



# Q4 2023 Earnings Call

January 26, 2024



# 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 relate to future events or future performance of Norfolk Southern Corporation (NYSE: NSC) (“Norfolk Southern,” “NS,” the “Company,” “we,” “our,” or “us”) and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or our achievements or those of our industry to be materially different from those expressed or implied by any forward-looking statements. In some cases, forward-looking statements may be identified by the use of words like “will,” “believe,” “expect,” “targets,” “anticipate,” “estimate,” “plan,” “consider,” “project,” “may,” “could,” “would,” “should,” “intend,” “predict,” “potential,” “feel,” or other similar terminology. 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. 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, 2022, filed with the Securities and Exchange Commission (the “SEC”), as supplemented in Part II, Item 1A of our Form 10-Q filed on October 25, 2023 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 and our subsequent 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. The forward-looking statements herein are made only as of the date they were first issued, and unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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 Investors page under Events and Presentations for this event.



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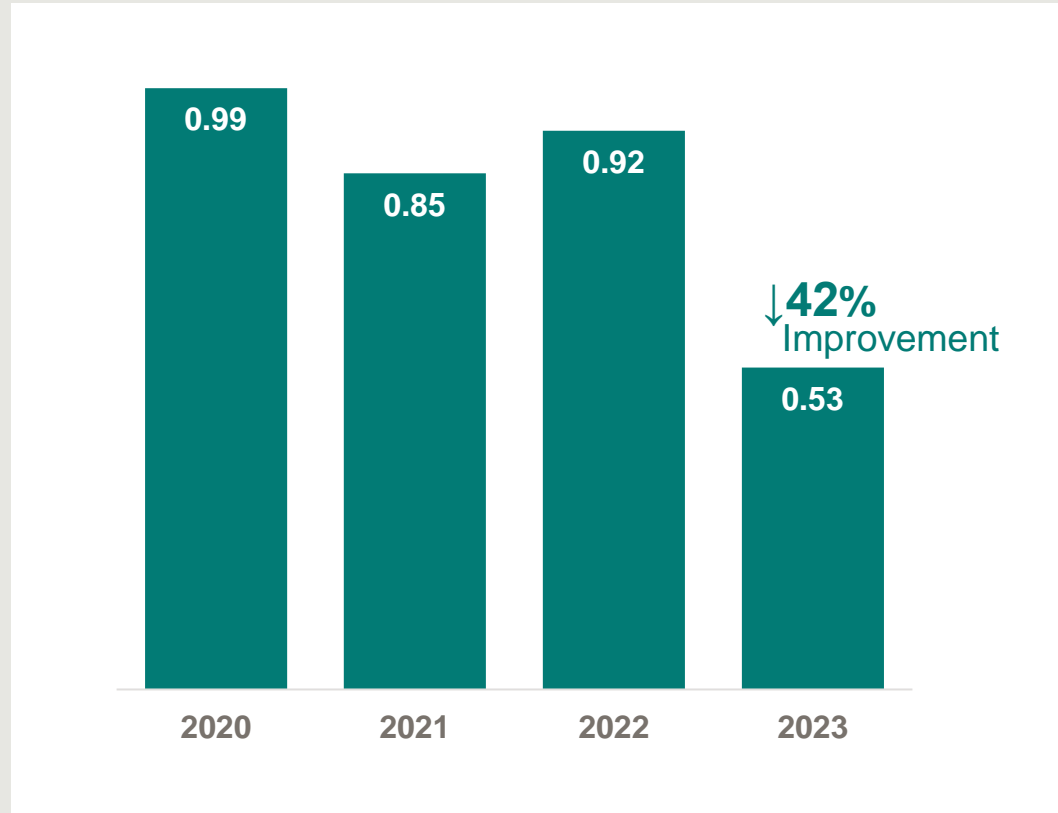
# CEO Remarks



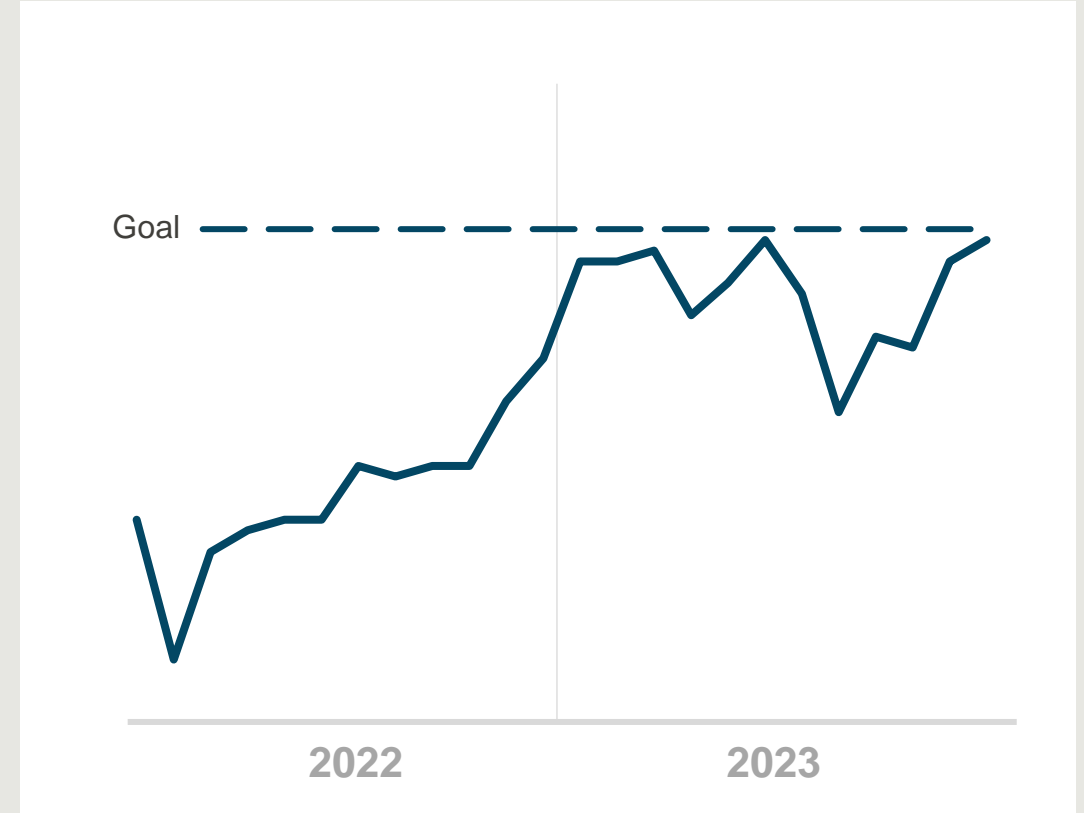
**Alan Shaw**  
President & Chief Executive Officer



# Delivering Safety and Service Improvements



## Mainline Train Accident Rate



## Intermodal Service Composite

# Investor Day 2022 Vision for Value through Resilience

## Creating Value Through Resilience



CUSTOMER-CENTRIC | OPERATIONS-DRIVEN 10

Norfolk Southern Investor Day 2022 presentation is available in the Investors section of [www.NorfolkSouthern.com](http://www.NorfolkSouthern.com)



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# Financial Overview



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



# Estimate of Eastern Ohio derailment-related costs

\$ millions

	Expense			Paid in
	9M	Q4	Total	2023
<b>Environmental-related costs</b>	<b>\$699</b>	<b>\$137</b>	<b>\$836</b>	<b>\$517</b>
<ul style="list-style-type: none"> <li>Environmental response efforts and expected remediation and monitoring activity</li> </ul>				
<b>Legal and other costs</b>	<b>292</b>	<b>89</b>	<b>381</b>	<b>236</b>
<ul style="list-style-type: none"> <li>Legal-related activities and community assistance</li> </ul>				
<b>Insurance recoveries</b>	<b>(25)</b>	<b>(76)</b>	<b>(101)</b>	<b>(101)</b>
<b>Total impact</b>	<b>\$966</b>	<b>\$150</b>	<b>\$1,116</b>	<b>\$652</b>

*Eastern Ohio Incident & Response costs are current estimates, which may be subject to changes in future periods. 2023 amounts reflect \$101M in insurance recoveries. Additional insurance or other third-party recoveries will be recognized in future periods when recovery is deemed to be probable. No amounts have been recorded related to potential third-party recoveries, which may reduce amounts payable by our insurers under applicable insurance coverage.*

# Key Financial Data

## Q4 2023 and comparison to Q4 2022

favorable / unfavorable

\$ millions except per share

	Fourth Quarter					
	Revenue	Operating Expense	Operating Ratio	Operating Income	Net Income	Earnings per Share
<b>Q4 2023 GAAP</b>	<b>\$3,073</b>	<b>\$2,265</b>	<b>73.7%</b>	<b>\$808</b>	<b>\$527</b>	<b>\$2.32</b>
Eastern Ohio incident/response	-	(\$150)	4.9pts	\$150	\$113	\$0.51
<b>Q4 2023 Adjusted<sup>1</sup></b>	<b>\$3,073</b>	<b>\$2,115</b>	<b>68.8%</b>	<b>\$958</b>	<b>\$640</b>	<b>\$2.83</b>
GAAP Variance vs Q4'22	(\$164)	\$209	10.2pts	(\$373)	(\$263)	(\$1.10)
Adjusted Variance vs Q4'22	(\$164) -5%	\$59 3%	5.3pts	(\$223) -19%	(\$150) -19%	(\$0.59) -17%



# Operating Expense Components

## Adjusted Q4 2023<sup>(1)</sup> vs. 2022

\$ millions

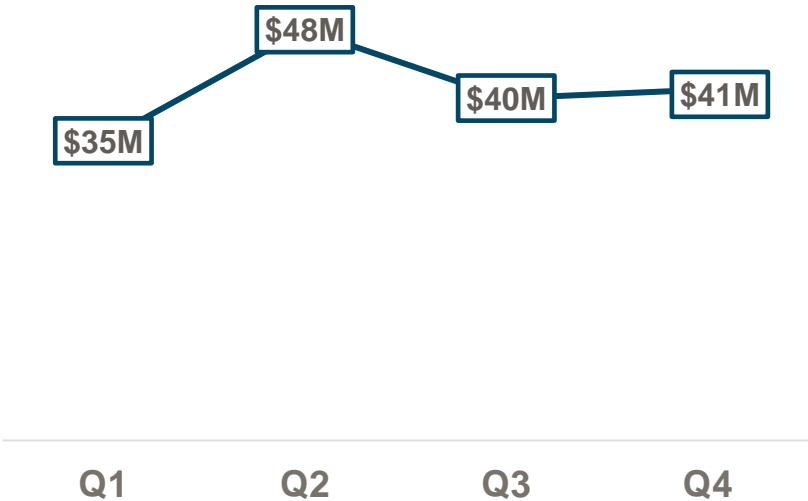
favorable / (unfavorable)



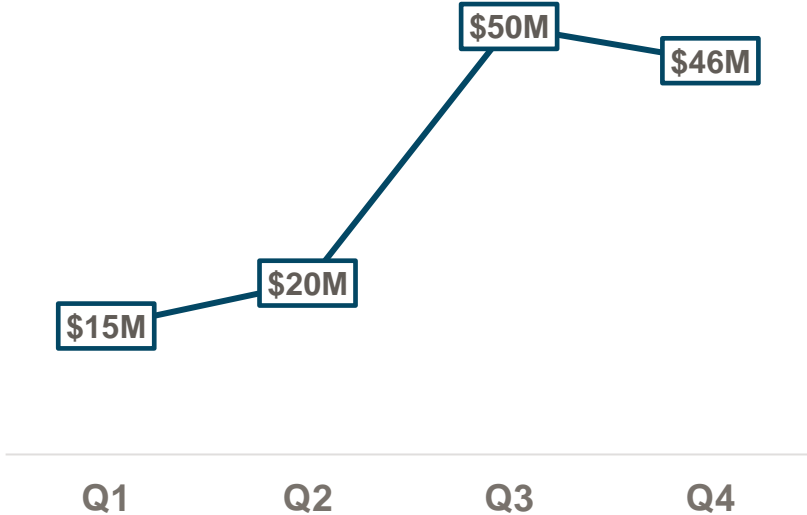
(1) Adjusted Q4 2023 modifies 4Q23 GAAP results for the \$150M related to the Eastern Ohio incident. Please see reconciliation to GAAP posted on our website on the Investors page under Events and Presentations for this event.

# Service Costs and Resiliency Investments

### Service Mitigation Costs



### Incremental Expense from Resiliency Investments



# Financial Results

## Q4 2023 vs. Q4 2022

*favorable / unfavorable*

*\$ millions except per share*

	2022	GAAP 2023	Adjusted 2023 <sup>(1)</sup>	Adjusted Variance vs '22	
				\$	%
Income from railway operations	\$1,181	\$808	\$958	(\$223)	(19%)
Other income – net	34	38	38	4	12%
Interest expense on debt	177	195	195	18	10%
<hr/> Income before income taxes	<hr/> 1,038	<hr/> 651	<hr/> 801	<hr/> (\$237)	<hr/> (23%)
Income taxes	248	124	161	87	35%
<hr/> Net income	<hr/> \$790	<hr/> \$527	<hr/> \$640	<hr/> (\$150)	<hr/> (19%)
<hr/> Earnings per share – diluted	<hr/> \$3.42	<hr/> \$2.32	<hr/> \$2.83	<hr/> (\$0.59)	<hr/> (17%)

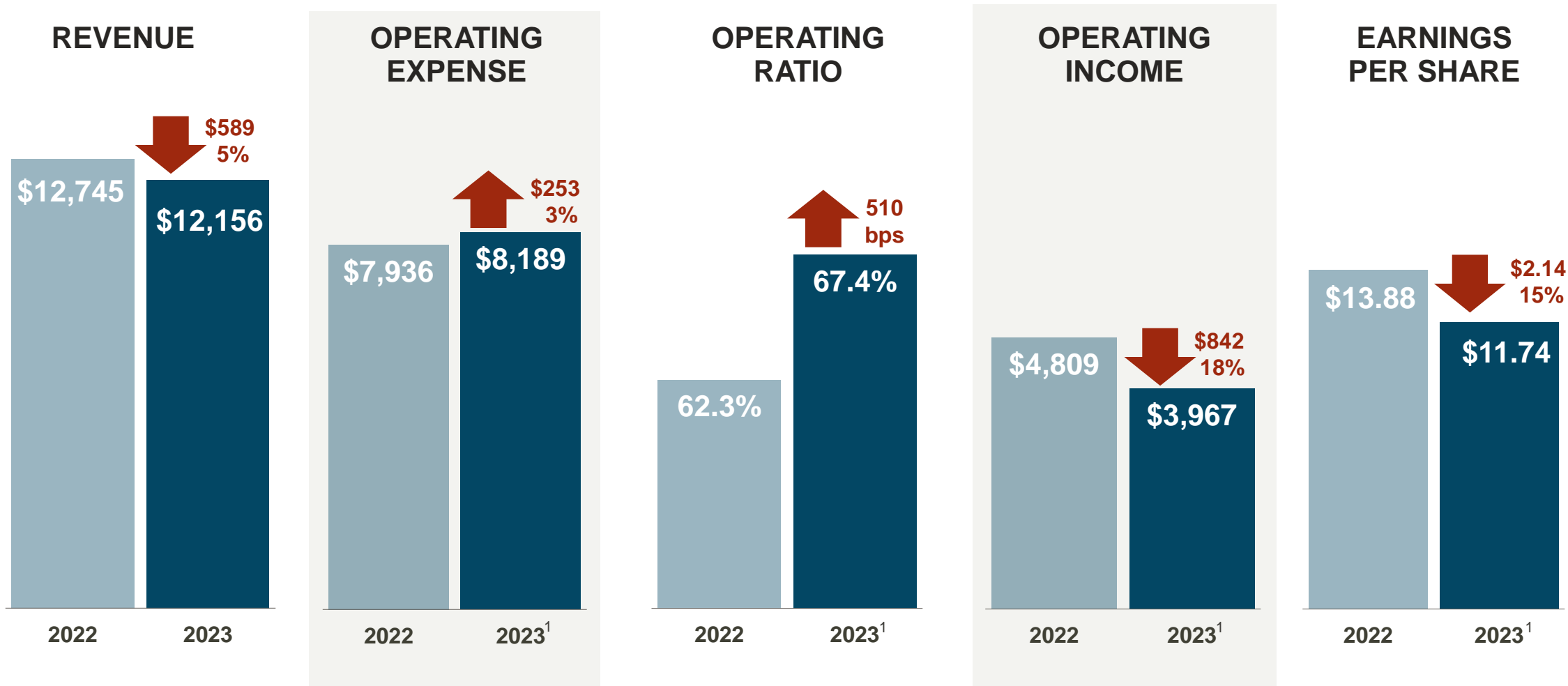
(1) Adjusted Q4 2023 modifies 4Q23 GAAP results for the \$150M related to the Eastern Ohio incident. Please see reconciliation to GAAP posted on our website on the Investors page under Events and Presentations for this event.

# Full-Year Results

## 2023<sup>(1)</sup> vs. 2022

*favorable / unfavorable*

*\$ millions except per share*

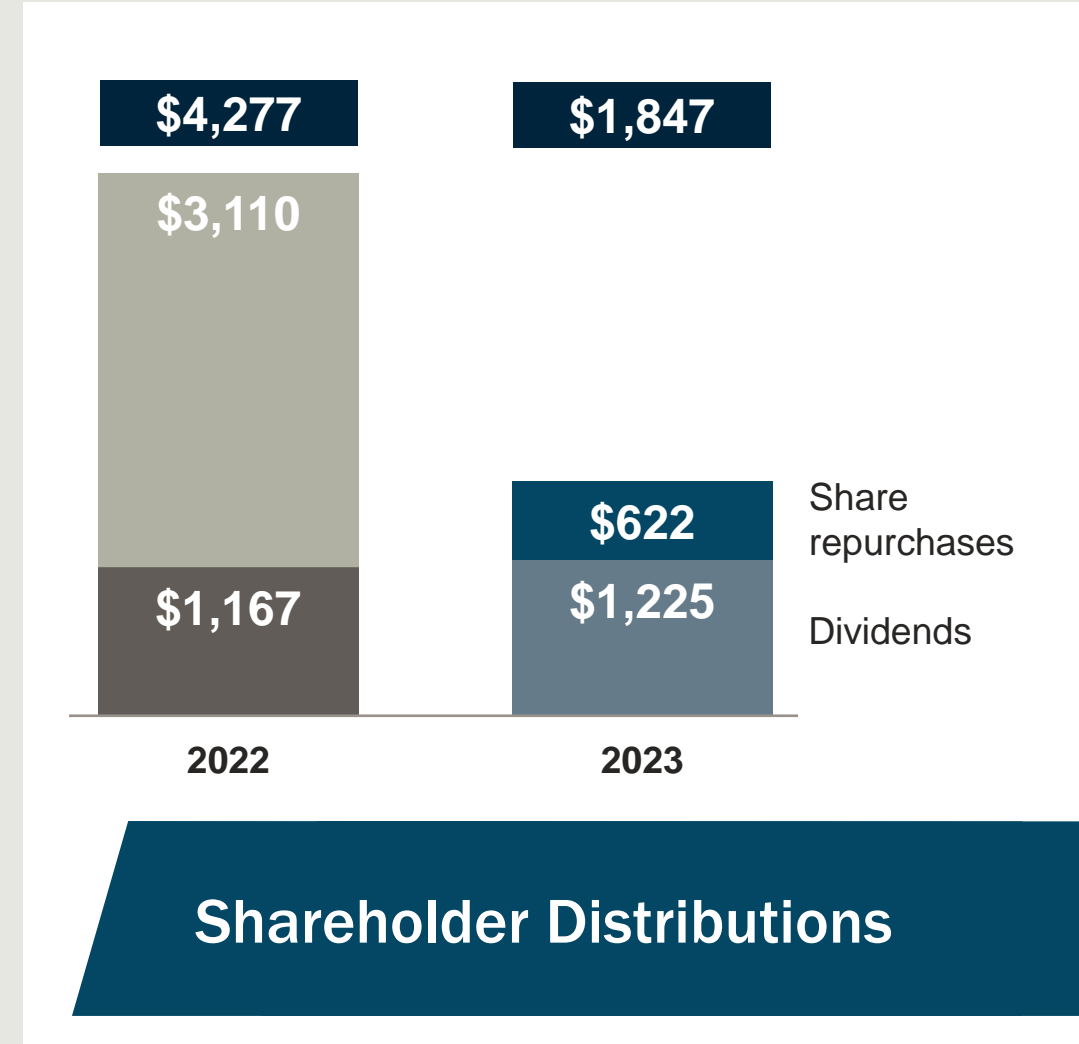
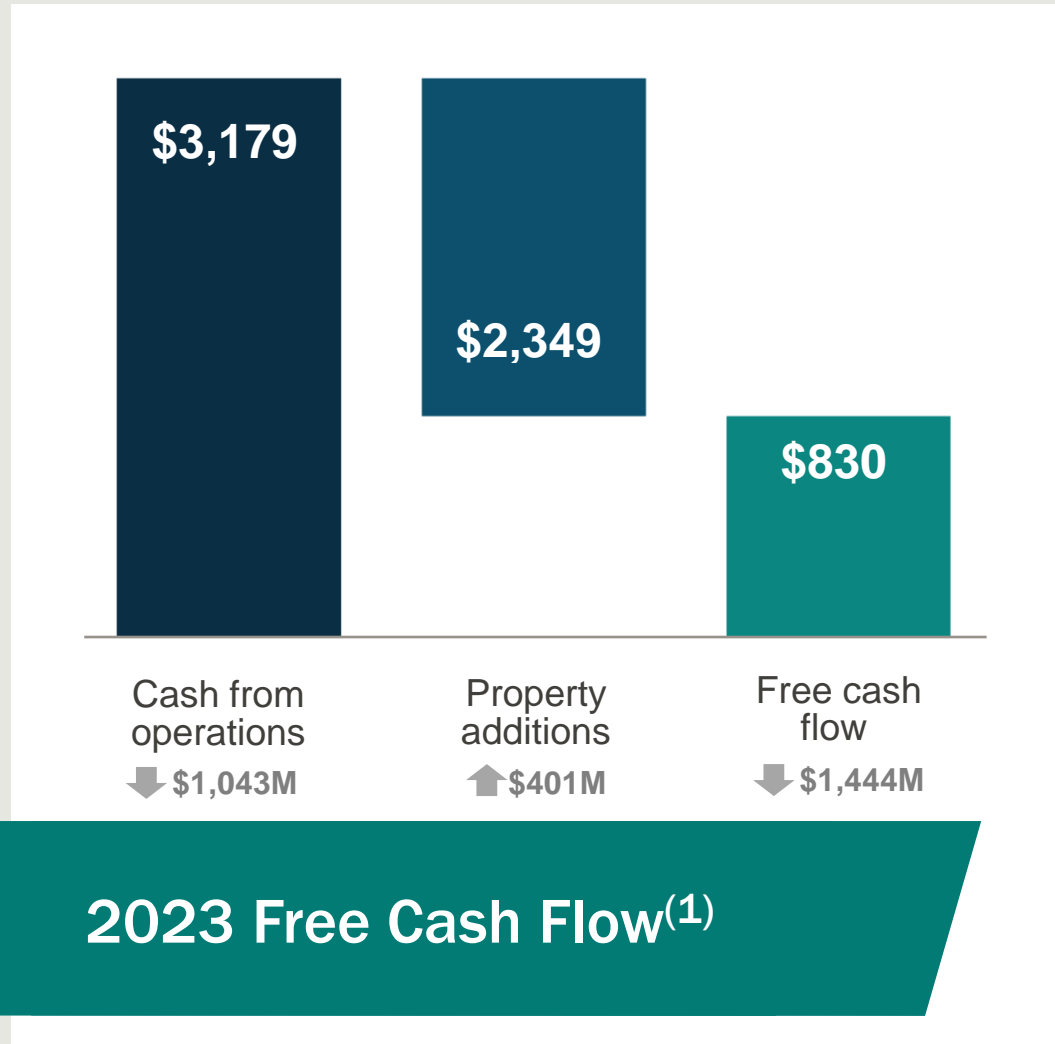


(1) Reflects Adjusted 2023 results for Operating Expense, Operating Ratio, Operating Income, and Earnings Per Share by modifying 2023 GAAP results for the \$1.116B related to the Eastern Ohio incident. Please see reconciliation to GAAP posted on our website on the Investors page under Events and Presentations for this event.



# Free Cash Flow & Shareholder Distributions

Twelve Months / \$ millions



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# Operations Overview

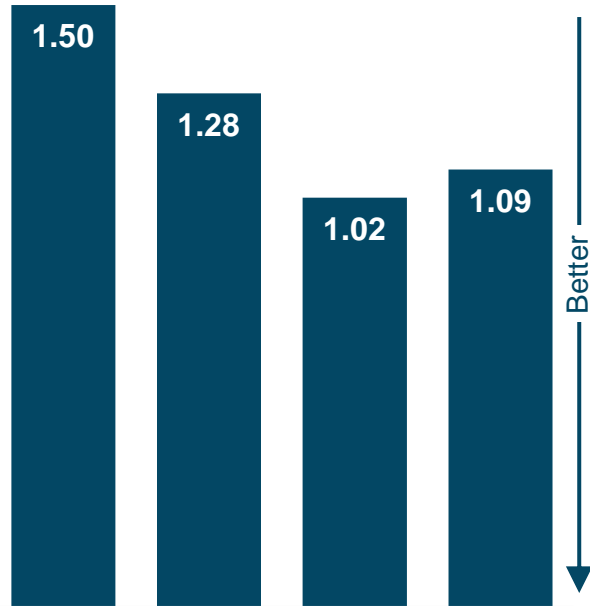


**Paul Duncan**  
Executive Vice President  
& Chief Operating Officer



# Safety Update

## FRA Personal Injury Index

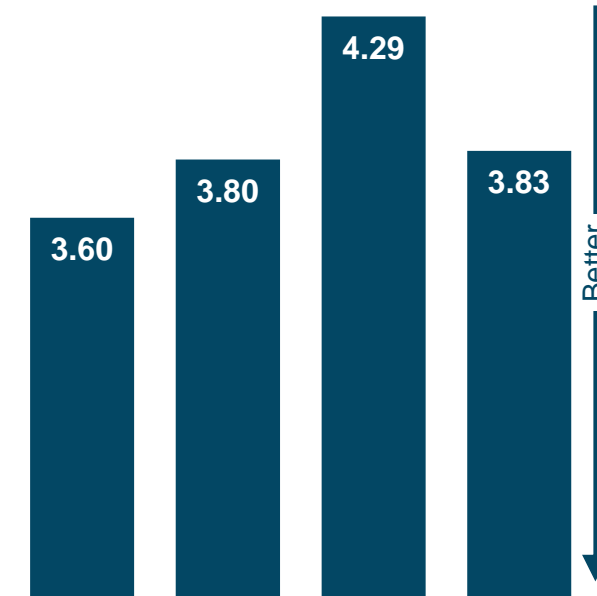


2020 2021 2022 2023

FRA Personal Injury Index calculates the number of reportable injuries/illnesses per year per 200,000 hours worked.

14% improved vs 10-year average

## FRA Accident Rate

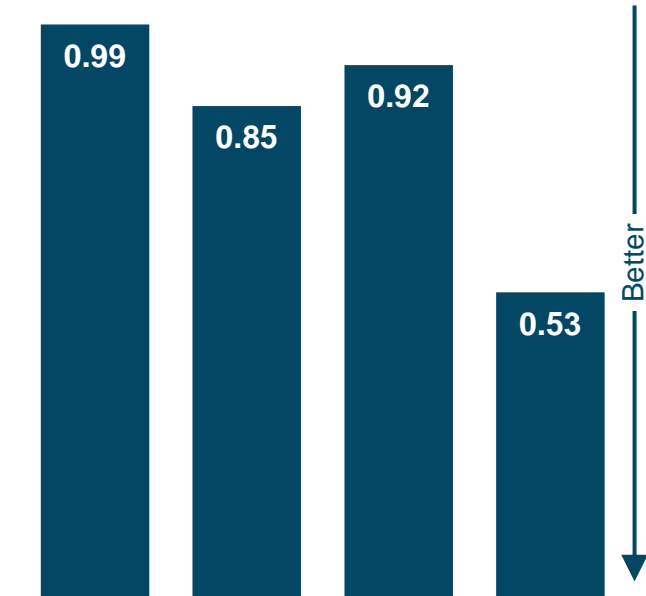


2020 2021 2022 2023

FRA Train Accident Rate calculates the total number of reportable accidents per million train miles.

3.83 is an 11% YoY improvement

## FRA Mainline Accident Rate



2020 2021 2022 2023

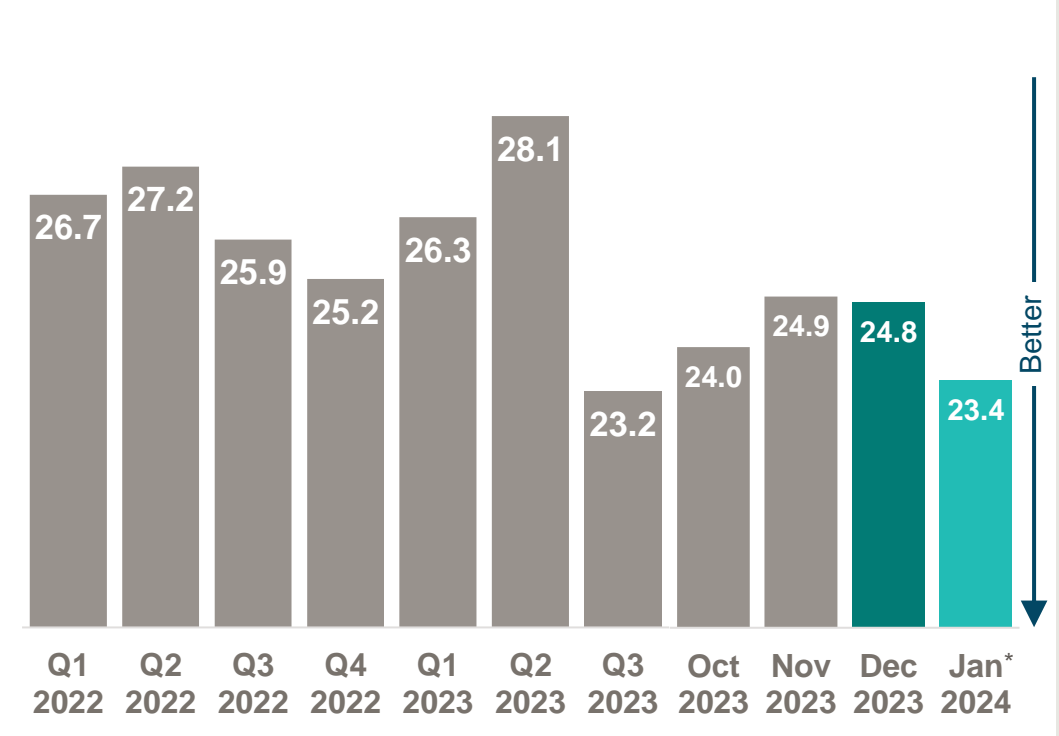
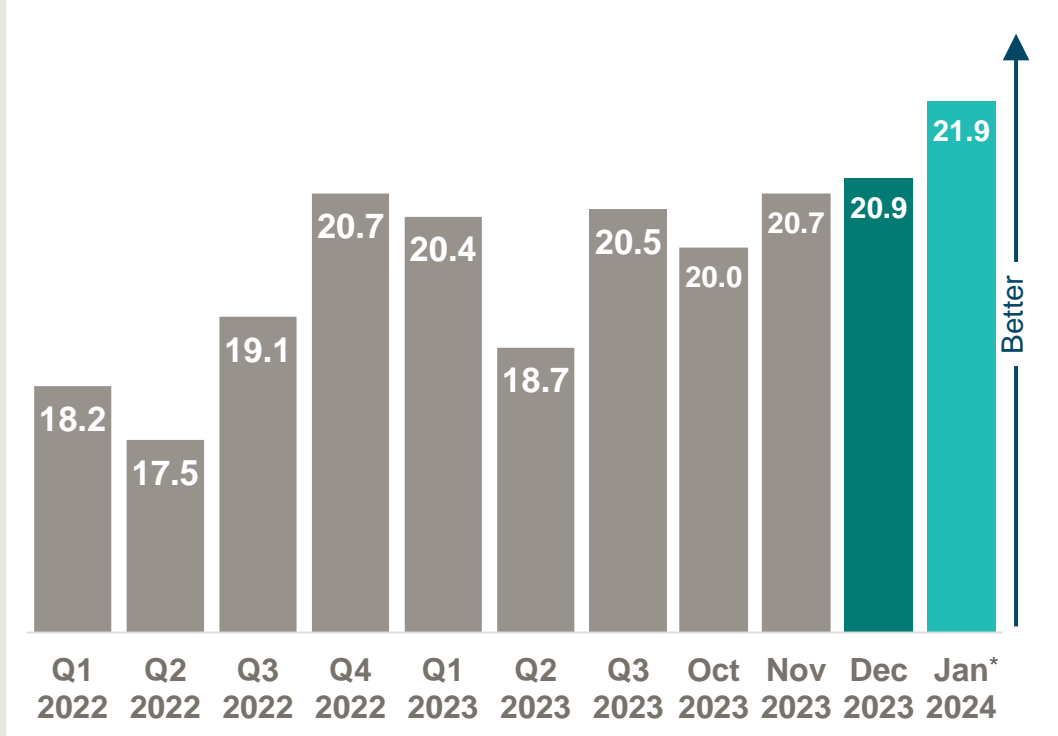
FRA Mainline Accident Rate calculates the total number of reportable events occurring on that portion of the track that connects stations (other than auxiliary track) on which trains operate (a "Mainline") per one million Mainline miles.

35 FRA reportable mainline accidents in 2023 is the lowest since 1999

The amounts above are reported through December 31, 2023, and remain subject to future adjustment due to updated medical reports (with respect to the FRA Personal Injury Index) or cost information (with respect to the FRA Accident Rate and the FRA Mainline Accident Rate) or other FRA review. The amounts provided for 2023 are preliminary and include data not yet reported to the FRA.

# Service Update

## Improving Fluidity Will Drive Down Service Mitigation Costs



**Train Speed (mph)**

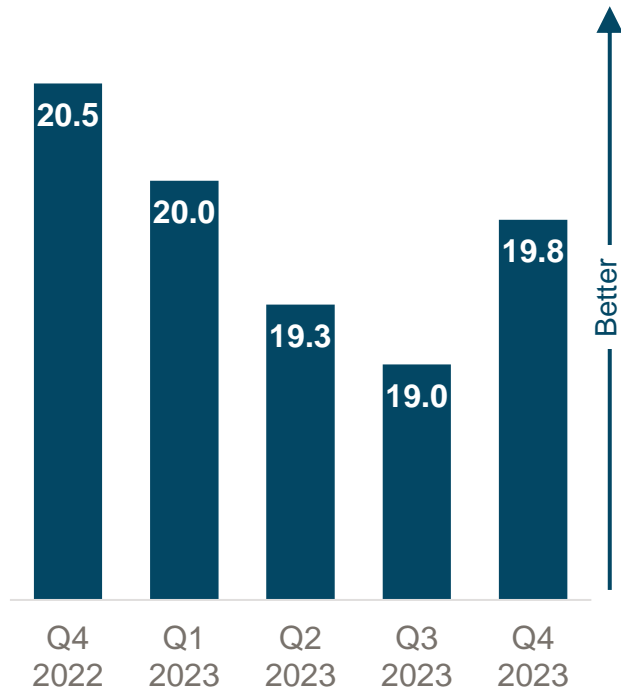
**Terminal Dwell (hours)**



# Productivity Indicators

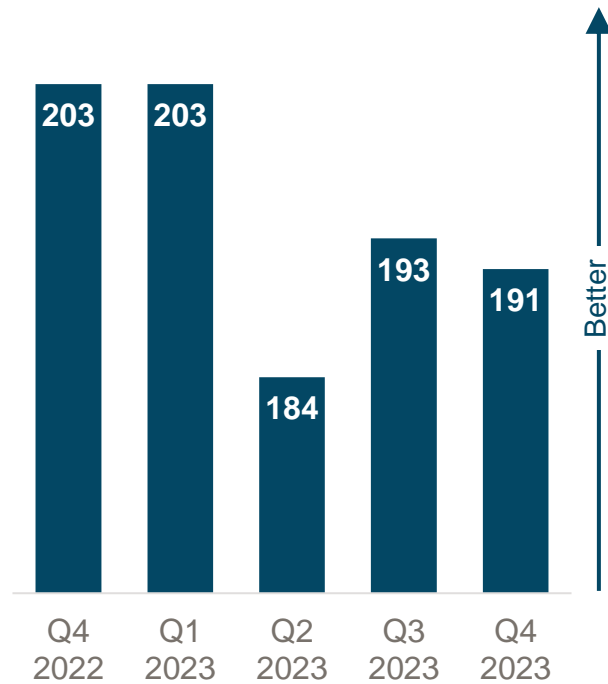
## Workforce

kGTMs per T&E Hour Worked



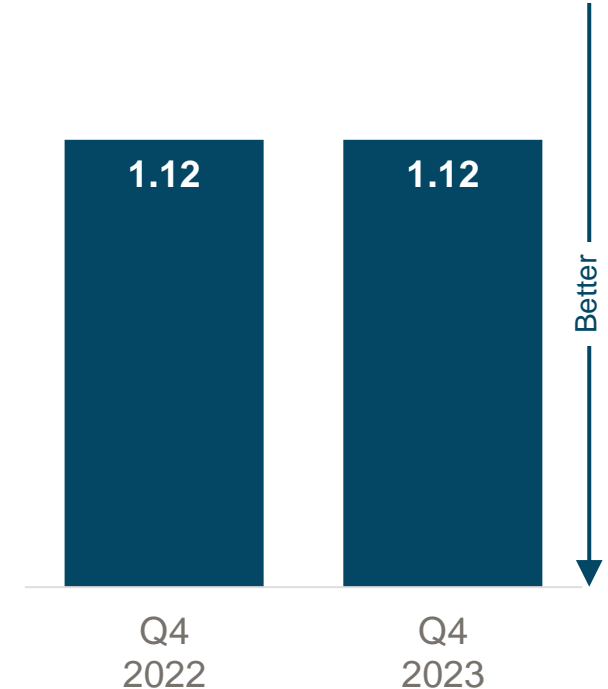
## Locomotives

Miles per Day



## Fuel Efficiency

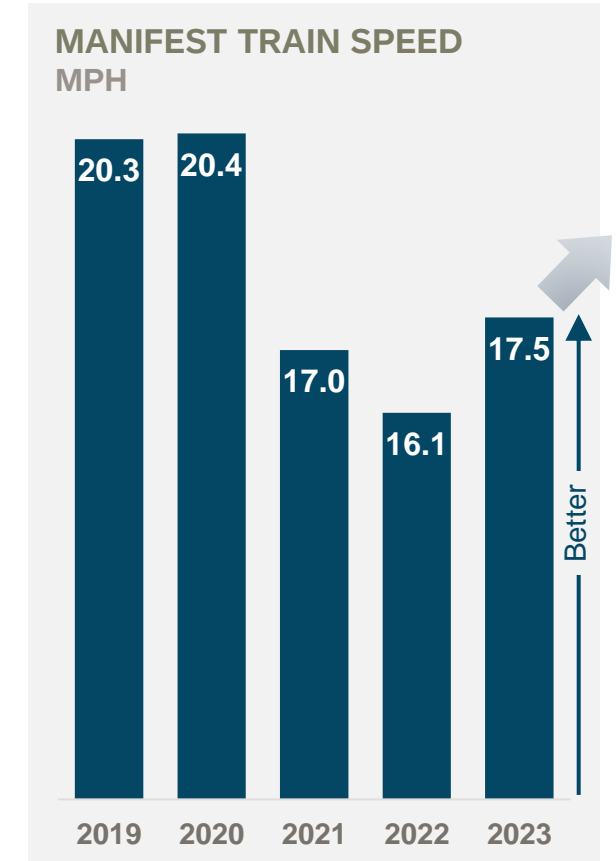
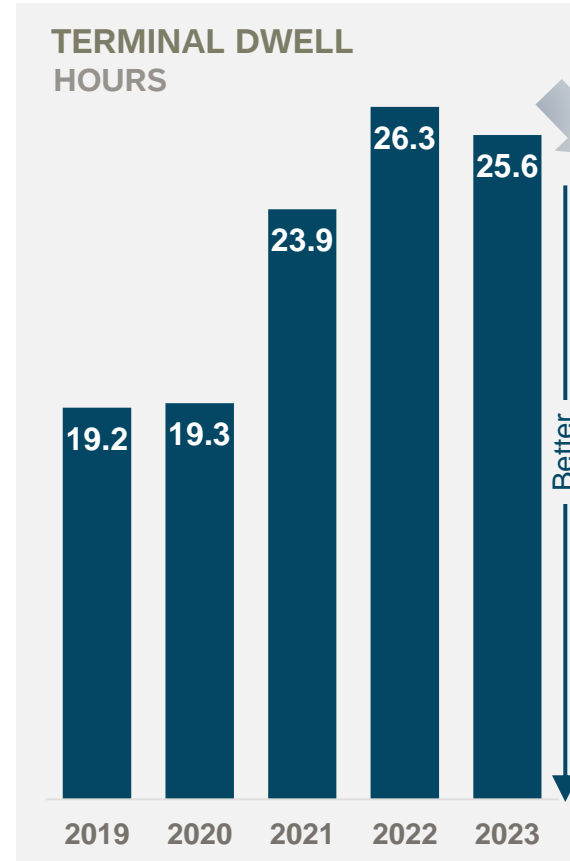
Gallons per kGTM

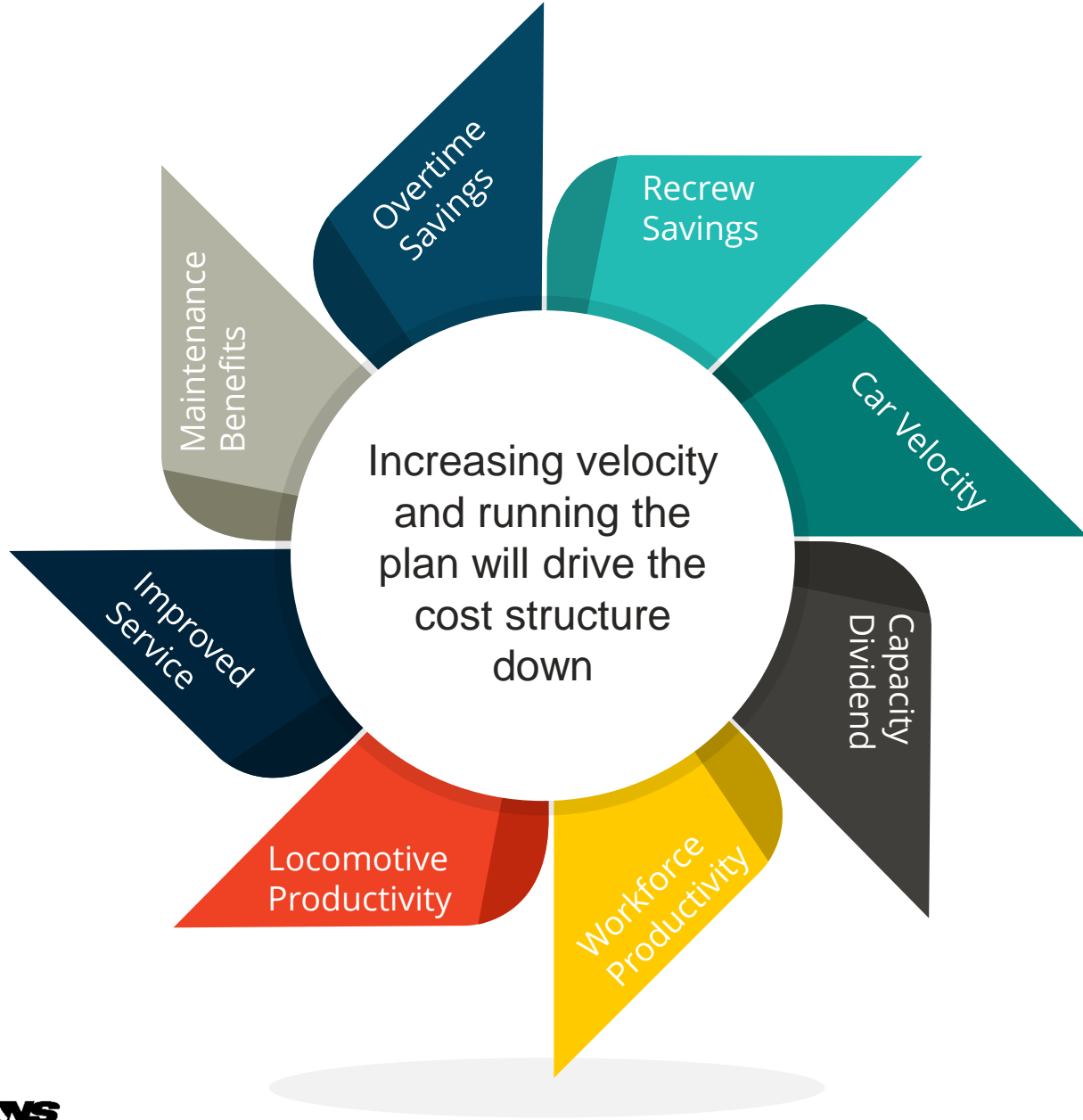


Driving Workforce Productivity Through Plan Compliance, Fluidity Improvement, PSR Initiatives, and Qualifying Trainees to Move Freight

# Increasing Velocity of the Scheduled Network Will Drive Productivity

- Manifest dwell, velocity, and trip plan compliance will mark our progress
- We are driving it through:
  - Strict execution to plan
  - Precision train building processes
  - Balanced resource allocation
  - Locomotive asset velocity





# The Flywheel Effect From Velocity Gains Will Drive Down the Cost Structure

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# Market Overview



**Ed Elkins**  
Executive Vice President  
& Chief Marketing Officer





# Return to Volume Growth, Revenue Headwinds Persist

Q4 2023 vs. Q4 2022 / Revenue change \$ millions / favorable / unfavorable

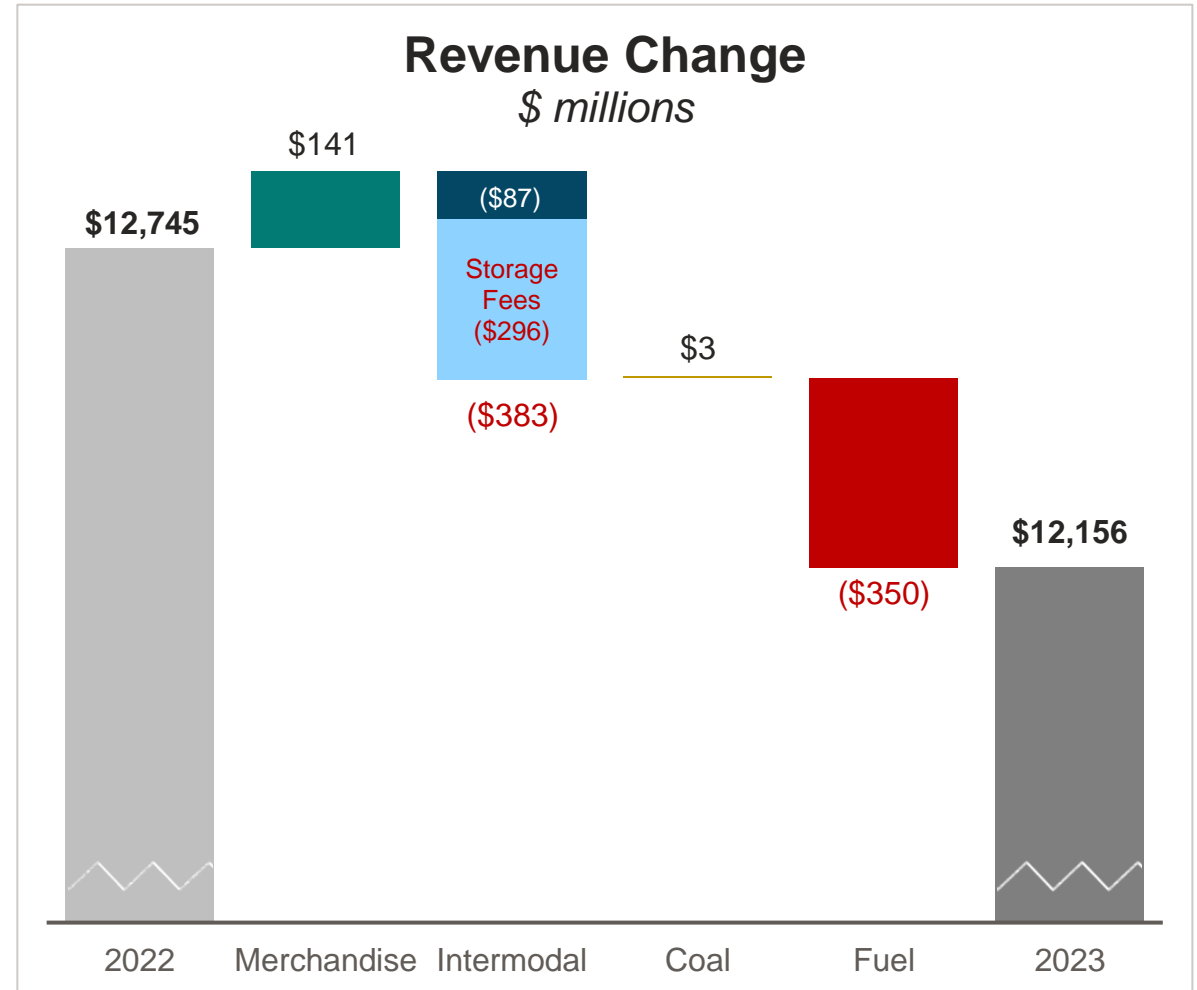
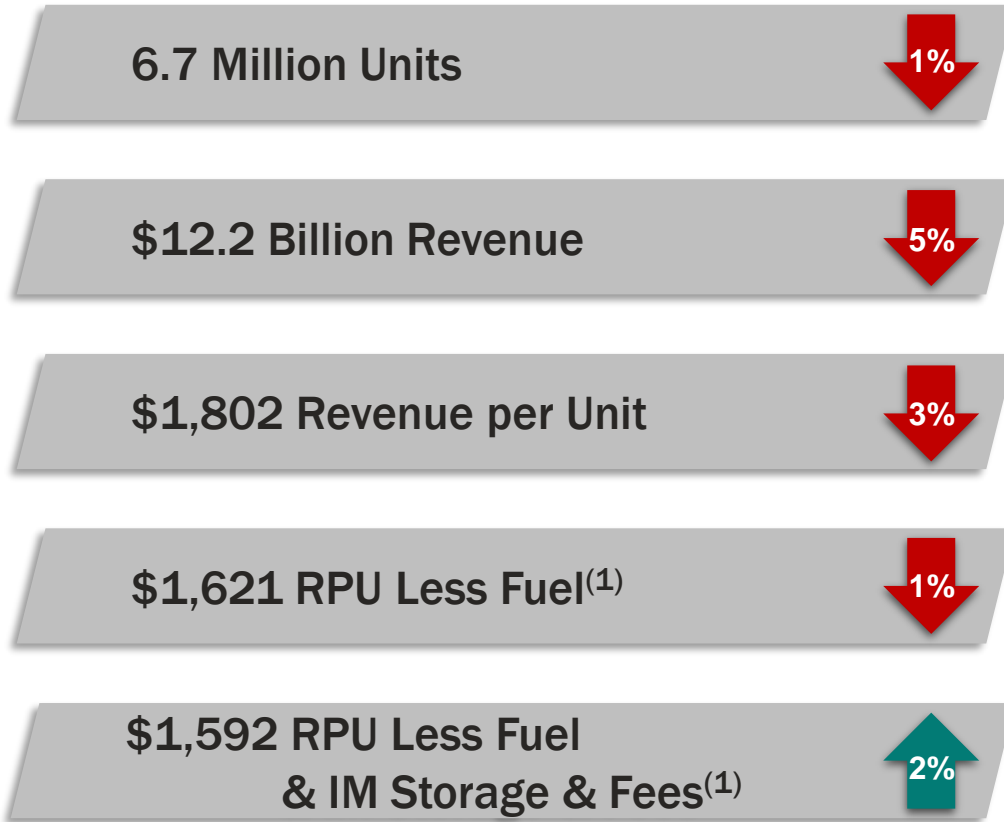


	Merchandise	Intermodal	Coal	Total
Revenue	\$1,849M (1%)	\$794M (13%)	\$430M (4%)	\$3,073M (5%)
Volume	557,800 -	1,014,800 5%	171,100 1%	1,743,700 3%
RPU	\$3,316 (1%)	\$782 (17%)	\$2,515 (5%)	\$1,763 (8%)
RPU (less fuel) <sup>(1)</sup>	\$3,095 1% <b>RECORD</b>	\$610 (15%)	\$2,424 (3%)	\$1,583 (5%)
RPU (less fuel, IM storage & fees) <sup>(1)</sup>		\$576 (1%)		\$1,563 (2%)

**34 out of 35 consecutive quarters of y-o-y RPU (less fuel)<sup>(1)</sup> growth in Merchandise**

# Weak Freight Market and Non-Core Headwinds Pressure Results

Core revenue growth offset by lower fuel, storage and equipment charges



# Market Outlook

## Merchandise

- Price Gains
- Steel Demand
- Manufacturing Activity

## Intermodal

- Import/Export Volumes
- Truck Rates
- Consumer Demand

## Coal

- Export Demand
- Commodity Prices
- Stockpiles



## A Better Way Forward

- Significantly increased FedEx volumes during Peak Season
- Located a plastic recycling business in Ironton, OH
- \$3.1B of total investment along Norfolk Southern lines in 2023





## 2024 OUTLOOK

- 2024 revenue growth: ~3%
- Accretive incrementals as productivity builds through the year
- CapEx flat with 2023 ~\$2.3B *plus* CSR purchase of \$1.65B that flows through CapEx

## 3 YEAR OUTLOOK

- Roadmap to 100-150bps margin improvement annually, narrowing gap with peers







Thank You

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