

# Destination: Economic Recovery

Rail's Journey from Pandemic to Growth

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# Agenda

## CIT Overview

CIT

Rail

## Rail Market Overview

*Market Overview, Storage & Scrapping*

*Challenges: Roadblocks to Growth*

*Markets: Some Markets Travel Different Paths*

*Opportunities: Powering the Journey to Growth*

Q&A



# CIT Group Today

**Empowering people to power businesses,  
savings and communities**

## CIT Group Inc.

We believe in helping customers turn their ideas into outcomes. Founded 112 years ago, CIT (NYSE: CIT) is a leading national bank empowering businesses and personal savers with the financial agility to navigate their goals.



**FORTUNE 1000  
COMPANY**



**TOP 50  
U.S. bank<sup>1</sup>**



**~4,050  
employees<sup>2</sup>**

<sup>1</sup> Federal Reserve Largest Commercial Banks by Assets; <sup>2</sup> End of Q1 2021 data

# CIT Group Financial Highlights

Q1 2021

**\$56.0B**

Total  
assets

**\$43.4B**

Total loans  
& leases

**\$9.5B**

Liquid  
assets<sup>3</sup>

**\$42.0B**

Total  
deposits

**\$29.0B**

Consumer  
deposits

**\$6.5B**

HOA  
deposits

\*Rail represents 16% of CIT's total loans & leases

<sup>3</sup> Liquid Assets comprises available cash plus high-quality liquid securities.



# Our Businesses

Commercial Banking	<b>Rail</b>	Leading railcar lessor with young, diverse fleet providing logistic and management support for railroads and bulk shippers across North America
	<b>Commercial Finance</b>	Middle-market lender with deep specialized industry knowledge and collateral expertise in providing differentiated lending and leasing solutions
	<b>Business Capital</b>	Leading equipment lessor and lender to small and mid-size enterprises through innovative technology
	<b>Real Estate Finance</b>	Leading lender to commercial real estate investors and developers. Deep expertise in construction and reposition/bridge lending
	<b>Consumer Banking</b>	Top 10 national direct banking channel offering online savings accounts and CDs with ease of a digital platform. Consumer deposit products, residential mortgage and SBA products offered through retail branches

# First Citizens Bank Merger

Upon regulatory approval, First Citizens and CIT will merge

- First Citizens and CIT filed regulatory merger applications in early December of last year.
- Merger creates a Top 20 U.S. bank with over \$100 billion in assets
  - Patient capital
  - Long-time family ownership (i.e., 3rd generation) with focus on customer relationships



# CIT Rail

- **Industry leader**
- **Young & diverse fleet**
- **Highest percentage of high-capacity equipment in North America\***
- **Relationship focused**
- **Experienced, nimble and customer-focused team**
- **Operational excellence**

*Long standing commitment to providing shippers and carriers efficient transportation solutions that preserve capital for growth.*

\* Compared to the top fifteen lessors in North America



# CIT Rail Presence

- Fleet consisting of ~120,000 railcars and locomotives
- Rail franchise serves ~500 customers in the U.S., Mexico and Canada
- Diverse fleet, serving bulk commodity industries that ship rail
- Average age of ~13 years, well below the overall North American fleet age.
- Largest proportion of 286k capacity fleet among top lessors in North America.\*



**3<sup>rd</sup> largest rail equipment lessor in North America**

\* Compared to the top fifteen lessors in North America



# Diverse Portfolio

## Strategic Focus

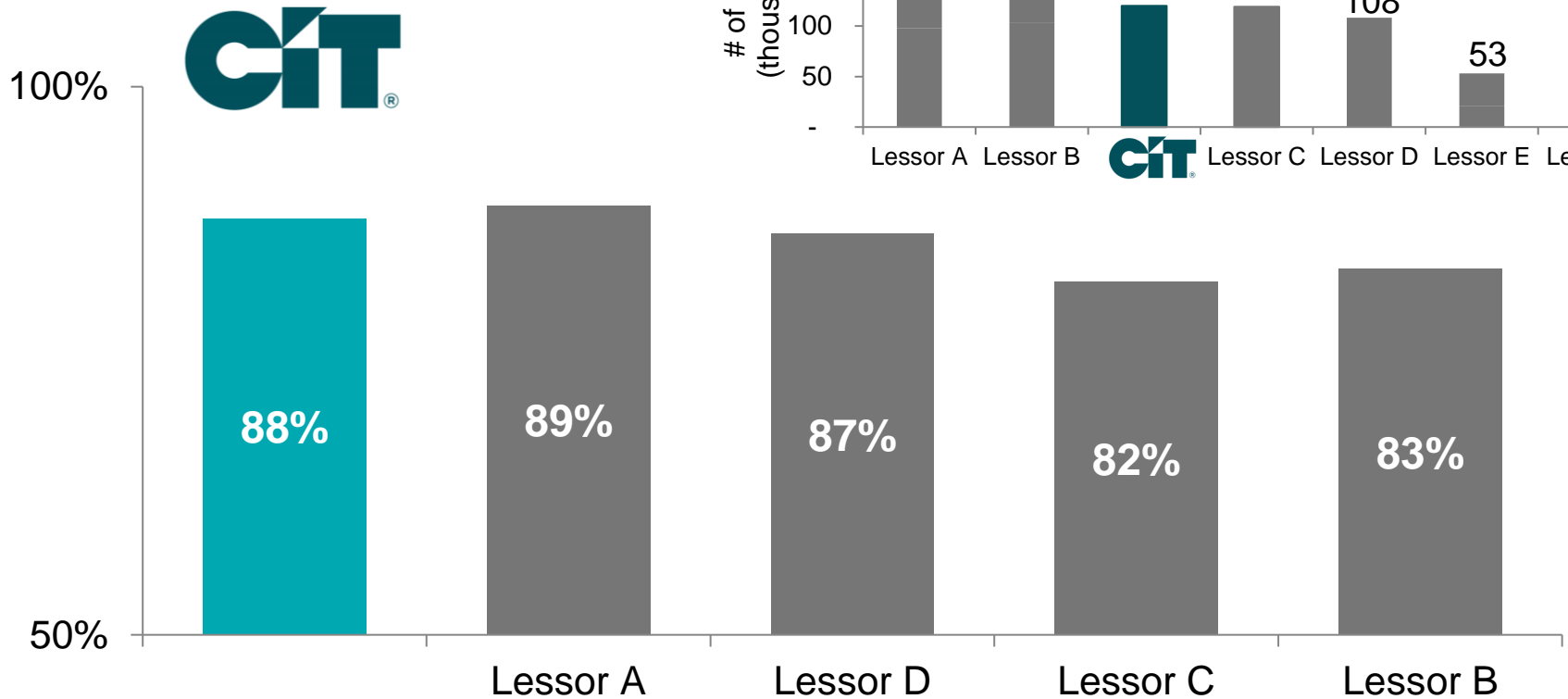
- Constantly assessing fleet composition to maintain high quality, attractive assets for our customers
- Geographic coverage throughout North America
- Dedicated to serve diverse commodity markets to support customers needs
- Strong customer service and long-term customer relationships

## Industries We Serve

- Agriculture & Food
- Automotive
- Aggregates
- Cement & Building Products
- Chemical
- Coal & Utilities
- Forest Products
- Mining
- Petrochemicals
- Petroleum & Gas
- Plastics
- Steel & Metals
- Waste Products

# Competitive Position

## Rail North America – % 286K GRL

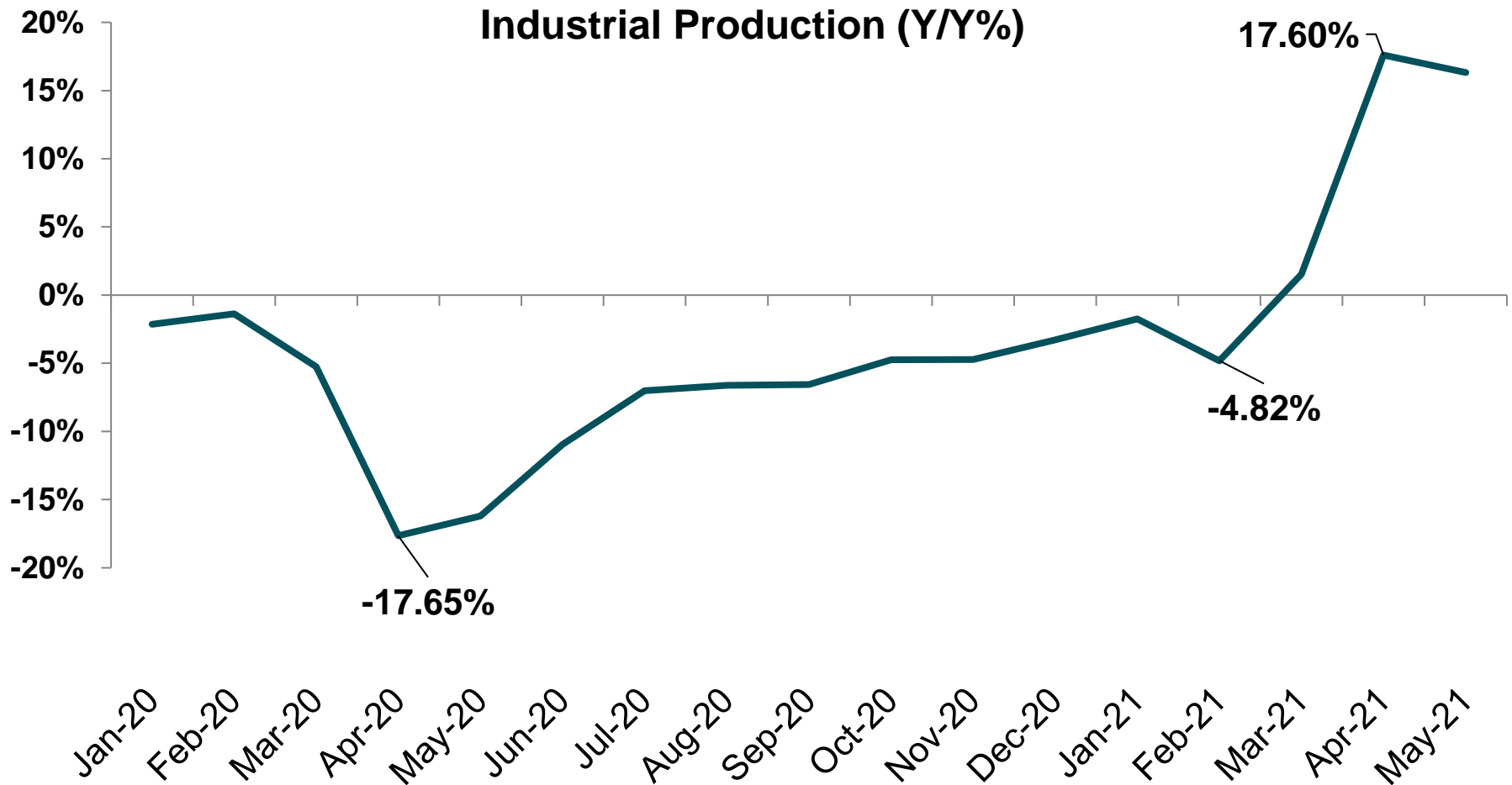


Source: CIT estimates of owned assets based on data from Progressive Railroading / UMLER, SEC filings and industry presentations for financials as of 3/31/21 if available. Excludes TTX. CIT Rail op and non-op leases excluding locomotives as of 3/31/21

# Macro View

## Path to recovery – Industrial Sector

Industrial production spikes make it difficult for customers to forecast railcar needs

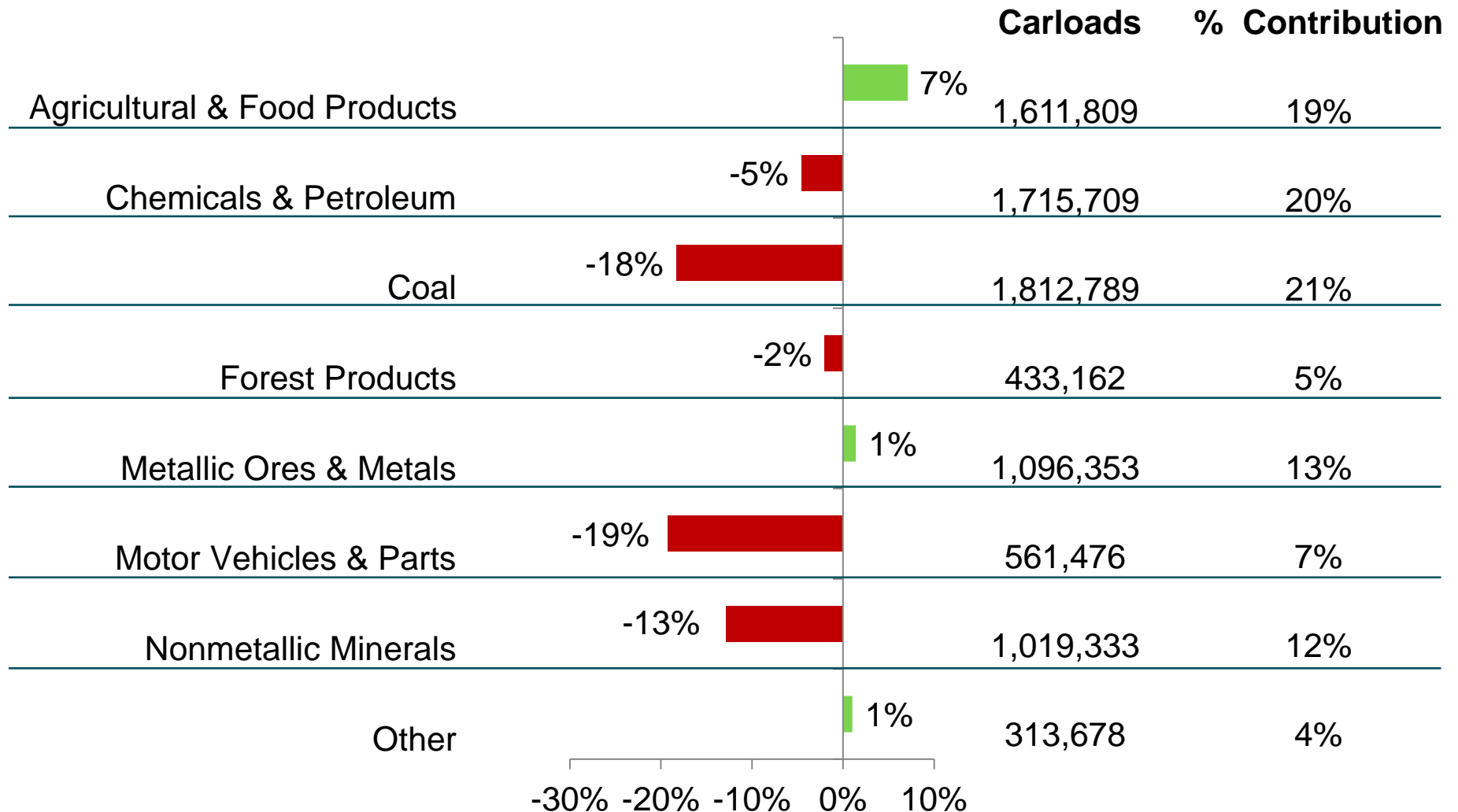


Source: Federal Reserve and internal CIT analysis



# Rail View

## North American Carloads YTD 2021 vs. 2019



# Markets

## Markets Travel a Different Path to Growth



- **Agriculture & Food Products:** Surging market due to exports and strong domestic market – strongest post-pandemic recovery.



- **Chemicals & Petroleum:** Slower road to recovery as travel is just starting to recover (petroleum products) and supply chain issues have impacted chemical markets.



- **Coal:** Some recovery as the economy reopens and export demand remains strong. Overall, though structural shifts remain and green initiatives threaten long-term demand.

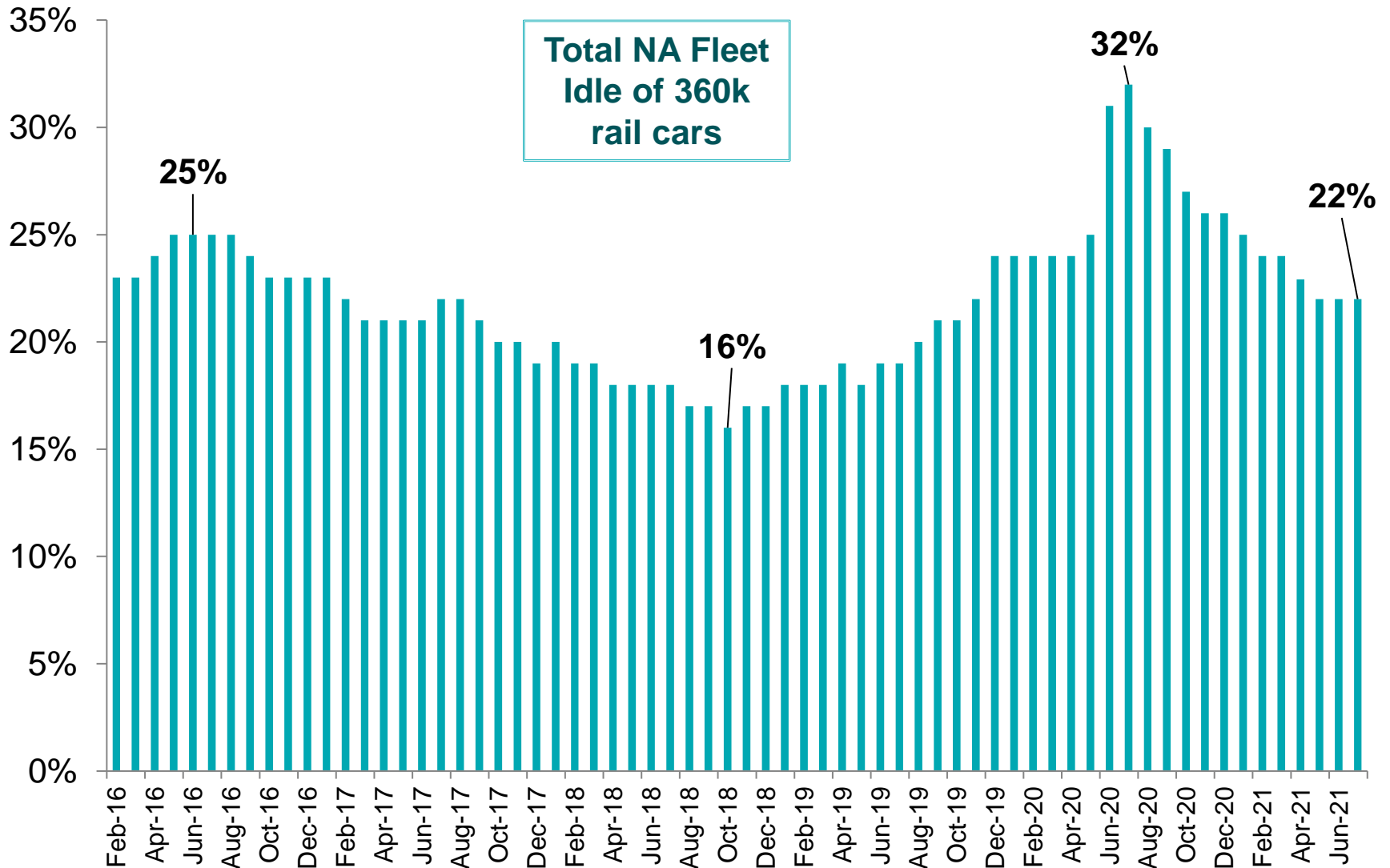


- **Forest Products:** Strong housing market supportive of lumber demand. Lumber prices have backed-off from record highs as pricing normalizes – should support continued opportunities for replenishment and organic growth.



- **Steel/Metals:** Increasing steel and scrap prices plus increasing automotive demand drives strong demand. Managing new car cost escalation risk will be a challenge.

# North America - Cars in Storage

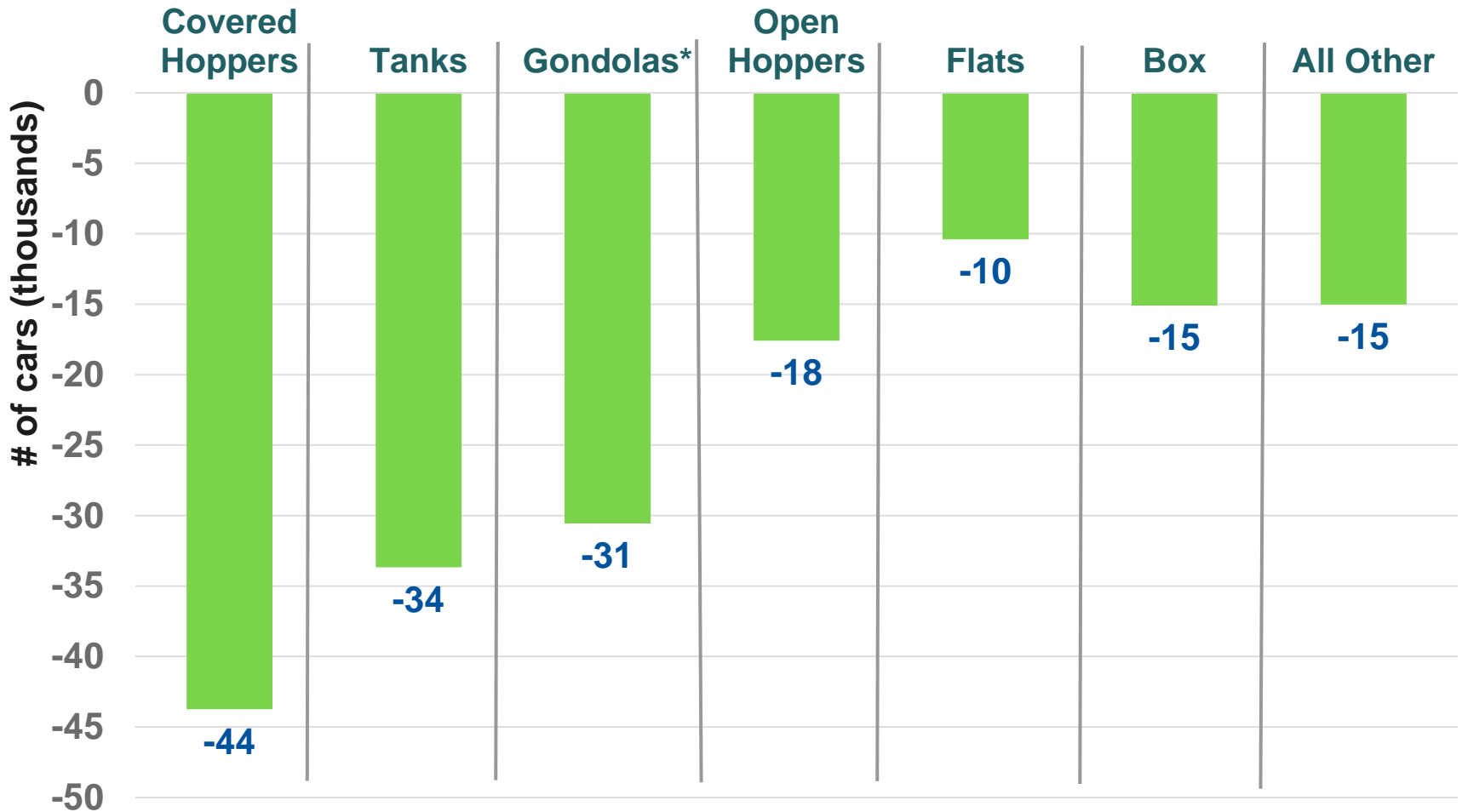


Source: AAR / Rail Time Indicators



# North America - Storage by Car Type

Y/Y % Idle trend – N.A. fleet



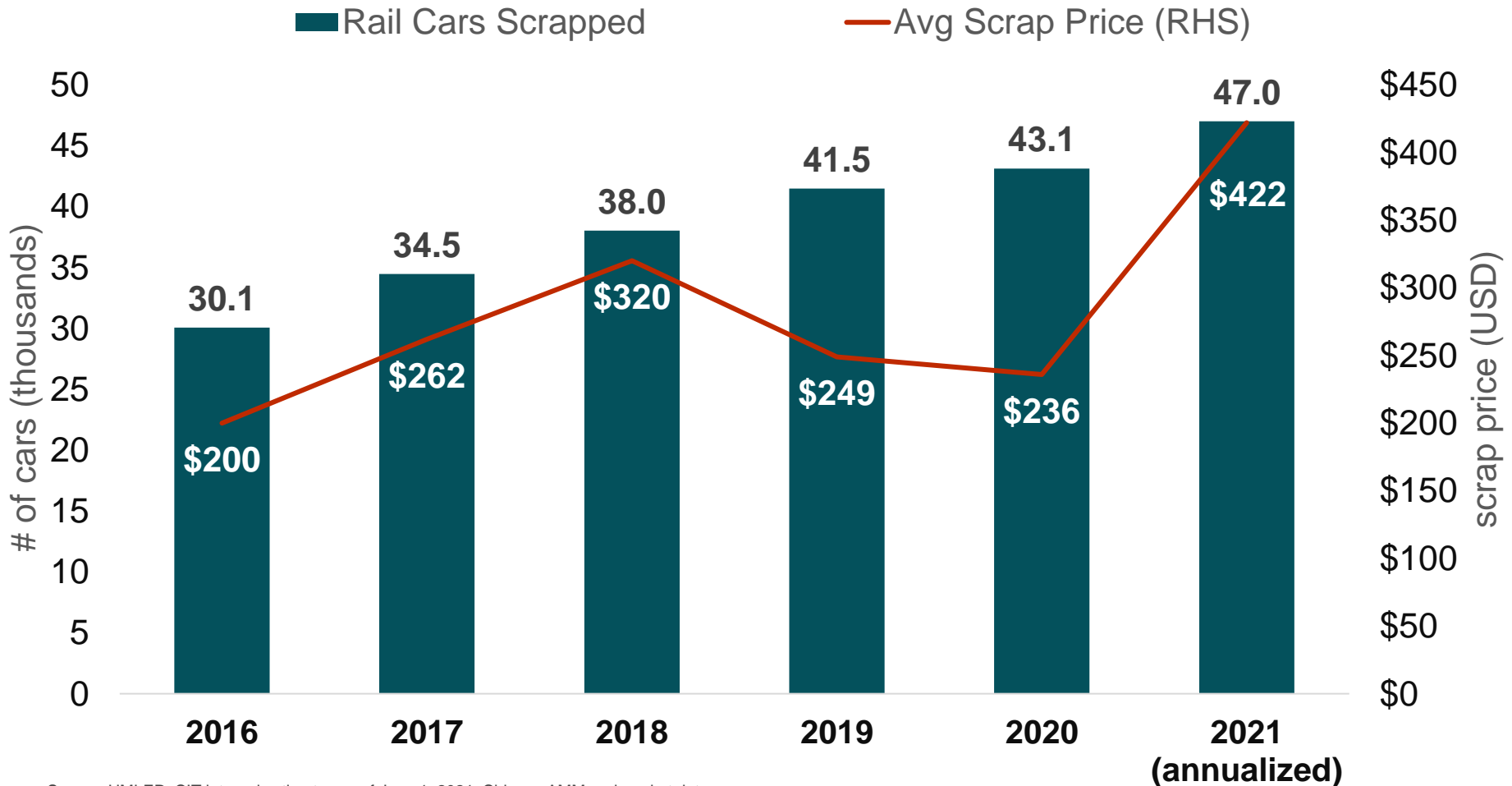
Source: AAR as of 7/2021

\*Includes both coal and mill gondolas



# Scrap trend 2016 - 2021

Scrap activity has increased – impact of scrap price is not directly evident in scrap activity and not the only determinant of scrap trends.



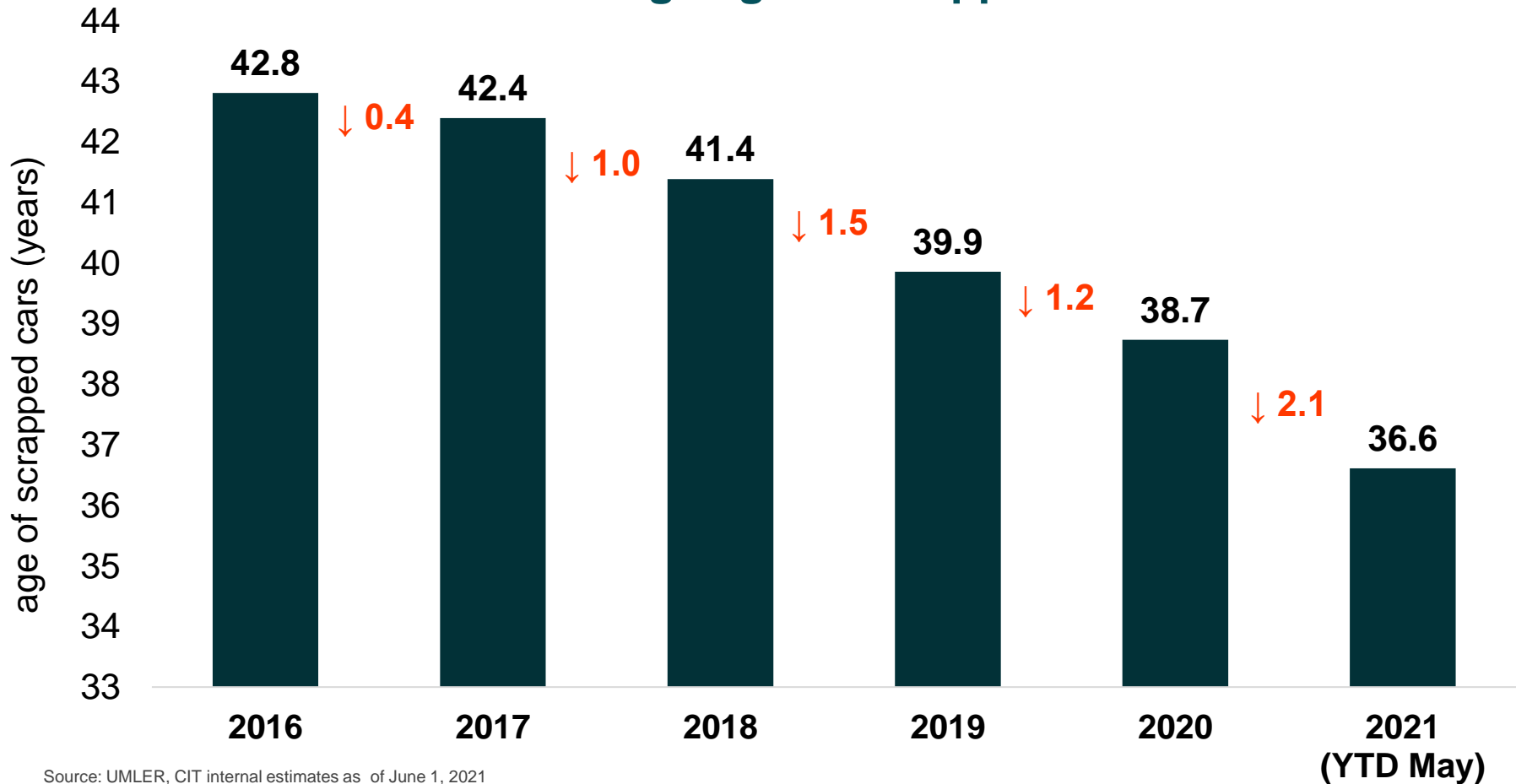
Source: UMLER, CIT internal estimates as of June 1, 2021, Chicago AMM and market data



# Scrap trend 2016 - 2021

Impact of scrap price evident in age of car scrapped – largest decline in average age in 2021 ~ 2 years.

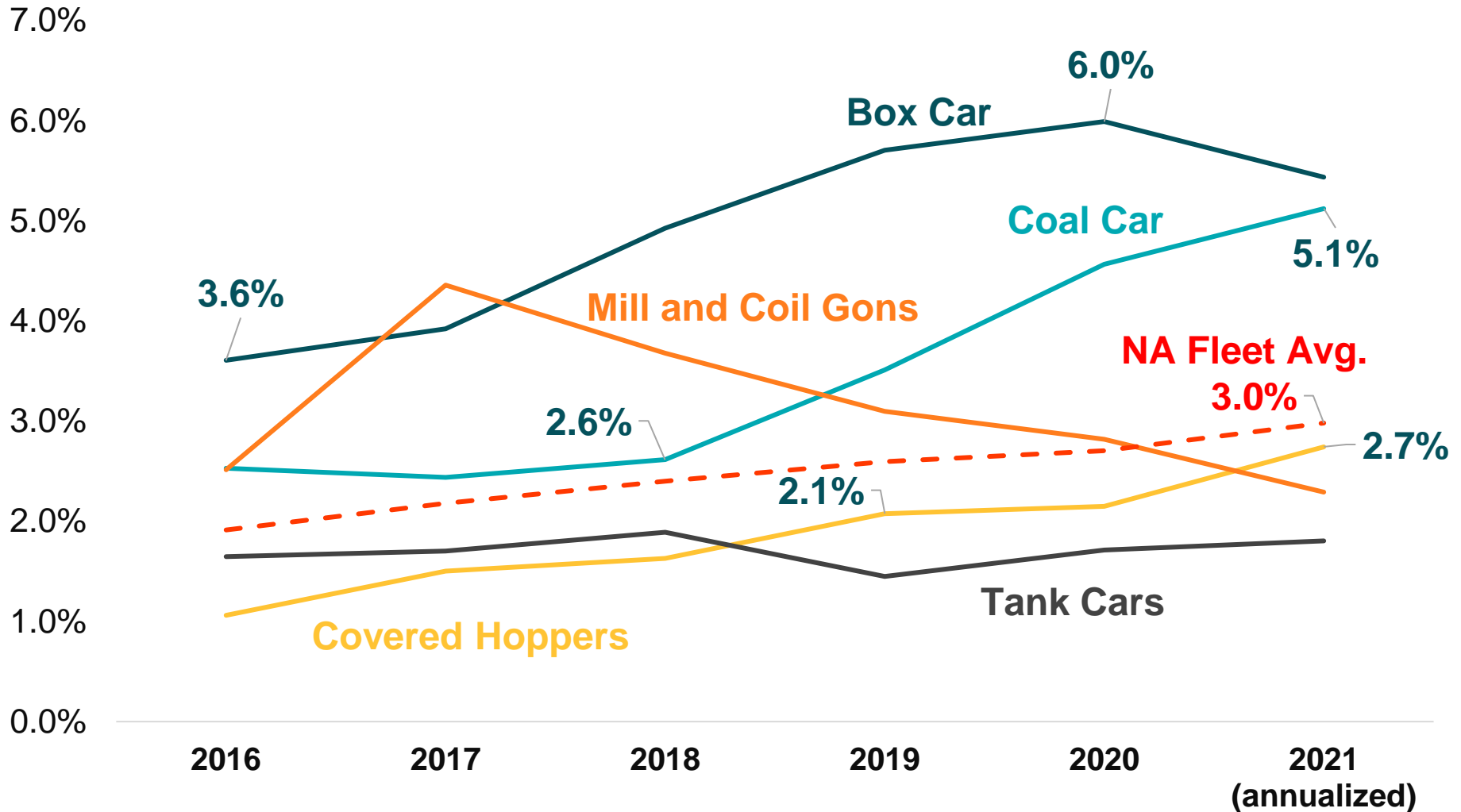
## Average age of scrapped cars



Source: UMLER, CIT internal estimates as of June 1, 2021

# Scrap trend 2016 - 2021

## Scrap rate by car type

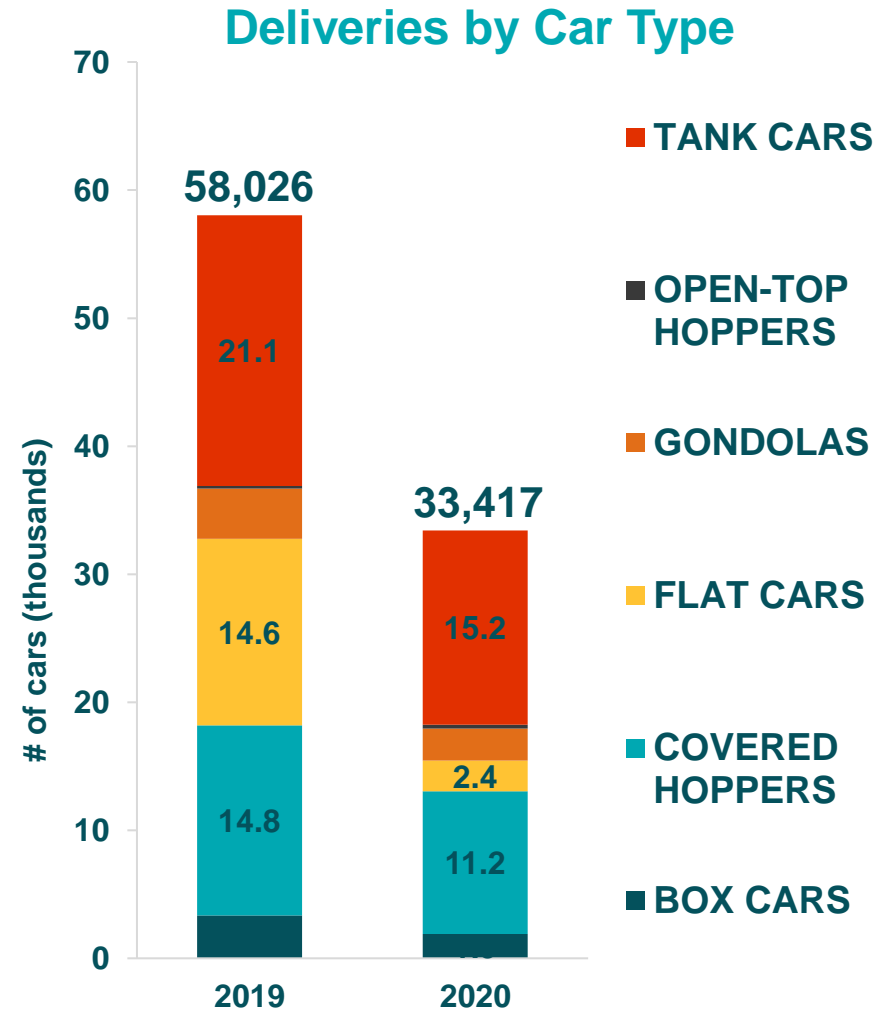


# New Builds as of 2020

Lack of new builds in 2020 brings new challenges for 2021

- Managing through a steel cost escalation environment
- Significant investment in new cars for 2021
- Evaluating 2022 market opportunities

Source: ARCI data as of 4Q2020



# Challenges

## Roadblocks Before Reaching Growth

- **Underemployment + surging demand**
- **Supply chain disruptions**
- **Capacity dislocations (labor, equipment, power)**
- **HM-216B peak**
- **Steel pricing**

*Meeting the needs of our customers in rapid, dynamic and recovering market*

# CIT Market Response

Powering the Journey to Growth with continued investment

- **Investment tailored to market needs**
  - + *New-build investment*
  - + *Re-purposing*
  - + *Retrofits*
  - + *Overhauls*
  - + *Maintenance network to minimize out-of-service time*

***Committed to meeting challenges with efficient transportation capacity & asset readiness***

