



# Q4 2022 Earnings Call

January 25, 2023



# Forward-Looking Statements / Non-GAAP Measures

This presentation and the related materials contain forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995, as amended. These statements are not statements of historical fact and relate to future events or future performance of Norfolk Southern Corporation (NYSE: NSC) (“Norfolk Southern,” “NS,” the “Company,” “we,” “our,” or “us”), 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,” “may,” “could,” “should,” 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; uncertainty 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; 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, 2021, 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.

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# CEO Remarks



**Alan Shaw**  
President & Chief Executive Officer

CUSTOMER  
CENTRIC  
OPERATIONS  
DRIVEN

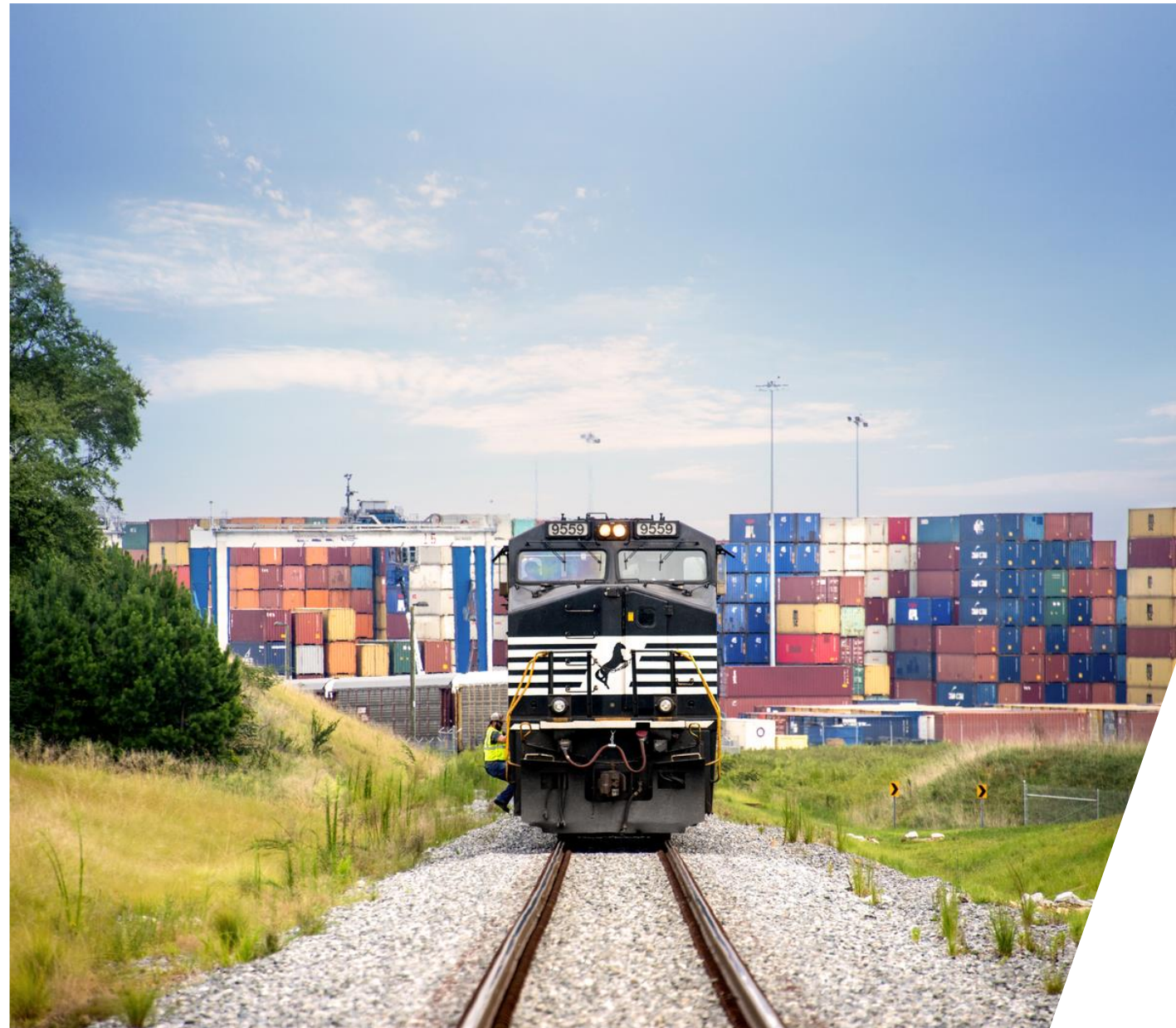


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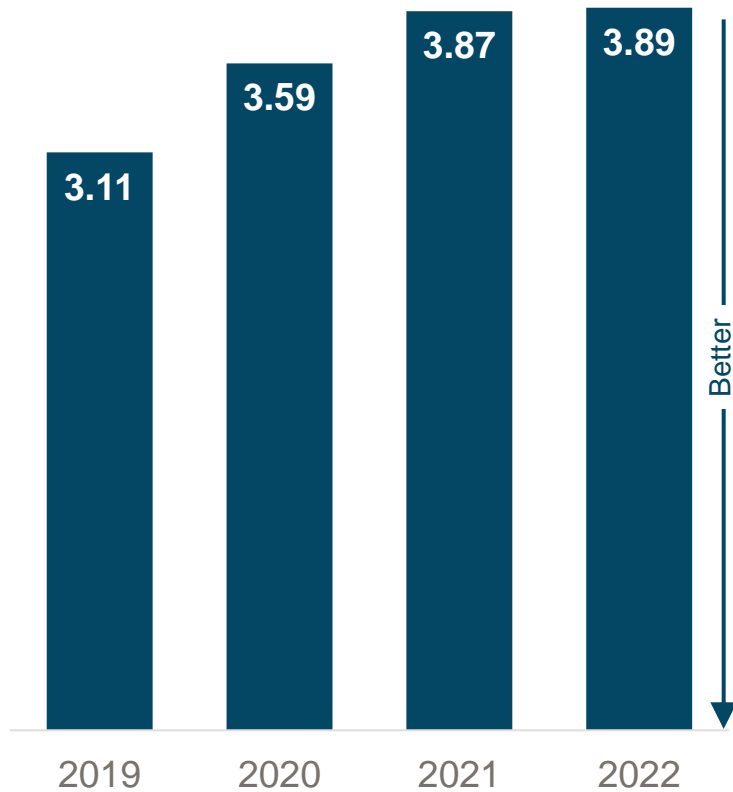
# Operations Overview



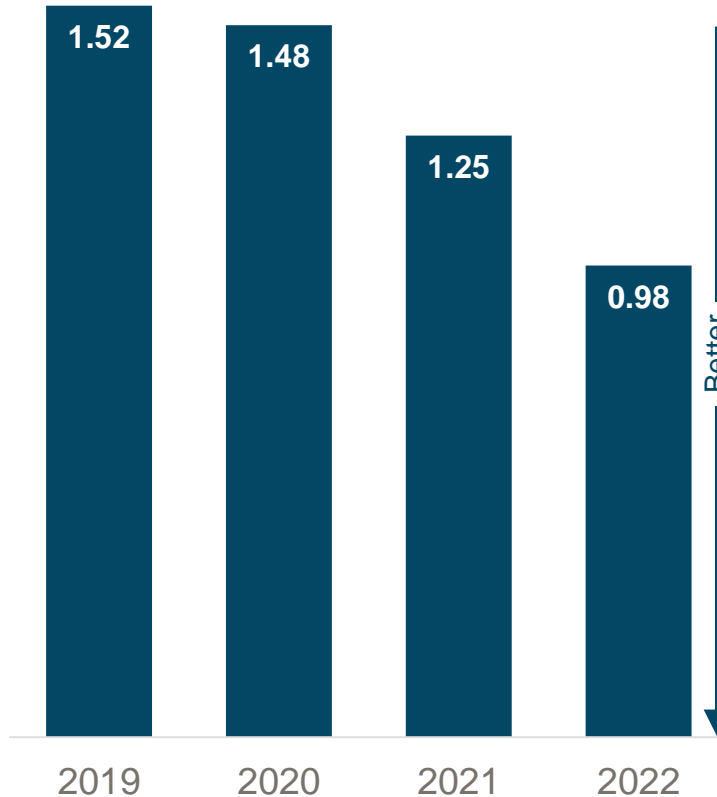
**Paul Duncan**  
Executive Vice President  
& Chief Operating Officer



## FRA Train Accident Rate

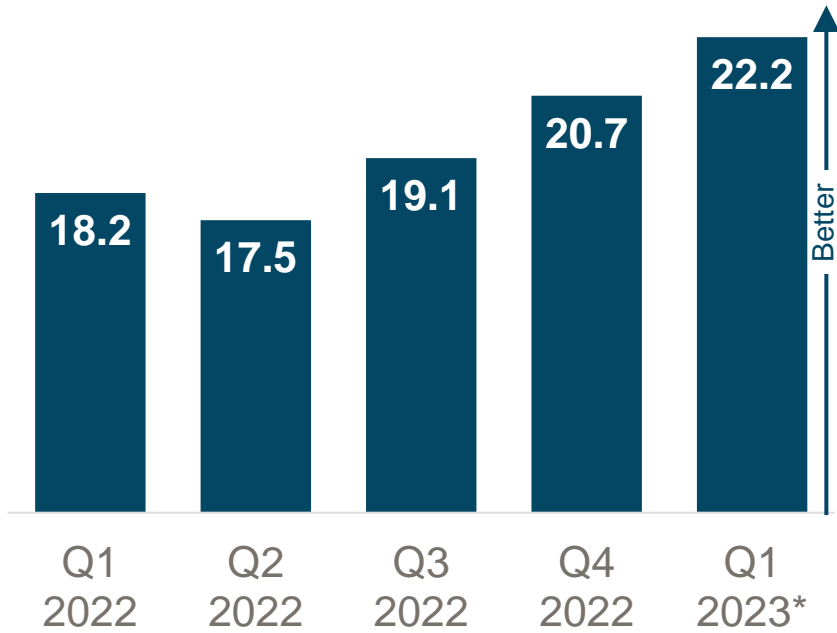


## FRA Personal Injury Index

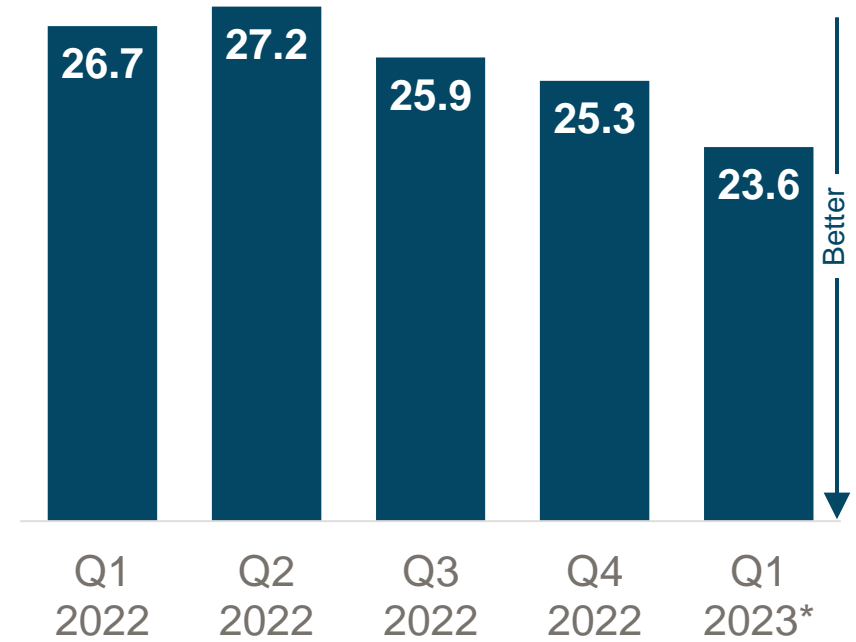


Continued Focus on Improving Safety

# Service Update



**Train Speed (mph)**

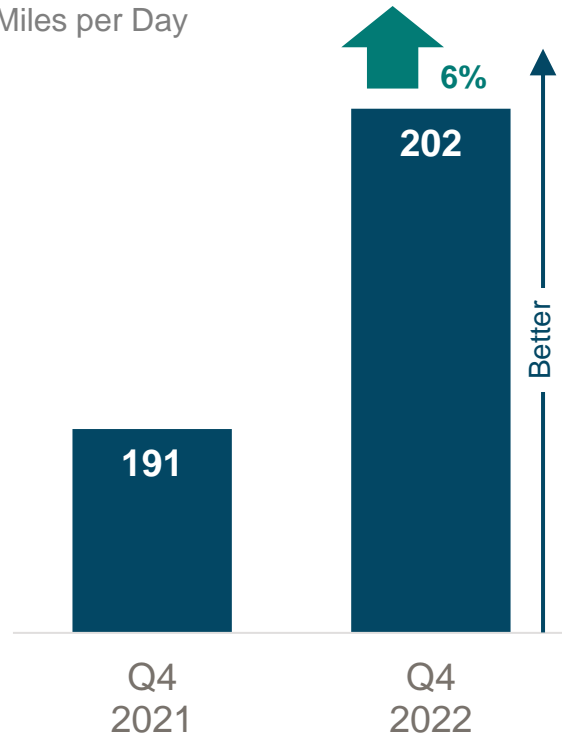


**Terminal Dwell (hours)**

# Productivity Update

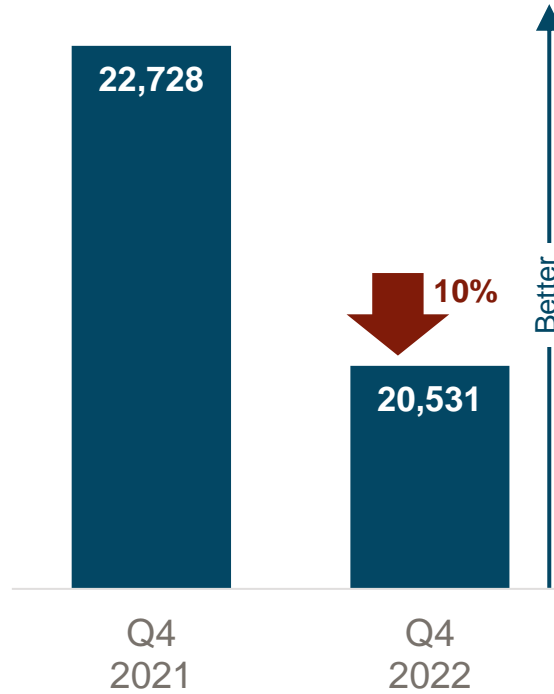
## Locomotives

Miles per Day



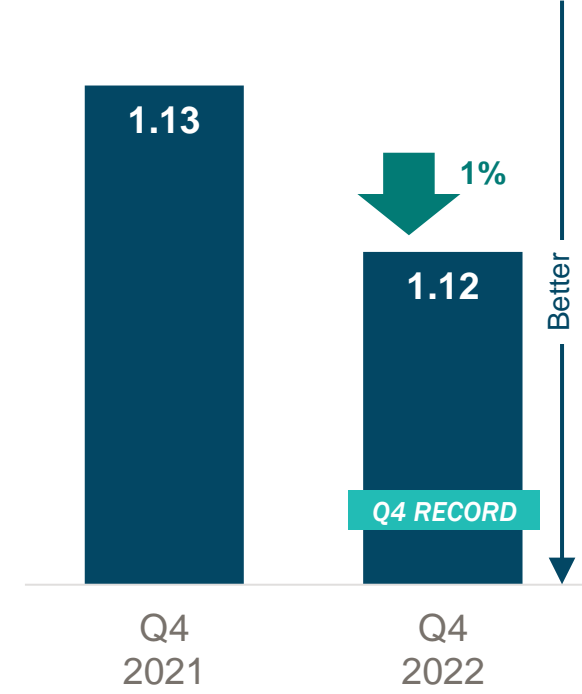
## Workforce

GTMs per T&E Hour Worked



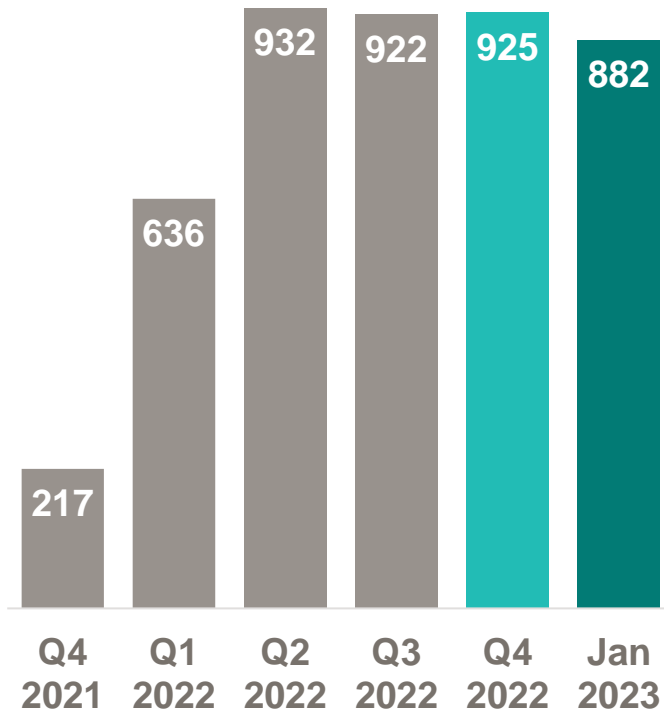
## Fuel Efficiency

Gallons per kGTM

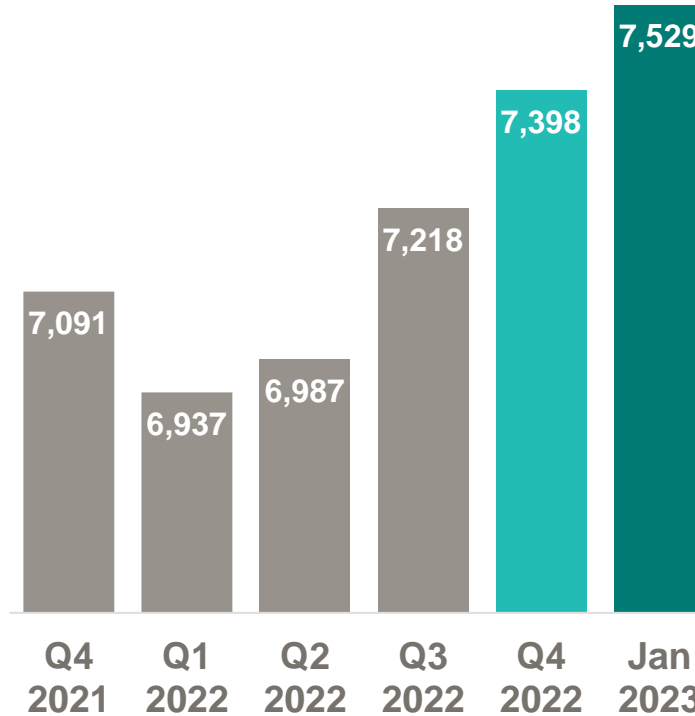


# Building on Historic Hiring Progress in 2022

## Conductor Trainees



## Qualified T&E



- Focused on crew bases below minimum staffing level
- Deploying Go-Teams more effectively as network improves
- Equipping our workforce to provide robust service





# 2023 Operations Outlook

- Continuous improvement across the operation
- Ongoing locomotive fleet modernization
- Launching unit train productivity initiatives
- Executing capital plan & resilience projects
- Converting TOP|SPG capacity gains to additional volume

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# Market Overview



**Ed Elkins**

Executive Vice President  
& Chief Marketing Officer

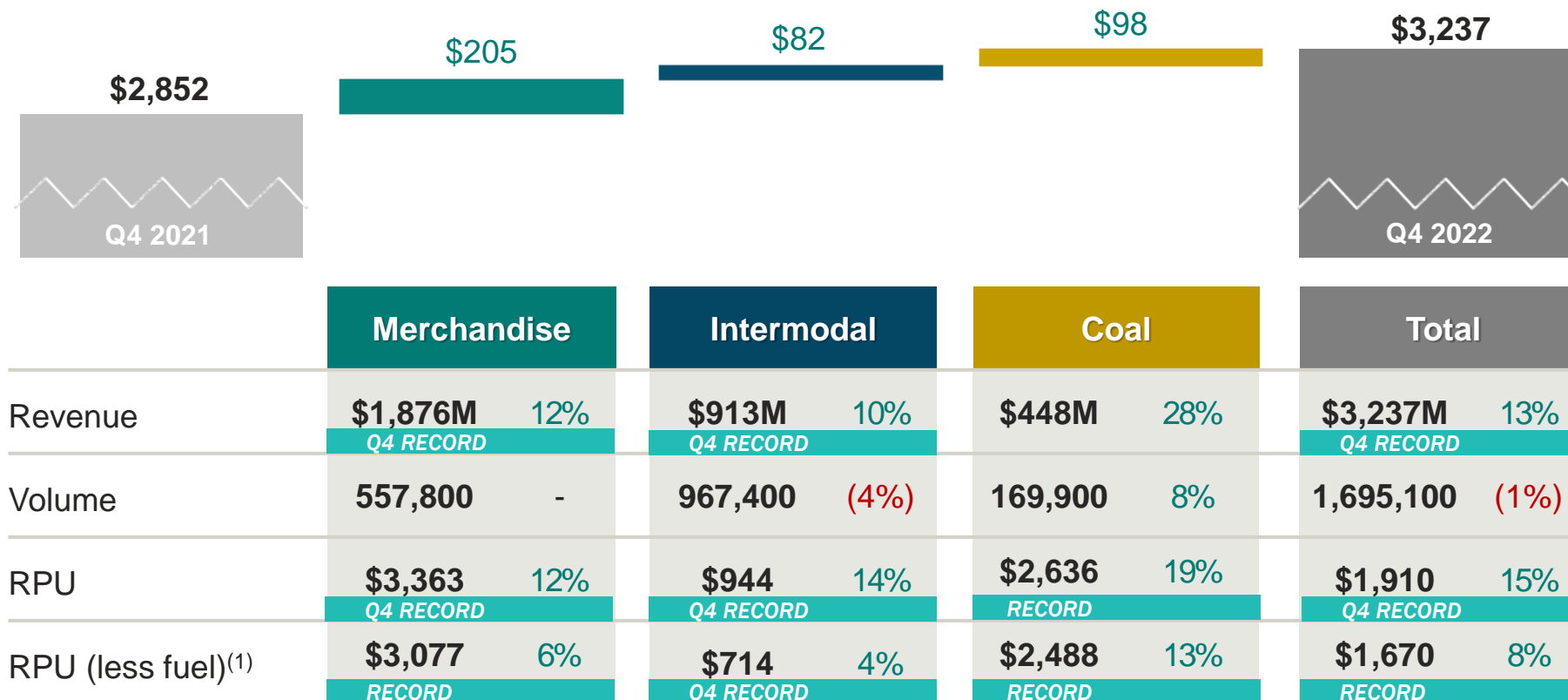




# Improving service generates momentum for growth

## Double-digit revenue growth across all business units

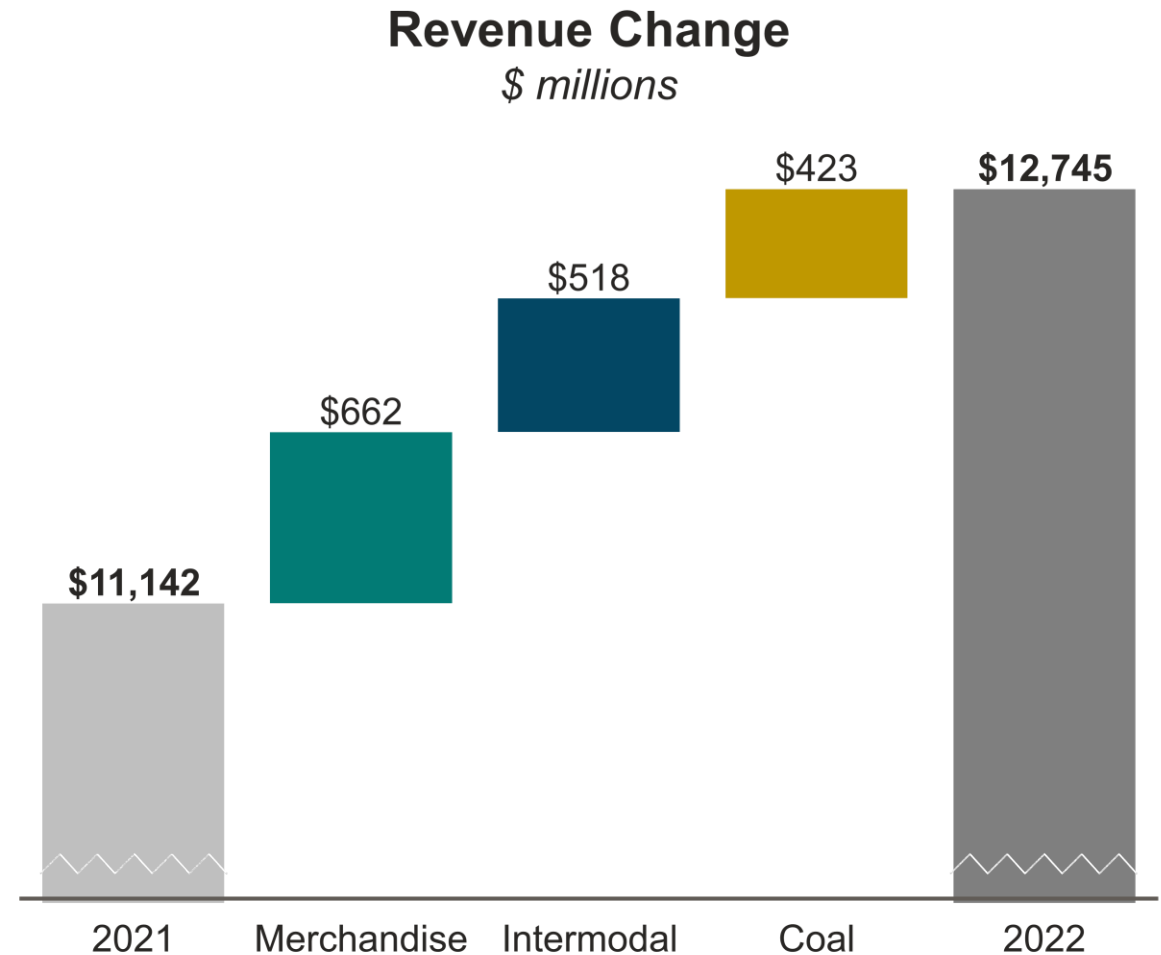
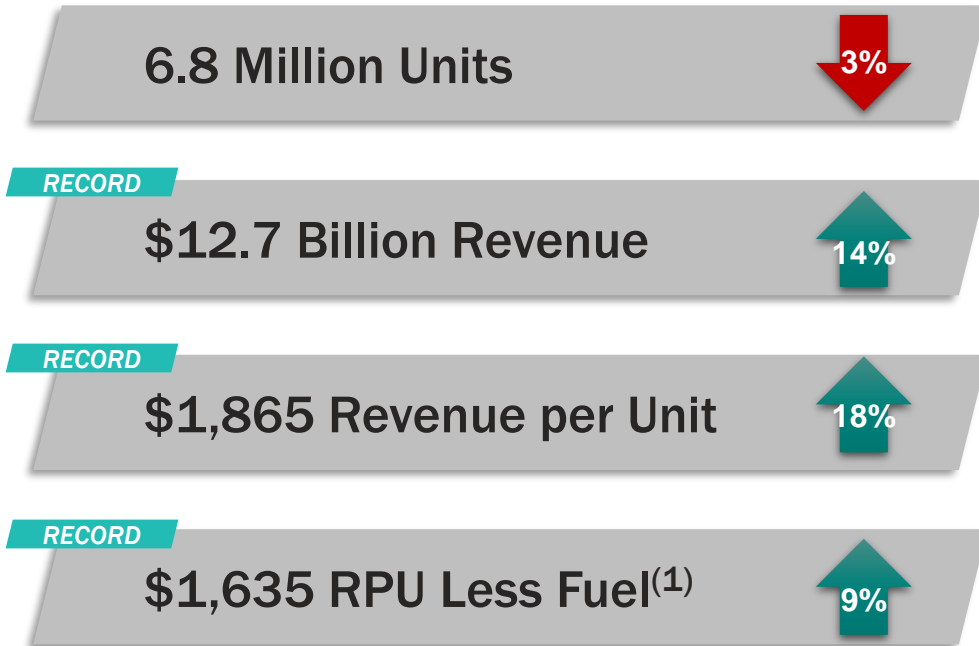
Q4 2022 vs. Q4 2021 / Revenue change \$ millions / favorable / unfavorable



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

# RPU growth more than offsets volume headwinds in 2022

Record-level revenue per unit less fuel<sup>(1)</sup> across all business units



# 2023 Market Outlook

## Merchandise

- Manufacturing activity
- US light vehicle production
- Housing market

## Intermodal

- Consumer spending
- Ocean carrier rates
- Truck availability

## Coal

- Utility network service
- Seaborne coal prices
- Export met coal supply

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# Financial Overview



**Mark George**  
Executive Vice President  
& Chief Financial Officer

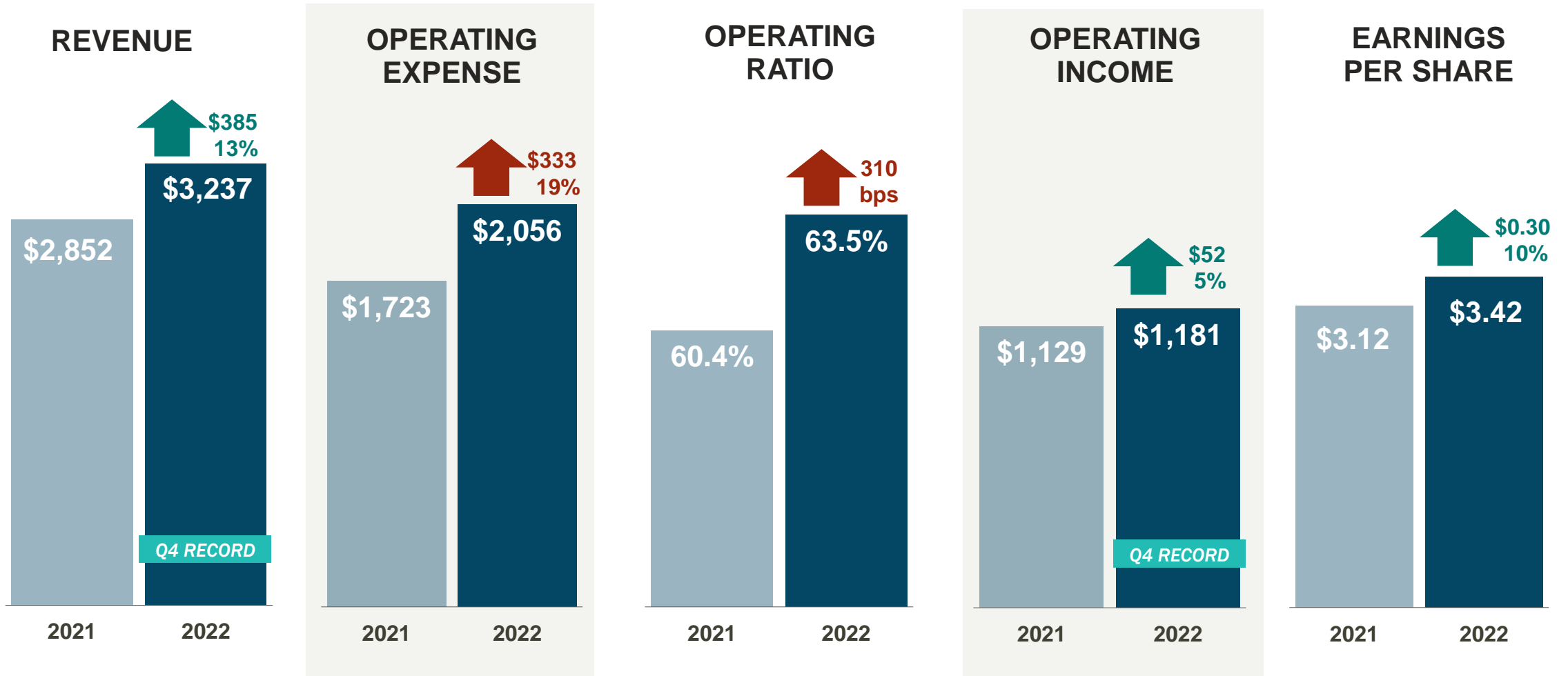




# Fourth Quarter Highlights

## Q4 2022 vs. Q4 2021

*favorable / unfavorable*  
*\$ millions except per share*



# Operating Income, Operating Ratio and EPS

## Comparison to 2021

favorable / (unfavorable)

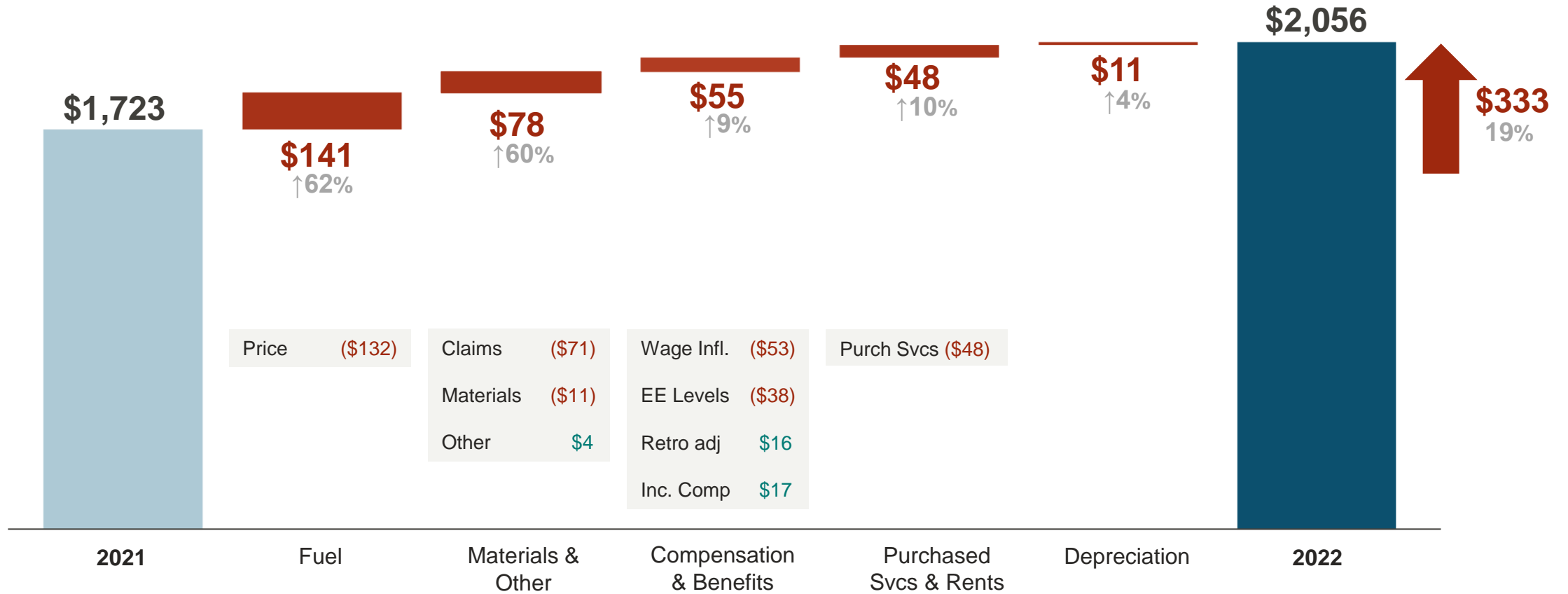
\$ millions except per share

	Fourth Quarter		
	Operating Income	Operating Ratio	Earnings per Share
Q4 2021	\$1,129	60.4%	\$3.12
Q4 2022	\$1,181	63.5%	\$3.42
<b>Year-over-Year change</b>	<b>\$52</b>	<b>(310) bps</b>	<b>\$0.30</b>
<b><i>Y-o-Y change reconciliation:</i></b>			
Wage Accrual true-up	\$16	50 bps	\$0.05
Claims accrual adjustments	(\$57)	(180) bps	(\$0.19)
Core results	\$93	(180) bps	\$0.44
<b>Year-over-Year change</b>	<b>\$52</b>	<b>(310) bps</b>	<b>\$0.30</b>

# Operating Expense Components

Q4 2022 vs. Q4 2021

*favorable / unfavorable*  
\$ millions



# Financial Results

## Q4 2022 vs. Q4 2021

favorable / unfavorable

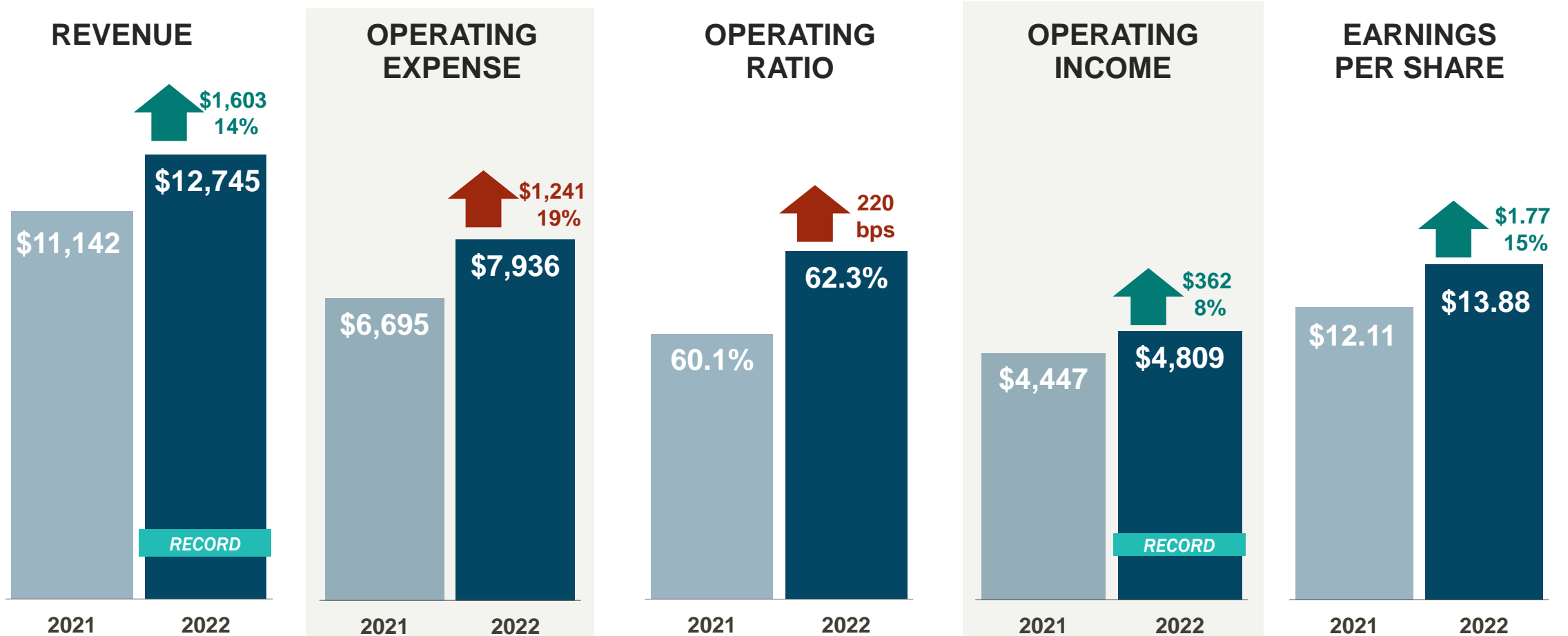
\$ millions except per share

	Q4 2021	Q4 2022	Variance	
			\$	%
Income from railway operations	\$1,129	<b>\$1,181</b>	\$52	5%
		<i>Q4 RECORD</i>		
Other income – net	21	<b>34</b>	13	62%
Interest expense on debt	165	<b>177</b>	12	7%
<hr/> Income before income taxes	<hr/> 985	<hr/> <b>1,038</b>	<hr/> 53	<hr/> 5%
Income taxes	225	<b>248</b>	23	10%
<hr/> Net income	<hr/> \$760	<hr/> <b>\$790</b>	<hr/> \$30	<hr/> 4%
<hr/> Earnings per share – diluted	<hr/> <b>\$3.12</b>	<hr/> <b>\$3.42</b>	<hr/> \$0.30	<hr/> 10%

# Full-Year Highlights

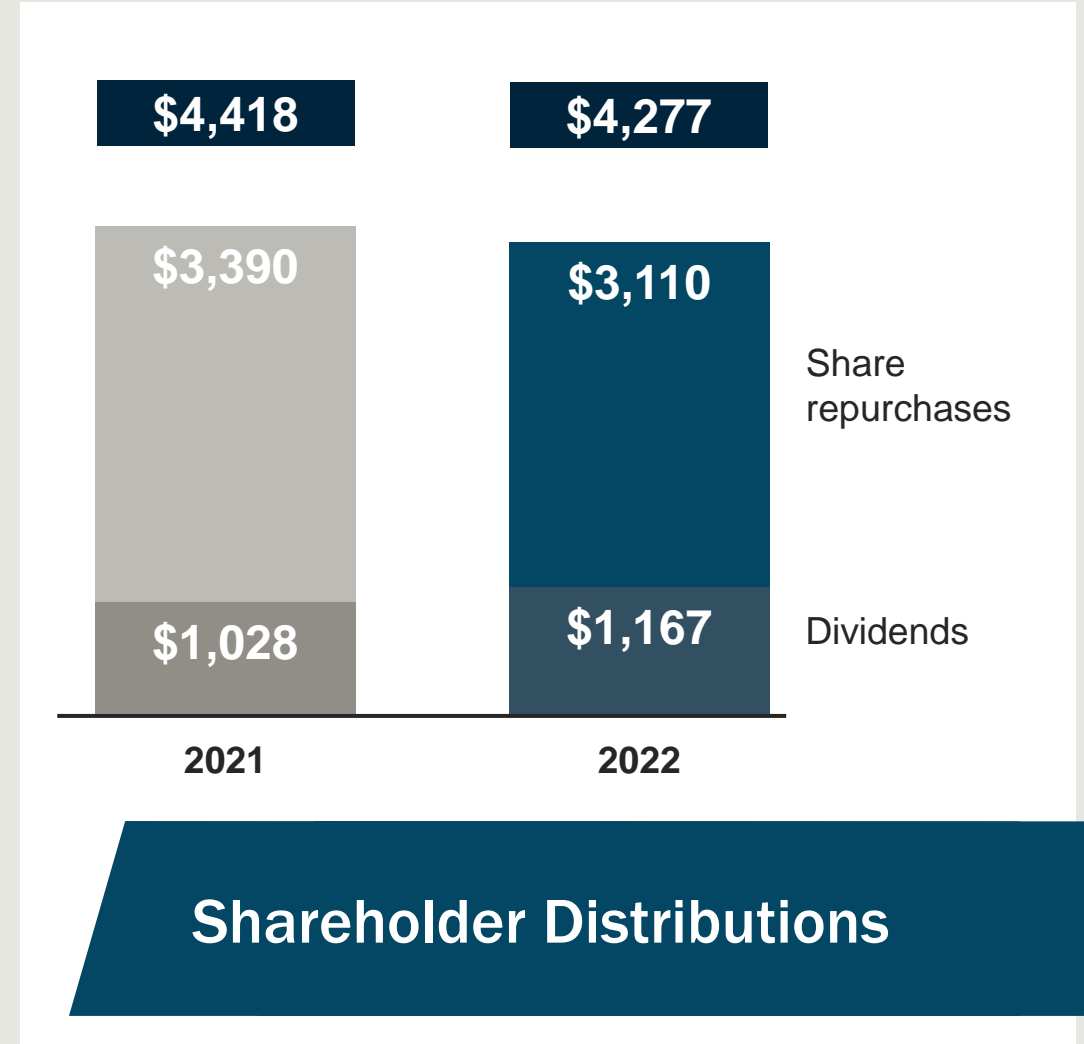
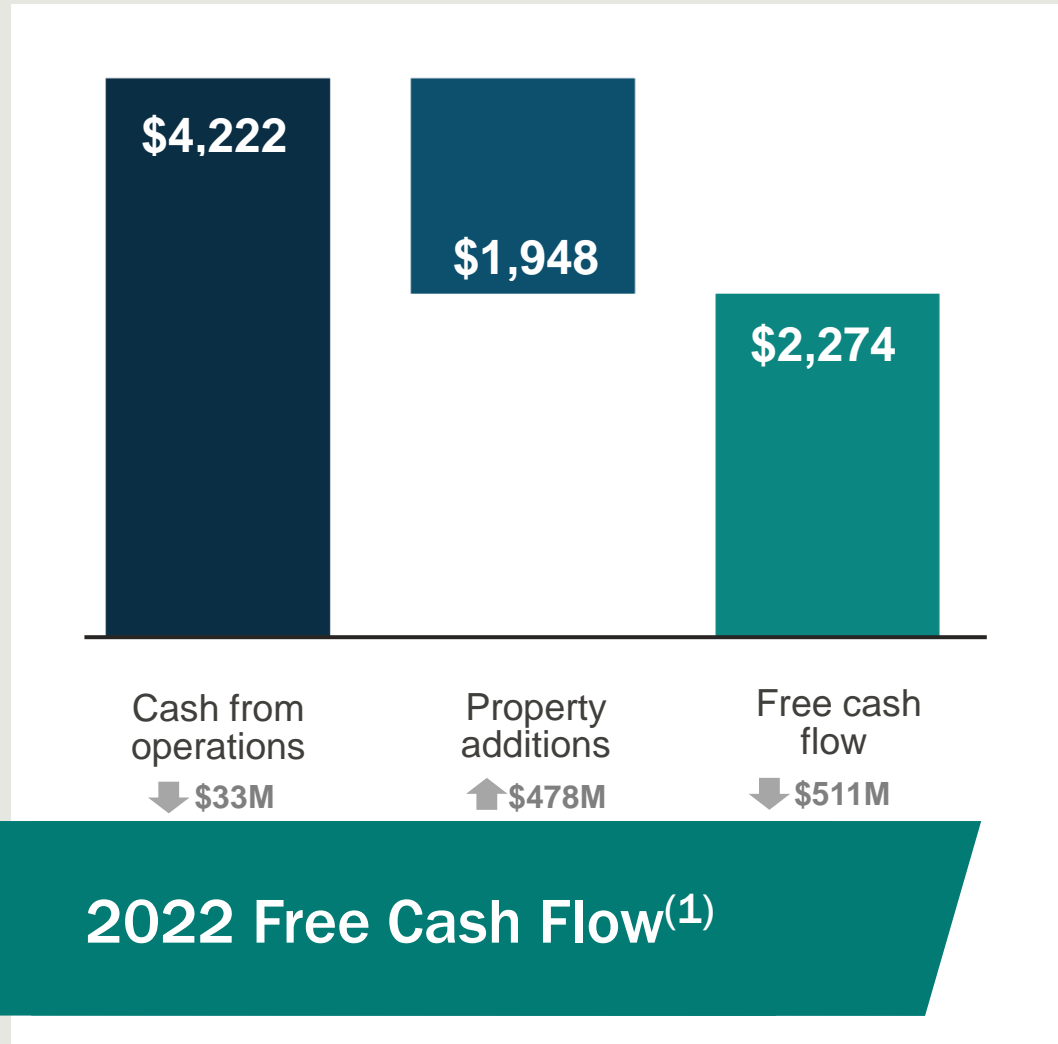
## 2022 vs. 2021

*favorable / unfavorable*  
*\$ millions except per share*



# Free Cash Flow & Shareholder Distributions

Full Year / \$ millions







## 2023 Outlook

- **Revenue comparable to 2022**
  - Recessionary volume pressure offset by share recapture
  - RPU headwinds from coal, fuel, and accessorials moderated by core pricing gains
- **CapEx of ~ \$2.1B**





Thank You

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