

**2025 Second-Quarter Conference Call****July 29, 2025****Operator:**

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

**Shari Hellerman:**

Thank you, Erik. Good morning and thank you for joining GATX's 2025 Second-Quarter Earnings Call. I'm joined today by Bob Lyons, President and Chief Executive Officer; Tom Ellman, Executive Vice President and Chief Financial Officer, and Paul Titterton, Executive Vice President and President of Rail North America.

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.

Earlier today, GATX reported 2025 second-quarter net income of \$75.5 million or \$2.06 per diluted share. This compares to 2024 second-quarter net income of \$44.4 million or \$1.21 per diluted share. The 2024 second-quarter results include a net negative impact of \$8 million or \$0.22 per diluted share from Tax Adjustments and Other Items.

Year-to-date 2025, net income was \$154.1 million or \$4.21 per diluted share. This compares to \$118.7 million or \$3.25 per diluted share for the same period in 2024. The 2024 year-to-date results include a net negative impact of \$7.4 million or \$0.20 per diluted share from Tax Adjustments and Other Items. These items are detailed in the Supplemental Information section of our earnings release.

Now I'll briefly address each of our business segments. And after that, we'll open the call up for questions.

At GATX Rail North America, we continue to experience stable demand for railcars. Our fleet utilization was 99.2% at quarter end. And our renewal success rate was strong at 84.2%. We continue to achieve strong renewal lease rate increases while successfully extending term. The renewal rate change of GATX's Lease Price Index was positive 24.2% for the quarter, and the average renewal term was 60 months.

Additionally, we continue to successfully place new railcars from our committed supply agreement with a diverse customer base. We have placed over 6,500 railcars from our 2022 Trinity Supply Agreement. Our earliest available scheduled delivery under this supply agreement is in the first quarter of 2026.

The secondary market in North America remains robust. We generated over \$34 million in remarketing income during the quarter, bringing the year-to-date total to approximately \$65 million.

Turning to Rail International, GATX Rail Europe utilization was 93.3% at quarter end. As noted in the release, the business environment in Europe is challenging and uncertain relative to either North America or India. Given macro headwinds and slower GDP in Germany, some customers are delaying their fleet planning decisions, which is impacting fleet utilization. Despite current conditions, we maintain a positive long-term outlook on the European railcar leasing market, and we'll continue to look for attractive investment opportunities there.

In India, freight volume continues to benefit from the country's ongoing infrastructure investments. As such, we continue to see strong demand for railcars in India. GATX Rail India's fleet utilization remained high at 99.6% at quarter end.

Within Engine Leasing, our joint venture with Rolls-Royce and our wholly owned engine portfolio produced excellent second-quarter results, as strong global air passenger volume

continues to drive robust demand for aircraft spare engines. We're seeing very strong demand across engine types from global air carriers, and the secondary market for engine sales is healthy.

Regarding the pending Wells Fargo Rail transaction announced at the end of May, we're excited about the opportunities it offers. But due to the customary regulatory reviews, all of which are underway, at this stage, we're limited in what we can say beyond what we've already disclosed.

Finally, reflecting our year-to-date performance and outlook for the balance of the year, we are increasing our 2025 full-year earnings guidance to a range of \$8.50 to \$8.90 per diluted share. This guidance excludes the impact of Tax Adjustments and Other Items and excludes any impact from the Wells Fargo transaction.

And those are our prepared remarks. I'll hand it back to the operator, so we can open it up for Q&A.

## QUESTION AND ANSWER

### Operator:

(Operator Instructions) Your first question comes from the line of Andrzej Tomczyk with Goldman Sachs. Please go ahead.

### Andrzej Tomczyk:

Thanks for taking my questions. The first one -- just given this morning's deal announcement for a potential transcontinental merger, was curious if you could share any initial thoughts on how this could impact the overall leasing business?

### Bob Lyons:

Andrzej, this is Bob Lyons. Yeah, I mean given the fact that the announcement was just made this morning, it's difficult to assess, particularly given the timing, uncertainty, and conditions that may be put on the parties to the merger. So right now, very difficult to assess. Longer term, greater efficiency on the rails, more product moving by rail, more carload traffic, all

of those are, long-term, good things for railcar lessors.

### Andrzej Tomczyk:

Understood, appreciate the thought. Just switching gears a little bit. Your lease renewal rate -- the change was 24% in the second quarter, which was similar to last quarter. Are you seeing any indications that we could continue to hold the high lease price renewal? And I guess in what type of environment could we see that reaccelerate?

### Paul Titterton:

So, this is Paul Titterton speaking, and thanks for the question. Yeah, I mean, broadly speaking, what I would say is the market for existing railcars remains pretty similar to how it's been in the last few quarters, which is to say that pricing remains relatively strong. And of course, we've got expirations coming off of a weaker pricing environment. And so that has continued to provide a pretty strong LPI result.

At this point, I would say, in the absence of any stimulus, positive or negative, we continue to see kind of more of the same from a pricing standpoint. So, either up or down, there would have to be some external catalyst to really change that environment. And at this point, we don't really see that catalyst. So, I would say the best predictor in terms of absolute lease rates is probably more of the same right now.

### Bob Lyons:

Yeah, and I would just add, Andrzej too, that many -- all of the elements of the supply-led recovery that we've talked about now for many quarters in a row, very much remain intact.

### Andrzej Tomczyk:

Got it. So, we can just assume sort of normally sequentially increasing or flattish overall absolute lease rates. Is that the right way to think about it?

**Paul Titterton:**

Yeah, I would say flattish is probably pretty reasonable. That's what we've been seeing for quite some time now.

**Andrzej Tomczyk:**

Understood. And then lastly for me, we saw intra-quarter the EU had set a provisional deadline of August 20 to rule on your merger -- or the JV, sorry, with Wells Fargo and Brookfield. I'm just curious, is there anything to read into there in terms of approval timelines? Anything tracking earlier than expected or still on the same sort of runway?

**Bob Lyons:**

No, nothing unusual about that particular filing or the response from the EU Commission. So, everything is tracking as planned in terms of filing and timelines. So real -- no change in our Q1 2026 or earlier estimate from prior.

**Andrzej Tomczyk:**

Got it. Thanks for taking the questions and congratulations on a nice quarter.

**Bob Lyons:**

Thank you.

**Operator:**

Your next question comes from the line of Brendan McCarthy with Sidoti & Company. Please go ahead.

**Brendan McCarthy:**

Great. Good morning, everyone. Thanks for taking my questions. I wanted to look at the engine leasing business to start off. It looks like results from RRPf stepped down a little bit from last quarter. Just curious as to what the profit mix has been there through the first six months of the year, whether it be operating income or remarketing gains and maybe talk about your expectations for the remainder of the year?

**Tom Ellman:**

Yeah, thank you for the question, this is Tom. Just for the -- to give you the numbers for the second quarter, operating income was about 85% of the total and remarketing was about 15%. So year to date, we're around 70/30 operating income to remarketing activity. As we mentioned in the press release, the key reason that we're taking up guidance is the performance at -- in the engine leasing business. So, we expect that to be strong through the rest of the year. And one of the things that I think you'll see is, over time, the remarketing side of that should probably get to be a little bit higher of a total percentage.

**Brendan McCarthy:**

Great, that makes sense. Thanks for the insight, Tom. And as you look into the back half of the year, are there any -- have you noticed any shifts in demand or changes in the trend as it relates to remarketing income in the engine leasing business?

**Tom Ellman:**

Yeah, there really isn't a whole lot of trending as far as that goes. It's always very lumpy. And what we can say is that it remains very strong. There's a lot of demand for those engines in the secondary market. So, a lot of remarketing activity available. What really is the question is the timing, when does it occur?

**Bob Lyons:**

And Brendan, I'd just add to that, too. It's a bit amplified at RRPf within our own engine leasing business, just given the sheer magnitude of each asset, the net book value, whereas in Rail we're selling hundreds of cars for nice gains. In the engine leasing business, it's a few engines sold here and there for much more sizable gains. So, kind of the magnitude of the shift from quarter to quarter can be a bit more amplified.

**Brendan McCarthy:**

Got it, got it; that makes sense. And when you look at investment volume there, unless I'm

reading into this incorrectly, it looks like there hasn't been any investment volume in the wholly owned portfolio through the first six months of the year, down from about \$71 million the same period last year, but I think at one point, you mentioned you target roughly \$200 million per year. And I know that a lot of that is dictated by what Rolls-Royce decides. Just curious as to what investment volume might look like for the rest of this year in the GEL portfolio.

**Tom Ellman:**

Yeah, so, I'll start, and then I'll let Bob add to it. Kind of repeating our last answer, that side of the business is also pretty lumpy for the same reason because each engine is such a material investment in and of itself. We certainly expect to see some investment volume in the second half of the year. And coming into the year, we had said we thought it would be kind of in that - a range similar to the last couple of years, but I'll let Bob add to that.

**Bob Lyons:**

Sure, and kind of take it in two parts. So, the \$200 million number you mentioned, certainly still within reason. It may be a little less than that just based on, as you said, where Rolls-Royce has its needs and where it allocates its engine sales. But we expect a pretty healthy investment level activity in the second half of the year.

I'd also add that at the joint venture level at RPPF, we came into the year, I think, expecting somewhere in the range of \$800 million total investment volume for the year. It will be north of that for sure. So still seeing very good investment activity overall in the engine portfolio. The mix may change a little bit, whether it's directly owned or at RPPF. We participate either way so that it's all good on that front.

**Brendan McCarthy:**

That's great. Thanks, Bob; thanks, Tom. I appreciate the insight. That's all from me and congratulations, again, on a great quarter.

**Bob Lyons:**

Thank you.

**Operator:**

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

**Justin Bergner:**

Good morning, Tom; good morning Shari.

**All:**

Good morning.

**Justin Bergner:**

Good quarter. Thanks for taking my questions. First question, just to verify, is the entire \$0.20 guidance increase attributable to engine leasing and any reason why you might not have considered narrowing the guidance range at this point in the year with it being halfway over? I realize you don't always do that, but just wondering.

**Tom Ellman:**

Yeah, Justin, certainly, the majority of the increase in guidance is due to what we expect to have happen in the engine leasing business. And really kind of going back to some of Brendan's questions, the reason for that range is because of the scale of each of those remarketing events; it's difficult to really pinpoint the timing. And the same is true, quite honestly, in Rail North America, where one of the big pieces of uncertainty is the timing of those various gains that we'll get on the remarketing of the railcars. So that's really why the range is where it's at.

**Justin Bergner:**

Okay, got you. In the last few weeks, have you seen any change or kind of stalling in the secondary market ahead of the speculation relating to today's UNP Norfolk Southern announcement? And do you expect this period of regulatory review and potentially uncertainty to change the secondary market dynamic?

**Paul Titterton:**

Yeah. Justin, this is Paul, and I'll answer that question. And the answer is no. There's been no slowdown at all. And we really don't think while obviously, the announced merger is very significant for the rail industry, overall. In terms of the railcar secondary market, we don't see any impact at all. I mean, really what's driving the railcar secondary market is there's still a lot of capital that wants to invest in railcars and because new car volume is down and is expected to stay down for some time, that capital really wants to flow into the secondary market. So quite honestly, secondary market is robust, and we expect it to remain robust.

**Justin Bergner:**

Okay. So even though some of the efficiencies perhaps targeted in today's announcement might mean a slightly smaller need for railcars if the line can move more productively. You just think that that's trumped by the demand for capital flowing into this space?

**Bob Lyons:**

Yeah, and historically and looking forward, Justin -- it's Bob. Railcars, through cycles, through time, over decades, have proven to be tremendous stores of value and capital flows into the market, accordingly. And it's always been an asset class that people have been interested in investing and continuing to grow their portfolios. We don't see any change in that.

The other thing I would mention, too, is I don't know the stated or unstated period for regulatory approval for that transaction announced this morning, but it's likely to be protracted. So -- and then you add integration on top of that it's a pretty extended period. So, we're not anticipating any near-term impacts on demands in our portfolio or the secondary market.

**Justin Bergner:**

Okay. Thank you. And then lastly, strong international performance from a profitability point of view -- any way you can help me

decompose that a little bit further beyond, I guess, what was called out in the press release. I noticed the Other Revenue ticked up, but just strong segment profit there sequentially and year on year.

**Tom Ellman:**

Yeah, you've got to look a little deeper at some of those Rail International numbers. So, when we came into the year, Bob indicated that the Rail International business would be up between about \$5 million and \$15 million from a segment profit standpoint. And for the first half of the year, we're kind of tracking with that. We're at the lower end of the range, but some of that is - - most of that actually, is driven by exchange rates.

If you correct for that, the segment profit is roughly equal to what we had for the first six months of last year, which is a little bit below expectations. And the reason for that is, some of the challenges that we've seen in the intermodal market in Europe have expanded a little bit to a couple of other car types. You probably saw the utilization drop a little bit in the Rail International segment. We're still tracking, like I said, similar to last year, but that will be a little bit down absent FX from what we expected coming into the year.

**Justin Bergner:**

Great, thanks for taking all my questions.

**Bob Lyons:**

Thank you.

**Operator:**

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

**Bascome Majors:**

It's been two months since you announced the rails -- sorry, the Wells deal. I don't know what you've been able to accomplish in due diligence that maybe wasn't allowed during the negotiation process. But can you give us an

update on what you've been able to dig into incrementally? And if the synergy expectations for what this can mean on, be it maintenance or other items are coming into better focus. Thank you.

**Bob Lyons:**

Sure, Bascome. I'll just go back to a comment, I believe I made on the conference call a couple of months ago at the end of May when we announced the transaction -- that given the length of time, we were structuring the transaction and in dialogue with Wells Fargo and going through the due diligence.

By the time we announced the transaction at the end of May, there was very little left for us to do in terms of due diligence. The heavy lifting had been done. And Wells Fargo had been very forthcoming and building out an exhaustive data room that had virtually everything, by and large, we would need to complete due diligence. So, we didn't anticipate finding any surprises post-announcement, and we haven't.

I won't comment much more beyond that, given that we're still not the rightful owner of the portfolio. We look forward to closing on it. All of the assumptions we had coming into the transaction and the announcement date are holding very firm, and we feel really very, very positive about the transaction.

**Bascome Majors:**

What assumption did you make on synergies when you announced the transaction? And when might you update us on what that could look like longer term?

**Bob Lyons:**

Yeah, we didn't really get into much detail at the time of the announcement. We said it would be accretive, but we hadn't provided much detail on that and won't until we get to closing of the transaction, which we expect Q1 2026 or sooner. When we get to that point, and we're at the closing, we can be much more forthcoming with those synergies and the outlook for the portfolio and for the integration with our business.

**Bascome Majors:**

Thank you.

**Bob Lyons:**

Thank you.

**Operator:**

There are no further questions at this time. I'd now like to turn the call back over to Shari Hellerman for closing remarks. Please go ahead.

**Shari Hellerman:**

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

**Operator:**

Ladies and gentlemen, this concludes today's call. Thank you all for joining, and you may now disconnect.