

BNSF's Third Quarter 2023 Financial Performance: Volumes, Revenues and Expenses

Statement of Income (in millions)	Q3 - 2023	Q3 - 2022	Q/Q % Change	2023 YTD	2022 YTD	Y/Y % Change
Total revenues	\$ 5,847	\$ 6,693	(13)%	\$ 17,694	\$ 19,301	(8)%
Operating expenses	4,041	4,585	(12)%	12,222	12,773	(4)%
Operating income	1,806	2,108	(14)%	5,472	6,528	(16)%
Income tax expense and other	585	666	(12)%	1,740	2,051	(15)%
Net income	\$ 1,221	\$ 1,442	(15)%	\$ 3,732	\$ 4,477	(17)%
Operating ratio (a)	68.4 %	67.7 %		68.3 %	65.2 %	

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended September 30, 2023.

(a) Operating ratio excludes impacts of BNSF Logistics.

Volumes and Revenues

Operating income for the third quarter and first nine months of 2023 was \$1.8 billion and \$5.5 billion, respectively, decreases of \$302 million (14%) and \$1.1 billion (16%) compared to the same periods in 2022. Operating ratios were 68.4% and 68.3% for the third quarter and first nine months, respectively, increases of 0.7% and 3.1% compared to the same periods in 2022.

Total revenues for the third quarter and first nine months of 2023 decreased 13% and 8%, respectively, compared with the same periods in 2022. The decreases reflect lower volumes of 5% in the third quarter and 9% in the first nine months of 2023. Average revenue per car/unit decreased 7% in the third quarter due to decreased rates per car/unit and lower fuel surcharge revenue, partially offset by positive business mix, while average revenue per car/unit increased 2% in the first nine months of 2023 resulting from higher yield. Revenue changes also resulted from the following:

- Consumer Products volumes decreased 7% and 13%, respectively, in the third quarter and first nine months of 2023 compared with the same periods in 2022 primarily due to lower west coast imports, the loss of an intermodal customer, and competition from lower spot rates in the trucking market which has impacted domestic intermodal demand, partially offset by an increase in automotive volume from higher vehicle production.
- Agricultural Products volumes decreased 3% and 4%, respectively, in the third quarter and first nine months of 2023 compared with the same periods in 2022 primarily due to lower grain exports, partially offset by higher volumes of domestic grains, renewable diesel, feedstocks, and oilseeds and meals.
- Industrial Products volumes increased 1% and decreased 2%, respectively, in the third quarter and first nine months of 2023 compared with the same periods in 2022. The increase in the third quarter was primarily due to increased demand for construction products from infrastructure demand, partially offset by lower demand for plastics, chemicals and sand. The decline in the first nine months of 2023 was primarily due to lower demand for plastics, chemicals and lumber, partially offset by gains in construction from infrastructure demand.
- Coal volumes decreased 6% and 5%, respectively, in the third quarter and first nine months of 2023 compared with the same periods in 2022 primarily due to moderating demand as a result of lower natural gas prices and weather-related impacts.

Listed below are details by business units, including revenues, volumes and average revenue per car/unit.

Business Unit	Q3 - 2023	Q3 - 2022	Q/Q % Change	2023 YTD	2022 YTD	Y/Y % Change
Revenues (in millions)						
Consumer Products	\$ 1,982	\$ 2,418	(18)%	\$ 5,744	\$ 6,951	(17)%
Agricultural Products	1,220	1,336	(9)%	3,988	4,081	(2)%
Industrial Products	1,458	1,468	(1)%	4,285	4,223	1 %
Coal	932	1,101	(15)%	2,897	2,989	(3)%
Total Freight Revenues	\$ 5,592	\$ 6,323	(12)%	\$ 16,914	\$ 18,244	(7)%
Other Revenues	255	370	(31)%	780	1,057	(26)%
Total Operating Revenues	\$ 5,847	\$ 6,693	(13)%	\$ 17,694	\$ 19,301	(8)%
Volumes (in thousands)						
Consumer Products	1,236	1,323	(7)%	3,459	3,977	(13)%
Agricultural Products	268	276	(3)%	846	884	(4)%
Industrial Products	416	413	1 %	1,212	1,237	(2)%
Coal	376	399	(6)%	1,105	1,158	(5)%
Total Volumes	2,296	2,411	(5)%	6,622	7,256	(9)%
Average Revenue per Car/Unit						
Consumer Products	\$ 1,604	\$ 1,828	(12)%	\$ 1,661	\$ 1,748	(5)%
Agricultural Products	4,552	4,841	(6)%	4,714	4,617	2 %
Industrial Products	3,505	3,554	(1)%	3,535	3,414	4 %
Coal	2,479	2,759	(10)%	2,622	2,581	2 %
Total Freight Revenue per Car/Unit	\$ 2,436	\$ 2,623	(7)%	\$ 2,554	\$ 2,514	2 %

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended September 30, 2023 and June 30, 2023. Third-quarter volumes are calculated as the difference between YTD September and YTD June amounts.

Expenses

Operating expenses decreased 12% and 4% in the the third quarter and first nine months of 2023, respectively, compared with the same periods in 2022. A significant portion of the decline is due to the following factors:

- Fuel expense decreased 32% and 22% in the third quarter and first nine months of 2023, respectively, compared to the same periods in 2022, primarily due to lower average fuel prices, lower volumes and improved efficiency. Locomotive fuel price per gallon decreased 29% and 17% in the third quarter and first nine months of 2023, respectively, compared to the same periods in 2022.
- Compensation and benefits expense decreased 6% and increased 4% in the third quarter and first nine months of 2023, respectively, compared to the same periods in 2022. The decline in the third quarter was primarily due to the impact of the ratified union labor agreements in the prior year. The changes for both periods reflect increased headcount, wage inflation, and lower productivity in 2023.
- Materials and other expense decreased 1% and increased 17% in the third quarter and first nine months of 2023, respectively, compared to the same periods in 2022. The increase in the first nine months of 2023 was primarily due to general inflation, increased casualty and litigation costs, higher property and other miscellaneous taxes, as well as lower gains from land and easement sales.
- Purchased services expense decreased 8% and 9% in the third quarter and first nine months of 2023, respectively, compared to the same periods in 2022, primarily due to lower purchased transportation by our logistics services business and a reduction in drayage costs, partially offset by general inflation.
- There were no significant changes in depreciation and amortization or equipment rents.

Other (income) expense, net increased primarily due to higher interest income.

Operating Expenses (in millions)	Q3 - 2023	Q3 - 2022	Q/Q % Change	2023 YTD	2022 YTD	Y/Y % Change
Compensation and benefits	\$ 1,406	\$ 1,496	(6)%	\$ 4,129	\$ 3,968	4 %
Purchased services	615	670	(8)%	1,836	2,008	(9)%
Depreciation and amortization	657	636	3 %	1,957	1,883	4 %
Fuel	863	1,272	(32)%	2,660	3,409	(22)%
Equipment rents	171	180	(5)%	511	544	(6)%
Materials and other	329	331	(1)%	1,129	961	17 %
Total Operating Expenses	\$ 4,041	\$ 4,585	(12)%	\$ 12,222	\$ 12,773	(4)%

Source: Amounts derived from the GAAP results in the Burlington Northern Santa Fe, LLC Form 10-Q for the period ended September 30, 2023.