



# Earnings Conference Call

2021 First Quarter

April 28, 2021



# Forward-Looking Statements / Non-GAAP Measures

This presentation contains forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995, as amended. These statements relate to future events or future performance of Norfolk Southern Corporation's (NYSE: NSC) ("Norfolk Southern," "NS" or the "Company"), including but not limited to statements regarding future financial performance and anticipated results, benefits, and targets related to the strategic plan. In some cases, these forward-looking statements may be identified by the use of words like "will," "believe," "expect," "targets," "anticipate," "estimate," "plan," "consider," "project," and similar references to the future. The Company has based these forward-looking statements on management's current expectations, assumptions, estimates, beliefs, and projections. While the Company believes these expectations, assumptions, estimates, and projections are reasonable, forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control, including but not limited to: general North American and global economic conditions; changes in energy prices and fuel markets; capacity constraints; technology disruptions; acts of terrorism or war; certainty surrounding timing and volumes of commodities being shipped; changes in laws and regulations; uncertainties of claims and lawsuits; labor disputes; transportation of dangerous goods; effects of changes in capital market conditions; severe weather; consolidation; and the impact of the COVID-19 pandemic on us, our customers, our supply chain and our operations. These and other important factors, including those discussed under "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission (the "SEC"), as well as the Company's subsequent filings with the SEC, may cause actual results, benefits, performance, or achievements to differ materially from those expressed or implied by these forward-looking statements. Please refer to these SEC filings for a full discussion of those risks and uncertainties we view as most important.

Forward-looking statements are not, and should not be relied upon as, a guarantee of future events or performance, nor will they necessarily prove to be accurate indications of the times at or by which any such events or performance will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, the occurrence of certain events or otherwise, unless otherwise required by applicable securities law.

In addition to disclosing financial results in accordance with U.S. GAAP, the accompanying presentation contains non-GAAP financial measures. These non-GAAP measures should be viewed as a supplement to and not a substitute for our U.S. GAAP measures, and the financial results calculated in accordance with U.S. GAAP and reconciliations from these results should be carefully evaluated. All reconciliations to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP can be found on our website at [www.norfolksouthern.com](http://www.norfolksouthern.com) on the Invest in NS page under Events for this event.



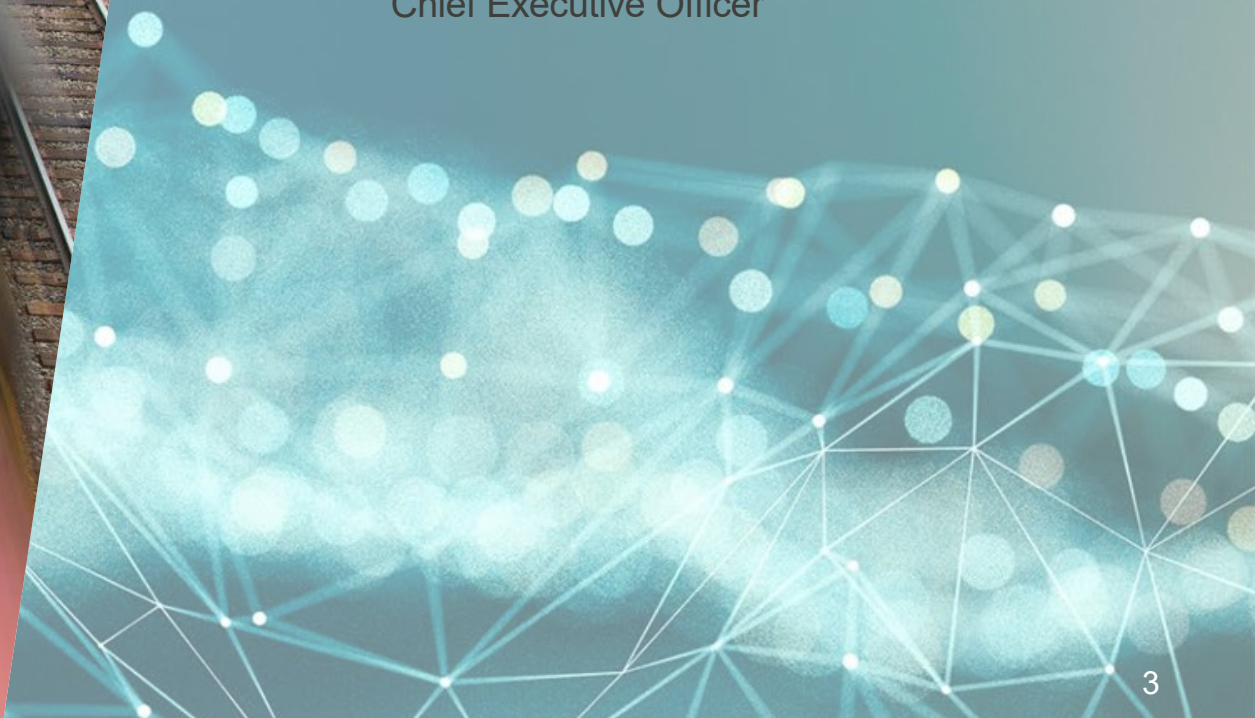
# 01 Summary

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First Quarter

**James A. Squires**

Chairman, President and  
Chief Executive Officer



# First-Quarter 2021 Results

Record performance through execution of PSR plan

	<b>Q1 2021</b>	<b>vs Adjusted Q1 2020<sup>(1)</sup></b>
Revenues	<b>\$2,639M</b>	1%
Operating expenses	<b>\$1,624M</b>	(3%)
Operating ratio	<b>61.5%</b> <i>RECORD</i>	(220bps)
Earnings per share	<b>\$2.66</b> <i>Q1 RECORD</i>	3%



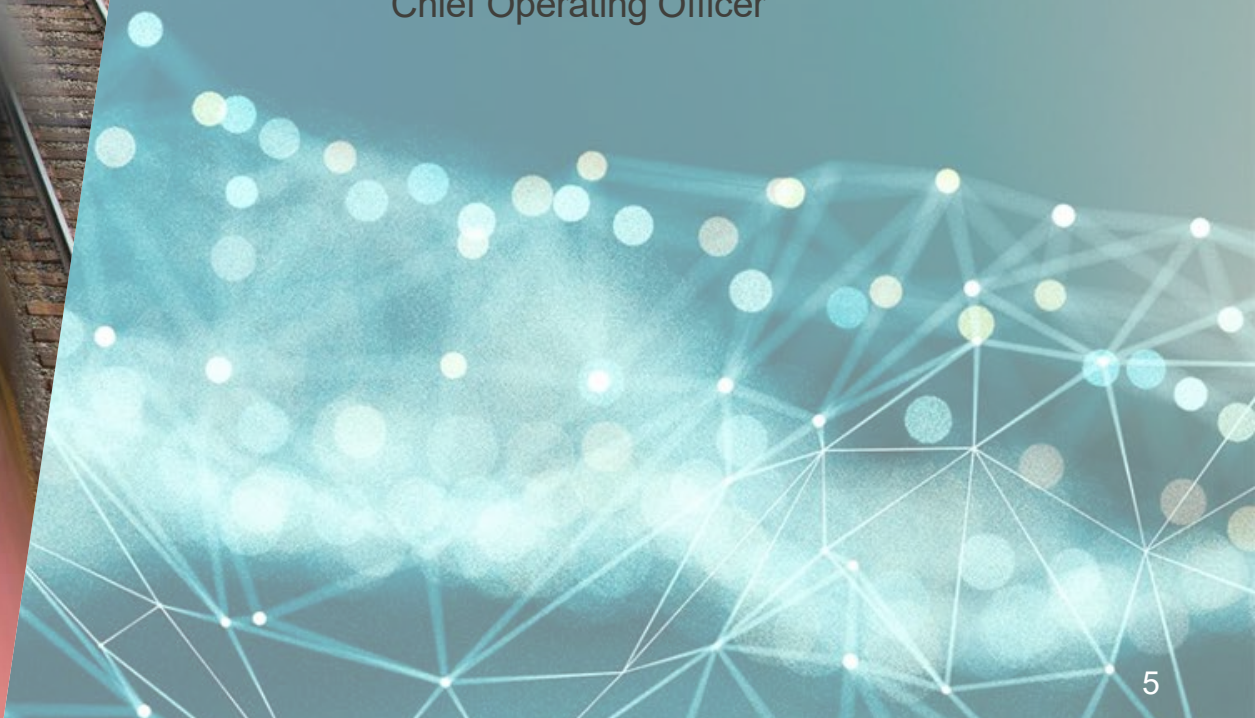
## 02 Operations Overview

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First Quarter

**Cindy M. Sanborn**

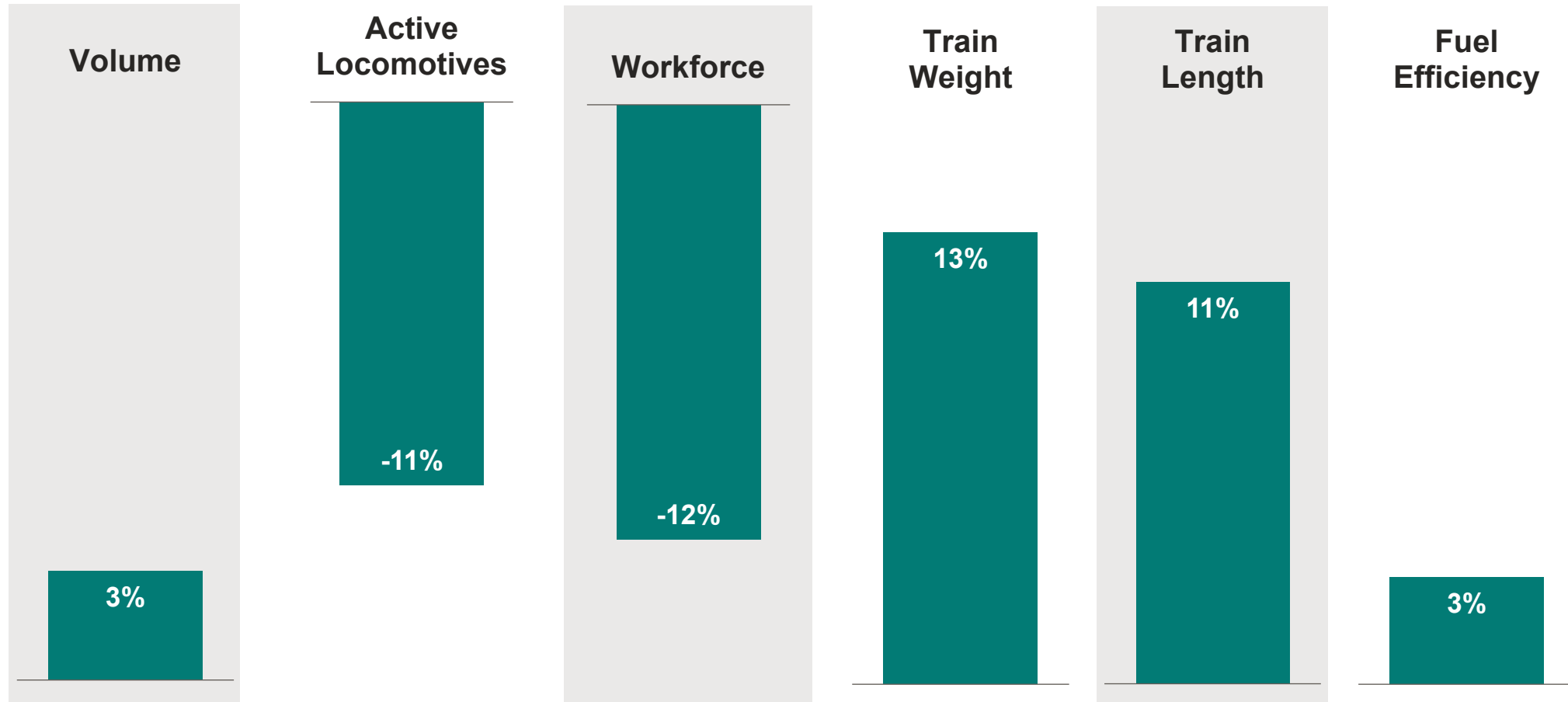
Executive Vice President and  
Chief Operating Officer



# Operational Indicators

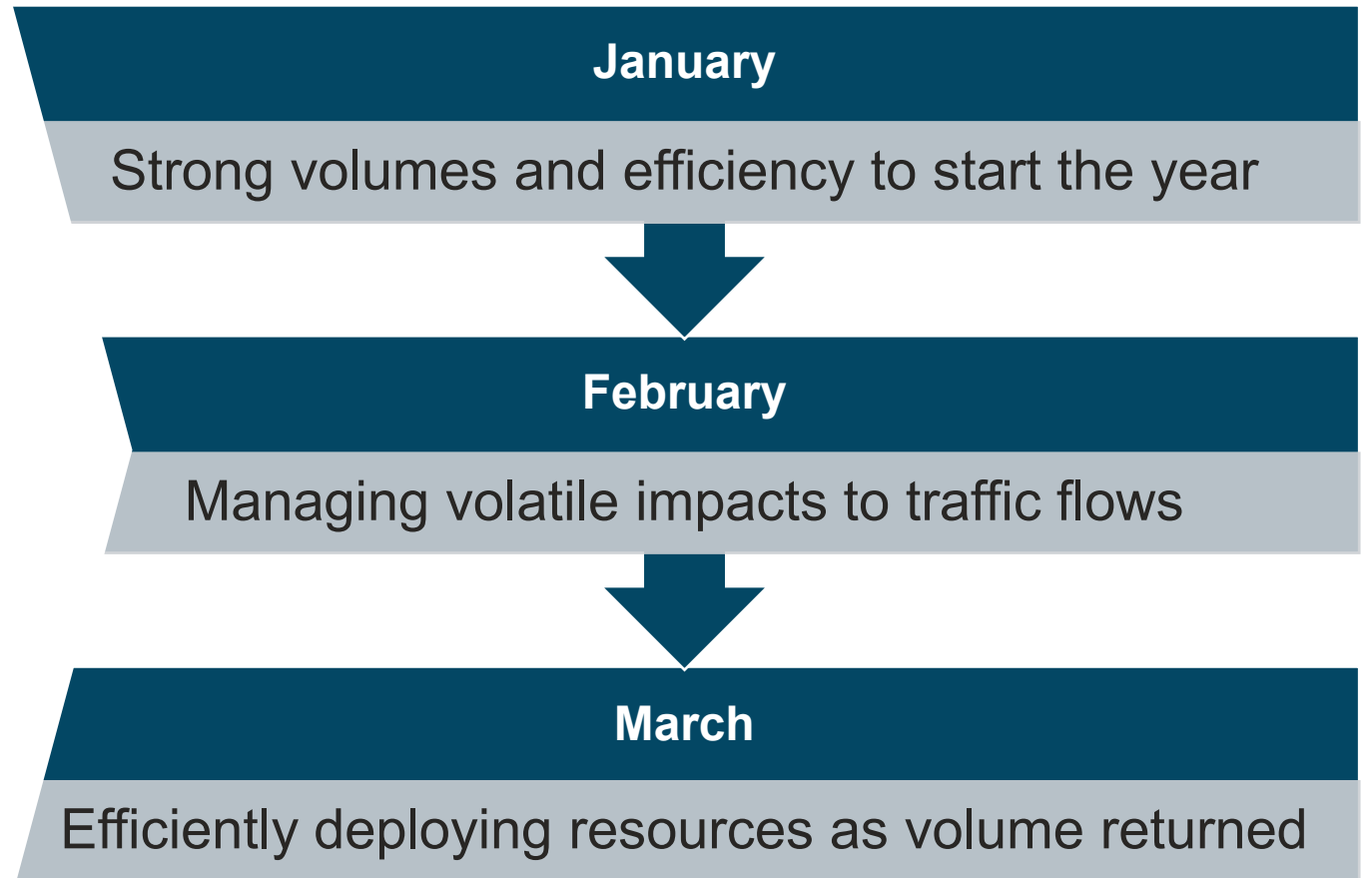
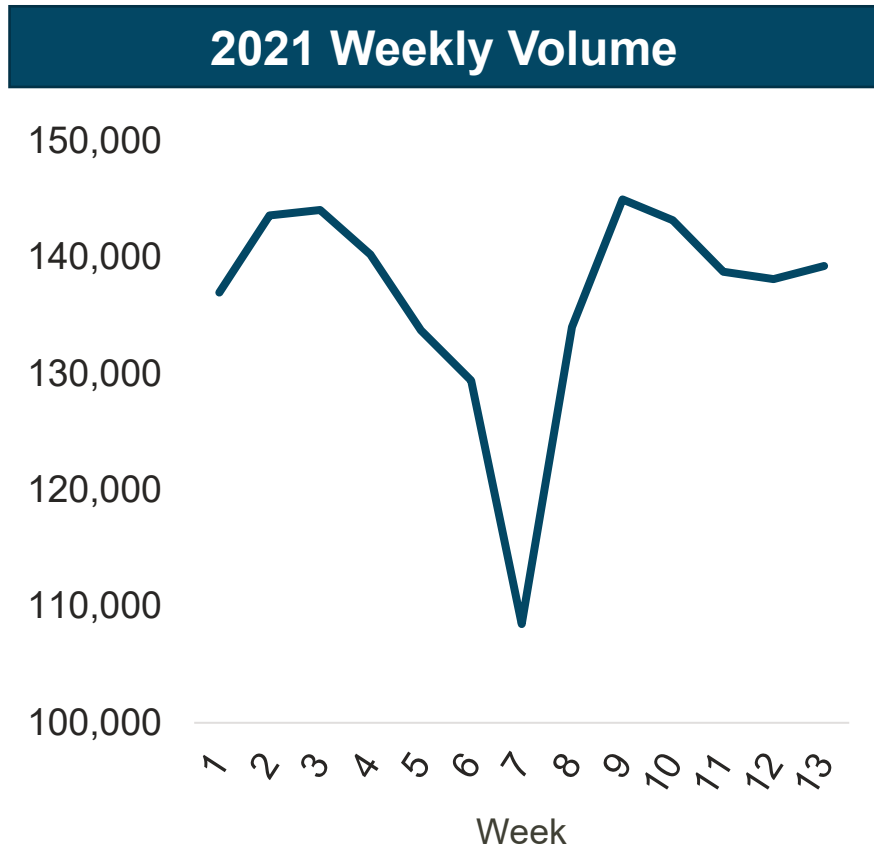
## Double-digit train size increases and resource reductions

Q1 2021 vs. Q1 2020

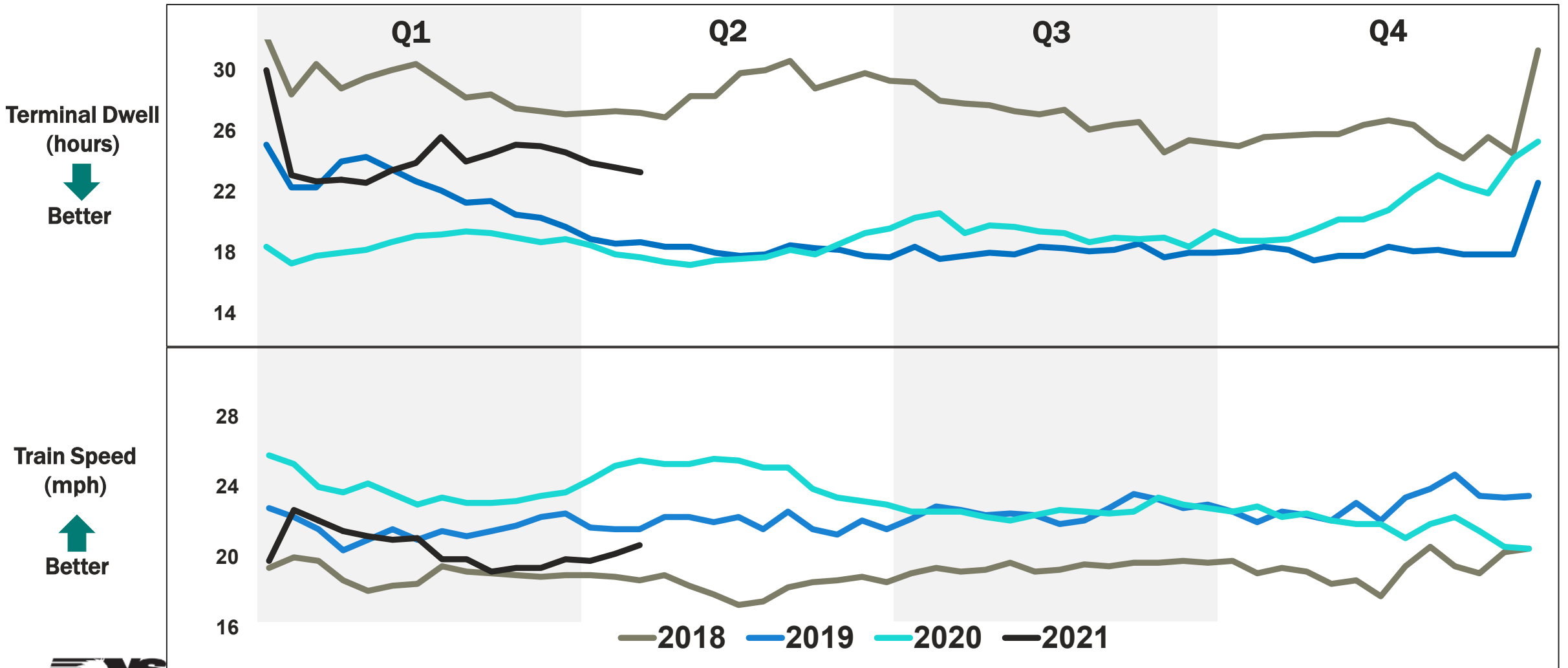


# Navigating an Unpredictable Quarter

## Execution of our plan to drive productivity



# Network Performance





# Managing Variability for Record Efficiency

## Driving Efficiency

Productivity records this quarter:

- T&E productivity
- Locomotive productivity
- Train weight
- Train length
- Distributed power usage

## Improving Resiliency

- Managing volume through increased and consistent terminal throughput
- Using PSR techniques to efficiently manage volume fluctuations
- Alleviating bottlenecks through improved planning internally and with interline partners



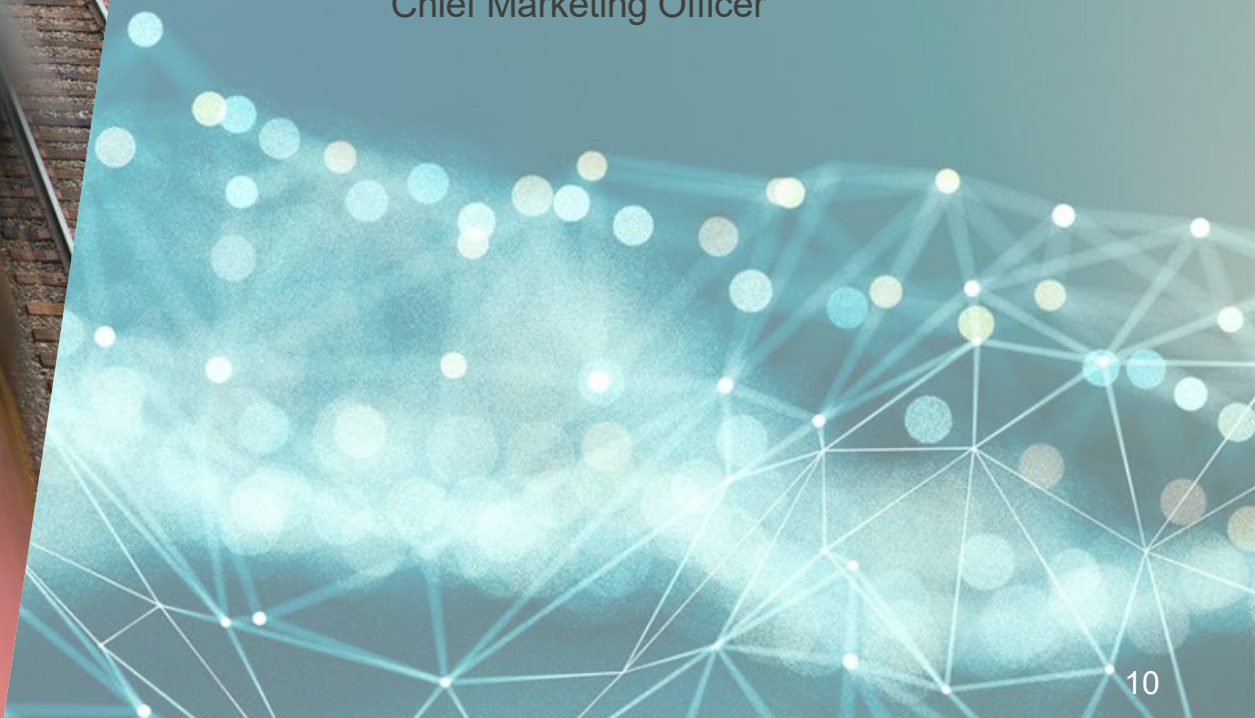
## 03 Market Overview

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First Quarter

**Alan H. Shaw**

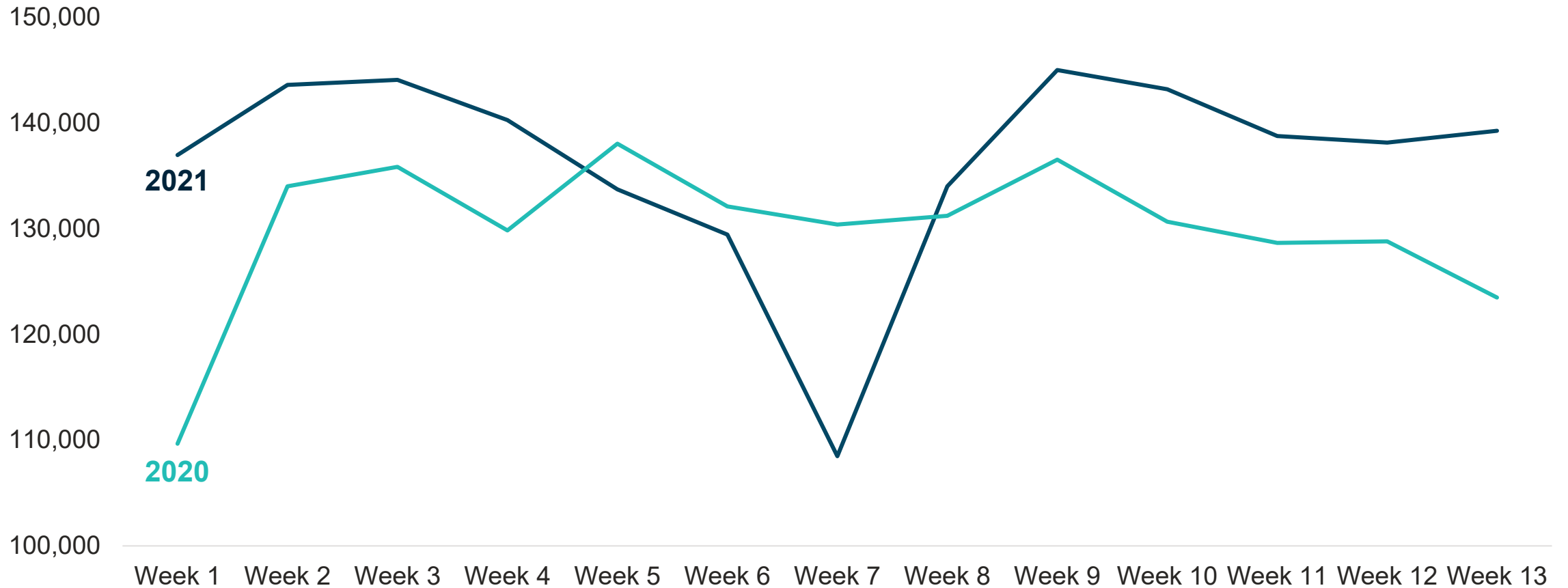
Executive Vice President and  
Chief Marketing Officer



# First-Quarter Volume up 3% Year-over-Year

Volume declines from February weather events were largely offset by stronger January & March

## Weekly Carloads



# Intermodal Drives Growth in the First Quarter

## Yield-Up strategy supports margin improvement

Q1 2021 vs. Q1 2020 / Revenue change \$ millions / favorable / unfavorable



	Merchandise	Intermodal	Coal	Total
Revenue	\$1,608M (4%)	\$719M 10%	\$312M 5%	\$2,639M 1%
Volume	554,000 (3%)	1,016,400 6%	166,500 2%	1,736,900 3%
RPU	\$2,903 (1%)	\$708 3%	\$1,872 3%	\$1,519 (2%)
RPU (less fuel) <sup>(1)</sup>	\$2,882 - RECORD RPU LF	\$624 6% RECORD RPU LF	\$1,870 3%	\$1,463 (1%)




**17 consecutive quarters of y-o-y RPU (less fuel)<sup>(1)</sup> growth in Intermodal; 24 in Merchandise**

# 2021 Growth Outlook

Strong freight environment expected through the end of the year






## MERCHANDISE

Manufacturing growth   
Vehicle production   
Energy demand 






## INTERMODAL

Consumer spending   
Truck market capacity   
Inventory levels 



## COAL

Export thermal demand   
Domestic met   
Product substitution 



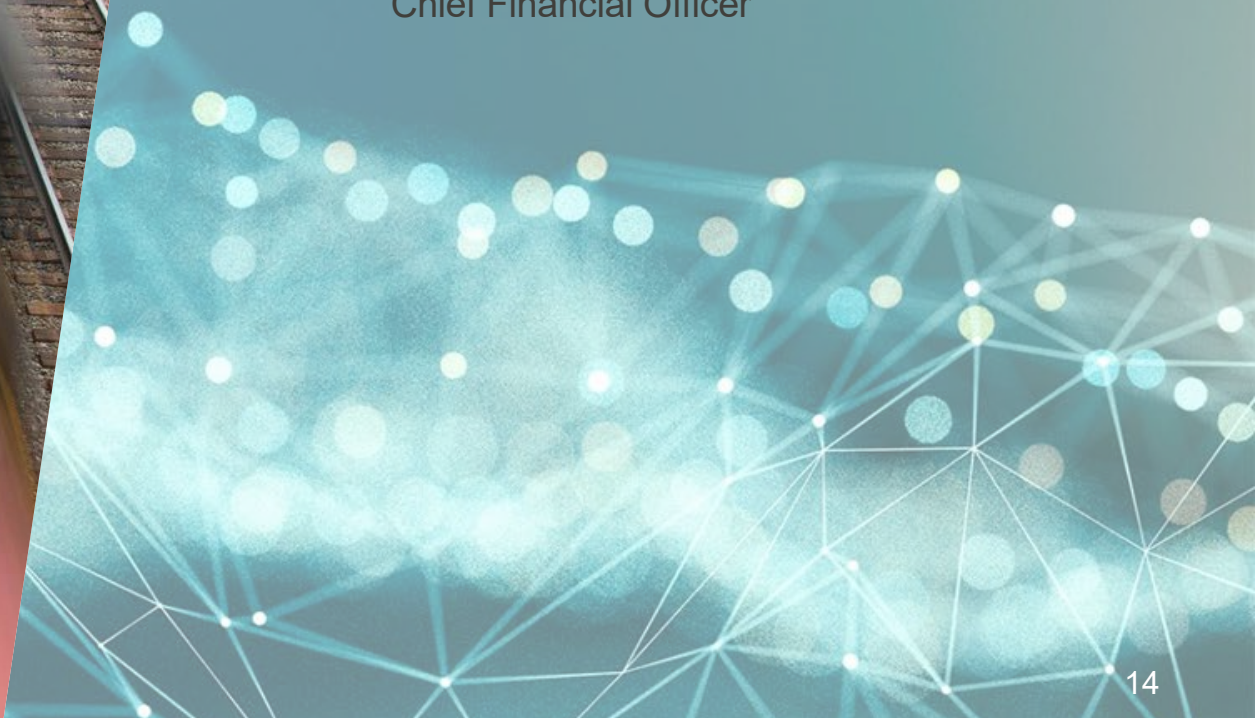
## 04 Finance Overview

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First Quarter

**Mark R. George**

Executive Vice President and  
Chief Financial Officer



# Operating Ratio and EPS

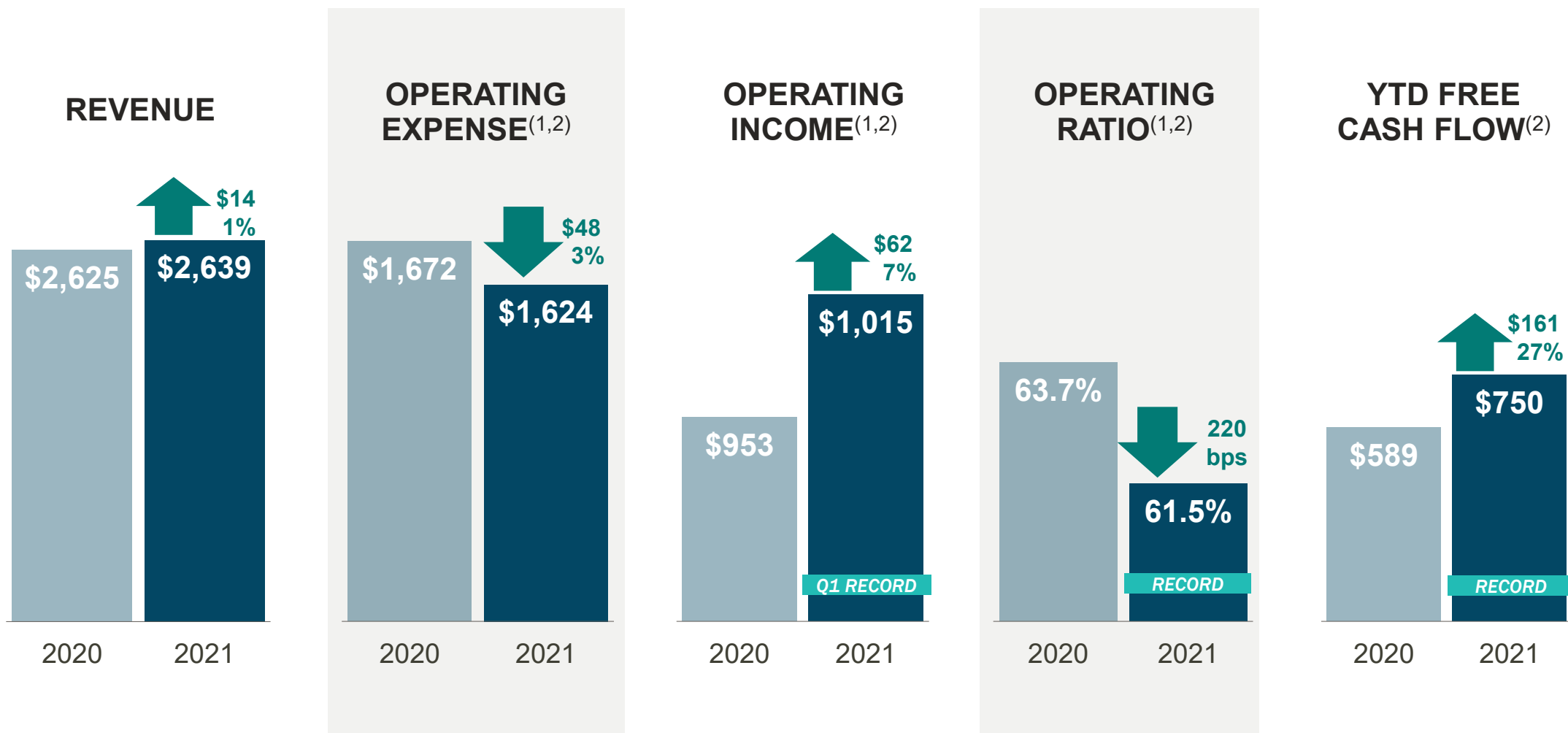
Items Impacting Comparison to 2020 / *favorable* / *unfavorable*

	First Quarter	
	Operating Ratio	Earnings Per Share
Q1 2020 <sup>(1)</sup>	63.7%	\$2.58
Q1 2021	61.5%	\$2.66
<b>Year-over-year change</b>	<b>(220bps)</b>	<b>\$0.08</b>
<b>Year-over-year change reconciliation:</b>		
2012 income tax refund in 2020	-	(\$0.09)
Core improvement	(220bps)	\$0.17
<b>Year-over-year change</b>	<b>(220bps)</b>	<b>\$0.08</b>

# First-Quarter Highlights

Q1 2021 vs. Adjusted Q1 2020<sup>(1,2)</sup> / *favorable* / *unfavorable*

\$ millions



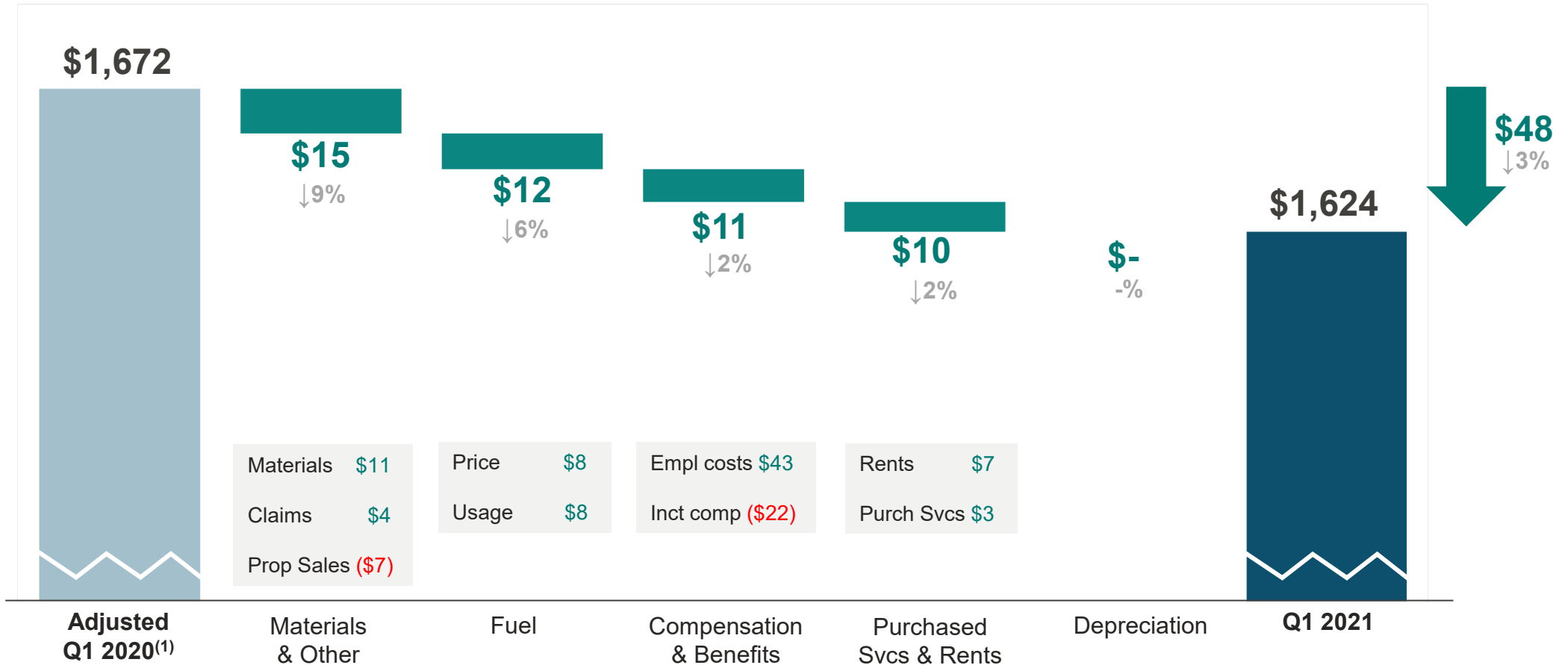
(1) Adjusted Q1 2020 excludes \$385M non-cash locomotive disposition charge.  
 (2) Please see reconciliation to GAAP posted on our website on the *Invest in NS* page under *Events* for this event.



# Operating Expense Components

Q1 2021 vs. Adjusted Q1 2020<sup>(1)</sup> / *favorable* / *unfavorable*

\$ millions



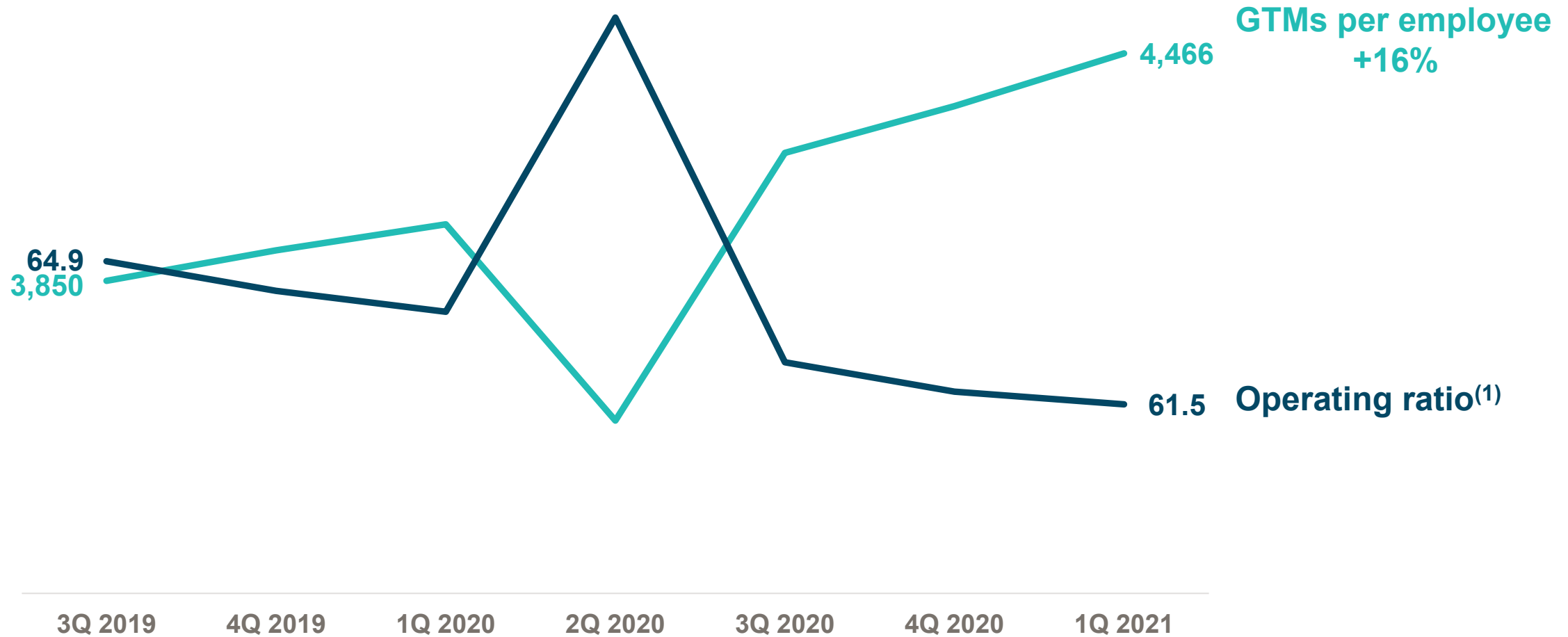
**Operating expenses reduced 3% on volume increase of 3%**



(1) Adjusted Q1 2020 excludes \$385M non-cash locomotive disposition charge. Please see reconciliation to GAAP posted on our website on the *Invest in NS* page under *Events* for this event.

# Strong Workforce Productivity

Significant progress since launch of TOP21 operating plan



(1) Adjusted 2020 excludes \$385M non-cash locomotive disposition charge and \$99M non-cash impairment charge related to an equity-method investment. Please see reconciliation to GAAP posted on our website on the **Invest in NS** page under **Events** for this event.

# Financial Results

Q1 2021 vs. Adjusted Q1 2020<sup>(1)</sup> / *favorable* / *unfavorable*

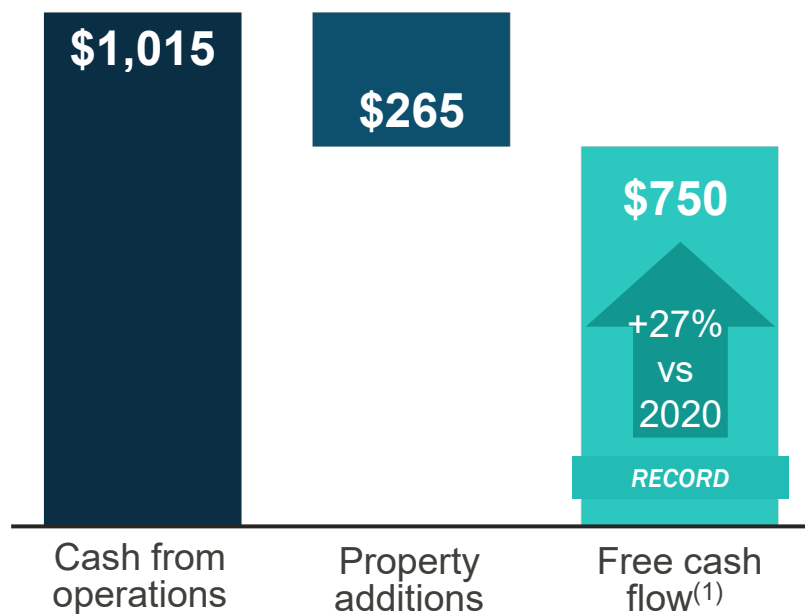
\$ millions except per share

	Adjusted Q1 2020	Q1 2021	Variance	
			\$	%
Income from railway operations <sup>(1)</sup>	\$953	\$1,015	\$62	7%
Other income – net	22	7	(15)	(68%)
Interest expense on debt	154	156	2	1%
Income before income taxes <sup>(1)</sup>	821	866	45	5%
Income taxes <sup>(1)</sup>	152	193	41	27%
Net income <sup>(1)</sup>	\$669	\$673	\$4	1%
Earnings per share – diluted <sup>(1)</sup>	\$2.58	\$2.66	\$0.08	3%

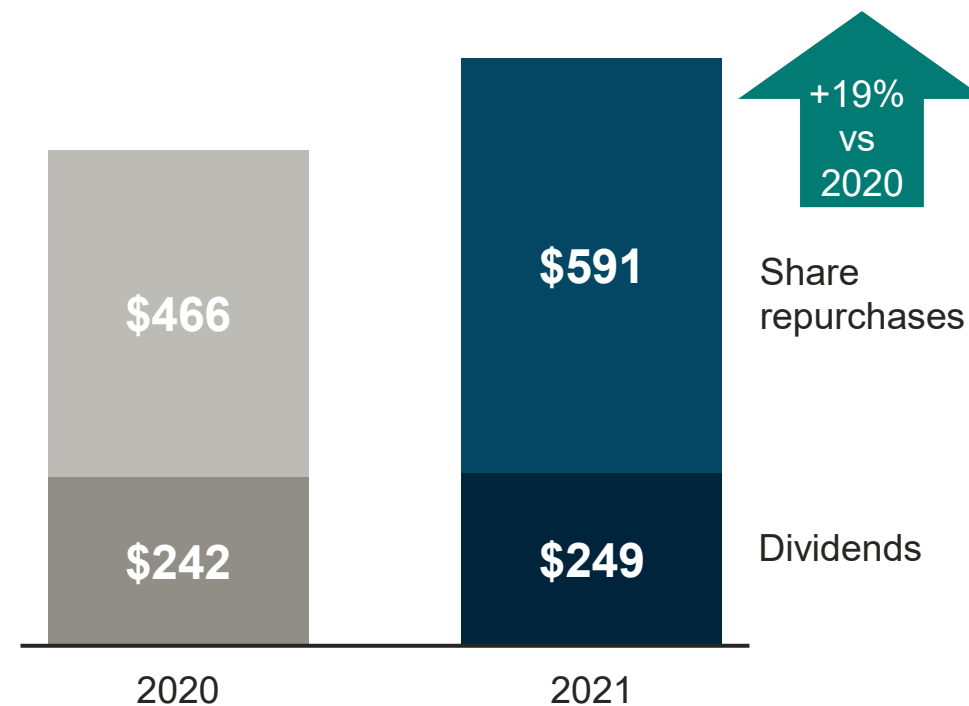
# Free Cash Flow & Shareholder Distributions

First Three Months / \$ millions

## 2021 Free Cash Flow<sup>(1)</sup>



## Shareholder Distributions



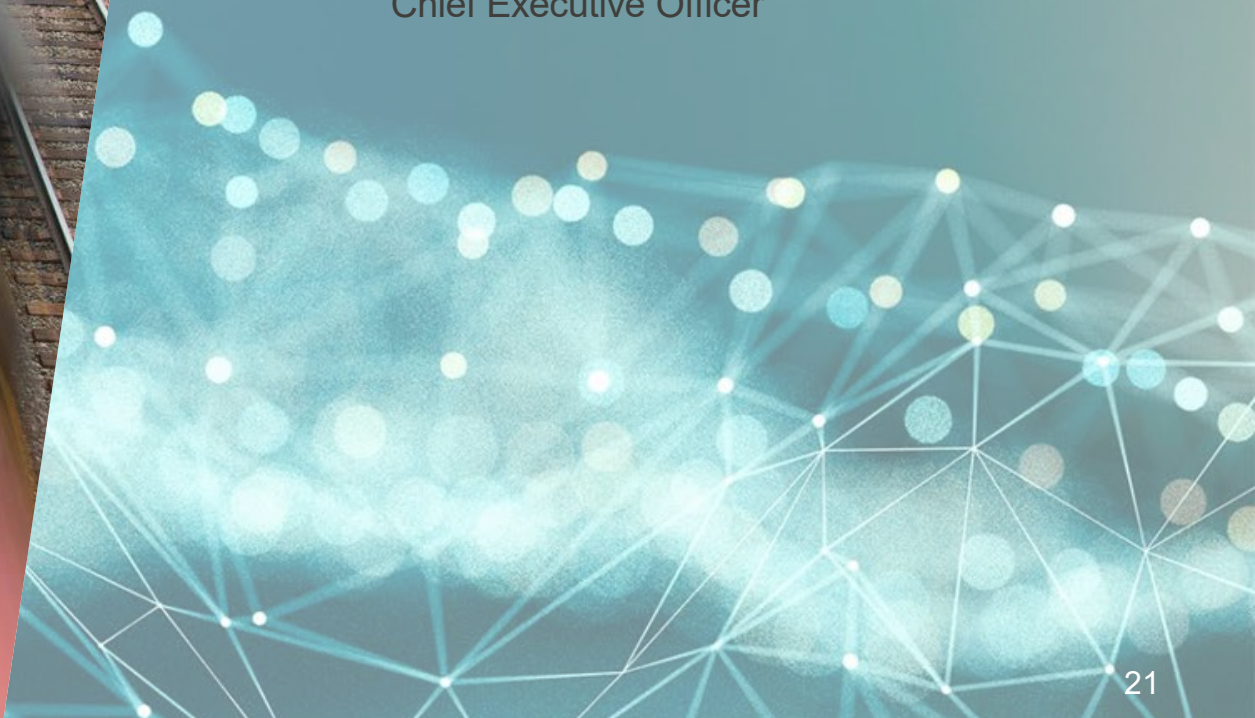


## 05 Closing Comments

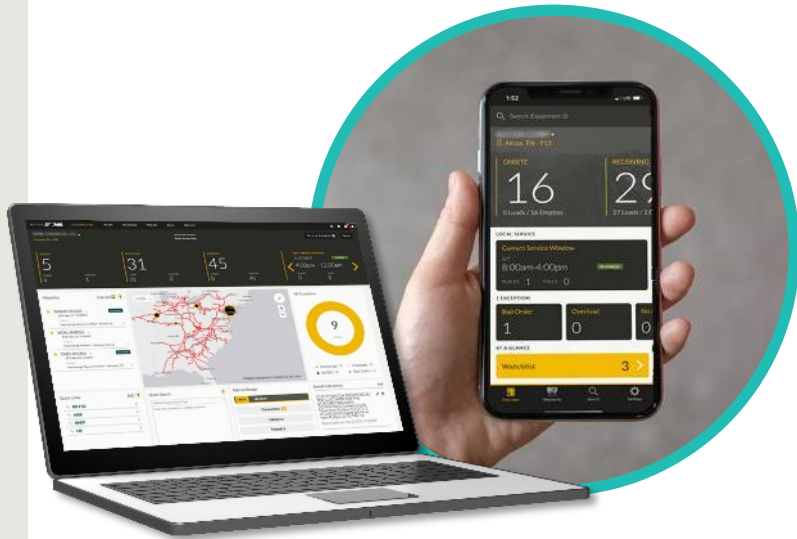
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**James A. Squires**

Chairman, President and  
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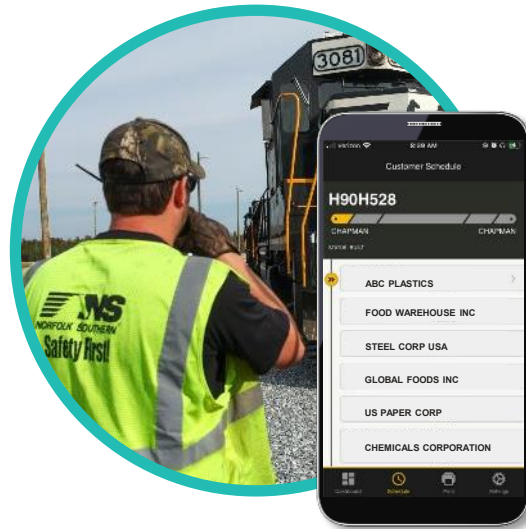


# Accelerating Digital Transformation



## Enhancing our Product

- TRAX mobile app
- AccessNS customer portal
- Proactive notifications



## Empowering Employee Productivity

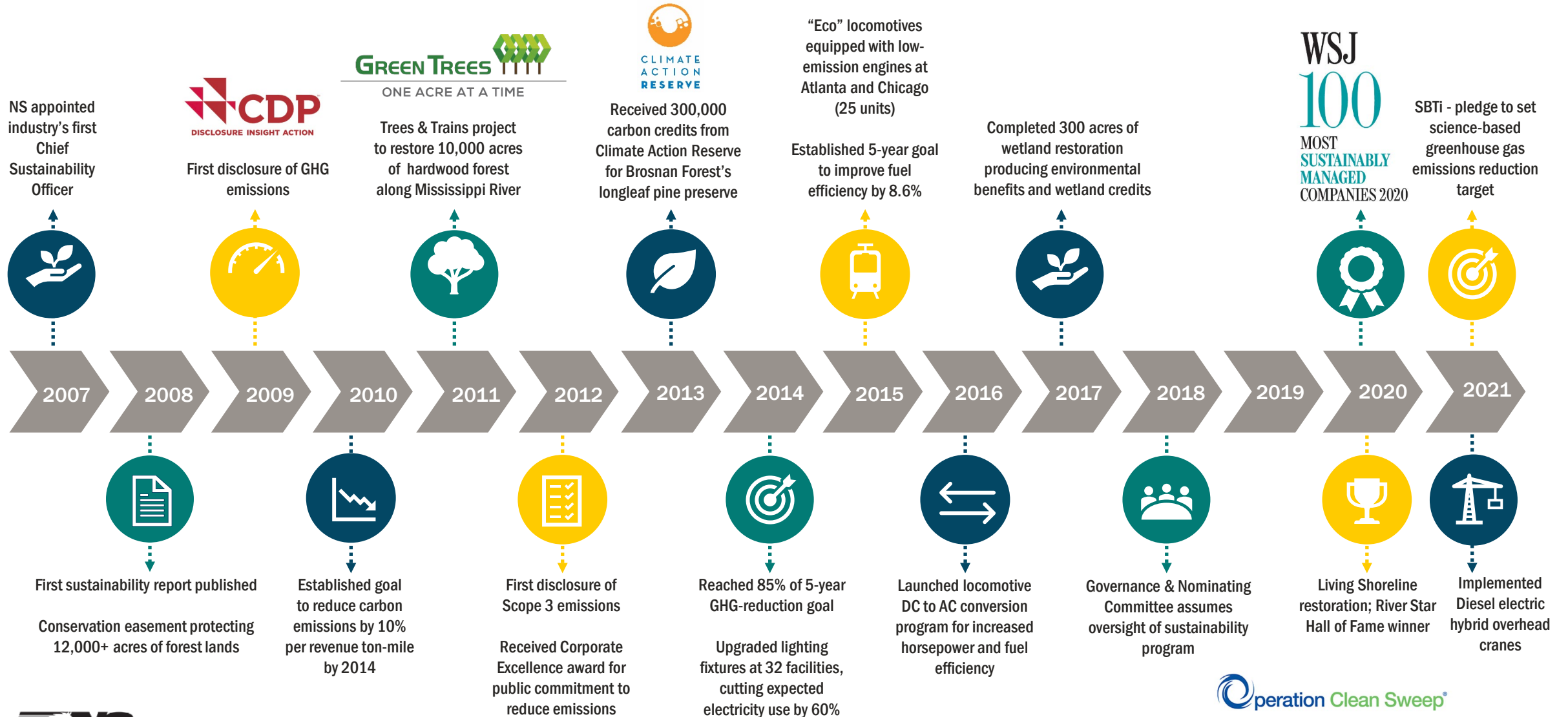
- Mobile train reporting
- ConnectNS CRM



## Driving Operational Efficiency

- Railcar/platform utilization
- Predictive analytics for failure prevention and maintenance planning
- Automated inspections

# Condensed Sustainability Timeline



# Outlook

Enhancing shareholder value through cost efficiency and growth

## Revenue

- ~9% year-over-year growth
- **Intermodal and Merchandise:** Leading growth drivers
- **Coal:** Secular decline continues

## Operating Ratio

- Greater than 300 basis points improvement in 2021, versus 2020 adjusted OR
- End 2021 on 60% run rate
- Continue to drive OR lower over longer term

## Capital Allocation

- **Capex:** ~\$1.6 billion
- **Dividends:** Raised to 35-40% of Net Inc.
- **Share Repurchases:** Remaining excess cash after considering financial leverage





## 06 Appendix

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# Items Impacting Comparison to 2020

*favorable / unfavorable*

*\$ millions except per share*

	First Quarter	
2020 Non-cash locomotive charge	\$	385
2020 Income tax refund		(23)

## Impact:

Operating ratio		1470 bps
Earnings per share		\$1.02

**Thank you.** [www.norfolksouthern.com](http://www.norfolksouthern.com)

