Finance Update

Rates, steel, residuals and the cost of a railcar heading into 2027

Houston | November 2026



Will Geiger
Senior Vice President

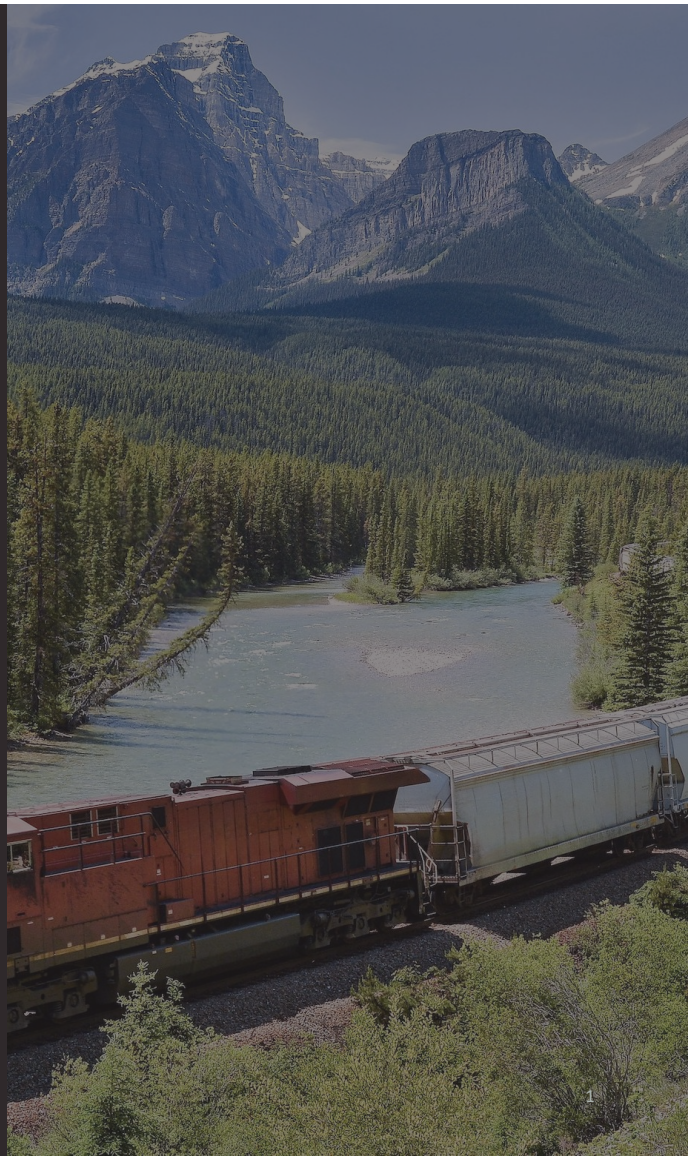


David Nahass
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Vice President

Railroad Financial Corporation • co-hosted with FTR Transportation Intelligence



Agenda

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Headlines We're Following

Supreme Court strikes down IEEPA tariffs 6–3; Section 122, then Section 301, fill the gap

Learning Resources v. Trump · Feb 20, 2026

Brent crude hits $131 as Hormuz attacks resume; diesel passes $6.50 a gallon

EIA · Sept 15–21, 2026

Fed raises rates for the first time since 2023 — markets price another hike in December

Federal Reserve · Sept 16 / Oct 28, 2026

10-year Treasury tops 5% for the first time since 2007; mortgage rates back above 7%

Fed H.15 · Freddie Mac · Sept–Oct 2026

UTLX files anti-dumping petition on Mexican-built tank cars; ITC vote Nov 16

ITC Inv. 701-TA-809 / 731-TA-1810 · Sept 30, 2026

U.S. high-grade bond sales head for a record $1.76 trillion on AI funding needs

Bloomberg · Oct 26, 2026

Private credit defaults hit a record 6.3%; redemption gates spread across non-traded BDCs

Fitch Ratings · Oct 29, 2026

Democrats take the House and Senate; Trump cites the Iran war and fuel prices — markets read gridlock as fewer deficits

AP / Reuters · Nov 3–4, 2026

Sources: Supreme Court; EIA; Federal Reserve; Freddie Mac; ITC; Bloomberg (Oct 26, 2026); Fitch Ratings; AP/Reuters (Nov 4, 2026)

Setting the Table

Growth is strong — fuel, housing and inflation are pulling the other way

Setting the Table

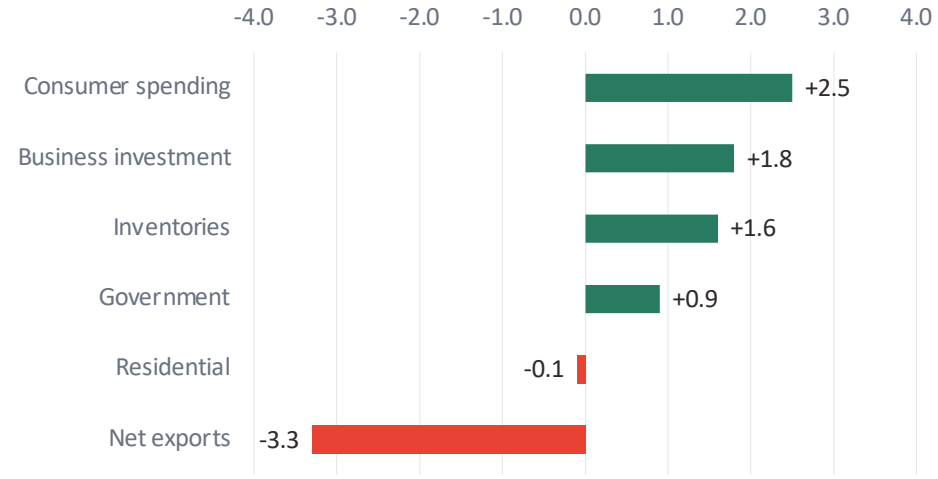
+3.4%
Q3 2026 real GDP
H1 revised up to +2.4%

3.75% - 4%
Fed funds rate
Hiked Sept 16; held Oct 28

3.7%
CPI, Sept 2026 YoY
Energy +20.4%; core 2.6%

4.94%
10-year Treasury
October average 5.13%

Q3 GDP: where the +3.4% came from (contribution, pts)



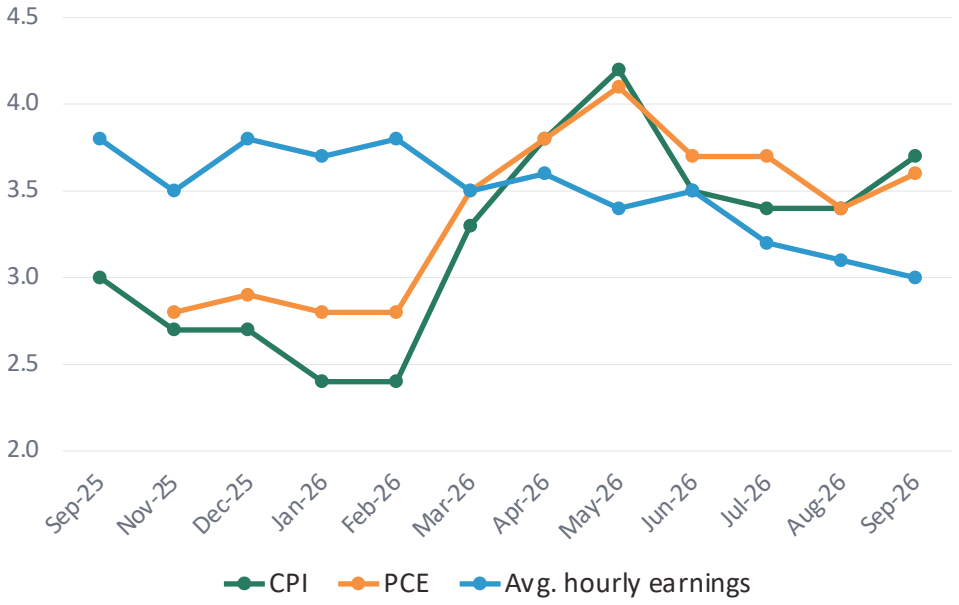
Strength and strain

- Private domestic demand +4.9% — fastest rate of growth in five years; equipment +21%, data-center construction +127%
- Net exports the biggest economic drag since 1947: much of the AI capex is imported
- The Fed calls activity "strong" and is debating hikes, not cuts
- Housing is the weak link; real wages are negative and the saving rate is 3.8% — consumers are spending stock gains and savings, not raises

Sources: BEA advance Q3 GDP (Oct 29, 2026); FOMC (Oct 28, 2026); BLS CPI (Oct 14, 2026); Federal Reserve H.15 (Oct 30, 2026)

Inflation — Is 3% the New Normal?

12-month inflation vs. wage growth, %



October 2025 CPI was never published (shutdown). Wages have trailed inflation since April 2026.

4.2%

CPI peak — May 2026

+0.9% in March alone

3.1%

Core PCE, Sept 2026

vs. core CPI 2.6%

3.5%

Consumers' expected inflation, next 5–10 yrs

Michigan survey, Oct — highest since 2021

2029

When the Fed sees 2%

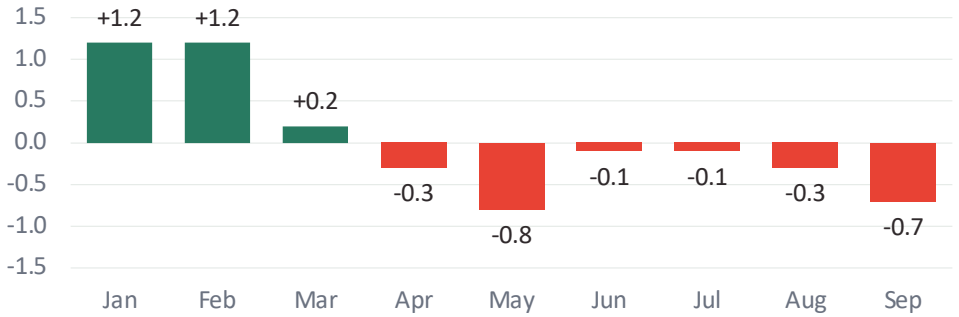
Sept. path: 3.7% ('26) → 2.3% ('27) → 2.1% ('28)

- Energy is the high impact factor: energy CPI +20%, gasoline +34%; core services sticky at 3.1%
- Warsh: supply shocks, "especially energy" — the risk is second-round effects. "No ifs, ands, or buts" on targeting and achieving 2% inflation
- PCE (Personal Consumption Expenditure) above 2% for six years; real wages –0.7%. Can the consumer carry growth when wage increases don't cover fuel cost increases?

Sources: BLS CPI (Oct 14, 2026); BEA PCE (Oct 29, 2026); FOMC projections (Sept 16, 2026); University of Michigan (Oct 23, 2026)

The Consumer — Strong on Top, Stretched Below

Real average hourly earnings, YoY % (2026)



49%

Top-10% share of spending

Moody's, Q2 2025 — disputed

3.8%

Personal saving rate

Sept 2026; real income –0.3% m/m

6.97%

Cards going 90+ days late

Q2 2026 (NY Fed); autos 3.0%

48.0

Michigan sentiment, Oct

Second-worst reading on record

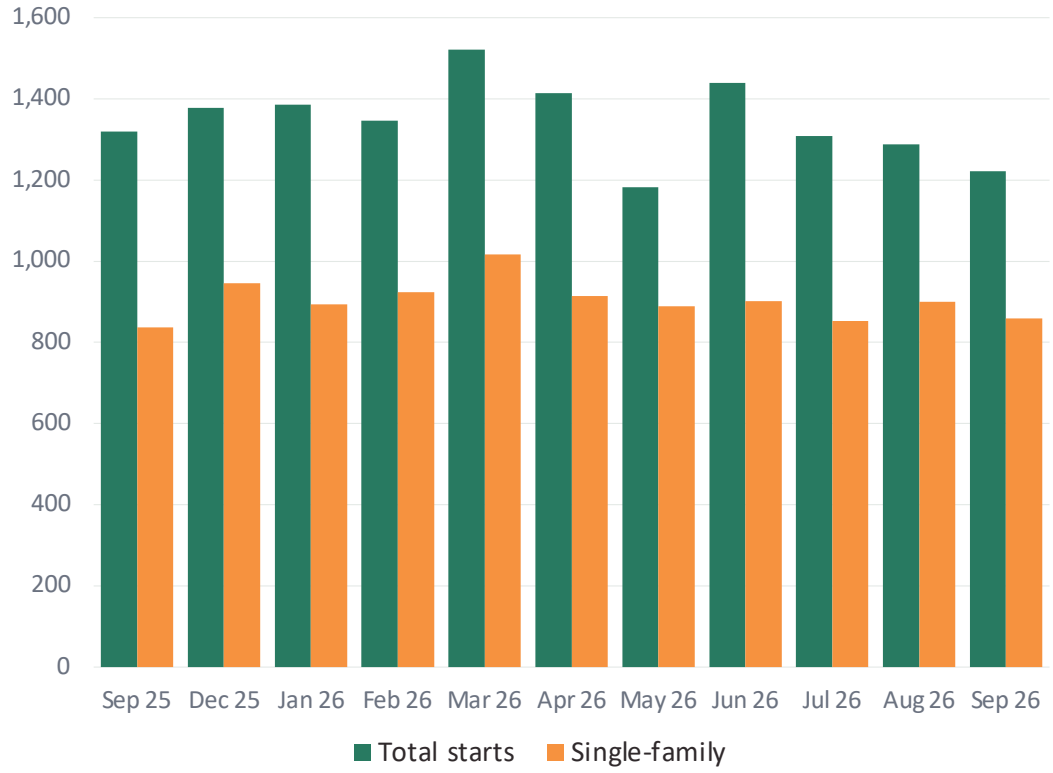
Which consumer is feeding the economy?

- The wealth effect is the engine: BofA sees top-5% spending driven by growth in equities (the “AI effect”), with no retrenchment "absent a sharp correction"
- But the K (a visual demonstration of the wealth gap and economic divergence) is flattening: BofA credit card data — lower-income +5.5%, middle +4.9%, higher +4.8% YoY. BofA calls 2026 the "great convergence"
- Fuel hits the bottom hardest: Walmart’s U.S. same store comps grew just 2.6% YoY (slowest in six years), with the growth coming from upper-income shoppers; Dollar General says its core customer is “straining under fuel prices.”
- For carloads: the growth story is intermodal, energy, grain, ag, chemicals and anything tied to data-center construction (chemicals (resins), crushed stone)

Sources: BLS; BEA; Moody's Analytics (2025); Minneapolis Fed (Mar 2026); BofA Institute (Oct 9, 2026); NY Fed (Q2 2026); Conference Board; retailer calls

Housing — Languishing Under Rates and Tariffs

Housing starts, thousands (SAAR)



1.22MM

Starts, Sept 2026 — multifamily –25% YoY

7.24%

30-year mortgage — 6.17% a year ago

29

NAHB builder sentiment — lowest since 2012

43%

Builders cutting prices — a record

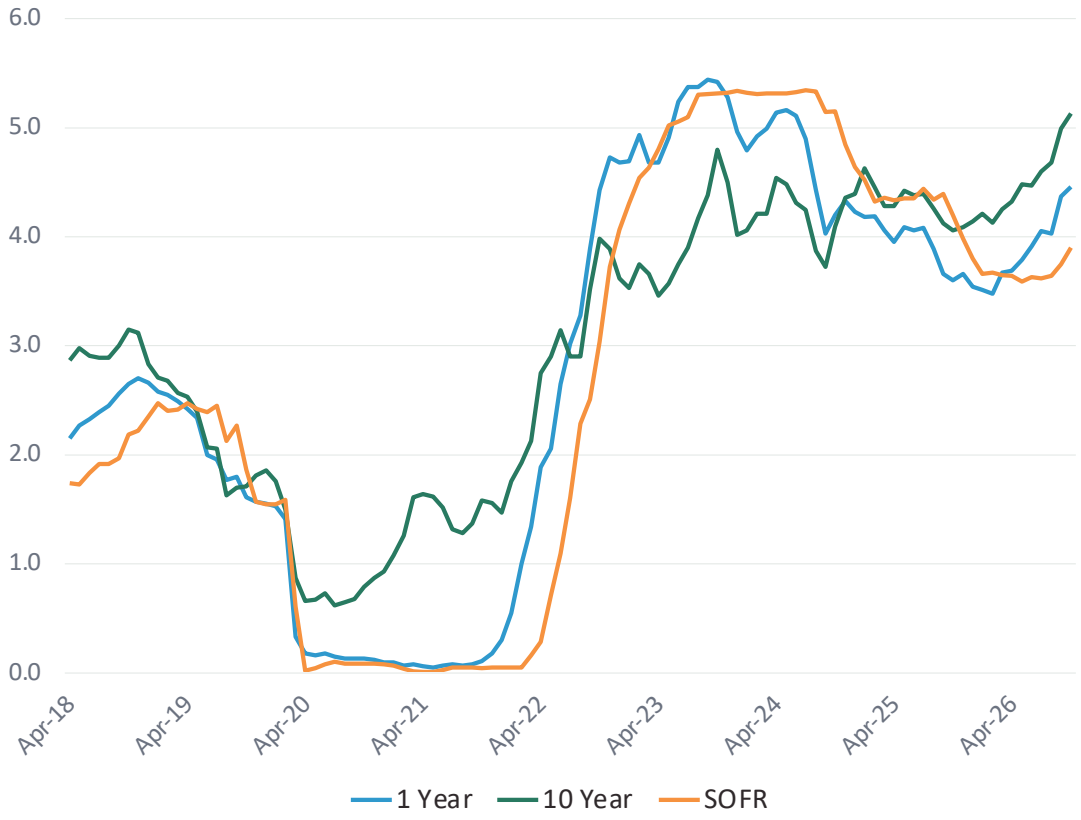
- Rates are a big part of the struggle: mortgages up 100+ bp YoY after the Fed hike and the 10-year briefly going over 5%
- Building materials cost more: Canadian lumber now carries ~35% in combined tariffs and duties, and steel is up 50%
- Existing-home sales 3.99MM; NAHB expects single-family production lower again in 2027
- For rail loads: lumber, cement, aggregates and appliances carry no housing tailwind into 2027

Sources: U.S. Census Bureau/HUD (Oct 2026); Freddie Mac PMMS (Oct 29, 2026); NAHB/Wells Fargo HMI (Oct 2026); NAR (Oct 13, 2026)

Interest Rates & Credit

Sticky rates, a flatter curve and a Fed debating hikes

Interest Rates



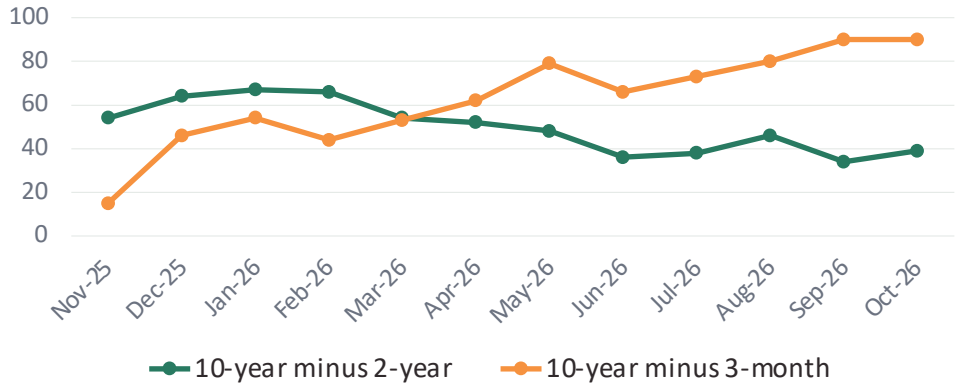
From 150 bps of cuts to the first hike since 2023

- Late 2025: three cuts to 3.50–3.75%. Six meetings rates held while the oil shock pushed CPI to 4.2%
- **Sept 16: +25 bp to 3.75–4.00%, unanimous. Oct 28: held, two dissents for another hike**
- New chair Kevin Warsh (May 22): "I don't believe in forward guidance"
- Dec 9 meeting: ~78% odds of a hike. Fed dots: one more, then hold through 2027; longer run 3.25%
- The 10-year increased more than the Fed Funds Rate—up ~100 bp in a year to a 5.13% October average, easing to ~4.9% since the Oct 28 meeting and the election
- Strength in ten-year treasury reflects ongoing inflation concerns and the impact of economic policy

Sources: Federal Reserve H.15 (monthly averages through Oct 2026); NY Fed SOFR; FOMC statements; CME FedWatch (Nov 3, 2026)

The Yield Curve — Inverted? No. Flatter and Higher

Treasury spreads, basis points (monthly averages)



Where does the 10-year go from here?	End 2026	2027
WSJ survey — 10-year	5.10%	4.78% (Dec)
Morgan Stanley — 10-year	—	4.70% (Dec)
J.P. Morgan — 10-year	—	5.00–5.50% (mid-year)
Trading Economics — 10-year	4.89%	4.68% (Nov)

+38 bp
10-year minus 2-year

+78 bp
10-year minus 3-month

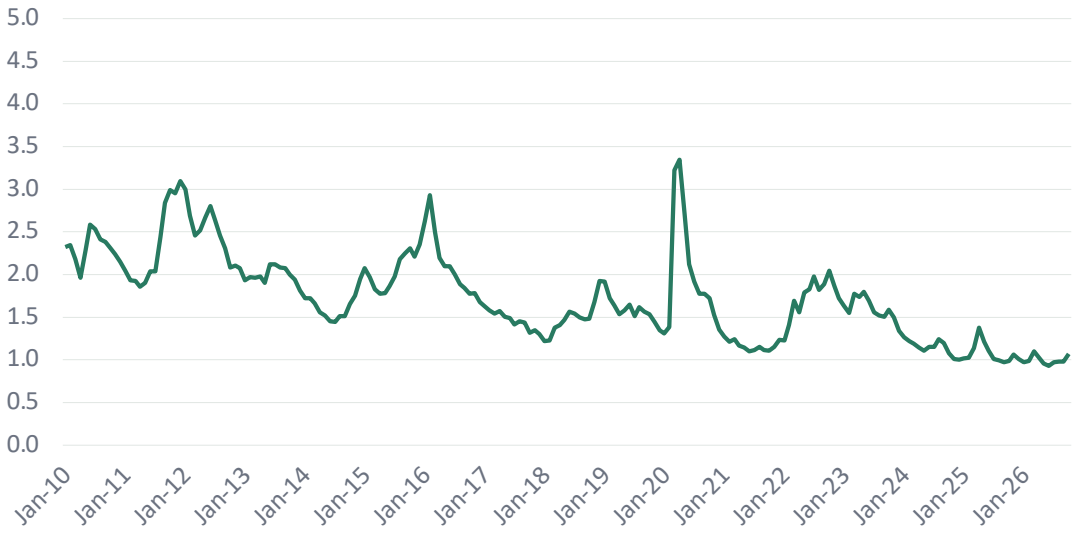
4.94%
10-year Treasury

5.31%
30-year Treasury

- No inversion on the horizon or in the rearview. The front end of the curve rose to meet the Fed; the long end rose faster on inflation, high deficits, debt ceiling and record supply of new Treasury and corporate bonds
- For a 10-year lease the Treasury is the traditional index rate
- Lessors did not budget for a long-term period of high rates and higher capital costs. Lessees did not anticipate the material impact on rental rates and residuals
- Investment Banks do not predict a 4% or below 10-year Treasury until 2028
- Treasury curve seemed to be heading to inversion at the end of summer but continued economic strength assuaged short-term rate pressures and fears of a recession

Sources: Federal Reserve H.15; FRED; WSJ Economic Forecasting Survey (Oct 2026); FOMC projections (Sept 2026); Morgan Stanley; J.P. Morgan

BofA BBB US Corporate Bond Spread



1.16%
BBB spread, Oct 30

0.92%
2026 low (May–June)

$1.76T
2026 investment grade issuance

6.3%
Private credit default rate

Still cheap credit — with the first cracks

- Spreads have spent most of 2026 under 1%. Abundant liquidity increases demand and competition. Two factors potentially causing widening:
  1. March (the Iran oil shock)
  2. October (the 10-year above 5%, record AI-driven bond supply and stress in private credit)
- For lessees, all-in yield (cost) matters more than credit spread: investment grade yields above 5% versus ~1% of spread. The base rate moves lease pricing more than spread
- Banks and the investment grade market remain wide open — a tailwind for bank-funded lease structures while direct lenders pull back

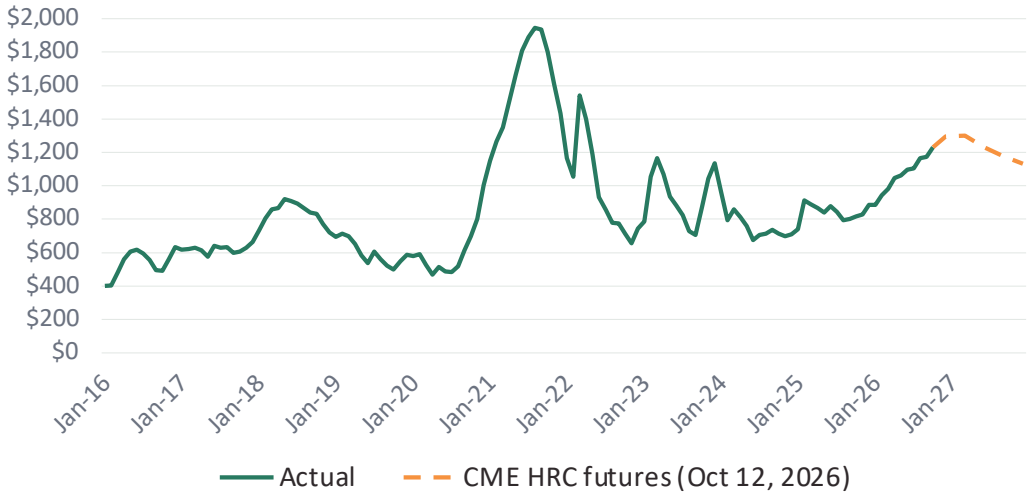
Sources: ICE BofA BBB US Corporate Index OAS via FRED (through Oct 30, 2026); Bloomberg (Jan 22 and Oct 26, 2026); Fitch Ratings (Oct 29, 2026)

The Cost of a Railcar

Steel, producer prices, tariffs and fuel

Steel Prices

U.S. hot-rolled coil, $/short ton — history and CME futures



$1,357

Hot-rolled coil, Nov 1
+51% YoY

Sheet steel for car bodies

$1,540

Plate steel, Oct 26
+46% YoY

Primary steel used for tank cars

$1,207

2027 HRC futures average

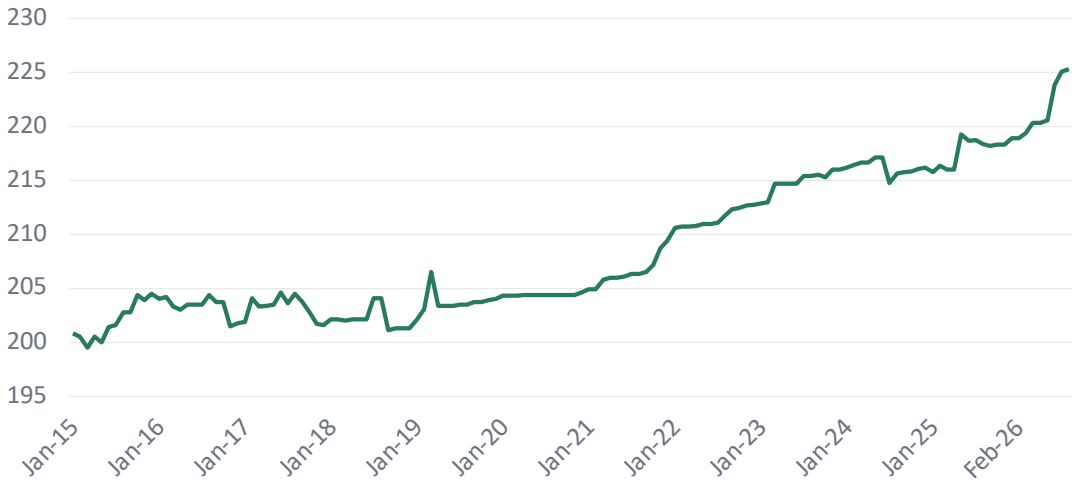
Falling to $1,132 by Q4 2027

Tariffs, not demand, are setting the price

- Section 232 steel stays at 50%; Canadian steel carries a 50% Section 338 tariff since August
- Mill lead times into Jan–Feb 2027, longest since 2021. Trinity: steel "up 63% year-over-year"
- Global glut can be a counter balancing force
  - 640MM tons of excess capacity
  - Chinese HRC $418/t vs $1,357/t here
- ~7MM tons of new U.S. capacity coming while mills run at only 76.8% — a tariff wall, not a shortage, is holding prices up
- HRC up 100% since June 2024
- Plate steel up 46% YOY up 80% since Jan 2025

Sources: SteelBenchmarker (bi-weekly, through Oct 26, 2026); CME/CRU Steel Insights (Oct 22, 2026); SMU; AISI; OECD (Mar 2026); Trinity Q3 2026 call

Railroad Equipment Producer Price Index



Builders' average price per car ordered, $000



225.3

Index, Sept 2026 — +3.2% YoY

+10%

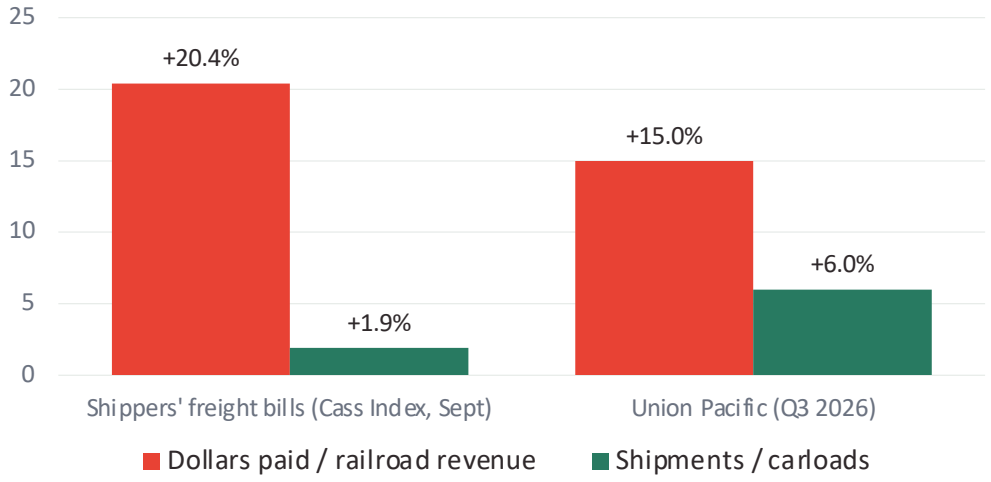
PPI since 2020 vs. +50–60% per car

- Almost all of the year's +3.2% happened in July and August — the lag from April's tariff changes and the spring run-up in steel
- The PPI prices the same car over time (+10% since 2020); builders' average price per car ordered is up 50–60%. The index captures a broad snap shot of data versus specific freight car pricing. The true like-for-like increase in rail equipment is somewhere in between
- Trinity CFO: higher steel "coupled with rising interest rates will continue to push up lease rates on new railcars"
- AAR repair labor rate $181/hr from Oct 1 — +3.5% a year since 2016
- Other logistics costs increasing more than rail: PPI for warehousing and transportation up 12.45% LTM

Sources: BLS PPI WPU144 via FRED (through Sept 2026); Greenbrier Q4 FY26 (Oct 26, 2026); Trinity Q3 2026 (Oct 29, 2026); company filings (2020); FRED)

Transportation Costs Are Rising Faster Than Volume

Year-over-year change: what was paid vs. what was shipped



What does this mean?

- Shippers paid 20% more for freight in September on only 2% more shipments. Union Pacific's revenue rose 15% on 6% more carloads. The gap is price — mostly fuel surcharge
- Official rail prices look tame (+1.3%) because the index measures base rates; fuel surcharges and accessorials sit outside it. Trucking shows the fuel pass-through plainly at +19%
- The railroads' own cost index (RCAF-U, excluding productivity gains) jumped 8.9% in one quarter — the largest since 2022. That is the number which underpins next year's freight rate increases
- Meanwhile chemical production is growing 0.3–0.5% (ACC) and chemical carloads are flat: the cost of moving the product is increasing far faster than product demand

+19.3%
Truck freight prices, YoY (PPI)

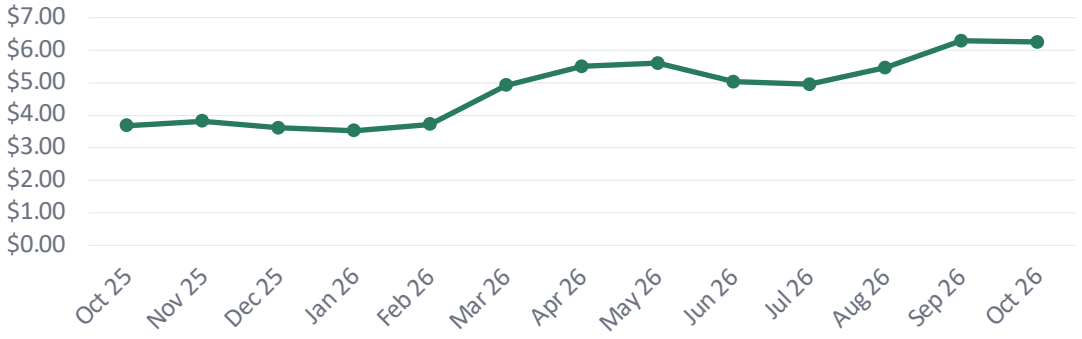
+1.3%
Rail base-rate prices, YoY (PPI)

+8.9%
Railroad cost index (RCAF-U), q/q

Sources: Cass Freight Index (Sept 2026); Union Pacific Q3 2026 (Oct 22); BLS PPI and BTS (Sept 2026); STB RCAF 4Q26 (Sept 16, 2026); ACC; AAR

Fuel Surcharges — The Two-Month Lag Just Hit

U.S. on-highway diesel, $/gal (EIA monthly average)



Carload mileage surcharge	Nov 2025	Nov 2026	1,500-mile move
Union Pacific	33¢	84¢	$495 → $1,260
Norfolk Southern	~30¢	~95¢	$450 → $1,425
BNSF	~9¢	~61¢	$135 → $915
CSX (public tariff, $3.75 strike)	0¢	~64¢	$0 → $960
CN / CPKC	—	~95¢ / ~92¢	~$1,400

UP from its published table; others computed from carrier formulas at $3.70 / $6.29 diesel — verify. CSX's public tariff adds no surcharge until diesel tops $3.75.

How it works — and where it goes next

- Every Class I resets its mileage surcharge monthly off the EIA diesel average, two months in arrears: The November 2026 rate reflects September 2026's $6.29
- Each railroad uses its own strike price, so levels aren't comparable across carriers — the change is: surcharges are 2.5–6x a year ago
- Railroads paid ~$4.21/gal in Q3 (UP, +64%). EIA sees diesel at $5.81 in Q4, easing to $4.49 in 2027 as Hormuz flows return
- At these levels, fuel changes fleet decisions, not just the freight bill: every billable empty mile — to a shop, a diversion, or running extra cars to cover slow cycles — now costs 2.5–3x in fuel surcharge relative to a year ago
- Reuters reported UP 2Q26 profit from fuel surcharges was equal to $.14 per share – that equaled $83.2 billion in profit
- Surcharges allow railroads to eliminate need for hedging to reduce costs and manage risk – customer pays!

Sources: EIA weekly on-highway diesel; Class I mileage-based fuel surcharge tariffs (UP, BNSF, CSX, NS, CN, CPKC); UP Q3 2026; EIA STEO (Oct 2026), Reuters

Tariffs and the Impact — UTLX and USMCA

Section 232 — what it covers

- Steel: 50%. Rail equipment (since April): locomotives, tank cars and parts at 25% — or 10% if 85% U.S. steel
- Not covered: covered hoppers, gondolas, boxcars, intermodal
- Not yet being collected
  - GATX: “the only railcars technically subject… are tank cars.”
  - Trinity: “not paying… currently”
  - GBX: “no 232 paid on tank cars”

UTLX petition — the one to watch

- Filed Sept 30: Mexican-built tank cars allegedly dumped at 12.7–32.6% below fair value, plus subsidies
- Mexico built ~70% of U.S. tank cars in 2024 and ~95% in 2025, per the petition
- What's next: ITC vote Nov 16 → cash deposits late Dec → finals mid-2027
- Anti-dumping penalties include historical impact
- Trinity: “vigorously defending”; CFO calls it “frustrating” and warns of higher tank-car prices and lease rates
- GBX: “strongly disagrees”; says it is “weighing on near-term tank car demand”; cites its Marmaduke, AR plant and $500MM+ invested in Arkansas

USMCA

- Court struck the IEEPA tariffs Feb 20; Section 301 tariffs of 10–12.5% since July 24 hit non-North American goods — USMCA-qualifying and 232 goods are exempt
- USMCA review July 1: U.S. declined to extend. Canada: 50% tariff on ~$20B of goods since Aug 22, still no deal
- New Congress says it will move against the tariffs — but 232 and 301 are executive, and the veto stands
- Negotiations with Mexico stuck on Section 232 and auto tariffs

Feb 20	Apr 6	Jul 1	Jul 24	Aug 22	Sept 30	Nov 16	~Dec 24
IEEPA voided	232 rail annex	USMCA review	Section 301	50% on Canada	UTLX petition	ITC vote	CVD deposits

Sources: Proclamation 11021 Annex I-B; Railway Age; GATX & Trinity Q3 2026 calls; ITC; Federal Register; White & Case (Jul 2026); PBS (Aug 2026)

Lease Pricing Review

What a 5% ten-year and a $125,000 car do to the rent

Lease Pricing Review

- **Six index dates — the 2025 model carried forward with one new observation (Oct 30, 2026)**
- Variables modeled: the 10-year Treasury, BBB credit spread, car cost — and all three together
- **Key terms:**
  - IRR — implicit rate: total cost to the lessee including the fixed-price buyout
  - Credit spread — yield difference between bonds of equal maturity, different ratings
  - Lease Rate Factor — monthly rent ÷ railcar cost
  - Residual — assumed value of the car at the end of the term

Assumptions	
New car cost (2020 base)	$100,000
Lease & Treasury term	10 years
10-year residual	$65,000
Credit rating	BBB
Index date 1	8/1/20
Index date 2	8/1/22
Index date 3	11/3/23
Index date 4	11/6/24
Index date 5	10/28/25
Index date 6	10/30/26

2026 car cost = $120,000 + 3.2% railroad-equipment PPI, rounded; residual held at $65,000 (sensitivity next slide).

Index 6 inputs — October 30, 2026

4.94%
10-year Treasury — +93 bp YoY

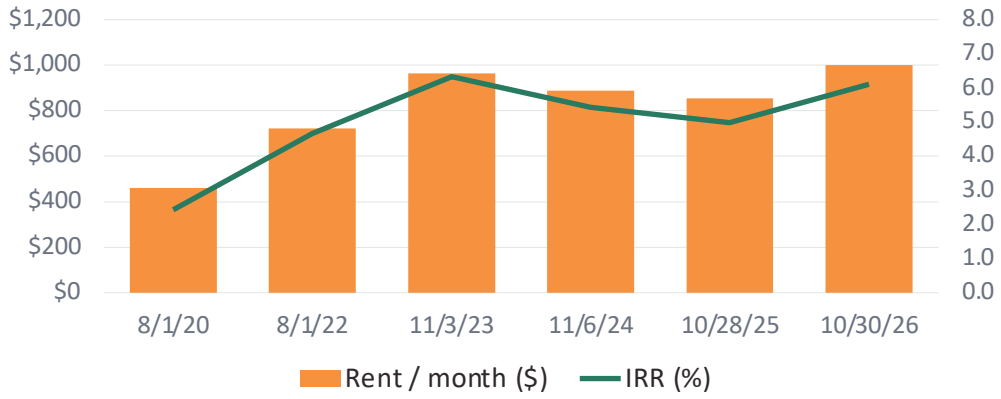
1.16%
BBB spread — +19 bp YoY

$125,000
Car cost — PPI-adjusted

Source: RFC lease model; Federal Reserve H.15; ICE BofA via FRED; BLS WPU144

Lease Adjustments from Δ's — Six Index Dates

#	Date	10-year	Car cost	Spread	IRR	Rent / mo.
1	8/1/20	0.58%	$100,000	1.85%	2.43%	$460
2	8/1/22	2.75%	$110,000	1.91%	4.66%	$722
3	11/3/23	4.75%	$120,000	1.58%	6.33%	$963
4	11/6/24	4.42%	$120,000	1.01%	5.43%	$889
5	10/28/25	4.01%	$120,000	0.97%	4.98%	$853
6	10/30/26	4.94%	$125,000	1.16%	6.10%	$1,000



$1,000

Monthly rent, Oct 2026

+17% vs. Oct 2025 ($853); LRF 0.80%

6.10%

Implicit rate — +112 bp YoY

93 bp from the Treasury, 19 bp from spread

$944

Rent at today's rates on a $120,000 car

$853 → $944 is rates (+$91); $944 → $1,000 is car cost (+$56)

Residual sensitivity — every $10,000 ≈ $61 a month

10-year residual	$55,000	$65,000	$75,000
Monthly rent	$1,060	$1,000	$939

Source: RFC lease model (10-year term, $65,000 residual, BBB credit); Federal Reserve; ICE BofA via FRED

Residuals, Useful Life & the Secondary Market

What is a 20-year-old car worth — and who decides?

Residuals — What Is a 20-Year-Old Car Worth?

>$200MM

GATX remarketing gains, 2026

vs. $117MM in 2025

$180–200MM

Trinity secondary gains, 2026

Guidance raised

~40,000

Cars scrapped in 2026

vs. ~23,000 built

$181

AAR labor rate per hour

+3.5% a year since 2016

New-car prices drive secondary prices

- Replacement cost is the anchor: steel is up ~50% in a year, tariffs and a possible tank-car duty raise what the next car costs — and the existing fleet re-prices with it
- Trinity: "lease rates have not yet kept pace with asset values"; higher rates "have not impacted valuations" — yet
- With lower new railcar orders, lessors are buying used cars instead — GATX counts 25–30 different types of buyers competing in the secondary market

Useful life and the residual

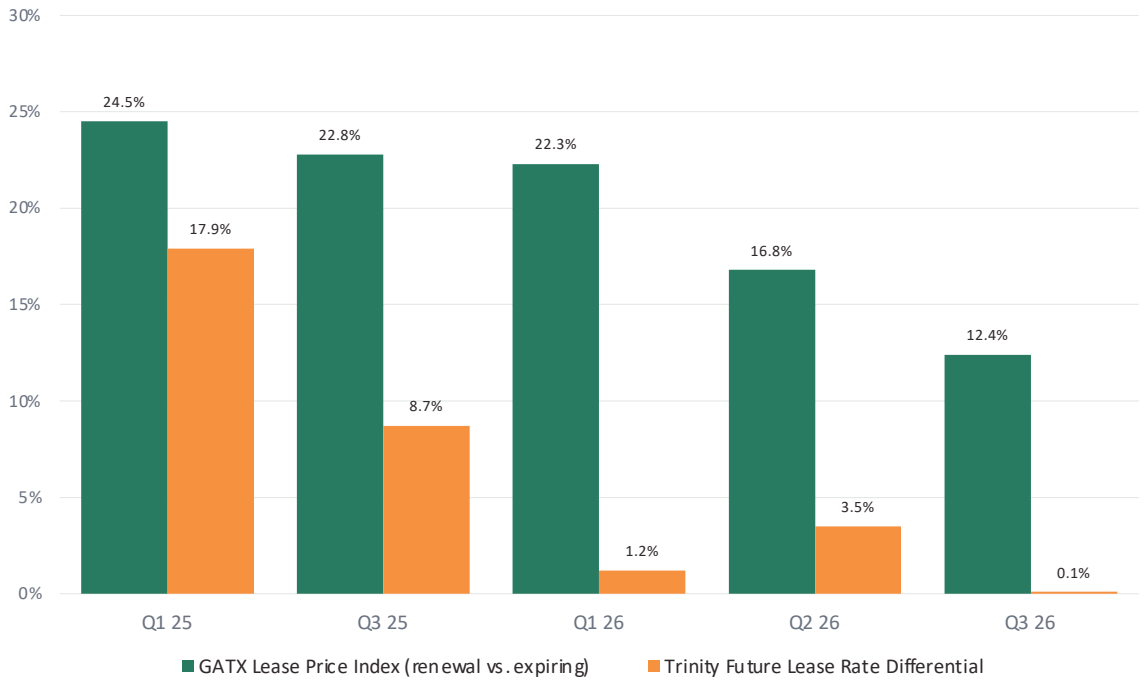
- Economic life is the real limit: ~135,000 cars reach the end of theirs in the next six years vs. ~23,000 built a year
- A residual is a kind of forecast of the lessor's future estimate of a railcar's value
- Residuals are impacted by demand for a specific type of car and by the secondary market pricing for those cars
- Secondary market sales value increases suggest residuals are also increasing – bolstered by today's new car pricing

Maintenance and return conditions

- Cleaning, freight to shop, maintenance and qualification work (if applicable) rise with the labor rate and shop backlogs
- In lease pricing, shifting return maintenance to a lessor can result in a lower residual - not dollar for dollar
- Shifting those expenses can decrease lessor yield - may result in higher rates
- DOT-111 and CPC-1232 tanks still face May 2029, regardless of the car's condition (2026 Railway Safety Bill potential acceleration)

Sources: GATX, Trinity and Greenbrier Q3/Q4 2026 calls; REF 2026 valuation panel (Railway Age, Apr 2026); FRA final rule (Aug 31, 2026); AAR

Lease Rate Direction — What the Lessors Report



Both indices measure renewal rates relative to expiring rates — a positive number is still a rate increase. Quarters shown are those with both figures publicly reported.

98.4%
GATX utilization
Rail North America, 9/30/26

97.0%
Trinity utilization
Q3 2026; 89% renewal success

- Renewals are still pricing above expiring leases — but the gap has narrowed from the mid 20's (percent) to low single digits as the 2021–22 leases roll off
- GATX: "flat to slightly up sequential pricing"; climate "increasingly favorable"; LPI step-down reflects the Wells Fargo fleet mix and sand cars
- Trinity: "lease rates have not yet kept pace with asset values and inflation… we fully expect those lease rates to continue to go up"
- Renewal terms are lengthening (GATX 52–56 months) — lessors are locking in rates, not chasing them

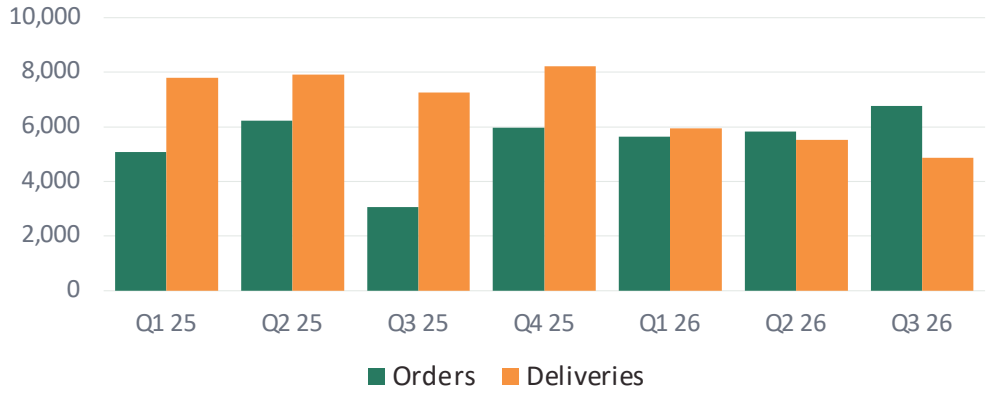
Sources: GATX and Trinity quarterly releases and earnings calls, 2025–2026

Builders, Lessors & M&A

A consolidating marketplace

Railcar Builders — Production, Backlog and Footprint

Industry orders and deliveries by quarter (RSI/ARCI)



25,326

Backlog at 9/30/26 — first rise in 10 quarters

16,348

2026 YTD deliveries — ~23,000 for the year

~70% / ~95%

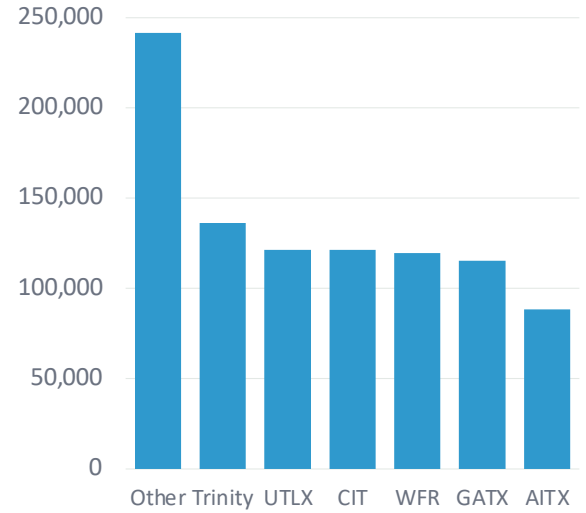
U.S. tank cars built in Mexico, 2024 / 2025 (per UTLX petition)

Builder	Latest reported	2026 outlook	Where the cars are built
Trinity	Q3: 2,030 delivered / 2,190 ordered	Industry <25k; 30–35k in 2027	Mexico (all new-car production); U.S. repair shops
Greenbrier	FY26: 15,400 delivered; backlog 14,000	Industry 26–28k	Mexico (~98%); Arkansas (tank cars)
FreightCar America	Q3: 662 delivered; retrofit order removed	3,100–3,300 (cut twice)	Castaños, Mexico (100%)
National Steel Car	No disclosure; USW strike Aug 2026	—	Hamilton, Ontario
Union Tank Car	No disclosure; filed the tank-car dumping petition	—	Alexandria, Louisiana

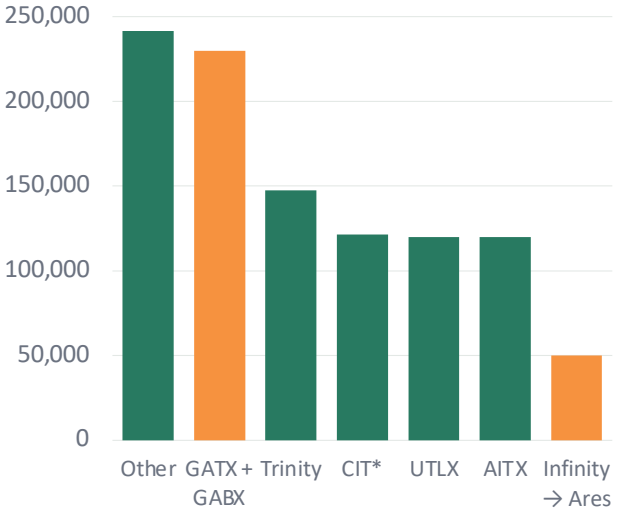
Sources: Railway Supply Institute / ARCI (3Q 2026, Oct 2026); Trinity Q3 2026; Greenbrier Q4 FY26; FreightCar America (Oct 19, 2026); Trinity FY2025 10-K

Railcar Lessors — A Consolidating and Evolving Marketplace

Early 2025 (cars)



Late 2026 (owned + managed) — orange: changed hands in 2026



GATX = ~107,600 owned + ~101,000 GABX JV with Brookfield (ex-Wells Fargo Rail) + ~22,000 Brookfield cars managed
Trinity = 97,160 owned + 50,260 investor-owned
**CIT not disclosed — 2025 figure carried; "Other" held at the 2025 estimate*

~41%

Top-five share of the 1.63MM fleet

~70% of lessor-owned cars

~25%

GATX share of the leased fleet

From ~13% before Wells Fargo

- Infinity moves from KKR to Ares (Q1 2027): a large fleet changes hands twice in a decade (in 2016 Perella Weinberg sold Infinity to Global Atlantic (now KKR owned))
- Is the exit another fund?
- What has changed most isn't the lease rate — it's who sits across the table and who owns them: fewer lessors, new owners, longer terms, and pricing anchored to replacement cost

Sources: GATX 2026 overview and Q3 10-Q; Trinity Q3 2026; Marmon; AITX; Alternatives Watch (Oct 19, 2026); Railinc via Railway Age; RFC estimates

M&A Activity — Passive Capital Buys the Fleet

$4.2B

Closed Jan 1, 2026

Wells Fargo Rail → GATX / Brookfield
~101,000-car fleet into a JV — Brookfield 70%, GATX 30% and manager, with options to 100%. Refinanced with $1.0B of 4.625–5.30% notes in March.

~$190MM gain

Dec 2025 / Apr 2026

Trinity / Napier Park restructuring
Napier Park took Triumph Rail and then TRIP Rail (~17,000 cars). Trinity now manages 50,260 investor-owned cars.

$2.9B

Announced Oct 19, 2026

Infinity Transportation: KKR → Ares
~50,000 cars and 350+ lessees to Ares infrastructure and insurance funds; closes Q1 2027. Fleet and book value have grown substantially under KKR since 2021.

Also in the last twelve months

- Greenbrier: lease fleet +23% to ~20,900 cars, funded with a $425MM bank term loan (Asset Backed (ABS) Transaction)
- Trinity: $481MM railcar ABS at 5.35%; $350MM term loan replacing 3.10% notes
- Bourque Logistics, RAS Data and AllTranstek merged; Brookfield already selling finance-lease cars

Questions for the room

- An "ocean of capital": insurers and infrastructure funds can put $1B of equity behind $3–4B of railcars — they value a railcar like a bond: long-dated, steady cash flow
- Private equity does not enjoy volatility — expect rigidity on returns at renewal – leverage to keep cars on lease?
- Is an IPO the eventual exit, or does the fleet rotate fund to fund?

Sources: Trains (Jan 2026); Business Wire (Jan 6 and Oct 19, 2026); Bloomberg/Reuters; Trinity 10-Q Q3 2026; Greenbrier (May 2026); Railway Age (Mar 2026)

Empty Freight and the Merger — UP–NS at the STB

01 **Dec 19, 2025**
Application filed; rejected Jan 16

02 **Apr 30, 2026**
Refiled; accepted May 28

03 **Aug 18, 2026**
Schedule adopted

04 **Sept 18, 2026**
Summary denial refused

05 **Nov 18, 2026**
Comments & protests due

06 **May 28, 2027**
Final briefs → 2H 2027

What the opponents want

- BNSF: 824 miles of rights over NS's Chicago–Pennsylvania corridor; CSX: Kansas City access; CPKC: on Oct 30 asked the STB to end the review
- ACC, AFPM, NITL, TFI and CDI: joint letters say members fear retaliation if they object, after UP's CEO warned shippers in March (Jim Vena's now legendary SWARS comment)
- UP counters with 2,000+ supporters, including 500+ shipper letters

Empty freight — the lessee's question

- UP/NS promise up to two days faster at the gateways and say shippers can "shrink their fleets"
- Shippers' memory: past mergers never let them cut their railcar fleets; service historically has degraded first
- Lessors no longer pay exorbitant freight to place a car. Who pays the empty return in a single-line world?

Q3 2026: railroads posted double-digit revenue growth

- UP revenue +15% (fuel ~9 pts), carloads +6%, OR 59.1%, pricing above inflation
- NS +14%, CSX +12% with fuel surcharge revenue doubled; CPKC and CN +15%
- Service, late October (STB): UP 24.5 mph / 19.8 h dwell; NS 20.0 mph / 26.1 h dwell

Sources: STB FD 36873; FreightWaves (Sept 14, 2026); UP, NS, CSX, CPKC and CN Q3 2026 results; Supply Chain Dive (Oct 2025); RaillyNews (Oct 31, 2026)

Vena's – SWARS 2026

His now infamous Message to his "Customers" at SWARS this year

Managing the Fleet in This Environment

Core vs. flex, service, and whether "saving money" is still the question

Core vs. Flex Fleet — Evaluating a Fleet Today

18.1%

Cars in storage, Aug 2026

From 21.7% in January

97–98%

Lessor utilization

GATX, Greenbrier, Trinity

~23 mph

Class I velocity, late Oct

Potential merger impact?

~135,000

Cars reaching end of life

Over the next six years

Core fleet — the cars always needed

- Size it to the base load of a mediocre year, not to the most robust year
- Own it or use long-term financing: bank leases price with cost of funds and your credit — take control of the residual
- Structure in control by having purchase options that will allow you to refinance and lower your lease cost at renewal
- A shrinking national fleet and increasing new-car costs make the car you have more valuable and cost effective

Flex fleet — rent for your business environment

- Leases of 3–5 years for seasonality / cyclicality, plant shutdowns / debottlenecking and merger-contingent volume
- Pay for flexibility consciously
- Negotiate the return conditions before delivery — return conditions and freight to shop are where "cheap" gets expensive at the end of the lease

Responding to declining service

- Simple arithmetic: cars needed = daily loads × cycle time. One extra day on a 12-day cycle is 8% more cars
- Build the cycle-time dashboard from your own car data, by lane and railroad
- If UP–NS clears in late 2027, model for both:
  1. 2 days improvement in cycle times
  2. Up to 2 years of service disruptions (plan for this part first)

Sources: RFC; AAR Rail Industry Overview (Sept 2026); STB EP 724 (week of Oct 28, 2026); GATX, Trinity and Greenbrier Q3 2026 commentary

Do We Still Talk About Saving Money?

3–4% vs 1–2%

New-car prices vs. lease rates

Per year, 20-year trend

$1B → $3–4B

Equity to railcars

With typical lessor leverage

100%

Bonus depreciation

Restored in 2025

~944,000

Lessor-owned railcars

Of a 1.63MM North American fleet

Asset inflation — the investor's view

- Over $1 trillion looking for a home with yield; rail offers heavy assets, limited obsolescence (HALO) and low credit losses
- High barriers to entry, stable regulation, 97–98% utilization — how many in this room would buy a lessor?
- The underpriced risk: lessor returns can be erratic and a 5% ten-year treasury makes a railcar's unlevered yield look thin
- One or more factors need to reset — rent, residual or car price
- Every lessor sale resets the return hurdle for your renewal

Where the savings still are

- Refinance, don't renew: bank and investment grade markets are open at ~1% spreads — price off of total costs of 5.5% to 7% not a lessor's 10–12% return expectations
- Negotiate a stake in the cars you believe in: add fixed price purchase options on the cars you will keep
- Term the core, flex the rest — put purchase and renewal options on the long-term leases for your core fleet; keep your flex fleet short to medium term and simplify the process – focus on T's and C's
- Negotiate return conditions and freight-to-shop up front; audit maintenance pass-throughs
- Weigh in on the merger through your trade association — STB comments on service conditions are due Nov 18, and conditions set now last for decades

Sources: Railway Age, "Ocean of Capital Chasing Trains" (Mar 2026); GATX, Trinity and Greenbrier Q3 2026; Fitch (Oct 2026); RFC



Thank You & Questions

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