

RAILROAD WEEK IN REVIEW

March 6, 2026

“BNSF’s focus on the proposed merger has been to ensure BNSF can continue to offer customers a compelling value proposition, including full and competitive access to Eastern rail markets.” — Greg Abel, CEO Berkshire-Hathaway, Chairman’s Letter, February 28

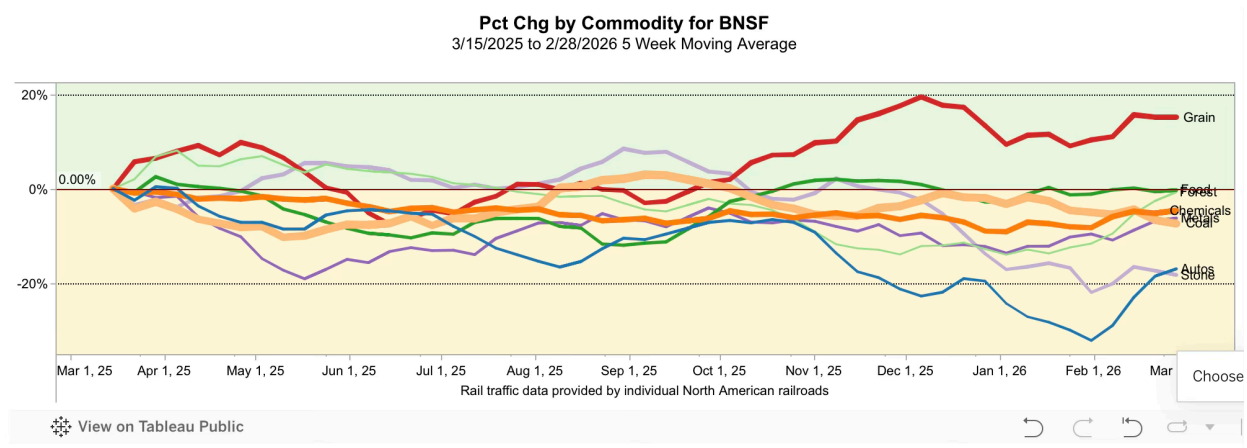
“BNSF railroad operating revenues declined 0.5% in 2024 compared to 2023, reflecting lower average revenue per car/unit of 6.6%, primarily attributable to lower fuel surcharge revenue and business mix changes, partially offset by a net volume increase of 6.5%. Railroad operating earnings in 2025 increased due to volume growth and lower operating expenses from improved productivity, Berkshire Hathaway 2025 Annual Report, SEC Form 10-k

BNSF closed 2025 with \$22.8 billion in freight revenue, essentially flat year over year, on 9.6 million revenue units, also unchanged. Q4 and full-year total revenue came in at \$6.0 billion and \$23.4 billion, down 2% and flat, respectively. The headline, however, is below the revenue line: full-year operating income rose 8% to \$8.0 billion on flat revenue, driving a 2.5-point improvement in the operating ratio to 65.6.

Operating income rose 8% to \$8 billion. With the exception of Purchased Services, every expense category moved lower, underscoring disciplined cost execution in a muted volume environment. Net income advanced 9% to \$5.5 billion.

By segment, Consumer Products volumes reflected continued intermodal pressure, down 6% in the fourth quarter and flat to slightly lower for the year, as excess trucking capacity and a soft global trade backdrop weighed on shipments; automotive volumes held firmer, up 1% for the year.

Agricultural traffic provided ballast, with fourth-quarter carloads up 5% and full-year volumes up 2%, driven primarily by stronger grain exports and non-petroleum fuels, partially offset by softer soybean and domestic grain shipments. Industrial Products declined 7% in the quarter and 5% for the year amid construction and plastics softness. Coal volumes fell 6% in the fourth quarter on plant retirements and mine production challenges but edged up 1% for the year as higher natural gas prices improved coal’s competitive position.



The full-year numbers tell the more accurate tale: in a flat-revenue, mixed-demand environment, BNSF expanded margins meaningfully through cost control and network discipline. While intermodal and industrial markets continued to face cyclical headwinds, agricultural exports and gas-coal spreads provided offsetting support.

The 65.6 OR reflects not financial engineering but operational execution. In short, 2025 was less about growth and more about stewardship — protecting earnings power while positioning the franchise for volume recovery when macro conditions normalize. Flat volumes, flat revenue — higher earnings. This is not financial engineering but operational execution.

And it allows for proper capital allocation to capex. BNSF announced a \$3.6 billion capital plan for 2026 focused predominantly on maintenance and network reliability improvements. This spending reflects a strategic choice to sustain and modernize the existing footprint to support long-term service reliability rather than aggressive expansion. Tentative labor agreements in the intermodal workforce should help limit disruption risk in key growth corridors.

Drilling down into the financial statements, the Balance Sheet shows a highly respectable net debt at 31.5% of capitalization — appropriately lean for a railroad of BNSF's scale, a modest 1.13 current ratio, and a 23.4% net margin— pricing power plus operating discipline at work. Interest coverage at 7.3 times provides fortress-level comfort. Retained earnings increased 8.8% to \$5.5 billion.

Cash from operations increased 6.6% to \$8.1 billion; owner earnings (cash from operations less capex) grew 10% to \$4.3 billion, just slightly ahead of reported CPI and the Federal Reserve's ongoing monetary expansion. All of which was achieved with

conservative leverage and strong interest coverage — without the leverage-driven financial engineering so much in fashion elsewhere.

Greg Abel's first shareholder letter as CEO of Berkshire Hathaway strikes a deliberately custodial tone, reinforcing continuity in capital allocation discipline, decentralized operations, and long-term intrinsic value growth. While reported net earnings will continue to reflect mark-to-market volatility in the equity portfolio, Abel's emphasis is clearly on operating earnings, insurance float durability, and reinvestment optionality.

The letter reads less like a strategic reset and more like a reaffirmation of Warren Buffett's operating architecture — patient capital, cultural autonomy, and balance-sheet strength. Within that framework, Abel's explicit mention of BNSF and the decision to place CEO Katie Farmer on the platform for the Q&A at the upcoming annual meeting is noteworthy.

Berkshire signals priorities through stagecraft, and microphone time in Omaha is institutional positioning. Highlighting Farmer reinforces BNSF's status not merely as a financial holding but as a core operating pillar, and underscores Abel's preference for operators who speak both ballast and balance sheet. The railroad's role as a long-duration, capital-intensive franchise aligned with Berkshire's permanent-capital model appears intact.

Looking ahead, Berkshire's key metrics remain unchanged: underwriting discipline, float growth, subsidiary autonomy, and capital deployment restraint. Abel's challenge will not be operational competence but market perception in the absence of Buffett's singular presence. If share price volatility emerges from headline GAAP earnings rather than structural deterioration, it may reflect narrative adjustment rather than intrinsic impairment. In short, Abel's letter signals stewardship over reinvention, with BNSF and Farmer visibly anchored inside Berkshire's long-term operating core.

Closing thought. Reading though the Ks for both Berkshire and the railroad, one is reminded that, as always, the real story sits in the back of the 10-K. The footnotes confirm what the headline numbers suggest — disciplined leverage, solid coverage, and cash earnings that reconcile cleanly to reported results.

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