



Q4 2019 EARNINGS REVIEW

JANUARY 29, 2020



FORWARD LOOKING STATEMENTS

The following investor presentation contains certain forward-looking information within the meaning of applicable securities laws relating, but not limited, to Canadian Pacific's operations, priorities and plans, anticipated financial and operational performance, including our 2020 full-year guidance (including volume and adjusted diluted earnings per share ("EPS") targets), business prospects, market drivers and outlook, planned capital expenditures, anticipated revenues and the source thereof, programs and strategies (including financing strategies). This forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance.

Forward-looking information may contain statements with words such as "anticipate", "believe", "expect", "plan", "financial expectations", "key assumptions", "outlook", "guidance", or similar words suggesting future outcomes.

Undue reliance should not be placed on forward-looking information as actual results may differ materially from the forward-looking information. Forward-looking information is not a guarantee of future performance. The purpose of our 2020 full year guidance (including adjusted diluted EPS targets) is to assist readers in understanding our expected and targeted financial results, and this information may not be appropriate for other purposes.

By its nature, CP's forward-looking information involves numerous assumptions, inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking information, including but not limited to the following factors: changes in business strategies; general North American and global economic, credit and business conditions; risks in agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures; industry capacity; shifts in market demand; inflation; changes in laws and regulations, including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; uncertainties of investigations, proceedings or other types of claims and litigation; labour disputes; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions and discount rates on the financial position of pension plans and including long-term floating rate notes; and investments, various events that could disrupt operations, including severe weather, droughts, floods, avalanches and earthquakes as well as security threats and governmental response to them, and technological changes.

The foregoing list of factors is not exhaustive. These and other factors are detailed from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in CP's annual and quarterly reports filed on Form 10-K and 10-Q, respectively.

Forward-looking information is based on current expectations, estimates and projections and it is possible that predictions, forecasts, projections, and other forms of forward-looking information will not be achieved by CP. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.



NOTE ON NON-GAAP MEASURES

Except where noted, all figures are in millions of Canadian dollars.

Financial information is prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), unless otherwise noted.

CP presents Non-GAAP measures in this presentation to provide a basis for evaluating underlying earnings and liquidity trends that can be compared with the prior period's results.

It should be noted that CP's Non-GAAP measures as described in this presentation, have no standardized meanings and are not defined by U.S. GAAP and, therefore, are unlikely to be comparable to similar measures presented by other companies.

Although CP has provided a forward-looking Non-GAAP measure (Adjusted diluted EPS) in this presentation, management is unable to reconcile, without unreasonable efforts, the forwards-looking Adjusted diluted EPS to the most comparable GAAP measure, due to unknown variables and uncertainty related to future results.

For further information regarding Non-GAAP measures, including reconciliations to the most directly comparable GAAP measure. See the Non-GAAP Measures supplement to the Q4 2019 Earnings Release on our website at investor.cpr.ca.

NOTE ON ADOPTION OF LEASE ACCOUNTING

The adoption of Accounting Standards Update (“ASU”) 2016-02, discussed further in Note 2 Accounting changes in CP's Interim Consolidated Financial Information in the Q4 2019 Earnings Release on investor.cpr.ca, was adopted by the cumulative-effect adjustment transition approach. Accordingly, comparative financial information has not been restated.



KEITH CREEL

PRESIDENT & CHIEF EXECUTIVE OFFICER



HIGHLIGHTS

- Record fourth quarter and full year results
- Continued operating excellence and strong safety performance
- Extending our reach through the acquisition of the CMQ
- Recently announced Diluent Recovery Unit (“DRU”) facility presents a unique and innovative opportunity

Q4

Revenues \$2.1 billion +3%
Operating Income \$890 million +2%
Operating Ratio 57.0% +50 bps
Diluted EPS \$4.82 +26%
Adjusted diluted EPS ⁽¹⁾ \$4.77 +5%

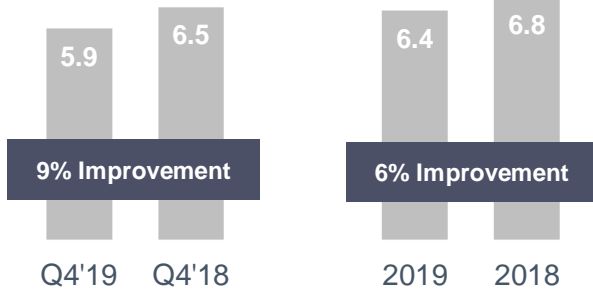
2019

Revenues \$7.8 billion +7%
Operating Income \$3.1 billion +10%
Operating Ratio 59.9% -140 bps
Diluted EPS \$17.52 +29%
Adjusted diluted EPS ⁽¹⁾ \$16.44 +13%

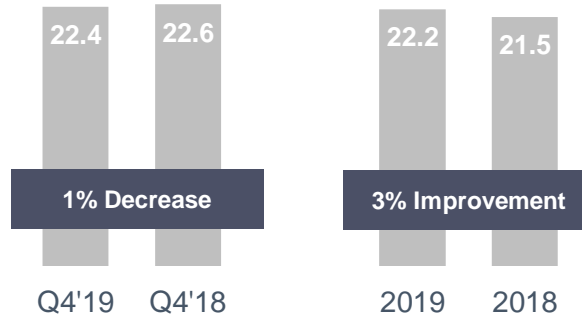
(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2019 Earnings Release on investor.cpr.ca

OPERATING PERFORMANCE

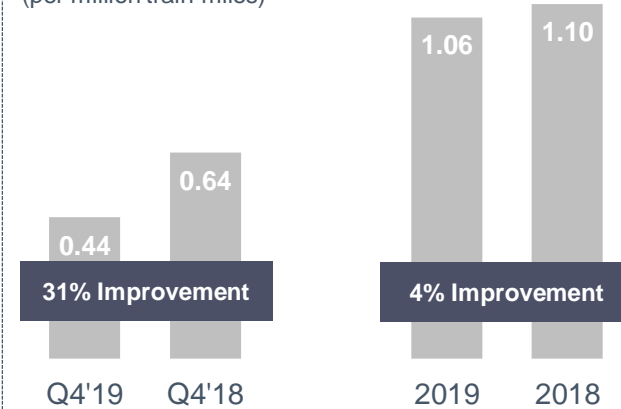
Average terminal dwell
(hours)



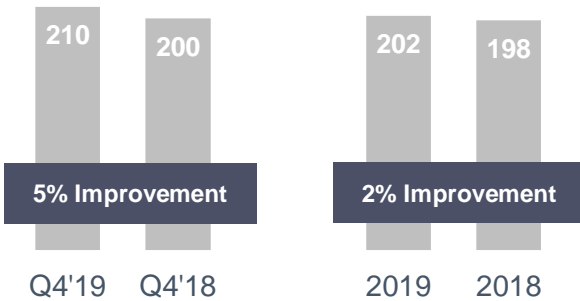
Average train speed
(mph)



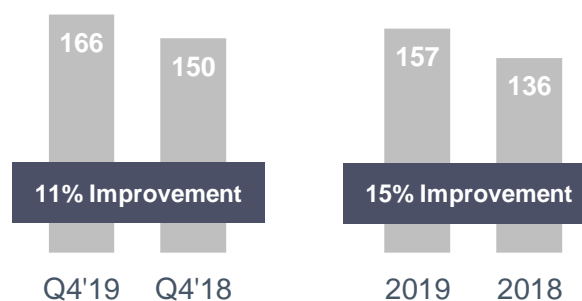
FRA train accident frequency
(per million train-miles)



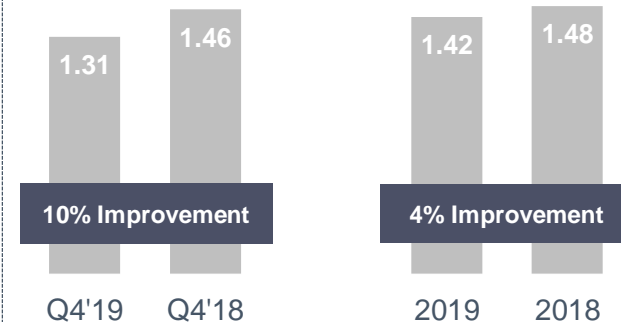
Locomotive Productivity
(Gross ton-miles / Operating Horsepower)



Car Miles / Car Day
(Total Equipment Miles / Active Cars on Line)



FRA personal injuries
(per 200,000 employee-hours)



Certain figures have been updated to reflect new information or have been revised to conform with current presentation



2020 OUTLOOK

MID-SINGLE DIGIT RTM GROWTH

**HIGH SINGLE-DIGIT TO LOW DOUBLE-DIGIT
ADJUSTED DILUTED EPS⁽¹⁾ GROWTH**

CAPITAL EXPENDITURES \$1.6B

ASSUMPTIONS

- Expected effective tax rate of 25%
- Other components of net periodic benefit recovery to decrease by approximately \$40 million vs. 2019



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2019 Earnings Release on investor.cpr.ca



JOHN BROOKS
CHIEF MARKETING OFFICER

REVENUE HIGHLIGHTS – Q4

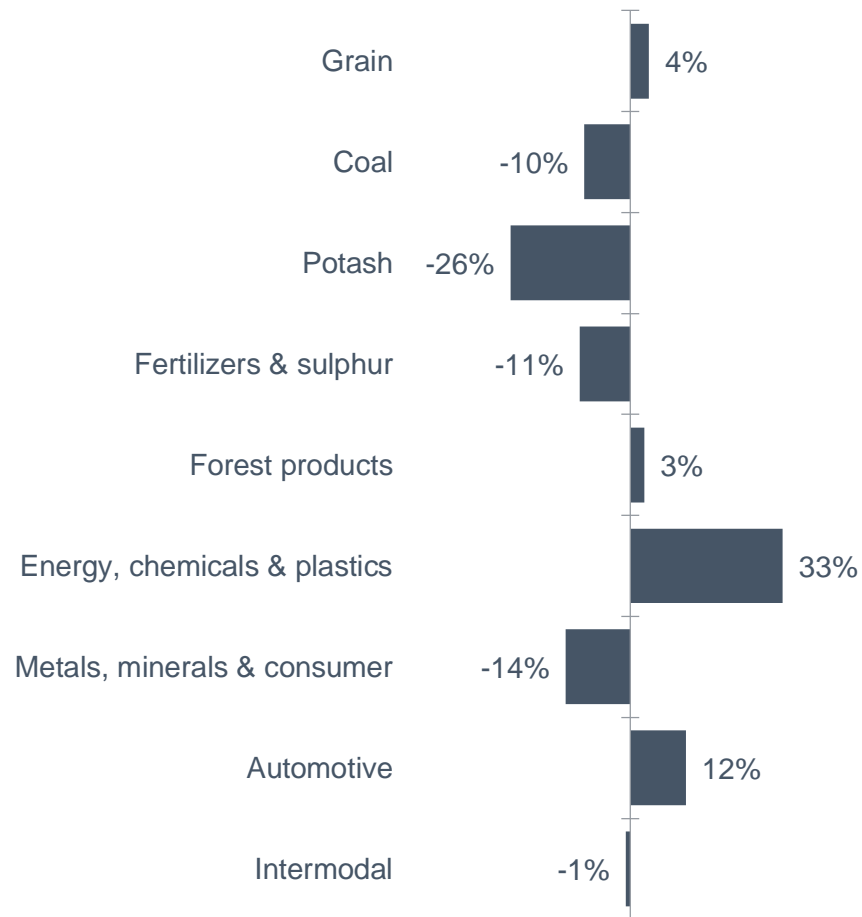
TOTAL REVENUE

+3%

VS Q4 2018

- \$ per Revenue Ton Mile (“RTM”): +6%
- Freight Revenue/Carload: +4%
- RTMs: -3%
- Carloads: -1%

FX-adjusted revenue variance⁽¹⁾



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REVENUE HIGHLIGHTS – FULL YEAR

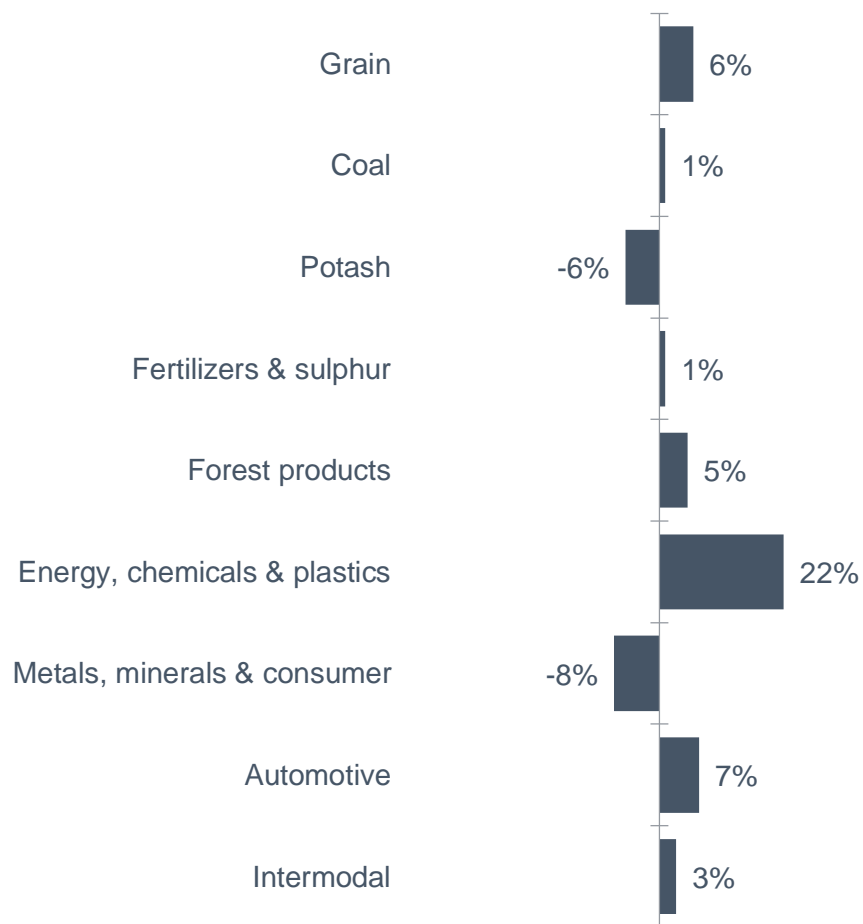
TOTAL REVENUE

+7%

VS 2018

- \$/RTM: +6%
- Freight Revenue/Carload: +5%
- RTMs: flat
- Carloads: +1%

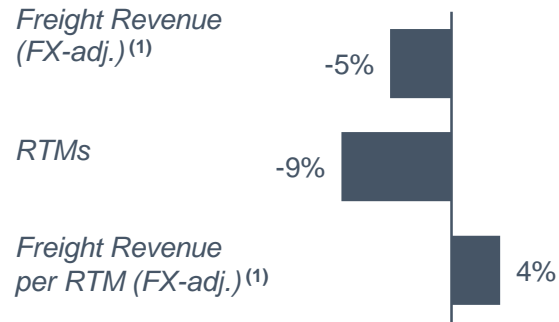
FX-adjusted revenue variance⁽¹⁾



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BULK

Q4'19 VS. Q4'18

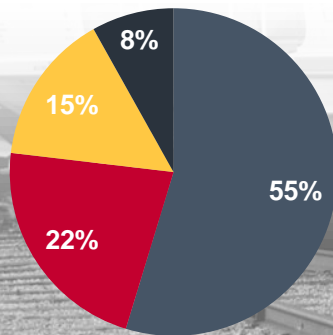


MARKET DRIVERS & OUTLOOK

- Record tonnage in Canadian grain with strong outlook
- Potash volumes improving but continued headwinds in Q1; back half weighted growth in 2020
- Coal volumes expected to be slightly down

2019 REVENUE BREAKDOWN

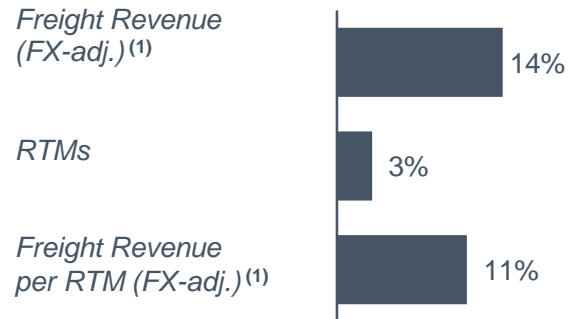
■ Grain ■ Coal ■ Potash ■ Fertilizers & Sulphur



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MERCHANDISE

Q4'19 VS. Q4'18

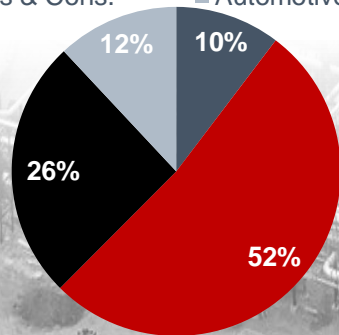


MARKET DRIVERS & OUTLOOK

- Transload strategy driving growth in forest products
- New DRU facility expected to come online in 2021
- Continued headwinds in frac sand
- Anticipating double-digit growth in autos

2019 REVENUE BREAKDOWN

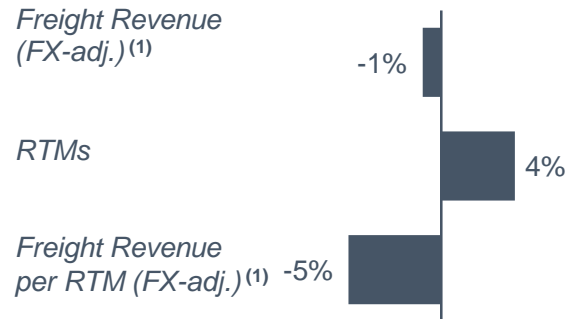
- Forest Products
- Energy, Chemicals & Plastics
- Metal, Minerals & Cons.
- Automotive



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INTERMODAL

Q4'19 VS. Q4'18

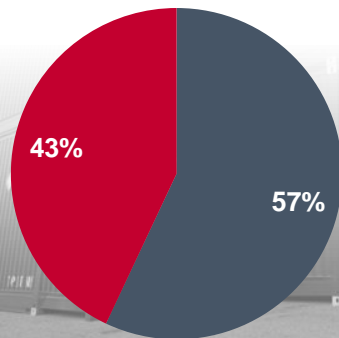


MARKET DRIVERS & OUTLOOK

- Onboarded Yang Ming January 1st; extended HMM a long-term agreement
- Domestic intermodal continues to hit new highs; record quarter and year
- Expect strong performance to continue

2019 REVENUE BREAKDOWN

■ Domestic Int. ■ International Int.



(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2019 Earnings Release on investor.cpr.ca



NADEEM VELANI

CHIEF FINANCIAL OFFICER



FINANCIAL PERFORMANCE – Q4

<i>(in millions, except percentages and per share data)</i>	Fourth Quarter		Change %	FX Adjusted Change ⁽¹⁾ %
	2019	2018		
Total revenues	\$ 2,069	\$ 2,006	3%	3%
Compensation and benefits	396	378	5%	5%
Fuel	227	247	(8)%	(8)%
Materials	49	46	7%	7%
Equipment rents	35	31	13%	13%
Depreciation and amortization	178	180	(1)%	(1)%
Purchased services and other	294	250	18%	18%
Total operating expenses	1,179	1,132	4%	4%
Operating income	890	874	2%	2%
Other (income) expense	(31)	118	(126)%	
Other components of net periodic benefit recovery	(87)	(97)	(10)%	
Net interest expense	112	114	(2)%	
Income tax expense	232	194	20%	
Net income	\$ 664	\$ 545	22%	
Adjusted income⁽¹⁾	\$ 656	\$ 648	1%	
Diluted earnings per share	4.82	3.83	26%	
Adjusted diluted earnings per share⁽¹⁾	4.77	4.55	5%	
Operating ratio	57.0%	56.5%	50 bps	

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2019 Earnings Release on investor.cpr.ca



FINANCIAL PERFORMANCE – FULL YEAR

<i>(in millions, except percentages and per share data)</i>	Full Year		Change %	FX Adjusted Change ⁽¹⁾ %
	2019	2018		
Total revenues	\$ 7,792	\$ 7,316	7%	5%
Compensation and benefits	1,540	1,468	5%	4%
Fuel	882	918	(4)%	(6)%
Materials	210	201	4%	4%
Equipment rents	137	130	5%	3%
Depreciation and amortization	706	696	1%	1%
Purchased services and other	1,193	1,072	11%	10%
Total operating expenses	4,668	4,485	4%	3%
Operating income	3,124	2,831	10%	9%
Other (income) expense	(89)	174	(151)%	
Other components of net periodic benefit recovery	(381)	(384)	(1)%	
Net interest expense	448	453	(1)%	
Income tax expense	706	637	11%	
Net income	\$ 2,440	\$ 1,951	25%	
Adjusted income⁽¹⁾	\$ 2,290	\$ 2,080	10%	
Diluted earnings per share	17.52	13.61	29%	
Adjusted diluted earnings per share⁽¹⁾	16.44	14.51	13%	
Operating ratio	59.9%	61.3%	(140) bps	

(1) For a full description and reconciliation of Non-GAAP Measures, see CP's Q4 2019 Earnings Release on investor.cpr.ca



FREE CASH

<i>(in millions)</i>	For the year ended December 31	
	2019	2018
Cash provided by operating activities	\$ 2,990	\$ 2,712
Capital expenditures	(1,647)	(1,551)
Investment in Central Maine & Québec Railway	(174)	—
Other property and asset sales	26	78
Other	(8)	15
Cash used in investing activities	(1,803)	(1,458)
Effect of FX on USD-denominated cash & cash equivalents	(4)	11
Less:		
Settlement of forward starting swaps on debt issuance	—	(24)
Investment in Central Maine & Québec Railway	(174)	—
Free cash⁽¹⁾	\$ 1,357	\$ 1,289
ROIC⁽¹⁾	17.9%	15.3%
Adjusted ROIC⁽¹⁾	16.9%	16.2%

- Adjusted net debt to adjusted EBITDA ratio⁽¹⁾ 2.4x
- New share repurchase program announced December 17th 2019 to purchase up to 4.8 million shares

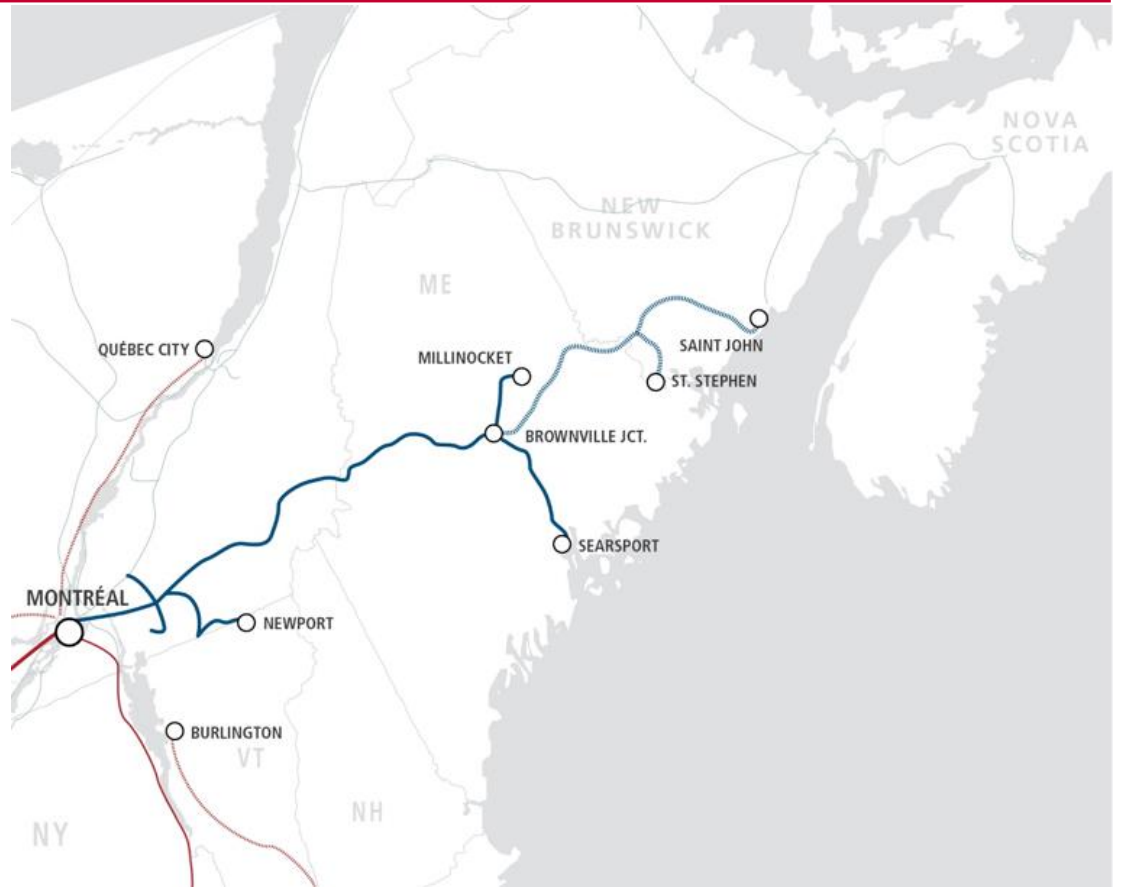
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APPENDIX



CMQ ACQUISITION

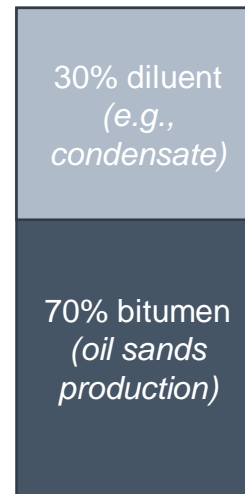
- Announced on November 20th and closed on December 30th 2019
- Purchase price of US\$133 million
- 481 miles primarily in Québec and Maine
- Extends CP's reach and enables access into deepwater ports at Searsport and Saint John
- CP will be able to offer the shortest and fastest routes to and from the Maritimes to Montréal, Toronto, Chicago and Western Canada



DRU OVERVIEW

- Gibson Energy (“Gibson”) and US Development Group (“USD”) reached an agreement to construct and operate a DRU near Hardisty, Alberta
- The facility has a design capacity of 100,000 barrels per day; 50% of the capacity has been contracted to ConocoPhillips
- USD and Gibson are currently in commercial discussion for an additional 50,000 barrels per day at the proposed DRU
- Removing the diluent, crude can be transported as a non-hazardous commodity by rail
- The facility could be operational as early as Q2 2021

Status Quo: Dilbit



Future: DRUbit™(1)



- Cost competitive for producers
- Better feedstock for refiners
- More efficient for railroads

(1) Information provided by USDG

INVESTOR RELATIONS CONTACTS

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