RAIL EQUIPMENT OUTLOOK: THE FTR PERSPECTIVE

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HISTORICAL DELIVERIES

New Rail Car Deliveries – Last 65 Years

- Peak
- Low
- Forecast
- LT Average (50,512 cars)

Events and Trends:
- Con’t Intro of Steel Railcar
- RR Industry Decline
- Industry Restructuring
- Gen. Rebuild, Mergers, Coal
- Ethanol, Coal
- Energy

Yearly Sales:
- 1966
- 1968
- 1970
- 1972
- 1974
- 1976
- 1978
- 1980
- 1982
- 1984
- 1986
- 1988
- 1990
- 1992
- 1994
- 1996
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
- 2014
- 2016
- 2018
- 2020

Remarks:
- 2008: Energy
- 2009: Economic
- 2010: Recovery
- 2011: Steady
- 2012: Growth
- 2013: Plunge
- 2014: Increase
- 2015: Decline
- 2016: Recovery
- 2017: Growth
- 2018: Peak
- 2019: Decline
- 2020: COVID-19 Impact
ECONOMIC/MARKET HEADWINDS

- Affecting Rail Freight
  - Inventories high
  - U.S. $ exchange rates
  - China, Russia, Europe economies sluggish or worse
  - Import dumping into U.S.
  - Business investment levels are low
  - Most growth metrics are muted

- Affecting Rail Equipment
  - Regulation changes... coal, CBR
  - Low oil prices... affecting several car types
  - Growing fleet surpluses, lower fleet utilization
  - High car costs
WHY DO YOU BUY A RAILCAR?

SEVERAL FACTORS

- Factors influencing
  - **Freight volumes** and freight **growth**... drives equipment demand
  - Network **productivity**... has a larger affect on equipment demand than most realize

- Reasons why
  - **Replacement** of retired cars...
    - 2016 retirements expected to be high
    - But replacement rate a question mark based on expected market conditions
  - **New** market segments...
    - CBR/sand done, probably overbuilt
    - Next “new” thing?, nothing on the horizon
  - **Technological & regulatory** events...
    - Flammable tank car regulation have been released
    - But replacement pace is complicated by low oil prices and timelines

- All affect new car demand but the market environment has dimmed significantly in 2015... and 2016 not looking much better
RAIL FREIGHT LOADINGS FORECAST

North American Rail Loadings Originated

Y/Y Percent Change

-15% -12% -9% -6% -3% 0% 3% 6% 9% 12%


N.A. Rail Loadings Originated
Ex Intermodal

Source: FTR Rail Equipment Outlook Report
RAIL CAR TURN TIMES ARE IMPROVING FROM LOW 2014 LEVELS

Source: FTR Rail Update Report
RAILCAR CAPACITY UTILIZATION

Box Car
Covered Hoppers
Gondolas
Open-Top Hopper
Tank

Index 1.0 = Historical Average

Tight Capacity

Excess Capacity

Need to Update numbers; Extend out to 2016Q4
AGE DISTRIBUTION OF FREIGHT CARS
AS OF JAN 1, 2014

North American Rail Equipment Age Demographics (Years)
Percent Distribution by Type

- Age 10 or Less
- Age 11 to 30
- Age 31 and Over

Source: FTR Rail Equipment Outlook; AAR Railroad Equipment Report
COVERED HOPPERS

Environment

- Utilization down certain segments
- Sand fleet overbuilt, for today
- Surplus up to 89k cars
- Orders down 84% y/y
- Hugh backlog, some questionable?
- Shifting for grain & plastic focus
- Build cycles beginning
- Already seeing shifts in backlog

Outlook

- Forecast
- Covered Hopper Deliveries
- Backlog 12/31
TANK CARS

Environment

- Utilization down severely
- Surplus up to 75k cars
- Order rate down 80% y/y
- Hugh backlog
- Prices high but falling
- Shifting to chemical focus, build cycle coming

Outlook

![Tank Car Deliveries Chart]

- Tank Car Deliveries
- Forecast
- Backlog 12/31
BOX CARS

Environment

- High fleet utilization
- Large backlog... but relative
- Mostly TTX, Lessors not yet convinced
- Committed shipper base... paper industry
- Box cars key part of their supply-chain, need future fleet solution
- Effort to extend life of older cars

Outlook

Box Car Deliveries
Forecast
Backlog 12/31

Graph showing Box Car Deliveries and Forecast from 2001 to 2018.
**FLAT CARS**

**Environment**

- Freight bases, IM and auto, strong... relative to other segments
- Other segments still challenged
- Fleet utilization lower due to network fluidity
- Order rate down but backlog relatively healthy
- Skewed to IM and auto
- Modest delivery outlook

**Outlook**

- Flat Car Deliveries
- Forecast
- Backlog 12/31

![Graph showing flat car deliveries and backlog from 2001 to 2018](chart.png)
GONDOLAS

Environment

- Coal main fleet driver but large metals fleet
- Coal still looking for “new fleet norm”
- Surpluses still high despite high retirement rate post-2009
- Only coal demand for hybrid cars... modest #’s, NS, CSXT
- Backlog mostly mill gondolas
- Possible aluminum coal replacement cycle post-2017
OPEN TOP HOPPERS

Environment

- Coal main fleet driver... still looking for “new fleet norm”
- Surpluses still high despite high retirement rate post-2009
- Only coal demand is for hybrid cars... modest #’s
- Ore & aggregate fleets need updating... possible demand future but smaller volumes
- Minimal backlog, low order rate, very modest outlook
- Possible aluminum coal replacement cycle post-2017

Outlook

[Graph showing data for years 2001 to 2018, indicating forecast and backlog trends.]
N.A. TOTAL RAIL CAR DELIVERIES

Annual

Units (000's)

- Total Deliveries
- Forecast
- Backlog 12/31

Source: FTR, Deliveries history ties to RSI ARCI Committee
FREIGHT FOCUS

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Only FTR combines a strong understanding of freight demand with expertise in railcar equipment to produce the most comprehensive outlook available.

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