CSX Corporation (CSX)

Updated April 27th, 2025 by Josh Arnold

Key Metrics

Current Price:	$28	**5 Year CAGR Estimate:**	9.2%	**Market Cap:**	$52 B
Fair Value Price:	$29	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	05/28/25[1]
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.6%	**Dividend Payment Date:**	06/13/25
Dividend Yield:	1.9%	**5 Year Price Target**	$40	**Years Of Dividend Growth:**	20
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

CSX can trace its roots all the way back to 1827 when the B&O Railroad was first chartered. From just 13 miles of track, CSX has grown to cover 23 states and more than 20,000 route miles. CSX provides rail, rail-to-truck, and intermodal transport services. The company's market capitalization is $52 billion, and it should produce just over $14 billion in revenue in 2025.

CSX posted first quarter earnings on April 16th, 2025, and results were quite weak, even against lowered expectations. Earnings-per-share came to 34 cents, which was three cents light of estimates. Revenue was off 7.1% year-over-year to $3.42 billion, missing estimates by $30 million.

Revenue was off 7% year-over-year on lower coal prices and reduced fuel surcharges. Intermodal revenue was down 3% despite volume growth, and was impacted by reduced fuel surcharge contributions. Coal revenue plummeted 27% as export volumes fell 12% due to min outages. Domestic tonnage declined 4%, but utility demand showed positive trends for the summer. Merchandise revenue and volume each fell 2%. Automotive volumes were off 7%.

Expenses were up 2%, driven by $45 million in costs related to weather disruptions and congestion. Fuel savings from efficiency improvements helped offset that slightly.

Management reiterated expectations for overall volume growth in 2025, despite uncertainty around trade and tariff policies. Full-year revenue is expected to reflect headwinds from lower commodity prices and mix changes. We've cut estimates to $1.65 in adjusted earnings-per-share after a weak Q1 report.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.67	$0.60	$0.77	$1.28	$1.39	$1.20	$1.56	$1.89	$1.85	$1.83	***$1.65***	***$2.31***
DPS	$0.23	$0.24	$0.26	$0.29	$0.32	$0.35	$0.37	$0.40	$0.44	$0.48	***$0.52***	***$0.66***
Shares[2]	2,898	2,784	2,670	2,580	2,334	2,304	2,217	2,137	1,969	1,921	***1,900***	***1,800***

CSX's earnings-per-share has grown somewhat unpredictably over the past decade as its fortunes are tied to rail volumes and pricing strength, both of which are heavily dependent upon particular industries and economic conditions. CSX stands to gain in the form of modest revenue increases in the coming years, helping to fuel our estimate of 7% earnings-per-share growth annually. The remainder will come from improved operating efficiency leading to higher margins, as well as sizable buyback spending, although this was nearly halted in 2020. We see the share count declining in the mid-single digits annually as CSX generates strong free cash flow and puts it to use. Trade and tariff policy has put a strain on CSX for 2025, potentially, and this is the biggest factor for investors today, in our view.

We see the dividend increasing steadily in the coming years, reaching $0.66 in five years from today's level of $0.52. CSX has put buybacks first in recent years but with a much-reduced capex budget as part of its operational efficiency

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[1] Estimated date

[2] Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

initiatives, more cash should be freed up for dividend increases. With the payout ratio still very low, CSX has plenty of room to continue its streak of dividend increases while still affording it the ability to buy back stock.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.7	15.5	21.8	16.8	17.2	20.6	21.0	16.4	18.7	17.6	***17.0***	***17.5***
Avg. Yld.	2.2%	2.6%	1.6%	1.4%	1.3%	1.4%	1.1%	1.3%	1.3%	1.5%	***1.9%***	***1.6%***

CSX's price-to-earnings multiple is now 17 times this year's earnings, which is lower than our previous update; the share price has moved lower along with estimates. This is now behind our estimate of fair value of 17.5 times earnings, so we see a fractional tailwind from the valuation. We expect the yield to potentially decline from 1.9% to 1.6% in the years to come.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	35%	40%	34%	23%	23%	29%	24%	21%	24%	26%	***32%***	***29%***

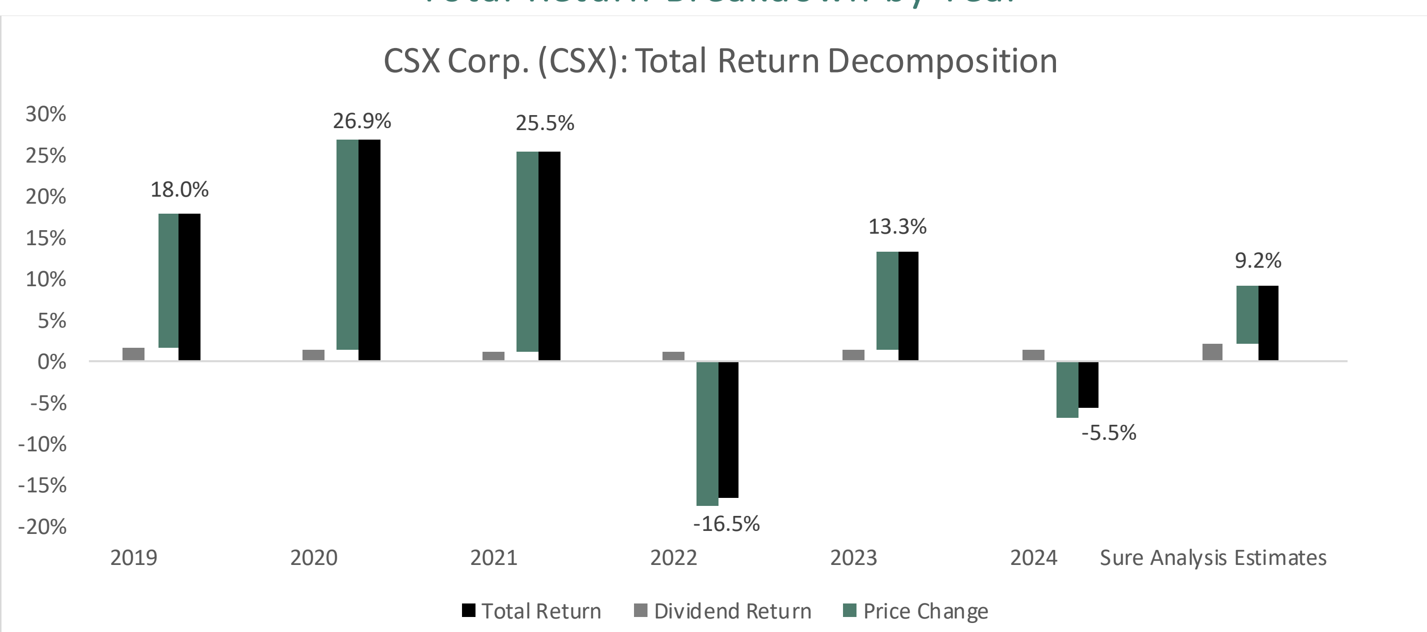
CSX's payout ratio remains low and as a result, is well covered. Indeed, its dividend safety is outstanding, but we note that the company has made it clear buybacks take priority over dividend growth.

The company's competitive advantage is in its lean operating structure, as well as its dominance in its service area. CSX looks poised to gain from its leverage to intermodal transport and the coal export market, although these things will not save it from recessions; rail operators are particularly sensitive to economic conditions, and we see that as the key risk to owning CSX in the coming quarters as a potential recession looms.

Final Thoughts & Recommendation

CSX is trading slightly below fair value. It could see total annual returns in the next five years of 9.2%, consisting of the 1.9% current yield, 7% earnings growth and 0.6% tailwind from the valuation. CSX could therefore be appropriate for dividend growth investors as well as those seeking earnings growth, but the low current yield would make it unattractive for those seeking high current income. Given the dividend streak and total return outlook, we're at a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	11,811	11,069	11,408	12,250	11,937	10,583	12,522	14,853	14,657	14,540
Gross Profit	3,544	3,363	3,741	4,773	4,874	4,362	5,140	5,785	5,527	5,342
Gross Margin	30.0%	30.4%	32.8%	39.0%	40.8%	41.2%	41.0%	38.9%	37.7%	36.7%
D&A Exp.	1,208	1,301	1,315	1,331	1,349	1,383	1,420	1,500	1,611	1,658
Operating Profit	3,544	3,363	3,741	4,773	4,874	4,327	5,140	5,785	5,527	5,342
Operating Margin	30.0%	30.4%	32.8%	39.0%	40.8%	41.2%	41.0%	38.9%	37.7%	36.7%
Net Profit	1,968	1,714	5,471	3,309	3,331	2,765	3,781	4,166	3,715	3,470
Net Margin	16.7%	15.5%	48.0%	27.0%	27.9%	26.1%	30.2%	28.0%	25.3%	23.9%
Free Cash Flow	808	643	1,432	2,896	3,193	2,637	3,308	3,486	3,268	2,718
Income Tax	1,170	1,027	-2,329	995	985	862	1,170	1,248	1,176	1,085

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	34,745	35,414	35,739	36,729	38,257	39,793	40,531	41,912	42,408	42,764
Cash & Equivalents	628	603	401	858	958	3,129	2,239	1,958	1,353	933
Acc. Receivable	982	938	793	828	769	700	937	1,051	1,029	---
Inventories	350	407	372	263	261	302	339	341	446	---
Goodwill & Int.	63	63	---	---	---	63	451	502	506	---
Total Liabilities	23,077	23,720	21,018	24,149	26,394	26,683	27,031	29,287	30,275	30,257
Accounts Payable	764	806	847	949	1,043	809	963	1,130	1,237	---
Long-Term Debt	10,535	11,293	11,809	14,757	16,238	16,705	16,366	18,047	18,533	18,503
Total Equity	11,652	11,679	14,705	12,563	11,848	13,101	13,490	12,625	12,128	12,507
LTD/E Ratio	0.90	0.97	0.80	1.17	1.37	1.28	1.21	1.43	1.53	1.48

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.8%	4.9%	15.4%	9.1%	8.9%	7.1%	9.4%	10.1%	8.8%	8.1%
Return on Equity	17.3%	14.7%	41.5%	24.3%	27.3%	22.2%	28.4%	31.9%	30.0%	28.2%
ROIC	9.1%	7.6%	22.1%	12.3%	12.0%	9.5%	12.7%	13.8%	12.1%	11.3%
Shares Out.	2,898	2,784	2,670	2,580	2,334	2,304	2,255	2,141	2,013	1,943
Revenue/Share	4.00	3.89	4.16	4.74	4.99	4.59	5.55	6.94	7.28	7.48
FCF/Share	0.27	0.23	0.52	1.12	1.33	1.14	1.47	1.63	1.62	1.40

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.