

# Q2 2024 EARNINGS CALL

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July 25, 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, 2023 filed with the Securities and Exchange Commission (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. Reconciliations to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP can be found on slide 15 and in the Appendix hereto as well as on our website at [www.norfolksouthern.com](http://www.norfolksouthern.com) on the Investors page under Events and Presentations for this event.



# 01 OPENING REMARKS



**Alan Shaw**  
President  
& Chief Executive Officer





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# OPERATIONS OVERVIEW



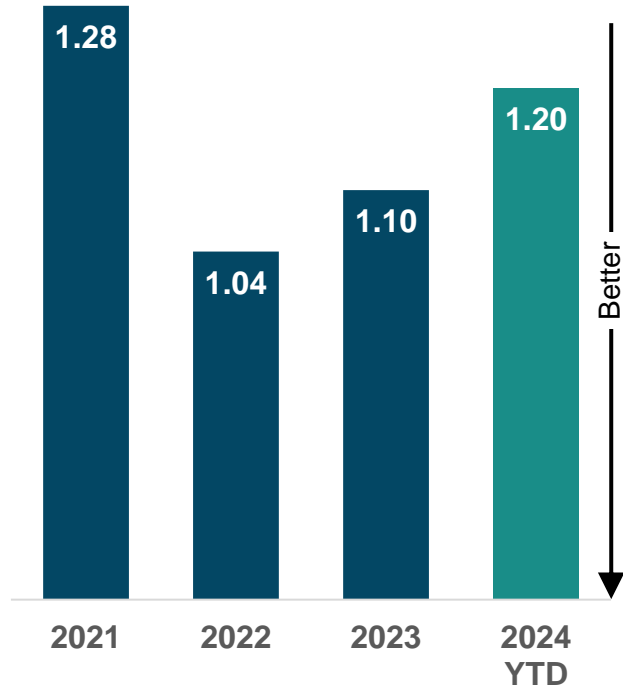
**John Orr**

Executive Vice President  
& Chief Operating Officer



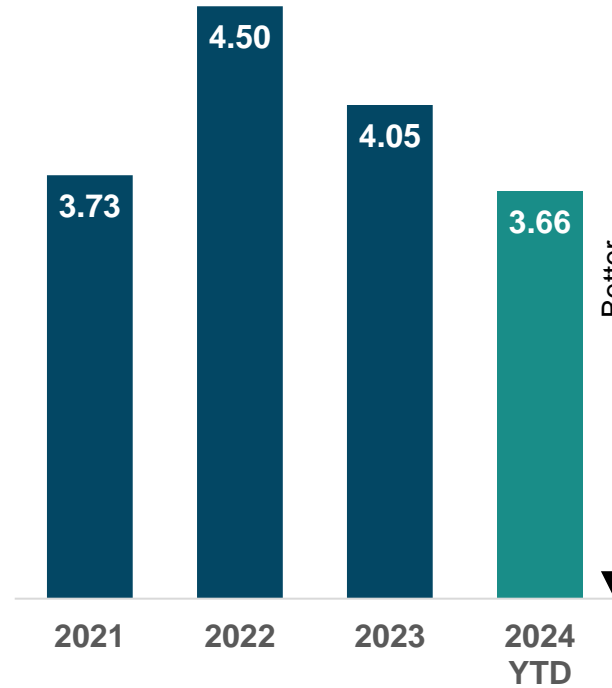
# SAFETY UPDATE

## FRA Personal Injury Index



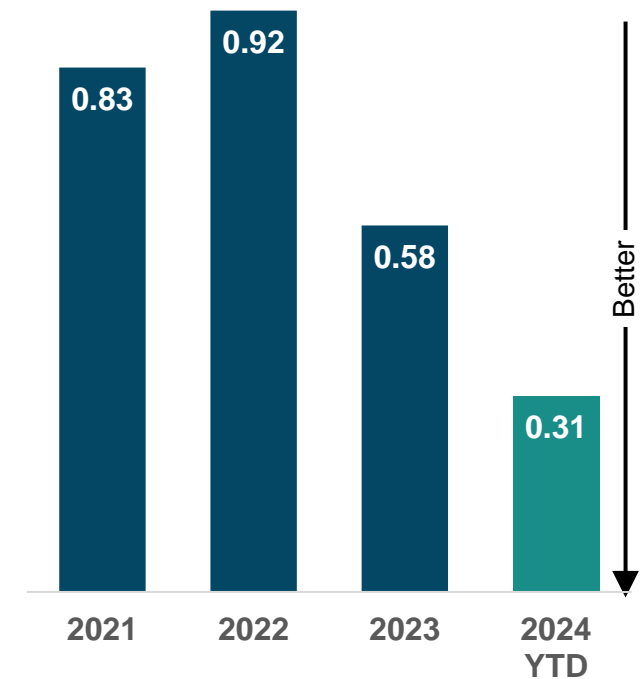
FRA Personal Injury Index calculates the number of reportable injuries/illnesses per year per 200,000 hours worked.

## FRA Accident Rate



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

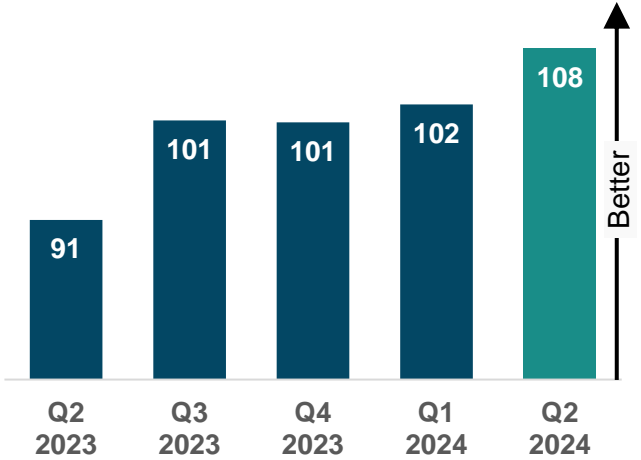
## FRA Mainline Accident Rate



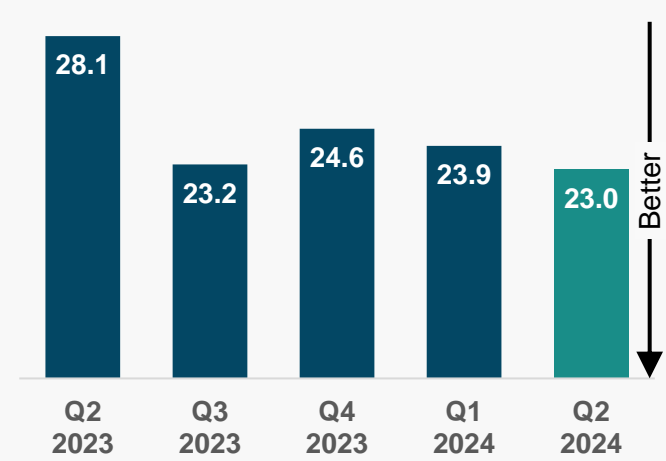
FRA Mainline Accident Rate calculates the total number of reportable events occurring on that portion of the track that connects stations (other than auxiliary track) on which trains operate (a "Mainline") per one million Mainline miles.

# NETWORK UPDATE

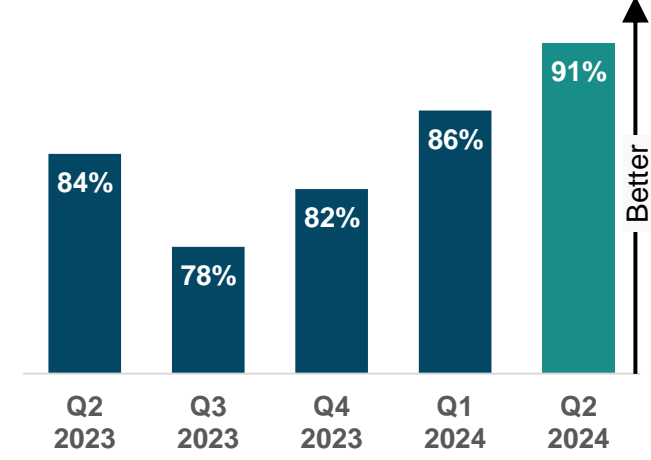
### Car Miles per Day



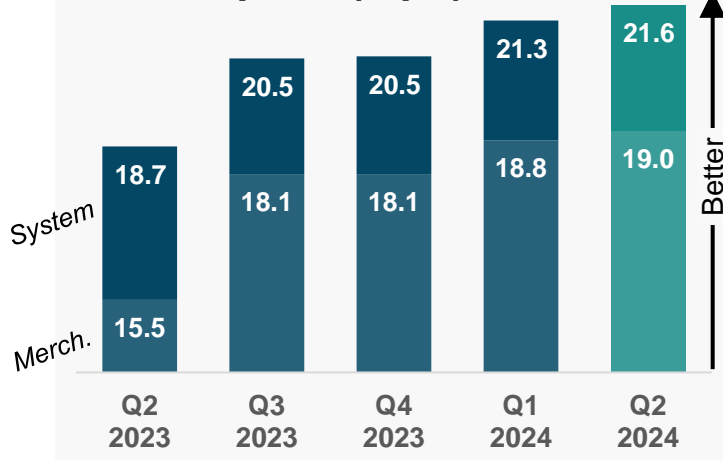
### Terminal Dwell (hours)



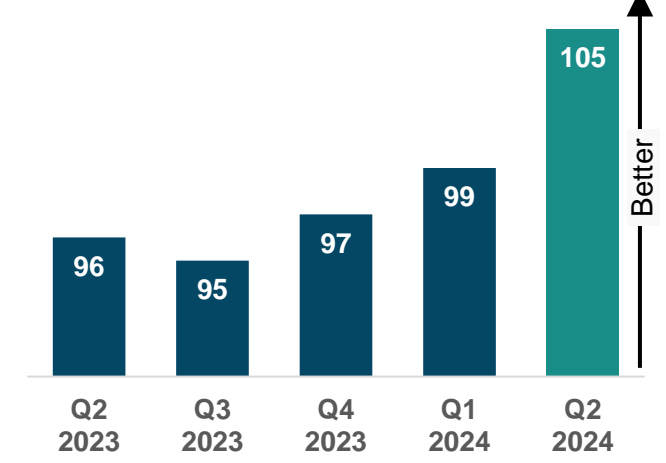
### Intermodal Svc Composite



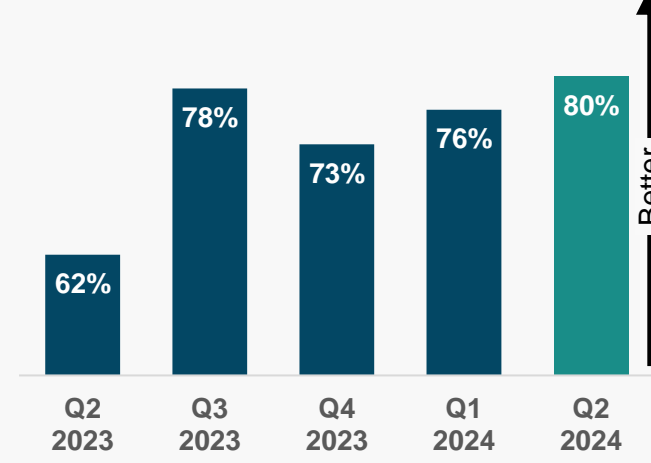
### Train Speed (mph)



### GTM's / Avail HP



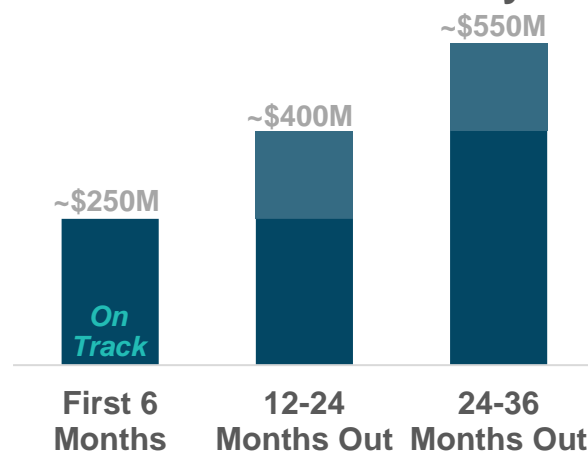
### Merch. Trip Plan Compliance



# UPDATE: CLOSING THE MARGIN GAP

- 320+ locomotives moved into storage or offline
  - Reduced fuel consumption
  - Reduced maintenance expense
  - Improved reliability key to velocity flywheel
- Total T&E expense per GTM improved 8%
  - Restructured Merchandise operating plan
  - Crew starts reduced by 110/day
  - ~250k annual handlings removed
  - Overtime reduced ~20%
- ~7,000 cars moved offline, byproduct of car velocity gains
- Unwinding of \$150M in annual service recovery cost

## Annualized Productivity

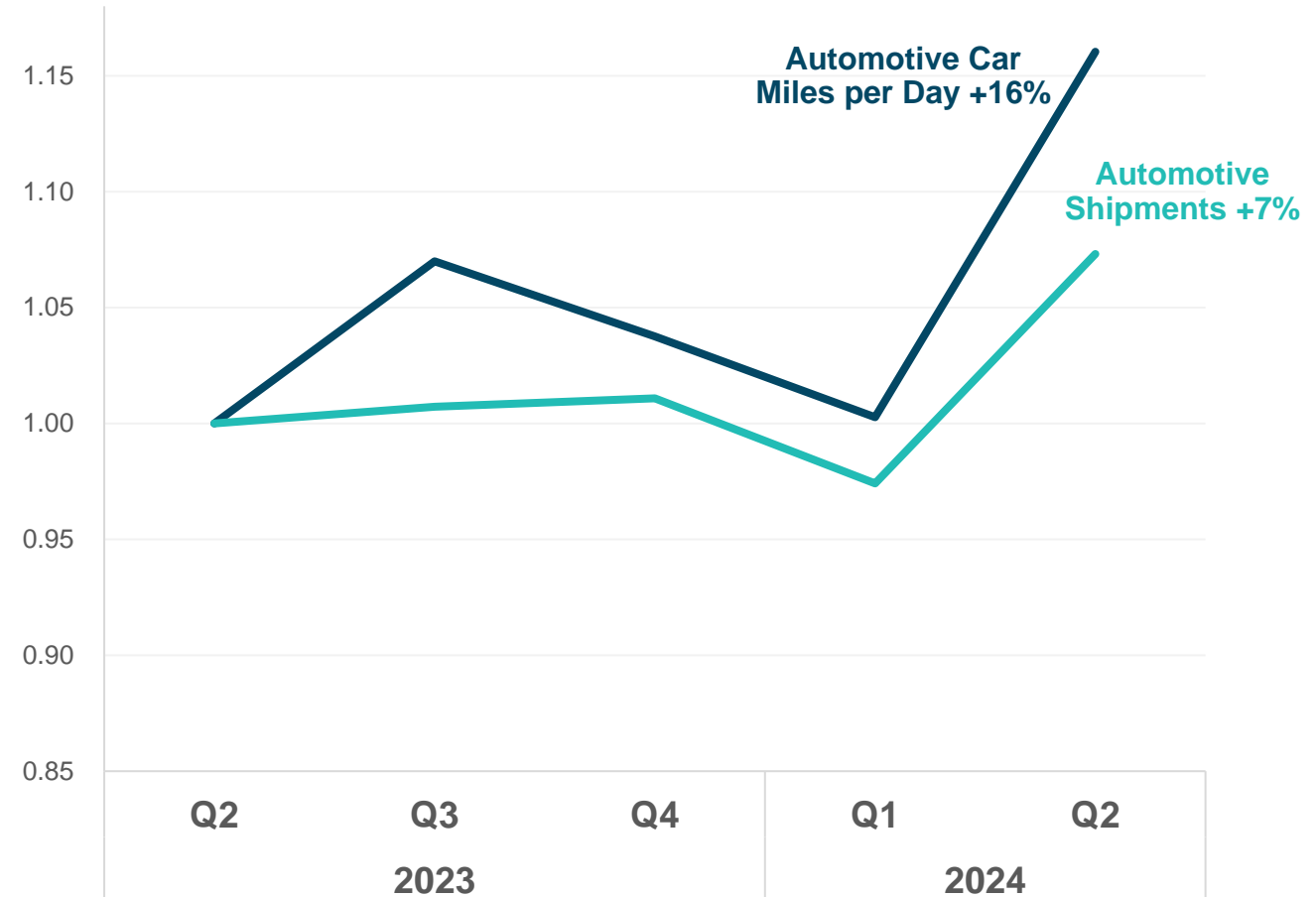


## NEXT 12-24 MONTHS

- Increase upstream & customer precision blocking to further reduce handlings
- Terminal densification improvements to leverage scale and create capacity
- Further improvement of train weight relative to HP distribution to increase GTMs per Available HP by an additional 8%
- Increase Car Miles per Day by an additional 7%
- Execute Merchandise growth playbook at accretive incremental margins
- Improve fuel efficiency through operating and distribution enhancements
- Additional progress towards sub-60 OR<sup>(1)</sup>

## VELOCITY DRIVING MERCHANDISE GAINS

- Automotive network enhancements driving strong sequential gains
  - Car velocity **+16%**
  - Carloads **+7%**

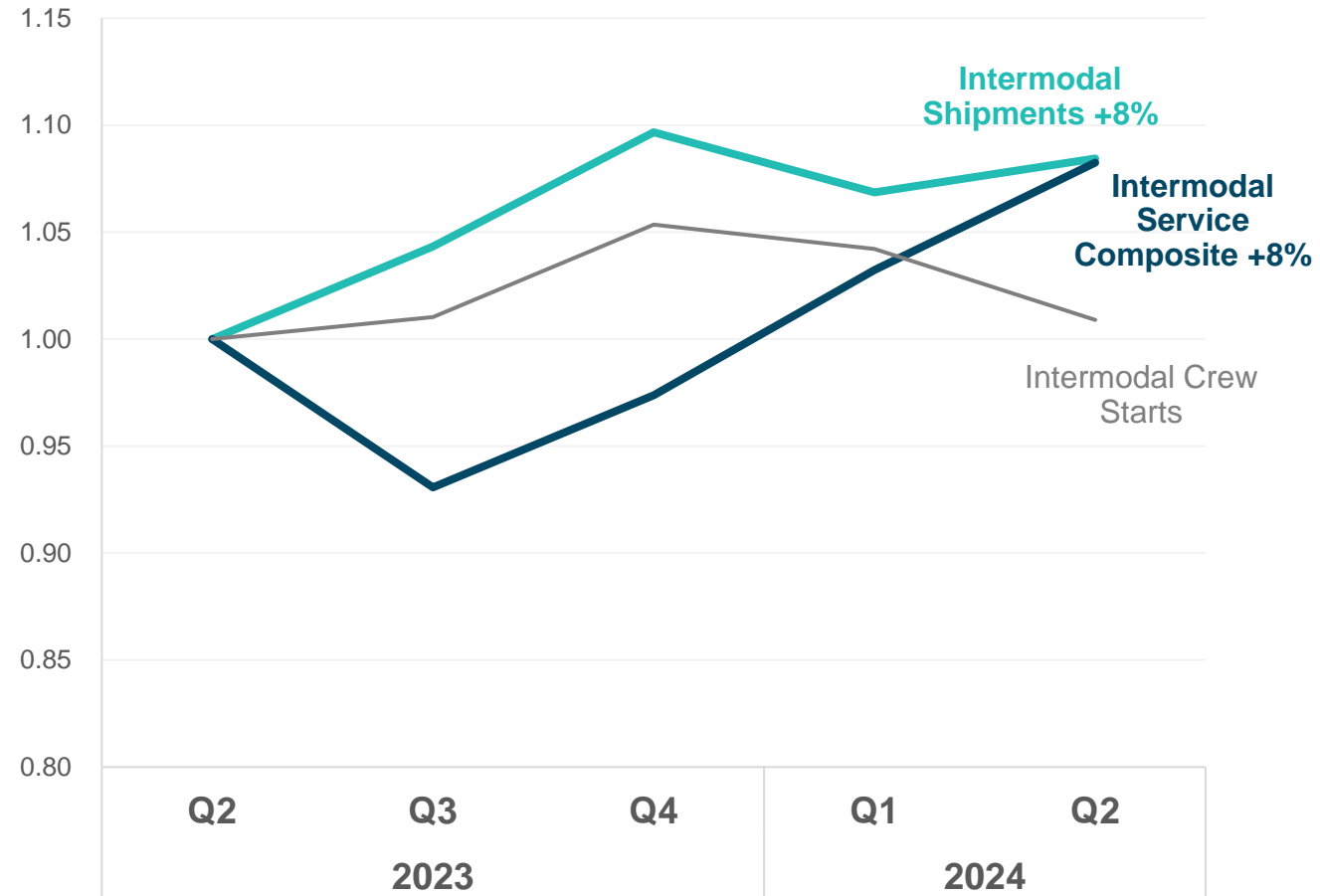


Capturing growth and providing enhanced service on a more efficient train plan



# INTERMODAL FLYWHEEL DRIVING PRODUCTIVITY AND GROWTH

- Growing volumes while reducing costs
- Improved operating performance maximizing value of robust franchise
- Rationalization of 15% lanes to focus assets on most efficient flows



Capturing growth and providing enhanced service on a more efficient train plan

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# MARKET OVERVIEW



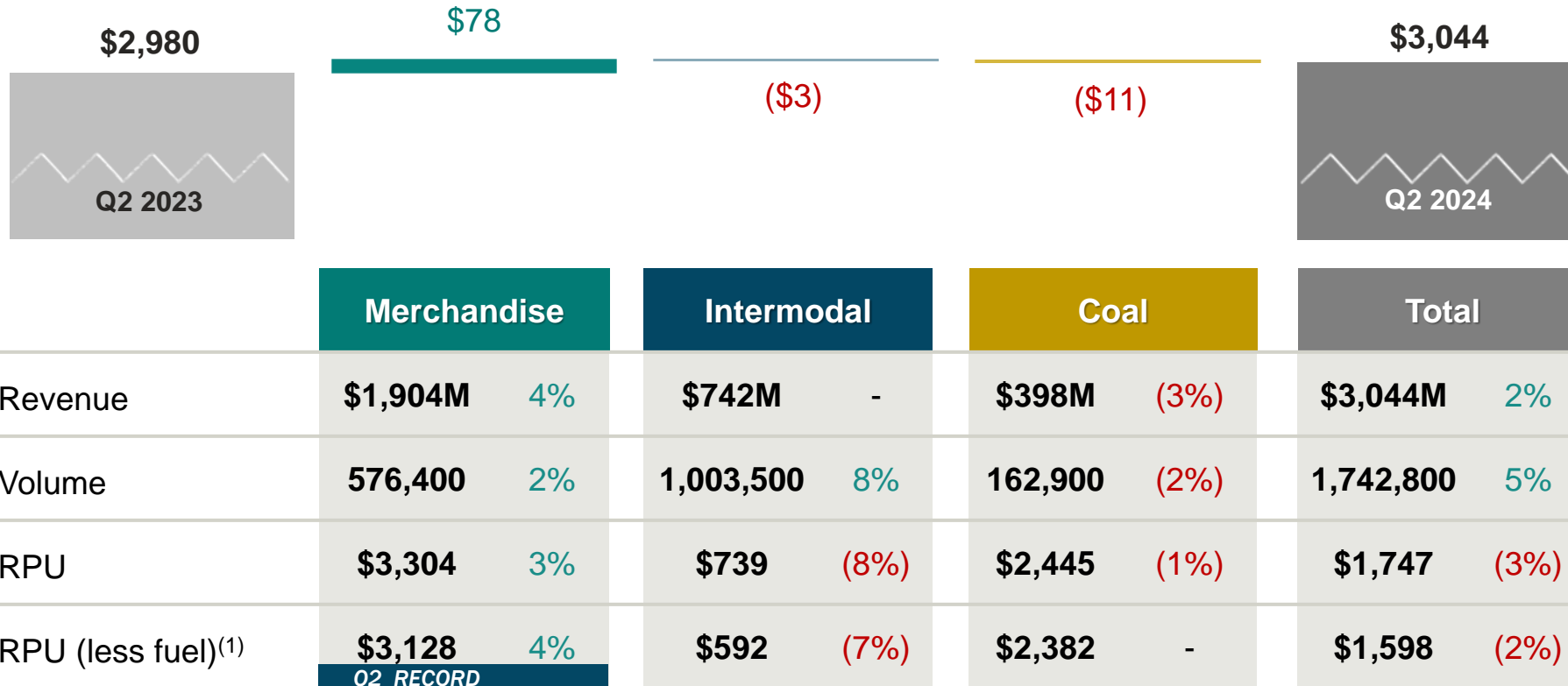
**Ed Elkins**

Executive Vice President  
& Chief Marketing Officer



# 2ND QUARTER 2024 RESULTS

Q2 2024 vs. Q2 2023 / Revenue change \$ millions / favorable / unfavorable



**36 out of 37 consecutive quarters of y-o-y RPU (less fuel)<sup>(1)</sup> growth in Merchandise**

# MARKET OUTLOOK

Lowering FY Revenue Growth Guidance to ~1% from ~3%

## Merchandise

- Manufacturing Activity
- Agriculture Markets
- Network Fluidity

## Intermodal

- Import/Export Demand
- Truck Rates
- Mix

## Coal

- Stockpiles
- Seaborne Coal Prices
- Export Demand





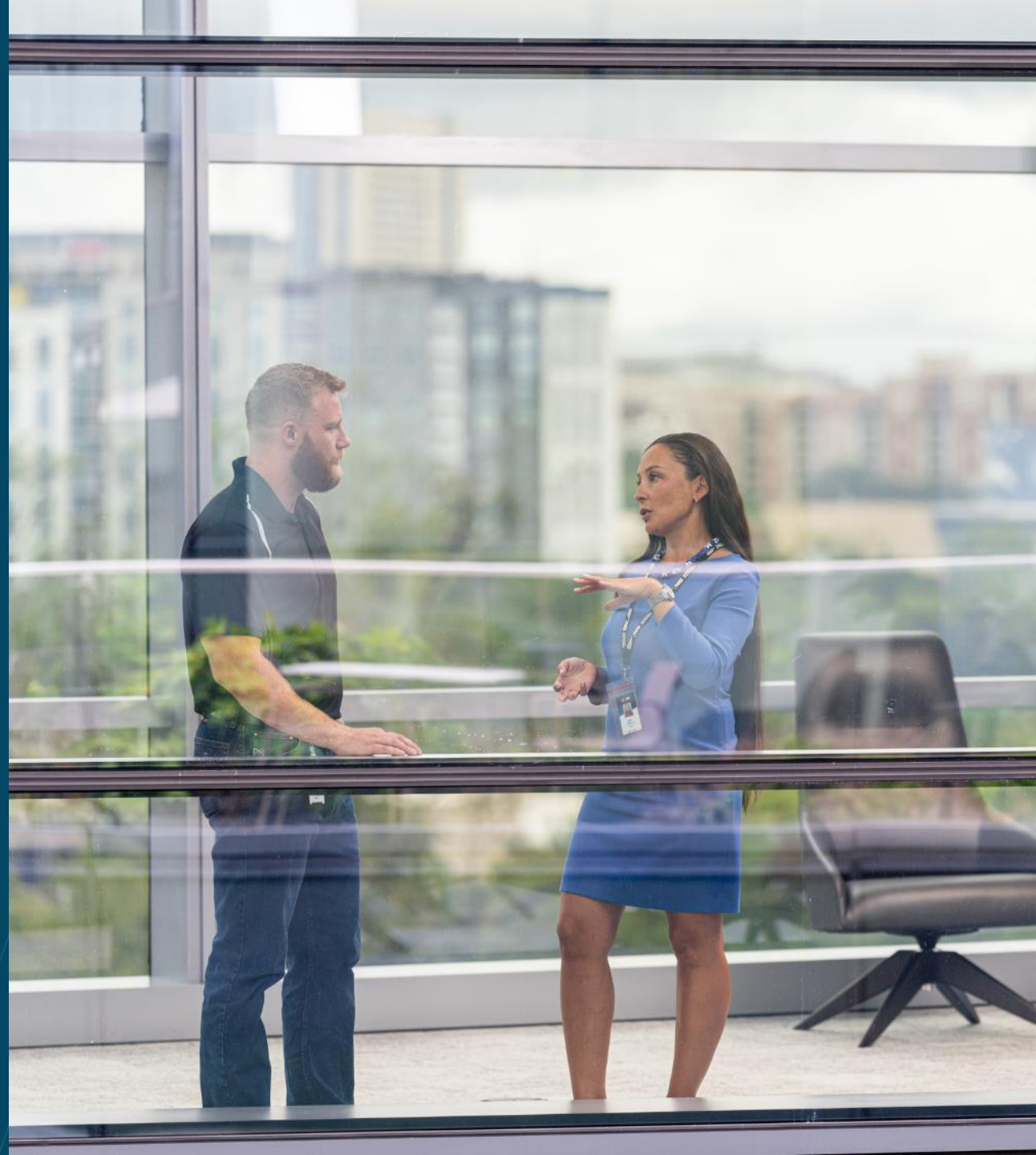
## ***INVESTING IN SAFE AND SUSTAINABLE GROWTH***

- We are delivering comprehensive, sustainable solutions, aligning with our broader vision for customer-centric operations and growth.
- One project involves a high-volume metallurgical grade coal customer. Set to be developed in 2025, this new originating coal facility will help power global production of metals products for decades to come.
- We are reallocating our strategic capital to make timely investments in regions of our network experiencing significant economic growth.

# 04 Q2 FINANCIAL RESULTS



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



# SECOND QUARTER RESULTS

\$ in millions, except EPS

	GAAP Q2'24	Non-GAAP adjustments Increase / (Decrease)			Adjusted Q2'24
		E. Ohio Incident Costs	Restructuring and Other Charges	Shareholder Advisory Costs	
Revenues	\$3,044	-	-	-	\$3,044
Operating expenses	\$1,913	\$65	\$3	-	\$1,981
Operating ratio	62.8%	220 bps	10 bps	-	65.1%
Operating income	\$1,131	(\$65)	(\$3)	-	\$1,063
Other income-net	\$17	-	(\$20)	\$29	\$26
Income tax expense	\$207	(\$16)	(\$7)	\$7	\$191
Net income	\$737	(\$49)	(\$16)	\$22	\$694
EPS - diluted	\$3.25	(\$0.22)	(\$0.07)	\$0.10	\$3.06

## E. Ohio Detail

Env.	\$53
Other	\$38
Ins. Recovery	(\$156)
Net	(\$65)

## Restructuring & Other Detail

Separation	(\$3)
Curtailment	(\$20)

# SECOND QUARTER ADJUSTED RESULTS <sup>(1)</sup>

\$ in millions, except EPS

favorable / unfavorable

	Adjusted <sup>(1)</sup>			Y-o-Y		Q2-Q1	
	Q2'24	Q2'23	Q1'24	Variances		Variances	
Revenues	\$3,044	\$2,980	\$3,004	\$64	2%	\$40	1%
Operating expenses	\$1,981	\$1,988	\$2,100	(\$7)	-%	(\$119)	(6%)
Operating ratio	65.1%	66.7%	69.9%	↓160 bps		↓480 bps	
Operating income	\$1,063	\$992	\$904	\$71	7%	\$159	18%
Net income	\$694	\$673	\$565	\$21	3%	\$129	23%
EPS - diluted	\$3.06	\$2.95	\$2.49	\$0.11	4%	\$0.57	23%

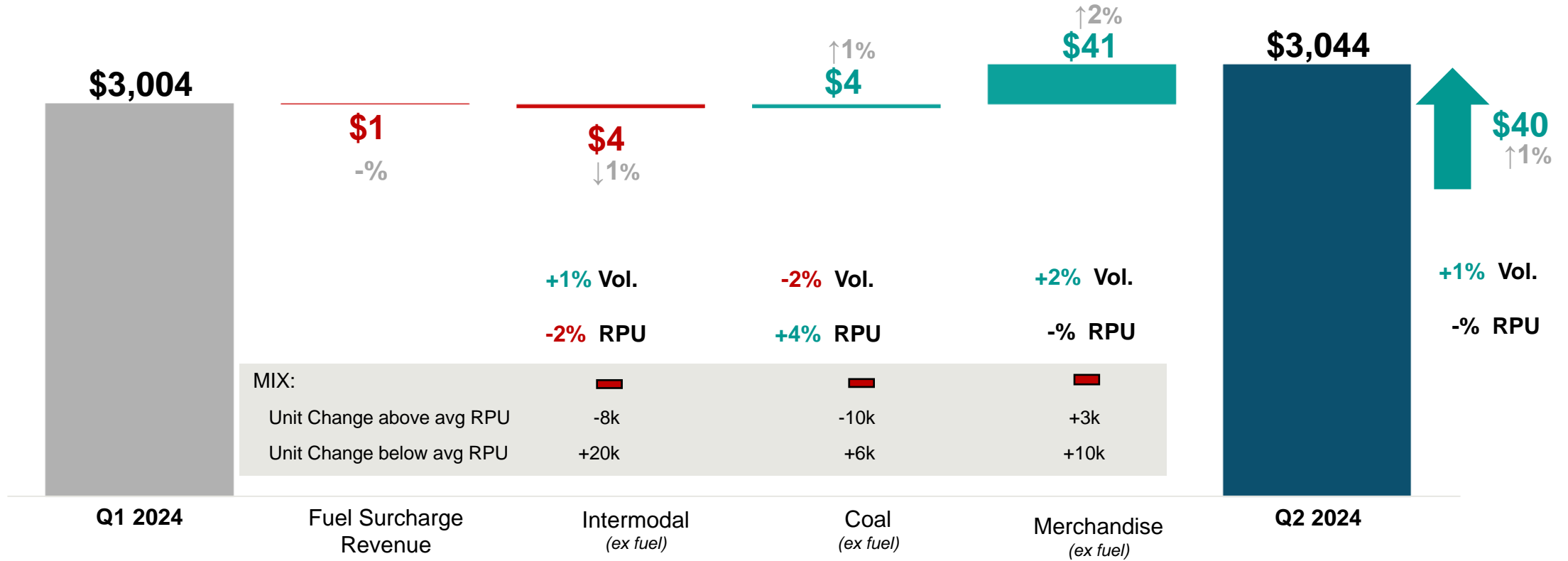
(1) Adjusted results modifies Q2'24 GAAP results for expenses associated with the Eastern Ohio incident, restructuring and other charges, and shareholder advisory costs (as reflected on the preceding slide). The Q2'23 GAAP results are adjusted for charges related to the Eastern Ohio incident (see appendix slide for further details). Adjusted results modifies Q1'24 GAAP results for expenses associated with the Eastern Ohio incident, restructuring and other charges, shareholder advisory costs, and a deferred tax adjustment (see appendix slide for further details). All presentations of revenues above and on the preceding slide refer to U.S. GAAP revenue. Please see the reconciliation to GAAP posted on our website on the Investors page under Events and Presentations for this event.



# SEQUENTIAL RAILWAY OPERATING REVENUES

Q2 2024 vs. Q1 2024

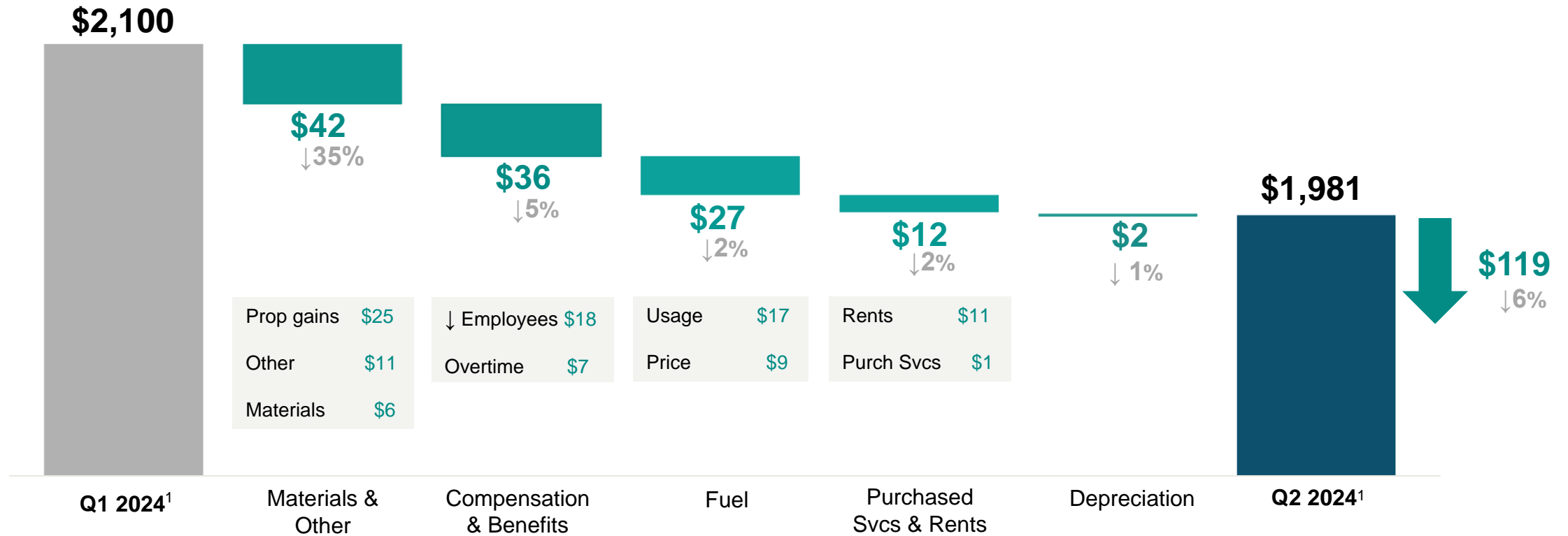
\$ millions  
favorable / unfavorable



# SEQUENTIAL OPERATING EXPENSE COMPONENTS

Adjusted Q2 2024<sup>(1)</sup> vs. Adjusted Q1 2024<sup>(1)</sup>

\$ millions  
favorable / unfavorable



(1) Adjusted results modifies Q2'24 and Q1'24 GAAP results for expenses associated with the Eastern Ohio incident and restructuring and other charges. Please see the reconciliation to GAAP posted on our website on the Investors page under Events and Presentations for this event.

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# CLOSING REMARKS



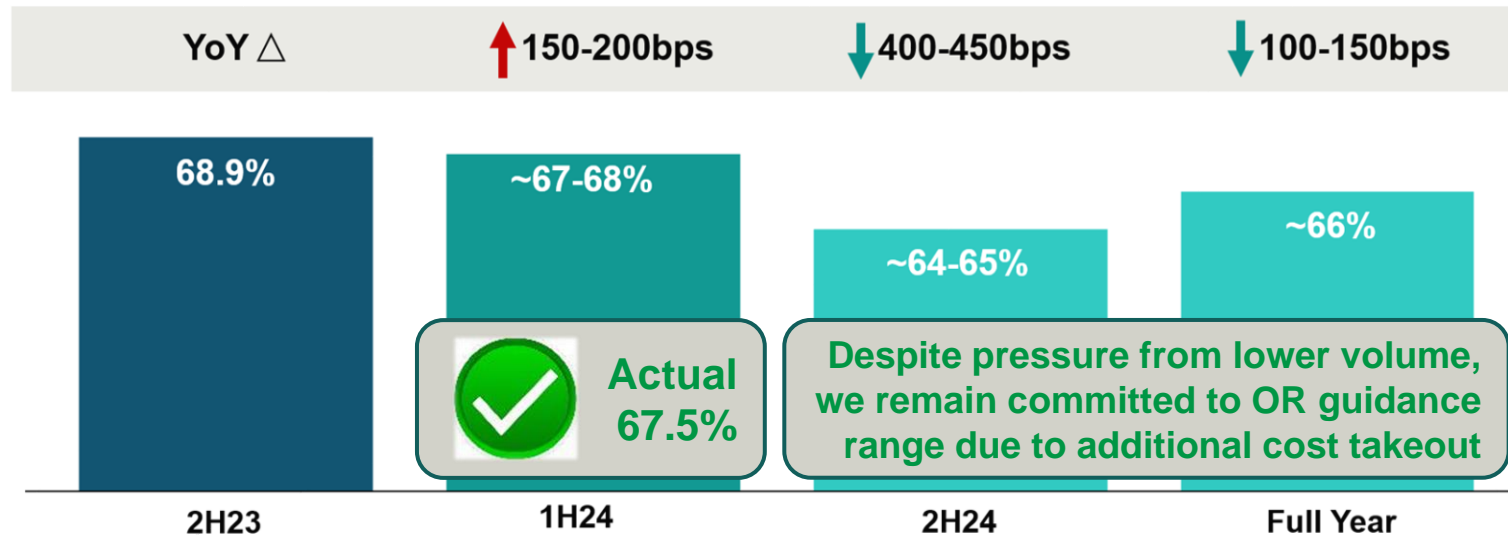
**Alan Shaw**  
President  
& Chief Executive Officer



# 1H COMMITMENT MET, REAFFIRMING FY OPERATING RATIO GUIDE <sup>(1)</sup>

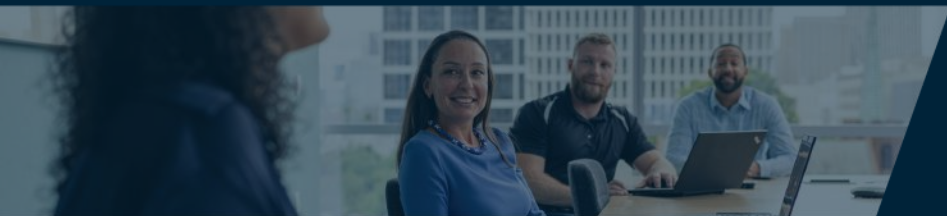
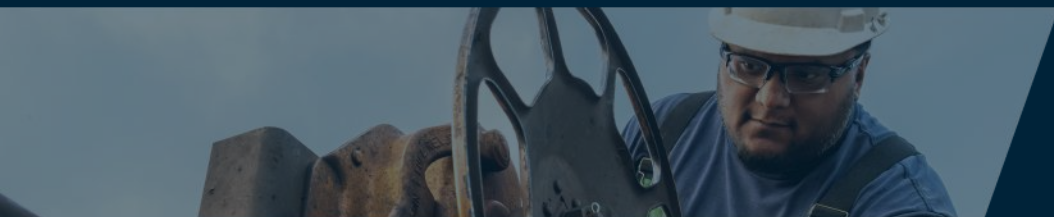
## MEANINGFUL YEAR-ON-YEAR MARGIN IMPROVEMENT WILL BE EVIDENT AS WE PROGRESS THROUGH THE YEAR

- Despite revenue and cost headwinds in the first quarter of 2024, we expect to deliver ~400-450 basis points of operating ratio improvement during the second half of 2024<sup>(1)</sup>
- This is consistent with our plan to achieve ~100-150 basis points of average annual operating margin improvement
  - Translates to a 2024 exit ratio of ~64-65%<sup>(1)</sup>



<sup>(1)</sup> The operating ratio improvements discussed and presented on this page represent adjusted operating ratio. See reconciliation to GAAP operating ratio on our website on the Investors page under Events and Presentations for this event.





# Thank You

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# *APPENDIX*

# RECONCILIATION OF 2023 NON-GAAP MEASURES

\$ in millions, except EPS

	GAAP Q2'23	E. Ohio Incident Costs	Adjusted <sup>(1)</sup> Q2'23
Revenues	\$2,980	N/A	N/A
Operating expenses	\$2,404	(\$416)	\$1,988
Operating ratio	80.7%	(1400) bps	66.7%
Operating income	\$576	\$416	\$992
Net income	\$356	\$317	\$673
EPS - diluted	\$1.56	\$1.39	\$2.95

(1) Adjusted results modifies Q2'23 GAAP results for expenses associated with the Eastern Ohio incident. Please see reconciliation to GAAP posted on our website on the Investors page under Events and Presentations for this event.

# RECONCILIATION OF Q1 2024 NON-GAAP MEASURES

\$ in millions, except EPS

		Non-GAAP adjustments Increase / (Decrease)				
	GAAP Q1'24	E. Ohio Incident Costs	Restructuring and Other Charges	Shareholder Advisory Costs	Favorable Deferred Tax Adjustment	Adjusted <sup>(1)</sup> Q1'24
Revenues	\$3,004	-	-	-	-	\$3,004
Operating expenses	\$2,791	(\$592)	(\$99)	-	-	\$2,100
Operating ratio	92.9%	(1970) bps	(330) bps	-	-	69.9%
Operating income	\$213	\$592	\$99	-	-	\$904
Net income	\$53	\$448	\$75	\$16	(\$27)	\$565
EPS - diluted	\$0.23	\$1.98	\$0.33	\$0.07	(\$0.12)	\$2.49

(1) Adjusted results modifies Q1'24 GAAP results for expenses associated with the Eastern Ohio incident, restructuring and other charges, shareholder advisory costs, and a deferred tax adjustment. Please see reconciliation to GAAP posted on our website on the Investors page under Events and Presentations for this event.