Company Name: GATX Corporation (GATX)
Event: Wells Fargo 16th Annual Industrials & Materials Conference
Date: June 09, 2026

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay, great. Thank you very much. Good afternoon. We're going to go ahead and get back started on the transportation and transportation-related track this afternoon. We are very pleased to be joined by GATX. We have Tom Ellman, the Chief Financial Officer. Thank you very much for joining us first off. Always appreciate your attendance at the conference. So maybe the best way to do it is to maybe – let's start with a bit of a brief snapshot of kind of the key businesses. There is a few of them and kind of how they contribute to the earnings power and sort of the growth profile of the company, and then we can kind of dig into each one of those. I think that'd be a great way to start.

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

That's great, Chris. And thank you. Thank you for having me.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Absolutely.

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

The conference has been great. So GATX started in 1898 as a railcar leasing company in North America, and that is still the biggest part of our business. GATX has a little over 200,000 railcars in North America, represents about 70% of our total net book value. Those cars are leased primarily to shippers on a full-service lease basis, which primarily means maintenance is included.

That business, again, is the core. We compete on service, and GATX does about 85% of our maintenance in our own facilities. The next biggest part of our business is our Rail International business, and that together with the third leg of the stool, our Aircraft Engine Leasing business, each represents about half of the remaining NBV. The European business is half of the Rail International business, one part of that. We have a total of 36,000 cars in Europe. Largely, those operate in a similar fashion to the way they do in North America, full-service lease basis. We also have an Indian business, about 12,000 cars in India. Those cars are all leased on a net lease basis. By law, all the maintenance in India has to be done by the Indian Railways.

And then as I mentioned, the other part of our business is our Aircraft Engine Leasing business. We started that in 1998 as a part of a joint venture with Rolls-Royce. Engine leasing may seem very different from railcar leasing, but both long-lived essential use assets with a heavy service component, and where you really compete on deep asset knowledge. So in a lot of ways, it really is similar. The expertise in that business primarily provided by our partner, Rolls-Royce. We have about 460 engines in the joint venture, and those are all managed by seconded Rolls-Royce employees. In 2021, we also, for the first time, invested in engines for our own account. Those engines are all managed by the Rolls-Royce joint venture. So don't want to use all our time on the overview, but there is a little summary.

<<Chris Wetherbee, Analyst, Wells Fargo>>

That's helpful. So let's dig into the biggest business. Let's dig into the Rail North America. I think that's a good way to kick things off. So how would you characterize the current macro environment? I don't know if you think about it as more of a headwind or a tailwind. We've obviously gotten some mixed dynamics coming from our broader transportation coverage, and I guess within that context, what are you hearing from customers in terms of sentiment and behavior?

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

Yeah, so railcar leasing in North America is a cyclical business, and that cyclicality is primarily driven by the supply side of the business. If you look at the key demand statistic in railcar leasing, it's railcar loadings. And if you look at a broad mix of all the car types that make up GATX's fleet, and GATX has nearly 200 different railcar types, the loadings that go into those railcars have essentially been in a very narrow band for the last couple decades.

You saw a little dip in that demand during the Great Recession and a little dip in that demand during COVID, but otherwise it's been in this very narrow band. So the cyclicality is on the supply side. What historically happens is the industry, in good times, tends to overbuild, and then that excess supply has to be worked out. And what has happened historically is during the last upcycle, the industry had the capacity, had the ability to build about 80,000 cars. Replacement demand is only about 35,000, so tremendous ability to overbuild should that be desired. And in the current environment, the capacity is closer to 50,000 cars. So still an ability to overproduce, but not nearly what it once was. And that is helping what the current upcycle that we're in to really extend and continue.

It's really a supply-driven recovery across the vast majority of the car types in the fleet. Supply and demand are in balance, and customers are in a position where they really need to hold on to the railcars they have. So across the board, we've seen strong lease rates for going on four years now. The key statistic that we use at GATX is the Lease Price Index. It compares the new car lease rate to the expiring lease rate, and our guidance for this year is we think that will be between the upper teens and low 20s, so nearly a 20% increase in lease rates. For the first quarter, that was 22%. We're continuing to see customers very interested in renewing the cars they have.

There is a lot of uncertainty in the world right now and one of the ways that customers are dealing with that are to really hold on to the cars they have. There is a little contrast with new cars because the same uncertainty leading them to be reluctant to give up a car also causes a little bit of reluctance to add to the fleet, to grow the fleet. So when there are new car opportunities, they tend to be a little bit more competitively bid. But in a typical year, we will renew about 20,000 railcars. The new cars that come into the fleet are a much smaller total, 20% or less than the existing cars that renew. So that's a pretty good trade-off.

<<Chris Wetherbee, Analyst, Wells Fargo>>

And then I guess maybe in the context of that, the fleet utilization in North America, we talked a little bit about lease rates and the Lease Price Index. How do you think about fleet utilization?

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

So GATX's utilization for the first quarter was 98%. It's typically been between 98% and 99%. At the end of 2025, our utilization was 99%. On January 1st, we purchased the Wells Fargo Rail operating lease portfolio. GATX had had a little over 100,000 cars. Wells Fargo Rail had a little over 100,000 cars, so it essentially doubled the size of the fleet. Wells Fargo Rail's utilization was 97%, so that 99% and that 97% are what average to the 98% and we expect utilization to continue to be strong through the year.

<<Chris Wetherbee, Analyst, Wells Fargo>>

And then speaking of the Wells Fargo Rail assets, I guess how is that progressing? Are there any notable surprises as you've gone through that integration process?

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

Probably the biggest surprise was that there haven't been any surprises.

<<Chris Wetherbee, Analyst, Wells Fargo>>

That's good.

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

It's gone really well. So we closed that transaction on New Year's Day, January 1st this year, and we're able to integrate all the systems, all the computer records, all the key information, get that done on that very first day. We – this was an asset acquisition, so we purchased the assets. It was not a company acquisition, but we did hire about 45 former Wells Fargo Rail employees and have them all joined up and integrated. That process has gone well. Our customers have been extremely receptive.

GATX really is a high-level service provider. Our average contract size is less than 50 cars. We really try to focus on being a high-service provider and being able to provide any kind of expertise that the local transportation departments might not have. So very happy to get that high level of service on an additional group of cars, so really going well.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Great. And then I guess investors have focused on the synergies of the acquisition. I don’t know if you can give an update in sort of magnitude, timing, the sources of those synergies. Do you think there is any sort of misperceptions or things that we should be thinking about in the context of those synergies?

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

So when we announced the transaction, we told people to anticipate that the transaction would be mildly accretive in the first year and more so after that. And on our earnings call in February, we quantified what we meant by mildly accretive, and that was specifically that it would contribute between $0.20 and $0.30 of EPS. Just for scale, our guidance for full year 2026 is between $9.50 and $10.10. So that gives you some idea of what we meant by mildly accretive.

The sources of that additional accretion is primarily just the rail cars coming into the fleet. This was a good fleet, well run, and bringing it into GATX ownership, we continued to enjoy the benefits of what that prior management team had done. In addition, there are a couple different areas of synergy. One, I mentioned we hired about 45 people. So from an SG&A perspective, it's less than the two companies previously. There's also some opportunities on the maintenance side.

So over the long term, we will do more of that work in the GATX-owned facilities. GATX can do the work, particularly on an incremental basis, much more economically than if it's with a third-party provider, but it will take some time to do that. Today our shops are full, so there's some expansion of the GATX facilities in terms of track and repair position that have to happen until we can really enjoy the benefits of that incremental maintenance.

But in advance of that, because we have our own shops, that does put us in a good position to negotiate with third-party providers. If a third-party provider tells you that a repair costs x, we know what it costs in our own facility, and it really puts you in a position to get the best deal. So that's a source.

The other source that I would say is the diversity of our fleet and the depth of our customer relationships. GATX, again, with an average order size of less than 50 cars, we're dealing with customers in pretty much every car type, every commodity. One great example of that is a challenging car type overall right now is what's called a small-cube covered hopper. A lot of people will refer to that as a sand car, and the reason they refer to it as a sand car is because that is the major commodity that goes in that car type. And sand primarily was in demand or is in demand for hydraulic fracturing. But that same car type also covers cement, it also covers roofing granules, it covers a variety of other commodities. And we can re-market those into those areas that not all the other leasing companies can and that allows us to command lease rates and utilization a little bit higher than you might other places. So those are a couple of sources of that synergy.

<<Chris Wetherbee, Analyst, Wells Fargo>>

And then I guess maybe just speaking about renewal activities, I think, it's pretty strong, success rates around 80% or so. How sustainable – in the longer lease terms, how sustainable do you think the pricing environment is right now?

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

So the current pricing environment should be quite sustainable, certainly through the remainder of this year and that really is because supply and demand are in balance and there's no overhang of additional cars coming into the market. New car backlogs are long enough that the alternative of getting a new car is not as attractive as renewing the one you have. So that renewal success percentage should stay high, and we should be able to continue to renew at rates similar to what we did in the first quarter with the 22% LPI that we saw.

Really the key thing to take a look at is because demand shocks really have to be extraordinary, again, going back to the Great Recession, going back to COVID, it's really that supply side. And as long as there aren't excess cars produced that are not needed, the supply-demand dynamic should stay strong and rates should stay high.

<<Chris Wetherbee, Analyst, Wells Fargo>>

So I guess the acquisition really expanded the fleet and the customer base, as you know, to double the size of the fleet. So how does your approach to portfolio optimization change? I guess, how do you think about asset sales? Are you going to rotate through this larger fleet over time?

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

Yeah. So the approach is actually quite similar. When GATX makes an investment, that investment is made using a discounted cash flow analysis. So we've been in the business over 100 years. We have a good idea of what it costs to maintain the car. We have a good idea of what lease rates it's going to earn over time. And we take those projected cash flows, discount them back, compare it to the price of the new car, and that's what allows you to decide whether or not to make an investment. But we don't actually hold them all through the end of their life.

The major reasons that we would sell a car are for portfolio balancing purposes. We really take pride in having the most diverse fleet in the industry, not being overexposed to any one car type, any one customer, any one commodity, or even an expiration year that's particularly big. So with our legacy fleet, with the bigger fleet, we're going to look at the same kinds of things. What this does is it gives you a broader array of car types to take a look at and also to look at situations where maybe we think the market has it wrong, where the expected cash flow over its remaining life is not as high as what you could sell it for today, and then we'll make those decisions to sell out early.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay. I guess, how should investors think about normalized remarketing income through the cycle? I guess particularly given strength in the secondary market, I guess, how do we think about that?

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

Yeah. So remarketing income is definitionally lumpy. It's hard to predict exactly how long it'll take individual deals to close. You have to do things like car inspections, negotiate contracts. So you can't always tell exactly when it'll happen. Why? It's a really strong and enduring part of the portfolio. So over the last 10 years, we've averaged about $80 million a year in gains on asset sales. And even during 2020, the first year of COVID, when most activity stopped, there was $40 million of gain. The last four years have all been over $100 million.

And we've provided guidance for this year that we expect around $200 million of gain on sales of assets, about $130 million of which will come from the legacy portfolio, and about $70 million of which come from the joint venture that we have with Brookfield that acquired the Wells Fargo rail portfolio.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay. That's helpful. Maybe let's move on to the international piece of the rail business. I guess in Europe, demand has remained steady despite some of the macro headlines that we've been

seeing, in particular more recently. What are you seeing in terms of customer behavior, fleet planning, and any renewal trend updates?

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

Yeah. So one of the things you mentioned is that business has been strong, despite some of the macro challenges. And part of that is that supply-demand dynamic that I talk about is pretty powerful in Europe because the production capacity and the replacement demand are about the same. So even during COVID, you saw flat lease rates. So that dynamic, that old cars coming out are about the same number as new cars coming in, provides a lot of stability. Additionally, Europe is a little bit ahead of North America in trying to take traffic off the road and put it on the rails. And some of the investment of governments in doing that provides another source of demand. So we really expect the situation to remain strong there.

And one piece of evidence of that is in 2025, we purchased about 6,000 rail cars from DB Cargo, a rail freight operator in Germany. And there should be other opportunities to do this kind of thing and that we'll be definitely interested in pursuing, as governments have looked for their rail freight operators to be profitable on their own. One way they can do that is by selling rolling stock that they can source a different way. So we'll look for additional opportunities there as well as through the core business.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Any way to size sort of what the opportunity there is that's similar to the DB Cargo sales and any way to think about from a geographical perspective within Europe?

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

Yes. So certainly, throughout Europe, there's examples of that. And that acquisition of those 6,000 cars is just one of many. So I think the size of individual transactions probably will be in that range or even a little smaller. But there should be multiple opportunities.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay. And that can happen across the continent?

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

Correct.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yeah. Okay. Helpful. All right. India, that continues to operate at about 100% utilization. So what are the key drivers of keeping it tight like that? I mean, I guess what are the drivers of the tightness and what do we think happens from here? 100%'s a little hard to get above. How do we think about that?

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

So GATX was the first independent leasing company to operate in India. We worked with the Indian Railways and the Indian government to develop the private leasing scheme that started in 2020. We're still the only materially large leasing company there. And it took us about five, six years to get to 1,000 cars. And we've been adding 1,000, 2,000 cars a year since and are up to 12,000 cars – over 12,000 cars.

The demand for the core cement infrastructure, steel commodities is quite high. And really the limiter on growth is the amount of production that we can get. Wherever it is in the world, production is sourced locally or close to locally. North America, it's primarily Mexico. Europe, it's primarily Eastern Europe. In India, it's in India, the nearest place with relatively low labor costs. But there's only so much they can produce, and the Indian Railways continues to need a lot of cars. So that's the big inhibitor to growing even more. But from a demand perspective, we expect it to stay strong and utilization to stay near that 100% level.

<<Chris Wetherbee, Analyst, Wells Fargo>>

So if you were to sort of compare and contrast the Europe opportunity to the India opportunity, it sounds like maybe Europe has got a few more types of shots on goal for you guys to grow relative to what maybe is a little bit more constrained in India. Is that fair?

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

So it's definitely a more mature market. So for instance, there is no secondary market. There's no like somebody else you would buy rail cars from in India.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yes.

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

But the demand prospects are so strong in India that that really I wouldn't differentiate them as one over the other. I think they're both quite strong. It's just different things driving it.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay. All right. That's helpful. And then I guess maybe thinking about the leasing business, as you noted before, so you get the rail car business, then we can move on to engine leasing. So I guess we could talk a little bit about demand for spare engines. That's been strong. There's supply constraints, maintenance delays. We hear a lot from the OEMs. There's just obviously some headlines between large airlines and some of the engine makers. I guess could you give us a little bit of an update of sort of what you're seeing in terms of airline behavior or shop visit, fleet utilization, just kind of the lay of land of the engine leasing business?

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

Yeah. So the engine leasing business has been in a strong position, particularly coming out of COVID. If you look at current rates of production for airframes, for aircraft, at the pace they're

going, it's something like a 14-year backlog. And most of the engine types, the manufacturers recommend having somewhere between 10% and 15% spare engines for every engine on wing. So there's an incredible known buildup of demand for that product going forward.

Air passenger miles double every 15 years or so. The percent of engines that are leased, when we started back in 1998, it was probably around 10%. Today, it's probably around 50%. So the growing market, growing percent of leasing has really led to a great dynamic. Obviously, the world right now is a pretty unsettled place. And there are challenges with jet fuel prices, and that might have impacts on airlines. The majority of the fleet that we have is engines that support wide-body, long-haul traffic and also latest generation aircraft.

So particularly in a fuel-constrained environment, the most modern engines are the ones that are most likely to be used. So we feel very good about how the business is positioned. Of course, just the situation of the world bears watching. But so far, it continues to be a very resilient business. And on the topic of resiliency, if you look at that business had the ultimate test of resiliency with COVID. The air passenger miles briefly went to zero, and that business still performed well.

One of our beliefs was it would be incredibly resilient because when an airline had to decide what they're going to spend their limited money on, the engines are way up there because the way they work, you take an engine that needs maintenance off wing, you put the spare on, and that can cause a cascading if you don't have those spares that we thought and airlines proved, that's really what they're going to be most concerned with and the COVID test really showed that.

<<Chris Wetherbee, Analyst, Wells Fargo>>

So how do you think about, I think you touched on this briefly, but let's expand a bit on it in terms of capacity reductions globally around the airline space. Is there a rough rule of thumb that we can say, hey, for every one point of capacity reduction, there's some sort of impact on utilization or spare demand or anything like that? I guess I'm kind of curious how you think about that.

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

Yeah. No, it's a great question, and I'm thrilled that we haven't really tested the answer.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay.

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

Because the utilization of our fleet has been so consistently high regardless of…

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yeah.

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

…that situation.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay. And then can you just remind us like sort of what the portfolio looks like in terms of how much you have, and kind of like how the engines are broken down…

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

Yes.

<<Chris Wetherbee, Analyst, Wells Fargo>>

…by manufacturer?

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

So first of all, we have JV engines, and we have the wholly owned engines. So there's about 460 engines in the joint venture. And about 46 engines that GATX wholly owns. In both cases, the vast majority of them are on latest generation wide body aircraft.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yes.

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

And they all basically serve the market in one of two ways. On the one hand, we have engines that are leased to an airline to serve as their spare as they need it. Then we also have non-dedicated spare engines, which primarily for us, they support the Rolls-Royce TotalCare program. So Rolls-Royce will offer a maintenance services, a spare on demand, and will provide that to the airline when they're doing maintenance. And one of the ways they source that is either through the GATX wholly owned engines or from the joint venture.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay. And then the returns in this business can be, or the results can be lumpy given the timing sort of the engine sales themselves. So I guess how do we think about underlying sort of steady state earnings power of the business, the stability of the segment? How do we think about that compared to what is obviously a very stable sort of broader portfolio?

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

Yeah. So the good news is, whether you're talking about the aircraft engines or the railcar leasing business, the timing is very lumpy. But the underlying certainty that secondary market or that remarketing event will be there, is quite resilient and quite strong. So if you look at the Rolls-Royce joint venture, for instance, over the last several years, about two-thirds of our earnings

have been through earnings from operations, and about one-third have been from remarketing events. In a given quarter, those numbers could be very different.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay.

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

But over time, that two-thirds, one-third continues to show up. And so – and part of that is because it's a little different the way we operate that business versus the railcars. The railcars, the original intention is to hold them cradle to grave, we might not do that. We might sell them out for the various reasons I talked about. Our engine portfolio, we tend to more proactively sell out of. And when the engine gets to that tail end of its life, that's not really the business we're in.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yeah. So how does this grow over time? How does this fit into the growth portfolio over time?

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

We're going to continue to invest in engines, either through the joint venture or on our own. So in 2025, the joint venture invested $1.4 billion in engines. Those are self-funded, so GATX did not need to contribute to make that $1.4 billion happen. That's at the JV level, so our share – our proportionate share of that would be $700 million. For this year, we've announced that we expect about another $1 billion, so our share, about $500 million. We are not targeting today adding additional engines to our wholly owned business.

If the opportunity comes up, we're very, very interested. That business, over the last few years, has been between about $150 million and $250 million in investment each year. The genesis of that investment was at a time where the – in 2021, where the market in general, and Rolls-Royce in particular, had other demands on their capital. GATX is a counter-cyclical investor, put ourselves in a position to be able to invest in that market. To put it mildly, the situation has changed. Rolls-Royce is doing incredibly well and probably won't be looking for that avenue...

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yeah.

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

...to the extent that they had previously. But where there's opportunities, we're certainly interested.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Is the $1 billion this year also self-funded?

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

Yes.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay.

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

So over the course of the joint venture, going all the way back to 1998, we've taken dividends out, we've put investments in. The dividends have exceeded the money that's put in. So, and the business has grown from about $250 million to, our share of assets is close – it's over, for the JV as a whole is over $5 billion.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay. That's helpful. And so you've given us a little bit of a glimpse of how you think about putting capital to work in that business. But I guess if we zoom out a little bit and think about your various businesses, how do you think about capital allocation into the various businesses, the rails in the U.S., international, engine leasing?

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

Yes. So we like all those businesses, and one of the key features of the Wells Fargo Rail acquisition was the way we funded it. So it was a $4.2 billion acquisition. And the equity piece of that, we contributed 30%. Brookfield, our partner, contributed 70%. So the equity check that we wrote on January 1st was $385 million. We have options to buy the rest of it over the next 10 years. So if we exercise all those options, we would own the entire portfolio in 10 years. Most of those options, other than the first one, are for 7% of the business, 10% of Brookfield shares. The first one is for half of that, 3.5%, and that will cost $66 million. So take the $385 million plus the $66 million, you're at about $450 million. Very manageable in the context of the investments we've done over time.

And going forward, double that $66 million, it's super manageable. So we can continue to invest in India, continue to invest in Europe, pursue other opportunities in rail North America. We didn't want to have to make the choice you're talking about, and that was a key reason for structuring the purchase the way we did, because there's great opportunities in all those segments.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yeah. Okay. So it's always good when you have lots of shots on goal, lots of targets to be thinking about.

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

Okay.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Maybe to wrap up here, I'm kind of curious, how do you think about sort of variability within the guidance range? You have guidance out there, which is always very helpful for us to take a look at. How do you think about upside and downside, considering the fact that these businesses are a little bit steadier than a lot of the other ones that we look at?

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

Yeah. And that's a great point. So for the North American rail business, for instance, historically, 100,000 cars in the fleet, and in a typical year, you'd have about 20,000 that expire, which means you have 80,000 that don't. And that does provide quite a bit of stability, quite a bit of predictability. So what that means is the source of variability on the guidance number, the number one thing is always those remarketing events.

Not so much are they going to happen or not, there's a lot of visibility into that, but what will that timing be? And you can't always call that perfectly, and sometimes it happens quicker than you think, sometimes it takes a little longer, and that's generally the biggest needle mover.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Okay. I guess maybe just as we think about rates and the environment where we might be in, anything we should be thinking about? I guess that would be the last question. Anything from an interest rate perspective? I think we did a little poll this morning, and I think now the consensus is for a hike towards the end of the year versus cuts. So how are you thinking about that?

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

So it looks like I have a minute 17 seconds, So I'm going to ask that question.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yeah.

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

So what I will tell you is that the high level soundbite is that anything that makes the cost of a new railcar go up is generally good for GATX. Whether it's interest rates, whether it's inflation, whether it's cost of steel, because, yes, it will make that incremental investment a little more challenging, but the now 200,000 cars, they all become worth more. So any kind of cost pressure on an operating lease asset that retains utility is generally a pretty good thing.

<<Chris Wetherbee, Analyst, Wells Fargo>>

Yeah. Makes sense. All right, Tom, thank you so much. It was great to have you at the conference. Appreciate your comments.

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

All right. Thank you.

<<Chris Wetherbee, Analyst, Wells Fargo>>

All right. Thanks everybody.