



TRINITY INDUSTRIES, INC.

# 2019 Letter to Our Shareholders

April 3, 2020



**Leldon E. Echols**  
Chairman of the Board



**E. Jean Savage**  
Chief Executive Officer  
and President

Dear Fellow Shareholders:

In 2019, Trinity completed our first full year as a railcar leasing, manufacturing, and services company following the tax-free spinoff of the infrastructure businesses the previous year. Trinity's team delivered strong results in a challenging environment while making tremendous progress executing our strategic and financial priorities. The macroeconomic backdrop, from global trade uncertainty to declining industrial production, significantly impacted railcar loading volumes and demand for railcars. Through it all, Trinity generated significant cash flow and returned capital to shareholders, consistent with our vision of being *the* premier provider of railcar products and services while generating high-quality earnings and returns for shareholders.

The two central themes of 2019 were *transition* and *optimization* as we transitioned from being a pre-spinoff holding company to an operating company. We've also been highly focused on the optimization of our operations, organization, and financial structure. We expect the challenges created by the coronavirus, including the economic response to it, and the disruption of global energy markets will make 2020 a very challenging year. However, Trinity has a track record of managing well through tough times, and Trinity's integrated rail platform positions the Company to meet customer needs and deliver value to shareholders.

## 2019 FINANCIAL RESULTS

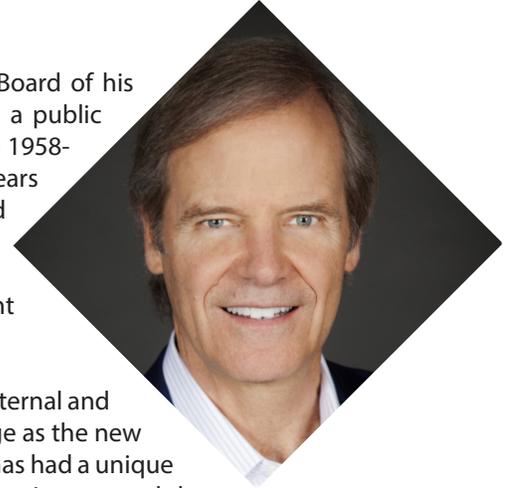
The Company achieved strong financial results in 2019, reporting year-over-year double-digit growth in full year revenues, operating profit, and EPS from continuing operations. Continued growth of our leased railcar portfolio, an emphasis on improving our lease rates while maintaining high utilization, and higher new railcar deliveries with a favorable product mix resulted in a 32% year-over-year increase in annual operating profit. The Company also reduced corporate costs 28% during 2019 as part of our cost optimization efforts and expects further reduction in 2020.

We also made progress in lowering our cost of capital, deploying capital to return-accretive investments, and returning meaningful and steady amounts of capital to shareholders. Trinity's pre-tax return on equity significantly improved in 2019 as a result of higher profitability and substantial progress in optimizing the Company's balance sheet. During the year, Trinity returned \$377 million of capital to shareholders, reflecting the strength and synergies of Trinity's integrated rail platform and our commitment to improving shareholder value.



## CEO LEADERSHIP TRANSITION

In September of 2019, Tim Wallace, Trinity's long-time CEO and President notified the Board of his intention to retire. This was a significant transition for the Company. In our history as a public company, Trinity had been under the leadership of only two CEOs – W. Ray Wallace (from 1958-1999) and Tim Wallace (1999-2019). In his impressive 45 year career at Trinity, including 20 years as CEO, the Company evolved from a small railcar manufacturer to a premier integrated platform of railcar products and services with market-leading positions in North America. Tim was an integral part of building a strong corporate culture and a commitment to excellence and continuous improvement. Trinity would like to thank Tim for his significant contributions and service to the Company.



The Board of Directors completed a very thorough CEO search process, considering both internal and external candidates, and was pleased to announce in early January of this year Jean Savage as the new CEO and President of Trinity. Jean has served on Trinity's Board since November 2018 and has had a unique opportunity to gain an excellent understanding of both the leasing and manufacturing businesses and the value creation potential of each. She will bring a fresh perspective to the Company's leadership, and we are very excited to have her on board as CEO and President.

## THE INTEGRATED RAIL PLATFORM IS BUILT TO DELIVER



Management and the Board of Directors are fully aligned and committed to optimizing Trinity's integrated rail platform. There is real opportunity to further hone the Company's strategy and improve the organizational structure, cost structure, and capital structure to accelerate Trinity's performance and fully capture the benefits of the platform for all our stakeholders. When optimized, the platform is built to deliver shareholder value throughout the railcar cycle – creating significant financial and commercial synergies that yield strategic advantages, and both short-term and long-term value-creation.

Financially, the integrated rail platform enables cost-advantaged railcar equipment sourcing, lower relative administrative and operational costs, and a very important tax advantage that comes from the lease fleet investment sheltering manufacturing income. Commercially, having direct engagement over multiple touchpoints with the ultimate end customer increases the Company's opportunity to offer value-added products and services to our customers. Broad and deep commercial reach also gives us actionable intelligence within the railcar market that leads to better informed decision making. In addition, having a combined commercial presence in the rail equipment market allows Trinity to grow our lease fleet organically with firm customer commitments as opposed to speculative market-specific fleet growth.

Together, these synergies yield strong and predictable cash flows that enable meaningful reinvestment in the business for high-return growth opportunities while returning substantial amounts of capital to shareholders. We demonstrated the platform's performance capabilities in 2019 – generating significant levels of cash and returning capital to shareholders while investing approximately \$875 million in net cash investment for growth in our leasing business and \$100 million for growth and maintenance in our manufacturing business.

Trinity's integrated rail platform, market leadership positions, and strong customer relationships also support our ability to be an industry leader in product and service innovation. We're in the early stages of piloting new services in response to the changing dynamics of customers' service level expectations and technology impacts to the railcar industry. We believe these services can make our railcar assets highly attractive to our customers and elevate *TrinityRail*® as the preferred provider of railcar products and services. In turn, we expect this will also support a higher-quality recurring relationship business model for Trinity.



## COMMITMENT TO SUSTAINABILITY

Trinity believes the railcar industry plays an important role in the industrial supply chain by transporting our country's most important products in more energy efficient and environmentally protective ways than some alternatives. Rail is a sustainable mode of transportation and the most economical mode of land-based transportation. Railcars are also 100% salvageable when converted to scrap steel at the end of their 40 to 50 year life. The world's population continues to increase. People continue to live further from the resources they need to sustain every-day life so efficient supply chains are becoming more essential by the day. Energy and transport efficiency are ever more crucial in an era of climate change concerns. And rail transport offers safety, reliability and numerous environmental advantages. We're proud of the role that our railcars play in lowering the overall environmental footprint of the transportation industry.

We take seriously our own commitment to reducing our environmental impact and engage cross-functional collaborative teams to meet and exceed sustainability standards. Through the years, Trinity has invested in numerous capital projects to reduce our emissions and consumption of materials, and we expect to continue this effort through the use of advanced manufacturing techniques. Our proprietary safety and environmental certification process aligns with ISO and Responsible Care® standards. Trinity is also committed to our high ethical standards, diversity and sound governance, and resource stewardship. The Company expects to issue a Sustainability Report for the 2020 fiscal calendar year, reporting in more detail on many of our policies and procedures that align with the efforts of ESG ratings and responsible investing.

## CLOSING REMARKS

Despite the world's current health, trade and energy challenges, we believe the long-term future for our railcar products and services is promising. Trinity has staked its reputation on delivering premier performance. We believe our organization is prepared and positioned for stronger performance and to further accelerate Trinity's position as the premier provider of railcar products and services in North America. Trinity's people bring a commitment to excellence, a customer-driven focus, a track record of execution, and deliver quality products and services.

Trinity is "Built to Deliver," leveraging our rail expertise across a broad market viewpoint to differentiate our value proposition to all stakeholders. Together with our talented team of employees and a strong corporate culture, we believe we can withstand the current market environment and deliver shareholder value in 2020 and beyond.

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