

KANSAS CITY SOUTHERN



Brian Hancock
Morgan Stanley 6th Annual
Auto 2.0 Conference

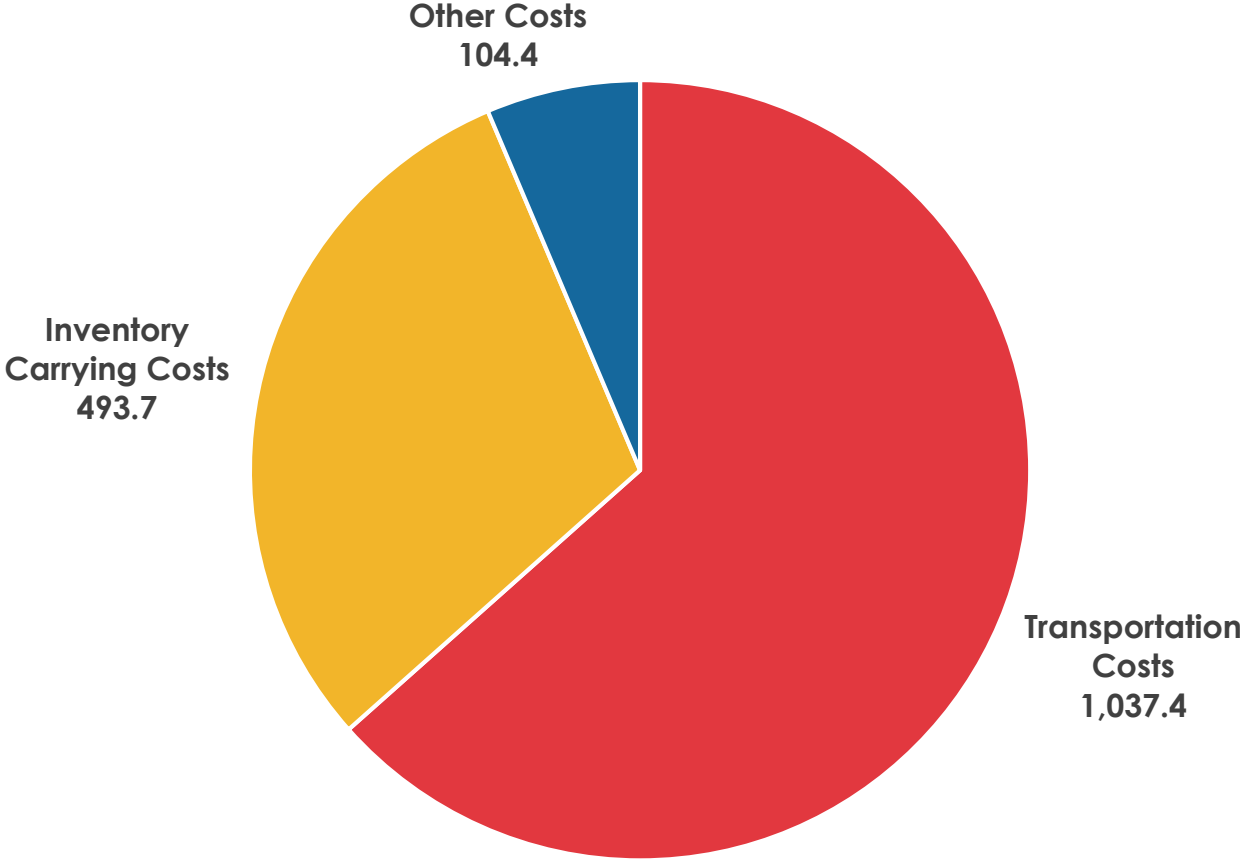
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This presentation contains "forward-looking statements" within the meaning of the securities laws concerning potential future events involving KCS and its subsidiaries, which could materially differ from the events that actually occur. Words such as "projects," "estimates," "forecasts," "believes," "intends," "expects," "anticipates," and similar expressions are intended to identify many of these forward-looking statements. Such forward-looking statements are based upon information currently available to management and management's perception thereof as of the date hereof. Differences that actually occur could be caused by a number of external factors over which management has little or no control, including: competition and consolidation within the transportation industry; the business environment in industries that produce and use items shipped by rail; loss of the rail concession of KCS' subsidiary, Kansas City Southern de México, S.A. de C.V.; the termination of, or failure to renew, agreements with customers, other railroads and third parties; access to capital; disruptions to KCS' technology infrastructure, including its computer systems; natural events such as severe weather, hurricanes and floods; market and regulatory responses to climate change; legislative and regulatory developments and disputes; rail accidents or other incidents or accidents on KCS' rail network or at KCS' facilities or customer facilities involving the release of hazardous materials, including toxic inhalation hazards; fluctuation in prices or availability of key materials, in particular diesel fuel; dependency on certain key suppliers of core rail equipment; changes in securities and capital markets; unavailability of qualified personnel; labor difficulties, including strikes and work stoppages; acts of terrorism or risk of terrorist activities; war or risk of war; domestic and international economic, political and social conditions; the level of trade between the United States and Asia or Mexico; fluctuations in the peso-dollar exchange rate; increased demand and traffic congestion; the outcome of claims and litigation involving KCS or its subsidiaries; and other factors affecting the operation of the business. More detailed information about factors that could affect future events may be found in filings by KCS with the Securities and Exchange Commission, including KCS' Annual Report on Form 10-K for the year ended 12/31/2018 (File No. 1-4717) and subsequent reports. Forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. KCS is not obligated to update any forward-looking statements to reflect future events or developments. All reconciliations to GAAP can be found on the KCS website, kcsouthern.com/investors.



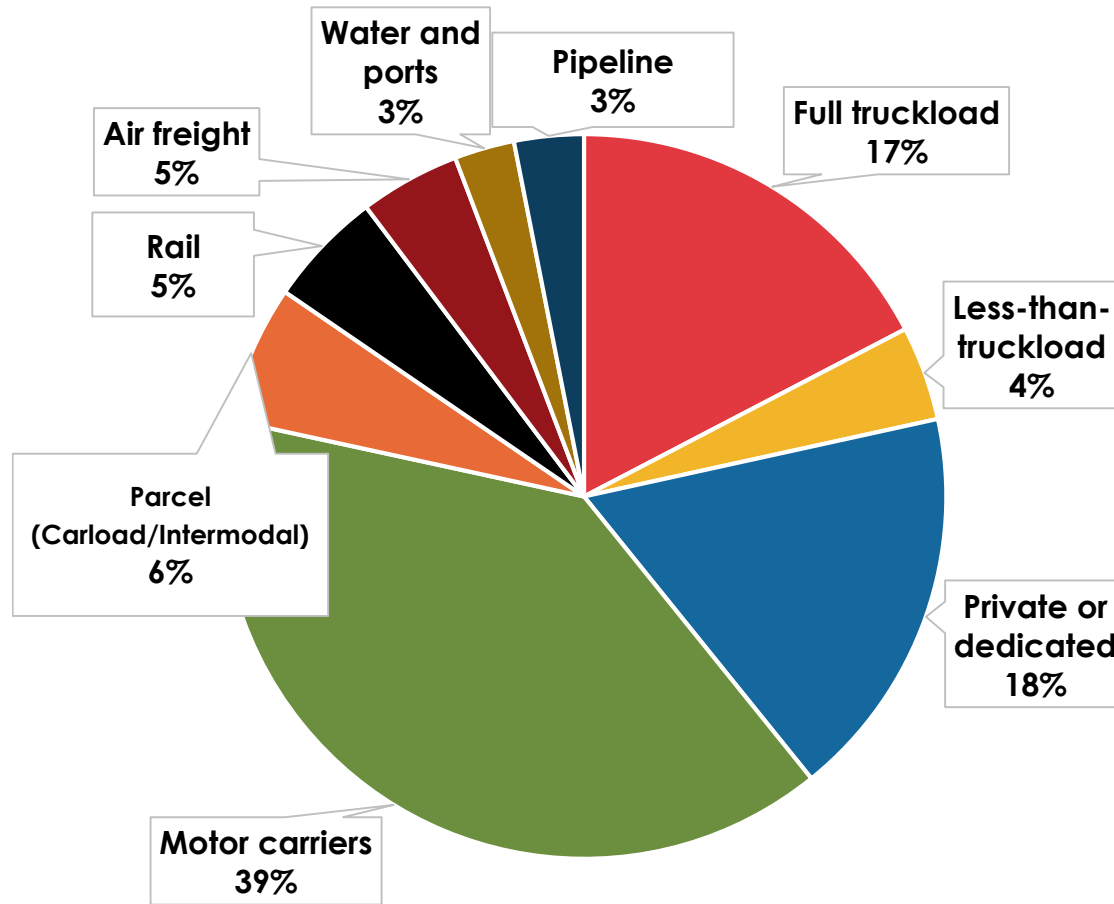
How will the Autonomous revolution impact Railroads?

**Total 2018 Supply Chain Costs
\$1.63 Trillion**

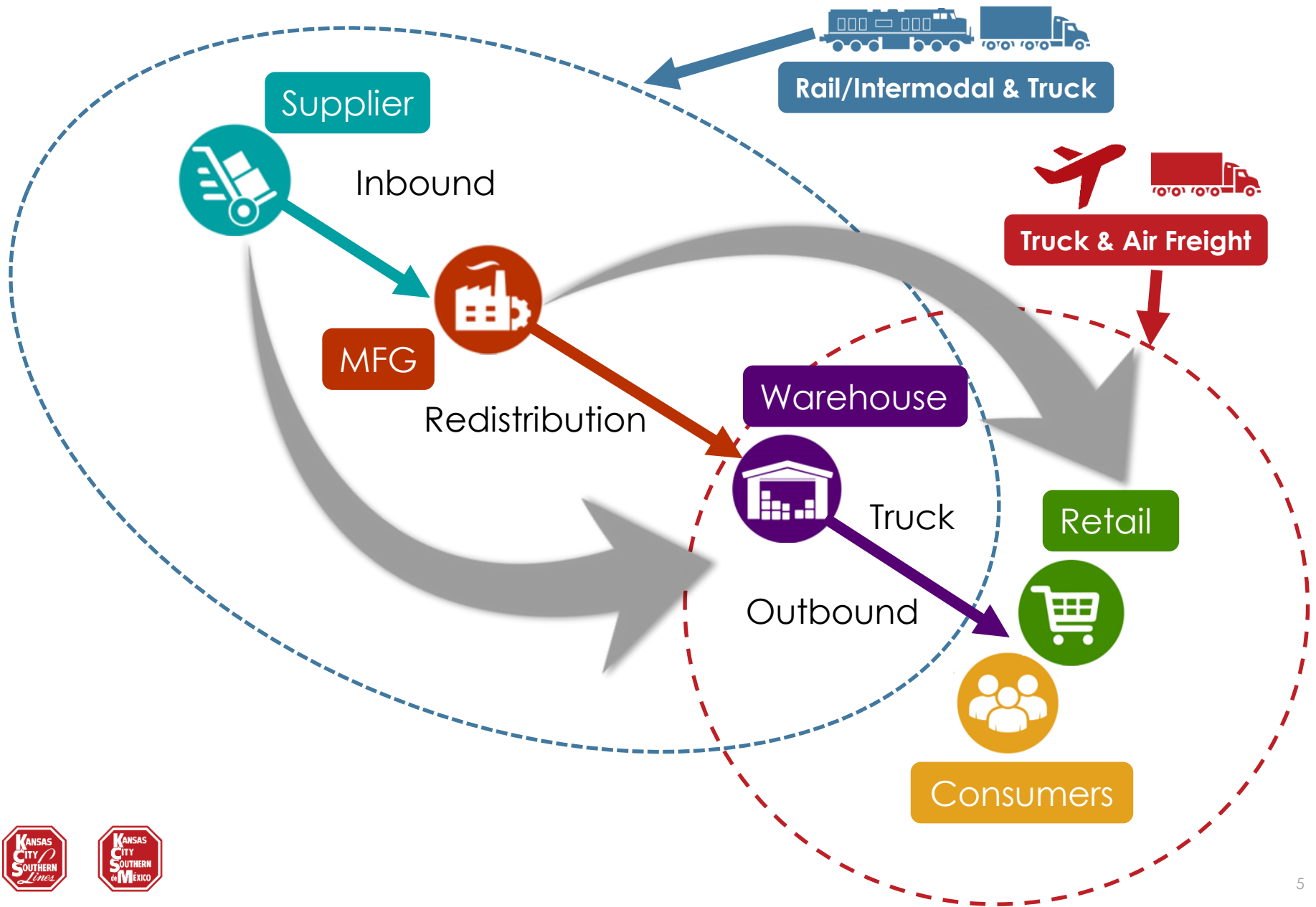


Source: CSCMP's 30th Annual State of Logistics Report 2019

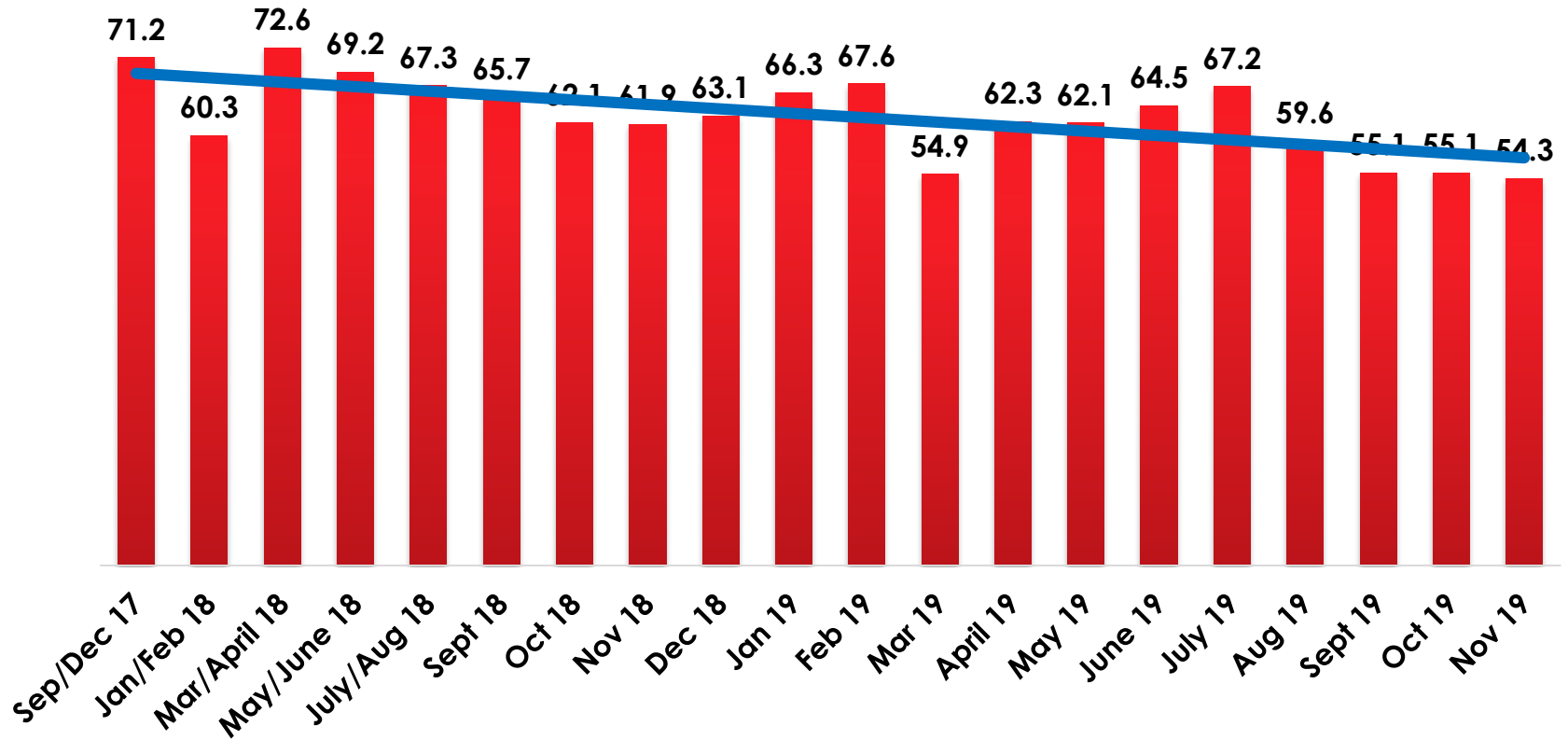
Total Transportation Costs \$1.037 Trillion



Trains and Trucks – Who serves where?



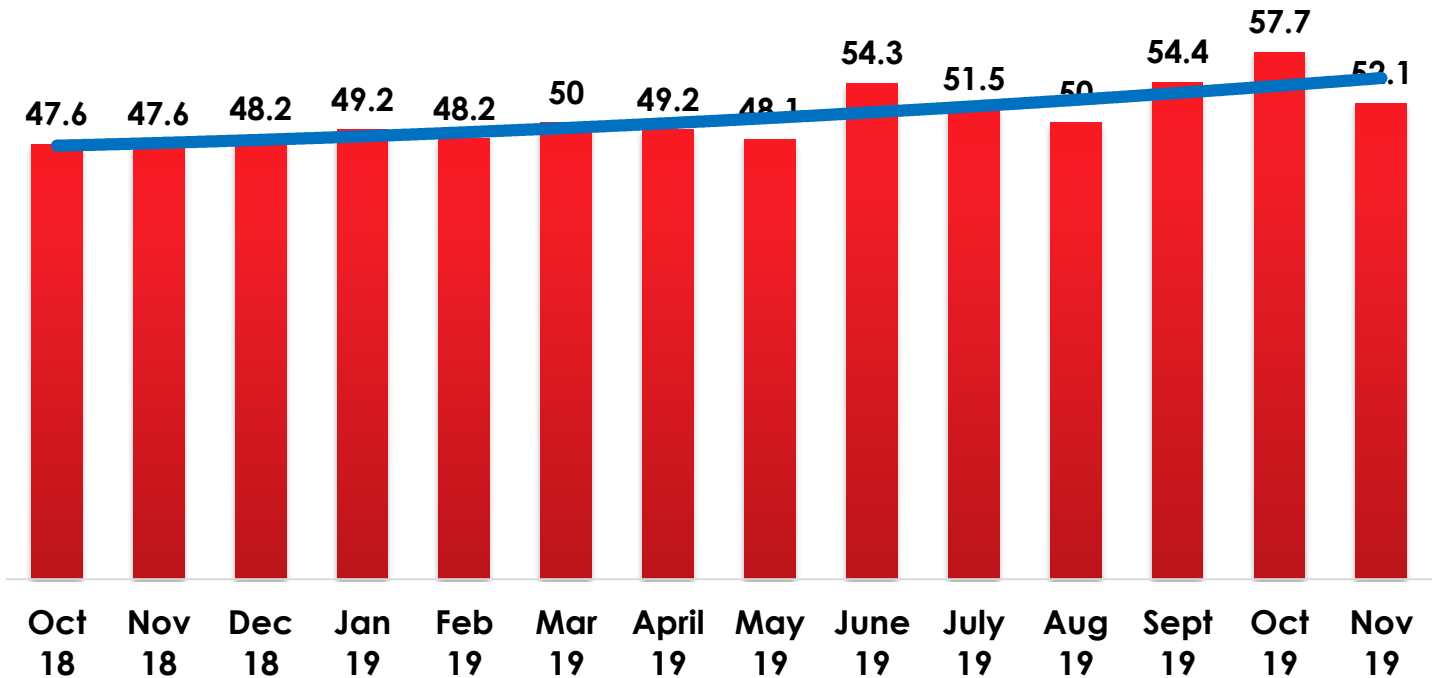
Inventory Levels are Decreasing



Supply Chains are expecting slower growth and depending more on “variable” or “Just in Time” inventory methods



Warehousing Capacity



Over the last year we have seen an increase
In Total Warehouse Capacity



Global instability creates significant Supply Chain pressure !

The New York Times

Opinion

Trump's China Trade War Is Failing.

Why aren't wages rising faster even with low unemployment? Trade war, weaker economy are among reasons

Economics

U.S. Truck Driver Shortage Is On Course to Double in a Decade

Even as the U.S. and China agree to trade truce, they are edging toward partial economic divorce

Ominous IMO 2020 Signs For Ocean Shipping Spot Rates

China exports fall again as US trade war continues

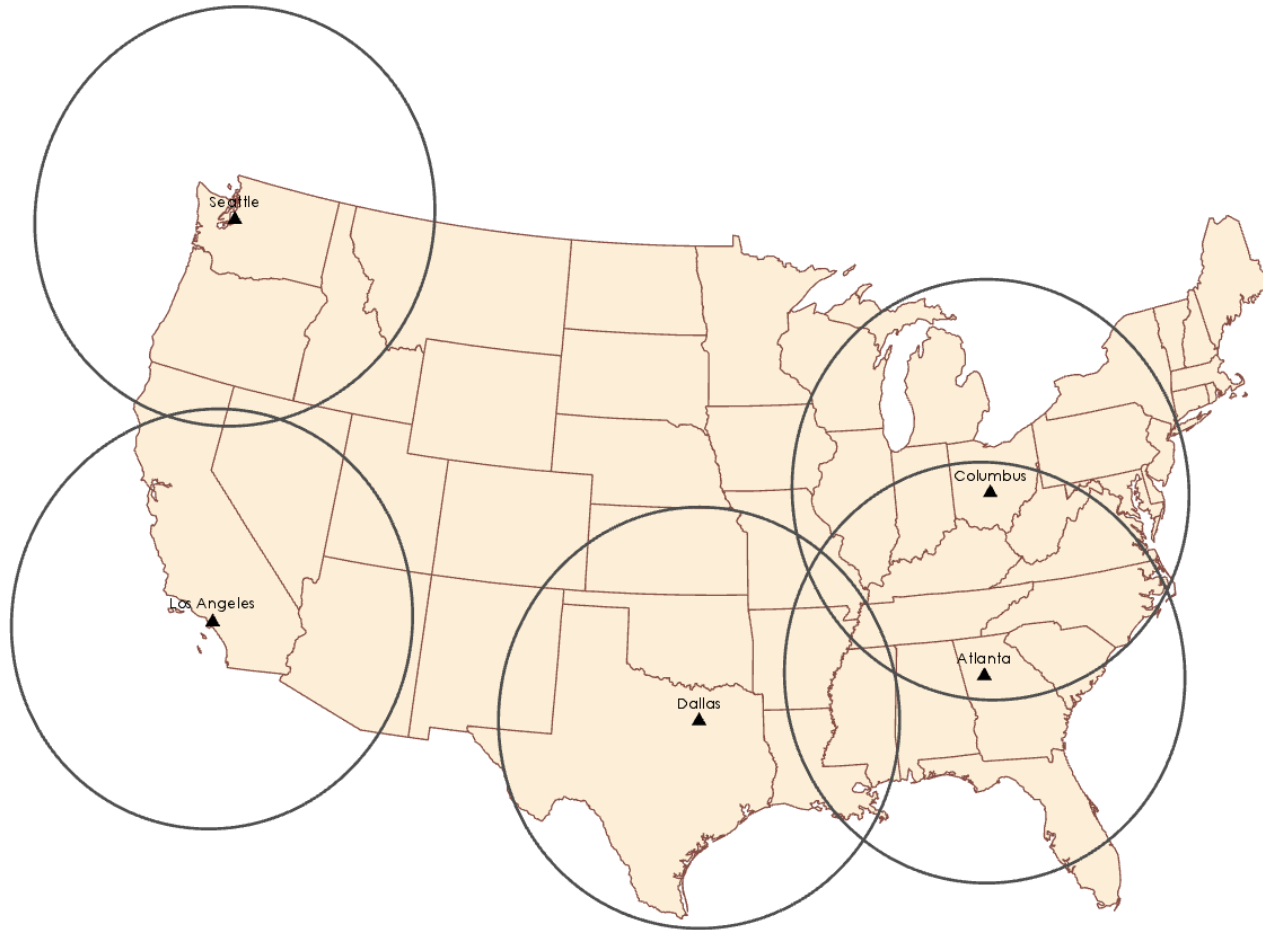
2019: Freight Market Slowdown, Tariffs Diminished Trucking Industry's Performance

A Mexican Oligarch Is Undermining the New NAFTA



1980's

5- Major hubs allowed for 2 day service to 85% of population

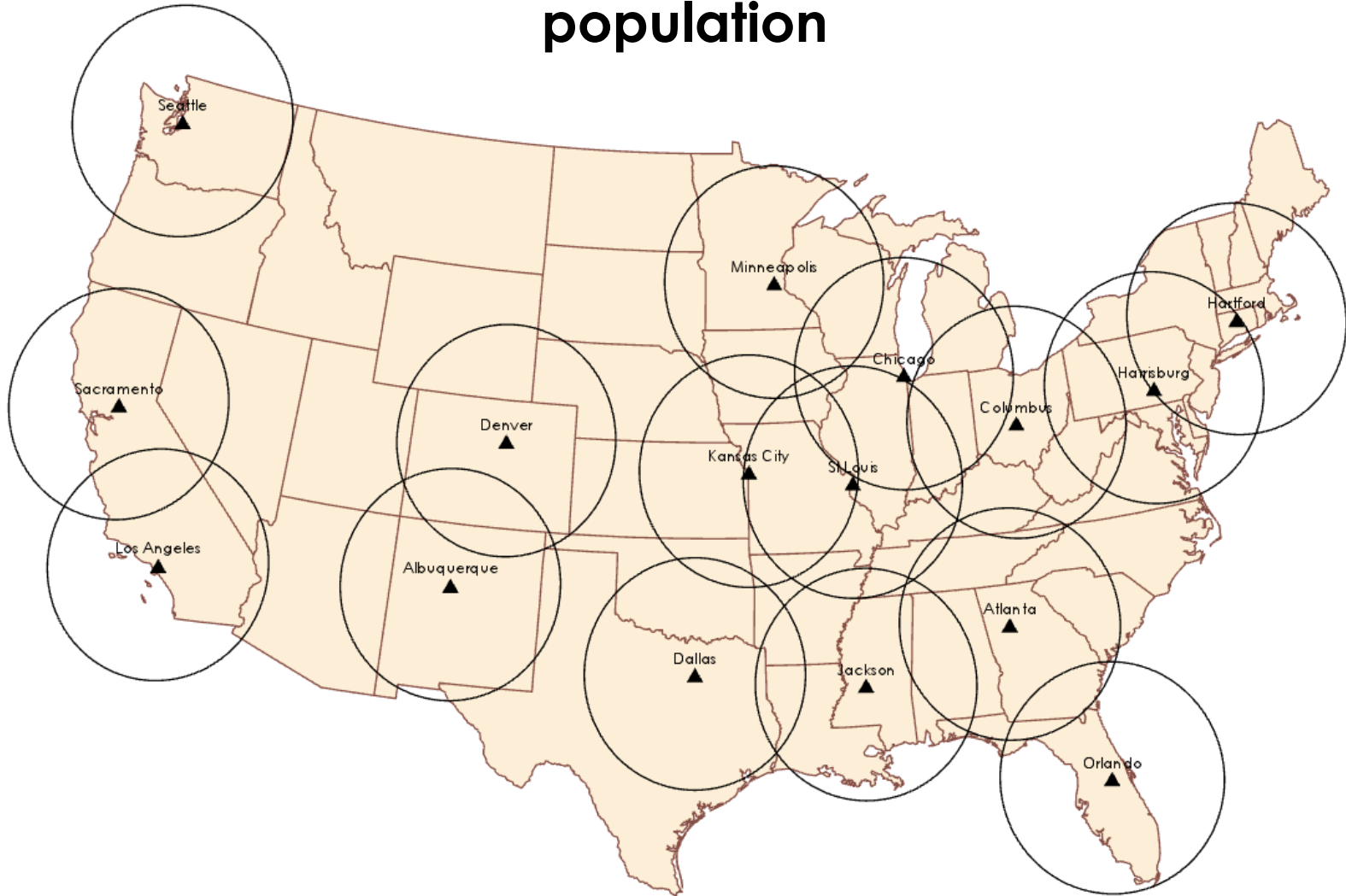


Railroads and Trucks primary Redistribution transit mode



1990's – 2000's

16- Major hubs allowed for Next day service to 97% of population

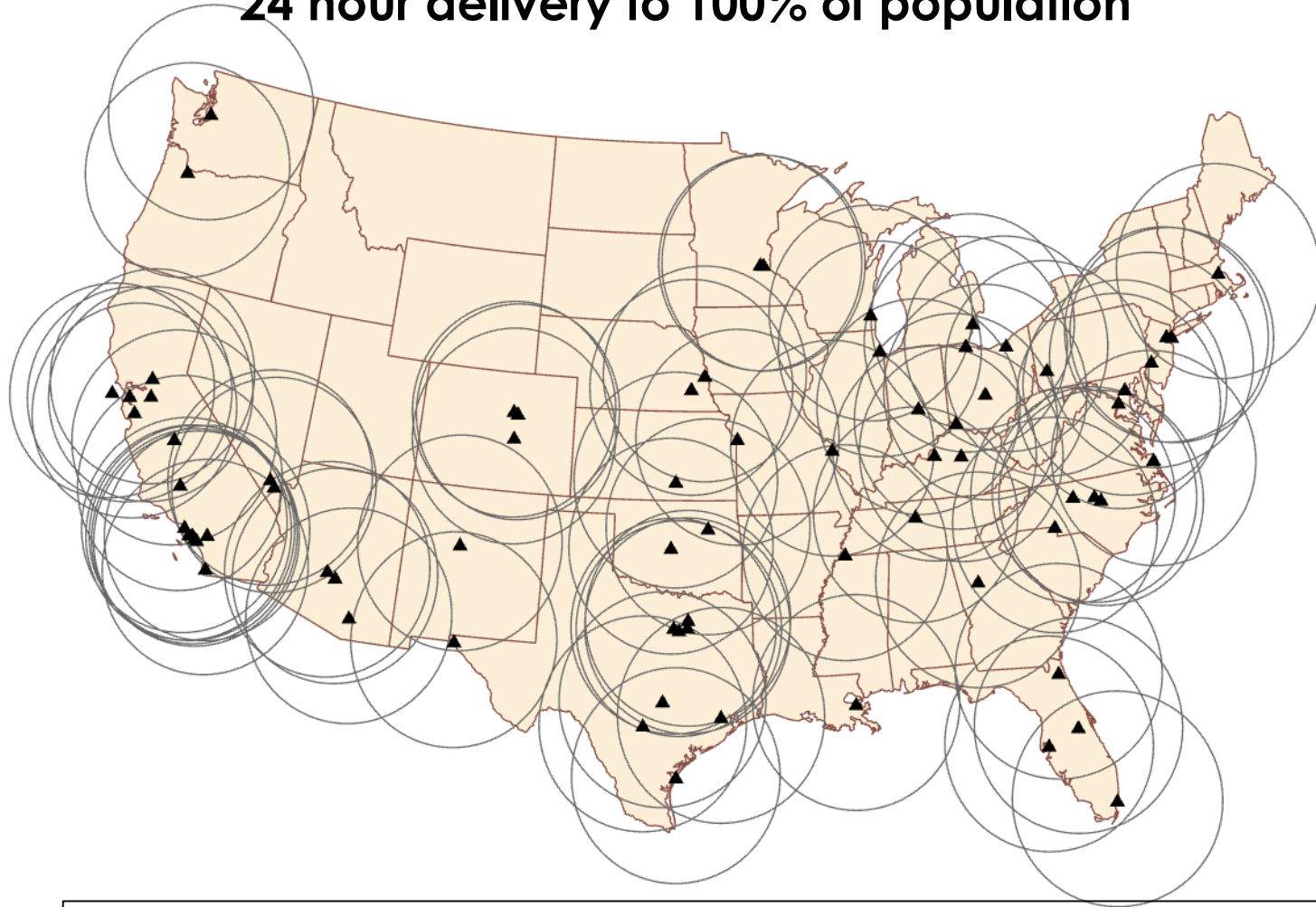


Railroads and Trucks continue to play a key role in Network design



2010-2020

**Amazon Model – 75 Fulfillment Centers
for same day service in many cities and
24 hour delivery to 100% of population**



Railroads / Intermodal continue to Serve key geographical hubs
Trucks focus on the 250 mile radius and faster service



Wal-Mart Strategy

4,759 Every Store is a local fulfillment warehouse (4,769 Stores in US)

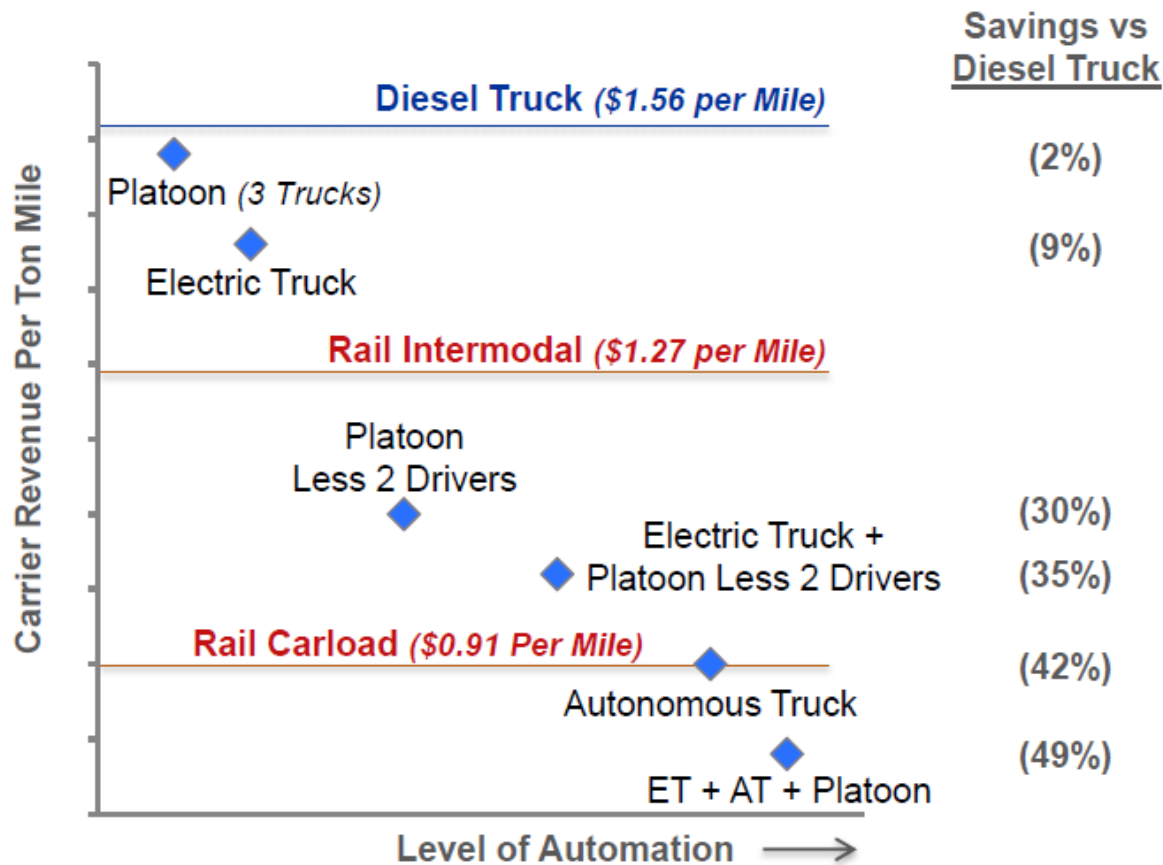


Stores are focusing on reliable local delivery



Source: Walmart.com

Rail vs Autonomous Trucks



Truck savings enabled by:

- Platooning
- Electric truck
- Eliminating driver
- Full autonomy

Savings from full automation between 42% and 49%

Rail continues to be the best value if service is reliable



Source: ATRTI, DAT, Company Reports, BMO Capital Markets

Moving Grain via Rail or Truck



1.6 million carloads of grain were originated by North American Railroads in 2019 through week 49.



An average of over **4,600** grain carloads being waybilled daily in 2019.



It would require over **16,000 trucks** on a daily basis to move this traffic by truck.



Moving a **100 Car** Unit Grain train would require **350-400 truckloads**



An extra 205 miles of trucks on the roads everyday for this single commodity



Rail Shipping is Environmentally Friendly

2018 Estimates	Revenue Ton Miles	Gallons Used	RTM/ Gallons	Metric Tons CO ₂ e
Truck Transportation ¹	50,232.9M	473.9M	106	4.8M
KCS Rail Transportation	50,232.9M	135.8M	370	1.4M
Net Difference		338.1M		3.4M

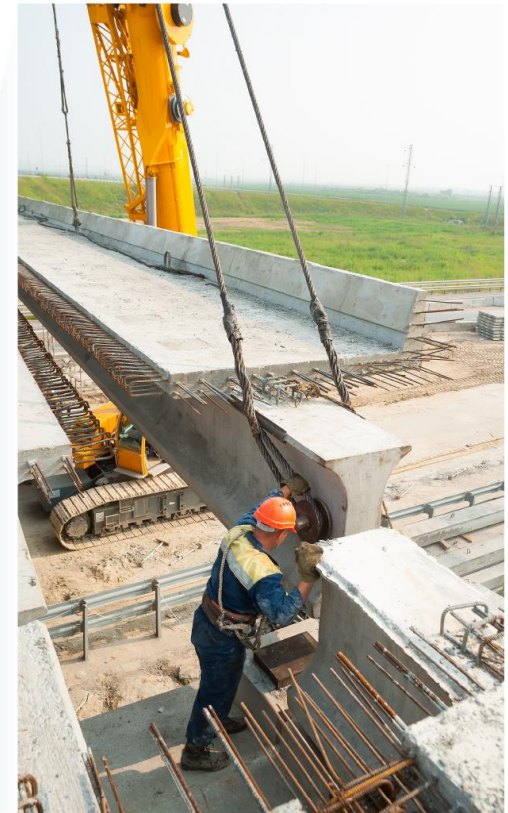
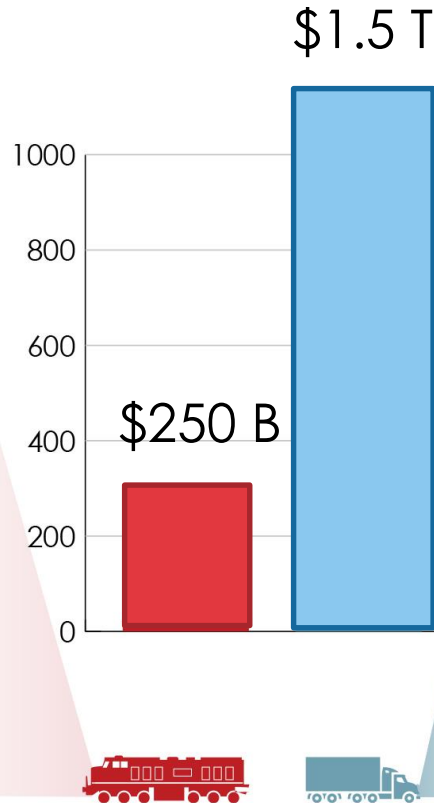
- ✓ In 2018, KCS moved **one** ton of freight an average of **372** miles on only **one** gallon of fuel
- ✓ By choosing KCS over truck transportation, our customers avoided the release of **~3.4 million** metric tons of **CO₂e** emissions



¹ Assumes avg. truck load of 16.35 tons / fuel consumption 6.5 mpg

Annual Railroad Capital Expenditure vs Required Highway and Road Capital Expenditure

Over 10 years



**Railroads fund this infrastructure every year
And have for more than a century.**

Freeways require Government approval and funding

Source: Reuters 2018 & Class 1 Cap Ex Budgets 2019



What will Autonomous Transit create? More Freeway Congestion or

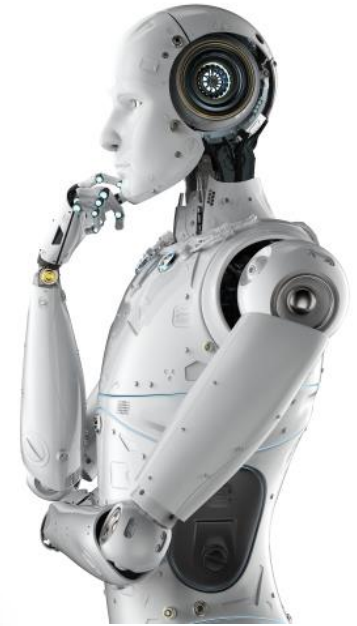


Better Rail Performance and Service!



Key Innovations required for Freight Vehicle Automation

- Neural Networks – Computing Capacity
- Legal and Regulatory framework
- Sensors and Geo maps
- Interoperability between drivers and vehicle types
- Changes in weather conditions
- Shadows/ Facilities/ Backing Up Functionality
- Additional Highway and Bridge Infrastructure



How will Railroads Compete?

- Lower cost and fewer emissions
- Basis of Advanced Train Ops infrastructure (PTC)
- Already interoperable among carriers
- No additional track infrastructure required
- Must be consistently on-time
- Provide visibility to every shipment
- Work with trucking and Dray to alleviate highway congestion during key driving times
- PSR / ATC creates additional capacity of existing Infrastructure
- More trucks on the road, is not a popular proposition



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