


# Cowen Global Transportation Conference | September 5, 2018

# Forward-Looking Statements

Statements in this Presentation not based on historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and, accordingly, involve known and unknown risks and uncertainties that are difficult to predict and could cause our actual results, performance, or achievements to differ materially from those discussed. These include statements as to our future expectations, beliefs, plans, strategies, objectives, events, conditions, financial performance, prospects, or future events. In some cases, forward-looking statements can be identified by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” “likely,” “will,” “would”, and similar words and phrases. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date they are made, and are not guarantees of future performance. We do not undertake any obligation to publicly update or revise these forward-looking statements. The following factors, in addition to those discussed in our other filings with the SEC, including our Form 10-K for the year ended December 31, 2017 and subsequent reports on Form 10-Q, could cause actual results to differ materially from our current expectations expressed in forward-looking statements:

- exposure to damages, fines, criminal and civil penalties, and reputational harm arising from a negative outcome in litigation, including claims arising from an accident involving our railcars
- inability to maintain our assets on lease at satisfactory rates due to oversupply of railcars in the market or other changes in supply and demand
- a significant decline in customer demand for our railcars or other assets or services, including as a result of:
  - weak macroeconomic conditions
  - weak market conditions in our customers' businesses
  - declines in harvest or production volumes
  - adverse changes in the price of, or demand for, commodities
  - changes in railroad operations or efficiency
  - changes in supply chains
  - availability of pipelines, trucks, and other alternative modes of transportation
  - other operational or commercial needs or decisions of our customers
- higher costs associated with increased railcar assignments following non-renewal of leases, customer defaults, and compliance maintenance programs or other maintenance initiatives
- events having an adverse impact on assets, customers, or regions where we have a concentrated investment exposure
- financial and operational risks associated with long-term railcar purchase commitments, including increased costs due to tariffs or trade disputes
- reduced opportunities to generate asset remarketing income
- operational and financial risks related to our affiliate investments, including the Rolls-Royce & Partners Finance joint ventures (collectively the "RRPF affiliates")
- the impact of changes to the Internal Revenue Code as a result of the Tax Cuts and Jobs Act of 2017, and uncertainty as to how this legislation will be interpreted and applied.
- fluctuations in foreign exchange rates
- failure to successfully negotiate collective bargaining agreements with the unions representing a substantial portion of our employees
- asset impairment charges we may be required to recognize
- deterioration of conditions in the capital markets, reductions in our credit ratings, or increases in our financing costs
- competitive factors in our primary markets, including competitors with a significantly lower cost of capital than GATX
- risks related to international operations and expansion into new geographic markets
- changes in, or failure to comply with, laws, rules, and regulations
- inability to obtain cost-effective insurance
- environmental remediation costs
- inadequate allowances to cover credit losses in our portfolio
- inability to maintain and secure our information technology infrastructure from cybersecurity threats and related disruption of our business

# HISTORY AND BUSINESS OVERVIEW



# GATX's 120-Year History

**1898**
Established as railcar lessor with 28 railcars

**1919**
Initiated quarterly dividend

**1936**
Began rail investment in Canada

**1973**
Acquired American Steamship Company (ASC)

**1985**
Began locomotive investment

**1994**
Began rail investment in Europe & Mexico

**1998**
Formed Rolls-Royce Partners and Finance (RRPF) Affiliates

**2012 & 2013**
Began rail investments in India and Russia

**2018**
$7.9 billion* in assets and more than 144,000 wholly owned railcars worldwide

*Assets on- and off-balance sheet as of 12/31/2017*

# GATX Today – Business Segments



## RAIL NORTH AMERICA

- One of the largest railcar lessors
- Diversified fleet of more than 120,000 wholly owned railcars and more than 600 locomotives
- Strong customer credit quality, diversification in car types and commodities carried
- Over $3.2 billion in committed lease receipts



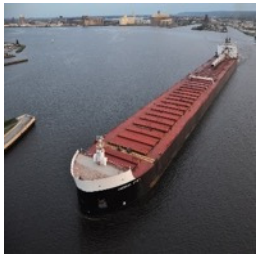
## RAIL INTERNATIONAL

- GATX Rail Europe (GRE) is one of the largest European tank car lessors with over 23,000 railcars
- Strong customer credit quality, diversification in car types, geography and commodities carried
- Largest railcar lessor in India



## PORTFOLIO MANAGEMENT

- RRPF affiliates are the largest lessors of Rolls-Royce aircraft spare engines worldwide
- $3.8 billion of operating assets in the RRPF affiliates
- Over $2.1 billion of committed lease receipts at the RRPF affiliates

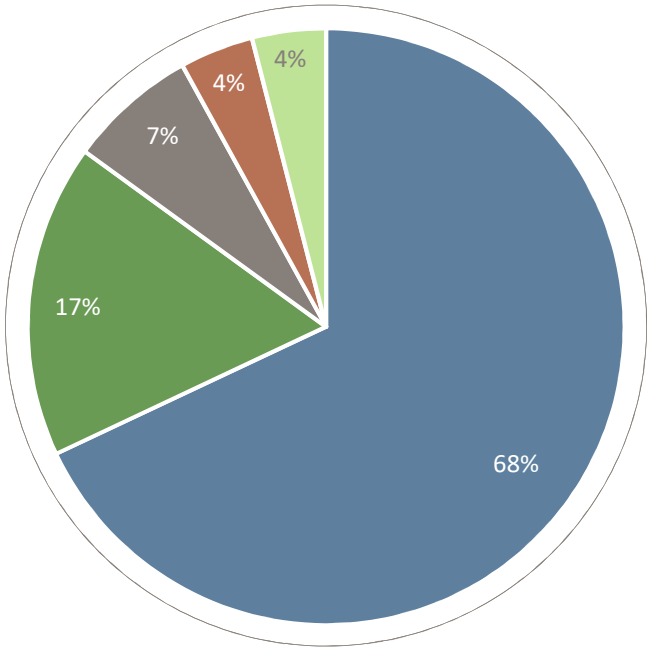


## AMERICAN STEAMSHIP COMPANY

- Largest US-flagged vessel operator on the Great Lakes
- Operates a fleet of efficient self-unloading ships
- Exceptional safety record and leader in Great Lakes environmental matters

*As of 12/31/2017*

NET BOOK VALUE OF ASSETS




$7.9 billion NBV*

- 68% Rail North America
- 17% Rail International
- 7% Portfolio Management
- 4% ASC
- 4% Other

**Assets on- and off-balance sheet as of 12/31/2017*

# Straightforward and Proven Business Model

**BUY**
the railcar at an economically attractive and competitively advantaged price

**LEASE**
the railcar to a quality customer at an attractive rate for a term that reflects the business cycle

**SERVICE**
the railcar in a manner that maximizes safety, in-use time and customer satisfaction

**MAXIMIZE**
the value of the railcar by selling or scrapping at the optimal time











# GATX Rail North America Overview

## 2017 OVERVIEW

**WHOLLY OWNED FLEET COUNT**
120,000+

**CAR TYPE COUNT**
160+

**AVERAGE FLEET AGE**
20 Years

**LOCOMOTIVE COUNT**
600+

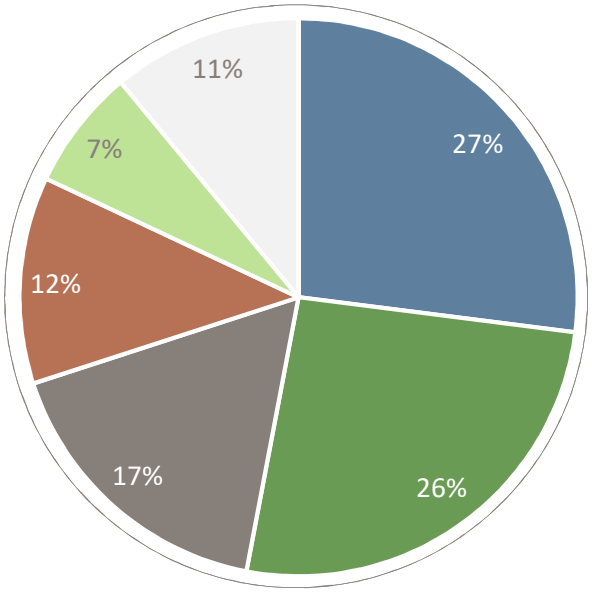
**NUMBER OF CUSTOMERS**
850+

**COUNTRIES OF OPERATIONS**
US, Canada, & Mexico



*As of 12/31/2017*

INDUSTRIES SERVED




- 27% Chemicals
- 26% Refiners & Other Petroleum
- 17% Railroads & Other Transports
- 12% Food & Agriculture
- 7% Mining, Minerals & Aggregates
- 11% Other

*Based on 2017 Rail North America Revenue*

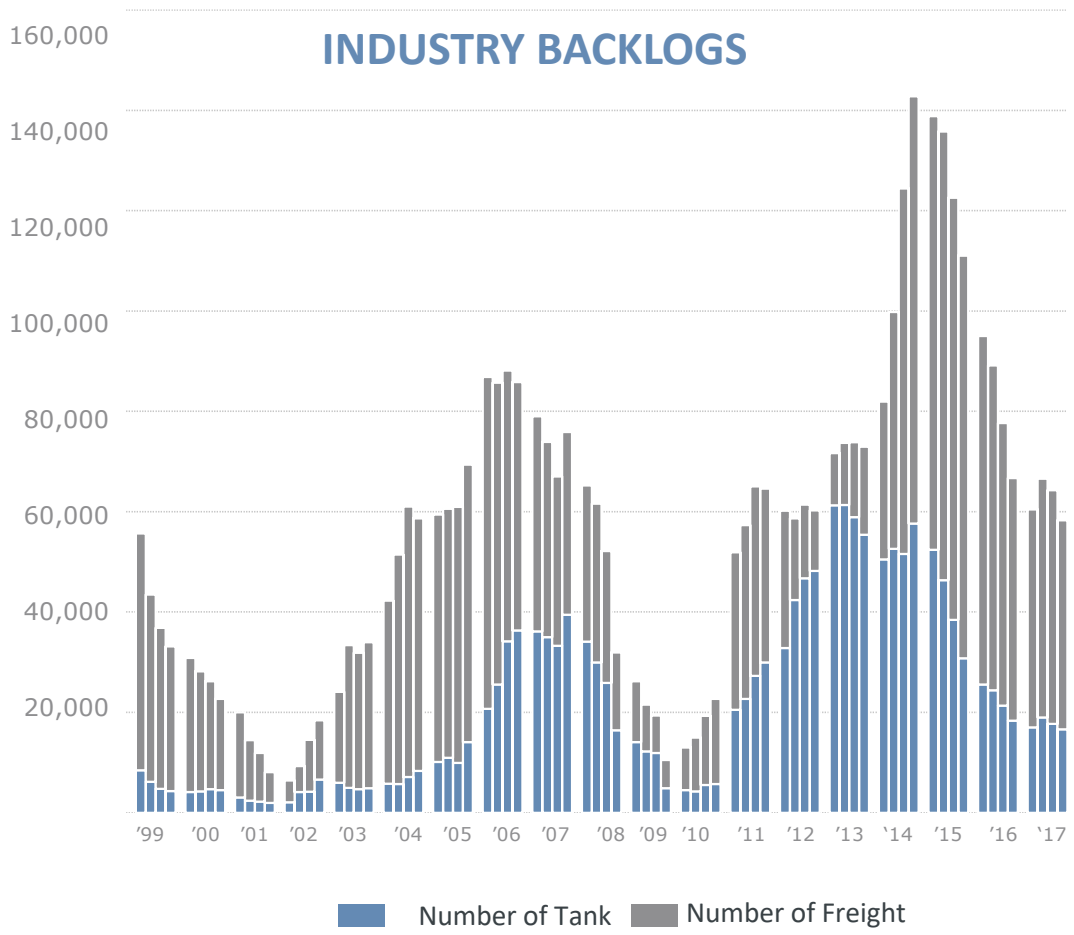
UTILIZATION*




**Excludes boxcar fleet*

# Railcar Leasing Market Conditions

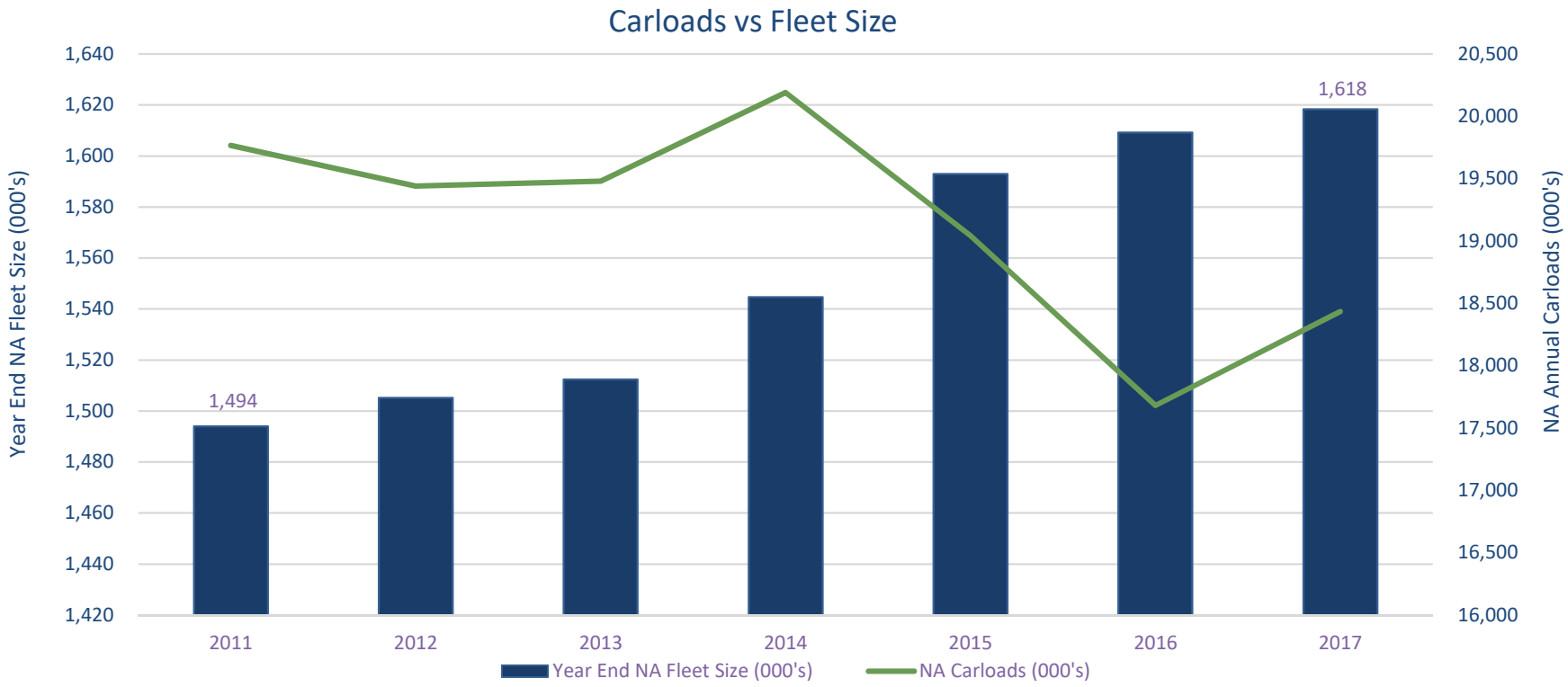
- Railcar oversupply persists
  - Approximately 17% of industry fleet remains idle
  - New railcar backlog still above historical averages
- Supply/demand imbalance exacerbated by speculative orders from new market entrants
  - Banks, private equity and finance companies seeking yield
  - Lack of connection to ultimate car user results in poor investment decisions
- Railcar lease rates remain at low levels




*Railway Supply Institute as of January 2018*

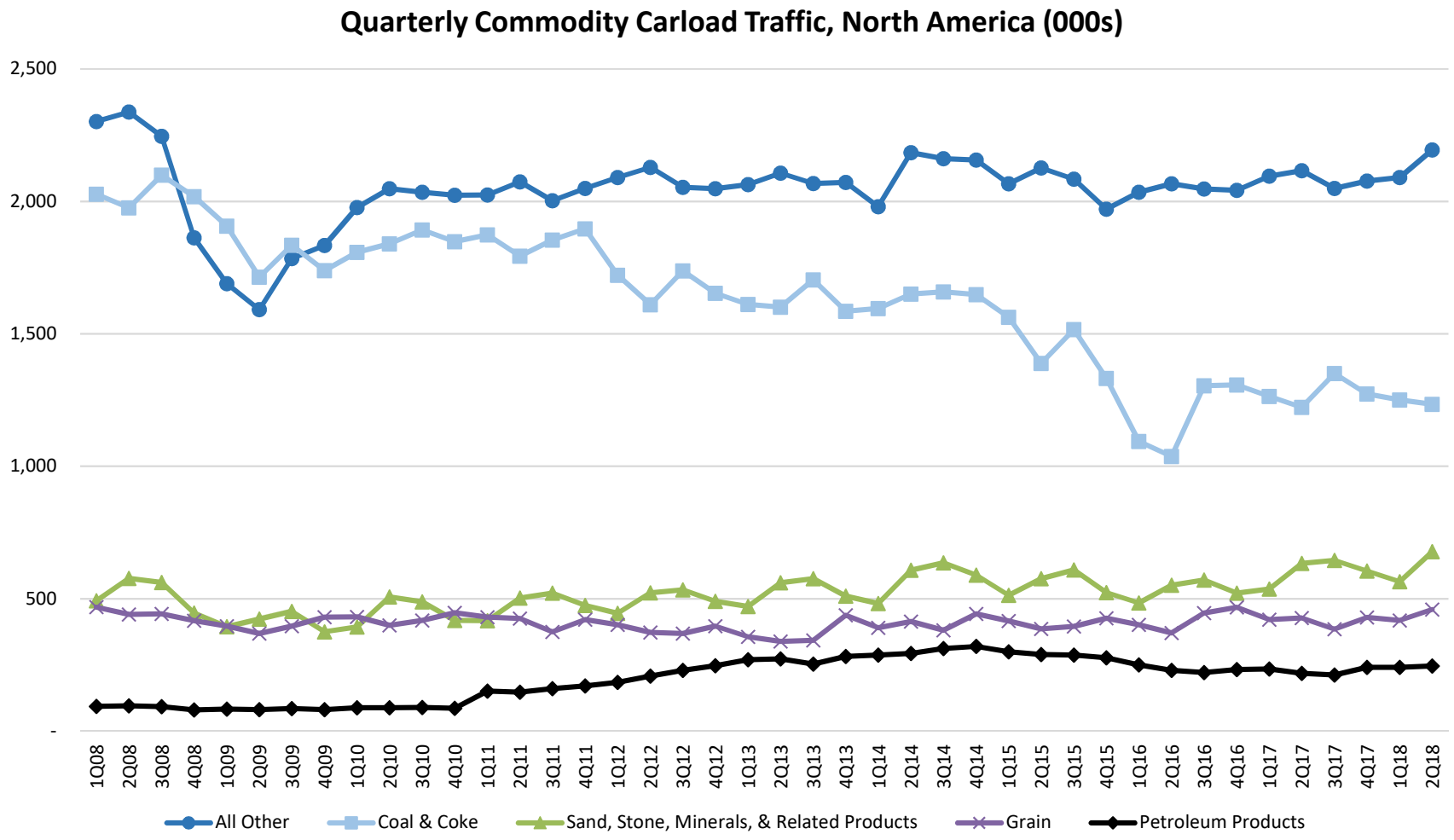
# Oversupply in the North American Fleet Persists

- Despite negative carload growth, the NA fleet has grown for 6 consecutive years



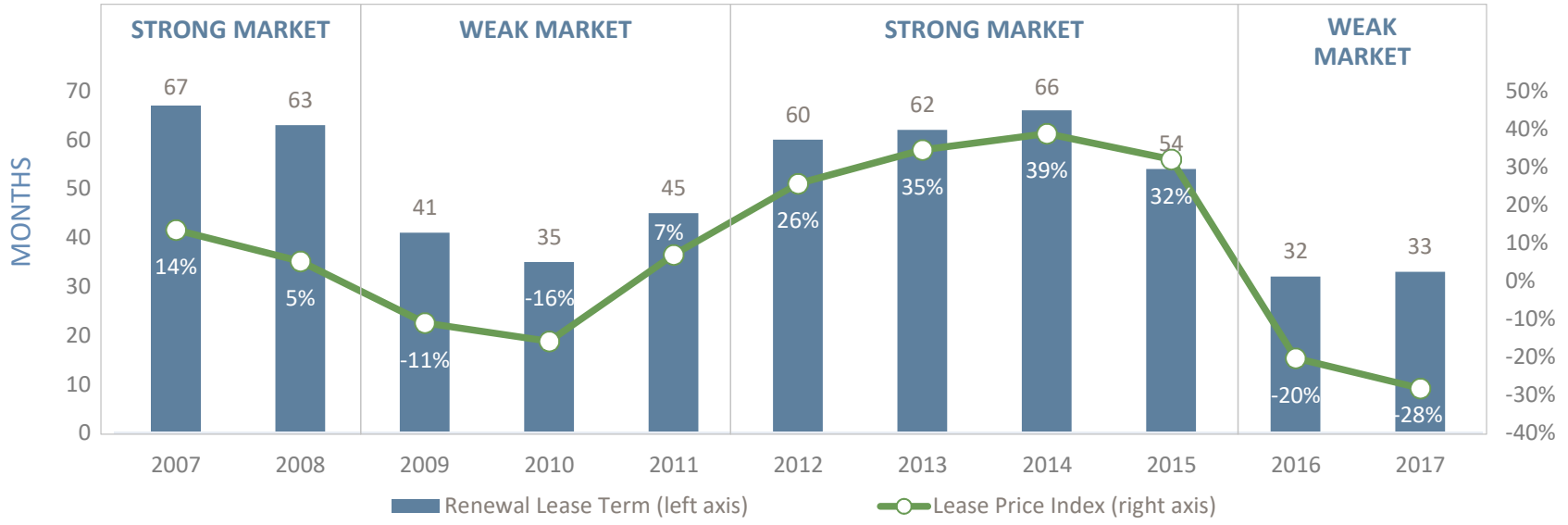

*Sources: UMLER (as of 1/1/2018) - Year End Fleet Sizes defined as January 1 of following year; AAR (Carloads)*

# North America: Commodity Carloads



# GATX Actively Manages Through Cycles

*GATX proactively manages changing market conditions by utilizing our strong customer relationships and diversity of our fleet to adjust rate and term.*




| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Approximate # of railcars scheduled for renewal | 20,000 | 17,500 | 15,000 | 17,000 | 21,000 | 20,000 | 21,000 | 20,000 | 17,000 | 12,500 | 15,100 | 13,900 |
| Renewal Success** Rate | 73% | 60% | 54% | 62% | 77% | 82% | 81% | 86% | 81% | 67% | 75% | N/A |
| Utilization** | 98% | 98% | 96% | 97% | 98% | 98% | 99% | 99% | 99% | 99% | 98% | N/A |

**As of 12/31/2017*
***Excludes boxcar fleet*
*LPI = Lease Price Index: The average renewal lease rate change is reported as the percentage change between the average renewal lease rate and the average expiring lease rate, weighted by GATX's North American fleet composition (excluding boxcars).*
*Renewal Success Rate: The percentage of expiring leases that were renewed with the existing lessee.*

# GATX Strategy in this Environment

- Outperform the competition
  - Maintain focus on utilization; highest reported utilization in North America
  - Leverage the strength of our full service offering, diversity of our fleet and depth of customer relationships
  - Displace competitors
- Continue to practice a disciplined capital allocation strategy
- Execute cyclically aware management of lease terms and assets
- Pursue investment opportunities as market slowly recovers
  - New railcar orders
  - Struggling fleets

# GATX Rail International Overview

## 2017 OVERVIEW

**FLEET COUNT**

23,000+ in Europe (GRE)

1000+ in India and Russia

**CAR TYPE COUNT**

35+

**AVERAGE FLEET AGE**

18 Years

**NUMBER OF CUSTOMERS**

225+

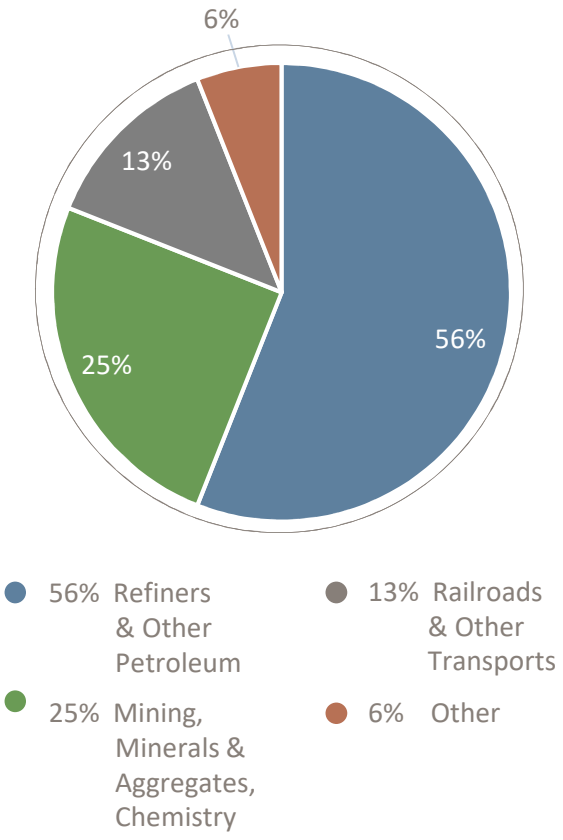
**MAJOR COUNTRIES OF OPERATIONS**

Germany, Poland, Austria, The Netherlands, Hungary, Czech Republic, Switzerland



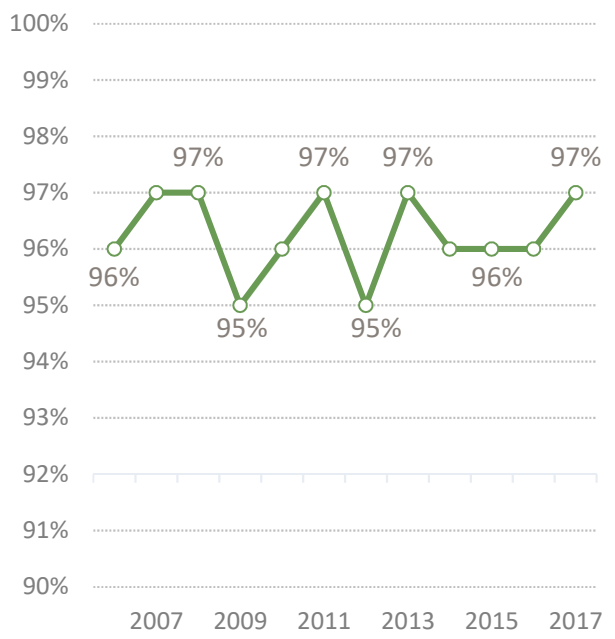
*As of 12/31/2017*

INDUSTRIES SERVED BY GRE




*Based on 2017 GRE Revenue*

GRE FLEET UTILIZATION

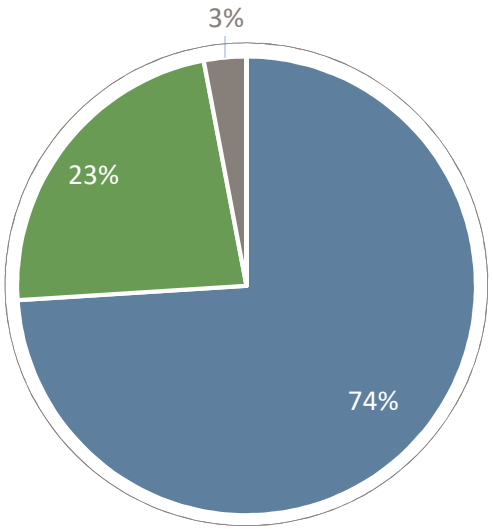



*As of 12/31/2017*



# Portfolio Management Overview

OWNED PORTFOLIO




- 74% Aircraft Spare Engine Leasing Affiliates (RRPF)
- 23% Marine Equipment
- 3% Other

*$582.8 million NBV as of 12/31/2017*

## 2017 RRPF OVERVIEW

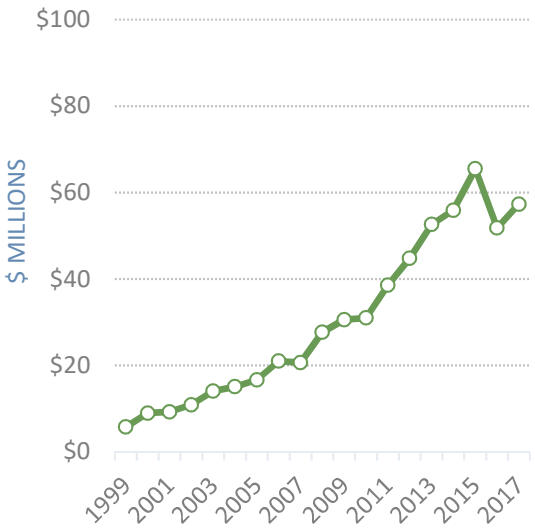
SPARE ENGINE COUNT

430+

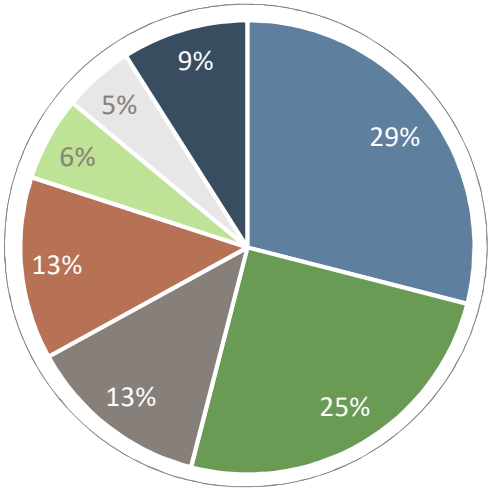
AVERAGE FLEET AGE

11 Years

RRPF JV PRE-TAX INCOME (GATX's SHARE)




RRPF ENGINE TYPES




- 29% Trent XWB (A350)
- 25% Trent 700 (A330)
- 13% V2500 (A320)
- 13% Trent 900 (A380)
- 6% Trent 800 (B777)
- 5% Trent 1000 (B787)
- 9% Other

*Based on NBV of approximately $3.8 billion; 100% of RRPF's portfolio as of 12/31/17*

# American Steamship Company Overview

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Net Tons Carried by ASC (in millions) | 37.2 | 37.3 | 35.7 | 21.2 | 28.0 | 28.4 | 29.7 | 28.8 | 30.5 | 26.5 | 25.4 | 27.8 |
| ASC Vessels Operated | 18 | 18 | 18 | 12 | 13 | 14 | 14 | 13 | 15 | 13 | 11 | 12 |

## 2017 OVERVIEW

**FLEET SIZE**

12

**AVERAGE FLEET AGE**

40 Years

**CUSTOMER BASE**

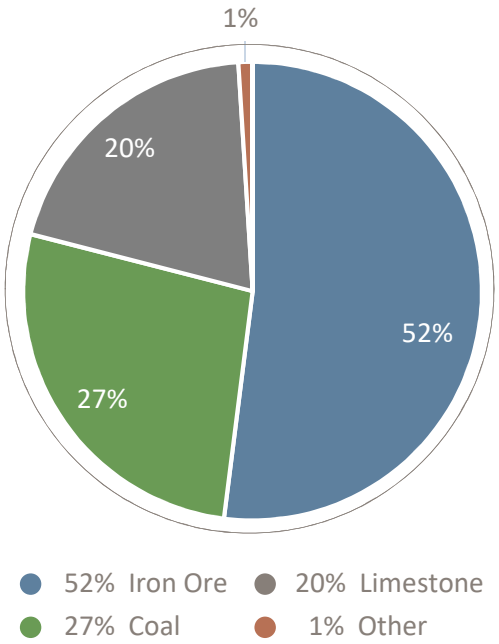
20+

**MAJOR COMMODITIES CARRIED**

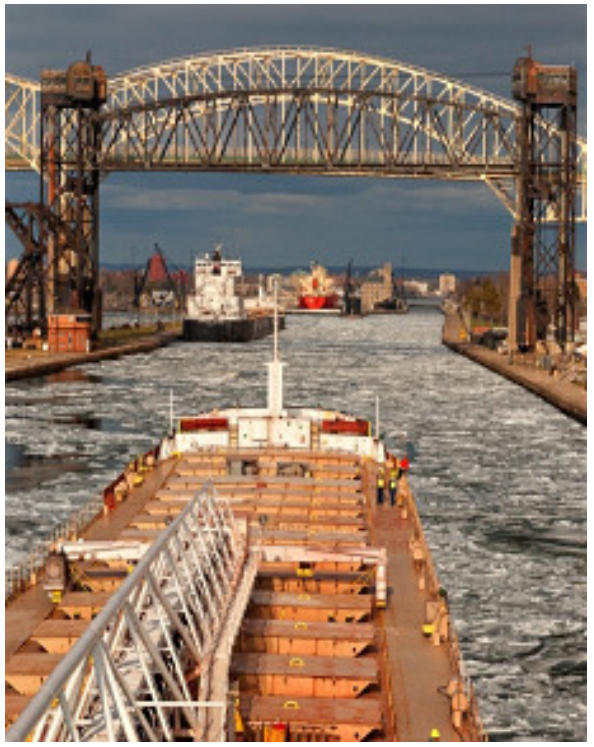
Iron Ore, Coal and Limestone

*As of 12/31/2017*

ASC COMMODITIES CARRIED



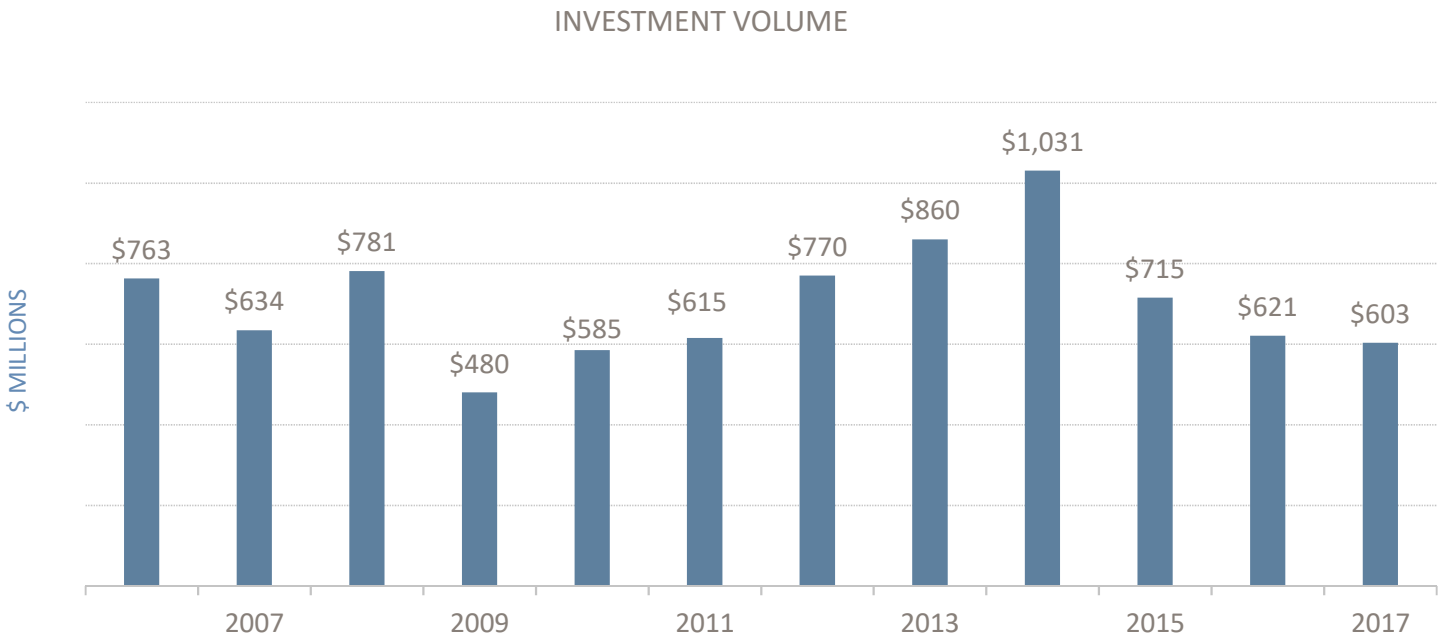

*Based on 2017 ASC volume*



# Capital Allocation Framework

**PRIORITY 1**

- Invest in value-creating assets whereby GATX can leverage strengths to maximize shareholder value
- $8.5 billion* of investments over the period shown



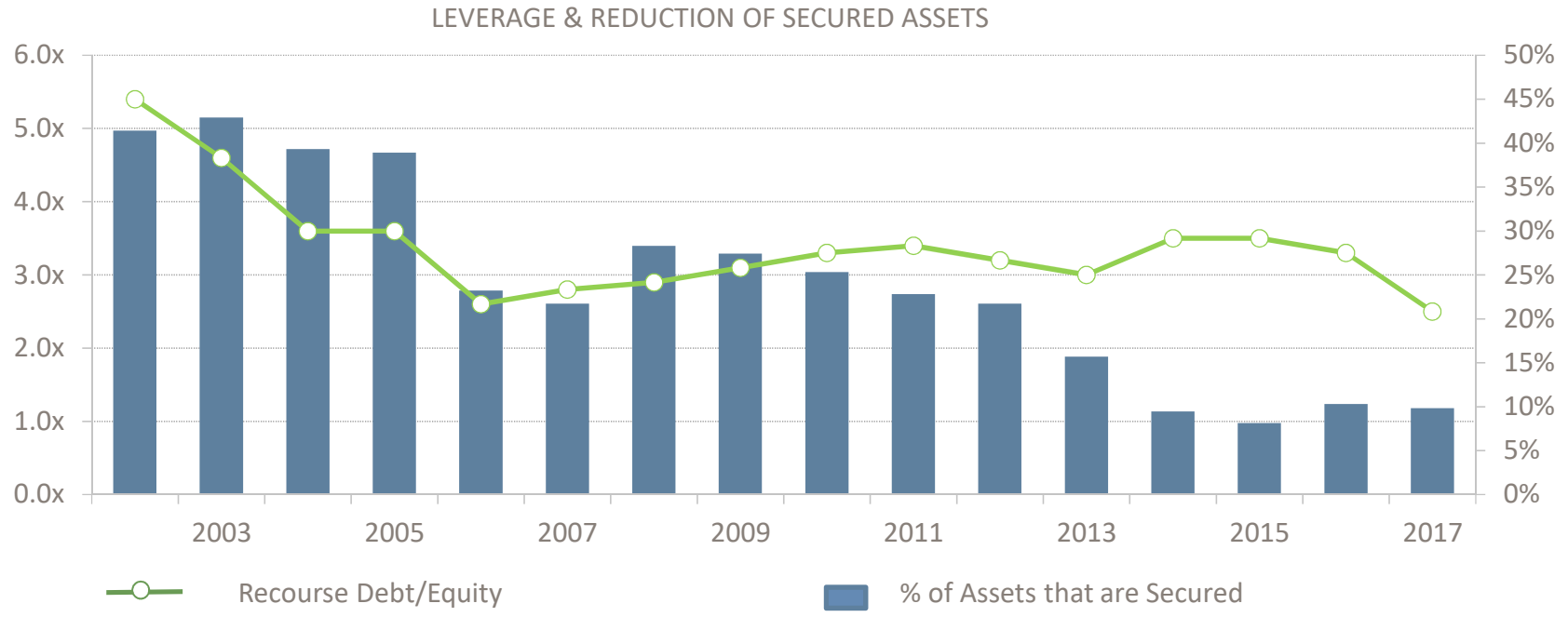

**Investment Volume and Non-cash Items*

*As of 12/31/2017*

# Capital Allocation Framework

**PRIORITY 2**

- Manage the balance sheet
- Maintain a solid investment grade rating of BBB/Baa2
- Maintain capacity for opportunistic investments



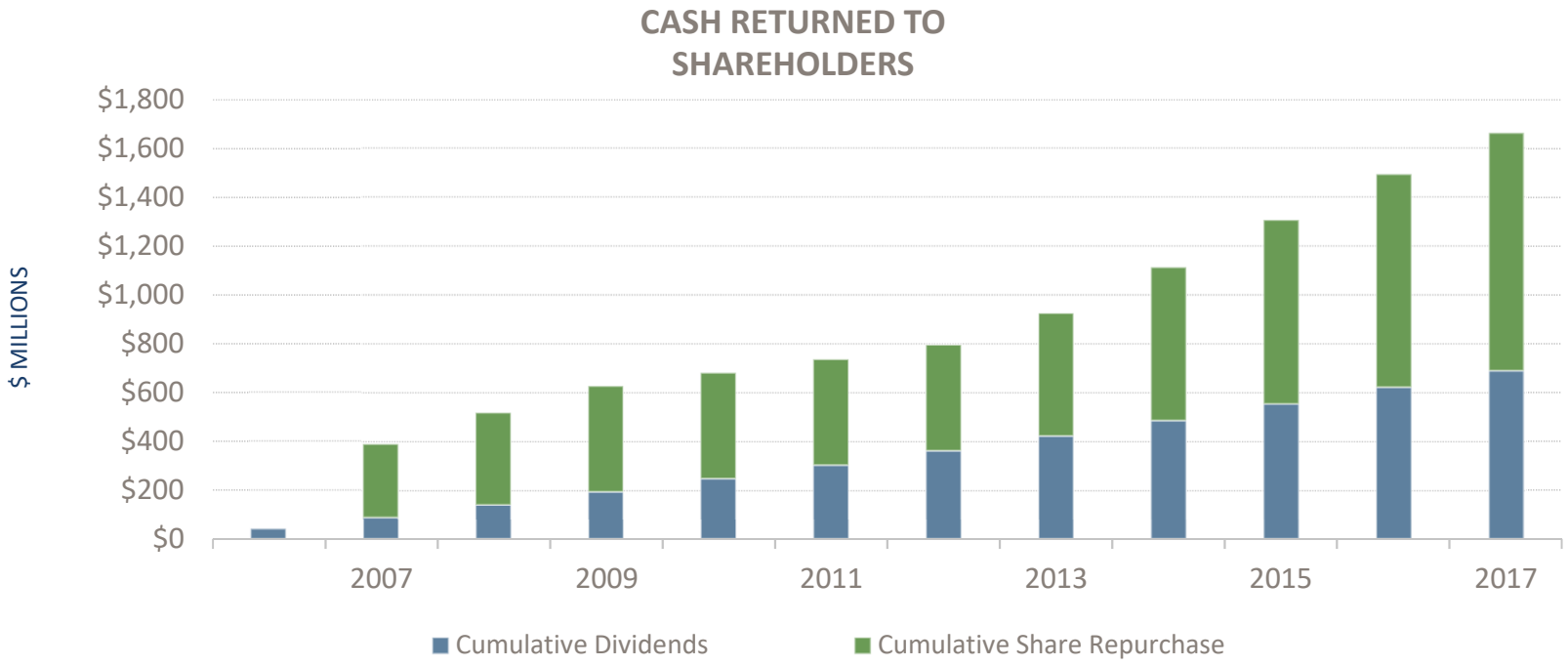

**Total Recourse Debt = On-Balance Sheet Recourse Debt + Off-Balance Sheet Recourse Debt + Capital Lease Obligations + Commercial Paper and Bank Credit Facilities, Net of Unrestricted Cash*

*As of 12/31/2017*

# Capital Allocation Framework

**PRIORITY 3**

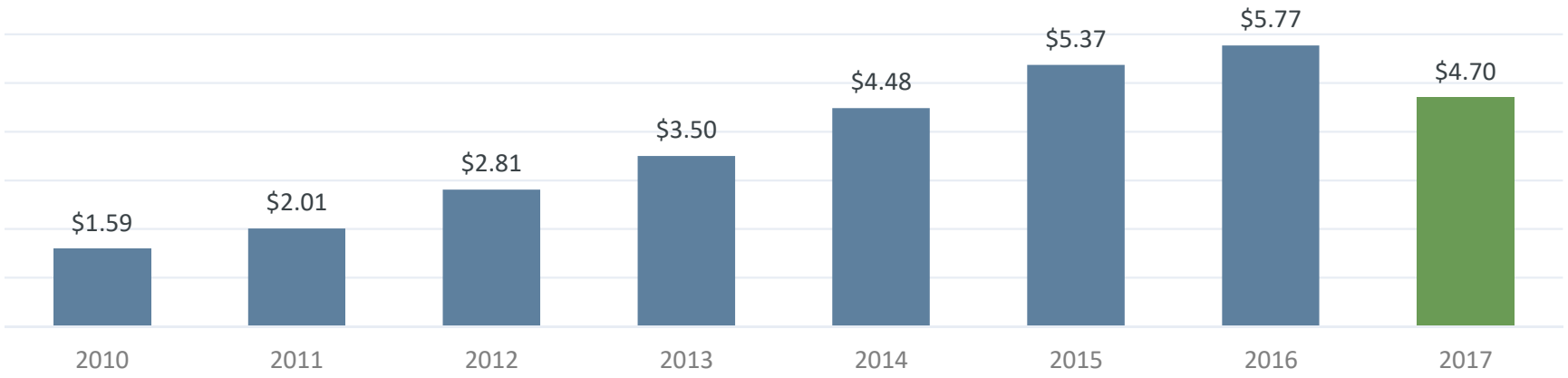
- In lockstep with Priorities 1 and 2, return cash to shareholders
- Over the period shown below, $1.7 billion returned to shareholders



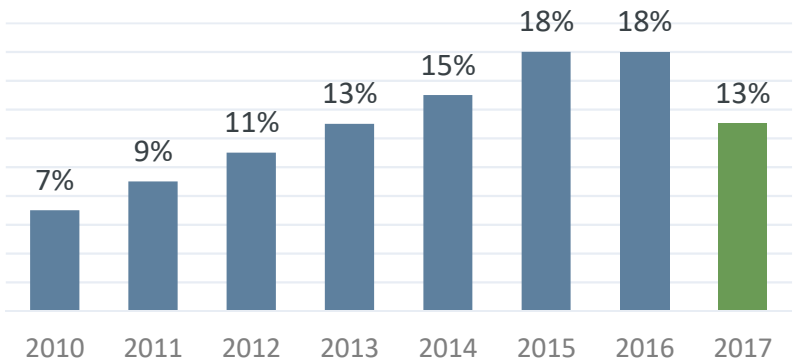

*As of 12/31/2017*

# GATX Financial Highlights

**EPS***




**ROE**




**INVESTMENT VOLUME**




**Graph displays Diluted EPS*
*Diluted EPS & ROE exclude Tax Adjustments and Other Items. See the Appendix for a reconciliation of these non-GAAP measures.*

# RECONCILIATION OF NON-GAAP MEASURES



# Reconciliation of Non-GAAP Measures – Net Income Measures

| Net Income | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in millions)* | | | | | | | | | | | |
| Net income (GAAP) | $ 183.8 | $ 194.8 | $ 81.4 | $ 80.8 | $ 110.8 | $ 137.3 | $ 169.3 | $ 205.0 | $ 205.3 | $ 257.1 | $ 502.0 |
| Adjustments attributable to consolidated pre-tax income: | | | | | | | | | | | |
| Railcar impairment at Rail North America | - | - | - | - | - | - | - | - | - | 29.8 | - |
| Net loss (gain) on wholly owned Portfolio Management marine investments | - | - | - | - | - | - | - | - | 9.2 | 2.5 | (1.8) |
| Residual sharing settlement at Portfolio Management | - | - | - | - | - | - | - | - | - | (49.1) | - |
| Early retirement program | - | - | - | - | - | - | - | - | 9.0 | - | - |
| Litigation recoveries | - | - | - | (6.5) | (3.2) | - | - | - | - | - | - |
| Leveraged lease adjustment | - | - | - | - | (5.5) | - | - | - | - | - | - |
| Gain on sale of office building | - | (12.0) | - | - | - | - | - | - | - | - | - |
| Environmental reserve reversal | - | (8.2) | - | - | - | - | - | - | - | - | - |
| Total adjustments attributable to consolidated pre-tax income | $ - | $ (20.2) | $ - | $ (6.5) | $ (8.7) | $ - | $ - | $ - | $ 18.2 | $ (16.8) | $ (1.8) |
| Income taxes thereon, based on applicable effective tax rate | $ - | $ 3.8 | $ - | $ 2.4 | $ 2.0 | $ - | $ - | $ - | $ (6.9) | $ 7.2 | $ 0.7 |
| Other income tax adjustments attributable to consolidated income: | | | | | | | | | | | |
| Income tax rate changes | (17.1) | - | - | - | - | 0.7 | - | - | 14.1 | - | - |
| GATX income taxes on sale of AAE | - | - | - | - | - | - | 23.2 | - | - | - | - |
| Impact of the Tax Cuts and Jobs Act of 2017 | - | - | - | - | - | - | - | - | - | - | (315.9) |
| Foreign tax credit utilization | - | - | (7.4) | - | - | (4.6) | (3.9) | - | - | (7.1) | - |
| Tax benefits upon close of tax audits | - | - | - | (9.5) | (4.8) | (15.5) | - | - | - | - | - |
| Deferred tax benefit from the expiration of the statute of limitations on a tax position taken | - | (6.8) | - | - | - | - | - | - | - | - | - |
| Total other income tax adjustments attributable to consolidated income | $ (17.1) | $ (6.8) | $ (7.4) | $ (9.5) | $ (4.8) | $ (19.4) | $ 19.3 | $ - | $ 14.1 | $ (7.1) | $ (315.9) |
| Adjustments attributable to affiliates' earnings, net of taxes: | | | | | | | | | | | |
| Net loss (gain) on Portfolio Management affiliate | - | - | - | - | - | - | - | - | 11.9 | (0.6) | - |
| Income tax rate changes | (3.0) | - | - | (1.9) | (4.1) | (4.6) | (7.6) | - | (7.7) | (3.9) | - |
| Pre-tax gain on sale of AAE | - | - | - | - | - | - | (9.3) | - | - | - | - |
| Interest rate swaps at AAE | - | 3.3 | 20.7 | 9.3 | (0.2) | 20.5 | (6.9) | - | - | - | - |
| Total adjustments attributable to affiliates' earnings, net of taxes | $ (3.0) | $ 3.3 | $ 20.7 | $ 7.4 | $ (4.3) | $ 15.9 | $ (23.8) | $ - | $ 4.2 | $ (4.5) | $ - |
| Net Income, excluding tax adjustments and other items (non-GAAP) | $ 163.7 | $ 174.9 | $ 94.7 | $ 74.6 | $ 95.0 | $ 133.8 | $ 164.8 | $ 205.0 | $ 234.9 | $ 235.9 | $ 185.0 |

| Earnings per Share | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Diluted earnings per share (GAAP) | $ 3.43 | $ 3.88 | $ 1.70 | $ 1.72 | $ 2.35 | $ 2.88 | $ 3.59 | $ 4.48 | $ 4.69 | $ 6.29 | $ 12.75 |
| Diluted earnings per share, excluding tax adjustments and other items (non-GAAP) | $ 3.07 | $ 3.49 | $ 1.97 | $ 1.59 | $ 2.01 | $ 2.81 | $ 3.50 | $ 4.48 | $ 5.37 | $ 5.77 | $ 4.70 |

# Reconciliation of Non-GAAP Measures – Balance Sheet Measures

| On- and Off-Balance Sheet Assets | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total assets (GAAP) | $4,723.2 | $5,190.5 | $5,206.4 | $5,442.4 | $5,846.0 | $6,044.7 | $6,535.5 | $6,919.9 | $6,894.2 | $7,105.4 | $7,422.4 |
| Off-balance sheet assets: | | | | | | | | | | | |
| Rail North America | 1,230.1 | 1,056.5 | 1,012.1 | 968.1 | 884.5 | 863.5 | 887.9 | 606.1 | 488.7 | 456.5 | 435.7 |
| ASC | - | - | - | - | - | 21.0 | 16.5 | 11.7 | 6.8 | 2.6 | - |
| Portfolio Management | 5.8 | 4.7 | 4.0 | 3.4 | 2.6 | - | - | - | - | - | - |
| Total off-balance sheet assets | $1,235.9 | $1,061.2 | $1,016.1 | $ 971.5 | $ 887.1 | $ 884.5 | $ 904.4 | $ 617.8 | $ 495.5 | $ 459.1 | $ 435.7 |
| Total assets, as adjusted (non-GAAP) | $5,959.1 | $6,251.7 | $6,222.5 | $6,413.9 | $6,733.1 | $6,929.2 | $7,439.9 | $7,537.7 | $7,389.7 | $7,564.5 | $7,858.1 |