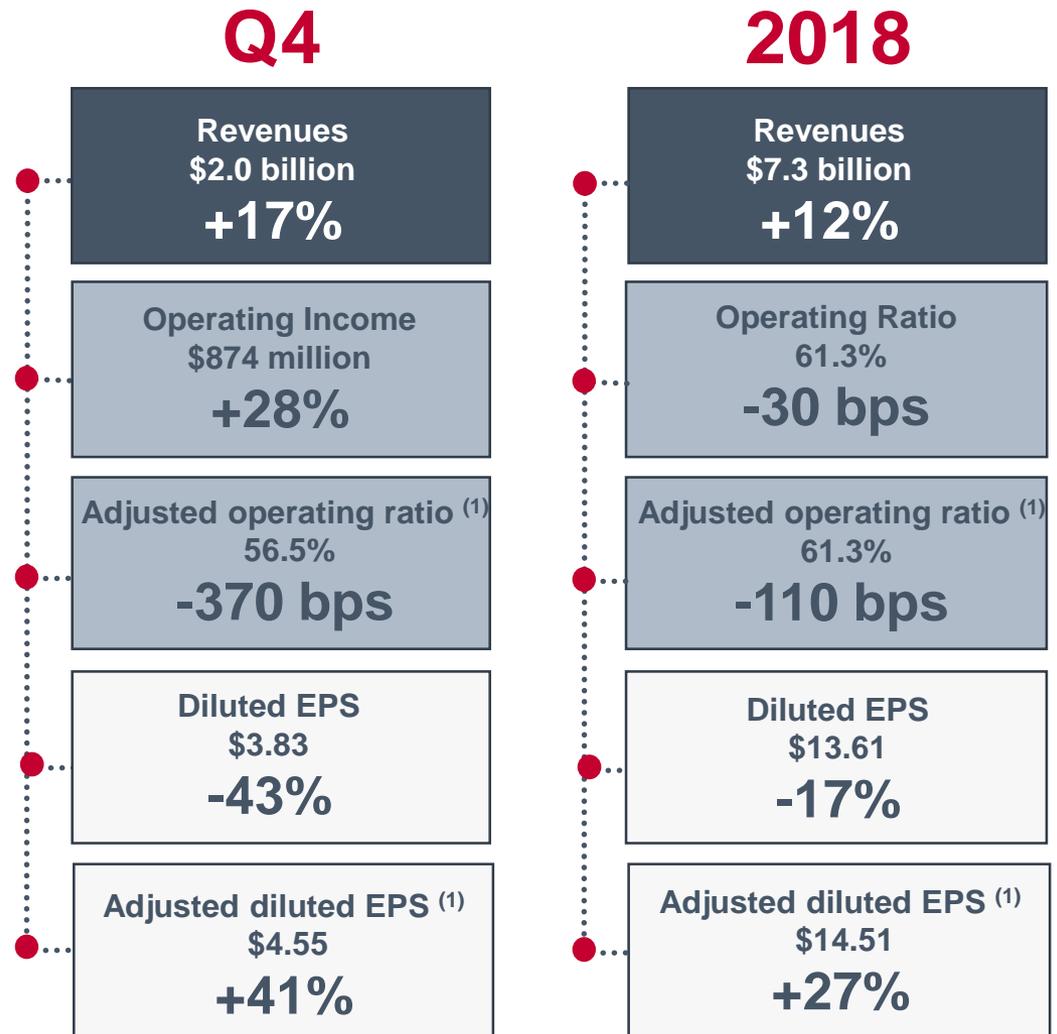
KEITH CREEL

PRESIDENT & CHIEF EXECUTIVE OFFICER



HIGHLIGHTS

- Record quarter and year by nearly every financial measure
 - >\$7B in revenues
 - record operating ratio
- New labour agreements provide stability for multi-year growth
- Strong momentum as we enter 2019



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca

2019 OUTLOOK

MID-SINGLE DIGIT RTM GROWTH

CAPITAL EXPENDITURES \$1.6B

DOUBLE-DIGIT ADJ. DILUTED EPS ⁽¹⁾
GROWTH

(vs. 2018 Adj. Diluted EPS ⁽¹⁾ of \$14.51)

ASSUMPTIONS

- FX rate approximately USD/CAD \$1.30
- Tax rate in the range of 25.5% to 26.0%
- Other components of net periodic benefit recovery to increase by \$11 million vs. 2018
- No material land sales



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca



JOHN BROOKS
CHIEF MARKETING OFFICER

REVENUE HIGHLIGHTS

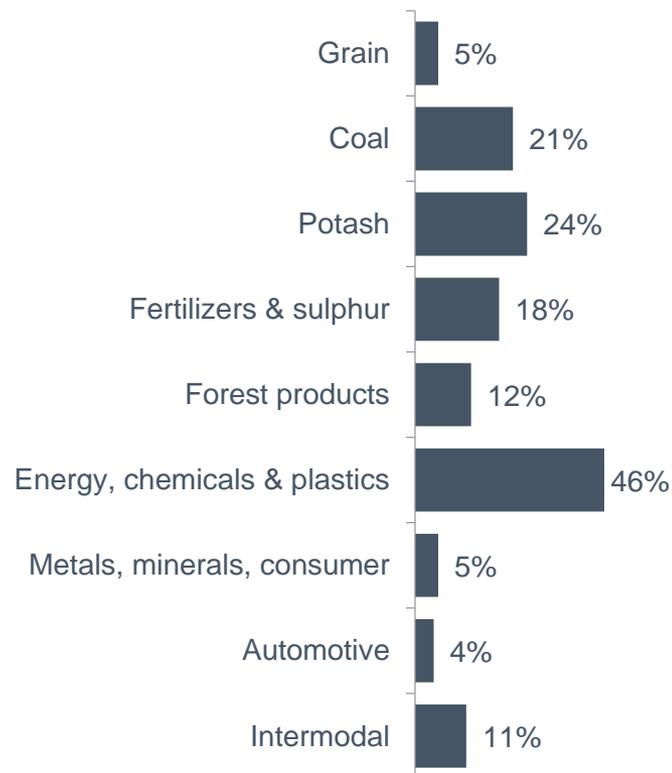
FREIGHT REVENUE

+ 18%

VS Q4 2017

- RTMs: +9%
- FX: +2%
- Fuel: +3%
- Price/mix: +4%

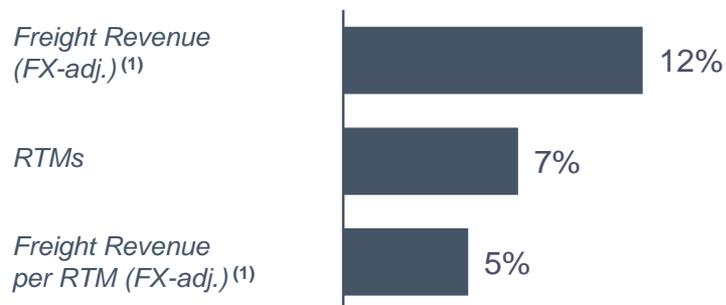
FX-adjusted revenue variance⁽¹⁾



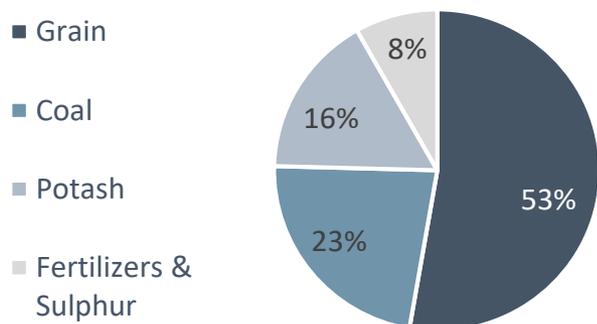
(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca

BULK

Q4'18 VS. Q4'17



2018 REVENUE BREAKDOWN



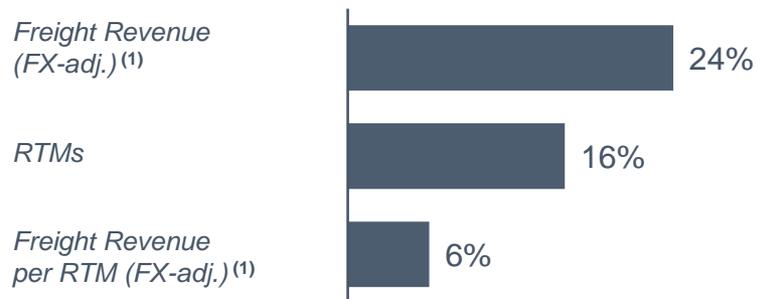
MARKET DRIVERS & OUTLOOK

- Record fourth quarter and full year for Canadian grain and potash
- Continued strength in Canadian grain; regulated grain VRCPI revised to 5.7% for the crop year
- Headwinds in US grain expected to persist in the near term

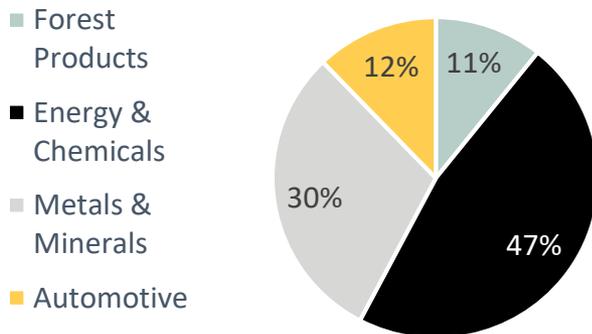
(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca

MERCHANDISE

Q4'18 VS. Q4'17



2018 REVENUE BREAKDOWN



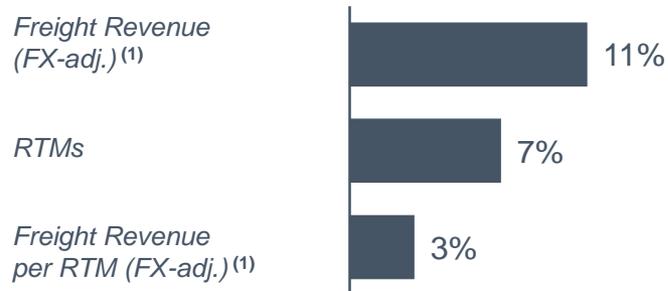
MARKET DRIVERS & OUTLOOK

- Record fourth quarter and full year for energy, chemicals and plastics; continued strength in ECP as we onboard new customers
- Sustained growth in forest products as we leverage our transloads and superior service
- Growth in autos in spite of cyclical weakness
- Steady construction supportive of aggregates and steel; some headwinds expected with frac sand

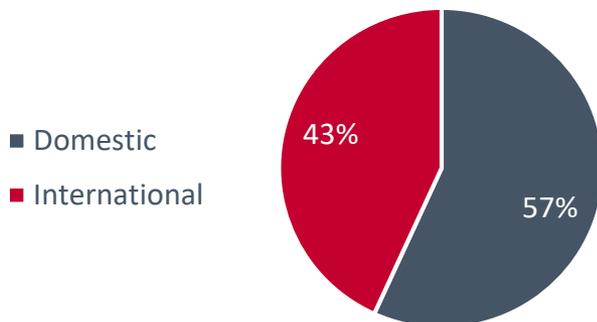
(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca

INTERMODAL

Q4'18 VS. Q4'17



2018 REVENUE BREAKDOWN



MARKET DRIVERS & OUTLOOK

- Record year in domestic intermodal; further upside in 2019 as we onboard new business and leverage demand management tools
- Well positioned in international intermodal as we leverage expansion capacity at Deltaport

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca



NADEEM VELANI

CHIEF FINANCIAL OFFICER



FINANCIAL PERFORMANCE – Q4

(In millions, except percentages and per share data)

	Fourth Quarter		Change %	FX adjusted Change % ⁽¹⁾
	2018	2017		
Total revenues	\$ 2,006	\$ 1,713	17 %	15 %
Compensation and benefits	378	340	11 %	10 %
Fuel	247	197	25 %	22 %
Materials	46	48	(4%)	(6%)
Equipment rents	31	34	(9%)	(11%)
Depreciation and amortization	180	168	7 %	6 %
Purchased services and other	250	244	2 %	1 %
Total operating expenses	1,132	1,031	10 %	8 %
Operating income	874	682	28 %	26 %
Other expense (income)	118	16	638 %	
Other components of net periodic benefit recovery	(97)	(71)	37 %	
Net interest expense	114	116	(2%)	
Income tax expense (recovery)	194	(363)	(153%)	
Net income	\$ 545	\$ 984	(45%)	
Adjusted income⁽¹⁾	\$ 648	\$ 469	38%	
Diluted earnings per share	3.83	6.77	(43%)	
Adjusted diluted earnings per share⁽¹⁾	4.55	3.22	41 %	
Operating ratio	56.5%	60.2%	(370) bps	

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca



FINANCIAL PERFORMANCE – FULL YEAR

<i>(In millions, except percentages and per share data)</i>	Full Year		% Change
	2018	2017	
Total revenues	\$ 7,316	\$ 6,554	12 %
Total operating expenses	4,485	4,035	11 %
Adjusted total operating expenses ⁽¹⁾	4,485	4,086	10 %
Operating income	2,831	2,519	12 %
Adjusted operating income ⁽²⁾	2,831	2,468	15 %
Net income	1,951	2,405	(19%)
Adjusted income ⁽²⁾	2,080	1,666	25%
Operating ratio	61.3%	61.6%	(30) bps
Adjusted operating ratio⁽²⁾	61.3%	62.4%	(110) bps
Diluted earnings per share	13.61	16.44	(17%)
Adjusted diluted earnings per share⁽²⁾	14.51	11.39	27 %

(1) Adjusted for \$51 million of management transition recovery in Q1 2017

(2) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca



FREE CASH

<i>(in millions)</i>	Full Year	
	2018	2017
Cash provided by operating activities	\$2,712	\$2,182
Capital expenditures	(1,551)	(1,340)
Other property and asset sales	78	42
Other	15	3
Cash used in investing activities	(1,458)	(1,295)
Effect of FX on USD-denominated cash & cash equivalents	11	(13)
Settlement of forward starting swaps upon debt issuance	24	—
Free cash flow ⁽¹⁾	\$1,289	\$874
ROIC⁽¹⁾	15.3%	20.5%
Adjusted ROIC⁽¹⁾	16.2%	14.7%

- Free cash flow up 47%
- Continuing to reward shareholders
 - ~40% completed in share buyback program
 - 3rd straight year of a dividend increase
- Capital investment of \$1.6B in 2019

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2018 Earnings Release on investor.cpr.ca



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