Union Pacific
Live Investor Roadshow

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Welcome & Safety Briefing

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Introduction

Good morning, everybody. Thanks for coming.

Anyone standing in the back, we do have some seating, it looks like, available up front here, so please find an empty seat if you would.

My name is Brad Stock. I am the Assistant Vice President of Investor Relations. I think I know a good portion of you, but those that I have not would love to meet with you after the event.

We welcome those that have joined us here in Dallas as well as those online. So before we start today, I have got the task of going through a few housekeeping items to make sure that we are set for the day.

Safety Briefing

First, a quick safety briefing. As shown on the slide, you are currently in the Century Ballroom. Restrooms are out, these back doors and to the right.

If you would please make sure all cell phones have been silenced. And if you get up at any point today, please tuck in your chair and also watch. We got a lot of cords, so just want to make sure we do not have any tripping.

Should we experience any inclement weather, likely not to happen with the sun outside. However, if we do, hotel staff will direct us as well as UP folks to the basement. If there is an incident where we need to evacuate the hotel, we will go across the street towards the AT&T Discovery Centre.

And if there is a medical emergency, we have folks assigned to call 911, fetch the AD, and we have a number of CPR-qualified folks. If you have any special medical conditions, please write those on a piece of paper and stick those in your right shoe or jacket pocket. And finally, if we have an active shooter situation, we will assess the situation of all run, hide or fight.

Next, all the slides from today's presentation have been posted out to our website and a replay of this event will be posted soon after the conclusion. So if anyone missed it or if you need to leave early. Finally, I need to keep my good friend John Menicucci and the law team happy, so I have to read the safe harbour statement here.

Cautionary Information

Today's Investor Day presentations contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, Section 21E of the Securities Exchange Act of 1934 as amended, and the Private Securities Litigation Reform Act of 1995.

In addition, management may make forward-looking statements orally or in other writing during and among today's management presentations and question-and-answer sessions. These statements contain a number of risks and uncertainties. Actual results could materially differ from those anticipated by such forward-looking statements as a result of a number of factors or combination of factors affecting the operation of the business, and other risks identified in today's presentation in Union Pacific's annual report on Form 10-K in the year ended 31 December 2023, and in other reports filed by Union Pacific within the Securities and Exchange Commission.'

Forward-looking statements reflect the information only as of the date on which they are made. Union Pacific does not undertake any obligation to update any forward-looking statements to reflect future events, developments or other information.

Okay, so with those housekeeping items covered, we will now kick off today's festivities. We will start with a video, and when the video is over, our CEO, Mr Jim Vena, will be on stage. Thank you.

[VIDEO]

When a bold team rises on machines of steel and gold, buffed and buffered with passion and pride, we become the fleet. We rise to defy all obstacles and to beat all odds, knowing winning is the pursuit of what is possible.

Building bridges and scaling mountains, we weather frost and fire, connecting at the intersection of imagination and innovation. We are Union Pacific. Our strategy, safety, service and operational excellence is our key to growth.

To be the best at safety, we look out for each other. We carry goods with courage and care for customers counting on us. Safeguarding communities depending on us, ensuring everyone makes it home.

To deliver the service, we sold our customers, we bring food and fuel to nourish the land, grow economies, heat homes and hearths. We energise industries, moving construction cargo, chemicals, petroleum and plastics.

We transport, transportation, hauling finished vehicles and their parts for all major manufacturers. We move the world, serving all six major gateways, leading service to and from Mexico, sustainably connecting our continent with commerce from across the globe. We do this with operational excellence, powered by predictable precision, speed, reliability and resilience.

We are thoughtful about asset utilisation, empowering those closest to the work to make the best decisions. We exercise cost control, spending resources wisely with a buffer for the unexpected. We know people make everything possible and engage our teams and stakeholders, listening to their needs and investing in their success.

We are legend and legacy, steam and dreams made of the engines that shaped our nation. We are one fleet borne from steel and powered by will. We carry the weight of the freight that fuels our world.

We are Union Pacific.

Pursuit of What is Possible

Jim Vena

Chief Executive Officer, Union Pacific

Introduction

Well, good morning, everyone. I am having my first cup of coffee, so I am going to keep it close. Okay, I am a little bit of a coffee snob, so guess what? It is not the best coffee in the world, but it will do. It’s got caffeine.

So welcome to Dallas. I hope you enjoyed the video. It was put together and all those words were done by Clarissa, who is our Chief Communication Officer. I think she did a wonderful job of showing who we are and what we do every day. So I think it is a fantastic video. And you can see the employees this morning as we are sitting here.

We have 7,000 employees on trains handling the business. We have multiple thousands of people inspecting track, inspecting cars. They are the people that actually do the final delivery that moves everything.

Yes, none of that is on the slide. I do not like following the exact words they give me to say. So yesterday we moved 2.35 billion GTMs of product. Think about that number. So it is not a small enterprise and we have a responsibility to do that. Did we move it well? I look at things a little deeper inside than we give out to everybody on a daily basis. However, our car velocity was good. Could be better. Never happy with car velocity, but our business in some segments is up, especially the international, much more.

However, overall, if I look at how we are handling the trains through terminals, the cars, how we are switching them, we switched, had to handle over 100,000 cars yesterday. And that means you touched them. Not on a through train. We have spotted over 130,000 rail cars at customers ready to load. And that number is higher than what we would normally do. And some of that is because of the international.

So I am just giving you a feel of what I look at, when I get up at 06.00 in the morning.

Railroad is pretty good. Now, thanks for coming to Dallas, and hopefully yesterday you had a little bit of fun. I spent the entire time out in the sun, and I know a few of you did also. There was a few wimps on the management side, and I will remember them, like I think Kenny Rocker spent most of his time sitting inside one of those business cars. So, Kenny, if you thought I missed it, you are wrong, okay? And there were a few others.

However, at the end of the day, what we wanted to show you yesterday was a little bit of our history. And I think that big boy steam engine is really representative of where railroads were and where Union Pacific was. However, if you look at it, where we are, what is real important to me, yesterday was fun. Last evening was fun. Today it is business. I have got my tie on; I am dressed for business. And we are going to be serious and take you through what we are going to be like and what we think we can do as a company in the next three years.

We always are pragmatic about how we put targets out. We do not get too far ahead of ourselves. However, in this event, and why we are having this event, is so that we talk about what we see and what, we think, is possible for us in the next three years. And we are always pragmatic when we put stuff out. So the numbers are out for anybody to see, I think at 07.30 this morning, our guidance. However, hopefully, you all stay with us for the rest of the morning and listen to us as we take you through.

You are going to meet a number of great employees. And this was one of the reasons of having investor conference was for you to meet some of the talent that works with me every day at Union Pacific. And you are going to have them on the stage. You are going to have a chance to ask them questions. And I think it is a great way to get to know the team and see the kind of talent that we have.

Dallas, TX Metroplex Key to UP Franchise

Also, why in Dallas? And I joked around about it last night at supper, but seriously, Dallas is important to us. It is in the top ten fastest growing metro areas in the US. We also serve four of the other ten. Whether it is Phoenix, and we see the growth, and we are investing. So I could go through them, Denver, all the communities in the west and the big cities that we serve. And for us, that is real important.

What do we do in Dallas? We have two intermodal facilities. You saw one of them yesterday. Mesquite is another one. And it is placed because of the size. Normally, you would never have two, but it is placed there because of the size of the Dallas Fort Worth metroplex. And we have a great classification yard.

This morning the dwell was 18.5 hours. That is a pretty good number. I know you will never hear me say fantastic number because there is more to give. However, it is a pretty good way to say that every car that went through there, and they humped close to 1800 cars yesterday.

You also notice that we want to use, and you will get more detail as you go with the team, we are talking about what are we going to do with some of the land that we own and how can we bolt-on businesses to give us to bring more products to the railroad, but also leverage that for ourselves if we think it helps us grow the business. And it is not just intermodal. We spent a lot of money, and you will hear that from some of our senior VPs, and I will leave it for them to explain. However, welcome to Dallas, thought it was great.

Redefining What's Possible for Union Pacific

So who are we? What kind of culture do we want to have in the company? And these three events in history tell you a little bit about who we want to be. Okay, so I already talked about I want you to meet the team and I think our strategy is clear. It is safety, service, operational excellence, and I will take you through that a little bit.

So let me take you back in time. By the time May of 1953 happened, there were 15 expeditions to try to get up to the top of Mount Everest, and they all failed.

The first one being in the 1920s with Mallory in 1924 disappearing until his body was found on the side of Mount Everest. However, if you think about it, those people, there was a lot of divergent point of view on whether it was a smart thing to do and whether you could survive at a mountain that is high enough that the jet stream hits it at the top at 29,000-plus feet. However, they were sure, and mankind pushes.

Now, are we trying to climb Mount Everest? No. However, on the 29 May, a sherpa and a New Zealander climbed to the top and opened up a different view of how the world could be, and mankind always pushes the envelope to see where they can get. And for us, we no longer look, I do not listen to people when they tell me, well, coal could be a problem. So what? What do we do to make sure we make that up? We do have a great railroad, and we should be able to use our railroad and our network to grow.

So it is all about what is possible. What is even crazier is there was an Italian from Northern Italy, Reinhold Messner. If anybody follows, it is a great book to read of his. And he talks about he wanted to go up to the top of Everest 29,000ft with no supplemental oxygen and everybody thought he was crazy. You can see one of my passions in life. That is why I have been to Mount Everest base camp three times. And I went up a little bit, and it is not a big deal.

That is not what we are here to talk about. However, at the end of the day is this guy decided he is going to go up to the top with no oxygen. And did he make it? Yes. Everybody, doctors that studied it said your brain is going to implode, you are going to have permanent brain damage, you are going to have a real problem. And Reinhold Messner is still alive in Northern Italy. And that is what we want to do.

We want to push the envelope, and that is who we are. It is what is possible.

Laying Foundation For Success

Year-over-year improvements for trailing 12 months ended 30 June 2024

So if you want success, you need to make sure that you lay the foundation, and you can see this on what we have been able to do in the last 12 months, 30 June. And we could have updated the slide. Nothing has changed and said it would as of yesterday. However, sometimes, you know, it is good to just hammer down a time frame and do it. It basically aligns with the time frame.

However, our injury rate is down 22%. Our freight car velocity is up. Our terminal dwell is better. Intermodal service performance exited up 11 points. So we are delivering better service. That is the foundation. Now below that is about another 100 numbers that I look at every morning on a quick summary, and that is important is that we are all aligned in the company.

Those numbers are available to everybody that operates the company. There is no secret. So when I tell somebody like Hunt Kari, who some of you were on the bus with yesterday, I do not like how fast your car velocity is on intermodal. I am sure he is looked at it before me. So we do not have a lot of discussion.

A Unique Opportunity to Lead Premier Rail Franchise

So what are we selling? What is our advantage? You heard me talking about coal and the way we should look at it is leverage. If you look at this map, what this map tells you is that looking at the 23 states, we have a cross-section of a business that is used in the industrial production and the consumer across the entire 23 states. And of course, we partner with Canadian National and Canadian Pacific, Kansas City to go into Canada. We partner with short lines, we partner with CSX and NS to go East. However, for us, our origination franchise is real important. And let me just take a minute to go around.

I think we have got a franchise that is the best when it comes to that crescent from New Orleans and the petrochemical industry from New Orleans all the way to Brownsville, and it continues to expand. And you will hear some of that, that people are putting in more products in there. You can see the grain business that we have in the American plains. We have plastics in places, we have coal that still operates a number of trains every day. The West Coast we have got. If you go to Los Angeles, not only are we handling a lot of consumer products, we have the big international ports of LA and Long Beach, plus our own domestic business in there. And I could keep on going. Lumber, steel, tin, so industrial products of all sorts.

And we put that 70 miles an hour up there on purpose. We actually do build our railroad, unless the curvature is too severe to be able to operate our freight trains at up to 70 miles an hour. And listen, they do not all operate at 70 miles an hour.

However, if anybody thinks that it is not the coolest site in the world to see a regular length 15,000-foot train flying through Tucson, Arizona. East of Tucson. And going 70 miles an hour as the interstate is running right next to it, and I am in my vehicle in the interstate. That is pretty cool. And we sell that. It gives us in some quarters truck-like speed.

Not everybody needs that speed, but the ones that do, we can go from LA to Dallas in around two days, and it is just under 2,000 miles. So that is what we are selling. And it is a great, diversified business. We are serving the fastest-growing centres. And our access into Mexico, I cannot leave, that gives us multiple entryways into Mexico in all of them that go across, and you can see them listed on the slide.

Safety, Service & Operational Excellence Leads to Growth

So what is our strategy? Let us get back to it. You have heard me say it. You will probably hear me say it so often that you are sick of it.

It is safety, service, operational excellence. And why start with safety? Listen, I have been railroading for a long time. I think my first job was actually in 1975, but first time permanent was in 1977.

In 1986, on 8 February, there was a head-on collision at the railroad I used to work on where a passenger train ran in and a freight train collided. 23 people from my hometown of Jasper, Alberta. A lot of them were on that train and died. The head and crew, I still remember their names. We never sacrifice safety for what we have to do. We spend for training, we spend on technology, and we make sure that we have all the tools to be the best. I can name you the people on the train. There was Amo Miller. I will stop there.

So safety is the foundation of everything that we do. Now, are we safe as a railroad? Yes. You could take a train of ours and run it around the equator 49 times before you would have an incident, a main line or an incident in the siding. So we are safe. We are the safest ground transportation method of moving cars anywhere.

What is service? Service is what we sold the customer. Some of them want high speed, some of them want timeliness, some of them want consistency. Some of them want Monday to Friday service only. Some of them want two times a day service. So service for us is what we sold the customer. And that is important that we do not lose sight of it. Now, for the public, we have to tell everybody, and we do. We provide an index that says, how are we doing? However, at the end of the day, we look at that as a guide. More important to us is, what have we done to the individual customer? And if you want to grow the business, you need to be able to handle that piece and deliver at a high level.

The parcel we won with UPS last year, the carrier that had the best peak, and we did not win that by accident. We worked hard to do that. And we have the railroad to do that, and we want to win it again this year. And that during peak, UPS expects us to be just about at 100%. So we have that capability. However, listen, a customer that is shipping fertiliser to a storage facility in Portland that has 150,000 tonnes of capacity looks at timing a little differently than somebody like a UPS or FedEx or one of those. And that is what service is.

Asset utilisation, listen, every locomotive costs us a lot of money and every piece of equipment costs us a lot of money. So for us, we sweat the assets every day, but we keep a buffer. And if anybody was wondering, what is Vena talking about when he talks about what a buffer is? I think there was not a lot of people that expected the bump up in Western international intermodal that happened here in the last 90 days. And I think we have been able to show people how we have been able to use that buffer in our railroad infrastructure, our people, and our assets to be able to do that.

Cost control, I have a mantra that I tell everybody. Think about it as if you are spending your own money. And listen, I got to have a little bit of fun, okay? I am in work mode. I am serious. However, got to have a little bit of fun. So I forgot my ties, and I was going to wear a tie for supper last night. So I unload my suitcase and I go, son of a gun, Vena, you idiot. Because I am a process guy. When I pack, I pack from my feet up, right? That way you do not make a mistake. However, something must have got to me, and I stopped at some point. And son of a gun, I open it up, I go, I do not have a tie.

Well, last night I was okay, but this morning I wanted a tie. So I asked some of the people that are here to help me. I said, would you guys mind going out to get a tie? So, I do not know, they are crazy. They went to Neiman Marcus. Now, it is a nice tie, but I do not usually spend that kind of money on a tie.

It comes back to my mantra about spend the money as if it was your own. They thought, I am sure Vena spends money and buys $350 ties. Son of a gun. Anybody want to buy it off of me after? I am willing to give it to you.

And on people, it is the development of people. And the reason I started with telling you how many people were out there working today is we are in an office environment. They are out there working. Some people did not like the heat yesterday. We have people out there operating at 100-plus degrees and at 20 below the weather. It is an outdoor sport. And we do everything we can to retain people, which our retention is real high across the board. We do not lose a lot of people once we hire them.

They are great jobs. The benefits we provided are top-notch, as good or better than anybody. So we need to continue to develop. And I look at the people not as unionised and management. There is a group that are covered by the union, but at the end of the day, they are employees of Union Pacific. So we want to pay them all well. We want to give them a good work environment. We want them to succeed. We want them to be shareholders at Union Pacific. And we have a programme out there that everybody can buy-in, and we match with 40%, up to $15,000. And I am proud to say that now we have over 40% of our people that work at this company that are owners of Union Pacific shares. And for me, that is really important because I want them to be part of the business. I want them to be successful, just as the company is.

So that is our vision and strategy.

Balancing Expectations & Results

I wanted to talk, this slide, and I purposely put this one here. I gave it a lot of thought, and I wanted this in. It is the balancing that we have to do every day at Union Pacific. The customer expectations are we live to what we have agreed, we deliver on that. And we have to do that.

And at times, that customer expectation and what we have promised that we are going to do is going to impact our operational performance a little bit, and our financial success. We want to price, but we want to price right. We want to do things that set ourselves into the right place of where we are. We think we have the capability to price, but you cannot do that across the whole board easily. And you have to be smart about what the market gives us.

On the operational performance, you do not want to be so lean that you cannot handle the normal variations of what happens in our business. Listen, our business drops. The amount of cars released on every weekend is normal to see a drop 15-25%. So think of the capacity we really have if everybody released on a flatline basis over seven days a week. However, that is customers. They are paying the bill. It is pretty hard for us to move them all to do that.

However, at the end of the day, that is the pressure you have, and expectation, and operational performance, and that drives the way. And we understand what our financial success is.

What is our financial success? You have seen the metrics we put out this morning, and the numbers that we think we can deliver. We are very prudent, but I am very comfortable that even with all the balancing of everything that we do on a daily basis as a company, as individuals, I am very comfortable that we are going to be able to deliver that.

Agenda

So what is the agenda today? So what are you going to see today? Eric Gehringer is going to come up, and I have known Eric since I joined the company last time in 2019, and before I went on sabbatical for a couple of years. And I think he is doing a heck of a job. He is a smart individual, understands the business. He is a little bit of an aerospace engineer kind of guy once in a while, so we have to get him back in line. However, overall, I think you will be impressed of his talent and what he has been able to deliver and what he can help with Union Pacific.

Rahul is going to come up here and talk about technology. However, listen, he is not going to talk about technology in the sense of there is technology out there. We look at it as what can it do for the railroad? How do we speed up the trucks going into our intermodal facilities? How do we handle it quicker? How do we make the UP experience for a customer better? And how do we have tools built, and he will take you through a piece so that we can make decisions quicker and better in the railroad and how we operate our terminals, our operating plan and what we are doing?

Kenny Rocker, I was joking around about him and it was the truth. He did not spend any time out in the sun. But at the end of the day, Kenny is a heck of a sales and marketing guy. He is a leader. Do not kid yourself with that giggle and that smile that he has every so often. He is got this killer instinct to go win, and that is what you want. So he is good with relationships, and you will see him take through in some of his team.

Beth, who is our President and pretty cool. She is the first female President of Union Pacific, and she comes up and is going to give you through a number of products. And Beth has had a great career across the company, from labour relations, to the finance side, to the customer side, to the human resource side. And listen, I think she has got a great presentation to show you what we are doing with some of the properties and everything else that we are doing, looking forward.

And then Jennifer. Listen, I would not trade Jennifer for anybody. She keeps me grounded. She makes sure that we are prudent about what we are doing, and the facts are the facts, and that is the way we are. And she does a fantastic job.

So I am looking forward to today. You will not see me again until the question-and-answer panel at the end. Because this day really is for you all to get a greater picture of the talent we have at Union Pacific, what our vision is of what we are going to go.

So with that, thank you very much. We are going to have a little video and then Eric is going to come up. Thank you very much.

[VIDEO]

At the heart of every journey lies a promise. At Union Pacific, we are stewards of that promise. Driven by the dedication of our people and backed by cutting-edge technology. Every day, we rise to the challenge of operating North America's largest railroad. We never lose sight of what matters most. Safety.

More than 7,000 wayside detectors monitor freight cars and locomotives in real-time, generating 16 million data points daily to proactively identify and mitigate risks. Our engineering team visually inspects 4.5 million miles of track every year. We inspect another 500,000 miles, enough to cover our network more than 15 times, using innovative equipment like our autonomous geometry fleet.

This technology and the data it provides puts investments and resources in the right place. Over the last ten years, we have reduced track-cause derailments by 28%, as we invest nearly $10 million a day to protect and enhance our infrastructure. Autonomous unloading and loading systems eliminate the need to physically handle track materials while driving efficiency.

What used to take a ten days to unload 33,000 ties will now take five to seven hours. Now we are exploring how we can design and build equipment that leverages similar technology to more efficiently unload rail. We are building safer trains with Physics Train Builder, enabling us to safely increase train length and deliver our customers' goods even faster.

And as those trains traverse our network, energy management systems automatically adjusts locomotive throttle and dynamic braking to improve train handling and optimise fuel consumption. Our entire fleet will be equipped with this intelligent cruise control by 2026.

Delivering superior service grounded in operational excellence is our promise to the customers and Americans who rely on us for the goods they use every day. We are harnessing technology to drive efficiency within our terminals and across our mainline track throughout 23 states. UP vision is our eye in the sky. This all-in-one network surveillance tool displays the real-time status of every train on the system, providing information to effectively manage the overall health of our network.

Railcars are moving faster through 19 key terminals with automation tools like SwitchPro NX. This technology integrates field equipment, back office systems, handheld devices, and digital displays, enabling a single operator to safely and efficiently switch cars. Before SwitchPro NX, employees physically threw switches to route rail cars into the correct tracks to be assembled into trains, a daily task involving hundreds of switches and walking up to 6 miles. We continue to explore opportunities to expand SwitchPro NX to locations that will most benefit our customers and employees.

Remote control locomotives used in and around rail terminals boost safety and productivity by putting one person in control of a train's movement. By integrating that technology into our hump process control systems, we have increased the throughput capability of our hump operations by over 20% without adding resources.

At our major intermodal terminals, Precision Gating Technology (PGT) automates check-ins, so truck drivers can quickly get in and out. In most cases, eliminating wait times. And outside Chicago, five wide-span cranes integrate AI to semi-autonomously load and unload intermodal containers on trucks. While we have come a long way since diesel locomotives replaced steam, innovation continues to unlock unlimited possibilities.

We are testing a first of its kind hybrid battery-electric locomotive designed to cut fuel consumption by up to 80%. And we are the first Class 1 railroad to modernise the big three core operating platforms: positive train control, computer-aided dispatch and most recently, NetControl, our new transportation management system. NetControl opens the doors to leveraging real-time data and the power of AI to build new decision support tools like Terminal Command Center, which provides real-time insight into terminal performance to drive smarter decision-making, and our network planning platform and optimization tools which enable us to quickly integrate transportation plan changes while removing car stops from our manifest network.

When we are safe, we lay the foundation to deliver our customers a consistent and reliable service that sets the stage for us to compete and opens the door to strong growth potential. We are on a journey to be the best, powered by the right plan, innovative technology and the best people in the industry.

Pursuit of Safety, Service & Operational Excellence

Eric Gehringer

Executive Vice President, Operations, Union Pacific

Safety, Service & Operational Excellence Leads to Growth

Well, good morning. It is an exceptional video. It really captures on the technology side when we say we are pursuing what is possible. That actually captures many examples of us doing that today.

Now, as I think about Union Pacific, I focus on the fact that we are a truly exceptional company. It is actually what attracted me to UP 19 years ago. And as I think back over those 19 years, whether it was the ten years I spent in field operations as our Chief Engineer, as our Chief Mechanical Officer, leading our transportation to team, or the role I have now, the same two things have always driven me.

The first one is our mission. We fundamentally build America. I believe at my very core the prosperity of our country is tied Union Pacific. And it is the greatest calling professionally that we can answer. The other thing that drives me on a very consistent basis, day in and day out, is I always believe there is a better way to do things, even things we are doing well today. If you talk to some of the people in the room that I work with on a daily basis, they will talk to you about the fact that I always ask them, okay, even when we are doing good, what does great look like, and really reinforcing to our team, that is the culture we want to have. It is almost a perpetual dissatisfaction with our results because it pushes us to always accept the fact that we can do better.

World-Class Safety

So let us start on how we think about safety. Already this year we are making tremendous progress in our safety results.

We are clearly on the path to become the safest railroad. We are doing it with the strategy that you see here on this slide. It has four specific pillars. On the left hand-side, it starts with our work to prevent serious injuries. This is a programme in which we target a specific set of our rules. Rules that we know that any form of non-compliance can result in a serious injury.

We spend more time in the classroom, more time in the field with our employees, helping to ensure they understand how to execute against those rules. You just saw at least half a dozen examples of the leveraging technology pillar of the strategy.

On the commit side, we talk about this as it is a hearts and minds programme. It is us being in the field. To Jim's point, no titles, just people out with those that have done the work before and those that are doing the work now. We do that for two reasons.

We want to provide education, coaching and training while we are out in the field actually doing the activities that run this railroad. However, at the same time, we want our craft professionals, who are those closest to the work, to have an avenue to talk to managers about how did they think we should do the work, and then using that feedback to continue to evolve how we think about safety.

And then finally peer-to-peer. Peer-to-peer is about a family culture. We are a family at Union Pacific, but also like a family, you have to be able to care for yourself when it comes to safety and those around you. And that manifests itself in having the courage, no matter how few years you have on the railroad, how many years, what title you have, you are willing to take on the conversations where if you see something unsafe, you talk about it, you mitigate that risk.

The proof that we have already that this is working is serious injuries year-to-date down 25% versus same time last year. Our derailments are down 15%, and our personal injuries are down 22%.

We are not the safest yet, but we are going to be there.

Managing Variables to Deliver Strong Service Product

So let us talk about the railroad itself. And really, no matter what type of audience I am talking to, this slide always usually shows up because I believe one of the responsibilities of my job is to deepen the understanding of any person I come into contact with on how do we fundamentally execute operational excellence.

Because for us, what that really means is how do you operate our complex, 32,000 miles outdoor factory, and what you see on the screen are all the building blocks to accomplish that. And my hope here is that I am going to deepen your understanding of how we do that on a daily basis because it feeds everything else you are going to see.

So we start in our blues. This is the literal foundation of the Union Pacific because it is our infrastructure. We talk about 32,000 miles, but did you know that we have 110 million ties that we have to maintain and renew across our railroad. That is enough ties to go from here to the moon.

We also have 89,000 miles of rail. We could wrap that around the equator of the earth three and a half times. And of course, we have 16,000 bridges, enough that if you actually stack them end to end, you can walk from Omaha, Nebraska, and never touch the ground until you get to Colorado.

We then, of course, have 273 terminals. Those collectively form the foundation of our service product. However, when you think about our service product, you then have to get into the purples because this is really where the volume comes from and where the volume goes to.

If we think about our ports as an example, PNW, LA and Houston, on average, 1.6 million carloads come from those ports every year. If you then expand a little bit beyond that, and you look at the interchange points that Jim mentioned, two in Canada, six in Mexico, hands down the best interchange franchise of any railroad. And as a result of that, we get about a million carloads every year that come across those eight interchange points. And we do not only interchange with Canada and Mexico. Inside our 32,000 miles, 600 different locations where we interchange traffic on a daily basis. And we do that with 260 different entities that range from short lines to other Class 1 railroads.

And then, finally, we have approximately 10,000 customer facilities that we serve. It starts to give you a better feel for when we talk about operational excellence, what do you actually have to do to accomplish that?

Then you move to the reds. And the reds are some of the most important because they are fundamentally how we move freight. You start with our locomotive fleet. We have talked to you before, we have about 3500 locomotives in our mainline fleet. Each one of those locomotives has about 200,000 parts. Each one of those locomotives, on average, will go 81,000 miles in a year. As a result of that, we perform 3 million inspections per year on our locomotive fleet. That generates 6.3 million specific maintenance tasks that have to be done to ensure that they are reliable to deliver our service product.

On the car side, a fleet of 343,000 cars in our inventory, 2000 parts per car, 81,000 to 84,000 miles travelled every single year, 13 million inspections are performed and 1.6 million repairs performed every year, just so we can ensure that we have the cars our customers need, and they are reliable.

Then you move to the oranges. And this is what ties it all together, specifically, our transportation plan and our locomotive plan. Up to this point, we have talked about asset classes, tracks, signals, bridges, terminals, locomotives and cars. The "T plan" and the "L plan", which is what we call them, that is what actually connects everything. That is what dictates, on a daily basis, the trains we run, how long are they, how many locomotives they have, where are the locomotives in the train? How many mechanical repairs do we have to do?

And then, of course, you have the yellow, crews and dispatching. On an daily basis, we are dispatching 2500-plus trains across our system. And of course, we wrap our safety systems around all of that. So when you hear us talking about building America with operational excellence, this is how we do it. And these are the results of that work.

Service – What We Sold Our Customers

When we think about service, it is what we sold our customers. Operational excellence is how we deliver that service. And king among the way we do that is terminal dwelling car velocity. You can see the results over the last eight quarters in the top two charts. You can see the trend of continuous improvement through all eight quarters. That is critical to our service product. The faster we can move cars into a terminal and back out of a terminal, first, we generate capacity. Second, we generate car velocity.

Car velocity drives fluidity. Fluidity is what drives our service product. When we get bogged down in parts of our railroad, that is a massive headwind for our service product. It is not what our customers paid us to do. So our job every single day is to look for opportunities.

And you can see the results on the service side. Again, same trend. As our terminal dwells come down, car velocity has gone up. To Jim's point, it is never good enough. I am not happy with the 214 we had this morning on the seven day, it should be more like 220. However, you can see the results on the service side. And we hear that feedback from our customers that they are satisfied with our service across the system.

Productivity = Resource & Fuel Efficiency

So now, when you think about inside of that, how do we think about productivity? And I always talk about the fact that I think some people, not all people, they have a misunderstanding about productivity.

When they hear the word productivity, they think just dollars and cents. That is actually not why we focus on productivity at UP. Productivity is about growth. We know from all of our history and current state right now that the more productive we are, the better we put Kenny and the team in positions to compete, not only for the markets of today, but for the markets of the future as well. And you can see we are doing that.

On train length, a continuous improvement. Second quarter of this year, best quarter in the history of Union Pacific. That included the best month in the history of Union Pacific, which was June.

However, the thousands of people that are out on the railroad today, they said that was not good enough. So in July, they beat the best ever, and then in August, they beat that. Train length will continue to be a very important productivity initiative for us from a capacity perspective, a dollars and cents perspective and a service perspective.

Top-right, locomotive productivity. Lots of things go into locomotive productivity, but two are far bigger than everything else. One is our fleet size.

All the work that we have done over the years to ensure that we keep that fleet as lean as possible while still maintaining a buffer. That we will talk about in a minute. The other big item is locomotive dwell in our terminals. And it is a simple measure. We do not complicate things for our teams. It is the time between when the locomotive arrives in the terminal and when it leaves the terminal. If you go back and look four-ish years ago compared to now, we are down about 35% in our locomotive dwell. Six of those 35 points have been delivered in just this year alone. That is a testament to all of you that we still see opportunities on a daily basis today, even in something that we have improved 35% on.

Workforce productivity, large increase in 2024. However, most people think about workforce productivity for transportation. And while clearly there is transportation productivity in there, do not forget the mechanical team. Best record ever year-to-date on their headcount per asset, asset being either a locomotive or a car.

The engineering team, you just saw examples of their continued work to automate operations, which dramatically reduce the number of people that we need while improving the safety of how we do the work.

And then fuel consumption. Good trend. You see it levelling out a little bit here over the last 18 months. There are people in this room specifically that have the best list of our portfolio of initiatives for reducing our fuel consumption. In fact, it is the best that I think we have ever delivered. It focuses on things that start with fleet size, but then it focuses on EMS, which we have talked to this group about before.

EMS is one of those systems like PTC. You can keep bolting on improvements, even going all the way down to the anti-idling technology that we are working to be able to get on our locomotives. So we have got opportunities in all four of these, and that is one of the most important messages I would ask you to take away.

Capacity to Grow

So now, do we have the actual capacity to grow? Definitively, yes. Because you need these five things to do it. And we have them.

On our mainline capacity, we have invested, over the last five years more than $900 million. Those investments are usually in three things. It is either the construction of a new siding, the extension of an existing siding, or the adding of double track. And we will talk in a minute about where we are doing that over the next three years.

Terminal capacity, I want to be really clear here. Terminal capacity starts with process improvement. It is the work of thousands of people every single day to once again look at how do we do it today? Where do we see the opportunities? Get them on the railroad, and let us keep moving that metric in the right direction. In addition to that, we have invested nearly $600 million over the last five years. And most of our manifest terminals and some of it are intermodal terminals.

I say most from the perspective of when you think about a project like Englewood, at nearly $125 million that we have spent in a phased approach, those are big investments for us, and they have big returns because the commercial team continues to drive growth out of the Gulf Coast region.

Locomotives, we still maintain a fleet of about 500 that are buffers staged across the system in certain locations, and you can see us actually using them. When we had the hurricane that most recently hit down in the Gulf Coast area, we pulled some locomotives out of that fleet so that we could pick that car velocity back up. With the international intermodal that Jim mentioned, we are using some of those. That is why they are there. They are there to deal with variability. They are there to deal with seasonality and our volume. And most exciting of all, they are there to deal with the business development wins that Kenny and the team are bringing to the railroad.

From a people perspective, it is the same thing. We have got extra crews surgically and thoughtfully placed around the system that we can call upon for growth. And then, of course, for freight cars. Not only do we have cars stored across the system, we are still investing hundreds of millions of dollars in our fleet. Some of that investment is to replace cars that have aged out. Some of that, once again, is the business development wins that Kenny and the team are bringing to the railroad. And there is no better reason to buy cars than that.

Investing for Future Growth

2025 – 2027

So let us talk about those investments on our main line and our terminals over the next three years. And I am going to underline that this is over the next three years.

Some of these projects have actually already started to be constructed. We start with our dots that show us green. These are those mainline projects, siding extension, siding construction, double track.

Some of them that have my highest attention are the green dots that you see up in the Pacific Northwest. Siding extensions and siding construction that will allow us to continue to drive growth into the PNW. What I am equally excited about is on the sunset, you can see some green dots on that.

In 2025, we are going to recommence with doing additional double track on our Sunset Route. We have got about 127 miles of still signal main track down there. That is a direct result of the growth that Kenny and the team have in our long-range plan.

The yellow dots are our manifest terminals. You are going to see us continue to invest even more in our manifest terminals, and that is a direct result of ensuring that we have the capacity to handle the growth over the next three years. Those investments take two forms.

At the most basic, fundamental level, it is going into a yard, extending tracks, adding new tracks, or as we will talk about in a minute, implementing new technology, some of which you saw in the video, all with an eye towards generating capacity. The other form that it takes is where we actually put what we would call as a bypass track. So if you have a single main running through a terminal, it is adding another track next to it, say, for about three to five miles, so that you can circumnavigate that terminal and promote fluidity in the terminal.

And then finally the intermodal. Kari and Kenny are going to talk about this at length. However, in addition to the million lifts that we have added of capacity over the last four to five years, we still have investments that we are making, and they are investments that are all tied to growth that is on the railroad and coming to the railroad.

Speed to Market Captures Growth

And then finally, as you think about that growth, it is one thing to say we are building things, but we do not want to just be that company. We want to be the company that takes great pride in the manner in which we build things and the service product offerings that we put on the Union Pacific. These are four examples of many examples where we are demonstrating better than we ever have before, agility and speed. Up on the top-left, the La Basin, the Inland Empire, an area in which it is just inundated with warehousing. We have created an approach in which we have repurposed part of a yard, which is our West Colton Yard, and through a phased, which means judicious investment strategy, we build some, Kari and the team fill it up. We build more, Kari and the team filled it up. And that is exactly what they have done there. We started at 25,000 loads per year, and now we have got 140,000 loads, and we are building to nearly a quarter million loads.

Same thing with Phoenix from the perspective of speed. Old UP, four or five years ago, if we had said we want to have a new intermodal terminal in Phoenix, it might have taken us two years to do that. As Kari will talk about later today, it was a fraction of that time.

On the right-hand side, you see our service products that are new to the railroad once again, not spending weeks, months, and quarters developing these. Rather it is Kenny and the team saying there is demand there. What service product do our customers need? And coming to us, helping us understand that, and getting it on the railroad. The one that is LA to Chicago, that was about actually bypassing G4 to go to G2, which gets you closer to the heart of Chicago. That train is out there and it is running. Falcon and Eagle Premium, this is all about the service that we have established coming out of Mexico, going into Chicago and then eventually Canada, some of the best performance intermodal-wise that we have on the entire system.

So the bottom line for the Operating department is, as we think about operational excellence, we are demonstrating that on a daily basis. However, that mentality, that perpetual dissatisfaction with our results, that is our culture. Because it is in that perpetual dissatisfaction, we continue to challenge ourselves from going from good to great. Thank you.

The next person up is going to be our CIO, Rahul Jalali.

Pursuit of Smarter Operations Through Innovation

Rahul Jalali

Executive Vice President & Chief Information Officer, Union Pacific

Technology Results Advanced By Strong Foundation

Good morning. I am excited to talk with all of you today.

I have been at the railroad for nearly four years, and prior to that spent 24 years at Walmart. And these experiences really defined my world view, which is focused on being customer-centric, be operationally efficient and running safe, secure tech.

At Union Pacific, we always start with safety. And in my world that includes cybersecurity. We are excited about setting industry standards and regularly collaborate with best-in-class partners as well as the government to keep us secure. We have built a strong foundation of platforms across our business, starting with the Salesforce CRM for marketing and sales to the industry-leading platforms for operating. And we are in the process of implementing SAP for our back office systems refresh.

What excites me is that we are beginning to thread these platforms with free-flowing, rich, real-time data that enables the development for features driving operating efficiency and customer-centricity.

As you saw in the video, we take pride in being the first railroad to deliver the next generation of core operating systems, with the completion of our NetControl transportation management system. It is built with an advanced microservices architecture that is generating 6 billion API calls a day. This volume rivals what you may see from some of the most admired companies in Silicon Valley. Yes, that is coming from Union Pacific.

Combining Real-Time Data With AI Drives Productivity

Productivity of $100+ million over next three years

Combined with AI and machine learning, we see an opportunity for the next generation of productivity.

Eric and I have set an aggressive goal to deliver $100 million in productivity over the next three years from these efforts. You saw an example of this in the video, but let me tell you about a few more. First, let us start with the agile transportation plan. Again, you saw that in the video.

It is an initiative where we are focused on developing a better-quality transportation plan, and enabling the capability to re-plant on demand as things change. In our large outdoor factory, things evolve rapidly, and our transportation plan should also evolve to optimise the millions of car connections we execute each year.

In turn, that optimization improves network fluidity. You heard Eric talk about five critical resources required to grow, and we are leveraging our rich data layer to optimise those resources for maximum efficiency. An example of this is using our data to expand the footprint of remote control operations performed across our network.

We also see this opportunity to help our frontline employees, and one way is through decision support tools. Terminal Command Center, which you saw in the video, provides a real-time view of terminal performance, advancing our ability to drive productivity. In future, we will enhance Terminal Command Center to equip those frontline employees with turn-by-turn direction for consistent execution. That consistent execution will drive improved service.

Finally, we have several initiatives around automation in play to help drive productivity as well as capacity. One example is the semi-autonomous crew repositioning in our yards. In this pilot, a vehicle capable of driving itself will position to pick up a crew, and then the crew then drives themselves back or simply vice versa. We are piloting the tech at a location right here in Texas this year, with an opportunity to expand thereafter. If you think about the scale of van rides we use annually, which is more than 100,000 in our yards, you can begin to see what this innovation will mean for efficiency and cost.

I again want to emphasise that we are beginning to use AI pervasively in all these efforts and continuously train our AI models on the real-time data. And our technologists are now deeply embedded, partnering with the operating expertise of Eric and his team to redefine operations.

Simplifying the Customer Experience Empowers Growth

Now, equally as important is the customer experience, and I heard a lot about that at the dinner last night. So let us talk about that, how our platforms will enable growth with our customers.

Customers have told us loud and clear that they would like to see an accelerated shopping journey, whether they are new customers or existing ones, with new business opportunities. Using this real-time data integration, we have reduced the time to onboard for the new customers already by 20-25%. Now, my friend Kenny and I never are happy with that number. We want to get that onboarding process even better. So we will go back to Jim's challenge of what possible. We are continually evolving to reduce the friction across the entire customer journey.

We are also getting very sophisticated in connecting directly with customer supply chain systems, which in turn reduces calls into our customer care and support teams. And one thing that excites me about these interactions, that we are now developing bidirectional pathways with our key customers. In addition to the information that they request, we are also pushing the data to the customers that will help them make more agile supply chain decisions.

Finally, customers have told us when it comes to visibility again, I heard that a lot at the dinner table last night, they would like to see three things. Where is my stuff? Can you be exceptional in exception management? And when an exception happens, notify us in real-time. And we agree wholeheartedly with that.

In response, we are actually developing a new product that will arrive later this year called Customer Vision. And we are not doing that in a vacuum. We have a pilot group of more than 100 customers who have started to provide feedback from the very first line of code that we are writing. That is customer-centricity to me. Ladies and gentlemen, we have a very talented tech team at Union Pacific, and I am excited by the tech-powered era of railroading that is getting unleashed at UP.

Thank you. Next, we have a panel with Brad.

Operating & Technology Panel Discussion

Eric Gehringer

Executive Vice President, Operations, Union Pacific

Rahul Jalali

Executive Vice President & Chief Information Officer, Union Pacific

John Turner

Senior Vice President, Northern Region, Union Pacific

Steven Bybee

Senior Vice President, Southern Region, Union Pacific

Carl Garrison

Vice President, Network Planning & Operations

Brad Stock: Yes, here I am. Okay, so, as some new faces get situated here with Eric and Rahul, before we take questions from the audience, I do want to allow these new speakers to get involved in the conversation. And so before they answer a question, I am going to ask of each of them to introduce themselves and give you a little bit about their background.

So, starting here first with John and Steven, we have heard from both Eric and Rahul and saw in the video how technology is evolving to drive productivity. So, can you help us understand how on a day-to-day, in your world, how you see that playing out, and how you see productivity being driven? Well, let us start with John.

John Turner: Good morning. A little bit about myself. I began my railroad career 27 years ago on the ground. What that means is I switched cars and classification yards, and I moved trains from terminal to terminal to begin my career. One of the things you have heard Rahul talk about it, you saw it in Eric's video, I was one of the first few people on the Union Pacific to ever have an RCL licence to operate in a classification yard.

Running remote control operations is something I am very familiar with. Throughout my career, I have had various field operating roles, leading teams that operated terminals and line-of-road facilities across our network, becoming a general manager of two of our service units. I have had a number of what I would call network roles as the head of our service design team, who is responsible for building the transportation plans for our customers, as well as been the head of a group that was responsible for the strategic plan of our five critical resources.

And then my most previous role was as the head of the Harriman Dispatch Center, our network operations centre, who is responsible for dispatching and distributing locomotives and crews across their network. All of those experiences inform and build my decision-making on a day-to-day basis in my current role. However, to answer Brad's question, there are two really notable things that stand out.

For those who had the opportunity yesterday to go to Dallas Intermodal Terminal, you saw our autonomous tie loading machine. And for those that are maybe less familiar, distributing ties across our network is a critical step into actually doing the tie replacement work that needs to be done every year.

If you think about it in terms of yesterday, today and tomorrow, tomorrow is the machine. However, yesterday that work was done by hand, by people literally in a car, lifting 200 pound ties and throwing them out along the right of way. A very laborious, very hard work. If you can imagine doing that yesterday in the Texas heat, all day long, for hours upon hours. Today, we use a backhoe that is attached to a gondola car, and we pick those cars out, and we do it.

While it is a major step forward, it is certainly a very laborious and time-intensive operation. So today, to do that same work with that backhoe, it takes multiple days worth of track time to do that. Call it, sometimes those projects are around ten days just to get the ties distributed out there. Tomorrow, at the push of a button, you will be able to do that in just a handful of hours.

What does that mean? That generates latent capacity on the railroad that we can use to grow into the future without the need for added capital. In addition to that, obviously there is workforce productivity associated with that. So, something we are very excited about.

In addition to that, the second thing that comes to mind is a new tool. Working with Rahul's team and the network planning team is an integrated transportation planning tool. And that tool really takes the planning of our transportation plan, minimises it to maybe just a few hours. So you can use that both in a tactical sense and in a strategic sense.

In the tactical sense, when we have majority service interruptions, being able to come up with a plan that will minimise the impact to our customers is paramount. If you are going to have a multiple day outage to try to serve our customers well, we can use that tool to speed up that process and reduce the iterations that it takes to get the plan right for those circumstances.

On a strategic level, you hear Jim and others talk about reducing touches in our yard, or reducing car connections in our yard. So Jim started off the day talking about the number of cars that we handle. If we can reduce those touches across our network, we can speed up the cars, improve the reliability, and compete for business that we might not have been able to compete for in the past.

Brad Stock: Thanks, John. I will turn it over to Steven.

Steven Bybee: Thank you, John.

So I started my career about a little over 19 years ago, kind of a similar path that John had. I started out on the ground and worked various switchman, brakeman, conductor, as well, was an RCL operator as well, and then moved into my management career and had the opportunity to work various field positions.

I too had two general manager positions in the field with our South Texas service unit in our mid-America. From there, I moved into a few different AVP roles, two of them being network-level type positions. The first one was over our network design, designing the transportation plan for the network. And the other one was over asset distribution, which was managing and distributing the entire fleet that we have on the railroad on top of our crew management services. And I also had a third AVP role, which was our operations for the Northern region. So to present now, I am the Senior Vice President of the South.

And so, to get to the question, when I really think about technology, I am thinking about productivity in our terminals, and productivity specifically around how many cars that we are processing per minute. So there is two applications that I will cover as well, one of them being the Mobile NX. And Mobile NX has already, as you saw in the video, produced over 20% of productivity in those terminals that we cut it over so far. And if you recall, there was a gentleman standing next to a large monitor processing cars. That is Mobile NX. That is what I will be referring to.

So when you think about it, think about it in a sense of an assembly line. So Mobile NX in the essence of an assembly line, there is ten people on an assembly line producing X amount of widgets in a shift. Now re-look at that assembly line and think about now four to five people doing it versus the ten, but producing more widgets in their shift. So that is Mobile NX inside of a railroad, inside of our rail yard. So what used to take us two to three people to process now takes one to two altogether, processing more cars per minute.

So the next application I would like to cover is the hump computer systems that you saw in the video as well. Specifically, though, the application of variable speed.

So if you think about how we used to process cars historically inside of a hump yard, it was a stagnant speed. Call it 1.6 miles an hour. So with variable speed based on a lot of different inputs, based on the cut that we are processing, that now will fluctuate anywhere from, call it 1.6 to 3-plus miles an hour, again allowing us to process more cars per minute.

So when you think of it in terms of productivity, there are a lot of benefits there from the growth standpoint, but you have also got to think of it from a drives consistent, reliable service through the ability to be better on our connection performance, but also recoverability. And recoverability becomes really important when we deal with variability, kind of like what we have had in the south just last week with Hurricane Francine. So having that recoverability and be able to process more cars per minute speeds up the service that our customers expect from us on the recovery side.

So really excited about the technology and what it is doing for our terminals, and we are really just getting started with these cutovers. So looking forward to the future and the additional productivity gains that we are going to get from that.

Brad Stock: Cool, thank you. Thanks, Steven. Carl, your team is responsible for the company's operating metrics. Where do you see the most opportunity across the network to drive better freight car velocity and improve SPI?

Carl Garrison: Thanks, Brad. First, I will say I started with Union Pacific about 18 years ago, a little over 18 years ago as a management trainee in Denver, Colorado. I spent the majority of my career in field transportation roles at different terminals, working in ten different locations, some of those multiple times, including three General Manager positions before I moved to a Chief Mechanical Officer role at our Headquarters for a few years.

And now I have transitioned into the Head of Network Planning and Operations, where we design the transportation plan, we do capital and resource planning, and we run our measurement systems as well as our joint facilities in terms of how we work with our interchange partners.

To answer your question, Brad, I will start by saying delivering the service that we sold our customers is really all about executing on our fundamentals and leveraging technology to help us do so.

In our manifest network, car velocity opportunity is all about making car connections at our terminals. We have to execute on our switching plan, our train build plan, and we have to effectively manage our assets to make those connections. We are using technology like NetControl and Terminal Command Center to improve our decision-making and to be more predictive in planning. And at the same time, we are giving real-time information. We are putting it directly into the hands of the employees doing the work through the use of those software tools and our mobile devices.

Now, in our intermodal network car velocity opportunity comes down to two words, and that is train speed. To improve on our train speed, we have to execute effectively in our dispatching, we have to execute effectively at every train stop along a route. You can think of every train stop, whether it is planned or unplanned, like a pit stop in a Formula One race. Every employee involved has a role to play, whether it is the engineer, the conductor, the train dispatcher or the terminal manager. If they understand their role, if they work as a team, if they execute at a high level, the train stop time is minimised. We stay ahead of schedule, and we have a chance to win the race.

At the same time, we are using tools like John mentioned to reduce the number of times that trains need to stop along the route, doing intelligent blocking at our terminals and with our customers to make sure that cars can move as far into the network as possible, with as few stops at terminals along the way as possible. This minimises the transit time, it minimises variability.

It is really the combination of execution and technological improvements that will improve our car velocity and ultimately drive our service performance index.

Brad Stock: Thanks, Carl.

So we will now open up if anyone from the audience would like to ask a question. We will start here with Tom. If you can, please limit to one question, you got to get that in there, as well as introduce yourself. Just give your name, if you would, before you ask your question.

Thomas Wadewitz (UBS): Sure. Great. Thanks. So, Tom Wadewitz with UBS. Wanted to get your thoughts on the opportunity to speed up certain services on the network and how that creates more volume with customers.

I think one example, I think you sped up your LA to Chicago service, took out some days. So which parts of the network or customer segments would be responsive to speeding up the network, and where in the network can you do that, where you just run the trains faster and generate more volume? Thank you.

Eric Gehringer: It is an outstanding question. In fact, we were talking about that last night at our table. I think I am going to have John answer that question.

John Turner: The way I would think about it is twofold. One is there has to be a need for it from the customer's perspective. You have heard us talk about, we do what we say, we sold the customer. So to the extent that that is real, I think there are opportunities really across the board.

We have two levels of service on the intermodal side. One of them is what we would call our premium service, which is our 'Z' trains. And those are very challenging schedules to meet with the things that we do every day. Jim mentioned that. However, at the same time, if there was a need commercially from Kenny and Kari's team to come to us to speed those up, we have the second-level product, and if it was commercially viable, we could speed up those trains as well, largely broadly across the network.

Eric Gehringer: You saw an example when I went through the example for the Falcon and the Eagle. Those were both 'I' trains before we converted one to a 'Z' train. And we are running that performance better than we ever have before. So to John's point, if it is there, we want to bring it to the railroad if it drives growth.

Brad Stock: Thanks, Eric. I think Chris Wetherbee, then we will go ahead.

Chris Wetherbee (Wells Fargo): Thanks. Chris Wetherbee from Wells Fargo. I guess I want to think about capacity that you might have on the network today, and how you sort of stay ahead of what the potential volume growth opportunity might be. In particular, thinking about the two regions, so Northern and Southern, I think the growth profile might be different, as we look out over the next couple of years. How do you think about the capacity you have now? Is there a way to measure that?

Eric Gehringer: Oh, Bybee is ready to answer that question because it is a very consistent conversation we have because of the Gulf Coast and so much growth that we have coming to the Gulf Coast.

Steven Bybee: Okay. So when I think through generating capacity, I will tell you when it comes to investments of steel in the ground, that is one of the last things I will look at. So I will break it down in three different portions.

One of them is, I think you have heard someone earlier today talk about execution, right? So if you think about what a terminal is capable of, are we actually meeting those deliverables inside of a terminal? And if not, what are we doing to close that gap? And then we do not stop there because we are never satisfied. Just because if we are setting new records inside of a terminal, where do we find additional minutes to reduce our tag times to be able to process more cars? And the more effective we are at that processing, we are improving our connection performance, and we are organically creating capacity inside the terminals. So that is where we spend a lot of time with our work on a day-to-day basis.

The second aspect, and John mentioned it earlier about eliminating touches, that is the work that we have been knee-deep in here all year in the south, looking for opportunities to run a more efficient transportation plan and eliminate the touches in the cycle of a car. So instead of staying with the status quo of having an average of, let us just say, five touches per trip, how do we eliminate that and reduce one of the connections, which can ultimately almost save a day in the transit as well? That is how I think about from an efficient transportation plan, generating capacity in the terminals. The last thing that we will go to is actually on the investment side because there are productivity gains that we have been able to realise inside these terminals, and we have the capacity to grow now.

Eric Gehringer: And I would remind people that one of the strategies we have had in place now for the last four years is even when we do get to the point of that last resort and making the investments, it is almost always a phased investment. Ensure that we get the volume. Once we start to receive the volume, we make the next investment.

Brad Stock: Thank you. Ravi?

Ravi Shanker (Morgan Stanley): Thank you, Ravi Shanker from Morgan Stanley. Rahul, a question for you.

You spoke about customer visibility tools. What is the timeline for rolling that out? And second, does that help get customers on the same page as you guys in sharing the improvement in service that you are having? Because I think there has been some friction in the past about the railroad saying we are improving service, but customers saying we do not see it. Thank you.

Rahul Jalali: Yes, the first phase, Ravi, on that is coming later this year, and then will continually evolve. So I said, we have actually formed a group of over 100 customers from across our network that has given us feedback. So we want to make it what they would desire it to be, in conjunction with visibility. Where is my stuff? Any exceptions? And we are going to start with the first and inform our development process based on the feedback that we get. However, the first phase is coming in December.

Ultimately, when customers have, as the service improves, they are having to get to, when they deal with railroads, to a disparate set of places within our systems to get to the information. This is one single pane of glass where they will start, and they can drill down, they can reach out, they can actually create tickets from the same place. So, first phase coming in December with a very robust plan to kind of keep scaling it up over the course of next year.

Tony Hatch: Hi, it is Tony Hatch. Rahul, where does RailPulse fit into your customer visibility lens for the future?

Rahul Jalali: Yes, so we are early into the RailPulse coalition out there. So we are very supportive as a company around RailPulse, but it is just not RailPulse. We. Let me take a broader view, Tony, around our ability to develop IoT.

So for our container fleet, we have over 80% of our own container fleet now equipped with IoT. And on the RailPulse side, as an industry, there is 5,000 cars that have been equipped with the IoT devices. Now, on the railcar side, the number is pretty enormous. At the UPSIDE, we have about 500. It is just a very small fraction. However, what we are developing is use cases both on the container as well as the RailPulse on the railcar side on what is it that the customers want? Where is my car? Can we give turn-by-turn directions or any other data that can be acquired from those IoT devices? We are in the process of developing those use cases a little bit more advanced on the container side, but applicable very much on the other side.

So the speed of implementation will depend on how fast, really, the shippers get IoT devices put on these railcars.

David Vernon (Bernstein Research): Thank you. David Vernon, from Bernstein. So Eric and team, you are running a model now with 9,600-foot trains, getting closer to that 10,0000-foot level. Several years ago, was shorter. All the infrastructure is built for some of those shorter trains. I am just wondering if there are still points in the system where you are maybe not running at the right level of productivity, or you are having to do workarounds to accommodate some of the infrastructure that has not been adjusted for the longer train lengths? And as you think about that investment programme for the next couple years, how should we be thinking about those bottlenecks coming away and opening up some further opportunities for productivity or efficiency? Thanks.

Eric Gehringer: Sure. So, Carl's group is actually the tip of the spear of our train length initiative. So, Carl, you want to respond to that initially?

Carl Garrison: Yes. So when we think about train length, we really think about it in terms of an opportunity to generate mainline capacity and give us a platform for growth.

So we do not think about it in terms of just how do we make the number higher. We think about it in terms of what do our customers need, what service have we sold them? Are we utilising any latent capacity on a given train symbol, whether it be tonnage capacity, with the number of locomotives that are on the train, maximising that, or leveraging the routes that you mentioned, that have previous investments into double track or siding extensions?

So the way we look at the network today, there is latent capacity in a number of places. We have terminal capacity, we have mainline capacity, and we are continuing to leverage the latent capacity on the individual trains.

We will continue to do that. You saw on Eric's slide the number of run-through projects and mainline project that are still yet to come in places like the PNW, and then more of a terminal focus on places like the Southeast and around the soda ash patch area in Wyoming.

So you will see us continue to implement the strategy we have been working on. The proof is in the results where we have set record train length over the last few months, and we have had a 30-plus percent gain over the last five or six years. That will continue as we move forward.

Customer-Driven Pursuit of Growth

Kenny Rocker

Executive Vice President, Marketing & Sales, Union Pacific

Introduction

[VIDEO]

Kenny Rocker: We are committed to safety, service and operational excellence as we stretch to achieve what is possible across our railroad. The commercial team is being bold. We are hyper focused on engaging customers proactively, and we are driven to be the first to act on new opportunities, invest to grow and find innovative solutions to help our customers win.

Jason Hess: The emerging renewable biofuels market is providing the Bulk team a vast array of opportunities, not only for the outbound finished product, but also for the inbound feedstock. We are proactively collaborating with our existing customers and new market entrants, working to develop and enhance an entire supply chain. Union Pacific has the premier franchise for feedstock origination, with access to nearly all the soy processing facilities in the Western US.

This includes the new crush facilities opening this fall, Norfolk Crush in Norfolk, Nebraska and Bartlett Grain in Cherryvale, Kansas. They will each have the capability to crush over 38 million bushels of soybeans annually. These are just two of the 12 new customer facilities or expansions that have come online in the last couple of years to support the biofuels market. We are actively working with several other facilities that are either under construction or plan to be completed in the next few years.

Over the past several years, we have seen the grain market landscape change. Beyond the increase in domestic processing of soybeans, we are also seeing geographical shifts in domestic feed markets.

To continue maximising our participation in our growing market share, it is critical we expand both origin and destination capabilities. Origin facilities give us capacity to extend our reach for bushels of grain, while destination facilities assure our participation in expanding markets. For example, Viterra recently announced they are building a new grain facility in Dalhart, Texas that will be served by Union Pacific. Anticipated to be completed in mid-2025, this facility will increase Union Pacific's access to animal feed markets, expected to grow by 18,000 railcar equivalents by 2026.

Union Pacific also has seen strength in grain moving into Mexico. We have a strong network, with our North-South line providing access to all six border gateways into and out of Mexico. Our network is well-aligned to serve their growing demand for animal feed and penetration opportunities for incremental wheat used in flour production. These are just a couple of examples of how we are growing our grain portfolio.

Over the last two years, Union Pacific has secured new business from over 20 facilities that are either new to the Union Pacific network or have recently expanded, giving us access to over 190 million bushels of additional origination and destination capacity.

New assets like these are long-term growth engines for Union Pacific and will generate revenue for more than 50 years. The Bulk team remains focused on growth and our future is bright.

Jacque Bendon: Our Industrial team is intensely focused on delivering highly profitable car load growth for Union Pacific.

One area where we are achieving that growth, both now and in the future, is with our petrochemicals business. The feedstock and infrastructure advantage in the US Gulf Coast has attracted a hotbed of investment, and we recognised early on that our customers would need supply chain solutions to get their products to the global markets. That foresight has helped us win. Since 2017, when the first plastic expansion came online, we have grown our plastics business, adding over 100,000 annual units.

And here is how we did it. First, we leveraged our unrivalled Gulf Coast franchise with our efficient service products to our interline partners in the East, and our industry-best access to nearby Mexico markets. Second, we built products to deliver export optionality with customers like KTN at Prime Pointe in Dallas.

And third, we created the largest storage and transit network in the industry, with more capacity than both of our competitors combined. It has been exciting to work with our petrochemical customers to help get their products to the market, and the future continues to look bright. The US Gulf Coast plastics production continues to expand. Over the next two years, five more expansions are coming online and that could generate more than 25,000 annual carloads for UP.

We continue to be well-positioned to win by investing in our modernised and highly efficient Houston Englewood yard and adding capacity as needed throughout our Gulf Coast region to provide a safe, reliable service product to our Petrochem customers. Beyond petrochemicals, we are focused on outperforming the market by locating rock, forest products and metals customers on our railroad.

Since 2021, we have worked with industrial customers on over 100 track construction projects with production capacity greater than 85,000 annual carloads. These projects will generate long-term car load growth. For example, we have seen our steel volumes grow nearly 15% since 2021, and that is a direct result of locating new mills on Union Pacific.

We have a proven track record of working with customers to build sites, and we are ready to win.

Another industrial US commodity expanding to supply the global market is soda ash. We are seeing exciting developments in that market, similar to plastics. The largest natural deposit of soda ash is in Green River, Wyoming, and it is served by Union Pacific Railroad. Using natural soda ash has enabled US producers to lower their cost with new technology and have a much smaller carbon footprint than synthetic production, which is energy-intensive.

As global demand for soda ash continues growing, it puts US producers in a great position to supply the demand. Soda ash producers in Green River have announced 6.6 million tonnes of expansion that are slated to come online over the next five years. That is over 60,000 carloads per year.

The key to winning is having an efficient export product to get all this additional tonnage to the global market. For us, that means working closely with customers to improve both loading and export capabilities, investing in sidings that enable longer trains and reduce bottlenecks. Our efficient soda export product is already delivering results. By running longer trains, we are handling record tonnage with the fewest trains in our history.

In industrial, this is how we win, by working collaboratively with our customers, imagining what is possible and developing winning products and solutions.

Kari Kirchhoefer: We are committed to providing premium customers with fast, reliable service to key markets and investing in infrastructure that benefits both international and domestic markets, taking trucks off the road. Our Inland Empire Intermodal Terminal (IEIT) has been a tremendous success since we launched it as a pop-up ramp in June of 2021. We have done multiple expansions since then, including the most recent one in April that doubled the facility's capacity to 140,000 lifts.

We plan to continue expanding this ramp as the market is still untapped, with 85-90% moving over the road. We also introduced a new market out of Inland Empire, offering three-day service between Southern California and the heart of Chicago, competing directly with truck.

Technology has been a key enabler for growth across our intermodal network. In 2021, we rolled out Precision Gating Technology, or PGT, that allows truck drivers to bypass the check-in kiosks when entering our intermodal terminals. We are nearing completion of PGT installations at our high-volume terminals, which we call Fast Gate. It is used in tandem with another new technology called UPGo, our mobile app device designed to expedite the intermodal terminal experience. In addition, we have now taken visibility to the street with GPS-equipped containers. This offers customers real-time visibility, event-based alerts and much more.

In Phoenix, we opened a brand-new pop-up intermodal terminal this year, competing with truck freight moving between the Southern California ports and Phoenix. Our initial focus is on imports and exports, converting short-haul truck to rail.

Closer to Omaha, I am excited to announce we are developing a new and larger Kansas City Intermodal Terminal that once completed, we will have 250,000 lifts to address this ever-growing market. Port Houston has seen explosive growth and Union Pacific is ideally situated to connect imports and exports from on-dock to door. We have launched our new on-dock service, providing a direct connection from container ships to rail, linking Port Houston to 11 major US markets.

With nearshoring on the rise, Union Pacific's Falcon and Eagle premium services offers the fastest service from border to border, to every major market in the US and Canada, bypassing the congested border crossings with a seven-day-a-week market delivery. We are just scratching the surface with our new product and expect significant growth as nearshoring expands.

And finally, linking Mexico's auto industry with the US and Canada, Union Pacific's automotive network is number one in the transportation of finished vehicles and automotive parts. We offer extensive coverage, cross-border efficiency and a commitment to safety, security and sustainability. Union Pacific's premium business team is dedicated to delivering reliable, innovative solutions that will enable market growth now and well into the future.

Kenny Rocker: The team is energised and so am I. We have a passion for growth. We are delivering innovative product offerings, creating new services for our customers, extending our reach to serve new markets, and leveraging technology to make it easier to do business with us. The table is set to meet the needs of our customers.

Kenny Rocker: All right, good morning. So, before we start, I have got to clear up some things, this whole thing about me on a train, drinking tea and stuff on the air conditioner. So, yes, normally I like to go on offence when Jim comes after me, but I got to tell you, I had a lot of fun in that steam engine. There were a few people with me. I took a few videos, I took several pictures, I was in there for about 15 minutes and yes, I was hot. So I went to the train to have some good conversations. So I do resemble that Jim, but I am telling you, I am going to come after you if I can, next time.

So again, my name is Kenny Rocker. I am the Executive Vice President of Marketing and Sales. I grew up in the company in the late 1990s. By the mid-2000s, as we were going through the pricing renaissance, I really learned the importance of maximising price and the impact that it has on margins. Ten years later, after a few more increased responsibilities, I got an opportunity to lead a large team and really got to understand the importance of culture and setting high expectations and being very responsive to our customers.

2018, 2019, I got promoted into this role. It was around this time that I also met Jim and got to understand the importance of a lower cost structure and what productivity meant, which really puts us to today and putting it all together with safety, service and operational excellence for growth.

And I will tell you, on a personal level, I have a passion for growth. Our commercial team has a passion for growth. And as a company, you do not want to get on the wrong side if we are trying to grow.

Driving Revenue Growth – Rethinking What's Possible

So I want to talk to you about how we plan on growing today. And I want to keep this simple. There is three ways you can grow your revenue.

The first is business development. And you can do that a few ways. And I will talk to you about the few ways we are going to do that. The other part of it is product development. And I look at product development hand-in-hand to business development because you get to product development by listening to your customers. And the other piece, and the last piece that I talked a little bit earlier about is maximising price.

And as I mentioned, we have always been very price disciplined. Meaning, you know, the last to lower, the first to increase here. Recently, we have just taken a lot more risks as Eric and the team have really given us a good value product to put in front of our customers. And I know Jennifer also has a slide she will be sharing on price a little bit later.

Empowering the Commercial Team

Unleashing what is possible through our hustle

So let us jump into things. First of all, it starts with culture to me.

What kind of culture do you have, you know, selling the product out there and delivering to customers what you sold to them. And so from a culture perspective, we look at it, and we say we want to be very nimble, and we want to be very responsive. As you can imagine, if you have got a whole bunch of hunters on your team, the last thing they want to do is go to some committee meeting or a second committee meeting, or have to go talk to ten people about a deal.

So delayering, cutting out the layers has made us very responsive. That is the way we win with our customers because we can respond first with products and solutions.

The second part of that is also making sure that we touch more customers in the supply chain. Let me just simplify that. We do not just call on the folks that pay the freight or the large shippers. We get into the weeds, and we go to the plants of the receivers, we talk to the receivers, we are there looking at both sides of the supply chain. So we are talking to more customers now than any other time in our career.

Rahul talked about it a little bit earlier. We are leveraging technology. Let me just tell you what that means on a real pragmatic level as a commercial leader. Our commercial sales teams do not want to do a lot of administrative things. They do not want to worry about managing through contracts. And you would not want them to, either. We want them doing less administrative things and learning more about the markets. Technology has allowed us to do that.

We can respond very quickly, same day, real-time, through a phone or through an iPad on a rate. We can get a contract out much quicker. We can see real-time where the cars are as we are working with our customers to really talk through the service product.

The other part of it is our commercial incentive plan. And that is just compensation. I am motivated by compensation. I do not deny that. I want to get paid, and our commercial team leaders want to too. And we want them to. We want them to obliterate the goal. And part of that comp plan, just in case somebody is concerned, and I am also saying this for Jim and Jennifer while they are here, is a price component to it. So it is not just the volume growth, it is also maximising the price to achieve that comp plan.

So again, that comp plan helps us go on offence, build up campaigns to learn more about the business. However, culturally, I want you to know that we are fired up and very responsive and very hard charging here.

Adding Business to UP

Attracting customers to rail-served facilities

The other part of business development, and you saw a little bit of it with Chick-fil-A and McKinley and being here at Prime Pointe, is literally just landing customers onto our network.

How do you get customers onto the network? And you can see over the last couple years, over 180 different construction or expansion. How do we do that quickly? Someone asked me over dinner to quantify. Well, you got it now. You can see the $700 million that is there, that is added in terms of revenue.

We are proactively going out there, working with customers. And let me talk about that a little bit because we talked about Prime Pointe. There are three different ways we approach the landing with customers.

One is a deep understanding of what our customers are trying to do. So there is not a day that goes by, our team has a saying, where are your major hubs? Where are your major distribution centres? Where do you see a gap? We want to fill it in. The second thing we do is, as you would expect, we talk to a lot of the large commercial developers.

So we talk to CBRE to say, we have got a facility in Phoenix, we have got a facility in Kansas City, we have got two facilities in Utah. Because a lot of times the way everything goes down, the customer will go to one of these commercial developers. It will come to us as Project Jennifer. We will never know who it is. It will be anonymous. However, if we are proactive in our engagement strategy there, we are able to make sure that Union Pacific is front and centre.

And then the last piece is the Chamber of Commerce, the economic development centres. We are also engaging them. We have got a great relationship with the city of Houston, with the city of Dallas, with the city of LA, with the city of Phoenix and so forth and so on.

These are very attractive pieces of business for us. Higher ROI, great margin for us. And we are very ferocious about attacking that part of our business. You can see the pipeline that we have there. It is a very robust pipeline, and I am excited about it, I am proud of it, and bullish about the future based on that pipeline.

Delivering What Customers Need

New products and innovation

The other part of it is product development.

So we are listening to our customers. If we have got a deep understanding of the markets, then we can put products up against them. And products can be broad. And so I just want to talk about them in a very pragmatic way in how we look at the products.

Eric talked about it, and kudos to the Operating folks about some of the products that they have set up in a very short time. Minneapolis, Southern California, Inland Empire and I will talk about that a little bit later. Phoenix is one. However, also what discreetly was talked about when Kari was on the video, are other products. We have had 11 different new services coming out of the Port of Houston.

We have added on nine different new services on our intermodal network outside of the Port of Houston. On the carload side, and Jackie and Jason will be up here a little bit later. We purchased transloads. In our Phoenix site, since we purchased that facility, we have had 40 new customers that are at that Phoenix site that were not there. Since we purchased the West Colton site, it has doubled in terms of the volume. So we feel very good about going to our customers and providing optionality for them.

On that customer experience side, I heard a question about visibility and what it gets you. What I like about visibility is it takes away any data wars – customer has their data, and they want to tell you where the car is. We have got our data. GPS is undisputed and very clear, and we have been sharing that. The other part of that value on the GPS side is that for those containers, the containers, that 80% Rahul mentioned that has GPS, the productivity is better, the dwell is less. That makes sense.

Same thing on RailPulse. I heard a question about it. We get to find out, where are those cars? When are they unloaded? And let us get them back to us. Rahul talked about the 6 million API hits. Well, guess what, 3 million of those API hits are from customers. We have got 65 different unique products out there. We have got close to 300 customers that are on APIs. And humbly, we lead the league on the API creation.

So adding all that value to make it sticky and also go on offence.

Key Growth Markets

So how? A lot of folks are, well, how are you going to grow? How are you going to win? Which of the markets? We have got a whole bunch of markets that we could lay out how we are going to grow and where they are going to win. However, for the sake of time, I am going to walk you through four of them.

One is just over the road, and you can see the data. That is the largest long-term pie that is out there, with the annual truckloads. Second is Mexico. And you can see the investments that are going on there in Mexico, and some of that has already been iron in the ground, and we are talking to those customers. However, tremendous opportunity for us coming out of Mexico. The Petrochem markets, and I will talk a little bit about it a little bit later. And then finally, the renewable fuels and grain and grain products, and I will get into the weeds on that.

Grain & Grain Products Opportunities

UP's network supports the growing agricultural landscape

First, let us just go into grain and grain products and let us just talk about a few things. Now, I am going to say 30% three times. It is not a verbal typo, I am not mumbling or something, but I am going to say it 30 times because there is three different unique parts of this.

Back when Jason did the Investor Day a few years ago, we gave a number for where we thought renewable fuels would go. Since that time, that amount has jumped up by 30%. The announced expansions, the announced production has jumped up 30%.

During that same time, we have grown over 30% as a company with that product. And then the last 30% is that over the next ten years it has being forecasted that it will grow by 30%. To have this many, 18-plus facilities on our line or coming on our line announced is just a tremendous feat, and it gives us physical capacity to ship that product.

Here is where I think this product is really underappreciated. Now, Jason and I went to Europe over the spring to talk to traders about the soybean mill. So when you create the oils that go into these renewable fuels, it creates a by-product. You all probably know it. If I am bringing it up and boring you, just do not go to sleep while I am here. Go to sleep a little bit later.

However, it gives you a by-product. And that by-product, the way you should think about the by-product, is anywhere from three and a half to four more rail cars. So you make one carload of oil, you get the soybean mill. It is got to go somewhere. That is why we were in Europe because it is got to go somewhere. It is got to be exported because it is not enough US consumption. We do not talk about that enough.

The other thing we do not talk about enough is pitching and catching. Now, I am more of a football fan, but I will use a baseball analogy. And the pitching and catching means those oils, we move it to the processors, they process it, and in some cases, we get to move that finished product, the fuels, into an end market. So we may send the oils into Nevada or somewhere like that, and then we will capture those fuels going into the West Coast, in the California.

Switching gears on the grain, a lot of folks tend to think about grain as a mature market. We do not do that at all. We do not think of it as mature at all. And you can see, based on the data we have down there, that we are growing it out. We are building it out not just in the States, but also in places like Mexico. So I am foreshadowing some things.

20 plus facilities. I think we called out Dalhart, Texas, but it is really all over our network that we are growing, and we see that growth that is coming online.

Petrochemical Market Wins

Unmatched Gulf Coast franchise

The petrochemical markets, and you can see the stats. We have had some really solid growth, Jackie, over the last five years that we lay up there. And humbly speaking, we are the market leader when it comes to the Petrochem market.

Petrochem is not just plastics. There is just a lot of other feedstocks that go into it that we move. It is caustic, it is VCM. Those are all things that we move on our network. And Eric and the team have just done a great job of making sure that we are investing to be able to support that product.

We have got the fastest, most reliable service product to the East over our competitors. We use that when we are talking to our customers. Because we have storage in transit, sitting at work more than twice, closer to two and a half than two. We got two up there. We talk to our customers about that, and they like that optionality. For us, remember, it is two moves. You move from the plant and the sit, waits there. That is value proposition for us, and then we move it out. Customers appreciate that. That is a competitive advantage for us. Again, a lot more investing that will take place. And we have got more expansions coming on. Five more expansions over the next couple years. Again, a good margin product that we like.

Mexico Advantage

Mexico, here is where I think I want to make sure we are not being underappreciated on Mexico. Yes, I have got to hit it hard. We have got the shortest route. We have got the fastest service. We are shorter by 300 miles. In the video, you heard Kari. We got it daily. We move out of Mexico daily. You can catch a ride with us daily. That is a big difference than everybody else.

However, here is where we are underappreciated in Mexico. We can go throughout the US. We can go to the West Coast. We have got an EV OEM. We are moving parts going to the West Coast. That is optionality that we have. We talked about the grain network. Those six gateways give us optionality, and we build upon that.

Truck Conversion Opportunities

Winning and poised for growth

Truck conversions and over the road conversions is something that we talked about. And again, if you can look over the last few years, you can see what we have done. And it is like you hear people say, follow the money. You can see where some of the money has been and some of the investment, and it has allowed us to win new business.

The Swift business that we won, the Schneider business, we won. And what makes me so mad about winning Swift and Schneider is that the market has been so crappy, you cannot even tell it was a great win. However, that is going to change.

The market will come back. It is going to be two parts of that. One is going to be the volume, and the other part is that as the truck rates go up, that is also going to be more value that we will be able to provide the corporation from a price perspective once the truck markets go up.

Again, along the way, we have strategically filled in where we thought there were opportunities, where we thought that there were gaps. And we have done it in a very productive manner. And it has been great to see Eric and the team, and Jim and our management team be very deliberate in that. After it is all said and done, you know, call it around a million lifts, that is going to be there.

Win = Revenue Growth

Okay. So just to land the plane here, as a management team, as a leadership team, we are very cohesive, and we talk a lot about safety, service and operational excellence. And we also talk about what is possible. We do not mash our hands, no mashing of teeth, wringing our hands. We go out there and put those products together.

The team has a hustle mentality, and we are very ferocious about business development. We will maximise price. And I am very bullish about where we are now. I am very bullish. So with that, I think I will turn it over to Beth Whited, who is our president. Beth?

Pursuit of Tomorrow, Today

Beth Whited

President, Union Pacific

Introduction

All right, good morning. I also am wearing a suit, no tie, scarf. I am serious. I am going to start off with some fun because I do not know who Kenny thinks he is, international man of mystery with this whole, I came up in the late 1990s. What does that even mean? Yes, he is just trying to fudge his age. I will not tell you what it is. I will be honest, though, and say I started at the Union Pacific in 1987.

So, yes, if you do the maths, that is 37 years. I have had the really great good fortune to have a fantastic career. Spent about 15 years in finance, about a dozen in marketing and sales. Have had strategy, HR, labour relations, customer service centre, you name it. I think they made me President because they could not figure out what to do. Like she is done everything else, maybe we will let her have a shot at that. However, anyway, it is my honour to be the President of Union Pacific, and it is wonderful to be here with all of you today.

One of the last jobs that I had, or part of my responsibilities was human resources and labour relations. I am guessing that some of you might have noticed that some of the other railroads have started to enter into labour agreements with their unions. We, like them, agree that our employees are our most important resource and that they deserve very competitive pay and benefits.

And as a matter of fact, we think our employees are among some of the highest compensated in the industry. However, we are so focused on our strategy of safety, service and operational efficiency, we think it behoves us to spend some time with our unions in this negotiating cycle, to talk about ways that we can work together as part of our agreements to improve availability and modernise work rules. So that as we emerge from this negotiating cycle, we are able to really ramp up our ability to provide that consistent and reliable service that our customers want and need from us.

So that is the focus that we have at UP. There is a lot of time left even before we serve notice, another six weeks or so. And so we will be engaging in that bargaining with our unions, as we have done over the past many years. So you may have more questions about that later, but I just wanted to address that.

Pursuing New Ways to Drive Long-Term Growth

So part of my job is strategic planning, and that is really what I am going to talk about now, what we do in strategic planning and corporate development to support the growth initiatives at Union Pacific. What you see here are kind the five areas where we play.

I am going to talk about the three on this slide, and then I am going to dive a little deeper into emerging growth markets and leveraging the real estate assets. However, first off, expanding our network through acquisitions and partnerships. We really want to look at opportunities out there to help us either close gaps in our service territory, reach new markets that way, find ways that we can improve our operational efficiency or reach and grow.

So that could be partnerships with transloads, it could be purchase of transload. You have seen us do some of that. It could be different kinds of collaborations with short lines and other rail providers. We have a number of things in the hopper that we are doing there, and we are excited about the opportunities.

You have heard a lot about culture today. I will talk to you about one thing that we are doing to really try to drive strategic understanding through the entire employee base.

We developed a training called "How We Win Together", and it really is explaining safety, service and operational excellence in an interactive manner all the way down to the very frontline person, working at Union Pacific. We have put, I think, nearly 25,000 of our employees through the training this year with overwhelmingly positive feedback because it is the first time in our history that we have ever said understanding the strategy and the "why" of the decisions that we make is so important that everybody needs to be a part of it. And we want them all in that conversation because we are relying on all of them to bring their opinions, their best ideas and thoughts to us. And if they do not understand what we are doing across the network, they will not be as good at it as we want them to be.

Because of its wild popularity and the results that we have seen from it, we are actually doing a 2.0 that will dive a little deeper in 2025, and it will be combined with our safety training as we roll out through the year. We are pretty excited about that.

And then delivering sustainable advantage versus trucks. We already have a sustainable advantage. You saw some of the things we are doing to become more sustainable. We believe that for some customers, that is a decision point, and we are going to sell it.

Carbon by Rail Unlocks Supply Chain Opportunities

Moving on to talking about emerging markets.

We work really closely with Kenny's team on this, but their job is in the here and now. Of course, they are always helping customers land new facilities and things like this. However, our team is trying to look out over the horizon and say what market are coming that could really represent potential for the rail industry.

And I have got two here that really talk a bit towards sustainability and net-zero aspirations for customers. So as people try to drive more of their greenhouse gas production emissions out of their environment, carbon by rail or the sequestration of carbon is emerging as an opportunity area. And for us, this green circle represents the core ethanol production.

They are a really big focus area for us because as you produce ethanol, every car load of ethanol produces about another car load of CO2. So that capture for those, and it is relatively easy for them to capture in their manufacturing process. Some of it is served by pipeline, a lot of it is not.

Pipeline approvals are difficult. So we are offering rail opportunities to those customers. And you can see, by the God's grace of the Union Pacific franchise in blue, those areas are prime sequestration points. And we are working closely with a site under development with a company called Frontier Carbon Solutions in Wyoming, where they are permitted, and we are actively sourcing with them and partnership customers to use this facility that we hope to see go under construction very soon.

New Growth on Horizon – Sustainable Aviation Fuel (SAF)

Another one, and this really builds on the biodiesel and bio and the renewable story you heard in the video from Jason as well as from Kenny, sustainable aviation fuel is really starting to emerge as a next country, if you will, in the bio renewable space.

Today, airlines are using less than 1% sustainable aviation fuel, but they have made commitments to be at about 10% by 2030 and up to 35 billion gallons by 2050. Again, there will be a huge opportunity for us to move that by biodiesel, I mean that biofuel for the aviation industry by rail. And we are working with both the producers as they either convert old facilities to be for sustainable aviation fuel, or they build new. And as well as the destination markets where the airlines want to use it. So it is an exciting opportunity for us.

Developing Land for Growth

Current projects have alignment with top metro areas

I will not spend a lot of time on this because Kenny did hit it a bit. In strategic planning, we take a slightly different take on the developing of land for growth, though, so I will spend just a second on it. We own roughly 1 million acres of land in the United States, the vast majority of majority of which, of course, is used for rail operations. However, there are, call it 10% or something like that of those acres that are available for us to do other things.

And the best thing that we can do with that land, if it is close or adjacent to our network, is to develop it so that we can land customers on it who will then ship by rail. And in the past, we were a little bit, I am going to use the word lazy, and we would say, we have this land, and it would be great if you wanted to build something on it. And what we have discovered through relationships with real estate developers, who we are now partnering with, is we have to be further along than that.

We have to know about how much power we can get there, we have to know more about the environmental impact, we have to know more about water resources, etc. And so we have identified a number of locations along our network, about 60, where we are actively saying, what can we do to develop this, like what we have done at Prime Pointe, and how can we accelerate that process? And we are pretty far along with about 11 of them. And I think we decided that we were kind of grandiose, and we called Omaha, the Omaha metro, as opposed to Los Angeles and Chicago, which certainly are not metros, right? However, anyway, we did that because it said council bluffs, and we were worried you would not know where that was. And then we made Omaha sound like it was super fancy and called it a metro area.

However, anyway, these are the locations where we are pretty advanced with our process, with those developers, and we are excited about the opportunity that that going to bring us in terms of growth. So all of those things that we are doing are trying to really leverage up all the things that you have heard from everybody else about improving the service, making ourselves efficient, holding ourselves accountable for how we spend the money and being able to grow on top of that. With that, I think we are going to bring up a panel so that you all can ask questions.

Growth & Strategy Panel Discussion

Beth Whited

President, Union Pacific

Kenny Rocker

Executive Vice President, Marketing & Sales, Union Pacific

Jacqueline Bendon

Senior Vice President, Industrial, Union Pacific

Jason Hess

Senior Vice President, Bulk, Union Pacific

Kari Kirchhoefer

Senior Vice President, Premium, Union Pacific

Brad Stock: Okay. As folks get situated, like the last panel, I have got a question for each of the new, the new faces up here. And so that we can kind of get them in the conversation. I will also ask them to kind of introduce themselves before they answer my question. So we are going to start with Jackie.

So Jackie, your Industrial business team covers a wide range of products. And in the video you highlighted several areas that you could see significant growth over the next three years that included areas like rock, forest products and metals. Can you go into a little bit more in depth on some of these opportunities?

Jacqueline Bendon: Sure. So hi everybody, I am Jackie Bendon. I started in Union Pacific in our Corporate Audit department. And then after a couple years in finance, I wanted to go work with our customers. So I went to our subsidiary company, and then in 2009, came back to the railroad to work with our plastics customers.

And at that time, plastics was a very mature market. It was going to be, I thought, a boring job. We were talking about maybe importing plastics into this country. And of course fracking took off in the rest of this history, as you saw in the video. And so it is with that lens, I want my team to be really focused on knowing the markets, understanding where there is opportunity and growing revenue and carload for UP.

So on the video I talked about rock, metals, forest. So, a little bit about rock. Rock is a market that you cannot be complacent in. And that is what I love about it. It is project-based, projects start and they end. And we have to constantly be working with our customers to understand the projects that they are trying to supply rock to.

And I am really excited and pleased with the ability that our team has done to grow our rock franchise. We have the largest rock franchise in Texas. We moved last year, over 1,000 cartloads of rock a day for construction projects. It was a record year. We are not going to have a record year in rock this year because of the weather challenges, but the order books are strong. So looking forward, I am really excited about the opportunities to move as much rock as possible.

Metals, metals what we are seeing in the metals market is a shift from the integrated steel producers to EAF. EAF is more regional. And what I love about that is it takes scrap inbound, and then we get to move the outbound bar and rod and coils. So it is a great use of our assets. So we want to locate those new mills that SDI, CMC, new car or is investing in on UP.

And then lastly, forest. So look, the forest housing market is not very strong right now, but fundamentally in this country, we need more housing. Housing market will eventually improve. And when you see the capacity that has been taken out this year, it has been in Canada, in the Southeast. So that puts our producers in a great spot to provide the fastest-growing markets in the US that we serve, California, Texas, Denver, Utah, that puts us in a great position. So when I look at my market, while it is a challenging economy right now, I think we are just poised for growth.

Brad Stock: Thanks, Jackie. So, Jason, you highlighted pretty heavily in the video, and Kenny talked about it with renewable and then the grain markets. Highlight some other areas within your team, within the Bulk team, that you are excited about.

Jason Hess: Yes. Thank you. I am Jason Hess. I started my career right out of college. Apparently, the cool thing to say is I grew up in the 1990s as well. So I have had various roles, leadership roles in all of our business teams, Industrial as well as Premium. I was the Vice President of our Customer Care and Support, Vice President of AG Products, Vice President of Premium, and now currently on my role.

Yes, renewable diesel is getting a ton of attention, and rightly so. As Kenny mentioned, 30% growth, and you have 30% growth coming in the future. The really cool thing about that, and I am really proud of our team, is this business did not just show up. You are kind of hearing about an emerging market. However, my team had to go out, spend a lot of time with customers, learn their business, understand what they needed, and help bring them to the railroad. And that was a great model. And I think that is why we have had some success. We are going to have success in the future.

Now, that same model we can take and use for other emerging markets or other businesses. One you do not hear as much about is diesel exhaust fluid. Diesel exhaust fluid is an additive that it goes into diesel engines that helps with emissions and global emission reduction. That is in a market prior to 2016, we did not handle a single carload of it. And in the last three years, we have seen about 60% growth in this market.

And going forward, when you look at it, there is about 60-80% more growth projected by 2030. So we can take that same model of making sure we are out in front of the customers, helping them locate facilities or blending facilities for the DEF that eventually ends up in truck stops that can blend into the trucks, but take that same model to make sure that customers are locating on Union Pacific.

In other areas, our strong service product and our efficient service product has allowed us to take business away from trucks.

A couple of areas we have done that. One is in fertiliser. Fertiliser, traditionally, there was some business that was fairly short hauls, fertiliser being produced, like in Kansas and

Oklahoma, and it needed to get to co-ops in Iowa and Nebraska. You would not even think that that would even be a rail opportunity, right? It could be trucked. It is way less than 500 miles. We have been able to work with those retail fertiliser folks, and we have got 20 new opportunities just here in the last couple years of actual locating and putting in rail facilities in some cases, or expanding or even rejuvenating old rail facilities to move fertiliser a fairly short haul. And that is because we are more efficient, and we can compete on some of those shorter hauls.

The last one I will bring up is we hear a lot about our import beer business, but we have a large domestic beer producer who has traditionally shipped all their outbound beer via truck. And some of that is because of regional focus. However, this particular shipper is seeing the value of rail, so being cost-effective, being efficient. They also see it as part of just their goals in terms of sustainability. And that particular large beer producer is now even going out and acquiring new rail cars and assets and working with their distributors to convert to rail. And a lot of that is the same thing, being more efficient, having a good service product, and showing the value for that customer so they can switch to rail.

So lots of great opportunities. I know we mentioned grain a little bit. Kenny did a great job of mentioning that. We do not want to think of grain as just a stagnant market that is not growing. There are shifts happening, and we are getting out in front of those, too. So just lots of great opportunities for us to grow in the bulk area.

Brad Stock: Awesome. Thanks. Kari, intermodal within your group gets a lot of attention. We do not want to forget about autos. So, can you remind investors about our strong autos franchise?

Kari Kirchhoefer: Sure. Good morning, everybody. I am Kari Kirchhoffer. Next month, I will have 32 years at Union Pacific. I have worked in all of our commercial areas, and I have had the opportunity to lead our Industrial team, our Customer Care and Support, our subsidiary loop. And now my most recent position is leading the Premium team.

Turning to the question, our automotive business represents 21% of the Premium team portfolio. We are the largest finished vehicle carrier west of the Mississippi. We own, we operate or access 40 vehicle distribution centres, and we serve six vehicle assembly plants. In addition to the movement of finished vehicles, we also provide the expedited handling of automotive parts to Mexico, the US and Canada.

As mentioned at some of our previous earnings calls, we have talked about some of our significant business development wins with General Motors and Volkswagen that will fuel growth for years to come. General Motors is also a great example of us taking advantage of nearshoring opportunities. In addition, Union Pacific is also the largest railroad moving electric vehicles in all of North America today, and we are ready for growth moving forward as that market continues to expand.

Let us talk a little bit more about some short-term opportunities. This year, we worked closely with our OEMs to develop land bridge opportunities. For those of you in the room, historically, this would be business that would land on the US East Coast port and then truck locally into their markets. And because of capacity issues on the vessels, they came to us and said, can you find us space on your West Coast ports, and could you move this business long-haul East via rail? We have been very successful in doing that for them this year, and it is brought on nice incremental growth.

Overall, for us, it is all about a strong service product, which we have for both finished vehicles and parts. So we are poised and ready for growth, both now and well into the future.

Brad Stock: Awesome. Thanks, Kari. Okay, we will open it up to some questions. We are going to start with Brandon Oglenski, and then we will go to Brian Osenbeck and I will make a note on the next.

Brandon Oglenski (Barclays Capital): Good morning. Brandon Oglenski from Barclays.

Kenny, can you talk more about this delayering process and how that is helping unlock potential in your organisation in going to market with your customers? Because if we go back in prior UNP Investor Days, there has always been a pretty positive volume outlook. However, I think in hindsight, you know, we never really saw that achieved in the past. So what has changed now?

Kenny Rocker: Why don't I start and some you all jump in.

Jim has the vision of pushing the work down to the lower level, to the frontline users. That is not just on the Commercial team, that is across the company. How it works here on the Commercial team, look, if you are a Commercial leader, and you have got a deal that you want to work on, and you are trying to get approval for it, if you have less layers, that is less approvals. That is just one part of it.

The other part of it is just from a culture standpoint. One of the great things that I like about Jim being so involved in the Commercial team is that he knows the business and I can go to him and say, there is a need in Phoenix for Kari and I that we want to have a ramp there. That is just a discussion with Eric and I and a few other folks on the management team, and it happens. That is a cultural change, that is a responsiveness change. We talked about it from the time we made a decision to put Phoenix up to several weeks later. We stood up a ramp. That is a huge difference. And that is what we mean by how delayering has helped us.

Anybody?

Jason Hess: Maybe I would add to that. When we are building, I mentioned all these new facilities, and we are trying to get them on our railroad. You know, we have processes. Obviously, you want to make sure you locate them in the right spot. However, sometimes that process you drag on. The customer has to submit a 10% drawing. Then more time goes by, and you will do a 30% drawing, which eventually some of those, we have streamlined that. Fewer layers, fewer approvals, as Kenny mentioned.

However, now we go to the customer with fewer layers, fewer approval. I will call up my counterparts, John Turner in the North, if it is in the Northern region, get this going really quick. He understands, his team understands it, and we can get that approval much faster than we have in the past. And that is what customers need. They need to make decisions because they may be looking at different options.

Brian Ossenbeck (JP Morgan): All right, thanks. Brian Ossenbeck with JP Morgan.

Beth, a question for you on labour and why have we seen the other railroads go ahead early and individually with these negotiations? What is UNP looking to accomplish here? Work rest rules have changed across the industry. You are working with something on the engineers right now, maybe. Is that fully implemented? And what are you looking to negotiate in this next round of bargaining? Thanks.

Beth Whited: I cannot really speak for why others decided to go early. Maybe they did not see as much opportunity in their labour agreements to modernise and find efficiencies and availability opportunities with their workforce. So I do not know why they chose that.

We look at it, when we step back, and we look at our agreements and some of the things that are pain points in terms of being able to use crews more fluidly in certain terminal operations, we think it has value, and we think it improves service, and we want to address it and talk about it at the same time as we are talking about the whole package.

I think you asked about the work rest rules. We are partially implemented with the BLET. I am sorry, off the top of my head, I cannot remember the number of locations, but we are partway through that process. We are still negotiating in some locations over different makeup of what the crew pools would look like.

We would hope to have that behind us and move forward with the rest of that implementation, and then we still have that work rest process to do with the SMART-TD conductors.

Jeff Kaufman (Vertical Research Partners): Thank you very much. Jeff Kaufman from Vertical Research Partners.

Kenny, I have a question for you. So over the course of the last decade, there is a lot of traffic that should be on rail that is not. And some of it used to go on rail, but service and consistency force people to make a different decision. You got every reason to believe it should be on rail. It is cheaper, it is more sustainable, etc., etc.

Outside of the growth objectives that you highlighted today, can you address how big this market could be, how much opportunity it theoretically could be, and what is required, in your opinion, to bring some of these customers that had to move away from rail, or would like to use rail but are hesitant to do so, what would it take to bring them over the transom?

Kenny Rocker: So let me start off with the last part of the question on what it requires, and that is part of our customer engagement strategy of just sitting down with the customers, spending time with them face to face, going over data that shows where our service product is. That is the first thing.

As we do that, as we are able to do that, we can also ask them some very important questions. How much is going via truck versus how much is going via rail? What customers do is if we are not as consistent and reliable, they will hedge truck versus rail, meaning they are going to have an insurance policy. If rail is at 60%, they will say, well, we are not sure we are going to have truck at a certain percentage as an insurance policy. As we are more consistent, we are able to ask for more business. We are able to build that confidence so that they can move more.

That is on the carload side, on the, I will call it bulk or unit train side, as we are able to have a more consistent, reliable network like we have today, you are going to naturally get a little bit more tonnage out. You are going to pull ahead more trains of soda ash, you are going to pull ahead more trains of rock. The rock network that Jackie talked about, it is a very truck-competitive market. As we are able to pull more of that ahead, we are going to get more tonnage.

For Kari's product, the same thing. We have some customers that we, candidly, that maybe in the parcel place, we charge them for it. We are able to have a more reliable product. On the other hand, some of the customers that maybe are just using our baseline domestic product, as that service is reliable, yes, we are going to ask for more business.

When I look at that and how I size that, I look at that in terms of just outperforming the markets. You are not going to hear me say it is going to be X percent more, or 1% more or 10% more. I look at it as good growth and just trying to outperform the market.

Bascome Majors (Susquehanna): Yes, Bascome Majors, Susquehanna.

Kenny and maybe Beth, if I look at the second quarter, your business was just under a third of revenues from Bulk, just under a third from Premium and a bit over a third from Industrial. If we walk your views on the markets out three to five years, do you see that mix changing markedly? Where are the biggest opportunities and why in the midterm here?

Kenny Rocker: Yes, I will start off. Look, nobody is going to get me to go out and forecast this. That is a mix. That is a pretty dangerous thing to do.

What you will hear me say is you heard us size up the markets and how large they were and the opportunities in front of us, we would expect them to grow out. However, to get in the forecast in the mix, that is probably not something you will hear me do. However, you see the size of the market, you know where the service is today, and you see what we are trying to accomplish.

Jordan Alliger (Goldman Sachs): Yes. Hi, Jordan Alliger of Goldman. You talked about Mexico as being one of the growth areas, $140 billion of announced investments. Is a way to maybe translate how that could relate to the revenue opportunity, volume opportunity for UNP and others, you had mentioned $1.6 billion of revenue potentials out there. Is there a way to get a sense or size up that opportunity specifically? Thank you.

Kenny Rocker: Yes. You know, the way we look at the business, we put it into different categories, and it starts us off as a conceptual and then as we get into the negotiation phase, and we feel a little bit better about it, we have good visibility to it. Right now, all of that expansion that has been announced has not been put in the ground. And so as that gets put into the ground, we will feel a little bit better about having a size on those pieces of business.

I think the encouraging thing about the $140 billion is it is across the board, and it touches all of our commodities. It touches Jason's commodities, it touches Jackie's and for sure it touches a lot of Kari's products. So cannot size what that will show up like. We need to see a little bit more of those investments put into the ground, but our strong service product has us prepared.

Ken Hoexter (Bank of America Securities): So Ken Hoexter from BofA. Kenny, I think I might need to change the title into Kenny, multiple pages instead of one, two pages. However, that font size was small. Okay. And it was single space. I heard the margins were big.

So I guess bring near-term for a second, intermodal or Kari, I guess maybe, intermodal is really on fire kind of out of the West Coast now seeing these volumes. We heard early it was pre-shipping out of tariffs or what was going on in Canada or East Coast port strikes. Can you just give us a minute, maybe a little more near-term in terms of what is going on? Is demand starting to rebuild? Is that ahead of the rate cut we saw? Is it inventories are going up? Can you provide some perspective? I know a little bit near term.

And then, Kenny, just because we have heard so much going on in Mexico with the grains, I do not know if so, Jason, you want to address that, just what is going on in terms of the grain crop just as we start this process, is that going to be an issue moving forward? Thanks.

Kenny Rocker: So first of all, and Kari will get into the details, remember, we came into the year with a contract loss on the international intermodal side. So we were really expecting not to have a great year on the international intermodal side. And this really talks to the agility and the cultural change that we talked about with Eric and the team, quickly jumping in and handling all of that business, having a buffer. And you can see where we are quarter-to-date, the double-digit growth. So that just shows how the network can flex to capture all of that tonnage.

Kari Kirchhoefer: Yes, I think that is a great question about international, and many of you in the room have been asked me that over the course of the last day. I will say this, the key to us keeping the growth that has shifted to the US West Coast is making sure that we have a strong service product. And I can tell you this, in the month of August, we moved a record amount of tonnage off the US West Coast.

We are going to beat that this month, thanks to our operating team and Jim and their focus on that, and working closely with the port of Long Beach and the Port of LA, has us set up to not expect a large transition to move back. So we are anticipating that the shift that has occurred from the East to the West, a large portion of that will stay. In the PNW, I think it is a little bit more up in the air. They have already, the Canadian labour negotiations are done, as you know. We have been notified by one customer that they are reopening the Vancouver port of call. However, the really good news is the customer customers have been so pleased with the UP service coming out of Tacoma that they are going to continue a port of call there as well.

So while I think a portion of that will shift back, we also expect to be able to keep a portion of that coming out of the PNW as well. So long term, for at least the next quarter, we are looking at strong volumes continuing to hit the West Coast.

Kenny Rocker: So Ken, you heard my answer in DC, so you do not need to hear it again. Jason, do you want to?

Jason Hess: Just to follow up the grain quickly. It has been a strong year on grain going to Mexico. Part of that is driven by crops, conditions, but a lot of it is also driven by being efficient, productive trains. We get to six different gateways to get into Mexico, not just one. So we are able to leverage those gateways to actually do more business and have more flexibility.

We have had a lot of business development efforts, too, to capture more of the Mexico business going forward. Those things are paying off, and if we keep offering a good product, we get the border fluid again. I still see Mexico as a great growth product for us going forward.

Brad Stock: Thank you. Good discussion. As we exit, our CFO Jennifer Hammond will take the stage.

Pursuit of Industry Leadership

Jennifer Hamann

Executive Vice President & Chief Financial Officer, Union Pacific

Introduction

All right. Well, good morning, everyone. I am Jennifer Hamann. I am the CFO of Union Pacific. I was going to say I grew up here, but that seems to be a common theme around folks. So maybe I just need to say I was a child prodigy maybe, I started when I was 12. No, like many others, I started at UP right out of college. I have been here almost 33 years. I have worked through a number of different roles, started on our corporate audit staff, worked a number of roles in finance. Where I know many of you from is my time in Investor Relations when I had Brad's job. I also spent a little bit of time in Marketing and Sales and Workforce Resources.

It is great to have you all here today, both in-person and those that are joining us online. And I know what you are all here for is to see what is new and hear what is new at Union Pacific. Now, many of the things that we have talked about today are familiar themes, but I do believe that the approach, the conviction and this pursuit of what is possible within our company is really quite different. The team has walked you through our strategy that we want to be the safest railroad, one that meets our customer commitments by delivering the service product that we sold them and doing so in a very operationally efficient manner.

Track Record of Strong Returns

Now, before I connect that strategic imperatives to our financial performance, let us first look back at what Union Pacific has been able to deliver to our shareholders over the last five years.

We have returned over $38 billion to our shareholders in the form of dividends and share repurchases. That equates to nearly 40% of our market capitalization returned to our owners, which is near industry-leading levels. And we did that during a period that featured a global pandemic, severe supply chain challenges, as well as a freight recession. So, a pretty challenging business environment.

Another measure of our long-term performance is return on invested capital, or ROIC. Last year we led the industry at 15.5%, and our expectation in 2024 and going forward is that we will continue to maintain that position of industry leadership through effective capital deployment.

Goal: Industry Leading Operating Ratio

Another area where we expect to be an industry leader is through our rail operating efficiency. And the best way to measure that and compare us against our peers is operating ratio.

If you look back on the line chart, in the second quarter of 2023, we reported a 61.9% operating ratio. That was basically middle of the pack, and we had unfortunately been trending the wrong direction. In the second quarter of this year, we reported a 60% operating ratio. It was our third sequential quarter of improvement and placed us now in the position of leadership in terms of both the first quarter, second quarter and year-to-date with our operating ratio.

Now, you are not hearing me stand here and declare victory over that number. We know, and you have heard from the teams today, there are additional opportunities for us to improve.

However, I very much believe that this early progress is proof statement that our strategy is the right one and that it is working.

And I also want to point out that we at Union Pacific do not do any, what I will call, fancy maths around our operating ratio. It is straight up, it does not include any real estate, and it does not have any other adjustments. I also want to make sure that everybody understands that operating ratio is an outcome. Having an industry-leading operations ratio is the outcome of our ability to successfully execute on our strategy.

Connecting the Strategy to Profit Drivers

So let us get into that. If you look at our industry, we essentially have three ways to drive profitability. It is productivity, its price and its volume. When you hear the team talk about industry-best safety, operational excellence, those are absolutely the right things for us to do as a company, for our employees, for our customers, for the communities that we operate in. It is also productivity.

Now, Eric and the team and Rahul gave you a number of different examples of how we are driving better productivity, which will ultimately lower our operating costs. I am going to give you one more example, and this one is with our Strategic Sourcing team. That team has worked cross-functionally and come up with a process that they are calling a "first call strategy".

So through a competitive bid process, they are identifying, across a number of different spend categories, vendors that can be the best performer at the best total cost of ownership. That vendor then earns what we call the first call distinction. We then give that information to our frontline managers, the people who are empowered to make the decision about who they engage with to do work for Union Pacific. It is a tool in their toolkit to help them be operationally excellent. And it is driving savings for us today to the tune of about $10 million annually.

Now, I share this story because I now have responsibility for the supply chain team. As Jim likes to tell me, I am no longer just the scorekeeper. I am also in charge of driving operational savings.

Now, you heard Eric, Kenny and Rahul all talk about the things that we are doing to make our service product better and to distinguish it from others. And that is critical to our ability to attract and win new business. It is also critical to our ability to support core price. And I am going to come back to price in a minute.

However, we deliver tremendous value to our customers. When you think about our labour efficiency, our fuel efficiency and our greenhouse gas efficiency, as well as the billions that we invest in our network annually to support that service product, but achieving long-term growth really is what I am going to call the holy grail for the rail industry. It is something that we have all been pursuing, but not consistently attaining.

Now, you could blame coal or other commodities, but at the end of it we have to have a different approach to pursuing long-term growth. And I believe what the team has articulated for you today is that different approach. And you have also heard one of the great proof statements today about why we believe that approach is winning. It is in that international intermodal space. That business volume that has come to us was unexpected. And not only have we handled it well, at the same time we have improved our operating performance. That is critical to be able to flex like that with our customers and to give them the confidence that they can award more business to us, and we will successfully handle it for them.

Pricing Opportunities to Recapture Inflation

Now let us go back to price. So, as many of you know, I have been in the investor space a while and price has always been a hot topic. In fact, I have been around long enough to remember the conversations around legacy price. So it is in the spirit of legacy price that I want to talk to you about UP's repricing opportunities against the higher inflationary costs that we have seen.

So let us start with inflation. Inflation really started to move above historic levels in 2021, and then it really accelerated the last few years, primarily driven by a hot labour market. However, within the rail space in particular, we settled some expensive labour contracts, plus had the added cost of the work rest agreements and paid sick leave.

We are committed, though, to be able to offset inflation through our pricing activities. And even though that inflation picked up for us over the last few years, we were still able to yield price dollars that exceeded the inflation dollars these last several years. Unfortunately, just not quite to the level that it was actually accretive to our operating ratio. And when you look at 2025 and beyond, we do expect inflation will stay somewhat elevated, but probably a little bit lower in the 3.5% range.

So how do we attack that? Well, if you look at the pie charts, you see that annually we are able to reprice about 50% of our book of business. The other 50% is covered by long-term contracts. Between 2022 and 2024, we have repriced about 75% of that long-term book of business, which means we still have 25% that we have not yet priced yet. So there is upside there.

I would also say we have upside in a couple other areas. Kenny mentioned one already, and that is the domestic intermodal side. Since we instituted the dynamic contracts, we have not experienced pricing upside. As that market comes back, so will our price. And I think it is absolutely fair to say that for that part of our business that we repriced in 2022, and even in early 2023, there is still price upside there. Because at that time, we really did not fully appreciate the stickiness of the current inflationary environment.

Achieving Volume Growth

You heard Kenny and Beth both talk about our different approach to the growth. You heard the team talk about it. It was listed on the video. So there is a lot of activity, obviously, all coalescing around one theme. We do think that this strategy supports the growth story here at Union Pacific. And again, I think this gives you a bit of an early proof statement that we think it is working.

In the second quarter, against a 23% decline in our coal volumes, we actually improved and saw a slight growth in our volumes overall. Third quarter-to-date, our volumes are up about 5% against an 18% decline in coal. So again, an early proof statement. However, we are going to take that win.

Now as we look long term, or at least over the next three years, we think what we are doing to go after our customers' business through our investments, through our differentiated service product and business development efforts, that is going to enable us to grow volumes that exceed the markets that we serve and that our revenue will exceed the volumes. And that is supported obviously by that differentiated service that we are going to price into the marketplace.

Now, with that long-term view about revenue exceeding volume, I do need to make one small caveat, and it is actually quite relevant to today's environment. Again, going back to international intermodal, which you have heard a lot talked about today, it is great business for us. It is a big driver of our third quarter volume growth. In fact, if you look at our international intermodal volumes, it is up over 30% here in the third quarter. That business comes with an average revenue per car that is 40% to 45% of our company average. So the related revenue that comes with that volume growth is maybe less than what you might otherwise think or expect it to be.

Efficient Capital Deployment Supporting Growth & Returns

Now, when I started out today, I talked to you about and gave you a proof statement about the success of our strategy when it comes to capital deployment. As we look out over the next three years, we intend to follow that same formula for success, but with a couple of important changes.

First of all, unchanged is the fact that we are going to continue to invest in our franchise. UP's best returning asset is the UP franchise. So we will continue to invest for growth and for productivity. Over the next three years, we expect that to total between $3.5-3.7 billion. That will be below our historic benchmark of roughly 15% of revenue.

So what has changed there? Well, you heard Eric and his team talk about the fact that they have created capacity through their efforts at operational excellence and they have capacity to grow across their critical assets. And in addition, as you all know, we have also continued to invest for growth post-pandemic, even though volumes in many cases have not got back to those pre-COVID levels.

Now, when you think about capital too, and you heard Beth mention this in her section, we are also looking at other areas where we can deploy capital. Not included in that $3.5-3.7 billion dollars range is if we see a discrete opportunity to invest in something that will drive productivity, a one-off acquisition, or anything that could support further car load growth to our network. You should know that we are going to make those investments, but only if they are going to drive shareholder value.

Another part of our capital allocation strategy that is unchanged is with our dividend. Union Pacific is very committed to its dividend. We have paid it for 125 consecutive years. We also are committed to the fact that we have a 45% dividend payout ratio. That is industry leading. You saw actually in the third quarter, though, that even though we are trending a little bit above that 45% dividend payout ratio, that we did in fact increase our dividend by 3%. That marks the 18th consecutive year of dividend increases. This also marks a slight change in our capital allocation strategy relative to dividends. We understand that shareholders value consistency.

So within that construct, as well as the fact that we want the 45% dividend payout ratio, we are committed to annual increases. Now, some years those annual increases may be more nominal, like in 2024, but in other years where we have greater earnings growth, we would expect to see greater growth in our dividend as well.

We also are remaining very committed to our share buyback programme. Since we instituted share repurchases as a company back in 2007, we have generated an internal rate of return of almost 15%, while at the same time avoiding $17 billion worth of dividends. In 2024, we expect to buy back about $1.5 billion worth of shares, and over the next three years we expect to buy back between $4-5 billion worth of our shares on an annual basis. We will fund much of that through the cash flows that we generate as a company. However, we will also use our balance sheet capacity.

Strong Balance Sheet & Capital Access

And let us talk about the balance sheet because our balance sheet is also a priority for Union Pacific.

You heard Jim mention both last night and this morning that it is the job of this management team to build on the legacy of those who came before us. One way we do that is through the management and optimization of our balance sheet. Union Pacific has a strong investment-grade credit rating. We have excellent access to the credit markets and good demand for our paper. We also have the best combination in the industry between our weighted average debt maturity at 20 years and the low cost of debt below 4%.

We also have been very prudent or pragmatic in how we have managed the annual debt towers. And in no year do we have more than $2 billion that comes due in any given year, which gives us great ability to pay that off with cash if we ever decide to do that. And we actually did do that here in 2024.

So when you think about our approach to the business as a management team, what you have heard us talk about today, maybe not using these exact words, but it has all been about controlling the controllables. Whether it is the management of our balance sheet or whether it is the execution of our strategy.

Economic Indicators – Growth Prospects Improving

The one thing we cannot control is the economy.

The economy is really, call that market for us. You have heard us reference market before, and that essentially sets the floor to which we then are tasked with outperforming that. So what I am showing you here is S&P Global's latest outlook of the economy over the next three years.

And it is showing growth over that period. Although I would call that growth somewhat muted and you know, somewhat back half loaded as well. Now the one thing that I think is important to note here is that when you think about that economic outlook, that with those muted prospects, it is also assuming that you have or excuse me, it is not assuming, but it is in the face of the fact that you have a truckload market that has just kind of bounced along the bottom for the last couple of years. And of course we all know the Fed after four years just made its first rate cut. So I do think there is the potential for upside here, but that is just something that we are going to have to watch.

Industry-Leading Financials – Driving Shareholder Returns

Now as I have walked you through this strategy, I have already laid out the majority of UP's targets over the next three years.

So let me just give you a pretty quick summarisation of where we are at. So we will start on the top-line. And again, that is rooted in market or S&P Global's outlook. However, within that, we expect our volumes to grow faster than the market and the revenues to grow faster than the volumes. When we make that statement, we are not including any impact up or down from fluctuating fuel prices or from what happens with coal demand. So we are setting that aside.

We are also committing to the fact that our pricing will become accretive starting in 2025. So pricing will begin to help our operating ratio. And over the three-year period, we will continue to maintain an industry-leading operating ratio. And the combination of revenue, accretive pricing and productivity will enable us to produce over the three-year period, an earnings CAGR that ranges from high-single-digit to low-double-digit. When you think about that range, at the low end of that range is the economy forecast that S&P Global has. At the high end of that range is more robust growth.

Again, over the three year-period, we will invest in our franchise for growth and productivity. We will maintain a strong investment-grade credit rating. We will deliver value to our shareholders through dividends and share repurchases, and we will maintain an industry-leading return on invested capital.

To say that our team is excited and motivated to deliver on this service performance, this financial performance over the next three years, I think is an understatement. We are very confident in our ability to execute on the fundamentals of railroading. We have the strategy that is going to set us up for success and the UP team is ready to deliver.

So with that, I am going to bring the panel on.

Executive Team Q&A

Scott Group (Wolfe Research): Thanks. It is Scott Group from Wolfe.

So I want to try and unpack some of the pieces here. You have talked about 3.5% cost inflation going forward. Is there any way to think about, maybe Jennifer or Eric, how much of that we can offset with productivity? And then on the pricing side, Jennifer, your comment about price becoming accretive to the OR. Is that simply a view of inflation slowing, osr do you actually see an opportunity for the price to improve given some of this legacy pricing contract opportunity, if that is the term you want to use?

Jennifer Hamann: Yes. So maybe hit the last part of your question first. Absolutely, we believe that we have further pricing upside from where we are at today. And that comes across a number of different things. It is a better service product. It is continuing to touch parts of our business that have not been touched. It is market recovery on the truckload side. And then it is just also getting back and retouching some of that business that we maybe while we priced and we got increasing price from it, it maybe was not quite the level that we needed relative to what is happened with inflation. So it is kind of D, all of the above, is really what it is there, Scott.

On the inflation side, we do see it coming down a little bit. Anyway, the inflation side, that really is something that we always task the team, is to offset some of that with productivity. So that is not a new thing. However, that is where we see the inflation coming in, is at around 3.5%.

Eric Gehringer: I think you covered exactly it with the closing comment. That is what you heard from the team today and me today. When you think about that portfolio of initiatives, especially that particular quad chart that talked about workforce productivity, locomotive productivity, that is at the forefront of those opportunities. And Scott, to your point, with volume growth as we plan, that is important for us to be able to capture even more productivity in all four of those fronts.

Jonathan Chappell (Evercore ISI): John Chappell, Evercore ISI. Jim, maybe Eric as well, there has been a lot of talk about labour. We have talked about you going on your own, and we have like, the work rest, and we have the paid sick leave, etc. However, in some side conversations, you have talked about other things that you are looking for in the negotiation. So there is so much focus on this. 3.5%. It may end up being a ceiling, it may end up being a floor, whatever the case may be. Can you just go into a little bit more detail on what you are looking for in these negotiations, the optionality you get, the flexibility you could potentially win despite the number, and what that means for you with capacity, with growth, and with margin?

Jim Vena: Okay, listen, it is pretty simple. It could be a 20-minute answer if you wanted to get into all the detail of what we are looking at, but if we want to frame it, is we congratulate the other railroads that have signed contracts and they feel comfortable with what they have, and they are going through the ratification process, and hopefully it all works out for them. For us at Union Pacific, we understand where the increase is going to be in wages. Some of that has already been agreed to by others. However, at the end of the day, we are very, very set that we need to improve our service product. And you only do that with some changes in the collective agreements with all of them, not just the locomotive engineers and conductors.

So the SMART-TD, the BLET, but the rest of them. And we think it is best for us to negotiate with the entire package to be able to sit down and do that. And we are very, very focused on how do we do that in a cost-effective manner moving ahead, so that the wage increases are reflective of what is happening to the inflation in the economy and how we move ahead?

And remember, we are not late in this game. As Beth explained, notice goes out for the start of the negotiations in weeks, so not in days. And the last increase that we just put in at 4.5% last July is in place until 30 June of next year. So that is the way we think about it. And always everything that we do, we look at how we make Union Pacific better. And better is better service that drives increase in business and capability to price better. And making sure that our employees, who are the highest paid employees in the industry, so they get more money already that are properly compensated. So we draw in the right people and we are able to recruit, which we have not had a problem with.

So that is the answer, John. Sorry for the long answer.

Jairam Nathan (Daiwa Capital Markets): Hi, Jairam, I am from Daiwa. So Jennifer, you talked about a 15% IRR on buybacks. At the same time, Kenny, it looks like the payback periods on the investments that you made to get new business is pretty good as well. So just trying to understand, and it looks also that there is a lot of opportunities in terms of soda ash. You talked about renewable diesel. So how do we kind of balance these two as far as capital allocation goes? Would you need more investments going forward, and especially given that you kind of kept the CAPEX pretty much flat?

Jennifer Hamann: Yes. I mean, within the growth prospects that we see in the long term, that was all included in that capital range that we gave you of the $3.5-3.7 billion. And the reason maybe that feels a little low for some people is that you are maybe not fully grasping the additional capacity that we have on the network that we have created today.

So, no, I mean, we have created capacity, and obviously $3.5 billion, call it 25-30% of that is growth capacity that we are going to be putting in. So I feel very comfortable with the combination of being able to support the growth projects with the capital allocation strategy that we laid out and the buybacks.

However, as I also said, if there is a discrete opportunity that we have to take that is going to drive more business to the bottom line, UP is our best-returning asset, and we will invest in it.

Fadi Chamoun (BMO Capital Markets): Okay, thank you. Fadi Chamoun from BMO.

A couple of quick ones. One, on the revenue guidance side, you laid out a lot of interesting and details about the self-help opportunities on the commercial side. However, then when we look at the revenue kind of growth of the overall guidance, if we are assuming inflation is 3.5%, so pricing at or above that, and with the economic data that you put out, that revenue growth could be in the mid-single-digit easily, just based on those two metrics with high-single-digit.

What I am trying to understand is really what is the self-help contribution in here? Where is the growth in volume that is above the market being assumed? Because it feels like guidance is really driven more by the economy. And maybe the other piece of it, what is the incremental margin contribution you are assuming? I think in the past you talked about something in the 65%. I am not sure if anything changes here as far as mix goes, or as far as kind of inflation goes, if that ratio still is the right assumption moving forward.

Jennifer Hamann: So a couple of things there. So on the incremental margins, we have not put an exact number on at this go round, but we do think have the ability to grow with very strong incrementals. That is, that is part of the whole strategy that the team has in terms of growing train length, reducing our train starts and just being overall more efficient with how we move the business.

In terms of maybe if you are feeling like there is a disconnect there, I think there is maybe a couple things to consider.

Our guidance about revenue greater than volumes, I set aside any impact from fuel, and I also set aside coal. So if you are then trying to get to a gross revenue number, you do need to take into account that coal is a declining business for us, and that is likely not going to change over the next three years.

The other thing is mix. Kenny declined to answer the mix question earlier, but I will. We do see some of our strongest growth opportunities in the intermodal side of the world. And I just gave you some very specific information relative to international intermodal and the average revenue per car difference it has with the company average. Domestic intermodal is better than that, but it is still towards the lower end of the range. So I would say those are maybe a couple things that we need to factor in.

Chris Wetherbee (Wells Fargo): Thanks. Chris Wetherbee from Wells Fargo.

I guess maybe coming back to the self-help question there for a second, so I guess when you think about the potential macro implications, if we end up seeing below the range, I know you talked about $100 million of productivity. I think that was on a slide earlier in the presentation. What are the other levers that maybe you can pull to sort of improve that or maybe add to that?

And I guess maybe a separate question would just be back on the pricing piece, I guess. If you think about the pricing opportunity ex-truck, can you give us a sense, outside of the intermodal business, sort of what the types of improvements you are getting now, and if you can potentially get that acceleration in price, even if the truck market does not recover, say, in 2025?

Kenny Rocker: Yes, I will take the price. You know, as it stands today, and I said this explicitly, we are taking more risks, and the team feels more than comfortable with the amount of price that we are able to capture today, especially with the service product that Eric and the team have put out in front of us, especially with the investments that we were making. And you have heard me say this before on the earnings calls. Our customers also, they are experiencing the same inflationary pressures that are there, too.

So there is nothing that, you know, concerns me about our ability, our fortitude to go out there, setting aside the domestic truck market, to go out there and get the price over the next few years.

Jennifer Hamann: So then going back to your self-help question, I think I should clarify that $100 million plus, that was on the slide was just around technology. So that does not encompass all the process things that we are doing or other things that we are working on to drive productivity. So I think there is a lot of self-help opportunities that we are looking to explore across the board. And Eric, I know you laid out several, but maybe you might want to highlight a couple more.

Eric Gehringer: Yes, let us build on a couple more of them. So when you start thinking about cost per car handled in our terminal, that is one of our greatest productivities that our teams look at locally. When you hear us talking about things like level loading or moving touches, that is where you start to able to eke out that cost out of the system.

When you also look at it, and I mentioned it today, but I have got to mention it again because it is so important. I am not satisfied at 15.5 hours on our locomotive dwell. There are still opportunities on that front. Yes, opportunities in some areas may be bigger than others. That is still an opportunity for us as we continue. And then we push our teams, whether it is in the mechanical team, the engineering team, we want them to continue to get more and more efficient in how they repair our infrastructure, our locomotives, our cars. That is going to continue to be an opportunity for us with or without technology.

Walter Spracklin (RBC Capital Markets): Yes, thanks very much. Good afternoon or good morning. It is Walter Spracklin, RBC Capital Markets. My question is on your labour force growth over the three year period that you have outlined, is with your productivity improvements that you are achieving, do you expect to get labour growth to come in below the volume growth that you are expecting? And perhaps give us some indication around that, that cadence of growth in your labour force over the next few years.

Jim Vena: Our position, Walter, is pretty straightforward and you have seen it with our results over the last year. I think we are doing a good job of right-sizing with where the business is, and we will continue to do that.

We do not see ourselves growing anywhere near the amount of business that comes on the railroad and have a one-for-one increase in the number of people that we need. In fact, we see a substantial decrease as we move ahead. And that is our focus.

And I think we have shown that we can deliver that already with us now being under 29,000 employees. We need the right number of employees to operate the railroad. This is not about chasing a number. This is about doing those thousand things that we look at. Can we use different processes in the management team? How do we look at billing? How do we look at customer contact? How do we look at real estate? How do we look at operating our trains every day, our yards every day? How do our locomotives turn? Can we do them faster and still get the same quality? Can we use other rail cars? I could keep on going here for 15 minutes. So we look at that every day to see how we can be more productive. And that is why I am very comfortable with what we have done, and we will continue to do that as we move ahead.

Thanks, Walter. I love that question. I was ready for it, Walter.

Ravi Shanker (Morgan Stanley): Thank you, Ravi Shanker, Morgan Stanley. Jennifer, if I may follow up on the pricing question.

You said that you have not, or customers have not given you enough pricing to offset the inflation you have seen so far, but is there a risk that as inflation starts to come down, you may get some pushback from customers saying, inflation is coming down, so why should we give you that pricing back?

And maybe, Jim, very quickly to you as well. If macro in the next three years is weaker than you think, how do you think about balancing your commitment to industry-leading OR versus growth? Thank you.

Kenny Rocker: Let me jump in on this price first. So, Ravi, we do not lead with cost when we are talking price with our customers. We have never done that. We will not do that in the future. Yes, we can talk about inflationary pressures, but we do not lead with that.

The fact that we have got a solid, consistent, reliable service product out there, the fact that we can point to them and show them the investments we are making and to be reinvestable, we have those conversations with our customers. So, no, I do not see as the inflationary pressures change or move a little bit, that is stopping us from going out there and achieving what we need to do to maximise price.

Jim Vena: The only thing I would add, Ravi, on price is, I think, the value we provide our customers in a lot of segments, when we look at how they are doing themselves in those segments, allows us to be very bullish that we can price because of the value of the product that we are moving and the service that we are providing. That is why if we are not providing the service, it makes it way harder for us to talk. So I am very comfortable with that.

And the question about the economy, it would be easy if you could set the world and say, the economy is going to grow at 2.9%, inflation is running at 2.01%, and the world is flat. Well, we operate the railroad. It is not flat. We have some big grades. We need locomotives, and it is in the world, we do not know.

However, the way Jennifer laid it out was very important in that we want to structure the company financially, so we can go through the ups and downs. And our peaks, we want higher and our lows, we want not as low. And that is the way we look at it. And I think we have the company and the talent. The reason I did not spend 2 hours up here, which I could have, people have heard me go in the company and they go, you going to get off the stage?   So this because I wanted you to meet the talent of the people that are supporting that work with me every day to do that.

And OR, yes, OR is important to us. Yes, we want to be the leaders, but it truly is a result of what you do. If you focus too much on driving to a specific number, like if you came out and said UP is going to be a 55 or a 56 OR, you can make bad decisions inside the company trying to drive towards that number instead of looking about what we are.

This is what we want to do. We want to deliver to our shareholders like we have in the last year. The last year, our shareholders have been able to get a return of 16% if they invested to us one year ago today. I just looked it up before I came up on stage. And that is what you want.

You want a good return for our shareholders. You want to be sustainable. You want to be able to pay that dividend, and you want people to say they can go up and down and deliver us a good value. And I am very comfortable with where we are.

Now let us not fool around on OR, Ravi. We are going to be the best. Like, I am not playing this game to sit in the dugout. I want to get up on the 9th inning, bases are loaded, we are down three, and I want to hit the home run. Other people want to do whatever. That is not my world. And this team is the same. Otherwise they would not be up here with me. Thanks for the question. I like that.

Thomas Wadewitz (UBS): Yes, great. Thanks. Tom Wadewitz from UBS. So you gave us the guidance, and what is the right underlying assumption we should have on volume?   Is it like 1-2%?   Or are you thinking a bit better than that?

And then I guess the second question, Jim, for you. You started off with talking about redefining possibilities, and you talked about Mount Everest. What is the Mount Everest for UNP?   Is it we are going to just defy the industry's low-volume growth and grow volume better?   What would you say is something that would be new possibilities that you try to achieve at UNP that is the Mount Everest?   Thank you.

Jennifer Hamann: So on your volume question, Tom, I specifically did not give a number to that, just like we did not give a number coming into 2024 because our crystal ball is not quite that refined. Because I could have given you a number and I would have been dead wrong. I mean, the best example is international intermodal.

We thought our international intermodal volumes were going to be down maybe double-digit this year, and they are up double-digit. So we just have to be flexible and nimble to handle whatever comes our way. You see the base case assumptions, but, you know, put a point or so on top of that, whatever you want to do, but we are going to handle it, and we are going to turn it into profitable growth.

Jim Vena: You want me to answer that last piece? All right. Oh, yes, sorry. I love it. He does not want me to answer. I am going to the next question. This it is like a political forum, you can talk about something completely different.

Why did I have that slide up? Is, yes, I talked and I spent a little too much time in the very first opening. And I do, even though it went to zero, I want to try to get us on time. And we are stopping at 11.30. Because some of you have to go. So we are going to finish the questions, and I want to tie up for a couple of minutes.

What we look at when I put that up is what is possible. And if you think about the history, it is not Roger Bannister was up there when he ran the sub-four-minute mile. And humans, for the longest time, thought it was physically impossible to do things. So the win for me at Union Pacific is when I walk out the door and I came in with one box of things, I am going to maybe walk out with two boxes. I am not one of these guys that wants a bunch of trinkets on the walls. Okay, so I am going to walk out with my two boxes. And if we have a team that optimises what is given to the railroad, that is a win.

That is what we want. A team that can handle the adversity that happens in this business. Things happen like, who the heck thought we would have a hurricane hit us in July? It is a little early. So at the end of the day, the resiliency and how fast we recover and we can show our customers and the country that we are doing our part to grow and be part of the US economy. That is a win. And having the right-sized company with the right amount of people talented that we can win.

I am going to go on my sunset and I will drive around the UP mainline there when I am going to hike up in the park outside of Tucson, not that far from my house. And I will watch those trains. And do not worry about it. I will count the number of cars, I will count the locomotives, and I will time it to see how fast it is going, or I am going to the next Board meeting. That is a win for me, Tom. Okay. Thank you.

Ken Hoexter (Bank of America Securities): It is Ken Hoexter from BofA, again. Thanks for the presentation. And Kenny, I will take it. Thanks for the AC.

The greatest growth on your lower or average-yielding product, as you were highlighting international and modal, but yet you still see revenues outpacing volumes. So I guess we are talking about the legacy contracts catching up. You are talking about improving productivity, the best OR in the industry.

So maybe, I do not know, Jen, can you talk about thoughts on incremental margin targets? Is that something you are comfortable addressing here? And then near term, I just want to understand your messaging. Just given the international intermodal growth, is that bad for margins near term? Is that the signal you were trying to talk to?

Jennifer Hamann: For the international intermodal piece, it is a couple things. It is the revenue and it is the margins. And where I specifically made my comment was the fact that the view that we have that long term, we should be able to grow our revenues in excess of our volumes. When you have international intermodal up 30% in the quarter and being the main driver of your growth, it is hard to achieve that target. So that is where I made that comment and that is what I was getting at with that.

In terms of incrementals, we are not going to give you a specific number, but I think what you should be able to see us do is return to maybe more historical incrementals, maybe a little bit better than that, as we are driving growth efficiently across the network. That is the expectation that we have for ourselves.

Closing Remarks

Jim Vena

Chief Executive Officer, Union Pacific

Introduction

So, listen, I said I was going to get you all out on time, and we will do that 11.30.

First of all, thank you for coming. Second is there was a lot of people that put together, you think about getting that steam engine down in place. That crew worked until very late in the evening and after midnight to make sure that thing, that big steam engine looked positive. I cannot believe so many of you, when I went around last night, talked about what was the best part of the day, and you said, the steam engine. For me, if something is sitting, I do not love it. So the only time I like it is when it is moving. However, that is fine. And it was a lot of hard work, and you could see the quality of the team we have that put this event together.

I think the team did a great job of trying to show you who we are, because that is very important. And I am going to get some feedback, talking to some people that I know, and one is my wife, and she will give me feedback on whether we are doing the good job for investors, because that is the way she looks at it. She is looking purely at the result.

Key Investor Takeaways

If we look at what we did and what we laid out today, we laid out a very reasonable plan that we want to lead the industry in returns. We laid out some detail which we do not normally do on an annual basis. And we talked about the $4-5 billion in share buyback.

We talked about industry-leading OR. We talked about earnings per share, high-single digits, the low-double digits. I am very comfortable that we can spend right and make sure that on the cost side we will improve. And I am very comfortable with how the service levels are running and what is possible for this company. We can beat in the marketplace anybody else that is playing against us. That is the challenge.

However, do not kid yourself. I understand we have to look at the regulatory environment. We have to look at the governmental environment. We look at how we deal with communities that we operate through, and we handle those things on a daily basis because it is very important to do the right thing.

And we also understand that we are owned by shareholders, so I think we have covered every one of those. We have a company that is going to deliver good, strong value for our shareholders. We are going to be very prudent in how we do things as far as the length of trains and how we operate, so that we lessen the impact about what is happening in the communities.

And we have to manage what is happening and make sure that the goals are very similar. The FRA goal is very similar. We want to be the best. The STB goal, we want to provide service at a reasonable price, and I think we do that. So if we do all that, success in the next three years. And I am looking forward to doing this again in another three or four years. I do not think we will do them every year. Maybe we will do it before the guidance comes up.

However, I really appreciate you all coming in here. Thanks for all the questions. The questions were great. Hopefully, you have met the team. This is quite the team. I am very proud to work with all of them.

Thank you very much. Have a good, safe trip home. Thank you.

[END OF TRANSCRIPT]