

Mr. Fritz has lost the confidence of shareholders, employees, customers, and regulators

Key constituents have understandably lost confidence in Mr. Fritz's ability to lead the Company. UNP's total shareholder return has been the worst in the industry. Among all S&P 500 companies, UNP is rated by employees as the worst place to work and has the lowest employee CEO approval rating (ranked 500th out of 500 in both). The Company is not delivering on its commitment to customers, and the Surface Transportation Board (regulator) has singled out UNP as providing the worst service among the Class I railroads.

Experienced operational leadership is critical for unleashing UNP's potential

Well-run operations are the enabling foundation for all other value creation levers of a railroad. Therefore, it is paramount that the next leader of the Company has a proven track record of railroad operating excellence. As has been historically demonstrated, installing experienced operational leadership across the railroad industry has consistently and dramatically improved outcomes – it will be no different at UNP. Indeed, when the Board brought on Jim Vena, an operational expert with deep railroading experience, as COO to fix UNP's operations in 2019, he very quickly established what was possible for the Company, rapidly transforming UNP from an underperforming to a top performing railroad only to inexplicably be allowed to walk away after less than two years. Operations almost immediately reverted to worst-in-class levels without Mr. Vena. Fortunately, as it relates to new leadership, there is no need to start from scratch. Mr. Vena has remained engaged in the industry following his departure from UNP, and we believe he would be keen to return to UNP in a new leadership role. Mr. Vena benefits from his deep knowledge of UNP's culture, employees, customers, and network. In addition, no internal candidates are remotely as qualified as Mr. Vena, and he is the leading external candidate available.

New leadership at UNP would create significant value for shareholders and benefit other key constituents

As we outline in the attached slides, we believe that with best-in-class leadership there is a path to UNP generating ~\$18 of EPS in 2025, a 16%+ compounded annualized growth rate off 2022 EPS. Furthermore, we believe investors will reward this higher growth with a valuation more in line with UNP's Canadian railroad peers (21x+ P/E ratio) and other high-quality US industrial companies (25x+ P/E ratio), compared to today's ~16x P/E ratio. As a result, we believe the stock price has the potential to double over the next two years (~\$67 billion increase in market capitalization vs. the status quo) under a conservative scenario where the Company only recaptures half the volume underperformance vs. US railroad peers that UNP experienced under Mr. Fritz's tenure. We believe these estimates leave room for meaningful, long-term upside. And of equal importance, a change in leadership will allow UNP to heal its relationships with employees, customers, and regulators; reestablish UNP's importance to the US economy; and help the US accelerate the transition to a lower-emissions environment.

Under new leadership, we believe UNP's stock price has the potential to double over the next two years		
	Best-in-Class Management Case	Sell-Side Consensus
2025E EPS	\$17.90	\$13.83
(x) NTM EPS Multiple	<u>21.2x</u> *	<u>16.3x</u>
Implied Share Price at 12/31/24	\$380	\$225
(+) Cumulative Dividends	<u>10</u>	<u>10</u>
Total Shareholder Return at 12/31/24	\$390	\$236
Upside (%)	104%	23%
IRR (%)	47%	12%
Market Capitalization at 12/31/24 (\$bn)	\$194	\$127
Market Capitalization Created Under New Leadership (\$bn)	<u>67</u>	

* Average blended 12-month forward P/E multiple of UNP's Canadian railroad peers

It is imperative for the Board to pair the best railroad in North America with the best leadership team to capitalize on what we expect to be a “golden age of railroading growth”

The primary responsibilities of a corporate board are: hire the best CEO and management team; establish ambitious targets, monitor performance, and help set strategy; develop talent and succession plans; and hold management accountable for execution. To fulfill these duties, the UNP Board must address eight years of staggering underperformance and immediately make a change in leadership. It is imperative for the Board to act now to capitalize on the “golden age of railroading growth”: the trucking industry, railroads' primary competitor, is facing structural headwinds; the US is undergoing a new industrial investment super cycle, with railroads poised to be major beneficiaries; and railroads are key decarbonization enablers, with the ability to take meaningful market share from trucks given their 75% lower carbon emissions per ton mile. Seizing on this unprecedented long-term growth opportunity is all the more crucial as UNP operates with considerable excess capacity today with carloads still 15-20% below peak, allowing for years of future capital-light, high margin growth.

Soroban wants UNP to prosper and is completely committed to seeing that these changes be expeditiously implemented

In conclusion, Soroban's mission is simple: we want UNP to prosper. Unlike typical shareholder engagements which come with numerous demands, Soroban has only one ask: install new leadership who can get the trains to operate safely and on time. The Company's key constituents – employees, customers, regulators, the US economy, the environment, and shareholders – are all aligned with this mission. Ultimately, the need to replace Mr. Fritz is not personal but about elevating the interests of the Company and its key constituents above those of management. UNP deserves better leadership. It is time for the Board to act.

Soroban has been a patient, large UNP shareholder for seven years, and we plan to continue our long-standing ownership for the foreseeable future and beyond. We have made a Hart-Scott-Rodino (HSR) filing, giving ourselves the ability to increase our beneficial ownership and flexibility to take future actions. We are completely committed to seeing that these changes we have outlined be expeditiously implemented.

Sincerely,

Eric Mandelblatt
Managing Partner, CIO