

KANSAS CITY SOUTHERN



Kansas City Southern – Supply Chain Recovery

John Orr, EVP - Operations

May 2022

Altered supply chains and strong demand have led to large-scale supply chain disruptions, including labor, infrastructure, shipping capacity issues, representing both risks and opportunities



Altered Supply Chains and Shipping Capacity

Supply chain whack-a-mole: West Coast eases, East Coast worsens
LATIS relief could be temporary, while Charleston queue tops 30 ships
By Greg Miller, Senior Editor | Wednesday, February 25, 2022

No relief: Global container shortage likely to last until 2022
Equipment lessors continue to see low inventories and extremely high prices
By Greg Miller, Senior Editor | Friday, April 22, 2021

Truckers Expect U.S. Transport Capacity Crunch to Persist
Freight demand in a surging American economy is growing well ahead of truck availability, pushing up shipping costs

Ukrainian Invasion Adds to Chaos for Global Supply Chains
Russia's military incursion is severing key supply chains and setting off a scramble among global companies to comply with new sanctions.

US factories struggle to meet demand as shortages slam production
By Ben Winck | May 3, 2021, 12:06 PM



As Russia bombards Ukraine, it could become a battle between two supply chains
Ukrainians need food and ammunition. Russia needs gas. The coming days and weeks of Russia's invasion of Ukraine may center around logistical strategy. And more...

Intermodal Woes Challenge Logistics and Supply Chains
April 27, 2021 | by Deborah Lockridge

Supply chain bottlenecks amid roaring demand slow U.S. manufacturing
Business
May 3, 2021 12:45 PM CDT

A surge in cardboard demand is causing a supply squeeze for box makers amid the online-shopping boom

Some manufacturers have less than 5 days' supply of computer chips, Commerce Department warns
By Clare Duffy, CNN Business
Updated 5:08 PM ET, Tue January 25, 2022

Port Congestion still an issue

- West Coast port congestion is improving
- East Coast ports are hitting new highs in congestion



Source: [American Shipper](#)



Russian War against Ukraine



The Thesis for North America

- The “Dark Cloud” of uncertainty regarding NAFTA has gone away
 - USMCA is in force for **at least** 16 years
- There is clear evidence that supply chain strategies are changing:
 - Trade tensions between the US and China
 - Coronavirus Global Health Pandemic
 - Global supply chains are being de-risked
 - ABC strategy → anywhere but China



PSR and Operational excellence is the foundation

The Customer is at the center of PSR for KCS. This allows a “Win-Win” for all stakeholders and drives growth through service. A Customer focus gives tractive effort to PSR

Safety and Sustainability

- *Improved safety, security, and operational effectiveness work hand in glove. Together they lead to **reliability and growth**, which fully aligns with the PSR philosophy*

Customer

Execution Focus

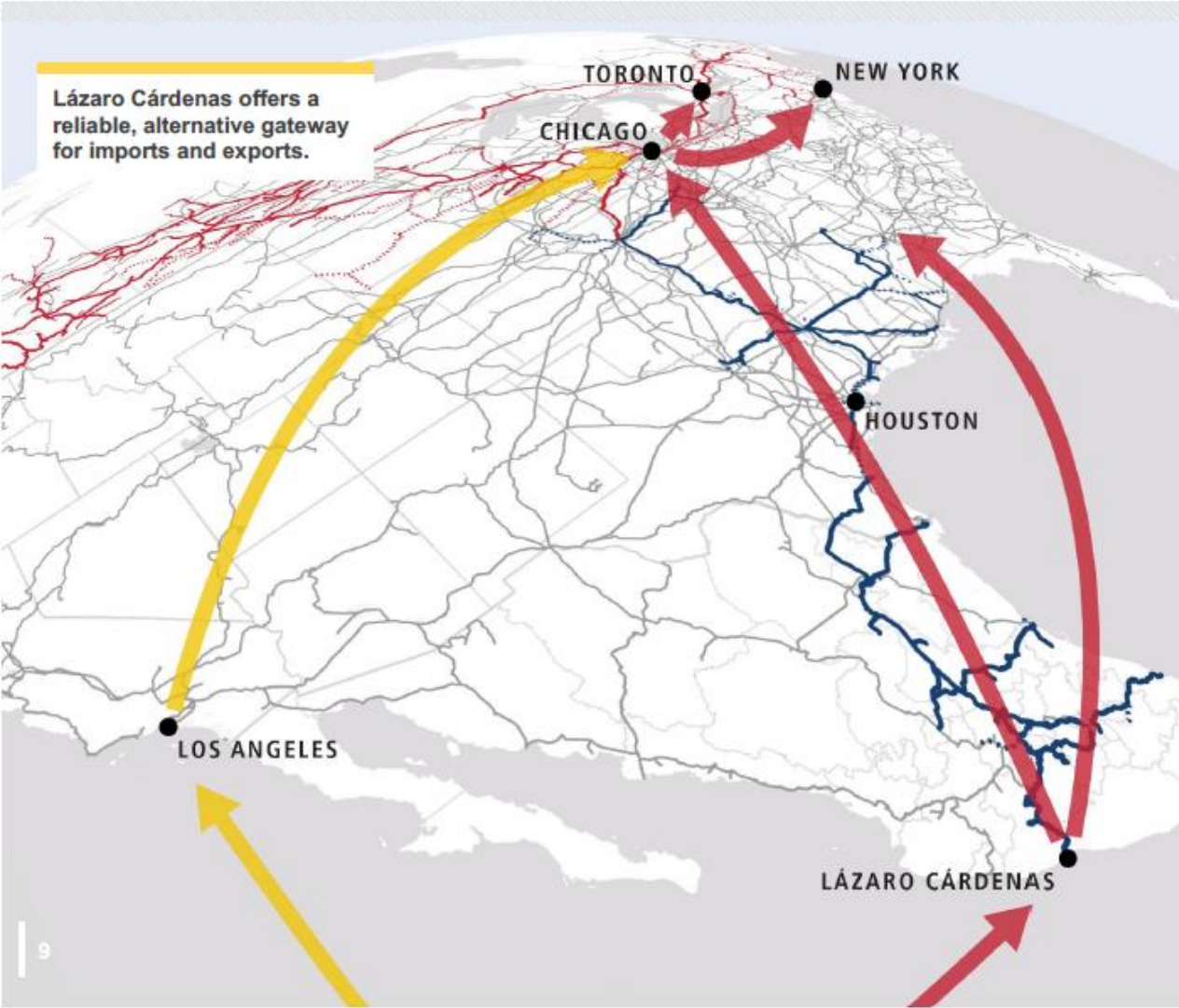
People Development

- *Foster a “**Speak Up**” Culture that Drives Safety Culture and Breeds Innovation, Resourcefulness, Accountability & Continuous Improvement*
- *People enable the capability to deliver core competencies*

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Lázaro Cárdenas offers a reliable, alternative gateway for imports and exports.



Supporting the Global Supply Chain

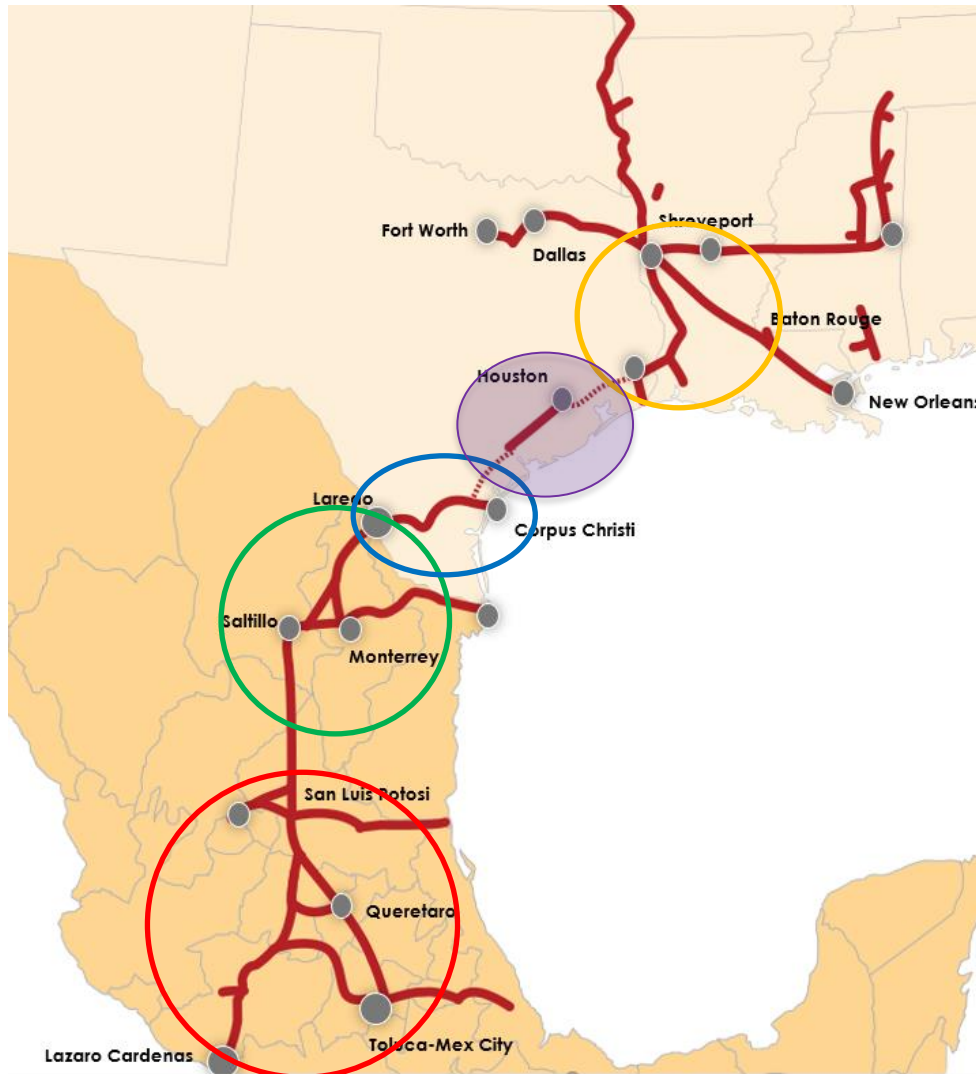
Lazaro Cardenas:

Competitive alternative to congested US West and East coast ports exists in Mexico. Opening new opportunities for shippers to reach key markets in North America

- Substantial room for growth
- 5-day transit to Chicago
- Shortest route for imports and exports to Texas and Gul markets



Concentric Approach Undertaken to Drive Service Improvement



Phase I: Monterrey

Phase II: Border Zone

Phase III: Shreveport \leftrightarrow Beaumont

Phase IV: San Luis Potosi – Tampico – Mexico City

Phase V: Houston Complex – Trackage Rights



Strengthening The KCS Network For The Future



KCS is focused on both short and long term investments that will help improve operational performance and be prepare the railroad to support volume growth.



Capital investments underway now for projects such as siding expansions and satellite yards, will help KCS provide more consistent and reliable service to our customers.



Longer term investments and projects such as the second international bridge at Laredo will position KCS to support our customers with growing the business.



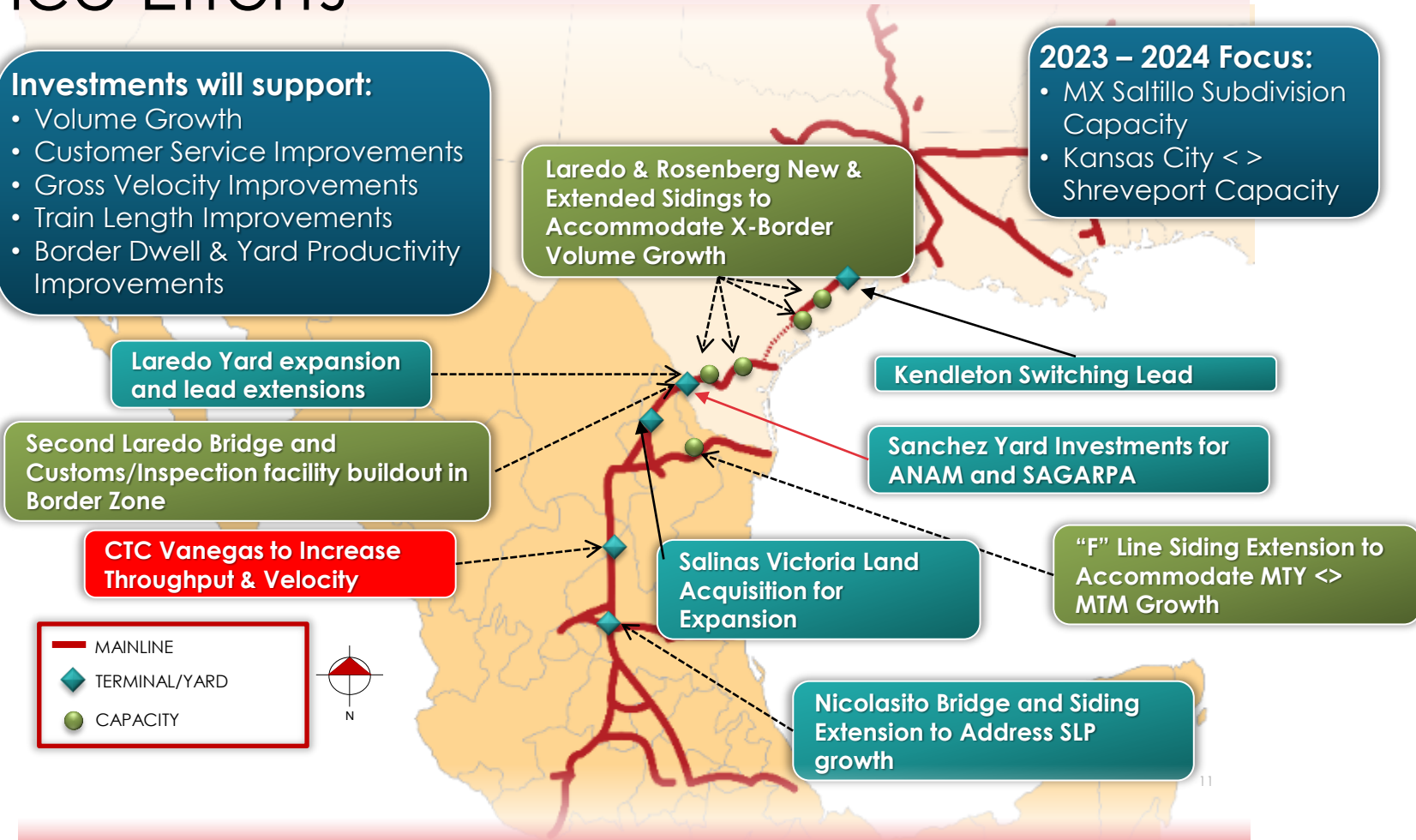
Key Investments in 2022 To Accommodate Growth and Customer Service Efforts

Investments will support:

- Volume Growth
- Customer Service Improvements
- Gross Velocity Improvements
- Train Length Improvements
- Border Dwell & Yard Productivity Improvements

2023 – 2024 Focus:

- MX Saltillo Subdivision Capacity
- Kansas City < > Shreveport Capacity



Resource Planning for Service and Resiliency

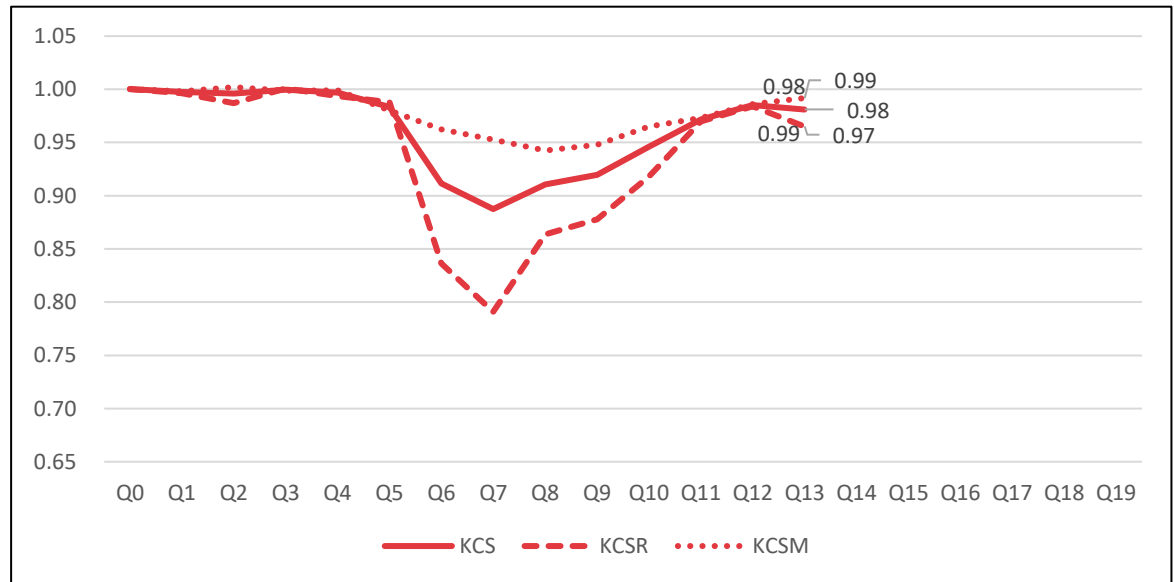


Transportation Staffing back to Pre-Pandemic levels and focused in routes critical to service



Power planning continues to provide agility to respond to volume and congestion variability

Ratio of Headcount Pre/Post Pandemic



Combined CPKC Network Map



~20,000 miles
Rail Network

~20,000
Employees

\$8.7bn
2020A of Combined
Revenue



Appendix





CPKC – Intermodal

- Offer 2 to 3 day truck-like domestic intermodal service linking consumers and major economic centers in the north (Chicago, Toronto, Minneapolis) to Texas and Mexico markets.
- Access to 11 ports on the West, East and Gulf Coasts, rail-serving gateways for import/export cargos connecting Asia/Europe/South America to North America.
- Provide seamless connection, fastest transit time from ports to inland terminals covering major markets, including Chicago, Dallas, Kansas City, Minneapolis, Detroit, Toronto and Montreal.



KCS Investing in Cross-Border Growth

- President Trump approved KCS international bridge permit July 29, 2020, the Mexico permit process is pending.
- Project is underway and in the design phase at this time.
- Targeting completion by 2023.
- Bulk of spending will occur in 2022, and expected to be within our current CapEx guidance.
- Additional bridge capacity will increase fluidity of Cross-Border operations.



Thank You!

www.KCSouthern.com

