



Southwest Association
of Rail Shippers

October 4, 2018



TRINITYRAIL

Built to Deliver®

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Today, I'd like to address the state of the rail equipment market and how it affects Southwest area shippers



TrinityRail – *Built to Deliver*



Railcar Market Recovery



Southwest Rail Markets and
the Challenges We Face



Now is the Time for Creative
Solutions

TrinityRail is North America's leading provider of comprehensive, integrated railcar services

Manufacturing

From January 2002 through 2Q 2018, *TrinityRail* has produced over 324,000 railcars.



Leasing

An owned and managed lease fleet of over 122,000 railcars

A net lease fleet investment of over \$600 million in 2018



Services

Field service support for on-site operational instruction and assistance

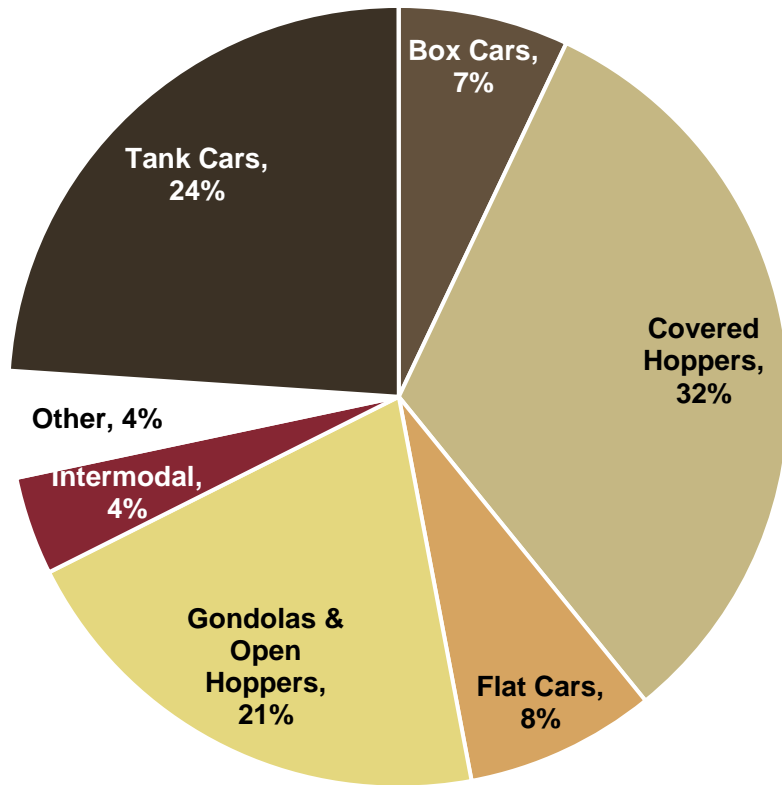
Extensive North American network of repair shops



The total North American railcar fleet is about 1.7M railcars; lessors own over 50%

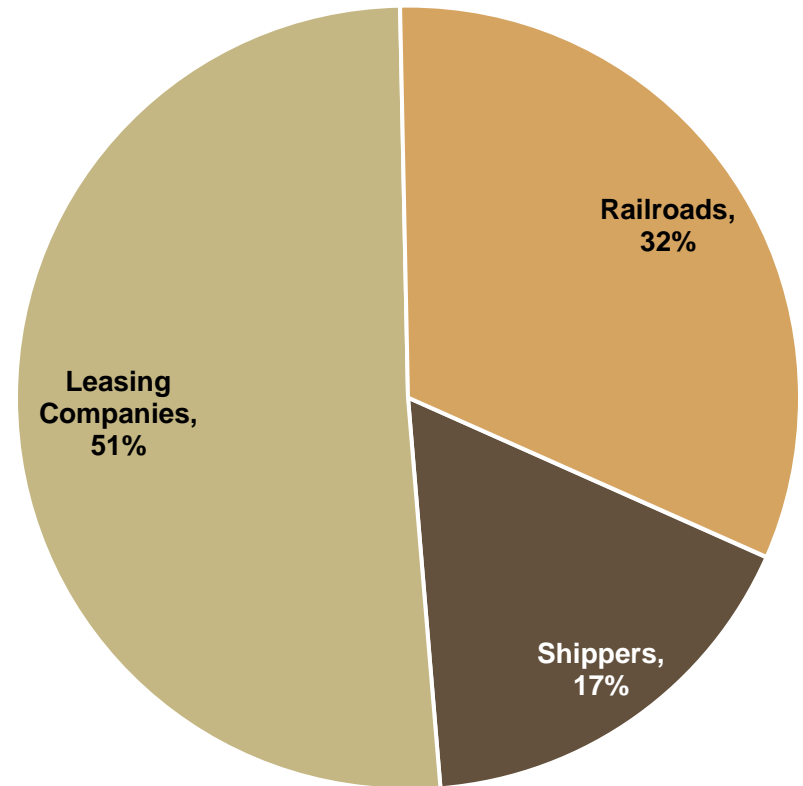
North American Fleet by Car Type

Source: UMLER (January 2018)



North American Fleet by Owner Type

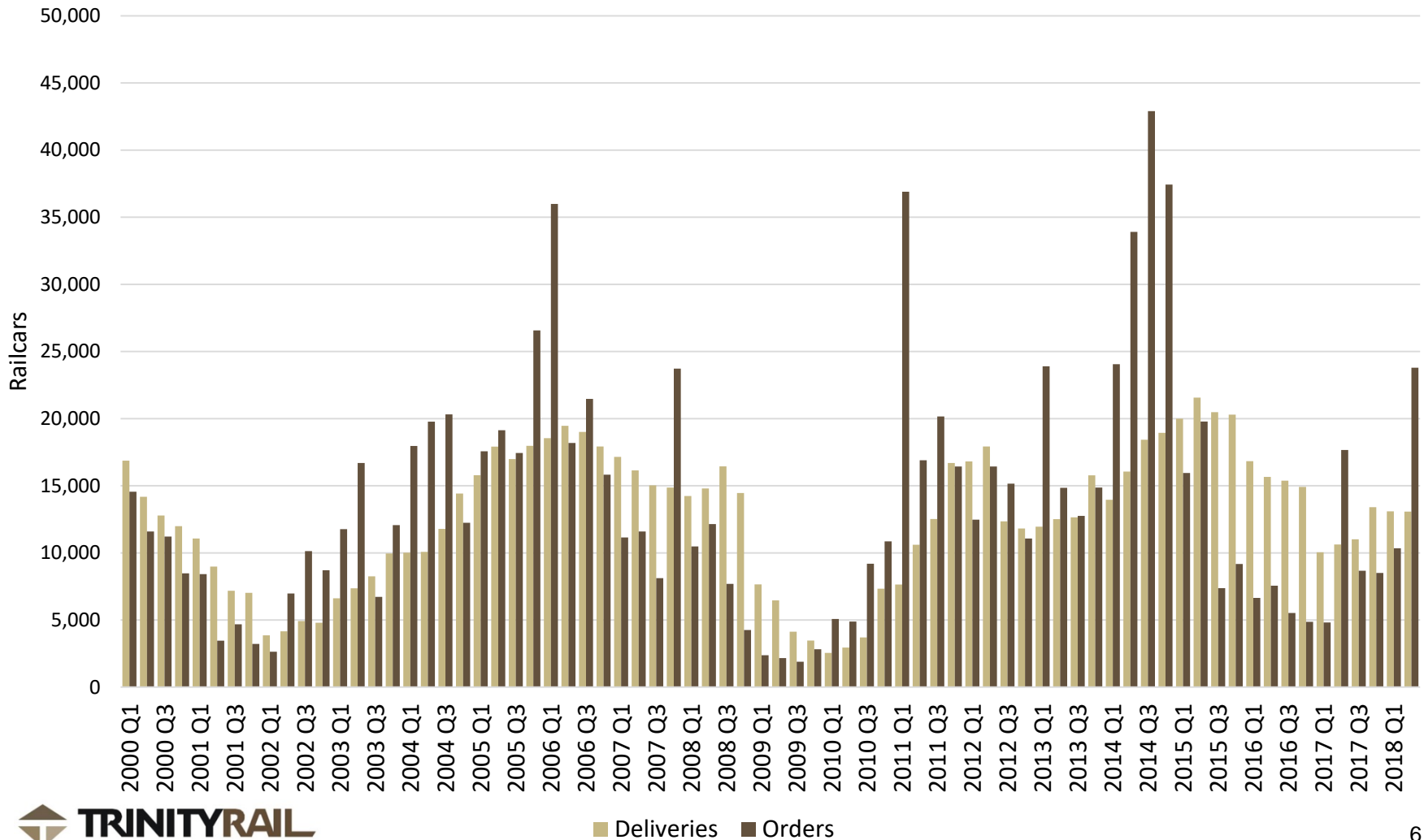
Source: UMLER (January 2018)



Railcar order totals appear to be recovering from their 2016-2017 lows; the pace of deliveries has increased

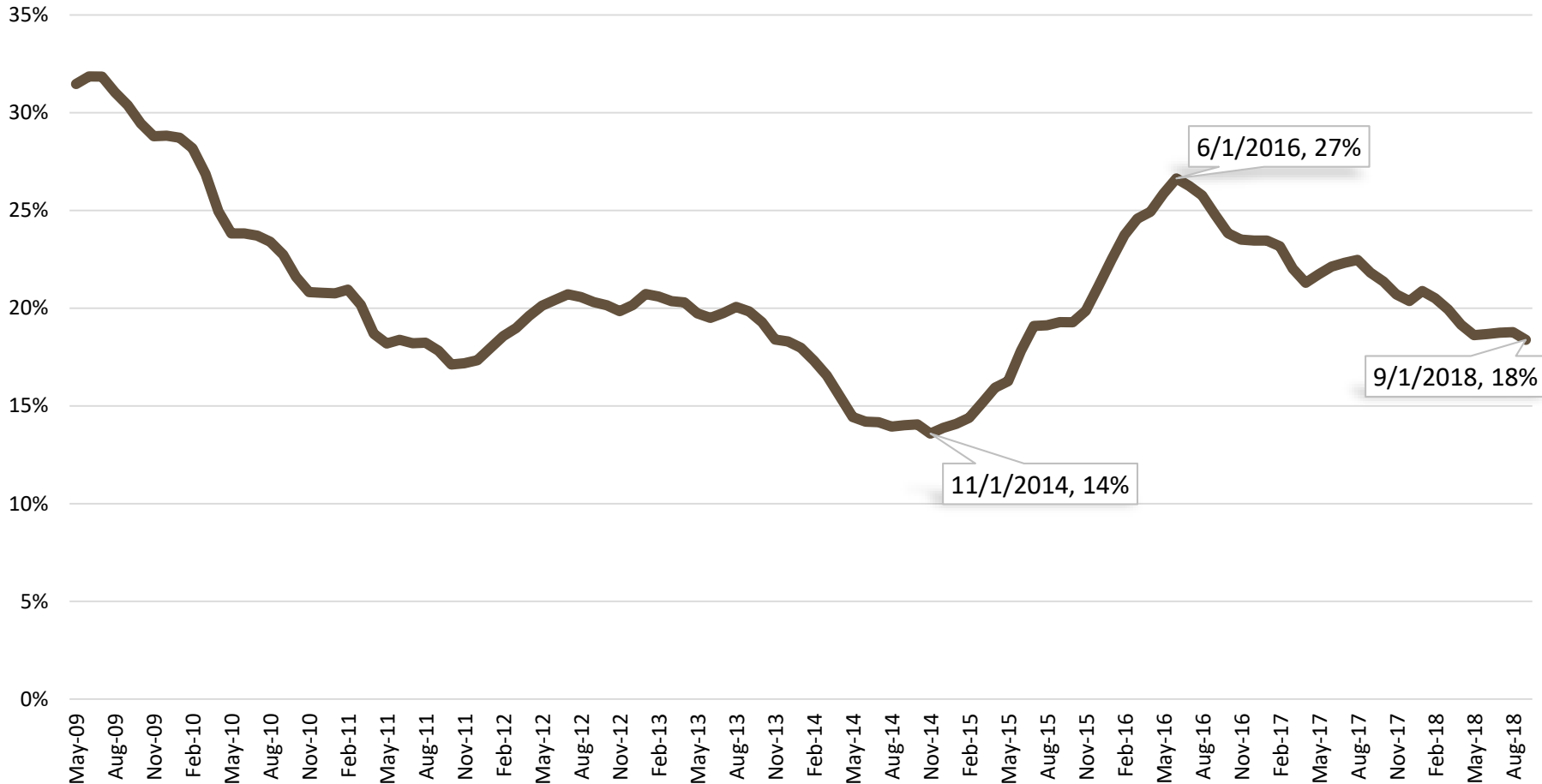
North American Freight Railcar Quarterly Deliveries and Orders

Source: ARCI



Utilization of the North American railcar fleet has been growing

North American Freight Railcars in Storage
As a percentage of the total fleet
Source: AAR Rail Time Indicators

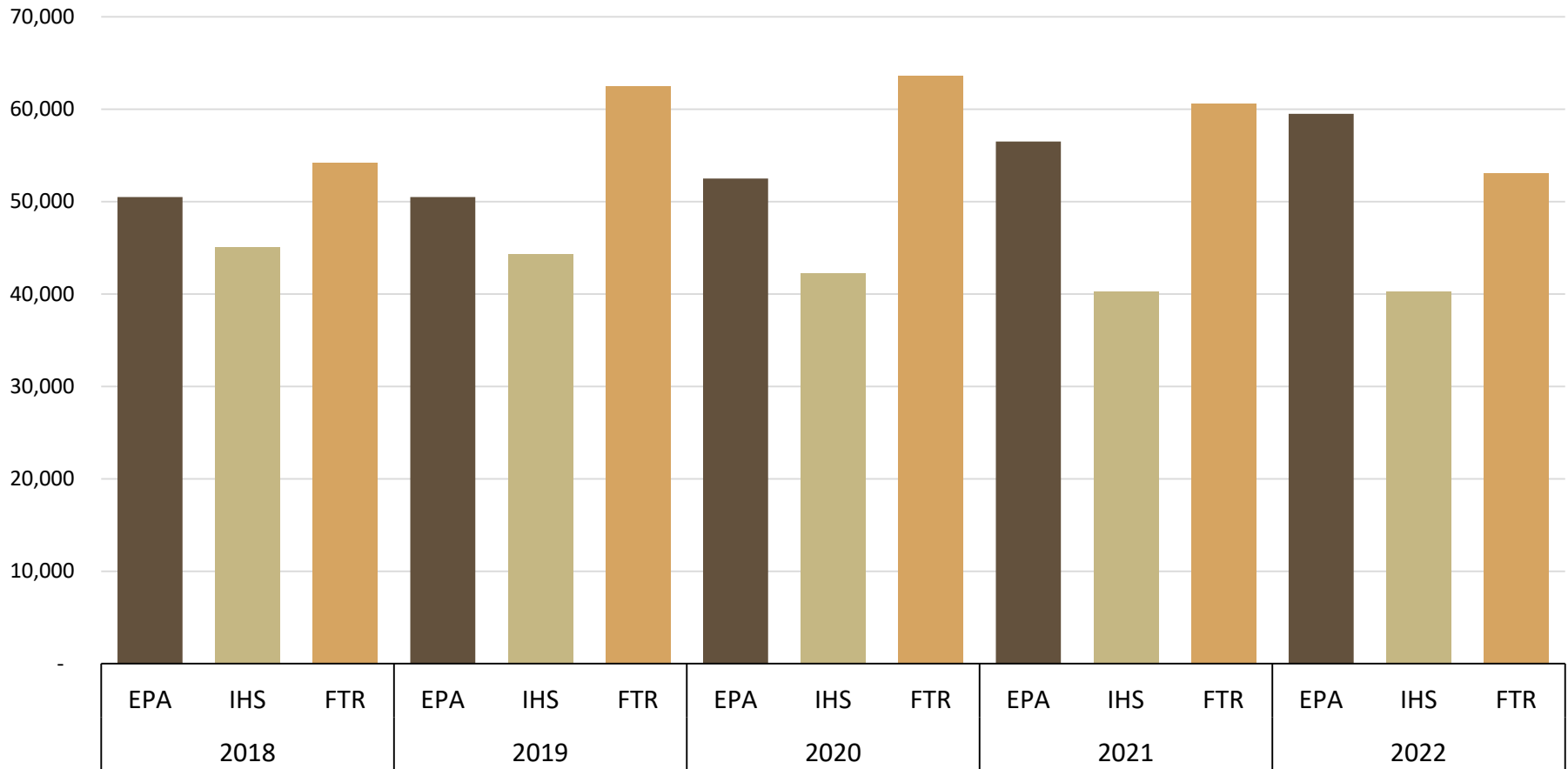


Graph shows the percentage of the North American railcar fleet in storage (empty or loaded) per the AAR Rail Time Indicators definition: A rail car is in storage if it has had a loaded revenue move since 2009, but not in the prior 60 days.

Forecasters see some potential growth in railcar deliveries over the next 2-5 years

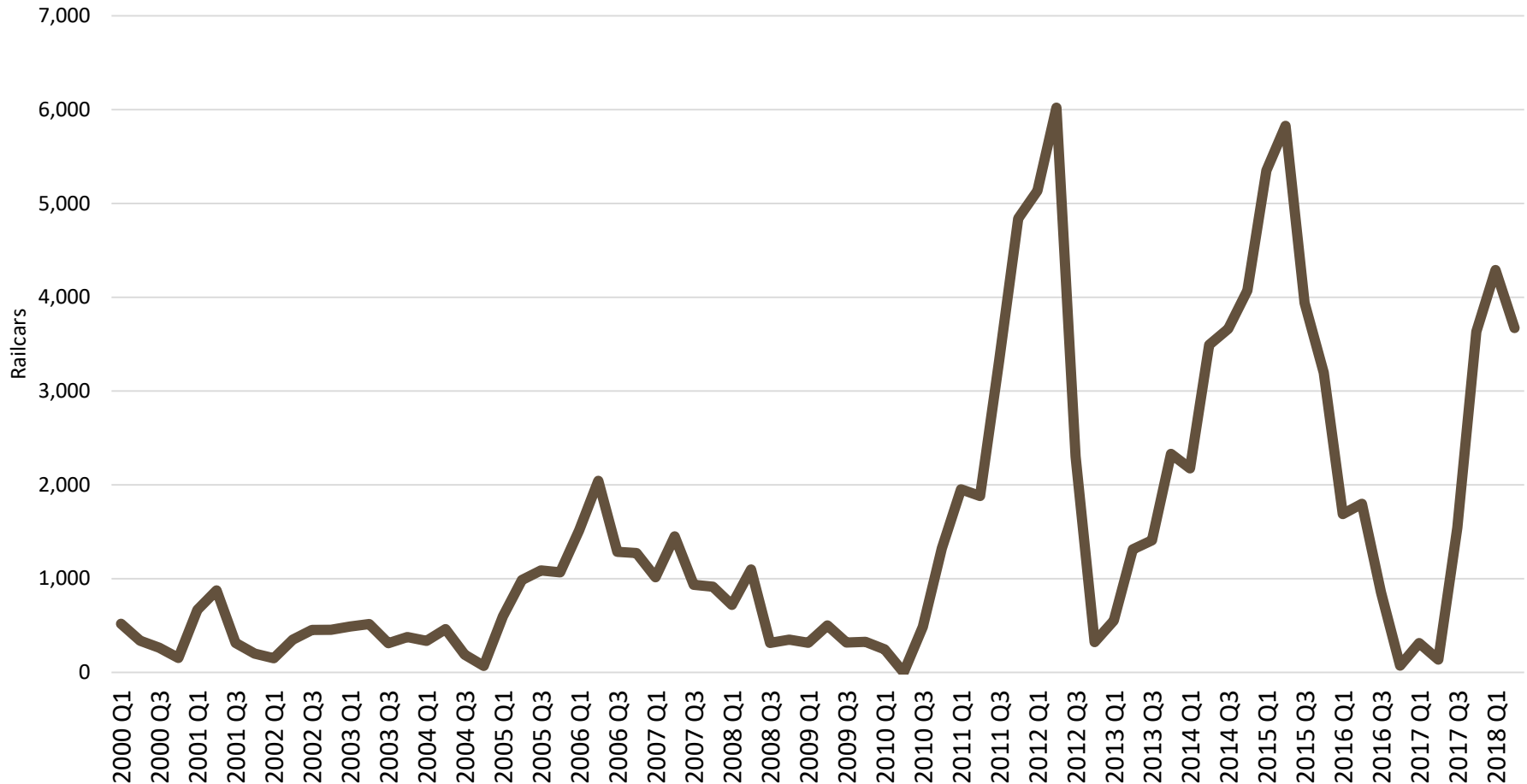
North American Railcar Delivery Forecast

Sources: IHS Global Insights (July 2018), Economic Planning Associates (July 2018), and FTR Intelligence (September 2018)



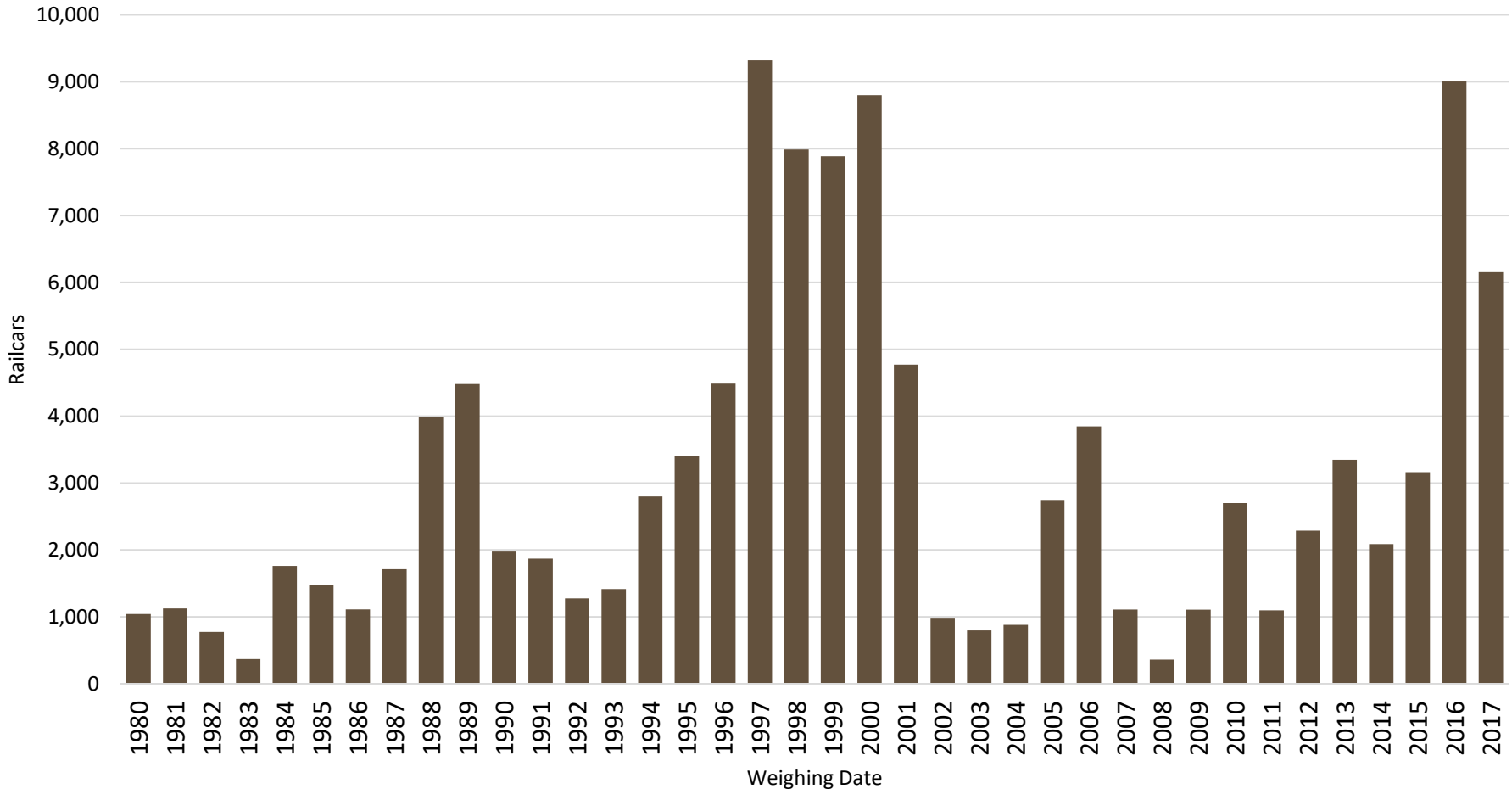
Since the end of the recession, the industry has built over 80,000 small covered hoppers

Quarterly North American Deliveries
Covered Hoppers <3,500 cubic feet
Source: ARCI



The fleet of covered hoppers appears to be expanding to accommodate new plastic production capacity

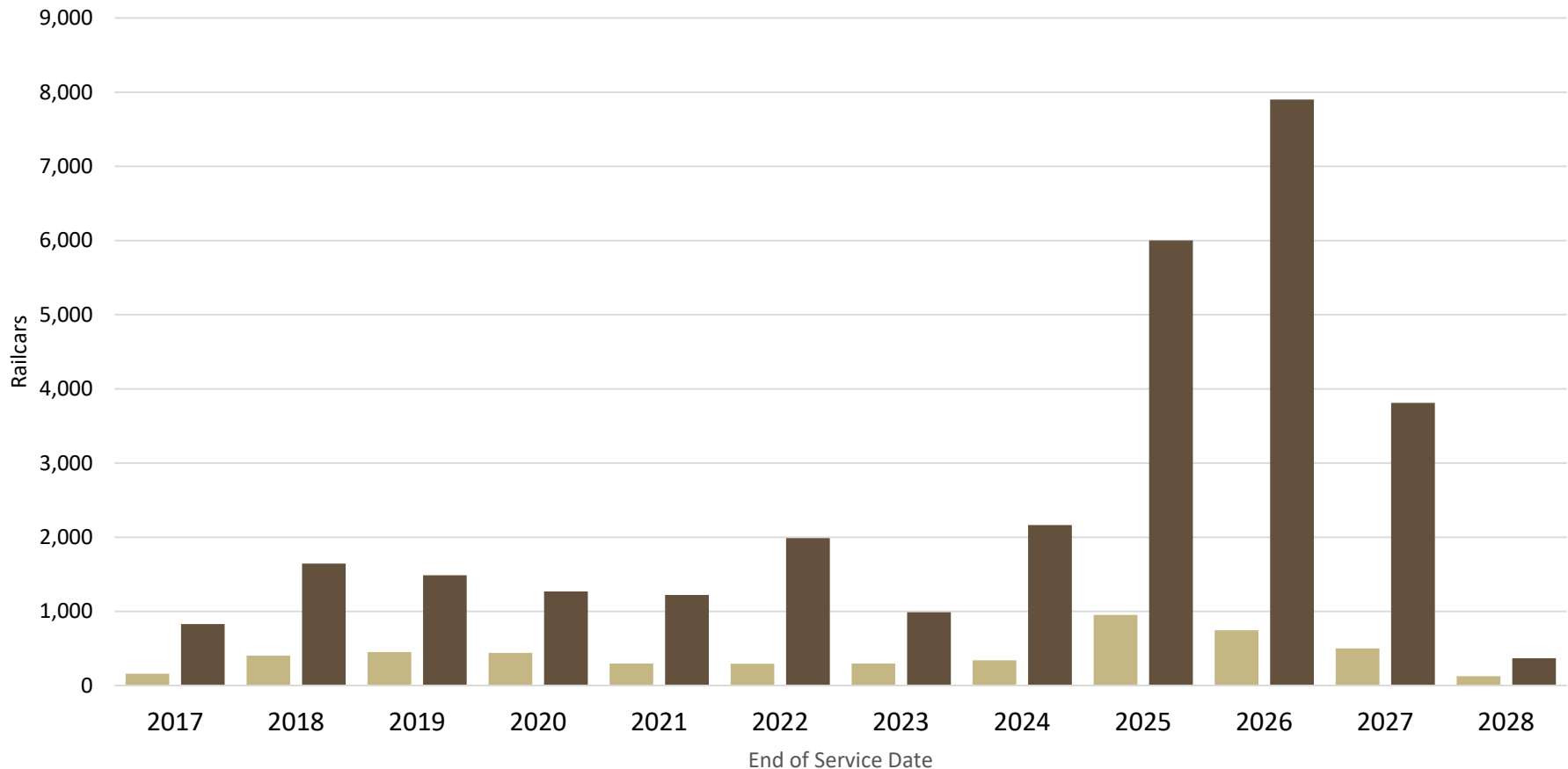
**North American Pneumatic Gate Covered Hopper Fleet
by Weighing Date 1980-2017**
Source: UMLER (January 2018)



Older hoppers and gondolas (<4,000cf) owned by railroads are poised to retire

North American Hopper and Gondolas (<4,000cf) Fleet
By End of Service Date 2017-2028 and Stencil Owner Category

Source: UMLER (January 2018)

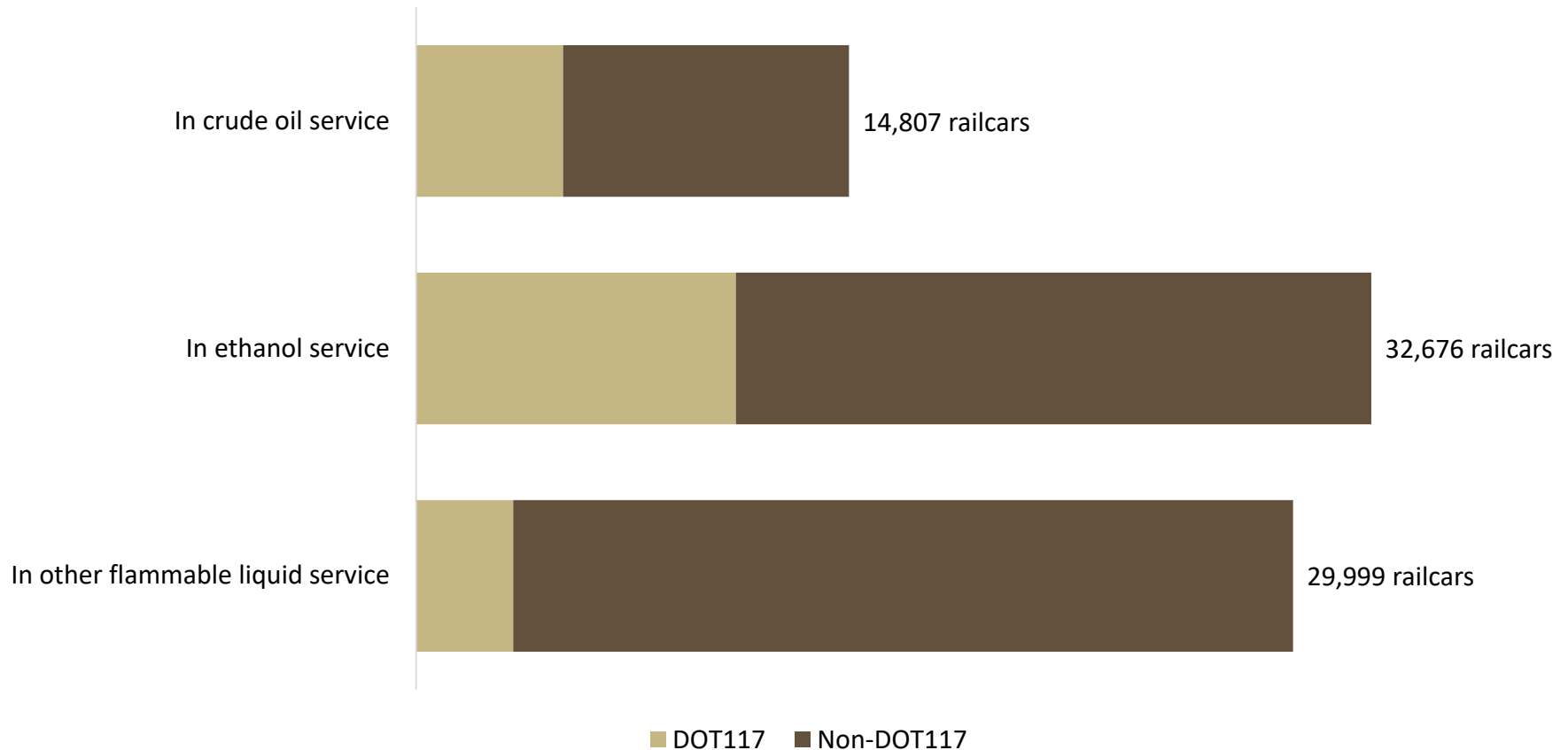


Fleet of DOT117 tank cars continues to grow; the fleet of other cars in flammable liquids service remains large

Flammable Liquid Non-Pressure Tank Car Fleets

By Commodities served in 1Q2018

Source: AAR (5-25-18)

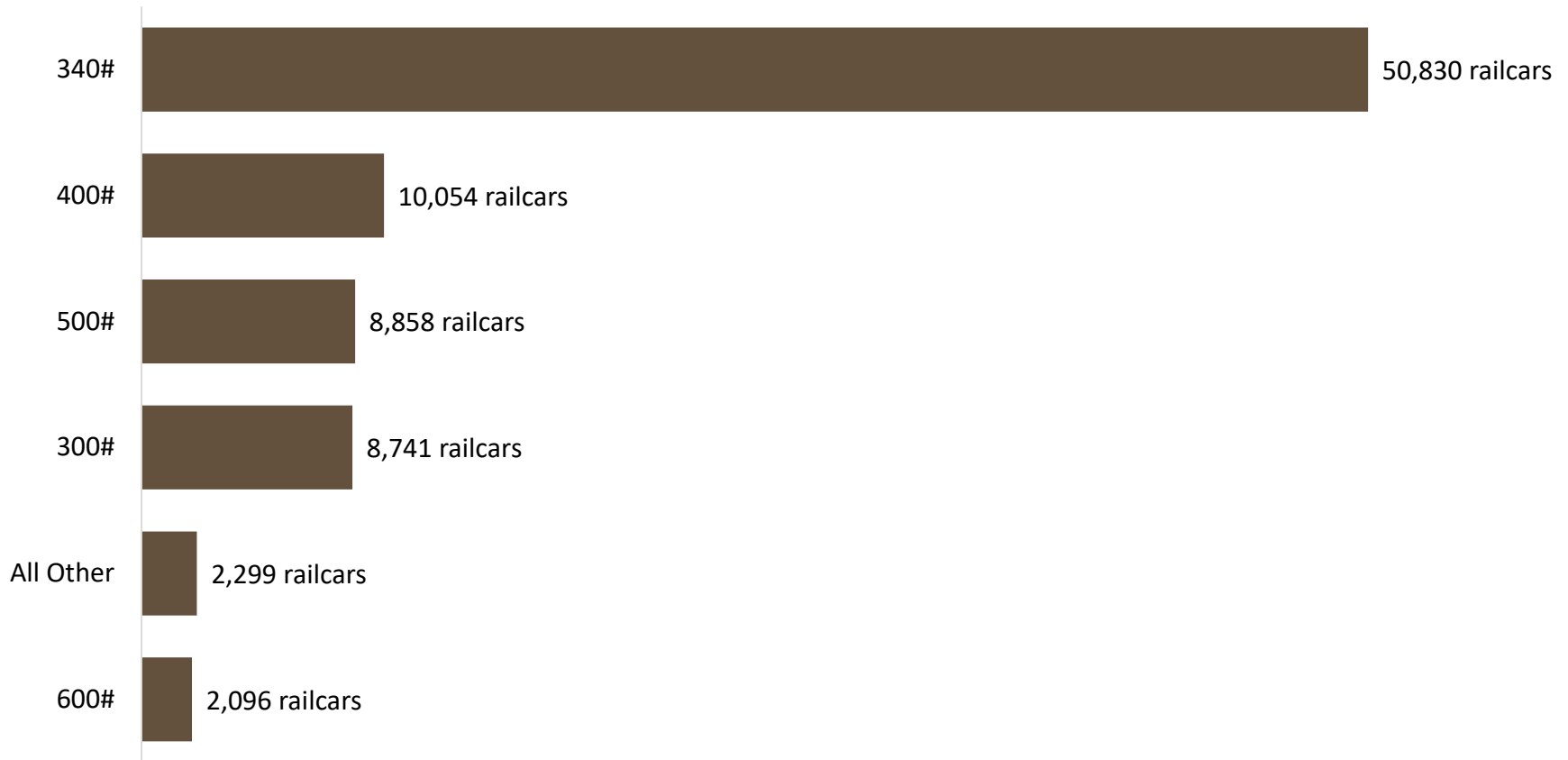


Number of unique tank cars making at least one shipment in the quarter.

The North American pressure tank car fleet is over 60% 340# tank cars

Active North American Pressure Tank Car Fleet By Stencil Shipping Specification Pressure Rating

Source: UMLER (January 2018)



Rail-served markets are facing tremendous uncertainty

Regulatory

- Do I have the right railcars for the product I ship?
- Will the railcars I have today be able to ship my product in the future?

Infrastructure

- Are there terminals to load/unload my product?
- Will new pipelines be built?
- When will planned pipelines be complete?

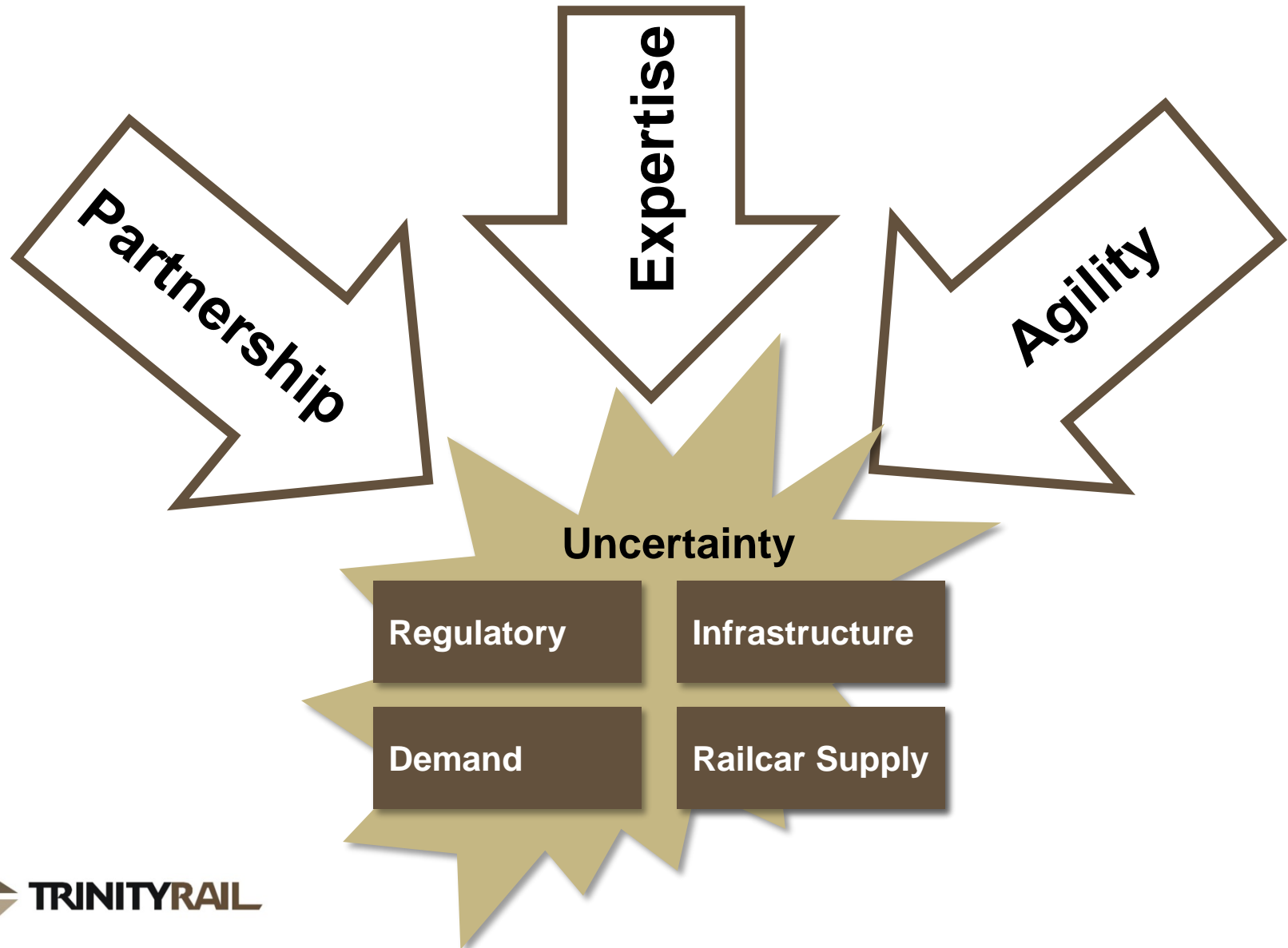
Demand

- Will my product see more/less demand?
- How will regulations upstream/downstream from my product impact the amount of product I need to ship?

Railcar Supply

- Are there existing railcars to support my company's growth?
- How should I plan to replace older assets in my fleet?

These uncertainties require a deep partnership between shippers and railcar products and services providers





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