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<<Brady Lierz, Analyst, Stephens Inc.>>

All right, Good afternoon, everyone. We're going to go ahead and get started with some of the afternoon sessions. My name is Brady Lierz. I'm an Analyst on the Transportation Research team here at Stephens. I'm pleased to be joined this afternoon by GATX. Here from the company is CFO, Tom Ellman; and Shari Hellerman, which I'm sure many of you know from Investor Relations is in the audience. Thank you for joining us this afternoon.

As a reminder, kind of format of this is fireside chat. I have some questions prepared, but for those of you in the audience, please speak up. Raise your hand, happy to have some questions from the audience if we can. But Tom, maybe for those in the room that may be new or kind of unfamiliar with the story, can you just walk us through and provide kind of a brief overview of GATX in the different segments?

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Yes, and thanks, Brady. I'll keep it pretty brief, assuming most people know, but happy to go deeper if helpful. So GATX was founded in 1898 as a railcar leasing company in North America, and that still is about two-thirds of our business. GATX in North America has about 110,000 railcars that we offer primarily on full service leases, primarily to shippers, but also to railroads. And the full service aspect of that means that maintenance is provided. So not a logistics company, but equipment provider that provides the key service which is maintenance.

About 20% of our business is rail international, and that is divided between GATX Rail Europe and GATX Rail India. GATX Rail Europe we started in the mid-90s and now has about 30,000 railcars in Europe, primarily based in Germany, Austria and Poland, though we do serve the entire European market.

In 2012, we started GATX Rail India. We were actually the first company to offer private leasing in India. We worked with the Indian Railways and the Indian government to introduce the private leasing scheme there. Today, we have a little over 10,000 cars in India. The next portion of our business is our aircraft engine leasing business. That might seem a little bit different than a railcar, but we think about it very similarly because both businesses provide long-lived, essential-use assets with a heavy service component and where deep asset knowledge is key. That business for most of its life since we started it in 1998 was entirely a joint venture with Rolls-Royce, 50% owned by GATX, 50% owned by Rolls, for the leasing of aircraft spare engines. So when an engine on an airplane needs maintenance, take it off-wing, do whatever maintenance is required and in the meantime, can use the aircraft thanks to the spare engine.

In 2021, for the first time, we started doing maintenance for – started doing engine leasing for our own account. So we purchased at the time 14 engines. We're now up to 46 engines. A little

under $1 billion in net book value that we own but are managed by the joint venture. So commercially very similar to our existing joint venture business. And then the smallest part of our portfolio is our tank container leasing business company called Trifleet which is based in the Netherlands and owns about 25,000 tank containers. And similar to the aircraft engines, long-lived, essential-use assets where service is key. So that's a very brief overview.

<<Brady Lierz, Analyst, Stephens Inc.>>

Helpful. Maybe we could just dive into Rail North America to start, can you just give us an overview, help us understand where we are in the leasing cycle today?

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Yes. So for those of you who followed us for a while, it's a very cyclical business, but that cyclicality is primarily supply driven. If you look at core railcars and GATX has the most diverse fleet in the industry, wide array of railcars that serve a wide variety of markets. Railcar loadings for that portion of the market has been amazingly flat for decades. If you look at core car loadings going back to the early 2000s, it's basically been a flat line other than a brief dip during COVID and a brief dip during the Great Recession. So the cyclicality is not driven by the demand side. The cyclicality is driven by the supply side.

And what the industry has done historically is during strong markets, has overproduced, had excess supply and then had to work off that excess supply. So that cycle has been around for a long time. The last two up cycles were particularly strong. The most recent one, which was kind of in 2013 to 2015, was driven by the fracking boom. So tank cars for crude oil and small cube covered hopper cars to move frac sand. The one before that, in kind of 2005, 2006 was driven primarily by ethanol.

So this time around there's no hot car type, so there's no particular car type causing an extreme amount of building. So this up cycle has been more gentle than the past. And we think that is one reason that perhaps it's lasting a little longer. And ultimately someday when we're out of this relative upcycle might be a little more gentle than the past ones because you're not working off as much excess supply. So right now it's a strong market. And when I say that, I'm primarily talking about the existing car market. So today supply and demand are in balance. There's enough uncertainty in the world and enough challenge with the cost and availability of a new car that it's very attractive to lease existing cars.

So our utilization percentage has been around 98%, 99%. Our renewal success percentage, the amount of customers that renew the car, the same has been in the 80s. And our lease price index comparing the new lease rate with the expiring lease rate has been in the mid 20%. So the new lease rate 25%-ish higher than the old lease rate. And so that's where we are. We expect that to continue for some period of time as long as supply and demand stay in balance.

<<Brady Lierz, Analyst, Stephens Inc.>>

Maybe just expanding on what you were just saying there. I mean, if we look at industry forecasts, new railcar deliveries are kind of at or maybe even below replacement in 2026. Or at least that's forecasts you're calling for at this point. Could you talk about like how that impacts your leasing segment? I mean, you just kind of walked through it a little bit. But like, do you think that level of builds is sustainable?

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Yes. So I know tomorrow some of the builders will be here and they might approach this a little bit differently. But we really view that as a pure lessor, as good news. And the reason it's good news is because there isn't a lot of demand beyond replacement for new cars. People aren't building them. And that allows supply and demand to stay in balance. That allows those stronger lease rates to persist. What will be interesting is how long the situation continues. We would love a bigger build year if that bigger build year was driven by increased demand, if shippers were increasing their production, increasing the amount that they had to ship. If railroads were winning modal share versus other modes, and that was the driver, that would be great.

If it's for any other reason, we'd rather it stay low. If you look at production capacity during the last upcycle, that crude oil boom that I talked about, it was probably something on the order of 80,000 cars. Today it's less – there's less production capacity than there had been, maybe something around 50,000 cars. We think replacement demand is somewhere around 35,000 cars. So there still is the capacity to overproduce, not as much as there had been historically. And one of the things we keep a very close eye on is what kind of production is occurring relative to what we think the underlying demand is.

<<Brady Lierz, Analyst, Stephens Inc.>>

Portfolio optimization and asset sales are a normal course of your business. But can you just talk through how you approach those different items, just given the aforementioned kind of business trends, I guess I would say?

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Yes. So one thing to keep in mind is GATX has the most diverse fleet in the industry. We have about 160 different car types that we manage. And for each of those we're really trying to manage through what are the supply and demand characteristics. Everything we do is discounted cash flow based. So when we make a decision to invest in a car, we've been in the business since 1898, we have a very good idea of what it will cost to maintain that car over its life and what kind of lease rates we can expect to get for from it. A railcar lasts about 40 years. Initial leases tend to be five to 10 years, and then subsequent leases tend to be somewhere between three and seven years.

So a lot of the value is in that residual period. And the decision to invest is assuming we're going to hold it for its entire life. That is not actually what we do in every case, we will sell cars before they reach the end of their life. And that decision is also largely discounted cash flow based. But there's a fleet optimization component to it as well. So we will identify cars for sale. If

something is causing us to not be as diverse as we'd like, whether that's a given car type, a given customer, a given commodity, we'll identify that we're out of balance a bit and now look to sell some railcars.

The decision to pull the trigger on that sale is comparing the cash that we would get from the sale to what we think it would continue to earn if we continued leasing it. A great example of that in the past that I can talk about is those small cube covered hoppers. During the fracking boom, it was a very hot car type. People were building a lot of them. And the key driver for building those cars was there was a great rail move, primarily from Wisconsin in this great white sand down to Texas to use in the oil fields there. But almost immediately people were trying to figure out how to use plain old Texas brown sand. And we figured at some point somebody would figure that out and that move would go away. So that was a time where we said, you know what, we want to sell out of this car type. And we were able to do that again before that market experienced some challenges.

A little bit related back to the diversity standpoint that I talked about, we also call on everybody in every space. That car will often be referred to as a sand car because that's the primary commodity. I keep saying a small cube covered hopper that moves frac sand. That's because that car will also move cement. It'll also move soda ash. And part of what we do is try to keep it in those other commodities when a given commodity has a challenge. So that's how we think about it.

One thing I will point out is despite the fact that our sales are primarily driven by optimization, they're always there. You can count on it. We have a slide on our website that shows what our gains on asset sales have been over the last 15 years or so. We've averaged about $70 million a year of gain on asset sales. And even in 2020, the first year of COVID we did a little under $40 million in gains on that. So there's always some portion of the fleet that it makes sense to sell and very consistently have been able to do that at attractive prices.

<<Brady Lierz, Analyst, Stephens Inc.>>

Maybe just a kind of a long-term trend, I think a lot of people have observed is just the percentage of railcars leased versus owned has increased over time. Can you just talk about why do you think that is the case? What are your customers telling you when they're kind of deciding between leasing versus owning? And do you think that trend will continue into the kind of foreseeable future?

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Yeah. So in North America, that trend primarily has been railroads decreasing their percent of ownership and shippers increasing the percent of ownership. We also note that the railroads lowering and I'm sorry, leasing companies increasing. Shippers also own cars. Those have been fairly consistent. And we also aren't quite sure how to treat TTX because TTX is a leasing company owned by the railroads. So we give that its own category and it's been fairly flat. So the move really has been from the railroads to the leasing companies. And the railroads want to

invest in infrastructure, they want to invest in track to a lesser extent, long haul locomotives, and they'd like to leave the rolling stock to others, which is the core business for lessors like GATX.

I would imagine that trend would continue. I would think the shape of the slope of the line might narrow out a little bit. It's been moving in that direction for quite a long time. And I know we'll talk about other portions of the portfolio later, but across all of our leasing businesses, aircraft engines, tank containers, and railcars, wherever they are in the world, that increasing percent of leasing is a common trend.

<<Brady Lierz, Analyst, Stephens Inc.>>

You recently announced a pretty large acquisition. Can you just talk through the key strategic kind of drivers behind your Wells Fargo acquisition? Why was now the right time versus earlier or later? And just how does this transaction fit into GATX's kind of long-term growth plan?

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Yes, so GATX buys railcars a variety of ways. We buy new cars through long-term supply agreements. We have one right now where we buy about 2,700 cars a year. We scrap about 2,500 cars a year. So that's largely a replacement program. That long-term supply agreement is a core part of how we invest and pretty consistent year in, year out.

The other two parts of the way we invest are a lot more variable. One is buying new cars on the spot market and the other is buying existing cars, usually with leases attached. And the Wells Fargo Rail transaction at its core is just an extremely large fleet acquisition. We've had our eye on that fleet for a long time, actually before Wells Fargo owned it. Wells Fargo purchased a large part of their portfolio from GE back in 2015. And it's an attractive portfolio. Most portfolios are attractive at the right price.

And the reason we were able to go ahead and conclude the transaction now is because it was at a price that made sense to us. 105,000 railcars, GATX in North America has about 110,000. So on a number of railcars, it's almost doubling the fleet. It will provide additional diversity to the fleet. GATX's standalone fleet is about half tank cars. That was a very small portion or is a very small portion of the Wells Fargo Rail portfolio. So this will make our overall portfolio more consistent with the overall North American rail fleet. But I would point out that's an outcome more than a desire. It wasn't necessarily we were seeking to get diversity. We were seeking to add good assets at the right price. And this allowed us to do that.

It also provides just additional scale benefits. There's scale benefits from leveraging the SG&A footprint of the company. As we sell railcars in the secondary market, this is additional railcars that we have available for sale. As we look to buy additional new cars, if you have a larger portfolio with older cars scrapping out, it's an additional tool there. And we also think at some point, though not right away, we should be able to do some, to realize some maintenance benefits.

One of GATX's core advantages is we do about 80% of our maintenance in our owned facilities and about 20% with third-party providers. Wells Fargo Rail does 100% with third-party providers. And that is something we can do more economically in our own service centers, particularly on an incremental basis, even on a fully costed basis, it's better. But it's a lot better when you look at the incremental cost of one more car in the facility.

The challenge is today our shops are full. So day one, it won't be a case that we can do a lot of Wells Fargo Rail maintenance in our facilities, but over the longer-term, as we continue to hire, continue to add track, continue to add repair positions, that'll be another source of benefit.

<<Brady Lierz, Analyst, Stephens Inc.>>

Just given the scale of the acquisition, how do you kind of mitigate potential risks just integrating that large of an asset? I mean, you set yourself, it's basically doubling fleet. So how do you kind of manage that?

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Yes, and that's the real challenge, because as far as doing something that's materially different than what we do regularly, it's not, we regularly buy assets in the secondary market. It's the scale that's different. The best example up to this point is in 2014, GATX bought the GE boxcar portfolio. That was a little under 20,000 railcars, so about a fifth the size. So big scale, but not as big.

But there were some ways that that challenge was even harder than this one. At the time, GATX did not have a very big boxcar fleet, and boxcars are not quite unique, but unusual, and that a large portion of them are leased on a per diem basis. So somebody pays for it based on how much it's used, as opposed to the majority of the fleet, which is on fixed leases. So we were adding a new asset type and a new way of leasing at the same time.

So we do have experience managing that. The way to manage the risk is just to really stay on top of it. And really, we've been very fortunate that we have some time here as we get regulatory approval, so we're able to, to do some planning, we're able to test run how all the data will come over. We're able to really put ourselves in a position to be able to take those cars into the fleet and leverage the fact that we've done this on a smaller scale many times before.

<<Brady Lierz, Analyst, Stephens Inc.>>

Maybe just a final one on kind of the acquisition. Just given the size, I mean, how does that influence GATX's capital allocation priorities going forward?

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Yes. So for those who might not be familiar with how this transaction's structured, it's a joint venture between GATX and Brookfield. So day one, GATX will own 30% of the joint venture and Brookfield will own 70%. There is also debt in the JV itself. So the initial equity check that

GATX will have to write is around $400 million. For context, the last couple years, our investment – annual investment has been about $1.6 billion. So very manageable compared to the overall size of our investment.

And then over time, GATX has an option to purchase 10% of Brookfield's interest in the JV. So 7% of the JV total, because Brookfield owns 70%, so 10% of the 70%. So if we're buying 30% for $400 million, obviously each of those options is very manageable. So to your point on how it changes the asset allocation, the really good news is it doesn't, because we like our investment opportunities in North America outside of this acquisition.

We like our investment opportunities in Europe outside of this, in India and with the aircraft engines, because of the size of the Wells Fargo Rail acquisition, 105,000 rail cars, some people might not have noticed that shortly thereafter, we made an announcement that we were buying 6,000 cars in Europe from DB Cargo, a rail freight operator. And again, as a reminder, the GATX Rail portfolio is about 30,000 cars in Europe. So 6,000 is a material investment there.

So because of the way the deal is structured, we still have the opportunity to make that economically accretive investment. Just to kind of finish out the asset allocation strategy, which again, doesn't change. So, number one, economically accretive investment. And then right with that, ensuring that we're taking care of the risk profile by having consistent access to attractively priced capital. So working closely with the rating agencies to maintain our investment grade rating.

And then once those two things are taken care of, return excess capital to the shareholder. GATX has paid a dividend uninterrupted since 1919. And then on occasion, we'll also buy back stock in addition to that. We haven't bought back stock in a material way since 2019. And that really has coincided with some of the large investment opportunities that we've seen. So the short answer is, it really doesn't change things very much.

<<Brady Lierz, Analyst, Stephens Inc.>>

Just a quick check. Yes.

Q&A

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Yeah. So again, the primary advantage is that this pace and the timing and how manageable the capital outlay is over time. As far as Brookfield goes, their objective is at some point to monetize this, to be out of it. Our objective at some point is to own 100% of it. So it really is a nice meshing of objectives there, this particular structure and the way it works.

I do want to emphasize, though, that what we have are options, not obligations to buy. But there is a path to 100% ownership and there are options, anything can happen. But sitting here today, we have every reason to believe we will find those options attractive at the time. And it's a path to 100% ownership.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Yes. Yes. It's not amazing to me that GATX would be simpatico with somebody else who looks at the world through an economic lens. You're absolutely right. And first and foremost, the overall transaction is attractive, right? So something we work on together, inherently buying this portfolio for book value. Most transactions occur at something above book that just inherently is attractive. And then the meshing of objectives also what they want to invest for a period of time and be out of it. We want to invest for a period of time and our value is really in the residual period holding that car through its life.

As far as how the deal came together again, it was a great meshing of skills and relationships. And so Wells Fargo Rail has had this portfolio for a while. It's no secret that they've made attempts to divest in the past. The relationships that Brookfield and Wells Fargo had at senior levels gave everybody confidence to pursue this. Brookfield, this is not their space. They do own Genesee & Wyoming, so they're familiar with the rail space, but not leasing. So they want to work with somebody who has deep knowledge in this particular sub segment of the broader environment and sought out GATX to do that. So all of that together really, really makes this work.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Correct. So the way the transaction is structured, we will be the manager from day one. We will consolidate it in our financial presentation. And the way that is determined is accountants look at control. And GATX despite owning 30% is deemed to have control from the beginning and back to the option scenario. So then you have to consolidate. Once you make the decision to consolidate, how do you treat the non-controlling interest, which could be treated as permanent equity, mezzanine equity or debt and that all has to do with the degree of compulsion to exercise an option. So the fact that these are true options, that non-controlling interest is treated as permanent equity.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Correct. Yes.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Correct.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: It really doesn't. If you look at – I mentioned what a cyclical industry it is, GATX has two potential sources of cyclicality and only one of which we've really experienced. The one that we don't really experience is utilization. GATX's utilization is always 98%, 99%. Even during the Great Recession it got to 96%. During COVID it was 98%. And the reason for that is this maintenance capability.

We can vary economically and reliably in terms of time, tell people you give a car up for maintenance, you're going to get it back in a certain amount of time and it'll be quicker than if you send it to the third-party network. That's the main thing people care about when they are looking at service in the railcar leasing space. But you have to price to market.

So the other side of cyclicality we are very much exposed to. Those of you familiar with the LPI, which is lease price index renewal lease rate compared to the rate it's expiring off of. In good markets that'll be in the 30%, repricing 30% higher. In tough markets that'll be in the 20% lower, repricing 20% lower. So we absolutely are a price taker. Nothing about this transaction changes that. We will continue to be a price taker. We will continue to experience volatility on the price side.

What this does is this allows us to employ all the tools that we use today in a bigger way. When we're looking to buy our – to enter into our next supply agreement, it can be bigger. Even though we do 80% of our maintenance in our own facilities, we do 20% with third-party providers and Wells Fargo Rail does 100%. You're going to market with a bigger maintenance spend. When we look to apply cyclically aware management for car type by car type, is this car type doing well? We should try to lengthen lease term or is it doing less well, we should try to keep it short. It lets you use all those tools, but from a standpoint of does it change us from being a price taker, it does not.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Yes. So I mentioned the economic animals and really when you do that math, it's really hard to overcome the zero that you get when a car sits idle. And it's a little bit worse than zero because you got to pay to store it. When it comes time to renew a car, both the leasing company and the shipper have a lot of incentive to do it if the car is needed. Because from the leasing company, at a minimum you're going to have to clean it, you might have to do some maintenance, you're going to have costs that you don't have if somebody renews it. From the shipper, if another leasing company is going to offer a few dollars less, they still have the disruption of changing out cars. They probably can't time it perfect. So they probably have a period of time where they're paying for two leases. So when it makes sense, you're going to find a price point. What changes – what causes that price point to move around a little bit is what are the alternatives? And that's why we focus so much on is the industry building cars that are not necessary. As long as that's not happening, it should be a reasonable pricing environment.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Yes. So we haven't given a lot of guidance about accretion going forward. All we've said, and all I'll repeat now is that we expect it to be mildly accretive in the first year and more so after that. So when the transaction closes, we'll have more to disclose, but until that point, that's all I can really say.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Correct. Yes.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Yes. So I can talk about qualitatively, not quantitatively. Basically there's two things. Our shops are big and our shops are only – almost only maintaining GATX cars to GATX standards. When you look at what is it – and we control the flow, how easy is it to optimize that cost versus a third-party provider who's taken in – from taking in demand from others, not knowing exactly sure how it's going to come in, having to deal with different instructions, of course, we can do that more economically. Plus once you already have the facility, if you don't need to cover more of that fixed cost, you're just taking on the variable cost of one more car. You absolutely get additional benefit if you can make that facility produce more cars. And that's today the source of the main cost maintenance advantage with our own fleet and with a greater potential controlled base should be additional benefit going forward, but again, not right away.

<Q>: [Question Inaudible]

<A – Thomas A. Ellman>: Yes, right. Yes. No. So, of course, will happen over time and it will take a long time before we're at 80% of the combined fleet, the exact speed. Some things are quick, some things just hiring more people, adding track takes a little bit longer. Adding repair sites, that takes a little bit longer. The good news is primarily we anticipate doing that in the facilities we own today. So that's a little quicker path than if you had to source something new.

<Q – Brady Lierz>: Maybe we could just talk about Rail International for a little bit. Could you talk us through what your outlook is for railcar demand in Europe? And then obviously Rail India's fleet utilization has remained very strong. What's driving the strength in that area?

<A – Thomas A. Ellman>: So I'll start with India, then come back to Europe. So again, we started railcar leasing in India in 2012, and now we're at a point where we're adding 1,000, 2,000 cars a year, up over 10,000 cars. Really it's the Indian economy and the Indian focus on infrastructure that's allowing that fleet to grow. We anticipate that that should continue for quite some time. GATX is still the only material independent lessor, but the market is 84%, 85% Indian Railways. So it's still primarily the Indian Railways. And the biggest challenge in India is actually getting enough cars. The cars are built in India. Indian Railways has a big demand, so there's only so many cars we can get. But the demand, the underlying demand to move by rail, very strong based on what the economy's doing. Also, there's disproportionate investment in the rail infrastructure.

The Indian market – Indian rail market is primarily a passenger market. And the freight rails have to give way to the passenger traffic. So in order to take freight traffic off the road and put it on the rails, the Indian government has invested billions in a dedicated freight corridor. They're not done yet with that yet, but they've already invested $10 billion or so. The more that that more of those lines that are operational, even more we should see demand for freight. So it's really a supply question.

Europe is a little different. Europe is very similar to North America. It's just a smaller version. There's about 1.6 million cars in North America, I think 700,000-ish in Europe. But other than that, a lot of similarities. Mature market, diverse customer base, full service leasing, a lot of things the same. One of the benefits from a profitability standpoint, is Europe does not have the same boom bust cycle that we've historically seen in North America. And that's because production capacity and amount of cars scrapped each year are about the same. It does make it harder to invest, which is why we're so happy with the 6,000 car acquisition we did from DB Cargo rail freight operator and they and others should be looking to do more of that.

The challenge right now in the European market and where you've seen our demand dip a little bit from what it's been historically is to just in a few car types, the most noteworthy of which is the intermodal market, just macroeconomic activity. That market has been challenged and the utilization in that portion of the fleet, which is only about 6% of our total fleet, is really what's dragged things down there. If you take that intermodal piece aside, it's pretty similar to what we're seeing in North America, but that one part is challenged.

<Q – Brady Lierz>: Maybe just on the engine leasing. As you mentioned, you've grown the fleet decent bit now up to, I think you said, 47. Can you talk about what you're seeing in terms of demand for aircraft engine leasing?

<A – Thomas A. Ellman>: Yes. So the demand is strong is the short answer. At current build rates, the aircraft has something like a 14-year backlog. And you need engines for those aircraft and depending on the aircraft type, somewhere between 8% and 15% additional engines as spares. So there's quite a long runway of demand for incremental engines. If you look historically at that business, air passenger miles have doubled about every 15 years. And back to your question on percent of leasing. When we started the JV with Rolls Royce in 1998, about 10% of the aircraft engines were leased. Today it's around 50%. So growing market, growing percent of leasing. So all that is very good.

There are also supply constraints in the maintenance facilities for aircraft engines today, which makes those spares more valuable. So there are a lot of things working very positively in this environment that we expect to continue. One of the outcomes of COVID is it also tested a theory that we always had, which was that no matter how tough times got, airlines would hold on to their spare engines. And the reason for that is if you lose access to your spares, you lose the ability to put a spare on wing and keep that aircraft. It can really have a catastrophic effect to the airlines. And during COVID air passenger miles went to zero and that business continued to perform. We continued to make money in the joint venture with literally zero demand. So right now is a particularly good time. But we have seen the resilience of that business tested and it did well.

<Q – Brady Lierz>: I think there's a lot of uncertainty out there. But how do you see engine leasing involving, just through investments, returns? Talk us through that a little bit.

<A – Thomas A. Ellman>: Yes. So there's two different ways that we invest in that business again, through the joint venture and on our own. So this year, year-to-date, the joint venture has done a little over a $1 billion of investment. Prior to this year, the most it had ever done is about

$900 million for a year. So this is a good time and we expect that to continue. The GATX wholly owned portion has been a little bit lower than it has been the past couple years. The reason GATX got into this business in the first place, owning engines for our own account, was during COVID when Rolls Royce had other demands on their capital and we were in a position to invest. So good partnership, good for both parties did that. The world has changed. We anticipate continuing to invest, but probably not at the same levels we've done the last couple years. This year we've done $150 million year-to-date, last year we did between $250 million and $300 million. I would anticipate a lower percentage being for our own account and a higher percentage being through the JV.

<Q – Brady Lierz>: Maybe just final question from me. What are the biggest kind of risks or opportunities you see in the current environment? And how does that kind of relate to the factors that could drive upside or downside to your full year guidance?

<A – Thomas A. Ellman>: Yes. Another way of talking about cyclically aware management is that we're perpetually preparing for a recession. So absolutely, positively the tools that we use, having a diverse fleet, trying to take lease rates out, lease terms out when times are good, keep them shorter when they're not. Those are all things that help mitigate a risk. Ensuring that if there's a problem with a segment of the fleet, it's a relatively small segment of the total. So all those things. If you get very granular and look at the biggest risk to guidance at any point in time, the answer is always going to be secondary market activity in Europe and with the engines, because that piece can move the most. What I'll tell you is, we have great line of sight into overall, what are those markets like? What can we expect? It's much harder when you try to call it for a quarter. Things just deals close at different times than you think they might close. And so you do see some timing variability there, but that's always the piece that if you get near-term financial results, it's always going to come down to those remarketing activities.

<<Brady Lierz, Analyst, Stephens Inc.>>

There's nothing else from the audience. Tom, Shari, thanks so much. And we'll leave it there.

<<Thomas A. Ellman, Executive Vice President and Chief Financial Officer>>

Thanks.