

July 14, 2015

# GATX Corporation

*Railcar Market Update  
Midwest Association of Rail Shippers*



**GATX**

*Unless otherwise noted, GATX is the source for data provided*

# NYSE: GMT

## Forward-Looking Statements

Forward-looking statements in this presentation that are not historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements that reflect our current views with respect to, among other things, future events, financial performance and market conditions. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” “likely,” “will,” “would” and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Specific risks and uncertainties include, but are not limited to,

- (1) changes in regulatory requirements for tank cars carrying crude, ethanol, and other flammable liquids,
- (2) competitive factors in our primary markets
- (3) weak economic conditions, financial market volatility, and other factors that may decrease demand for our assets and services,
- (4) inability to maintain our assets on lease at satisfactory rates,
- (5) changes to, or failure to comply with, laws, rules, and regulations applicable to our assets and operations,
- (6) operational disruption and increased costs associated with compliance maintenance programs and other maintenance initiatives,
- (7) financial and operational risks associated with long-term railcar purchase commitments,
- (8) deterioration of conditions in the capital markets, reductions in our credit ratings, or increases in our financing costs,
- (9) events having an adverse impact on assets, customers, or regions where we have a large investment,
- (10) decreased demand for certain railcars used in the petroleum industry due to sustained low crude oil prices,
- (11) risks related to international operations and expansion into new geographic markets,
- (12) inadequate allowances to cover credit losses in our portfolio,
- (13) asset impairment charges we may be required to recognize,
- (14) environmental remediation costs or a negative outcome in pending or threatened litigation,
- (15) inability to obtain cost-effective insurance,
- (16) fluctuations in foreign exchange rates,
- (17) operational and financial risks related to our affiliate investments,
- (18) reduced opportunities to generate asset remarketing income,
- (19) failure to successfully negotiate collective bargaining agreements with the unions representing a substantial portion of our employees, and
- (20) other risks discussed in our filings with the US Securities and Exchange Commission (“SEC”), including our Form 10-K for the year ended December 31, 2014, and our subsequently filed Form 10-Q reports, all of which are available on the SEC’s website ([www.sec.gov](http://www.sec.gov)).

You should not place undue reliance on forward-looking statements, which speak only as of the date they are made and are not guarantees of future performance. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

# About GATX

- Founded in 1898
- Continuous quarterly dividend payment since 1919
- Largest independent rail rolling stock lessor in North America, with approximately 130,000 owned, affiliated, and managed railcars and more than 600 locomotives
  - Second largest overall railcar owner in N. A.
  - Second largest tank car owner
  - Largest boxcar owner
- International presence in Europe and India
  - Second largest European tank car lessor

# Current Railcar Market Topics

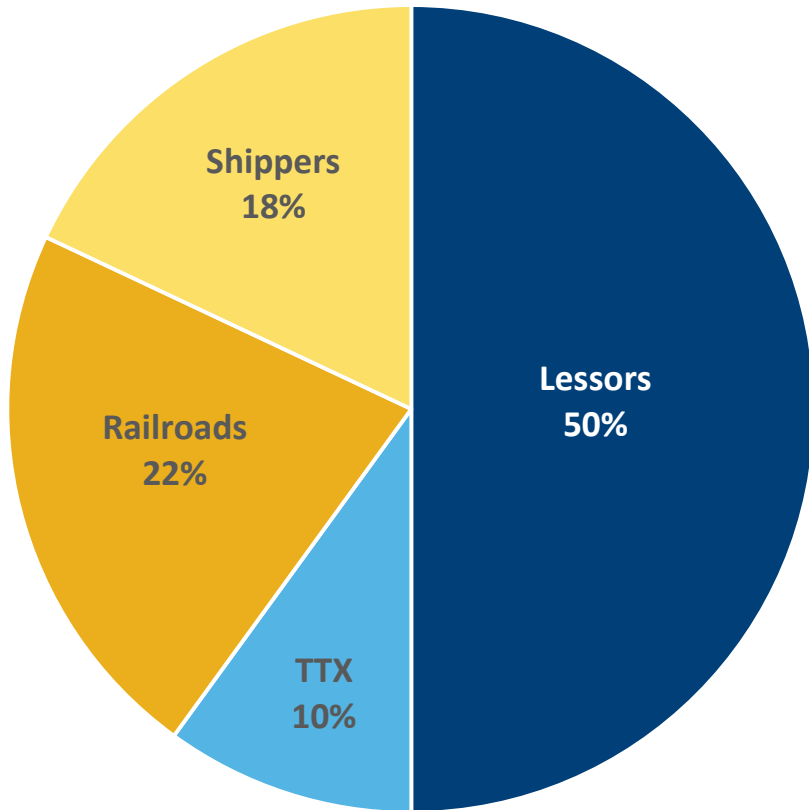
- Supply side
  - New railcar backlogs and builder capacity
  - Age-driven car retirements
  - Regulation-driven car retrofits and retirements
- Demand side
  - Carloading trends and macroeconomic conditions
  - Railroad velocity
  - Energy markets



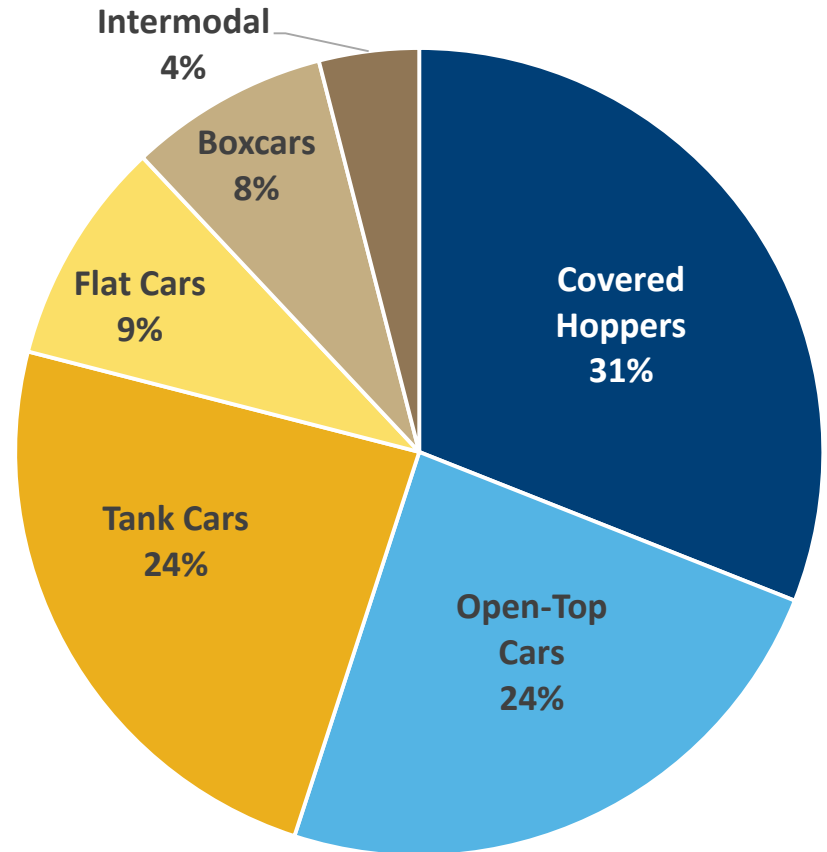
# Supply Side

# Ownership and Fleet Mix

## Ownership



## Fleet Mix



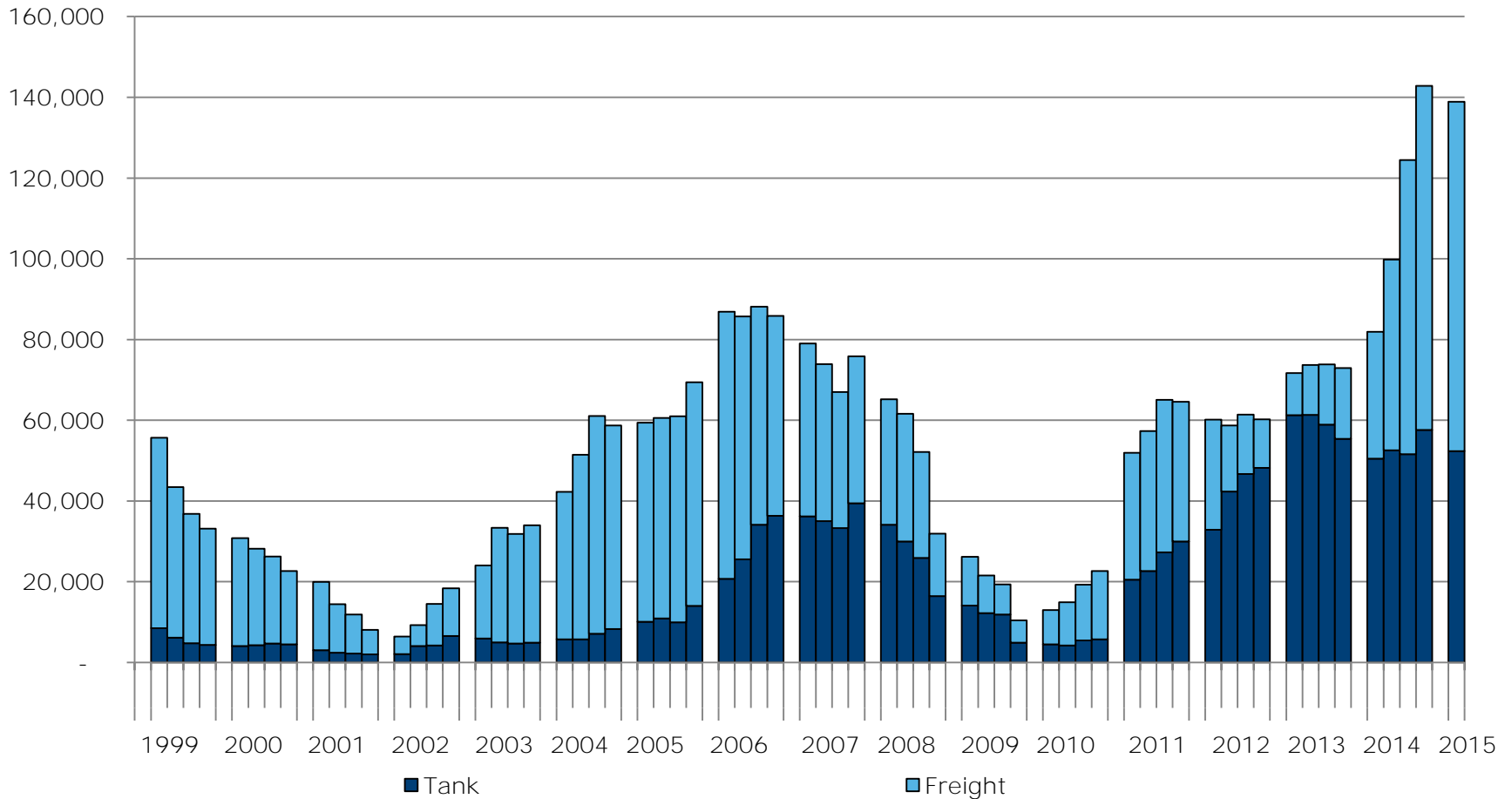
Approximately 1.5 million railcars

# High Level Trends

- Lessor share **+6.5%** since 2008
  - Lessor landscape has changed, but value proposition has not
- Railroad share **-6.3%** over same period
  - Railroads concentrating capital on infrastructure
- Shipper share relatively constant (**-1%**)
  - But which shippers own cars and what types of cars are shipper-owned is changing
  - Small CH fleet **+11%**; Large GS tank fleet **+91%**
- Overall North American fleet **-6.5%** (**-5.2%** ex-coal)
  - But **+1.5%** from post-recession low (**+2.8%** ex-coal)

# Backlogs are extremely high

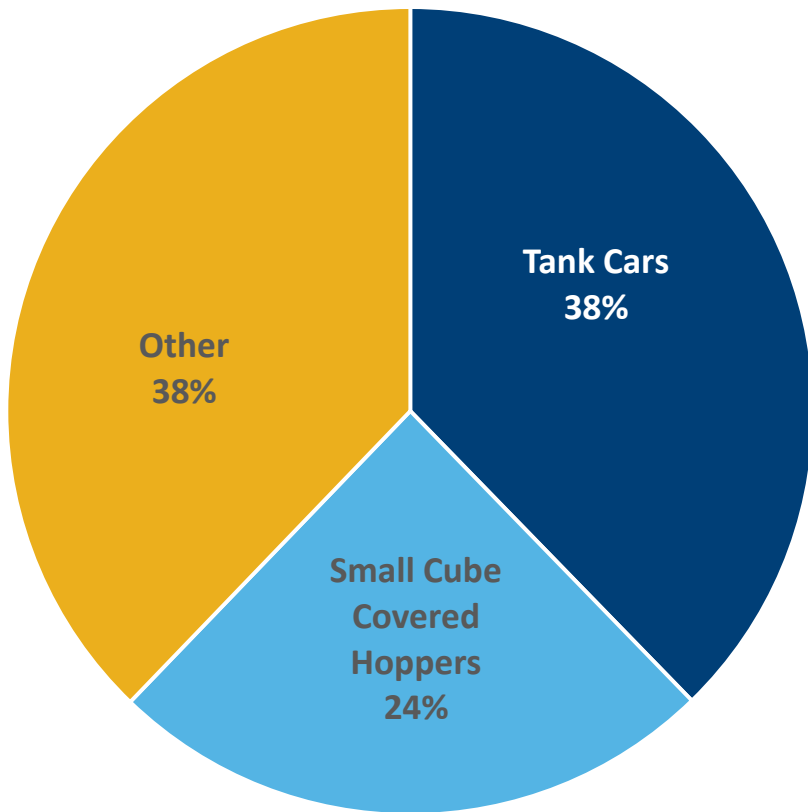
## North American Railcar Manufacturing Backlog





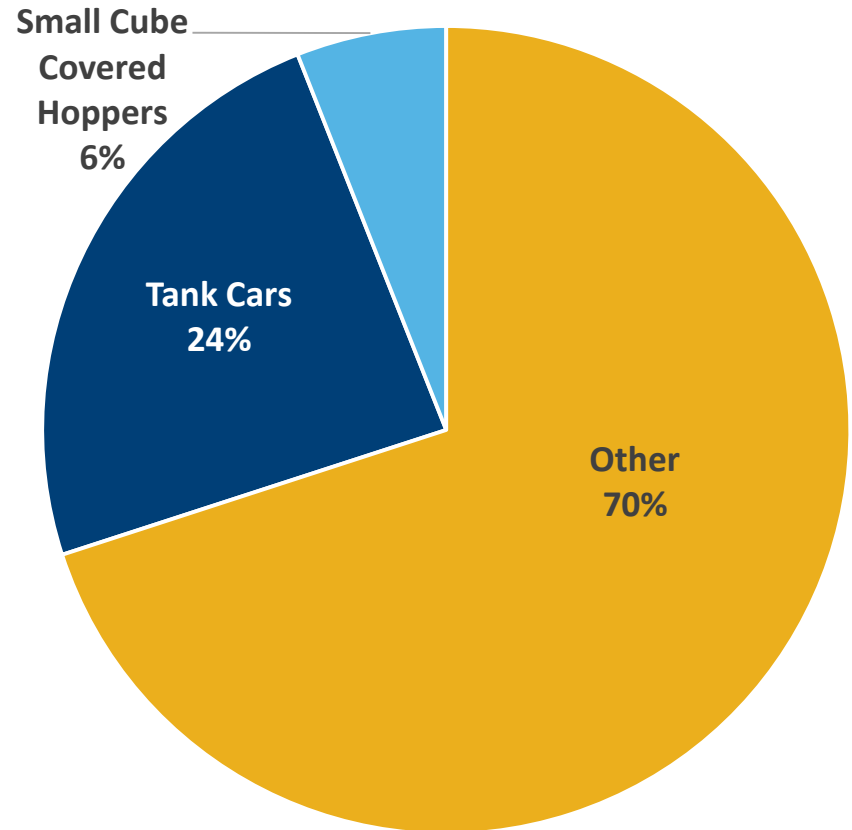
# Backlogs are unevenly weighted

## North American Backlog



Approximately 139,000 railcars

## North American Fleet



Approximately 1.5 million railcars

# Age and regulation will drive retirements

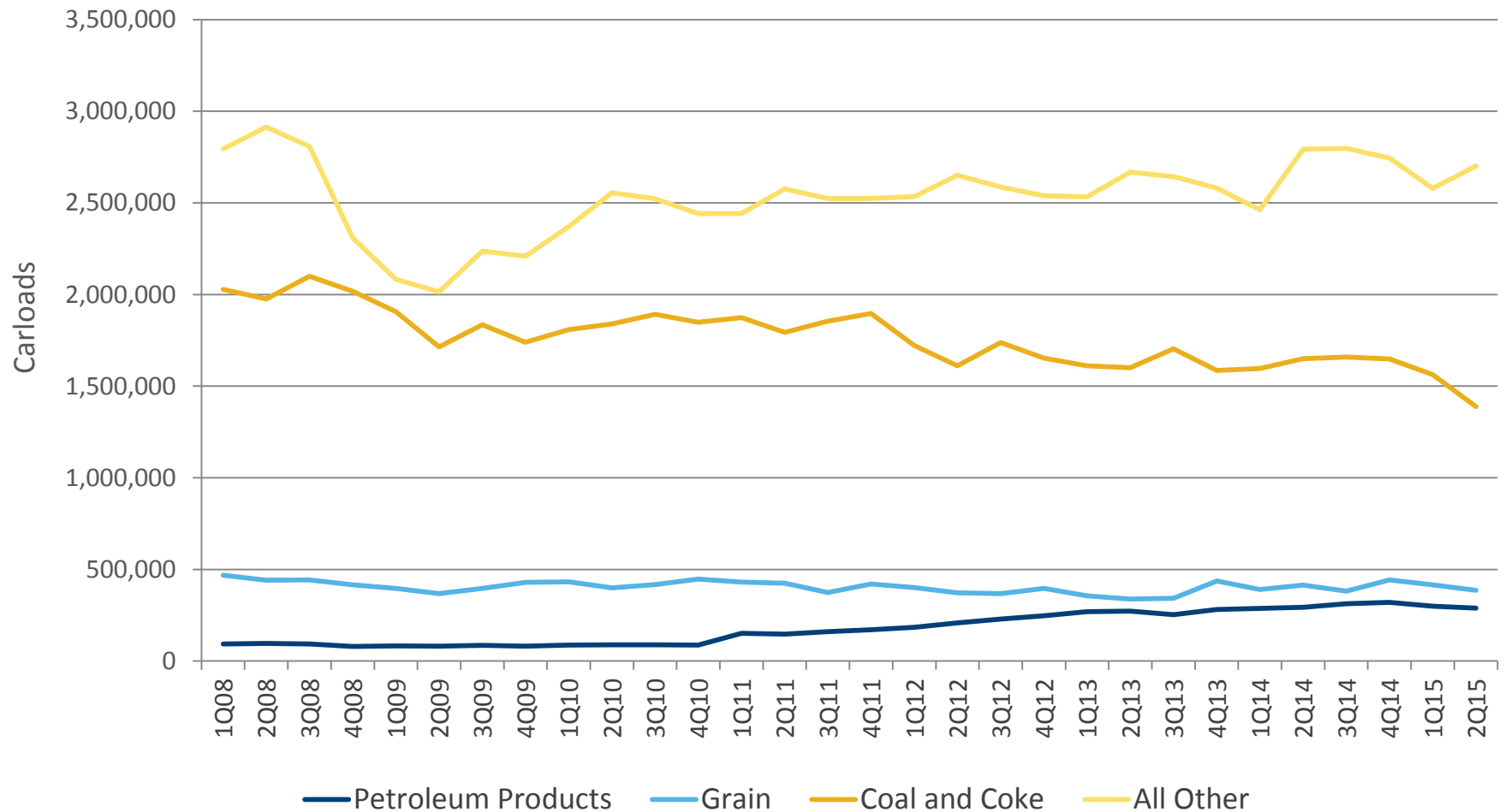
- Low-capacity railcars continue to run in large numbers, including:
  - [43%](#) of medium-cube gravity covered hoppers (96K) are not 286K GRL
  - [57%](#) of mill gondolas (35K) and [32%](#) of coil gondolas (8K) are not 286K GRL
  - [42%](#) of large-cube pneumatic covered hoppers (42K) are not 286K GRL
  - [40%](#) of non-insulated boxcars (44K) are 220K GRL, and [60%](#) (65K) are not 286K GRL
- Most of these have [less than 15 remaining years of economic life](#)
- Tank cars are generally younger, but face regulatory-driven retirements
  - The Railway Supply Institute has projected a [28% retirement rate](#) for “legacy” non-jacketed flammables cars (over 15,000 cars)



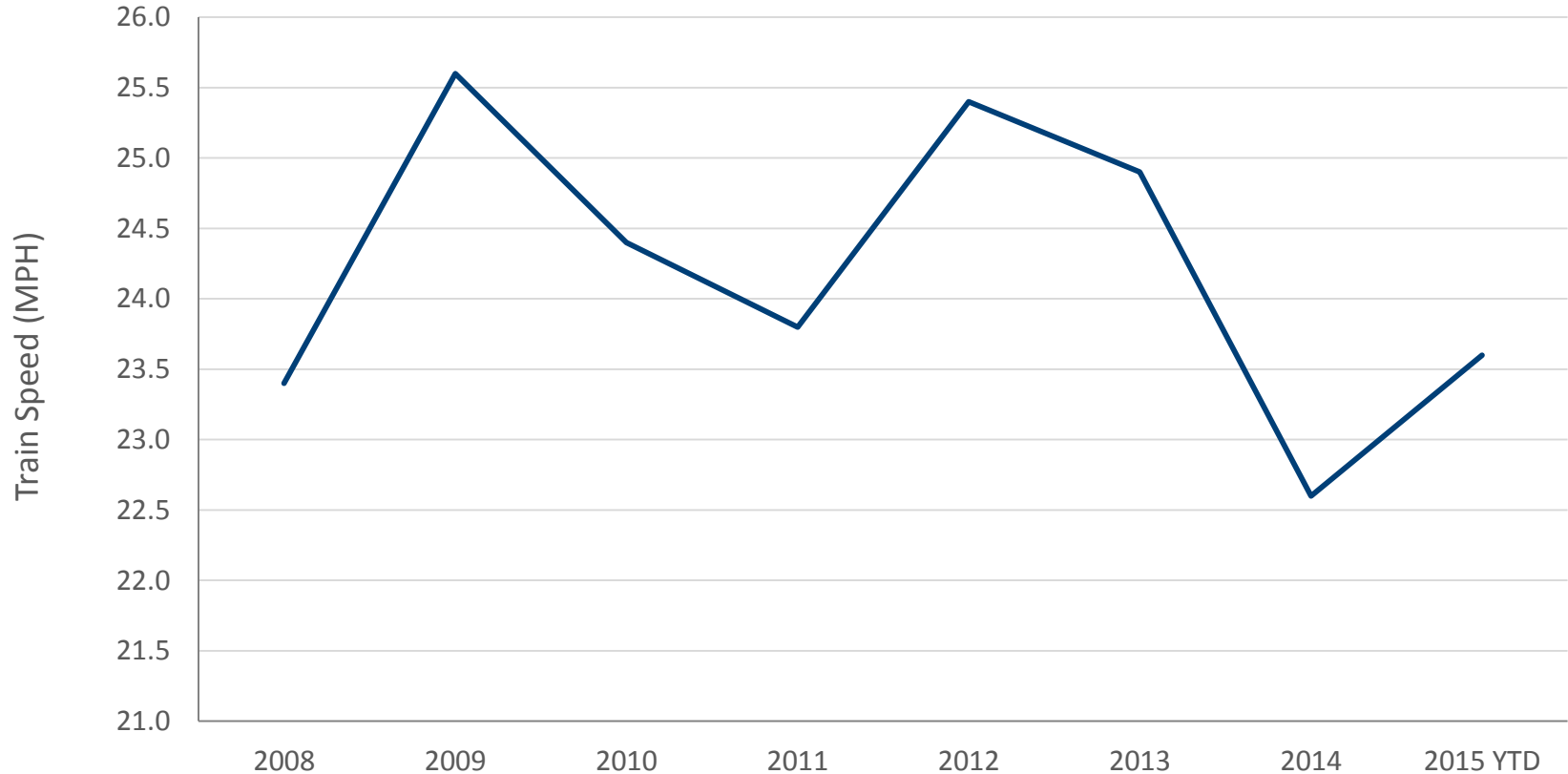
# Demand Side

# Carload performance varies by commodity

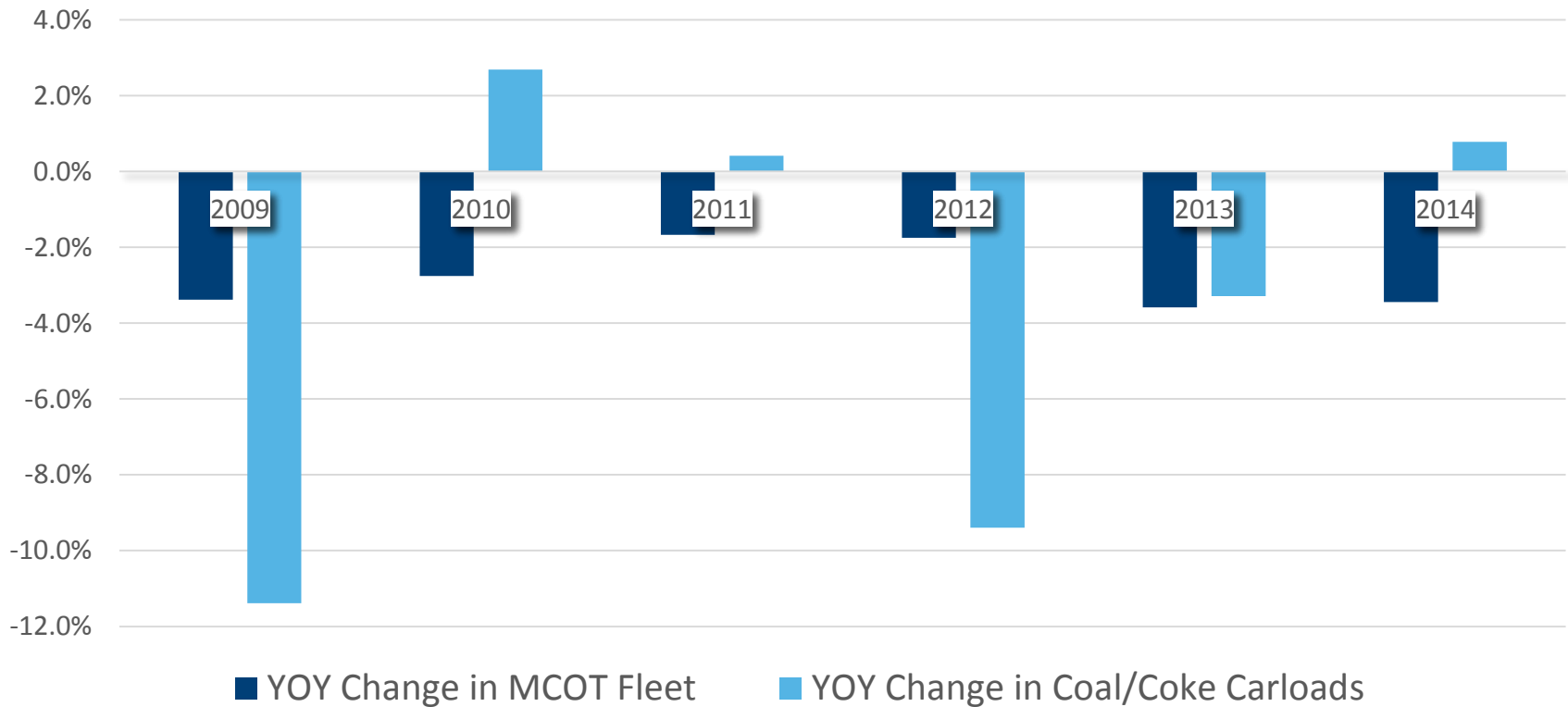
## Quarterly North American Carload Traffic



# Railroad velocity is improving from 2014 lows but still has room for improvement



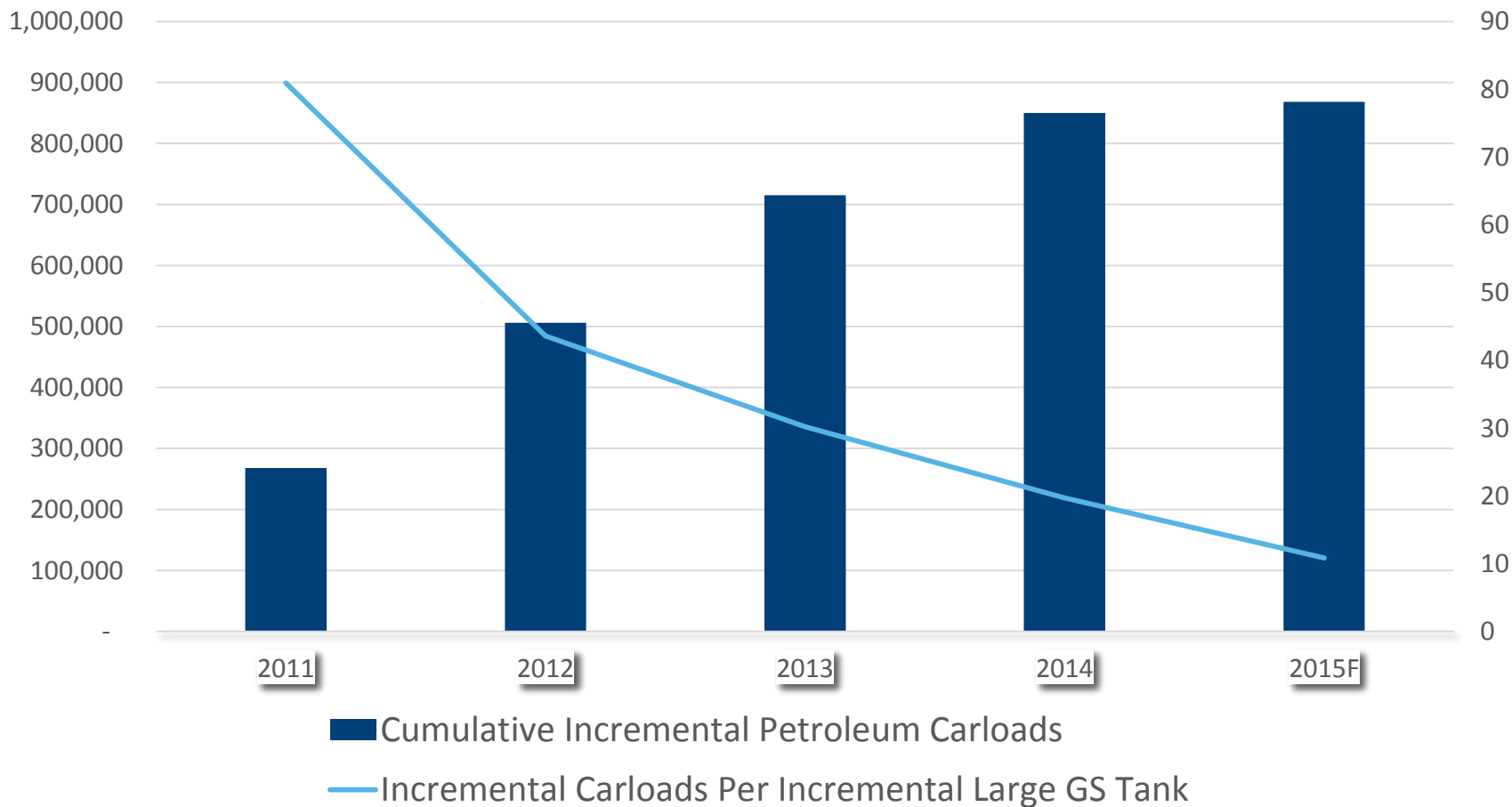
# A steady decline in coal cars lags an uneven but steep decline in coal carloads



- Cumulative carload decline 1Q08-2Q15: **32%**
- Cumulative fleet decline: 1/1/08-1/1/15: **14%**

# Large GS tank fleet growth is outpacing gains in petroleum traffic

Data shows change from 1/1/09





# Conclusion



# The Railcar Market is Changing

- Energy markets drove robust railcar demand growth 2011-2014
  - Suppliers responded with record production
  - Low velocity and an improving North American macro picture accentuated demand growth
- In 2015, energy markets have pulled back and velocity has improved, but N. A. macro environment remains strong
  - Non-unit train, non-energy carloads are holding up well
  - Replacement demand evident in several key railcar markets
- Near-term railcar market direction difficult to decipher
  - Supply-side concerns exist, but non-energy demand fundamentals are positive

# Questions?

