

NEWS RELEASE



TRINITY INDUSTRIES, INC.

FOR IMMEDIATE RELEASE

Trinity Industries, Inc. Announces First Quarter 2023 Results

Generates operating and adjusted free cash flow of \$103 million and \$36 million, respectively

Reports quarterly GAAP and adjusted earnings from continuing operations of \$0.09 and \$0.07 per diluted share, respectively

Lease fleet utilization of 98.2% and Future Lease Rate Differential ("FLRD") of positive 44.3% at quarter end

Delivered 4,045 railcars and received orders for 2,690 railcars in the quarter; backlog of \$3.7 billion at quarter-end

DALLAS, Texas – May 2, 2023 – Trinity Industries, Inc. (NYSE:TRN) today announced earnings results for the first quarter ended March 31, 2023.

Financial and Operational Highlights

- Quarterly total company revenues of \$642 million; 36% improvement year over year
- Quarterly income from continuing operations per common diluted share ("EPS") of \$0.09 and quarterly adjusted EPS of \$0.07
- Lease fleet utilization of 98.2% and FLRD of positive 44.3% at quarter end
- Railcar deliveries of 4,045 and new railcar orders of 2,690
- Year-to-date cash flow from continuing operations and adjusted free cash flow after investments and dividends ("Adjusted Free Cash Flow") were \$103 million and \$36 million, respectively

2023 Guidance

- Industry deliveries of 40,000 to 45,000 railcars
- Net investment in the lease fleet of \$250 million to \$350 million
- Manufacturing capital expenditures of \$40 million to \$50 million
- Confirming EPS of \$1.50 to \$1.70
 - Excludes items outside of our core business operations

Management Commentary

"The start of 2023 was busy at Trinity as we continued to ramp up production and optimize our business," said Trinity's Chief Executive Officer and President, Jean Savage. "We also completed the acquisition of RSI Logistics in the first quarter and have been very encouraged by customer feedback that reinforces our strategy to grow this business."

"In our Railcar Leasing and Management Services Group, lease rates and utilization improved again. The Future Lease Rate Differential improved sequentially to 44.3% giving us optimism about lease rates continuing to increase this year. Additionally, our lease fleet utilization of 98.2% shows customer demand remains robust, further supporting strength in this market."

"While the margins in the Rail Products group continue to reflect headwinds, we are seeing improvement in hiring and retention, rail service levels, and supply chain challenges," Ms. Savage continued. "This gives us confidence that we will continue to see margin improvement through the year, and Trinity will take advantage of the operating leverage in this business."

Ms. Savage concluded, "We are maintaining our EPS guidance of \$1.50 to \$1.70, which reflects revenue and margin improvement through the year, and we continue to feel optimistic about what Trinity can accomplish in 2023."

Consolidated Financial Summary

	Three Months Ended March 31,		Year over Year – Comparison
	2023	2022	
	(\$ in millions, except per share amounts)		
Revenues	\$ 641.7	\$ 472.7	Higher volume of, and improved pricing on, external deliveries in the Rail Products Group
Operating profit	\$ 69.0	\$ 54.8	Higher external deliveries in the Rail Products Group and improved lease rates in the Leasing Group, partially offset by increased employee-related and other operating costs
Interest expense, net	\$ 62.1	\$ 43.5	Higher interest rates associated with variable rate debt and higher overall average debt during Q1 2023
Net income from continuing operations attributable to Trinity Industries, Inc.	\$ 7.5	\$ 7.3	
EBITDA ⁽¹⁾	\$ 144.1	\$ 123.9	
Effective tax (benefit) expense rate	(217.0)%	23.3 %	Current quarter tax rate includes benefits related to release of residual taxes out of AOCI and changes in valuation allowances, offset by re-measurement of net deferred tax liabilities as a result of RSI acquisition
Diluted EPS – GAAP	\$ 0.09	\$ 0.09	
Diluted EPS – Adjusted ⁽¹⁾	\$ 0.07	\$ 0.03	
Net cash provided by operating activities – continuing operations	\$ 102.5	\$ 28.5	Working capital improvements relative to inventory build-up in the prior year
Adjusted Free Cash Flow ⁽¹⁾	\$ 36.2	\$ 47.8	
Net lease fleet investment	\$ 134.8	\$ 13.5	Higher lease fleet investment in the current year in response to improved market conditions
Returns of capital to stockholders	\$ 21.1	\$ 19.1	

⁽¹⁾ Non-GAAP financial measure. See the Reconciliations of Non-GAAP Measures section within this Press Release for a reconciliation to the most directly comparable GAAP measure and why management believes this measure is useful to management and investors.

Additional Business Items

- Total committed liquidity of \$452 million as of March 31, 2023.
- Acquired RSI Logistics, a data-centric provider of proprietary software and logistics and terminal management solutions to the North American rail industry, for an aggregate purchase price of \$72 million.

Business Group Summary

	Three Months Ended March 31,		Year over Year – Comparison		
	2023	2022			
	(\$ in millions)				
Railcar Leasing and Management Services Group					
Leasing and management revenues	\$	203.5	\$	183.1	Improved lease rates and higher utilization
Leasing and management operating profit	\$	72.0	\$	68.0	Improved lease rates and higher utilization, partially offset by higher maintenance costs and increased depreciation
Operating profit on lease portfolio sales ⁽¹⁾	\$	13.5	\$	10.5	Higher profits on lease fleet portfolio sales
Fleet utilization ⁽²⁾		98.2 %		96.5 %	
Future Lease Rate Differential ⁽³⁾		+44.3 %		+2.4 %	Improvement in current market lease rates
Owned lease fleet (in units) ⁽²⁾		108,865		107,090	Growth in the lease fleet, partially offset by lease fleet portfolio sales
Investor-owned lease fleet (in units)		33,420		29,740	Additional sale to Signal Rail in Q3 2022
Rail Products Group					
Revenues	\$	637.8	\$	391.1	Higher volume of deliveries and favorable pricing, partially offset by the mix of railcars sold
Revenues eliminations – Lease subsidiary	\$	(199.4)	\$	(101.3)	
Operating profit	\$	25.3	\$	0.8	Increased deliveries and favorable pricing, partially offset by higher labor-related costs and the mix of railcars sold. Includes insurance recoveries of \$1.2 million and \$6.4 million in the current and prior year quarters, respectively
Operating profit eliminations – Lease subsidiary	\$	(16.8)	\$	(8.8)	
Operating profit margin		4.0 %		0.2 %	
New railcars:					
Deliveries (in units)		4,045		2,470	
Orders (in units)		2,690		5,055	
Order value	\$	300.8	\$	634.7	
Backlog value	\$	3,705.9	\$	1,895.4	
Sustainable railcar conversions:					
Deliveries (in units)		590		445	
Backlog (in units)		2,085		1,275	
Backlog value	\$	173.7	\$	128.2	
Corporate and other					
Selling, engineering, and administrative expenses	\$	26.0	\$	22.2	Higher employee-related costs
Gains on dispositions of property	\$	—	\$	(6.5)	Prior year quarter includes gain on disposition of non-operating facilities
	March 31, 2023	December 31, 2022			
Loan-to-value ratio					
Wholly-owned subsidiaries, excluding corporate revolving credit facility		65.0 %		65.7 %	

⁽¹⁾ Excludes \$1.3 million selling profit associated with sales-type leases for the three months ended March 31, 2022.

⁽²⁾ Includes wholly-owned railcars, partially-owned railcars, and railcars under leased-in arrangements.

⁽³⁾ FLRD calculates the implied change in lease rates for railcar leases expiring over the next four quarters. The FLRD assumes that these expiring rates will be renewed at the most recent quarterly transacted lease rates for each railcar type. We believe the FLRD is useful to both management and investors as it provides insight into the near-term trend in lease rates.

Conference Call

Trinity will hold a conference call at 8:00 a.m. Eastern on May 2, 2023 to discuss its first quarter results. To listen to the call, please visit the Investor Relations section of the Company's website at www.trin.net and access the Events & Presentations webpage, or the live call can be accessed at 1-888-317-6003 with the conference passcode "4840816". Please call at least 10 minutes in advance to ensure a timely connection. An audio replay may be accessed through the Company's website or by dialing 1-877-344-7529 with passcode "2259191" until 11:59 p.m. Eastern on May 9, 2023.

Additionally, the Company will provide Supplemental Materials to accompany the earnings conference call. The materials will be accessible both within the webcast and on Trinity's Investor Relations website under the Events and Presentations portion of the site along with the First Quarter Earnings Call event weblink.

Non-GAAP Financial Measures

We have included financial measures compiled in accordance with generally accepted accounting principles ("GAAP") and certain non-GAAP measures in this earnings press release to provide management and investors with additional information regarding our financial results. Non-GAAP measures should not be considered in isolation or as a substitute for our reporting results prepared in accordance with GAAP and, as calculated, may not be comparable to other similarly titled measures for other companies. For each non-GAAP financial measure, a reconciliation to the most comparable GAAP measure has been included in the accompanying tables. When forward-looking non-GAAP measures are provided, quantitative reconciliations to the most directly comparable GAAP measures are not provided because management cannot, without unreasonable effort, predict the timing and amounts of certain items included in the computations of each of these measures. These factors include, but are not limited to: the product mix of expected railcar deliveries; the timing and amount of significant transactions and investments, such as lease portfolio sales, capital expenditures, and returns of capital to stockholders; and the amount and timing of certain other items outside the normal course of our core business operations.

About Trinity Industries

Trinity Industries, Inc., headquartered in Dallas, Texas, owns businesses that are leading providers of rail transportation products and services in North America. Our businesses market their railcar products and services under the trade name *TrinityRail®*. The *TrinityRail* platform provides railcar leasing and management services; railcar manufacturing, maintenance and modifications; and other railcar logistics products and services. Trinity reports its financial results in two reportable segments: the Railcar Leasing and Management Services Group and the Rail Products Group. For more information, visit: www.trin.net.

Some statements in this release, which are not historical facts, are “forward-looking statements” as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements about Trinity's estimates, expectations, beliefs, intentions or strategies for the future, and the assumptions underlying these forward-looking statements, including, but not limited to, future financial and operating performance, future opportunities and any other statements regarding events or developments that Trinity believes or anticipates will or may occur in the future. Trinity uses the words “anticipates,” “assumes,” “believes,” “estimates,” “expects,” “intends,” “forecasts,” “may,” “will,” “should,” “guidance,” “projected,” “outlook,” and similar expressions to identify these forward-looking statements. Forward-looking statements speak only as of the date of this release, and Trinity expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in Trinity's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required by federal securities laws. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations, including but not limited to risks and uncertainties regarding economic, competitive, governmental, and technological factors affecting Trinity's operations, markets, products, services and prices, and such forward-looking statements are not guarantees of future performance. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” and “Forward-Looking Statements” in Trinity's Annual Report on Form 10-K for the most recent fiscal year, as may be revised and updated by Trinity's Quarterly Reports on Form 10-Q, and Trinity's Current Reports on Form 8-K.

Investor Contact:

Leigh Anne Mann
Vice President, Investor Relations
Trinity Industries, Inc.
(Investors) 214/631-4420

Media Contact:

Jack L. Todd
Vice President, Public Affairs
Trinity Industries, Inc.
(Media Line) 214/589-8909

- TABLES TO FOLLOW -

Trinity Industries, Inc.
Condensed Consolidated Statements of Operations
(in millions, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Revenues	\$ 641.7	\$ 472.7
Operating costs:		
Cost of revenues	538.5	398.5
Selling, engineering, and administrative expenses	49.9	44.7
Gains on dispositions of property:		
Lease portfolio sales	13.5	11.8
Other	1.8	13.5
Restructuring activities, net	(0.4)	—
	<u>572.7</u>	<u>417.9</u>
Operating profit	69.0	54.8
Interest expense, net	62.1	43.5
Other, net	1.6	(1.6)
Income from continuing operations before income taxes	<u>5.3</u>	<u>12.9</u>
Provision (benefit) for income taxes:		
Current	0.9	1.8
Deferred	(12.4)	1.2
	<u>(11.5)</u>	<u>3.0</u>
Income from continuing operations	16.8	9.9
Loss from discontinued operations, net of income taxes	(3.1)	(6.9)
Loss on sale of discontinued operations, net of income taxes	—	(1.1)
Net income	<u>13.7</u>	<u>1.9</u>
Net income attributable to noncontrolling interest	9.3	2.6
Net income (loss) attributable to Trinity Industries, Inc.	<u>\$ 4.4</u>	<u>\$ (0.7)</u>
Basic earnings per common share:		
Income from continuing operations	\$ 0.09	\$ 0.09
Loss from discontinued operations	(0.04)	(0.10)
Basic net income (loss) attributable to Trinity Industries, Inc.	<u>\$ 0.05</u>	<u>\$ (0.01)</u>
Diluted earnings per common share:		
Income from continuing operations	\$ 0.09	\$ 0.09
Loss from discontinued operations	(0.04)	(0.10)
Diluted net income (loss) attributable to Trinity Industries, Inc.	<u>\$ 0.05</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding:		
Basic	80.8	82.9
Diluted	83.2	85.5

Trinity has certain unvested restricted stock awards that participate in dividends on a nonforfeitable basis and are therefore considered to be participating securities. Consequently, diluted net income (loss) attributable to Trinity Industries, Inc. per common share is calculated under both the two-class method and the treasury stock method, and the more dilutive of the two calculations is presented.

Trinity Industries, Inc.
Condensed Consolidated Balance Sheets
(in millions)
(unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	\$ 81.9	\$ 79.6
Receivables, net of allowance	333.2	323.5
Income tax receivable	10.1	7.8
Inventories	632.7	629.4
Restricted cash	181.1	214.7
Property, plant, and equipment, net:		
Manufacturing/Corporate	341.9	340.7
Leasing:		
Wholly-owned subsidiaries	5,888.1	5,788.1
Partially-owned subsidiaries	1,509.9	1,521.3
Deferred profit on railcars sold to the Leasing Group	(763.4)	(763.3)
	6,976.5	6,886.8
Goodwill	222.3	195.9
Other assets	401.4	386.6
Total assets	\$ 8,839.2	\$ 8,724.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 314.5	\$ 287.5
Accrued liabilities	273.7	261.0
Debt:		
Recourse	704.3	624.1
Non-recourse:		
Wholly-owned subsidiaries	3,826.9	3,800.7
Partially-owned subsidiaries	1,176.4	1,182.8
	5,707.6	5,607.6
Deferred income taxes	1,133.2	1,134.7
Other liabilities	159.8	163.9
Stockholders' equity:		
Trinity Industries, Inc.	994.2	1,012.4
Noncontrolling interest	256.2	257.2
	1,250.4	1,269.6
Total liabilities and stockholders' equity	\$ 8,839.2	\$ 8,724.3

Trinity Industries, Inc.
Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Operating activities:		
Net cash provided by operating activities – continuing operations	\$ 102.5	\$ 28.5
Net cash used in operating activities – discontinued operations	(3.1)	(8.0)
Net cash provided by operating activities	99.4	20.5
Investing activities:		
Proceeds from lease portfolio sales	56.7	71.1
Proceeds from dispositions of property and other assets	4.9	15.6
Capital expenditures – leasing	(191.5)	(84.6)
Capital expenditures – manufacturing and other	(7.1)	(2.3)
Acquisitions, net of cash acquired	(66.2)	—
Proceeds from insurance recoveries	1.2	—
Other	(1.1)	—
Net cash used in investing activities	(203.1)	(0.2)
Financing activities:		
Net proceeds from (repayments of) debt	96.7	54.2
Dividends paid to common shareholders	(21.1)	(19.1)
Other	(3.2)	(6.4)
Net cash provided by financing activities	72.4	28.7
Net increase (decrease) in cash, cash equivalents, and restricted cash	(31.3)	49.0
Cash, cash equivalents, and restricted cash at beginning of period	294.3	302.4
Cash, cash equivalents, and restricted cash at end of period	\$ 263.0	\$ 351.4

Trinity Industries, Inc.
Reconciliations of Non-GAAP Measures

(in millions, except per share amounts)

(unaudited)

Adjusted Operating Results

We have supplemented the presentation of our reported GAAP operating profit, income from continuing operations before income taxes, provision (benefit) for income taxes, income from continuing operations, net income from continuing operations attributable to Trinity Industries, Inc., and diluted income from continuing operations per common share attributable to Trinity Industries, Inc. with non-GAAP measures that adjust the GAAP measures to exclude the impact of certain gains on dispositions of other property; restructuring activities, net; interest expense, net; and certain other transactions or events (as applicable). These non-GAAP measures are derived from amounts included in our GAAP financial statements and are reconciled to the most directly comparable GAAP financial measures in the tables below. Management believes that these measures are useful to both management and investors for analyzing the performance of our business without the impact of certain items that are not indicative of our normal business operations. Non-GAAP measures should not be considered in isolation or as a substitute for our reporting results prepared in accordance with GAAP and, as calculated, may not be comparable to other similarly titled measures for other companies.

Three Months Ended March 31, 2023

	GAAP	Gains on dispositions of property – other ⁽¹⁾	Restructuring activities, net	Interest expense, net ⁽²⁾	Adjusted
Operating profit	\$ 69.0	\$ (1.2)	\$ (0.4)	\$ —	\$ 67.4
Income from continuing operations before income taxes	\$ 5.3	\$ (1.2)	\$ (0.4)	\$ (0.4)	\$ 3.3
Provision (benefit) for income taxes	\$ (11.5)	\$ (0.4)	\$ (0.1)	\$ (0.1)	\$ (12.1)
Income from continuing operations	\$ 16.8	\$ (0.8)	\$ (0.3)	\$ (0.3)	\$ 15.4
Net income from continuing operations attributable to Trinity Industries, Inc.	\$ 7.5	\$ (0.8)	\$ (0.3)	\$ (0.3)	\$ 6.1
Diluted weighted average shares outstanding	83.2				83.2
Diluted income from continuing operations per common share attributable to Trinity Industries, Inc.	\$ 0.09				\$ 0.07

Three Months Ended March 31, 2022

	GAAP	Gains on dispositions of property – other ⁽¹⁾	Interest expense, net ⁽²⁾	Adjusted
Operating profit	\$ 54.8	\$ (6.4)	\$ —	\$ 48.4
Income from continuing operations before income taxes	\$ 12.9	\$ (6.4)	\$ (0.3)	\$ 6.2
Provision (benefit) for income taxes	\$ 3.0	\$ (1.6)	\$ (0.1)	\$ 1.3
Income from continuing operations	\$ 9.9	\$ (4.8)	\$ (0.2)	\$ 4.9
Net income from continuing operations attributable to Trinity Industries, Inc.	\$ 7.3	\$ (4.8)	\$ (0.2)	\$ 2.3
Diluted weighted average shares outstanding	85.5			85.5
Diluted income from continuing operations per common share attributable to Trinity Industries, Inc.	\$ 0.09			\$ 0.03

⁽¹⁾ Represents insurance recoveries in excess of net book value for assets damaged by a tornado at the Company's rail maintenance facility in Cartersville, Georgia in the first quarter of 2021.

⁽²⁾ Represents interest income accretion related to a seller-financing agreement associated with the sale of certain non-operating assets.

Adjusted Free Cash Flow

Adjusted Free Cash Flow After Investments and Dividends ("Adjusted Free Cash Flow") is a non-GAAP financial measure. We believe Adjusted Free Cash Flow is useful to both management and investors as it provides a relevant measure of liquidity and a useful basis for assessing our ability to fund our operations and repay our debt. Adjusted Free Cash Flow is reconciled to net cash provided by operating activities from continuing operations, the most directly comparable GAAP financial measure, in the following table. Adjusted Free Cash Flow is defined as net cash provided by operating activities from continuing operations as computed in accordance with GAAP, plus cash proceeds from lease portfolio sales, less capital expenditures for manufacturing, dividends paid, and Equity CapEx for leased railcars. Equity CapEx for leased railcars is defined as leasing capital expenditures, adjusted to exclude net proceeds from (repayments of) recourse and non-recourse debt. Non-GAAP measures should not be considered in isolation or as a substitute for our reporting results prepared in accordance with GAAP and, as calculated, may not be comparable to other similarly titled measures for other companies.

	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities – continuing operations	\$ 102.5	\$ 28.5
Proceeds from lease portfolio sales	56.7	71.1
Capital expenditures – manufacturing and other	(7.1)	(2.3)
Dividends paid to common stockholders	(21.1)	(19.1)
Equity CapEx for leased railcars	(94.8)	(30.4)
Adjusted Free Cash Flow After Investments and Dividends	<u>\$ 36.2</u>	<u>\$ 47.8</u>
Capital expenditures – leasing	\$ 191.5	\$ 84.6
Less:		
Payments to retire debt	(149.6)	(73.0)
Proceeds from issuance of debt	246.3	127.2
Net proceeds from (repayments of) debt	96.7	54.2
Equity CapEx for leased railcars	<u>\$ 94.8</u>	<u>\$ 30.4</u>

EBITDA and Adjusted EBITDA

“EBITDA” is defined as income from continuing operations plus interest expense, income taxes, and depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA plus gains on dispositions of other property; restructuring activities, net; and interest income. EBITDA and Adjusted EBITDA are non-GAAP financial measures; however, the amounts included in these calculations are derived from amounts included in our GAAP financial statements. EBITDA and Adjusted EBITDA are reconciled to net income, the most directly comparable GAAP financial measure, in the following table. This information is provided to assist management and investors in making meaningful comparisons of our operating performance between periods. We believe EBITDA is a useful measure for analyzing the performance of our business. We also believe that EBITDA is commonly reported and widely used by investors and other interested parties as a measure of a company’s operating performance and debt servicing ability because it assists in comparing performance on a consistent basis without regard to capital structure, depreciation or amortization (which can vary significantly depending on many factors). EBITDA and Adjusted EBITDA should not be considered as alternatives to net income as indicators of our operating performance, or as alternatives to operating cash flows as measures of liquidity. Non-GAAP measures should not be considered in isolation or as a substitute for our reporting results prepared in accordance with GAAP and, as calculated, may not be comparable to other similarly titled measures for other companies.

	Three Months Ended March 31,	
	2023	2022
Net income	\$ 13.7	\$ 1.9
Less: Loss from discontinued operations, net of income taxes	(3.1)	(6.9)
Less: Loss on sale of discontinued operations, net of income taxes	—	(1.1)
Income from continuing operations	\$ 16.8	\$ 9.9
Interest expense	64.8	44.1
Provision (benefit) for income taxes	(11.5)	3.0
Depreciation and amortization expense	74.0	66.9
EBITDA	\$ 144.1	\$ 123.9
Gains on dispositions of property – other	(1.2)	(6.4)
Restructuring activities, net	(0.4)	—
Interest income	(0.4)	(0.3)
Adjusted EBITDA	\$ 142.1	\$ 117.2