

March 2013



# GATX Corporation

## Railcar Update

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**GATX**

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

# Agenda

The GATX logo is a black circle with the word "GATX" in white, bold, sans-serif capital letters inside.

- GATX
- Rail industry
- Manufacturing environment – tank and freight
- Clay/Kaolin industry railcar fleet
- Future tank car implications

## **Forward-Looking Statements**

Certain statements in this document may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor provisions of those sections and the Private Securities Litigation Reform Act of 1995. These statements refer to information that is not purely historical, such as estimates, projections and statements relating to our business plans, objectives and expected operating results, and the assumptions on which those statements are based. Some of these statements may be identified by words like “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “predict,” “project” or other similar words. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, including those described in GATX’s Annual Report on Form 10-K for the year ended December 31, 2012 and other filings with the SEC, and that actual results or events may differ materially from the forward-looking statements.

Specific factors that might cause actual results to differ from expectations include, but are not limited to, (1) general economic, market, regulatory and political conditions affecting the rail, marine and other industries served by GATX and its customers; (2) competitive factors in GATX’s primary markets, including lease pricing and asset availability; (3) lease rates, utilization levels and operating costs in GATX’s primary operating segments; (4) conditions in the capital markets or changes in GATX’s credit ratings and financing costs; (5) risks related to GATX’s international operations and expansion into new geographic markets; (6) risks related to compliance with, or changes to, laws, rules and regulations applicable to GATX and its rail, marine and other assets; (7) operational disruption and costs associated with compliance maintenance programs and other maintenance initiatives; (8) operational and financial risks associated with long-term railcar purchase commitments; (9) changes in loss provision levels within GATX’s portfolio; (10) conditions affecting certain assets, customers or regions where GATX has a large investment; (11) impaired asset charges that may result from changing market conditions or portfolio management decisions implemented by GATX; (12) opportunities for remarketing income; (13) labor relations with unions representing GATX employees; and (14) the outcome of pending or threatened litigation.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis, judgment, belief or expectation only as of the date hereof. GATX has based these forward-looking statements on information currently available and disclaims any intention or obligation to update or revise these forward-looking statements to reflect subsequent events or circumstances.

# GATX Corporation - History and Goals

The GATX logo is a black circle with the word "GATX" in white, bold, sans-serif capital letters inside.

## GATX has an **impressive history**

- Founded in **1898** as a railcar lessor
- Listed on NYSE in **1916**
- Initiated quarterly dividends in **1919** and **paid without interruption** ever since
- Railcar leasing remains the foundation of GATX

## GATX mission:

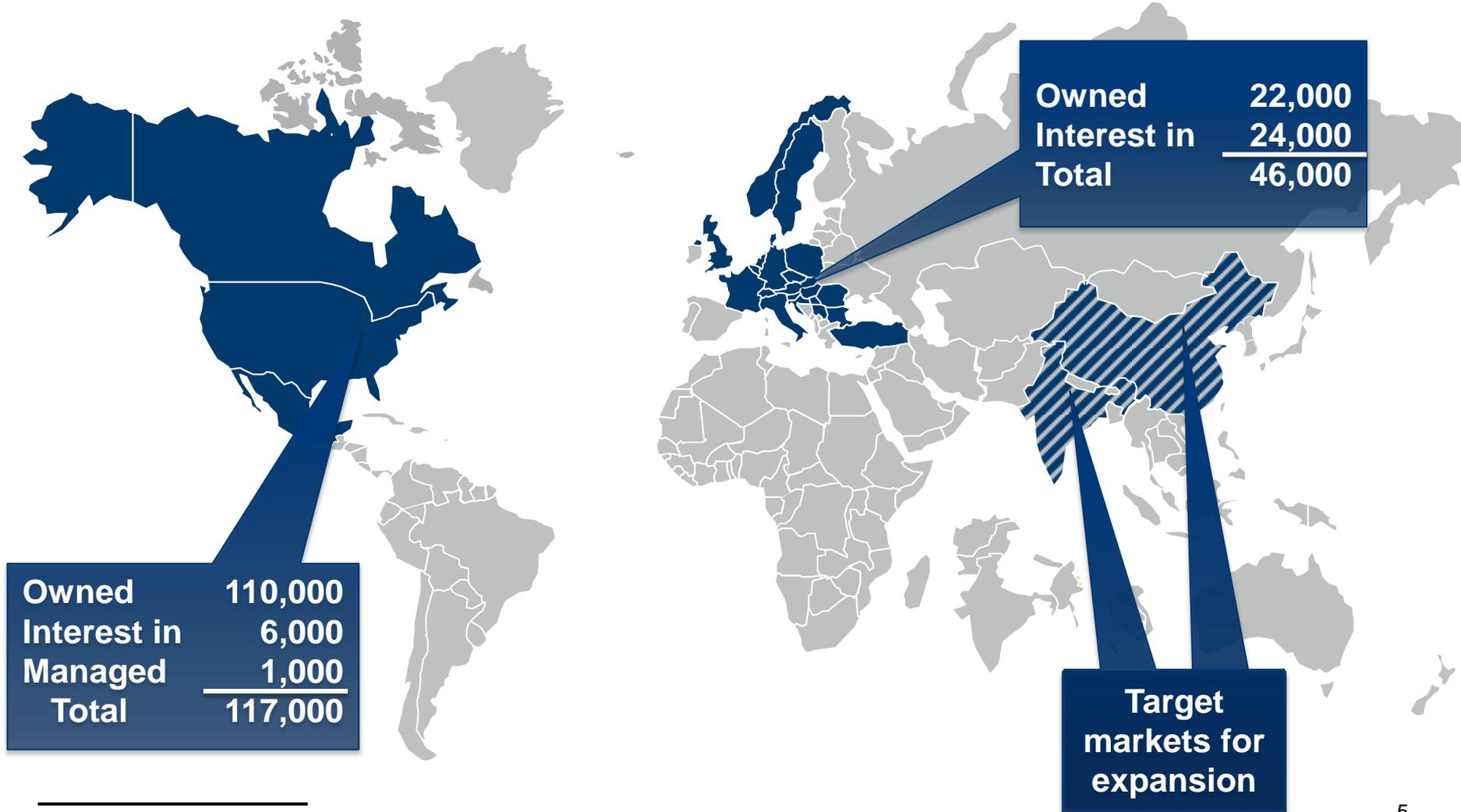
- We earn a **superior risk-adjusted return** for our shareholders by providing our customers with the **finest railcars, service** and **leases** in the industry.

# GATX Worldwide Railcar Fleet



**GATX**

GATX owns, manages or has an interest in approximately **163,000 railcars** worldwide

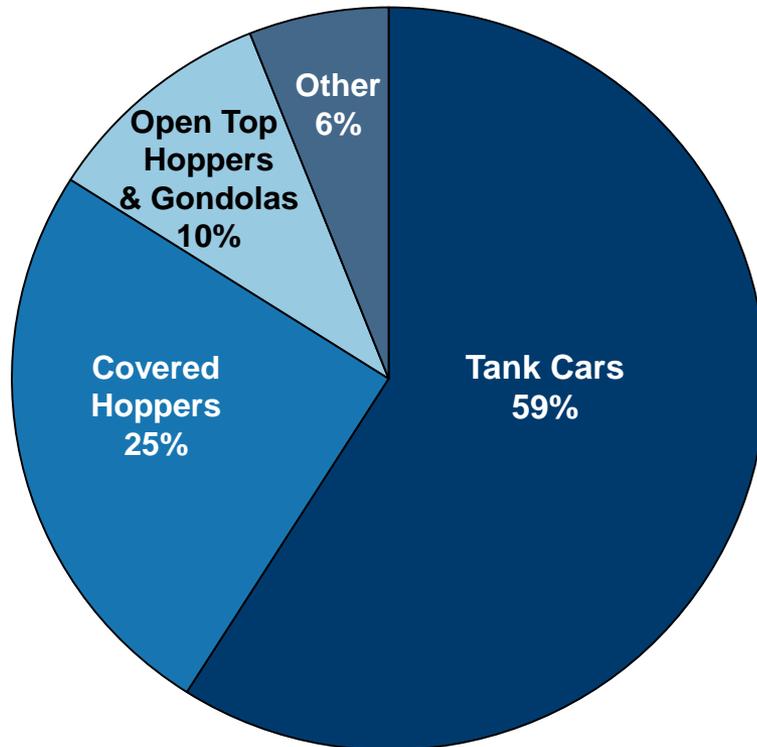


Fleet data as of 12/31/12

# GATX Worldwide Railcar Fleet

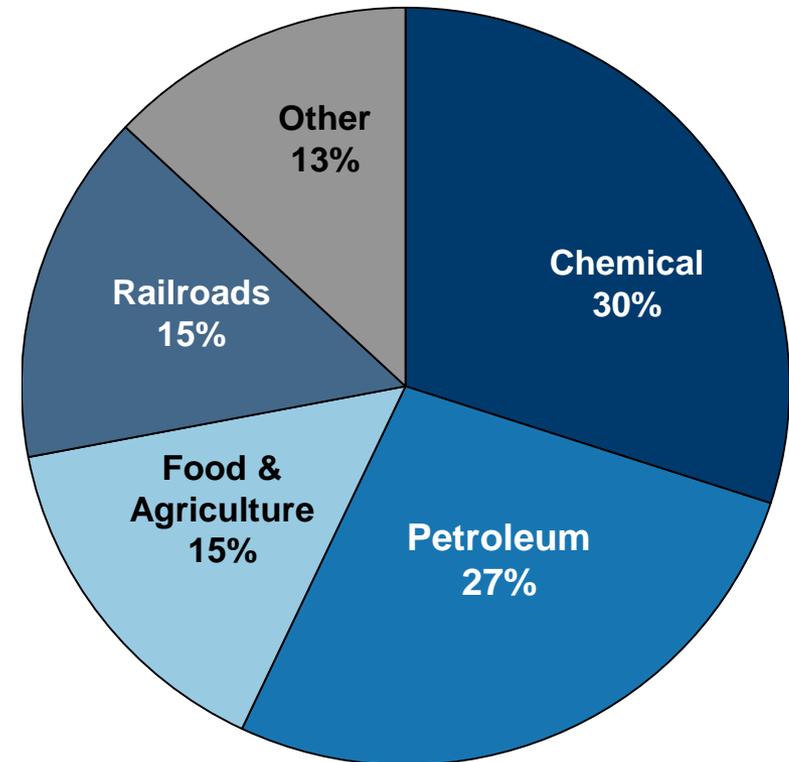


## Car Types



Approximately 131,000 wholly-owned railcars as of 12/31/12

## Industries Served



Based on 2012 Rail North America and Rail International revenues approximately \$933 million

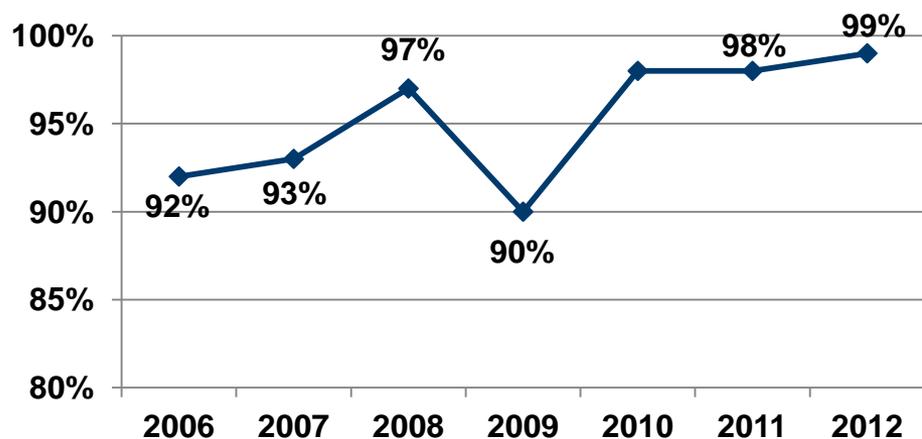
# Rail North America Locomotive Leasing

**GATX**

- GATX owns, manages or has an interest in approximately **610 locomotives**
- GATX's fleet is comprised of high-quality EMD four-axle locomotives
- GATX leases locomotives to
  - Class I railroads
  - regional and short-line railroads
  - industrial users

Owned	561
Affiliate	48
Managed	<u>3</u>
Total	612

Utilization



# Rail Maintenance Network

- Maintaining railcars and locomotives is necessary and complicated
  - Customers rely on GATX to manage the maintenance process
- In North America, GATX owns a network of
  - Six full-scale maintenance facilities
  - Two field repair centers
  - Six customer site locations
  - Three fast-track service centers
  - Twenty mobile service units
  - GATX also works with preferred third-party service providers
- GATX performs more than **80,000 service events** each year in its owned and third-party maintenance network in North America
- In Europe, GATX has major service centers in Germany and Poland as well as a customer site location in Poland

# Engineering Department Groups

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- **Design Engineering**
  - Improvement Orders
  - Design and Development Group
  - Engineering Standards Groups
  
- **Maintenance Engineering**
  - Technical Support
  - Chemical Engineering
  - Regulatory Compliance
  
- **Quality Assurance**
  - Process and Document Control
  - Training, Welding and Testing
  - Car inspection

# Industry Representation & Interaction

**GATX**

- **AAR Tank Car committee**
- **Chlorine Institute**
- **RSI – Railway Supply Institute**
- **FRA**
- **WABL**
- **UMLER**



**Wheels, Axles, Bearings, and Lubrication Committee (WABL)** The WABL Committee's mission is to establish, improve, and maintain wheel, axle, bearing and lubrication system interchange standards and rules, and to certify and monitor the performance of new equipment. To contact the WABL Committee Manager email [wabl@aar.com](mailto:wabl@aar.com).

# Training

**GATX**

- Signing a full-service lease is the starting point for GATX's long-term relationships with its customers
- GATX's service offering goes beyond maintenance and engineering to include ongoing training for customers. Since customers are the operators of the railcars, they need to be well-versed in the equipment and related regulations
- GATX offers rail customer training, both at Company headquarters and through its "TankTrainer" mobile classroom. This rolling classroom is in use year-round at customer facilities across North America

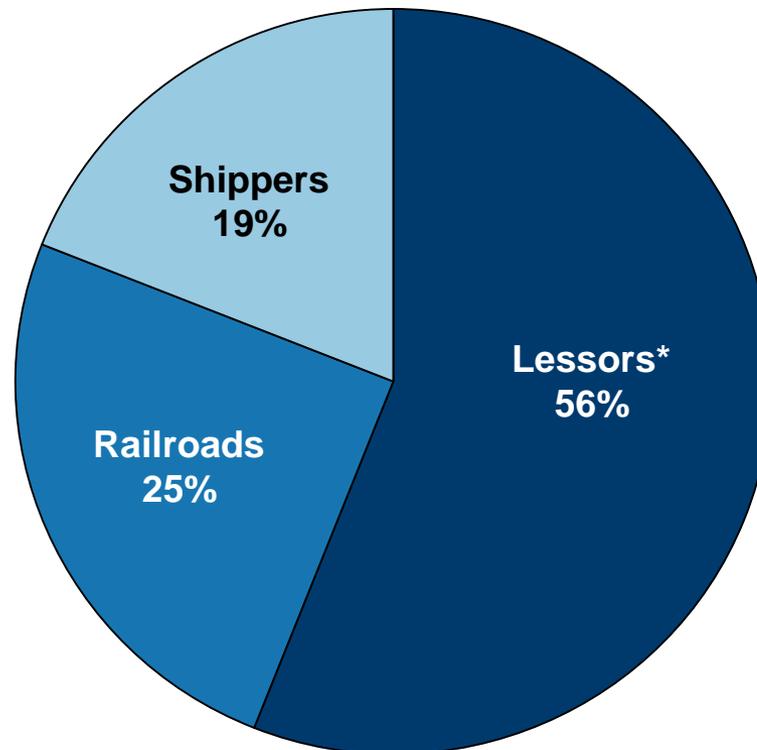


# Rail Industry

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Railcars are owned by lessors, railroads and shippers

## North American Railcar Market

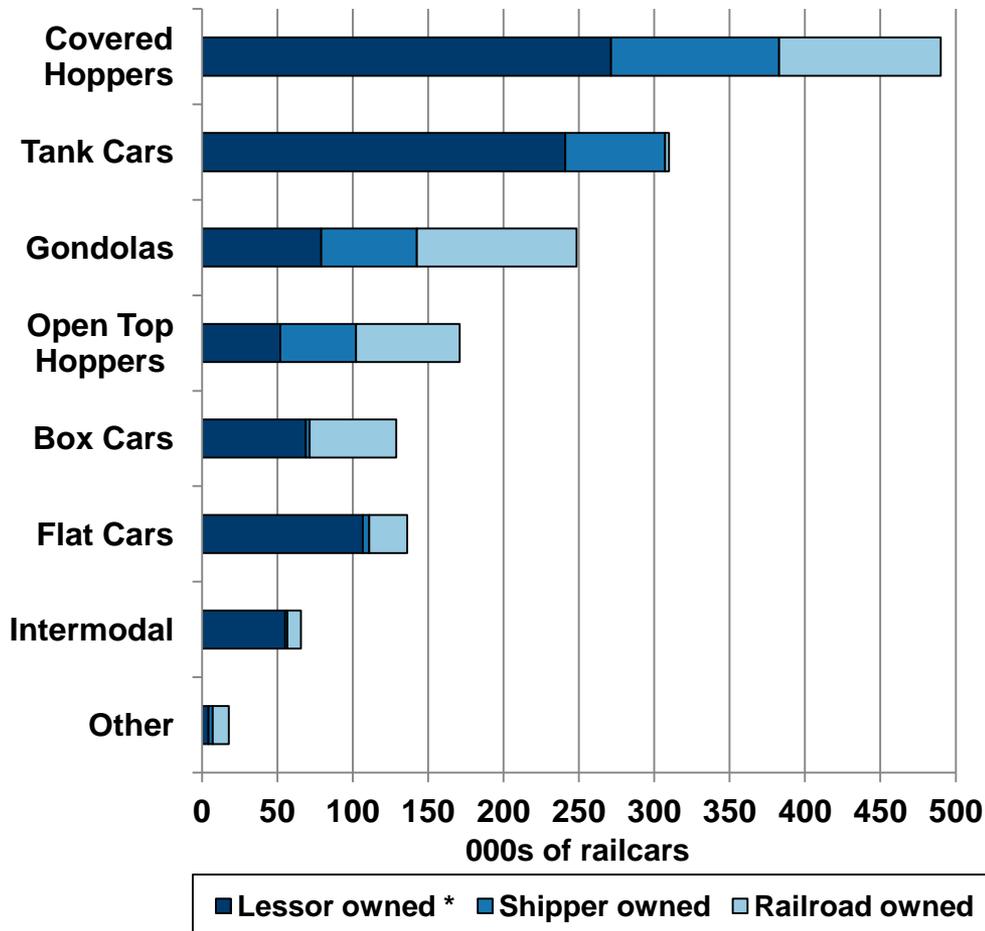


Approximately 1.6 million railcars

Source: Umler as of Jan-12

\* Cars owned by TTX, representing about 9% of the total North American fleet, are included with Lessors

## North American Fleet Composition



- Tank cars are owned by lessors such as GATX or shippers who utilize this car type
- Railroads do not have an ownership presence in tank cars as these cars have more complex service requirements
- Car ownership by railroads has been declining
  - In 2000, 53% of railcars were owned by railroads
  - In 2011, 25% of railcars were owned by railroads

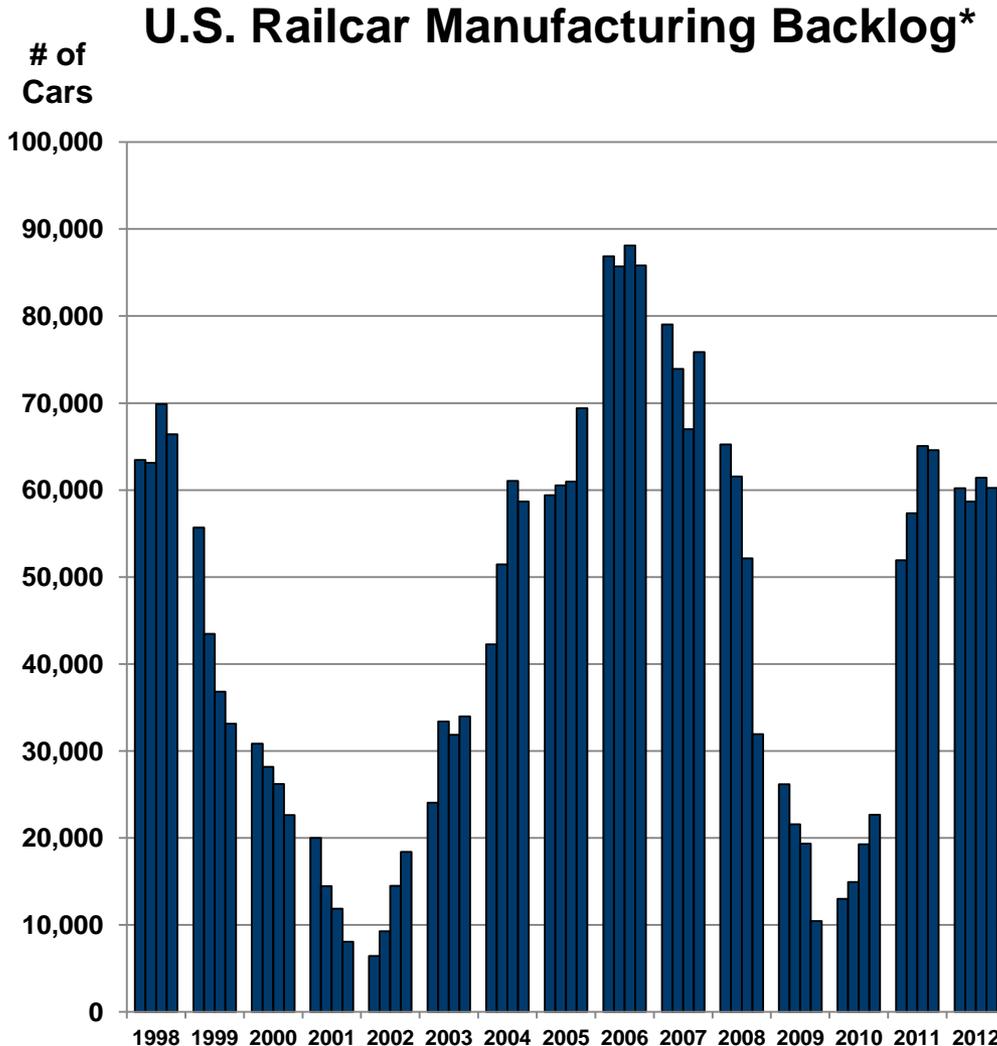
Source: Umler as of Jan-12

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# Rail Industry

## Railcar Manufacturing Backlog

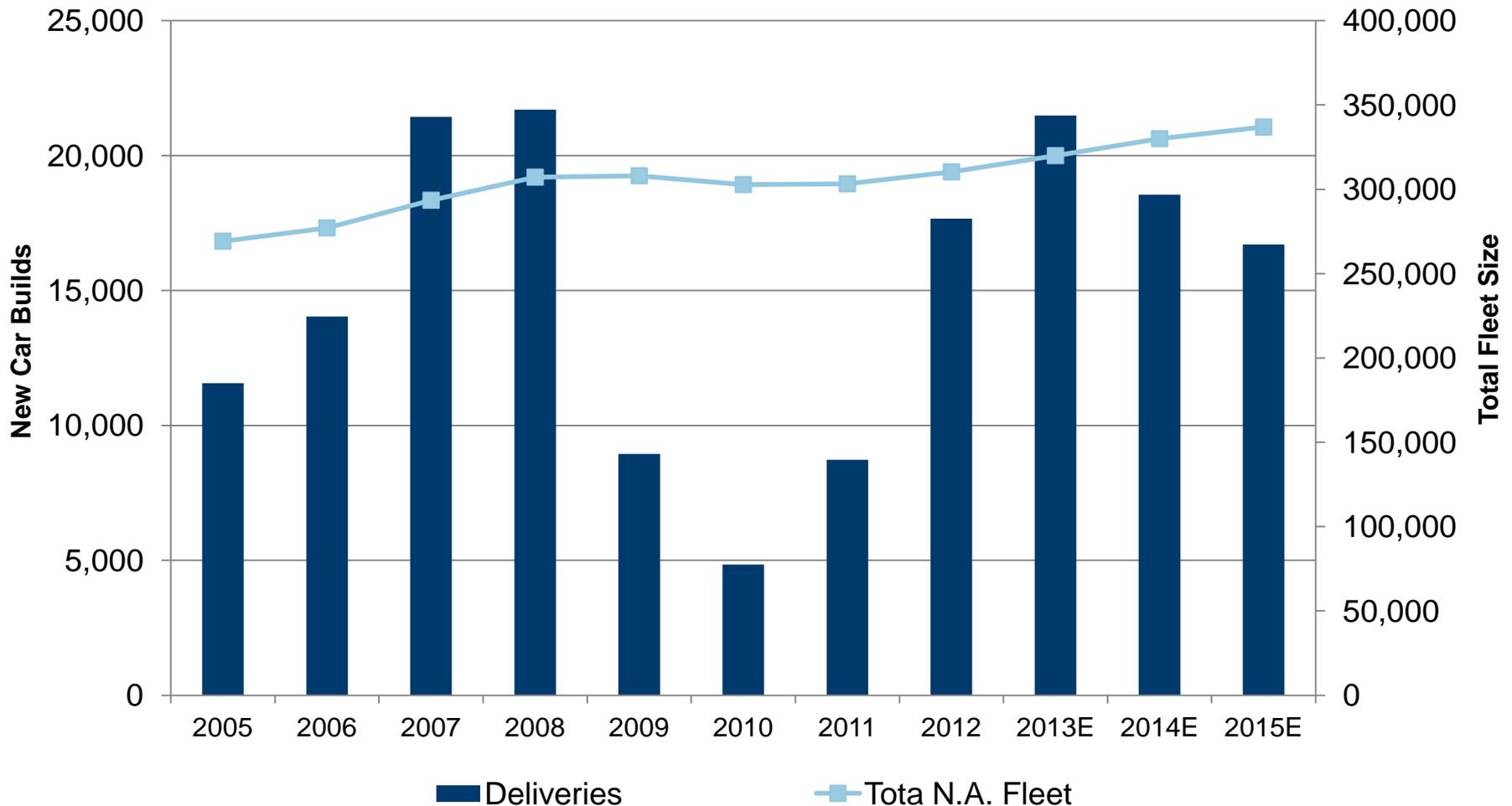
**GATX**



- The cyclical nature of the railcar manufacturing industry is reflected in the backlog of orders at the railcar manufacturers
- High railcar order backlogs in 2006 and 2007 resulted from strong market conditions and speculation in certain car types, particularly for ethanol service
- Decline in 2008 and 2009 reflects drop in orders due to economic downturn
- The sharp increase in 2011 illustrates the quick recovery in the rail market

\*Source: Railway Supply Institute

# North American Tank Cars



# Facts and future implications for tank cars

- Demand for crude oil tank cars is driving the manufacturing sector
  - How long will this last?
- New tank car prices have more than doubled since 2005
  - Global dynamics (growth in China, India, other economies)
  - Steel industry consolidation
- Most other tank car markets are moderate; several freight car markets are challenged
- Fertilizer, plastic pellet and chemical plant expansions planned for 2015 – 2016 as a result of low energy prices (natural gas)

# GATX and the Clay Industry

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# GATX and the Clay Industry

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- GATX has been leasing cars to clay shippers for over 35 years
- GATX owns and manages a large fleet of clay slurry tank cars throughout North America
- GATX remains committed to the success of the clay industry through our efforts to retain and grow the fleet of useful cars in North America
- GATX operates mobile repair services out of Macon, GA in order to serve the GA kaolin producers
- GATX has a major service center in Waycross, GA

# Clay Slurry Industry

- History
  - Boom – Fleet sizes increase
  - Bust – Markets change
  - Consolidation – Kaolin producers cut back
  - Crisis management – Lessors fight to manage fleets

# Clay Slurry Tank Car Fleet

- Current state of North American fleet
  - ~6,000 in 2002
  - ~3,500 in 2012
  - **>40% Reduction in the fleet**
- Fleet reductions are a result of:
  - railcar industry oversupply
  - resulting uneconomic decisions regarding the repair of older railcars
  - better mileage earnings on younger cars accelerate the scrapping of older cars
  - Increasing steel prices resulting in rising scrap values



# Clay Slurry Tank Cars – Challenges

- Challenges to current clay tank car design
  - Single-use car design
  - Mileage earnings
    - Statutory life = 50 years
    - Useful life due to mileage earnings = 30 years
  - Maintenance costs increase
  - Scrap values increase
  - Age of fleet is increasing
  - ***Rapid attrition rate for existing cars***

# Conclusions

- Existing clay car fleet will continue to shrink
- In general, the North American rail industry will continue to move toward high-capacity 286K cars
- ***Consideration of a more versatile car design that will serve multiple commodities to help improve marketability and reduce risk***
  - 17,800 gallon, 286K GRL design (caustic soda)
  - 15,700 gallon, 286K GRL design (molten sulfur)

# Next Steps

- Mission-critical car needs should not be left to chance
- GATX has committed to work with clay shippers and others in the industry to find a suitable car design that meets shipper and lessor needs
- Shippers urged to act in advance to secure car supply
  - All new tank cars are affected by current backlogs

# Thank You!