Operator:

Thank you for standing by. My name is Kate and I will be your conference operator today. At this time, I would like to welcome everyone to the GATX 2025 First-Quarter Earnings call. (Operator Instructions) Thank you. I would now like to turn the call over to Shari Hellerman, Head of Investor Relations. Please go ahead.

Shari Hellerman:

Thank you, Kate. Good morning and thank you for joining GATX's 2025 First-Quarter Earnings call. I'm joined today by Bob Lyons, President and Chief Executive Officer, and Paul Titterton, Executive Vice President and President of Rail North America. Tom Ellman, our Chief Financial Officer, was called away on a family matter and will not be joining our call this morning.

As a reminder, some of the information you'll hear during our discussion today will consist of forward-looking statements. Actual results or trends could differ materially from those statements or forecasts. For more information, please refer to the risk factors included in our earnings release and those discussed in GATX's Form 10-K for 2024 and our other filings with the SEC. GATX assumes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

Before we begin, I'd like to remind everyone that our Annual Shareholders' Meeting is scheduled on Friday, April 25 at 9:00 AM Central Time, and will be held in a virtual-only meeting format.

I will provide a quick overview of our 2025 first-quarter results, and then I'll turn it over to Bob for additional commentary on the current market environment. After that, we'll open the call up for questions.

Earlier today, GATX reported 2025 first-quarter net income of $78.6 million or $2.15 per diluted share. This compares to 2024 first-quarter net income of $74.3 million or $2.03 per diluted share. The 2024 first-quarter results included a net positive impact of $0.6 million or $0.02 per diluted share from Tax Adjustments and Other Items. These items are detailed in the Supplemental Information section of our earnings release.

Our first-quarter results were in line with our expectations coming into the year. In North America, supply and demand dynamics for railcars continue to remain in balance, and demand for our existing fleet was solid. GATX Rail North America's fleet utilization remained high at 99.2% at quarter end, and the renewal success rate was strong at 85.1%.

We continue to achieve renewal lease rate increases while extending terms. The renewal rate change of GATX's Lease Price Index was 24.5%, and the average renewal term was 61 months.

Additionally, we continue to successfully place new railcars from our Committed Supply Agreement with a diverse customer base. We've placed over 5,700 railcars from our 2022 Trinity Supply Agreement. Our earliest available scheduled delivery under this supply agreement is in the first quarter of 2026.

In addition to those orders from our Committed Supply Agreement, we also found attractive investment opportunities to acquire railcars in the secondary market. Total investment volume in North America during the quarter was over $227 million.

We also continued to capitalize on a robust secondary market by selectively selling railcars, thereby optimizing our portfolio and generating over $30 million in asset remarketing income in the quarter.

On the maintenance front, first-quarter net maintenance expense was higher compared to a year ago, driven by higher tank compliance activity, which we expected and have discussed previously. The flow of cars into the shops to meet the required regulatory compliance will continue as the year progresses, consistent with what we outlined at the beginning of the year.

Within Rail International, the European railcar leasing market remained stable, evidenced by GATX Rail Europe’s fleet utilization of 95.1% at quarter end. GATX Rail India’s fleet utilization

remained very high at 99.6%. We continued to experience success in pushing up renewal lease rates for most car types, reflecting continued demand for Rail International's assets. Investment volume was over $62 million during the first quarter, as we continue to expand and diversify our fleets in Europe and India.

Turning to Engine Leasing -- RRPF, our joint venture with Rolls-Royce, and our wholly owned engine portfolio, both performed well and produced strong first-quarter financial results, reflective of robust demand for aircraft spare engines globally.

At this time, we continue to expect full-year earnings to be in the range of $8.30 to $8.70 per diluted share, excluding any impact from Tax Adjustments and Other Items. And with that quick overview, I will now turn the call over to Bob.

Bob Lyons:

Thank you, Shari, and thank you all for joining the call this morning, appreciate the time. As I talked to Tom Ellman last night about his schedule for today, I volunteered to sit in as de facto CFO in his absence. It also occurred to me that while I spent 14 years in that role previously, Tom is far better at that job than I ever was. And so, you're stuck with me today for finance-related questions. But happy to have Paul here with me to talk about anything you might want to discuss in the North American rail market.

With the uncertainty around the impact of tariffs in North America and abroad, along with the general uncertainty and economic conditions, I thought I'd open with some brief comments on those topics and hopefully address a number of your questions upfront.

First of all, the impact of the recent tariff announcements has, to date, had very little impact on our business and financial results, I think, reflective of what Shari already outlined this morning. That's not surprising given that our installed base of assets around the globe is, generally, on long-term lease with strong customers and we enter each year with a pretty predictable level of cash flow from our lease portfolio.

On a longer-term basis, however, we're an economically driven company and a sustained pare back in economic growth as a result of tariffs or global tensions could affect GATX at some point. We certainly aren't seeing that today, but it's not outside the realm of possibility.

Talking about each of our markets separately, we'll start with Rail North America. Here, our customers continue to need the railcars that they have in their fleets today, and you see that through the really high renewal success rate that we had and, also, the LPI, at 24.5%. In short, our customers continue to need the cars that they have in their current fleet. Additionally, the supply and demand across the North American rail new car market remains largely in balance. We're seeing the railcar builders being very disciplined about their production plans.

On a direct basis, as it relates to tariffs, we do source railcars out of Mexico. However, previously enacted exemptions for cross-border movement of cars remain in place, so there's no direct impact on the cost at this point. General inflationary factors remain in play, and that could continue to drive upward pressure on new car costs. As we've noted before, as the cost of the new car rises, there's a residual benefit to those who own large fleets of existing cars like GATX.

That said, on the direct impact, the broader risk of tariffs in North America, as it is globally, is more indirect. For example, economic conditions; obviously, we can't dictate economic conditions, but we're prepared for any scenario. Another would be commodity flows. If there are certain commodities that either benefit or are hurt by tariffs, we could see that impact and demand for certain car types. It's really difficult to predict which car types, so, I'm not even going to try, but I will remind people that we have an incredibly diverse fleet. We have over 800 customers, and we serve and move over 600 different types of commodities in our cars. So that provides a lot of flexibility.

Interest rate movements are also hard to predict these days, but we have a really strong balance sheet and an investment-grade rating. We have a lot of funding flexibility. So, to summarize, in North America, the direct impact of the tariffs are

limited and not impactful in the near term, while the longer-term risks are indirect and certainly more difficult to assess right now. But as many of you know, at GATX, we've seen pretty much every environment imaginable through our history, and we're fundamentally wired for, and prepared for, challenging situations should they occur.

To the extent there are changes in market fundamentals, we'll obviously share that with you when we see it, as we always do. But GATX Rail North America is a nimble organization, and we will adjust, if needed. In fact, in times of uncertainty, we often see some of our most attractive investment opportunities.

In Europe, we're seeing stable demand for the largest portions of our fleet, and you saw that in their utilization numbers as well. As for the direct impact of tariffs, we source cars and components largely within Europe. So, there are no direct impacts of tariffs -- from tariffs today, of note. But similar to North America, the longer-term impacts are indirect, and they potentially are meaningful, also very difficult to quantify. The economic environment in Europe was already pretty tepid and that was before the developments over the course of the last month.

Germany is a very important market -- the largest market we serve. Not only for the automotive trade but also Germany serves as the base for global chemical trade and the economy is predicted to slow as global tensions rise. So, we'll have to navigate that. But similar to Rail North America, GATX Rail Europe is a great franchise, very strong, diverse fleet, and high-quality customers across a range of end markets. I'm highly confident our experienced team there will adapt and adjust, as needed.

In India, similar to Europe, there's a closed-loop system with railcars and most components being sourced in country. So, the direct impacts are muted. We also have the benefit, in India, of the fact that the overall infrastructure development needs remain so strong, the tariffs or global turmoil -- even over a medium term -- will be unlikely to alter the long-term outlook for infrastructure investment.

Turning to Engine Leasing -- Demand for spare engines currently remains very high, and the need for spares is robust. In fact, our investment pipeline at RRPF -- that's our joint venture investment with Rolls-Royce -- that pipeline is among the strongest across GATX.

That said, a slowdown in global air travel, if it occurred over a protracted period, could temper demand for engines. We're always prepared for that scenario, and the team at RRPF and at Rolls is always prepared for that scenario, especially given that past macro shocks to travel like 9/11, the pandemic, or the war in Ukraine -- they happened really quickly, and they had a significant negative impact on travel and engine demand. However, what those situations also showed is that global air travel is extremely resilient, as is the demand for the underlying assets and our engines. They are a great store of value through cycles.

At Trifleet -- our tank container leasing business -- the dynamics are a bit more nuanced. The hard asset itself, the tank container, that asset moves freely across global markets and does not attract any tariff risk, as long as the assets continue to move. But the products within the tanks, particularly chemicals, could attract tariffs, depending on their origin and destination.

For example, chemicals moving between China and the U.S. would be subject to tariffs, and you could see some demand on the impact for our assets. At present, we've not seen that. We have not seen a material impact on demand. But obviously, that's something we and others in the industry are watching pretty closely.

I'll summarize and close my comments by stating that once again, our focus, as always at GATX, is on the long term. Our assets hold value through cycles. Our customers are strong, sophisticated, and resilient, and the assets we provide to them serve a critical function. As evidenced by the fact that we reiterated our full-year guidance today, we remain confident in our results for 2025. Like most companies, we'll remain on alert for signs of more direct impacts and demand fundamentals as a result of tariffs. I'd certainly prefer a more stable environment. I think most corporations would. But it's something we are -- it appears

we're entering a period of greater macroeconomic volatility.

Historically, GATX has not only managed well through uncertain times, but we've thrived by finding unique investment opportunities. And we'll strive to do the same as we navigate this market. So, with that, we'll open it up for questions.

QUESTION AND ANSWER

Operator:

(Operator Instructions) Our first question comes from the line of Bascome Majors with Susquehanna. Please go ahead.

Bascome Majors:

Thank you for the candid discussion on the concern and uncertainty around the second and third order impacts of tariffs. Can -- is this an environment where you feel like you would have raised guidance if it weren't for that uncertainty and the unpredictability of it in the back half of the year?

Bob Lyons:

Bascome, thanks for the question. Ordinarily, GATX doesn't really adjust earnings in the first quarter. We only provide annual guidance, as you know. And it's a little difficult for us to kind of assess the full year, one quarter out of the gate. We tend to be a little bit more deliberate. When we have raised guidance in the past or changed guidance in the past, it's usually been at the mid-year point. So even this -- forget tariffs, forget the macroeconomic volatility, the uncertainty. I think if we look back in history -- the first quarter, we usually reiterate, and that's what we're comfortable doing today.

The first quarter absolutely played out the way we thought it would, and our expectations remain right in that $8.30 to $8.70 range. There was nothing that occurred during the quarter that would materially alter our thoughts around that.

Bascome Majors:

Thank you for that. And we've certainly seen that mid-year pattern over many years, and I appreciate you reminding us. Higher level, you guys and particularly Paul at the REF Conference a few weeks ago, really articulated maybe the uniqueness of this cycle for railcar leasing in your businesses. And that you've really had a tremendous amount of growth in your core markets without help from really, railroad volumes, mostly from supply-side inflation, be it steel prices, components, labor that's you're driving up the cost of new cars and replacement costs of many of the decades-old assets you own but also a mix of reduction discipline and perhaps constraints on the railcar OE side in North America. I mean, if anything, the glass half full take here from our perspective would be that new railcar production is getting more, not less, constrained in this environment. And certainly, some of those inflationary factors are ticking back up after ticking down for the better part of a couple of years from the pandemic peak.

How do you feel about the supply-side thesis today? And is it really just -- we have to balance some of the demand destruction potential, even though demand really hasn't been a driver of this up cycle in railcar leasing?

Paul Titterton:

So Bascome, this is Paul speaking, and thanks for the question. It's a very good question. And yeah, what I would say is we continue to believe in what we've been calling the supply-led market thesis and the self-correcting market thesis, which is basically to say exactly as you described, that it is, relative to history, expensive to build, and expensive to finance new railcars. And that has been a constraint on new car production. If you look at the ARCI numbers for the last couple of quarters on an annualized run rate of around 20,000 cars of orders per year, which is well below the replacement rate -- well below what we've seen in history. And as you correctly note, that is supportive of our business when we have a large and diverse installed fleet of railcars. So that thesis continues to hold. And just to add to that, I would say that we talked about this -- the self-correcting market, as we've described it, which is to say, since there isn't an overhang of

idle cars in the market, in any one of our markets when we see a little bit of weakness, we tend to see scrapping pick up, which again is supported by a fairly high scrap price right now. And the market corrects back into balance fairly quickly, which is, as compared to, say, the great recession when that did not occur. So yeah, overall, the thesis that we've articulated that this is a supportive market for our core installed fleet really continues to be the case.

Bob Lyons:

Bascome, I'd add to that too, that when we provided our guidance at the beginning of the year -- I'd have to look back at my specific comments, but I believe I indicated that, our forecast -- our expectations, are certainly not predicated on carload growth. To be clear, we would welcome that, but we're not dependent on it. We came into the year expecting very muted, carload growth. But other factors at play are very much beneficial to GATX in this market.

Bascome Majors:

Lastly, and then I'll pass it on. When you think about the sort of demand risk that you highlighted and the uncertainty that that entails in a lot of your markets. Do you feel more risk and uncertainty and variability in say, aerospace versus North American rail or Europe and India rail. I just want to understand maybe directionally, if you could rank order where you feel visibility is more uncertain versus more certain? Thank you.

Bob Lyons:

Sure. And I would say, if I had to kind of rank order all the markets we're in or the regions of the world that we're in, probably the one right now with the most uncertainty would be on the rail side in Europe. Just because of the different factors at play there. And we're already -- we're coming into the year with pretty minimal GDP growth in Europe. But again, we have a large base of installed assets in that market; highly predictable cash flow coming into the year. So, if there's a little bit more stress in that market, it's not really going to change our overall outlook.

Bascome Majors:

Thank you.

Operator:

Your next question comes from the line of Andrzej Tomczyk with Goldman Sachs. Please go ahead.

Andrzej Tomczyk:

Morning, thanks for taking my questions. First, could you just provide more color on the macro volatility that you mentioned and how it might specifically impact the North America railcar segment? And then geographically, if you could get into that as well. I know you touched on it a little bit earlier, but are there any comments from customers that you could pass along sort of intra-quarter or here into April that we could take away? Thanks.

Bob Lyons:

Sure. I'll start there, and Paul can fill in too, if he wants to add. But from a commercial perspective, I think the volatility and the uncertainty of the markets where we see that manifest itself is in our customers' longer-term growth plans. The more difficult it is for them to predict three to five years out, the more difficult it is for them to size their fleets accordingly and consider growth opportunities in their railcar fleets.

So, if we see anything, it's maybe longer decision periods or some uncertainty among our customers. The flip side of that, as I mentioned at the open, is the installed base, the cars they have in their fleet today, with an 80%-plus renewal success rate and roughly 25% LPI. It's pretty clear they're holding on to what they have and committing on those long term. So that's a very good sign.

From a pure intermediate standpoint in terms of fleet growth, it's a little bit tougher, and that's maybe where we see some hesitancy in terms of committing.

Paul Titterton:

Yeah, and I'll just add, I think echoing everything Bob said, and just adding that to some degree, is

what customers say and what they do. Our customers in North America certainly talk about uncertainty. But as Bob said, when you look at our renewal success and our pricing, they're holding onto the assets that they have. And I think that speaks to the fact that uncertainty cuts both ways, and our customers don't want to let go of the assets that they have, even if they feel that uncertainty because they don't -- they're not necessarily saying we definitely need to shrink our fleet, in fact quite the opposite. I think they're saying we do need to hold on to the assets that we have today.

Andrzej Tomczyk:

Thanks, and just as a quick follow-up there. In North America, are customers buying into the notion that manufacturing could come back sort of to the U.S., Mexico, Canada, the reshoring theme? Is that a consideration for customers? And I know you mentioned not letting go of their fleet, but is there a consideration that customers could actually increase the fleet over time given those near-shoring trends?

Paul Titterton:

So, it's a great question to which I'm going to give an unsatisfying answer, I'm afraid. We have a very large customer base, as Bob said, over 800 customers in North America. And we get a wide range of comments from them on that. I will say, we have some customers that buy that thesis. I'm going to say that they're going to lean into that thesis. We have others who don't, and it really varies widely from customer to customer, from segment to segment. I will say to the customers that have commented that they do buy that thesis, it's very much with a long-term bent. It's not something that's going to affect us one way or the other in the immediate term.

Bob Lyons:

Yeah, and to follow on Paul's point, we renew roughly 20,000 cars in a given year. That's a lot of at-bats with that 800-plus customers that we have in North America. And we survey them and talk to them all the time. If there was a clear direction, we could pull from that, we'd share it with you. But it's -- as Paul said, it's kind of getting 800 different opinions at this point in time.

Andrzej Tomczyk:

No, it makes sense. I appreciate that. And also, thanks for the tariff comments earlier in the opening remarks. I just wanted to clarify if you are seeing new railcar prices currently going higher, already, and given this tariffs on steel inputs. And then how much are you able to pass through to customers, if that is the case or if that will become the case? Thank you.

Paul Titterton:

Sure. Yeah, so, what I would say is the general -- and I'm going to talk by the way, about the general level of new car prices as opposed to the price that GATX specifically pays because, obviously, our contracts at the builders are confidential. But the general level of new car prices right now, we do see at relatively high levels. I would say, for some freight car types, we're seeing them pretty close to record highs. For tank cars, not as close to record highs, but certainly close. And for context, when we look at both hot-rolled coil steel and plate steel, we're seeing input prices that are certainly at 12-month highs and are quite high relative to history. So, you are definitely seeing the general level of new car prices quite high these days.

In terms of the ability to pass it on to customers, what I would say is most of the pricing events in our fleet are in our existing fleet. And so, the relationship between the new car price and the price on the existing fleet is very indirect. It absolutely has an effect because, of course, for some of our customers, the alternative to renewing our cars is procuring a new car. So, there's certainly a relationship there, but it's indirect.

In terms of the relationship between the new cars we're buying and the price we're getting, what I'll say is we continue to earn reasonable returns on our new car deployments. And I would say those returns may be -- are a little bit compressed relative to where they've been, but they're still in the acceptable range.

Bob Lyons:

Yeah, and I think it's fair to say, renewing cars in this market, obviously, at 80%-plus renewal success rate. We're doing very well on that front. New car placements -- it's more competitive. It's definitely more challenging. And the fact that you have other lessors and the builders all pursuing a limited pool of new car opportunities. So, the pricing is a little bit more aggressive on that front.

Andrzej Tomczyk:

Got it. And then lastly for me, just on the secondary market. Valuations, have they gone higher on the back of those new car commentary? And then what are the expectations for the remainder of this year for remarketing income? Is it still down year-over-year, just to bake in some conservatism? Or is that still the expectation? Thanks.

Paul Titterton:

Well, we actually did not necessarily forecast, or we budgeted a modest -- a very, very modest decrease in remarketing income. But essentially, we budgeted a year that was going to be a lot like last year from a remarketing standpoint. So, we budgeted as though this was going to be a good remarketing year, and we continue to have that view. Valuations in the secondary market have held up nicely. And whether that's a direct result of the fact that new car pricing is high, it's difficult to say, but that very likely has something to do with it. But in general, we are still seeing a good number of participants in the market. So, the breadth and the depth of the market is good. We get good responses to the packages we put into the market. So overall, at this point, I would say we continue to see a very supportive secondary market within North America.

Bob Lyons:

In 2024, we had roughly $120 million of remarketing income. We came into the year and said we thought that number would be between $100 million and $110 million, this year. Still feel very good about that. And that is a very, very healthy remarketing year for us. So, optimistic about that.

Andrzej Tomczyk:

Thanks, appreciate the time.

Operator:

Your next call comes from the line of Brendan McCarthy with Sidoti. Please go ahead.

Brendan McCarthy:

Good morning, everybody. Thanks for taking my questions here. Just wanted to start off looking at the Engine Leasing business. Looks like a really strong quarter here. I wanted to tie that into the -- into your CapEx guidance. I think you were looking for about $1.4 billion heading into 2025. Just curious if kind of the macro uncertainty gives you pause on that front, I guess both from a railcar perspective and also from the engine -- spare aircraft engine perspective.

Bob Lyons:

Yeah, for direct investments in engines coming into 2025, our forecast was similar to '24, which was right around $250 million for direct investment in engines. Still expect somewhere -- to be somewhere in that range. It could move around a little bit depending on Rolls-Royce's sales activity, as well.

On top of that, I would add that we expected Rolls-Royce and Partners Finance, our joint venture, activity. Those investments don't show up directly in our cash flows. It's all through the JV. They were anticipating a really strong year, north of $800 million. And as I mentioned in my opening comments, that pipeline's really strong.

So, I think we'll be there or above with -- at the JV level. So, a really good year of investment activity. One nuance about that business, even in uncertain times -- if air travel declines and it happens over a protracted period, often times, you see airlines look for liquidity. And so, say a leaseback opportunity with airlines actually increase during more challenging times. So, I'm sure our team at Rolls-Royce and Partners Finance will be on the lookout for that.

Overall, investment and volume for the year, you hit the number on the head. We expected coming

in to be at $1.4 billion. We did just under $300 million in the first quarter total across GATX. Still expect to be in that same level, that same $1.4 billion. And at Rail North America, we were in the $800 million range for 2025 on our expectation; still see that occurring. May come off. I mean part of that's depending on secondary markets. So, it could come off a little bit. But anything up in that $800 million range is a really -- by historical standards, a really strong year for North American Rail.

Brendan McCarthy:

Great, that's' helpful; I appreciate the color. And maybe just from a demand perspective, you mentioned if we see a pullback in international travel, that could impact the business. But can you tie that into maybe how the -- how or I guess maybe can you discuss how that ties into the contractual mandated maintenance schedule of these assets? I think it's every three to five years or so there's mandated maintenance.

Bob Lyons:

Are we talking about it on the engine side of the business?

Brendan McCarthy:

Correct, yes.

Bob Lyons:

Yeah, we don't see any significant change in the maintenance profile or expectations for maintenance activity within the engine leasing side, whether directly owned or at RRPF. So, no significant change there.

Brendan McCarthy:

Okay, okay. Switching gears -- Just wanted to talk about the balance sheet. I know you maintain a very strong balance sheet, investment-grade ratings. And I saw recourse leverage tick down in the first quarter. Are you comfortable with where interest expense is now? And I guess what interest rate environment is really baked into the guidance for this year?

Bob Lyons:

Well, we're right in the zip code of what we baked in for the year. So maybe and – so, no significant pick up or degradation from where rates are today versus what we thought coming into the year. Total interest and depreciation last year was just over $500 million. We expected that number to go up meaningfully in 2025 in the magnitude of $40 million. And we're still on course for that. So, we did anticipate interest rate increase in 2025. In the first quarter -- nothing in the first quarter would change our estimate of where we're going to end on a full-year basis. Overall balance sheet -- yes, still in very, very strong condition.

Leverage is at a very good spot. Our investment-grade rating is extremely important to GATX. We're mindful of that all the time. It gives us great flexibility and funding. And so, we're going to keep leverage kind of right near where we're at today.

Brendan McCarthy:

Great, and one more question for me. Just wanted to take a look at Rail Europe. I think I saw that there was a pretty sizable amount of railcars coming up for renewal in 2025. Can you touch on the renewal success rate there and maybe how that ties into the outlook for Rail International?

Bob Lyons:

Yeah, the lease terms in Europe are always shorter than they are in North America. So, where we turn maybe a fifth or so of our fleet in a given year in North America, it's about a third that turns every year in Rail Europe. So that's typical of that market. It's just historically that -- and that's industry wide. That's not unique to GATX Rail Europe. It's a two- to-three-year lease market. So, nothing out of the ordinary there. Our renewal success rate was pretty high other than I would say, and we continue to see significant challenges in the intermodal market. We've talked about that on prior calls. So, our utilization in the intermodal fleet is lower than -- certainly lower than where we'd like it. It's going to take a while to come back. So that is putting some undue pressure on overall utilization at GATX Rail

Europe, but we expected that coming into the year.

Brendan McCarthy:

Got it, it makes sense. Thanks, everybody.

Bob Lyons:

Thank you.

Operator:

Our next question comes from the line of Justin Bergner with Gabelli Funds. Please go ahead.

Justin Bergner:

Good morning, Bob; good morning, Paul; good morning, Shari.

All:

Good morning.

Bob Lyons:

Justin, how are you?

Justin Bergner:

Good, thanks. Hope the same for you guys. To start, are sequential lease rates still trending flat kind of on a spot basis?

Bob Lyons:

Actually, this quarter, they were down slightly from where they were in the fourth quarter. Again, nothing that we didn't anticipate coming into the year, but on a sequential basis, down a little bit.

Justin Bergner:

Okay, gotcha. It seems like you were pretty bullish on the secondary market in the comments in your press release and the comments to start the call. Would you say that your view of the secondary market has strengthened from three months ago or is it about the same?

Bob Lyons:

I would say it's very much the same what we expected coming into the year. We didn't expect the macro volatility that's gone on kind of whether it be tariffs globally, what have you. Interest rates moving pretty sharply from week to week, that we did not anticipate coming into the year.

So, I would say the fact that the secondary market has held up, has continued to be as strong as it is and the pipeline looks as good as it is, I think it speaks volumes about the quality of the underlying assets.

Paul Titterton:

Yeah, and I'll just add too. There is capital that wants to invest in these assets and because the new car market looks to be a pretty small market this year, that capital, if it wants to invest, is going to flow into the secondary market. And so that's one of the reasons for our confidence in the continued strength.

Justin Bergner:

Okay, that makes sense. Just some quick clean up questions. Your cash balance ending the quarter was higher than normal. Is that just money that you're getting prepared for investment needs later in the year?

Bob Lyons:

Yeah, certainly, higher than normal. We did one bond offering during the first quarter, as we were looking out over the course of the year. The bond market was fairly unpredictable during the first quarter. We're always looking long term on our funding needs. We saw a relatively quiet period for -- over the course of a couple weeks. So, we took that opportunity to do an $800 million issuance in advance of when, I think, historically we would have -- would have done so, but the demand was great. We did both 10s and 30s at a very good coupon and essentially, pre-funded a pretty significant portion of our financing needs for 2025.

Justin Bergner:

Okay, and then lastly, within the RRPF joint venture, I mean the equity income was high. Was there an unusually high amount of secondary sales and gains on secondary sales in the joint venture this quarter?

Bob Lyons:

No. We came into the year expecting our total income at the RRPF joint venture to be up $20 million to $30 million versus where we were in 2024 -- within Engine Leasing total, not just within the RRPF. Baked into that was the expectation that the income mix at RRPF would be about 65% operating income and about 35% remarketing income. And that's almost exactly what it was in the first quarter.

Justin Bergner:

Okay, it was only 35% or so of remarketing income in the first quarter.

Bob Lyons:

Yes.

Justin Bergner:

It's good to know. Alright, thank you for taking all my questions.

Bob Lyons:

Thank you, Justin.

Operator:

Your next question comes from the line of Bascome Majors with Susquehanna. Please go ahead.

Bascome Majors:

Thanks for taking my follow up. Justin just asked about the sequential lease rate trend. I think you said, down a little bit. Is there any delineation between tank cars and freight cars in that? And maybe historically, you've kind of talked about your long-term lease rate expectations and whether cars, types, by the way you define them, percentage that are above or below, just any update on how you look at the lease rate attractiveness in a historical context over a little longer term? Thank you.

Bob Lyons:

Sure. No significant delineation between tank and freight in the first quarter in terms of the sequential -- the change in the sequential rates. Overall, lease rates, I would say in the first quarter by and large came in as we expected. No significant deviation from the forecast we had in place. The LPI came in very consistent with what we thought. So, and I would say on a historical basis, we're continuing to see lease rates at very, very attractive levels, and Paul can comment more on that.

Paul Titterton:

Yeah. Relative to our model, we have a long run expectation for every car type in our fleet. And, in general, across the fleet rates remain elevated relative to our long-term expectations. So, and obviously, we're constantly refining and revising our model on a regular cadence to reflect additional data gathered. But yes, rates continue to be strong relative to our view of long-run levels.

Bascome Majors:

Thank you.

Bob Lyons:

Thank you.

Operator:

I will now turn the call back to Shari Hellerman for closing remarks.

Shari Hellerman:

I'd like to thank everyone for their participation on the call this morning. Please contact me with any follow-up questions. Thank you.

Operator:

Ladies and gentlemen, that concludes today's call. You can now disconnect. Thank you and have a great day.