



Railroad Equipment – Making a Transition

SWARS 2025 Spring Meeting

March 19, 2025

Agenda

1. About Railroad Financial Corporation
2. Impacts on the Railcar Equipment Market
 - a. Loadings
 - b. Railcar Replacement
 - c. Railcar Pricing
 1. Interest Rates
 2. Commodity Prices
 - d. Railroad Service
 1. Velocity
 2. Dwell
 3. Labor
3. State of the Railcar Equipment Market
 - a. Railcar Deliveries
 - b. Railcar Backlog
 - c. Railcar Builders
 - d. Railcar Lessors
4. Administration Impact
 1. The Tariff Rollercoaster
 2. Policy Watch

About Railroad Financial Corporation



Founded in 1989

- RFC is the only financial advisory firm with a practice devoted **solely** to the rail equipment industry

\$25 Billion

- RFC has represented clients in transactions on rail equipment value in excess of US \$25 billion

Customer Base

- Primarily industrial commodity shippers

\$500 MM – \$750 MM

- Average annual rail-related transaction volume

Diverse Team

- Former: Shipper, Lessor, Bank Investor, Railroad Operator

Annual Rail Equipment Finance Conference

- 2025 was the **39th** year (~440 attendees)
- Shippers receive a 50% discount

Impacts on the Railcar Equipment Market

Railcar Loadings – 2024 Data



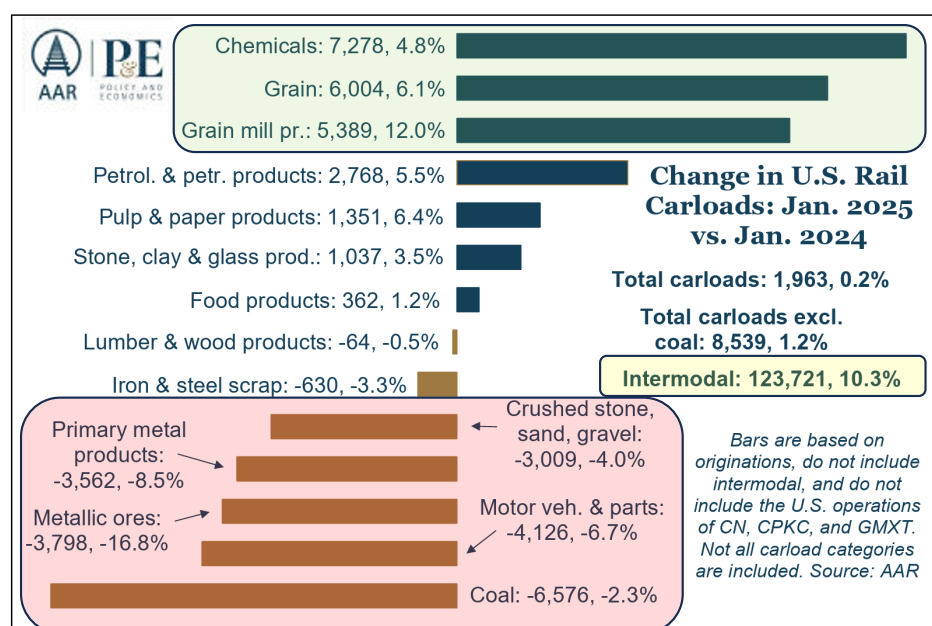
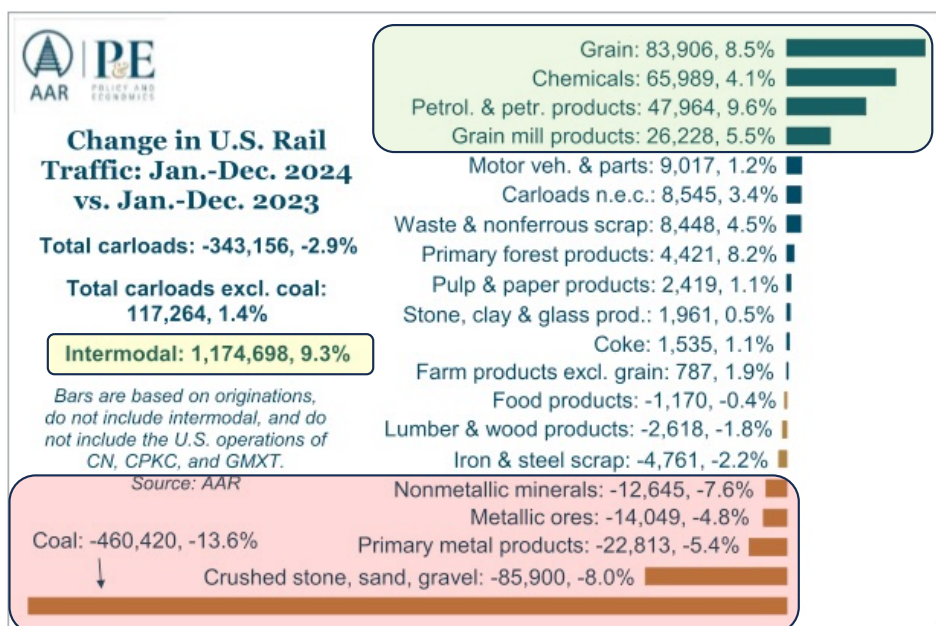
Total U.S. railcar loads in 2024:

- 11.34 MM (down 2.9% from 2023)
- 8.4MM excluding coal (up 1.4% from 2023)
 - Rose 11 / 12 months in 2024 – that hasn't happened since 2018
- 2018 peak year: 8.9MM loads (ex. coal)
- Bellwether commodities in 2024:
 - Grain
 - Chemicals
 - Petroleum products
- Q4 coal weakness:
 - Since 1988, lowest Q4 on record

13.84 MM intermodal loads originated

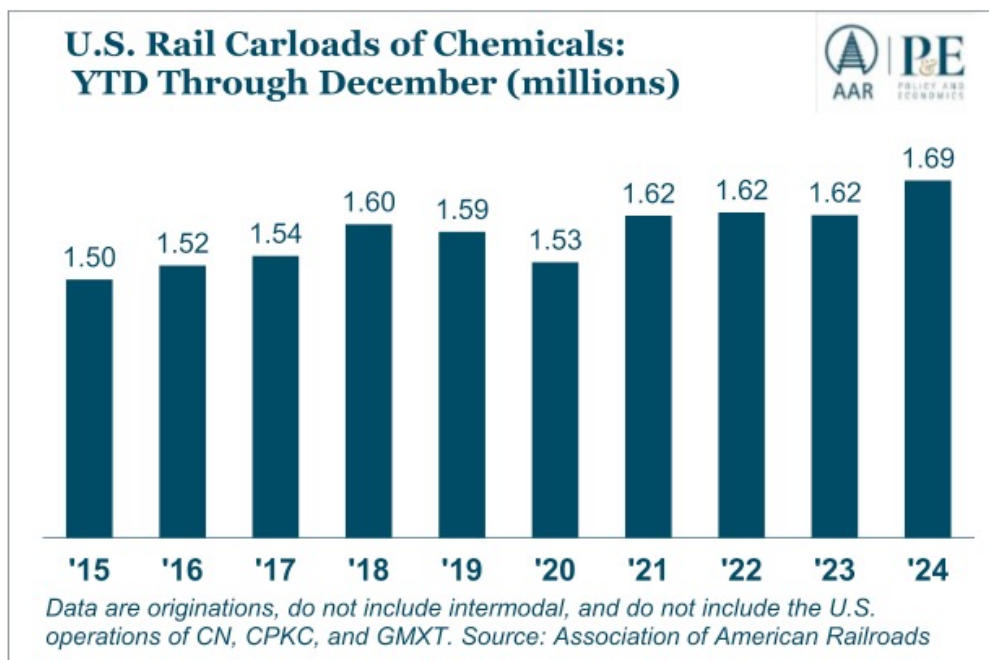
- 3rd most ever (behind 2018 & 2021)
- Up 9.3% over 2023

Railcar Loadings – YoY & YTD (US)

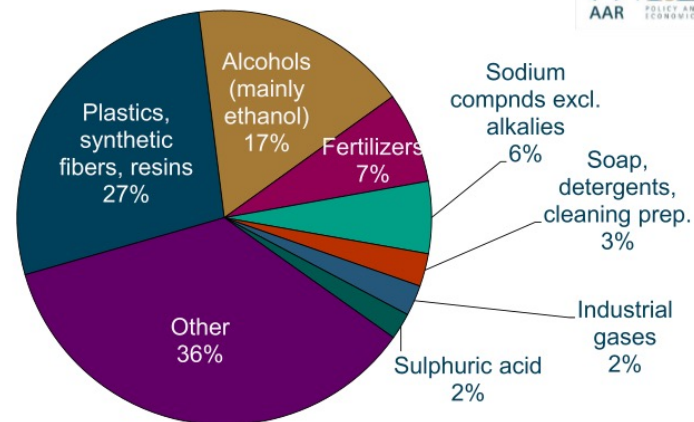


Rail freight volumes relatively stable; commodity picture very uneven

Railcar Loadings – Chemicals



AAR Traffic Category: Chemicals



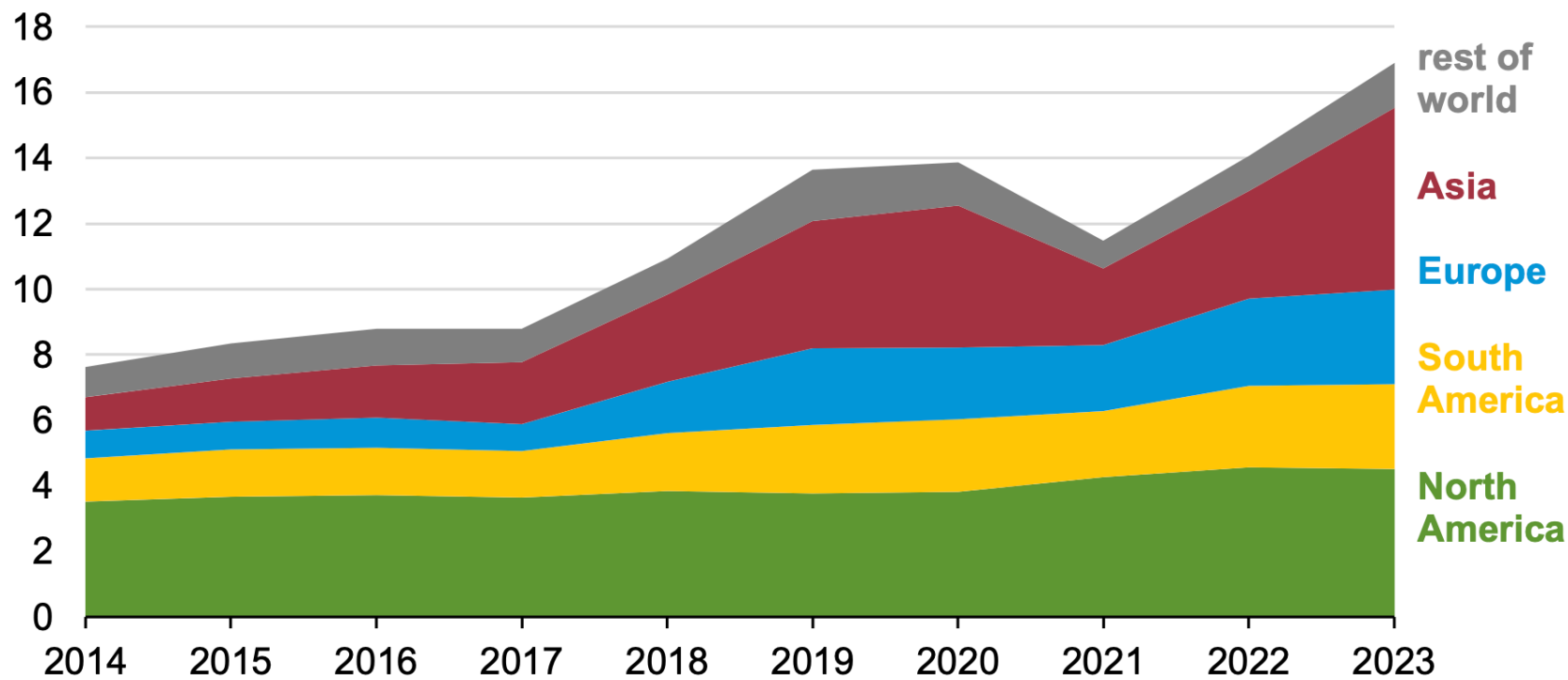
Total U.S. railcar chemical loads in 2024:

- 1.7 MM (up 4.1% from 2023)
- **Most** ever recorded (dating back to 1985)
- Plastics & ethanol comprise ~45% of chemicals
- U.S. feedstock advantage
- Top 3 originating states:
 - Texas, Louisiana & Iowa (ethanol)
- Top 3 terminating states:
 - Texas, California, Illinois

Chemical exports

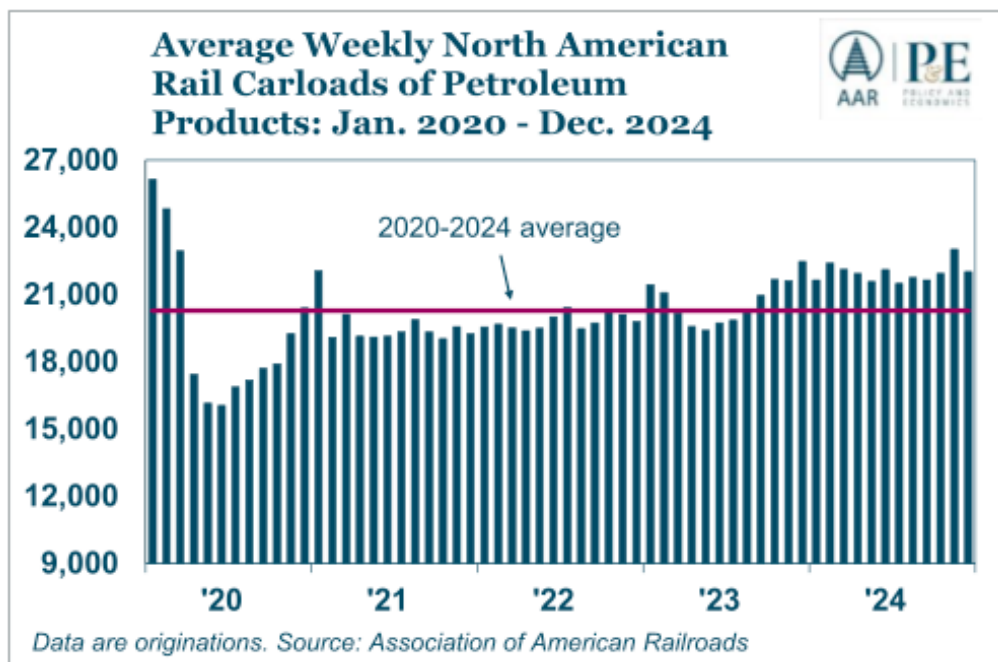
U.S. annual ethylene-derivative export destinations (2014–2023)

million metric tons



Data source: U.S. Census Bureau

Railcar Loadings – Petroleum Products

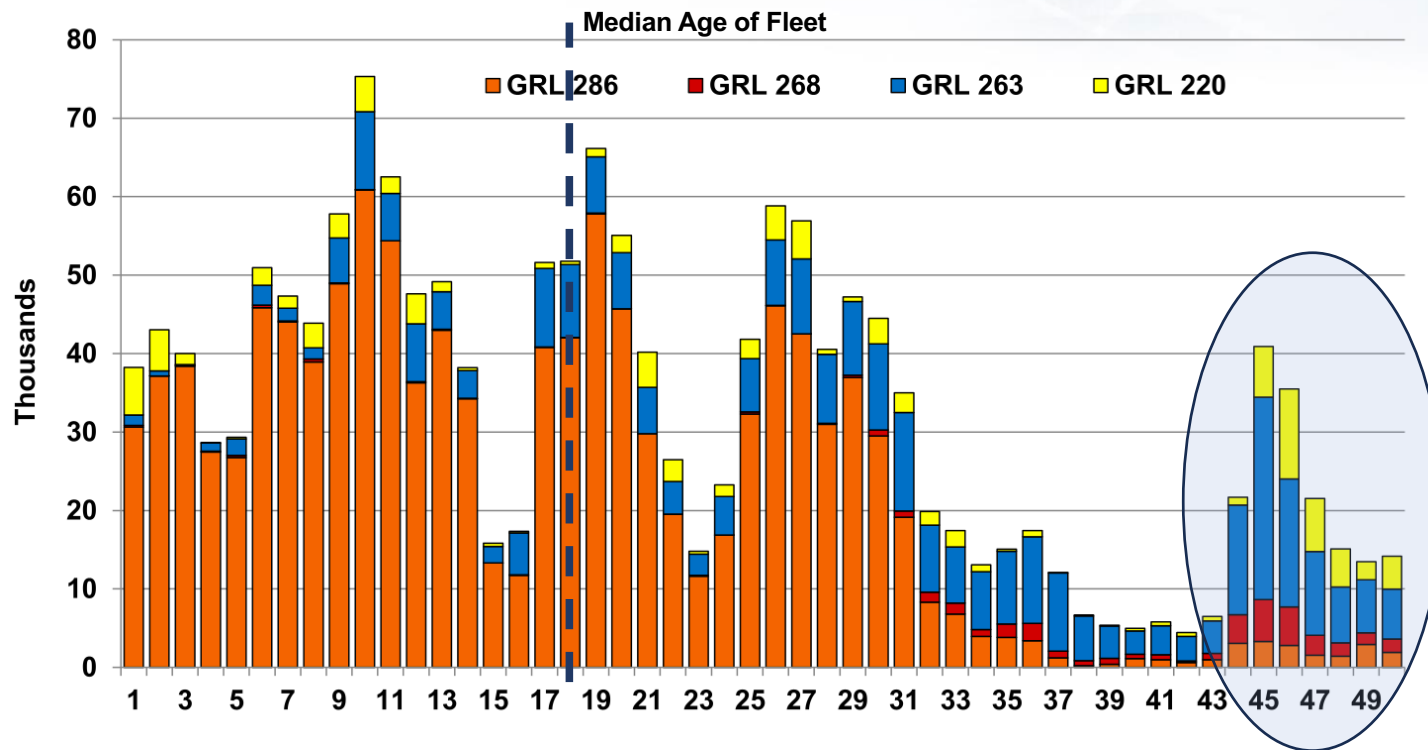


Total U.S. railcar petroleum products loads in 2024:

- Up 6.2% from 2023
- 6th straight quarterly gain
- Consists primarily of:
 - Crude Oil
 - Refined Products (LPG, aviation fuel, oils)
- Renewable diesel continues to grow rapidly (but still low volumes relative to crude)
- Exported 3M tonnes of base oils to Mexico

Railcar Replacement

North American Freight Car Fleet Number of Cars by Age and GRL (Gross Rail Load)



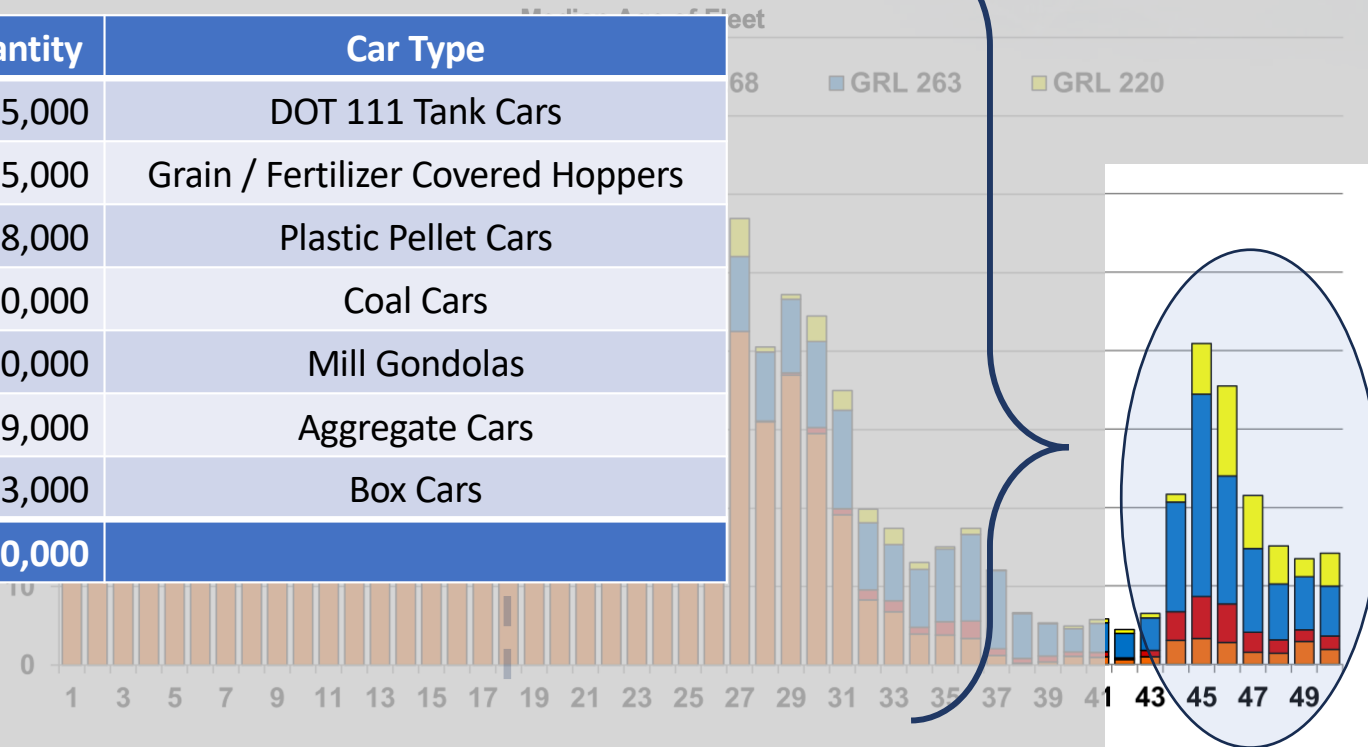
Railcar Replacement

North American Freight Car Fleet

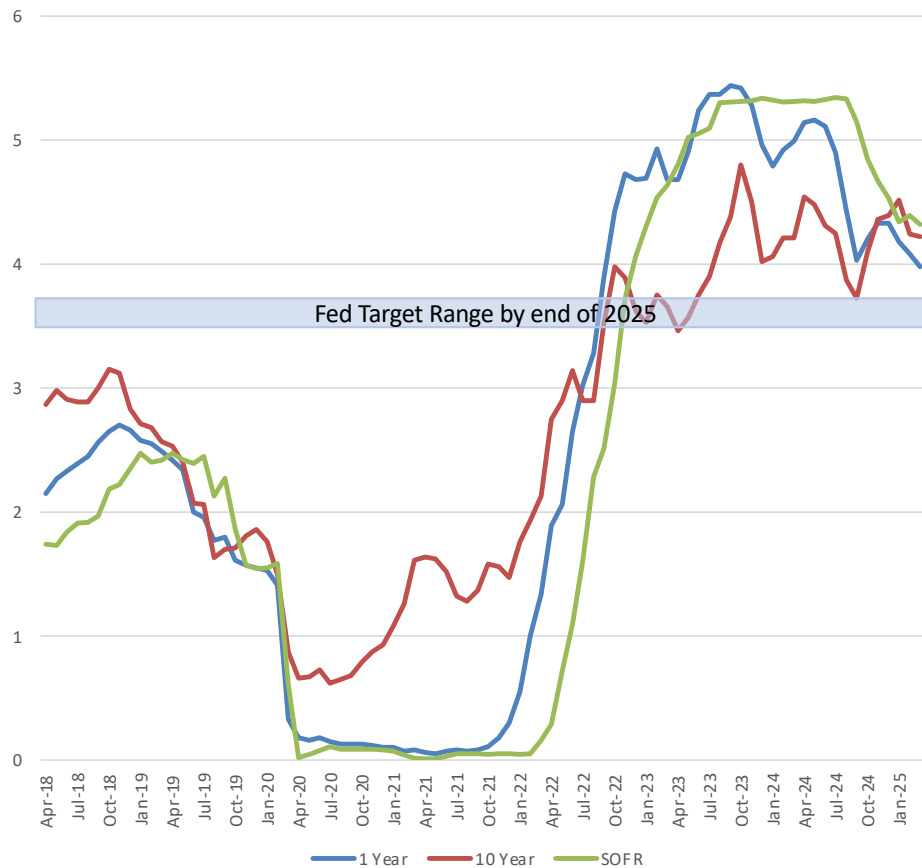
Number of Cars by Age and GRL (Gross Rail Load)



Quantity	Car Type
5,000	DOT 111 Tank Cars
45,000	Grain / Fertilizer Covered Hoppers
8,000	Plastic Pellet Cars
20,000	Coal Cars
20,000	Mill Gondolas
9,000	Aggregate Cars
23,000	Box Cars
130,000	



Railcar Pricing – Money Costs



75 bps reduction since mid 2024

- 50 bps in September
- 25 bps in November

Commander and Chief Influence?

- Fed Powell’s chief critic “demands” that rates drop immediately
- Powell said he has “no contact” with the president

January Meeting Comments

- “Real progress on inflation” or weakness in the labor market → for further rate cuts
- Did not answer questions on tariffs

March 10 Reuters: “Fed to deliver rapid-fire rate cuts if economic downturn happens”

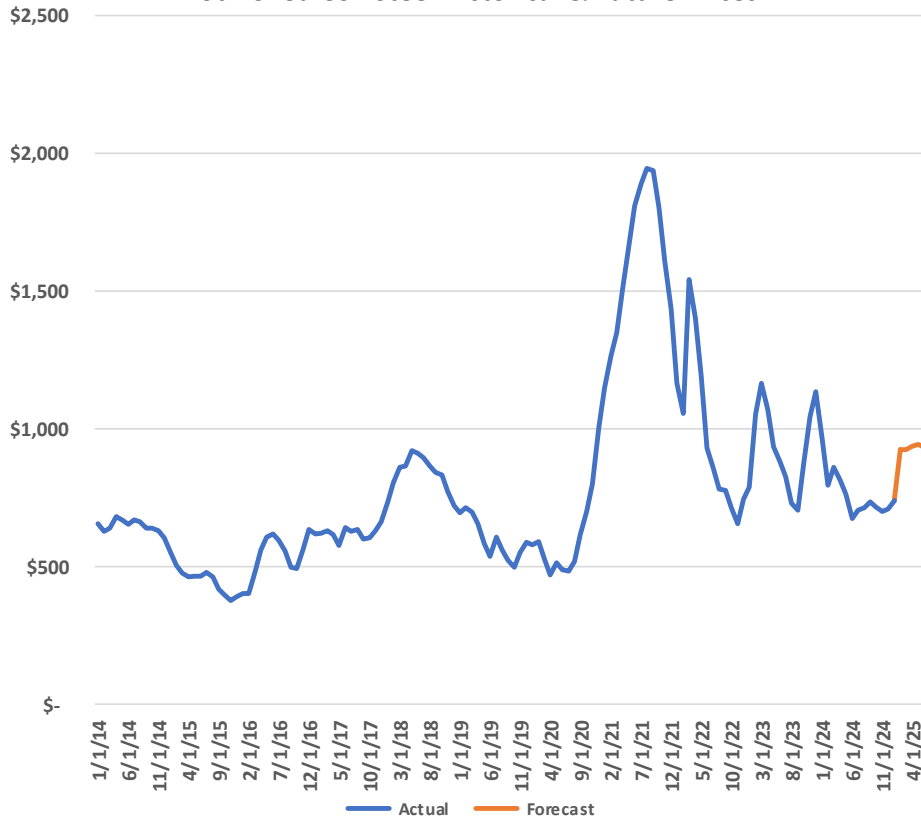
- Futures markets price 3 rate cuts for: June, July, & October
- Economists warn of inflation risks from tariffs

March 18-19: next Fed meeting concurrent with SWARS

- CME Group Fed Watch Tool: 99% probability of no change

Railcar Pricing – Steel

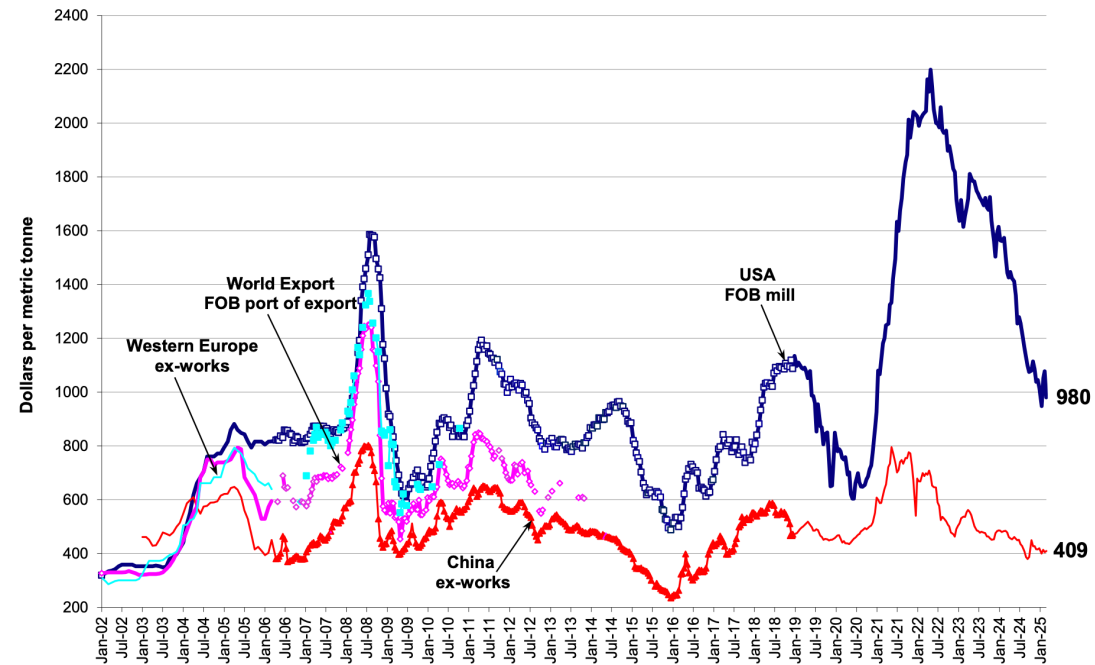
Hot-Rolled Coil Steel Historical & Future Prices



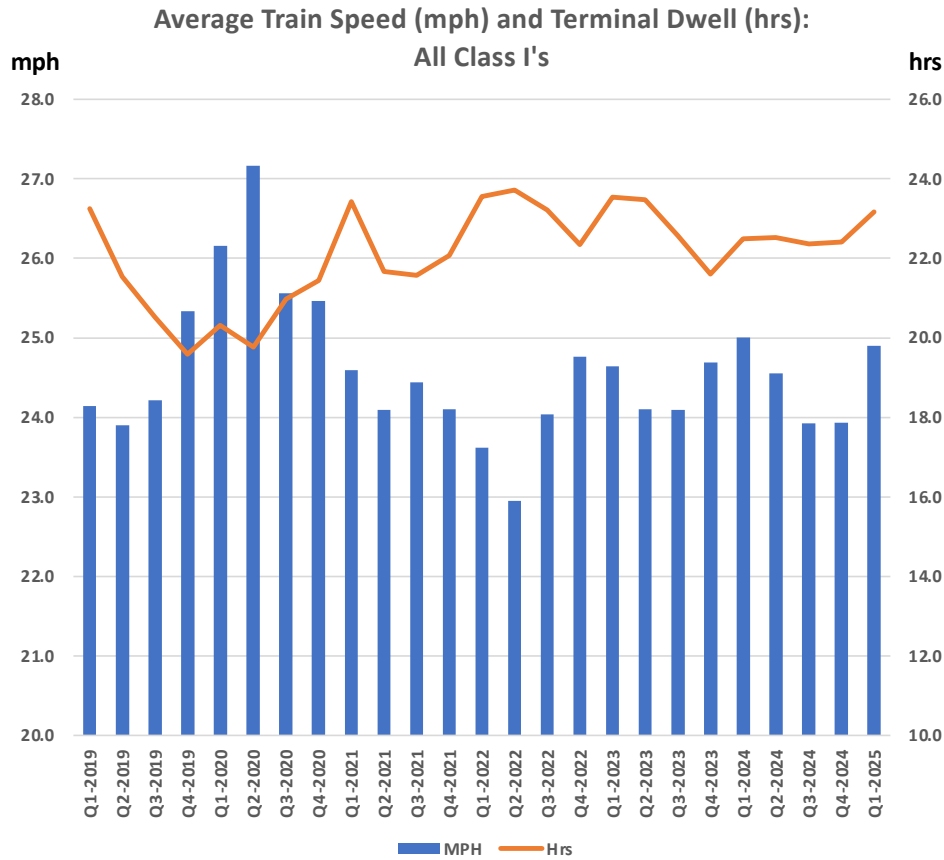
SteelBenchmarker™ Plate Price

USA, China, Western Europe and World Export
 (WSD's PriceTrack data, Jan. 2002 - March 2006; SteelBenchmarker data begins April 2006)

February 24, 2025



Railroad Service – Velocity, Dwell & Labor

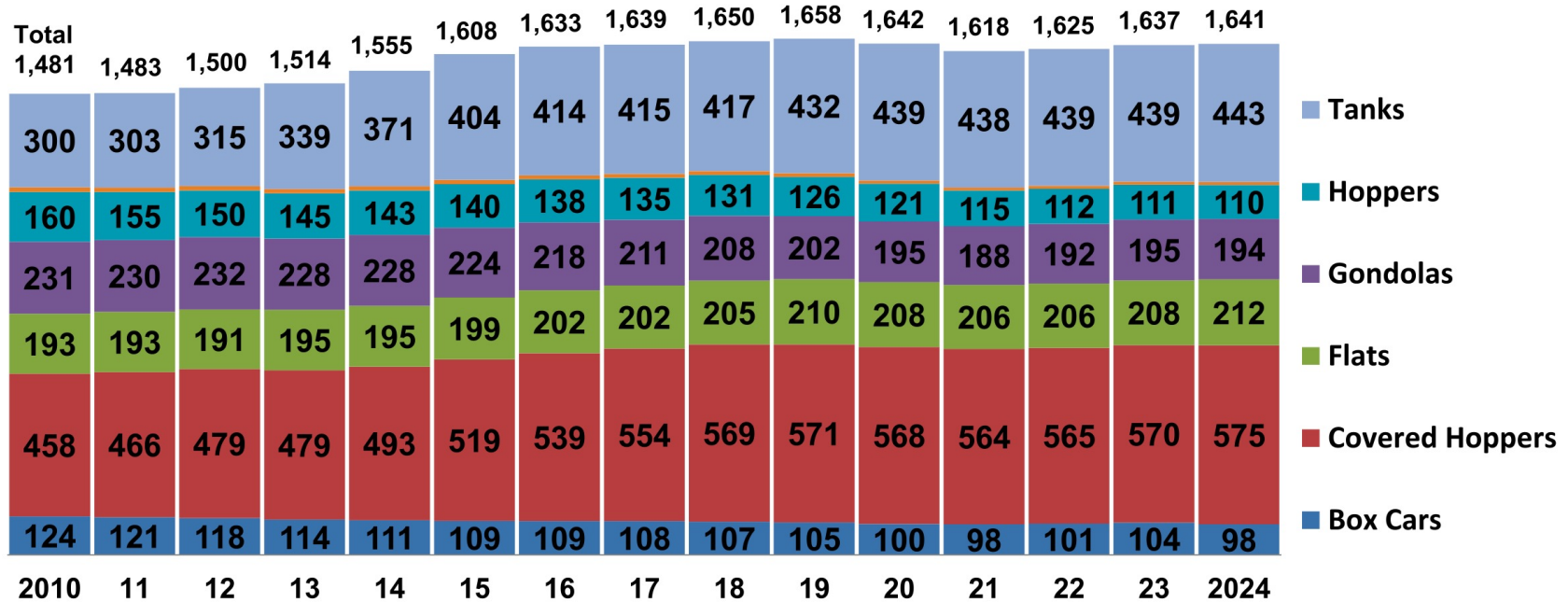


State of the Railcar Equipment Market

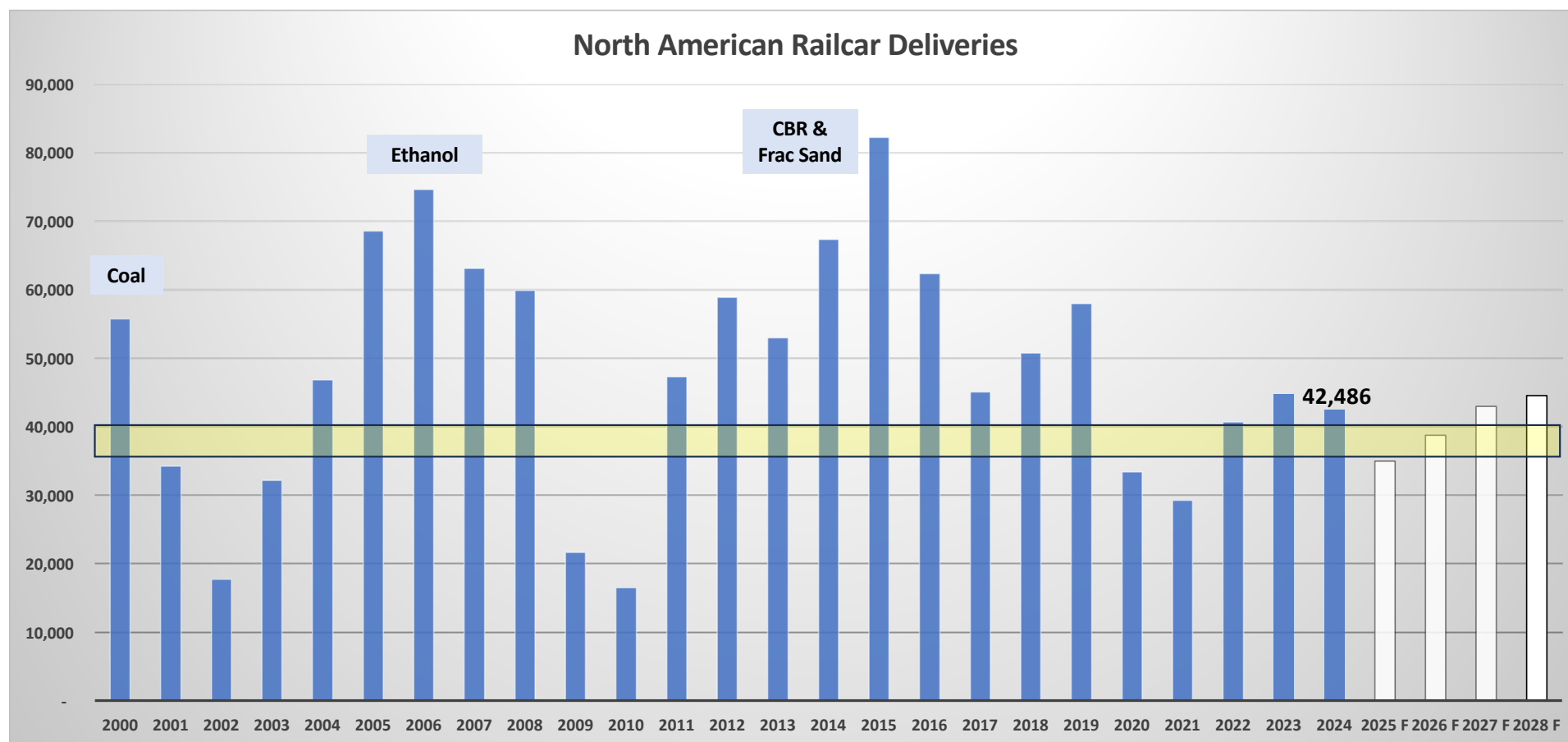
North American Railcar Fleet

North American Freight Car Fleet by Group

Total Count at Year-End, in Thousands

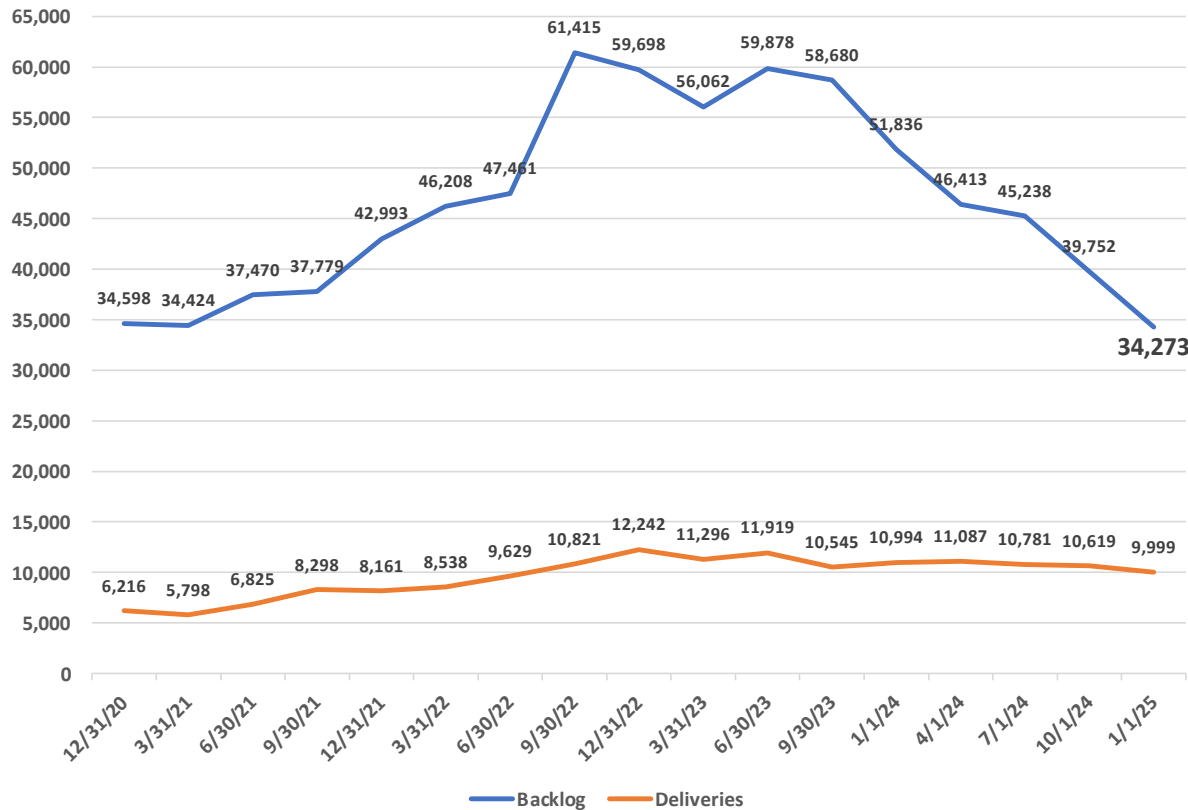


Railcar Deliveries – Transition to a “New Normal”



Railcar Backlog

Railcar Backlog and Deliveries



Railcar Orders, Deliveries & Backlog

Current Quarter & Trailing Four Quarters

	1/1/25	10/1/24	7/1/24	4/1/24	1/1/24
Backlog	34,273	39,652	45,238	46,413	51,836

	4th Qtr 2024	3rd Qtr 2024	2nd Qtr 2024	1st Qtr 2024	4th Qtr 2023
Orders	4,520	5,183	9,606	5,864	4,164
Deliveries	9,999	10,619	10,781	11,087	10,994

Twelve-Month Year-End Comparison

	2024	2023	2022	2021	2020
Orders	25,173	38,111	60,734	37,562	17,275
Deliveries	42,486	44,754	40,735	29,280	33,417

Backlog & Deliveries:

- 34,723 railcars in backlog
 - 23,483 freight cars
 - 10,790 tank cars
- 7 consecutive quarters of backlog decline (since June 2023)
- At current deliveries (10k railcars / quarter), the backlog stands at 3 ½ quarters

Railcar Builders – The Transition Over Time

19 Production Facilities in 2000



11 Production Facilities in 2025



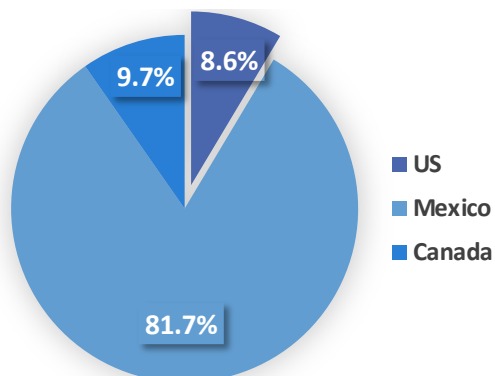
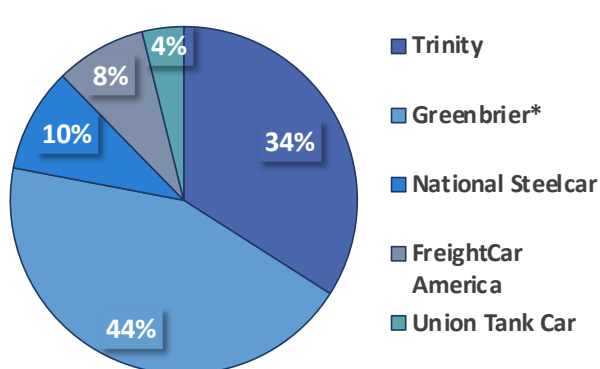
Railcar Builders – 2024 Production

2024 Production	US	Mexico	Canada	Total
Trinity	1,054	16,516		17,570
Greenbrier*	1,362	21,338		22,700
National Steelcar***			5,000	5,000
FreightCar America		4,362		4,362
Union Tank Car***	2,000			2,000
Total**	4,416	42,216	5,000	51,632

* Includes sales to Europe & Middle East (~5,000)

** 6309 autoracks delivered in 2024

*** Estimates for non-publicly traded companies

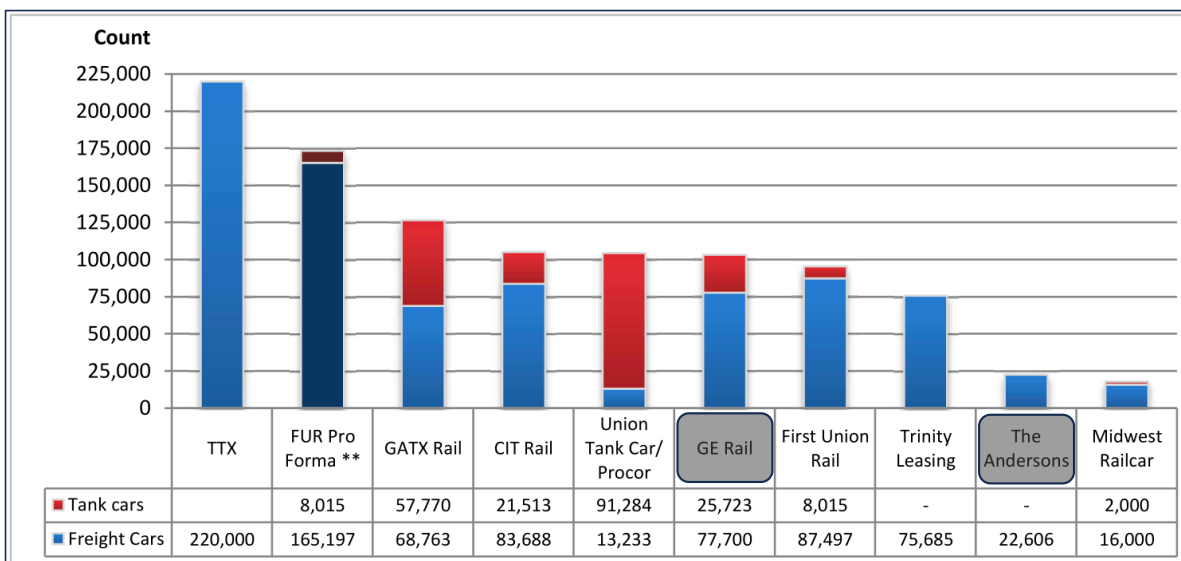


11 Production Facilities in 2025

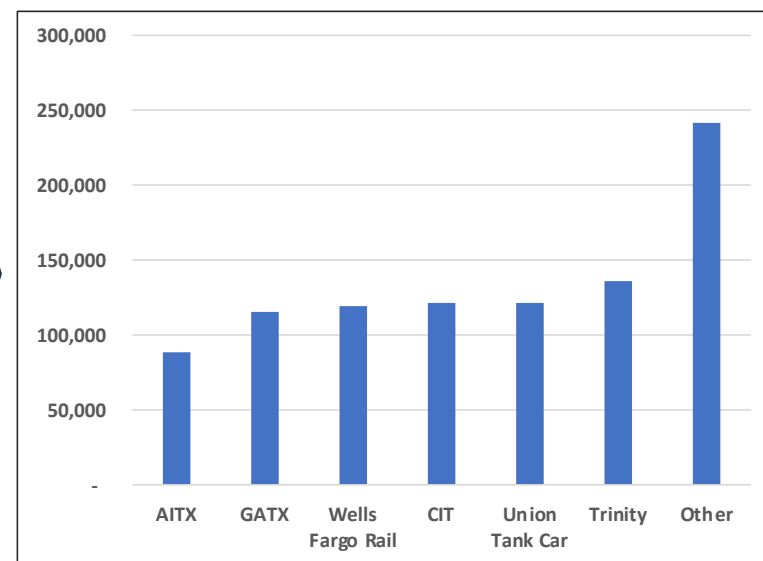


Railcar Lessors – The Transition Over Time

2015 Operating Lessor Mix

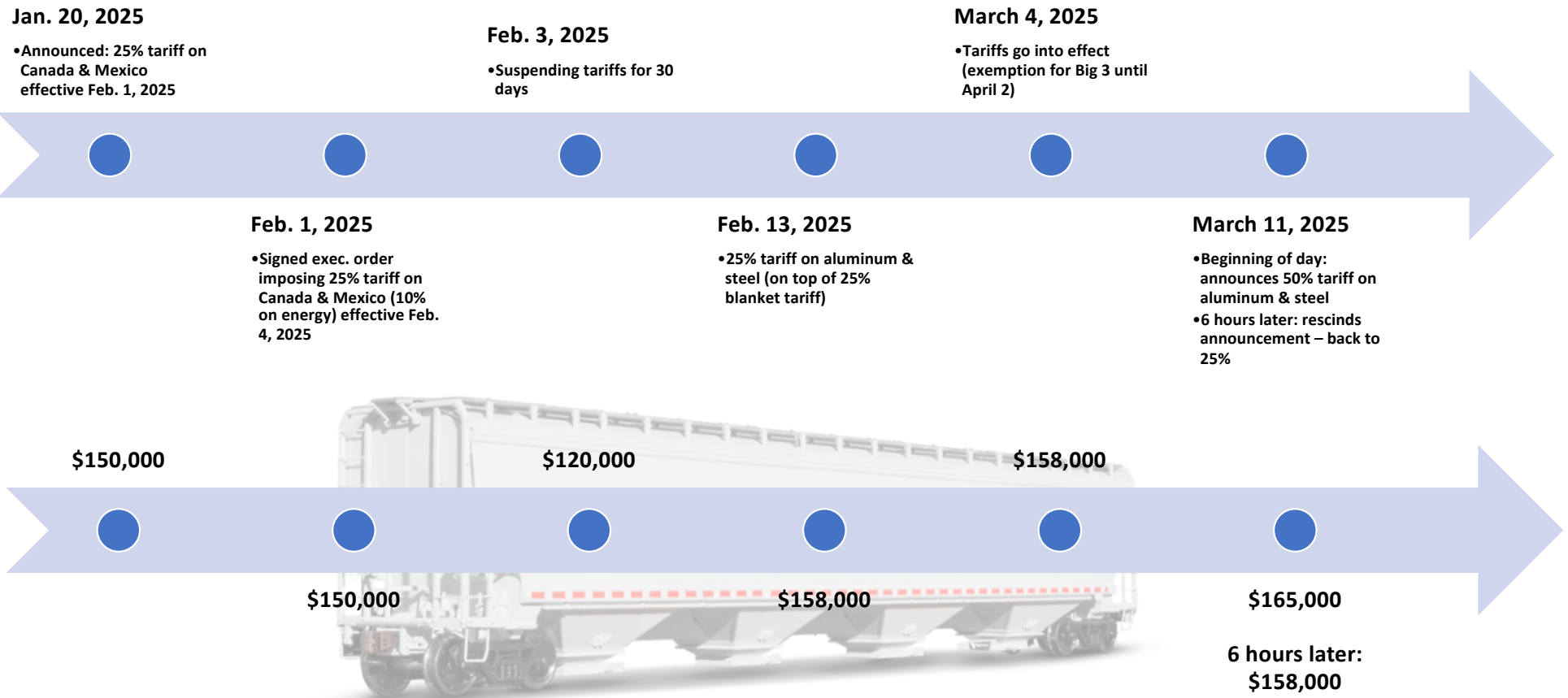


2025 Operating Lessor Mix

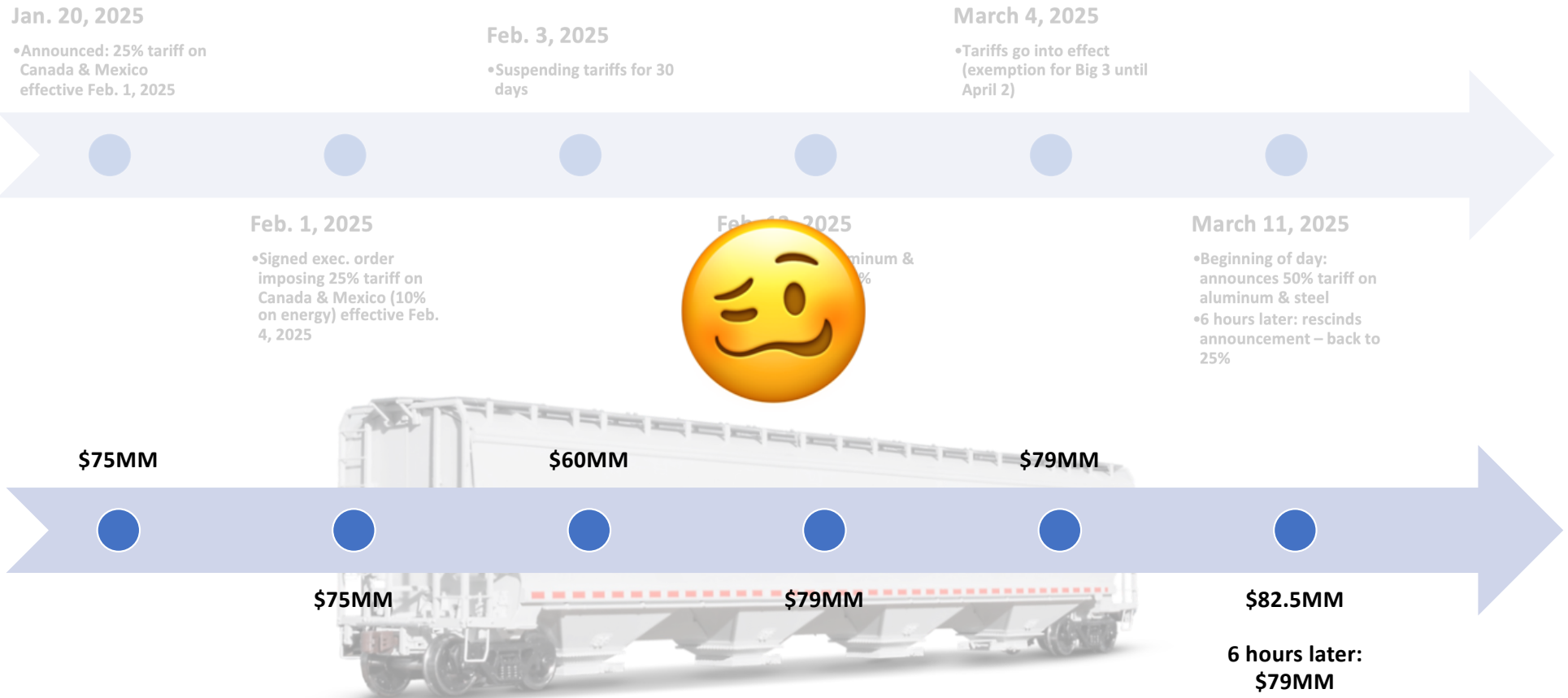


Administration Impact

Tariff Rollercoaster – \$120,000 Covered Hopper Railcar



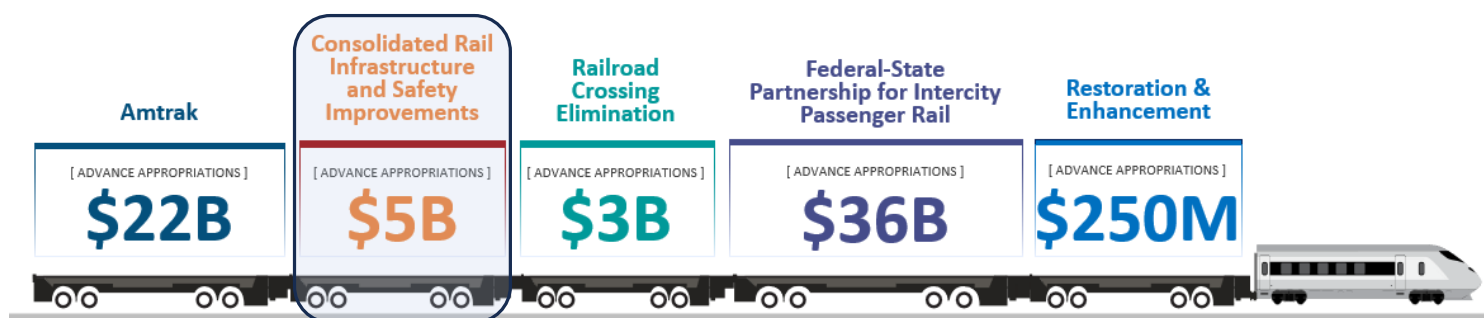
Tariff Rollercoaster – 500 Railcar / \$60MM Investment



Policy Watch – Infrastructure Investment & Jobs Acts (IIJA)

From FY22-FY26

\$66B in total funding



- **\$5B in CRISI Grants**

- Enacted during Trump's 1st presidency
- Pay for critical infrastructure projects (replacing worn-out track / ties, old bridges & safety crossings)
- \$2B to fund over ~130 projects for short lines
- "It's hard to overstate what a big deal [CRISI] has become to the industry. Projects like big track rehabs, expansions, sidings, locomotives, bridges, industrial parks – the kind of stuff that just couldn't get done otherwise." – Chuck Baker, ASLRRRA

- **Jan 20, 2025: "Unleashing American Energy"**

- Pause of funding allocated to infrastructure projects under IIJA (90-day review)
- Office of Management and Budget (OMB) issued memo on Jan 21 saying pause is mostly aimed at "Green New Deal" projects
- Temporary vs permanent – huge implications for 1st and last mile continued investment

Thank You

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