

RAILROAD WEEK IN REVIEW

January 30, 2026

“We’ve capitalized on the strength of our service to win business, and we will be ready and able to respond when demand increases. As we move forward, you will continue to see us take thoughtful actions to drive greater profitability and cash flow and build momentum into the year ahead.” — Stephen Angel, CSX President and CEO, Jan 26

“The merger Filing reflects the value our combined railroad will provide America and our customers. We are confident that we’ll demonstrate that our merger enhances competition and is in the best interest of the public. Our combined railroad will move goods faster while removing millions of trucks off the congested highways in several large cities. Customers will benefit from faster, more reliable service that unlocks new markets.” Jim Vena, UP CEO and Director, Jan 27

CSX opened the 4Q2025 earnings-call season with what can fairly be described as so-so results. Quarterly revenue was \$3.2 billion, down 1%, on 1.6 million revenue units, up 1.4%. System RPU declined 2%. Intermodal units increased 7%, while carloads fell 2%. These are heartburn numbers. Intermodal once again did the visible work, while the carload franchise — the part of the railroad that actually pays the bills — eroded.

That distinction matters. For full-year 2025, merchandise carloads accounted for roughly 66% of RTMs and 69% of freight revenue. Intermodal represented just 15% of RTMs and 16% of revenue. Yet intermodal continues to dominate the narrative. It is easier to explain, easier to model, and easier to sell.

It also requires materially higher capital intensity: FRA Class 6 track where Class 4 is sufficient for merchandise, and materially higher horsepower per trailing-ton—implying a larger locomotive fleet than a merchandise-heavy railroad would otherwise require. The intermodal optics are attractive; the economics less so.

Maryclare Kenney, who became Senior Vice President and Chief Commercial Officer in October 2025, addressed both intermodal and merchandise on the call. “We’ve been encouraged by the success we’ve had in intermodal, where the team won new business in 2025 as we expanded our network reach through new operational agreements, and our strong service has allowed us to provide a faster service product.” She described the merchandise franchise as positioned to benefit from infrastructure-driven demand—cement, aggregates, plate, and scrap—while noting greater uncertainty in housing and automotive.

Kenney's perspective reflects her background: in 14 years at CSX, she has built her commercial leadership experience across intermodal, automotive, and merchandise sales and marketing. She is also a U.S. Army combat veteran, having served seven years and concluding her stint as a captain, having had leadership roles in the 3rd Infantry and 101st Airborne Divisions, including support operations in the Bahamas and Iraq.

Fourth-quarter operating income held near \$1.11 billion, producing a 68.4 OR using GAAP results —roughly flat sequentially versus 2024. Net earnings were \$721 million, with EPS of \$0.39, modestly below consensus, reflecting approximately \$50 million in severance and technology-rationalization charges.

For full-year 2025, CSX reported revenue of \$14.1 billion, operating income of \$4.5 billion, and EPS of \$1.54, with adjusted figures modestly higher. Management cited a subdued industrial backdrop and ongoing cost realignment as the defining features of the year.

The outlook? CSX issued cautious 2026 guidance, calling for low single-digit revenue growth, 200–300 basis points of operating-margin expansion, and 50%+ free-cash-flow growth. The strategy is familiar: productivity gains, cost control, and disciplined capital deployment rather than reliance on demand recovery. The message was competent, measured, and largely interchangeable with what investors hear across the sector.

Union Pacific on Tuesday reported 4Q2025 freight revenue of \$5.8 billion, down one percent, on 2.1 million revenue units, down 4%; system RPU increased 4% to \$2778. Operating income was off 5% to 2.4 billion; the OR added 189 bips to 60.5. Net income rose 5% to \$1.8 billion; the diluted share count came down 2%.

Ordinarily I like to see how much of the RPU is fuel surcharge, but UP isn't breaking it out. They say only, "Freight revenue, excluding fuel surcharge, grew 3%." If reported total revenue was down one percent, does that suggest freight revenue including FSC was positive? Do the math: if rev ex-FSC was up and reported freight revenues was down, the unavoidable conclusion is that fuel-surcharge revenue declined materially and more than offset underlying price and mix gains.

That result is consistent with lower diesel benchmarks versus 4Q2024 and lag effects working against UP during the quarter. In this instance, fuel surcharge acted as a headwind to reported revenue, not a tailwind. The fact that UP chose not to break it out is itself telling: when fuel surcharge helps, railroads highlight it; when it hurts, they

generalize. Notably, management could have framed the outcome positively—underlying pricing improved, but declining fuel surcharge masked it—yet declined to do so.

Revenue units ex-intermodal barely budged, up one percent, with intermodal boxes down 12 %. This is a double hit because intermodal captures 20% of freight revenue on only 17% of RTMs. This further reinforces my argument that unsexy, plain old carloads of freight from coal to corn to food, still pay the rent, bringing in 72% of total freight revenue on just 62% of revenue ton-miles. Makes one wonder why the whole UP/NS story seems to be all about intermodal.

The subject of the merger was noticeably absent from the prepared remarks. Granted UP reported a solid quarter with no evident deterioration in franchise fundamentals, service metrics, or pricing power. IMHO, The central risk for UP is no longer whether its merger logic is sound, but whether regulators believe the company will do what it says once approval is granted. Get past that and we're golden.

My take-away from many years of watching over the STB's regulatory shoulder is that a high word-count in doesn't count for much. Credibility and enforceability do. The Verified Statements of all the experts UP hired to make their case argue process, while opponents are arguing precedent—a mismatch that remains unresolved.

I'm ending WIR here. UP was the last call needed to complete the picture this week. CPKC, NS, and CN can wait; the signal won't, even though CPKC, NS, and CN all reported in the back half of the week. Credit ChatGPT with a bit of the framing.

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