



KANSAS CITY SOUTHERN

Raymond James' 39th Annual Institutional Investors Conference

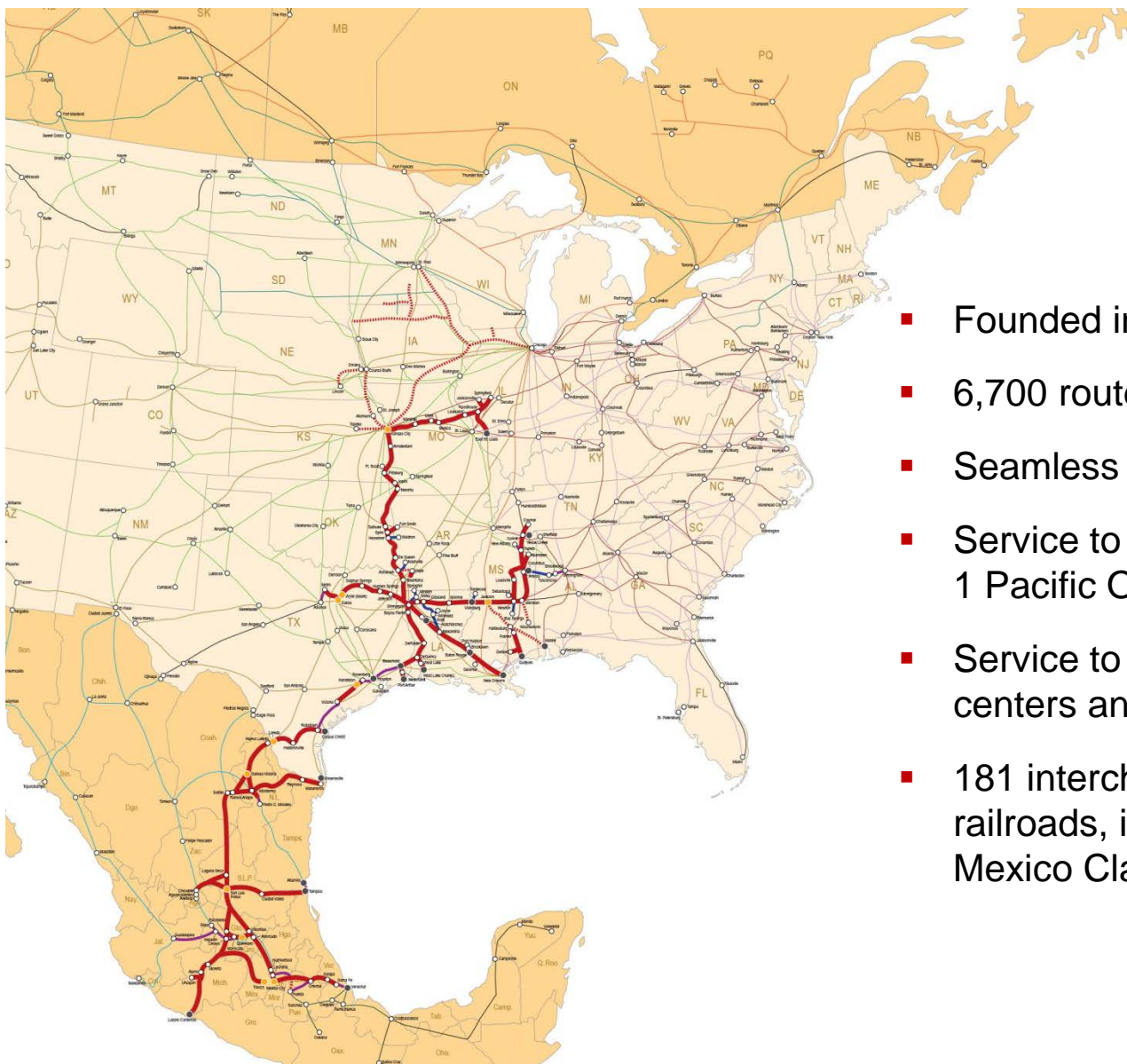
March 5, 2018



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KCS Rail Network



- Founded in 1887
- 6,700 route miles
- Seamless cross-border network
- Service to 12 Gulf ports and 1 Pacific Ocean port
- Service to more than 140 transload centers and 11 intermodal ramps
- 181 interchange points with other railroads, including all U.S. and Mexico Class I railroads



Volume Outlook & Growth Opportunities



FY 2018 Volume Outlook – YoY View

Outlook	Markets	Key Drivers
Favorable – approximately 90% of volume	• Chemical & Petroleum	• Petroleum: Mexico Energy Reform shipments to see continued growth
		• Plastics: Incremental shipments to provide benefits in 2H 2018
	• Intermodal	• Additional opportunities for cross-border conversion from truck
		• Incremental benefits at Lazaro Cardenas from new port terminal & market share opportunities
		• Truck capacity tightening could provide benefits to U.S. business
	• Automotive	• Auto volumes expected to grow in-line with Mexico production estimates
		• No new plant openings in 2018. BMW & Toyota open; Mercedes/Infiniti begins full production in 2019
	• Agriculture & Minerals	• Grain & Food Products demand to remain strong in 2018
		• Grain volumes impacted by plant re-location in 2017
	• Industrial & Consumer	• Metals strength expected YOY – destined for both U.S. and Mexico markets
		• 2017 strength in other carloads (military and cement moves) creates tough YOY comp
		• Paper volumes expected to be neutral. Potential impacts from truck capacity could provide upside
Unfavorable – approximately 10% of volume	• Energy	• Utility Coal: 2018 volumes expected to decline due to impacts from Texas utility closure
		• Frac Sand: Uncertainty remains as West Texas sand mines begin production
		• Crude Oil: Continued growth expected in shipments YOY



Q1 2017 Highlights

- QTD Volume Growth of 2%*
 - QTD favorability in four of six business units
 - Volumes negatively impacted by grain, civil protest activity in Mexico & utility coal
 - Expect full-year to be in line with mid-single digit volume guidance
- Civil Protest Activity
 - Unrelated to KCSM
 - Intermittent disruptions on KCSM network from late-January to February 11th
 - Impacted volumes, dwell times & network cycle times
- COFECE final report may be delivered earlier than April 2018



Key Growth Opportunities

■ Mexico Energy Reform

- LPG & Refined Product Opportunities
- Pipeline connectivity in Mexico is lacking
- Rail provides a secure, flexible option

■ Gulf Coast Petrochemical Expansion

- \$150+ billion of private investment in the Gulf Coast
- KCS network well-positioned to participate in movements

■ Automotive

- Continued upward projections for Mexico auto production

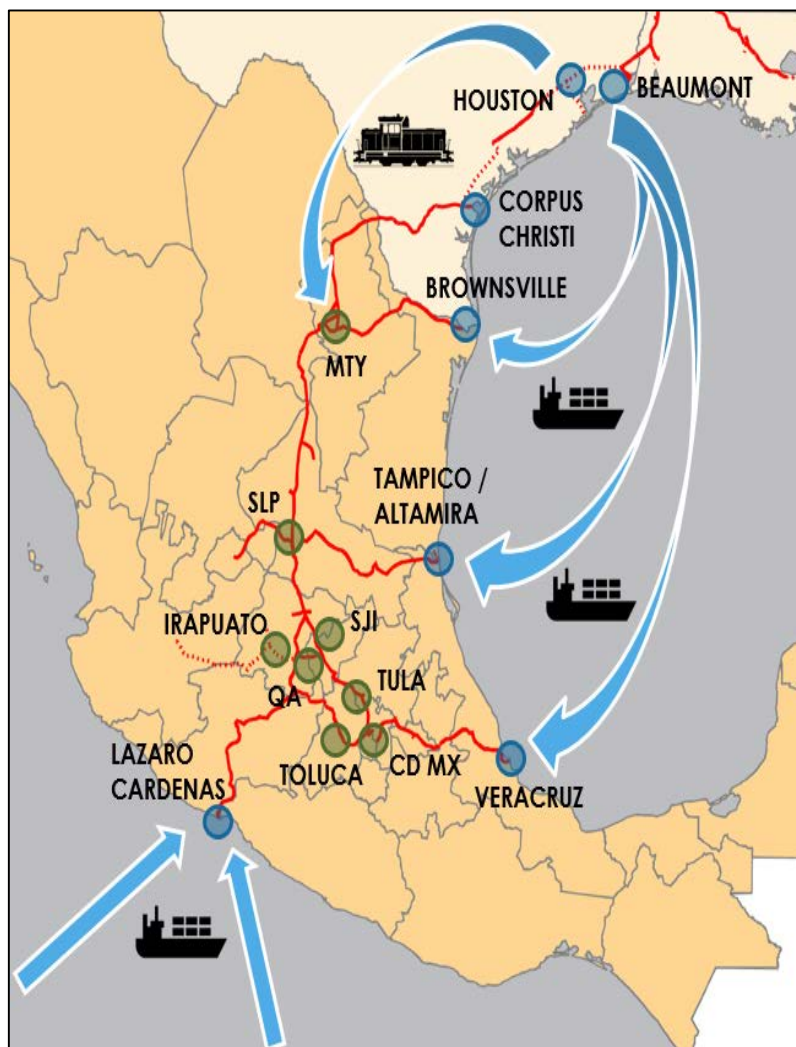
■ Intermodal

- Cross-Border & Domestic growth opportunities



Mexico Energy Reform

Refined Products Exports to Mexico



- FY 2017 Revenue / Volume:
 - Revenue: \$45M / Volume: 18k carloads
 - Movements consisted of both LPGs (52%) & Refined Products (48%)
- Expect refined products growth to outpace LPGs in 2018 & future years
- Storage & unit train capacity key for customer ability to establish market share
- Terminals constructed to serve dense population and manufacturing areas
- KCS strategic investments located in areas without pipeline connectivity
- Secure Supply Chain

Howard Energy - San Jose Iturbide



Track Capacity:

2 loop tracks for 120 cars

Storage Capacity:

Current: 190k bbl. (current)

Future: 300k bbl.

(add'l capacity by Q2 2018)

Current Operation:

Average 8 trains/month

Potential growth to 12 trains/month after add'l capacity comes online

Products:

Refined Products
(diesel & gasoline)

Rail Service:

Unit Train, 7 days/week



TCM - San Luis Potosi



Joint Venture:
KCS / Watco / WTC

Track Capacity:
Transload, 300 cars

Storage Capacity:
Max Buildout: 1.2M bbl.
(first storage tank in Q3 2018)

Current Operation:
Transload operations only

Products:
Refined Products, Ethanol,
LPGs, Asphalt

Rail Service:
Manifest & Unit Train,
7 days/week

Bulkmatic - Salinas Victoria



Pictured: Rendering of future construction

Track Capacity:
Under construction

Storage Capacity:
Max Buildout: 720k bbl.
(future)

Current Operation:
N/A

Products:
Refined Products

Rail Service:
Unit Train, 7 days/week



Gulf Coast Petrochemical Expansion

Petrochemical Capacity Expansion

Network presence & access to Mexico position KCS to participate in domestic & cross-border movements from Gulf Coast petrochemical expansions



- Polyethylene capacity projected growth: 50%+ by 2023¹
- Ample growth located in Gulf Coast region with major players, such as Dow, Exxon, Sasol
- KCS network is well-positioned to play an integral role in supply chain diversification for petrochemical exports

Sasol Support Yard



- \$141M investment (2015-2017)
- New 1,400 car Storage In Transit yard for Sasol (complete)
- New KCS Yard with Mechanical Facilities, RIP and R&D Tracks
- 800 car classification yard (nearly double capacity)
- Facility will roughly triple Sasol's chemical production capacity in the U.S.¹
- Will produce 1.5 million tons of ethylene annually¹

Pictured: Sasol / Lake Charles Development Project; KCS new terminal on the left, adjacent Sasol Terminal on the right

¹ Source: <http://sasolnorthamerica.com/world-scale-ethane-cracker>:



Intermodal & Automotive Opportunities

Intermodal

Diversified business partners provide KCS with strength & access to key markets



Servicing Multiple IMCs



Intermodal



Union Pacific Distribution Services



Hub Group



XPO Logistics



Automotive

KCS is well-positioned for continued growth from existing and new increases in Mexican automotive production



- KCS serves 10 of the 11 automotive manufacturers in Mexico
- Mercedes/Infiniti ramping production throughout 2018
- BMW and Toyota set to open in 2019 and 2020, respectively

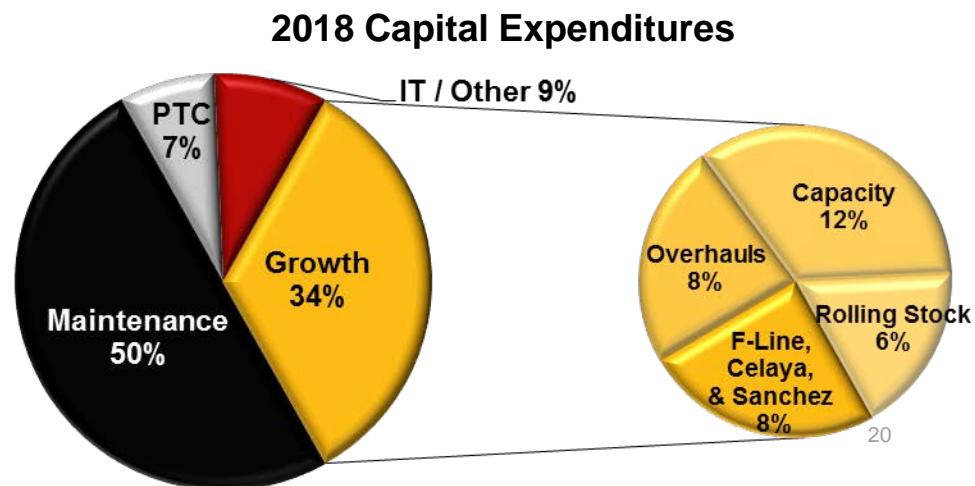
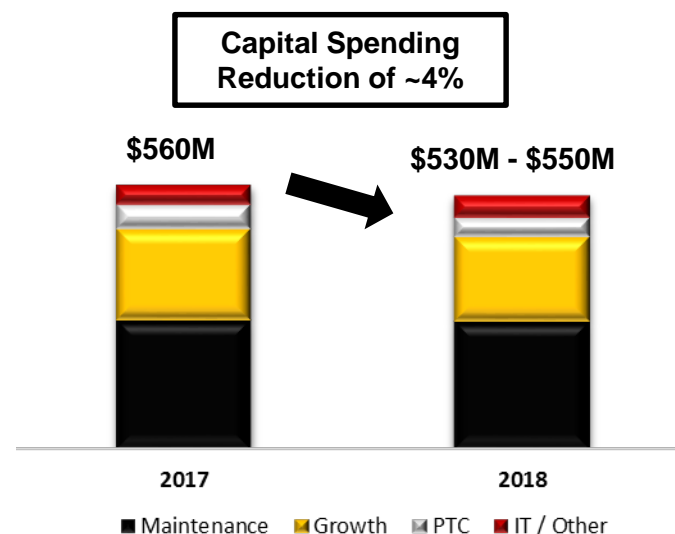


Strategic Investments in Capacity and Process Improvements to Support Volume Growth

2018 Capital Spend Outlook

Investing in Growth – Capacity & Equipment

- 2018 Capital Outlook - \$530M - \$550M
- Sasol rail terminal completed in 2017 – total investment of \$141M (\$58M in 2017)
 - Partial re-investment in capacity enhancements:
 - Celaya Bypass
 - F-Line Rehab
 - Sanchez Yard Mechanical Facilities
- Continued investment in PTC, decreased spend vs. prior years
- Focus on equipment – locomotive overhauls & freight car purchases in preparation for future growth (auto racks)
- Locomotive purchases not currently included for 2018



Laredo Corridor / Laredo Bridge

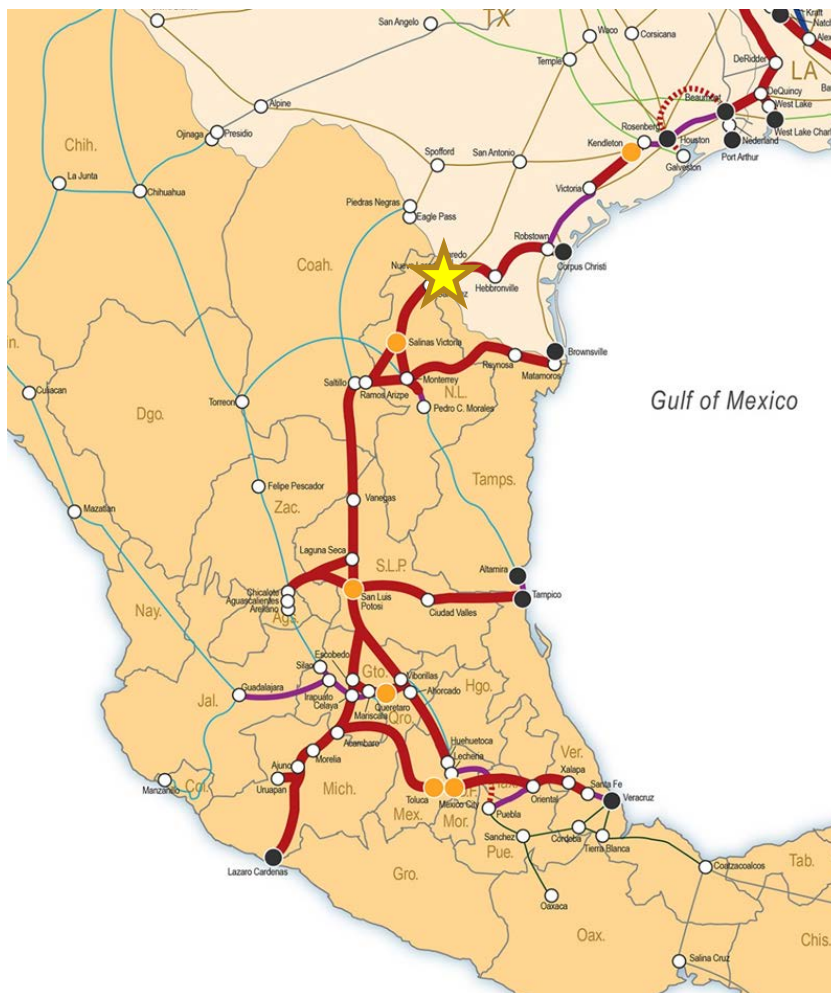
2018 Capital Spend: No significant associated capex

Secure Corridor is being developed under four governing principles:

- i) Provide security to both U.S. and Mexico bound cargo
- ii) Increase rail traffic throughput
- iii) Facilitate trade agility between the U.S. and Mexico
- iv) Eliminate “process ceilings” that cap throughput

Secure Corridor will be implemented in three simultaneous phases:

- i) Implementation of International Cross Border Operations
- ii) Enhancement of Customs Activity Locations (Unified Cargo Processing) – *process for NB traffic began in August 2017*
- iii) Collaboration between CBP, Mexican Customs, and Rail Carriers – *currently taking place*



Sanchez Yard

2018 Capital Spend: ~\$20M

Total Project Spend: ~\$93M (2014 – 2018)

2018 Projects:

- New 'state of the art' freight car repair facility
- Expanded locomotive service facilities
- Expanded fueling facilities
- Separate leads within the yard

Network Benefits:

- Sanchez will be the main switching terminal for both NB & SB traffic
- Supports a fluid border crossing
- Enhances train configuration / planning
 - 8 new 9,000 ft. R&D tracks
 - 20 new automated classification tracks
- Centralized location for all functions (yard services, mechanical, fueling)



F-Line



2018 Capital Spend: ~\$13M

Network Benefits:

- Signal Enhancements, including new broken rail detection systems
- Fluidity benefits
 - New sidings & siding extensions to support cross-border growth
- Customer access
 - New support yard nearby Kia automotive plant & Ternium metals plant
- Track rehabilitation at Matamoros



Celaya Bypass

2018 Capital Spend: ~\$11M

Total Project Spend: ~\$72M (2018 – 2020)

Network Benefits:

- Key location for traffic to/from Lazaro
- Current track structure crosses through City of Celaya, heavily congested
- Project moves track around the city – key for increased fluidity & network capacity





KCS is a Solid Investment Thesis

- Best-positioned growth story in the industry with unique U.S.-Mexico cross-border network and the most profitable rail franchise in Mexico
- Well-diversified customer base and commodity mix
- Excellent strategic positioning with multiple growth drivers
- Track record of strong financial and operating performance
- Solid balance sheet with a commitment to maintaining investment grade credit rating

