



2020 Letter to Our Shareholders



Leldon E. Echols
Chairman of the Board



E. Jean Savage
Chief Executive Officer
and President

Dear Fellow Shareholders:

As we reflect upon Trinity Industries' performance in 2020 amidst a global crisis, we can be proud of the Company's accomplishments and commitment to our rail-focused strategy. Our communities faced a particularly difficult challenge with the COVID-19 pandemic. Our work – the leasing and servicing, manufacturing, maintenance, and repair of railcars – is essential to supporting North America's transportation system and the delivery of food, fuel, medicine, and other vital supplies that sustain our communities. Our purpose, Delivering Goods for the Good of All, is the foundation for everything we do at Trinity.

2020 was a year of extraordinary change. Trinity worked diligently to lay out a strategic roadmap for accelerating the Company's financial performance and shifting our primary focus from earnings and asset growth to emphasize returns and cash flow. Additionally, while our 2020 financial performance was clearly impacted by the COVID-19 pandemic, Trinity delivered strong and resilient cash flows through a difficult operating environment, highlighted by the \$652 million of operating cash flow generated this year. The management team and board of directors would like to extend our heartfelt thanks to all the nearly 6,400 employees at Trinity. It is because of your hard work and vision that Trinity has never been better positioned to drive value for shareholders and customers in 2021 and beyond.

OUR STRATEGY TO DRIVE VALUE

At the Company's Investor Day in November 2020, Management summarized four key drivers for enhancing shareholder value:



- Trinity's value proposition centers on the significant cash flow generation that our rail platform delivers. Management presented a three-year outlook of \$1.5 - \$2.0 billion in operating cash flow generation. When combined with the balance sheet optimization that the Company intends to complete over that same time period, this amounts to a significant amount of cash to deploy relative to our market capitalization, which we anticipate will create shareholder value.
- We have aligned our strategy with the core purpose of improving returns. Management laid out a number of initiatives expected to optimize Trinity's operational cost structure and balance sheet in order to position the Company for best-in-class margins and strong mid-cycle earnings power in a market recovery. We are pleased to say that Trinity completed the vast majority of our planned restructuring efforts during 2020. We also made further progress capitalizing on attractive financing markets to leverage Trinity's balance sheet under our targeted capital structure, which will also enhance our returns. We expect to see early benefits of these actions in our performance results in 2021, but have additional work to do to fully execute on our strategic initiatives.



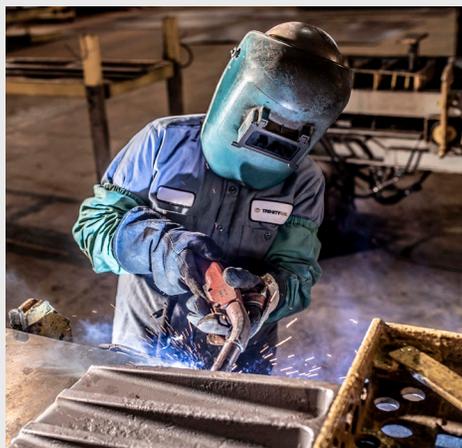
OUR STRATEGY TO DRIVE VALUE (CONTD.)

- We aim to deliver strong financial performance both now and in the future. Our strategic initiatives are not only focused on optimizing our business structure, but also growing our product and service offerings to advance modal share for the railcar industry. At Trinity, we remain proudly committed to rail solutions that deliver goods—safely, efficiently and sustainably—for the good of our customers, shareholders and employees in all the communities we serve.
- We are focused on prudently deploying capital to drive shareholder value creation. The capital allocation framework we laid out at our Investor Day balances our commitment to shareholder returns with disciplined growth that we expect to compound the synergies and cash flow generation capability of the business. Over the next three years, we anticipate double-digit dividend growth, and expect that a significant amount of excess cash flow will be deployed through our capital allocation framework. We believe the synergistic benefits of Trinity's rail platform enables both meaningful reinvestment back into the business while supporting significant return of capital to shareholders.

We are very excited about our future and expect 2021 to be a year of execution against our strategies to continue to move the Company forward. We believe we have a number of levers at our disposal to improve our performance, and will share those results with you along the way.

2020 FINANCIAL SUMMARY AND 2021 OUTLOOK

Trinity performed well in 2020, despite a challenging market backdrop of declining railcar demand given the economic impacts of the COVID-19 pandemic. Our Leasing business delivered steady revenues and profit while the decline in lease portfolio sales and railcar deliveries created earnings headwinds. Trinity's team responded to the pandemic and offset some of this headwind through strong management of our fleet maintenance costs and significant reductions in headcount and selling, engineering, and administrative expense. Certain of the cost-savings and restructuring activities associated with the repositioning of the Company generated charges that impacted our financial performance. Ultimately, our cost structure was burdened by the lost efficiency from railcar production declines. Our total GAAP loss per share from continuing operations for the year of (\$1.27) declined 217% year-over-year, and 2020 adjusted earnings from continuing operations declined 71% to \$0.37 per share.*



While Trinity's earnings performance declined amid the COVID-19 pandemic, our rail platform proved resilient and delivered significant and stable cash flows in 2020. For the year, operational cash flow amounted to \$652 million, and the Company generated free cash flow of \$113 million* after dividends and investments in our platform and lease fleet. In addition to the dividends paid, we also returned \$193 million to shareholders through share repurchases. Total returns to shareholders including dividends amounted to \$285 million, a significant portion of our market capitalization in 2020.

As we look forward into the current year, we expect our Leasing business to have comparable year-over-year financial performance, as modest fleet growth and improved maintenance cost efficiency from utilizing our internal network are expected to mostly offset the potential headwinds from renewing lease rates. We expect our Rail Products business to deliver better operating results in 2021 as we enhance the value of outsourced fabrication activities and implement more production automation, against a backdrop of another challenging year for deliveries. When combined with additional cost savings initiatives in place, we expect earnings to improve from last year while still reflecting a challenging market environment in 2021.

*See footnotes for reconciliation of Non-GAAP measures

RAILCAR MARKET OUTLOOK

Despite a challenging industry backdrop, there are many encouraging signals for improving demand for railcars in the coming year and beyond. The most encouraging indicator is that railcar loadings, which are closely tied to US economic output, have largely recovered from the decline over the first half of 2020. The strongest rebound has been in agricultural and consumer-related markets, while railcar loadings for energy-related commodities, like crude and coal, continue to lag the recovery but are also improving as the impact of economic shutdowns eases.

Additionally, railcar utilization is continuing to steadily improve. Over 125,000 railcars have returned to service or have been scrapped since the peak of railcars in storage last summer. We estimate over 50,000 railcars were scrapped in 2020, resulting in the first year of industry fleet contraction in over a decade. We expect additional scrapping is likely to continue as steel prices remain high, which should continue to reduce excess supply. While the industry railcar storage rate of 24% remains above the five-year average, the improving trend is a relevant indicator for the health of the railcar industry.

Market uncertainty as it relates to COVID-19 remains the predominant story. Ultimately, as supply-demand fundamentals come more into balance, we expect a positive impact to lease rates. Industry forecasts currently project a pick-up in demand to occur in the second half of 2021. Our customer inquiry levels align with these expectations as lease fleet utilization has remained stable through the beginning of the year, and we are seeing some improvement in lease rates following the sharp declines that occurred through 2020. Lastly, while orders for new railcars remain low given the excess supply, we are seeing a significant increase in the number of inquiries from shippers and Class 1 railroads for available railcar equipment. While it is premature to estimate when these inquiries will lead to improvement in lease utilization, rates, and new railcar orders – it is a very positive sign for a rail market recovery.



COMMITMENT TO OUR CORE VALUES AND SUSTAINABILITY

Trinity has a long-standing commitment to high ethical standards, diversity, sound governance, and resource stewardship – these have been foundational elements to our core values. In 2020, we redefined our mission under the purpose statement of “Delivering Goods for the Good of All” and aligned our business values and organization with this intention.

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Trinity also recognizes the challenges posed by climate change. Our business is committed to contributing to a more resource-efficient economy and embedding climate change mitigation into our business strategy to help confront challenges faced in the areas of energy management, fuel economy and efficiency, and materials sourcing. Along with our 2020 Annual Report and Shareholder Letter, we are proud to publish our inaugural Corporate Social Responsibility Report, which focuses on our ESG efforts and commitment to sustainability. While we are proud of the progress we have made in 2020 on our ESG journey, we are even more excited as we continue our path toward long-term integration of ESG principles across our business. Over the next year, we expect to build upon these efforts and complete our first questionnaire as part of the CDP global environmental disclosure system. We look forward to sharing more over 2021 across a number of these important initiatives.



CLOSING REMARKS

We strongly believe that Trinity has never been better positioned to enhance shareholder value. 2020 was clearly a challenging year, but it will likely be a year that we look back on as an important milestone in our strategy to accelerate the financial performance of the Company.

The entire Company is eager to further demonstrate the positive results of the strategy put in place over 2020 on our future financial performance.

Our commitment to generating strong returns and cash flow, and the actions underway to drive those improvements, position Trinity extremely well to add value for shareholders. As we noted in last year's shareholder letter, Trinity has staked its reputation on delivering premier performance, and the entire Company is eager to further demonstrate the positive results of the strategy put in place over 2020 on our future financial performance. Trinity aims to Deliver Goods for the Good of All in the coming years, and we thank each of our stakeholders – and especially you, our shareholders – for your support in 2021 and beyond.

Leldon E. Echols

Chairman of the Board

E. Jean Savage

Chief Executive Officer and President

Tables for Non-GAAP Reconciliation

Reconciliation: Adjusted EPS

	Year Ended December 31, 2020							
	GAAP	Impairment of long-lived assets – Controlling Interest ⁽¹⁾⁽²⁾	Impairment of long-lived assets – Noncontrolling Interest ⁽³⁾	Pension plan settlement ⁽¹⁾	Restructuring activities ⁽¹⁾	Early redemption of debt ⁽¹⁾	Income tax effect of CARES Act	Adjusted
	Operating profit (loss)	\$ (124.5)	\$ 315.1	\$ 81.3	\$ -	\$ 11.0	\$ -	\$ -
Income (loss) from continuing operations before income taxes	\$ (494.5)	\$ 315.1	\$ 81.3	\$ 151.5	\$ 11.0	\$ 5.0	\$ -	\$ 69.4
Provision (benefit) for income taxes	\$ (268.4)	\$ 73.0	\$ -	\$ 34.9	\$ 2.6	\$ 1.2	\$ 180.4	\$ 23.7
Income (loss) from continuing operations	\$ (226.1)	\$ 242.1	\$ 81.3	\$ 116.6	\$ 8.4	\$ 3.8	\$ (180.4)	\$ 45.7
Net income (loss) attributable to Trinity Industries, Inc.	\$ (147.3)	\$ 242.1	\$ -	\$ 116.6	\$ 8.4	\$ 3.8	\$ (180.4)	\$ 43.2
Diluted weighted average shares outstanding ⁽⁴⁾	115.9							117.2
Diluted income (loss) from continuing operations per common share attributable to Trinity Industries, Inc.	\$ (1.27)							\$ 0.37

⁽¹⁾ The effective tax rate for impairment of long-lived assets, pension plan settlement, restructuring activities, and the early redemption of debt is before consideration of the CARES Act.

⁽²⁾ Excludes \$81.3 million of non-cash impairment of long-lived asset charges associated with the noncontrolling interest recorded in the second quarter of 2020.

⁽³⁾ Represents the portion of the non-cash impairment of long-lived asset charge attributable to the noncontrolling interest, for which Trinity does not provide income taxes.

⁽⁴⁾ GAAP diluted weighted average shares outstanding excludes 1.3 million shares for the year ended December 31, 2020 since the Company was in a net loss position. When adjusting for the items above, these shares become dilutive.

We have supplemented the presentation of our reported GAAP operating profit (loss), income (loss) from continuing operations before income taxes, provision (benefit) for income taxes, income (loss) from continuing operations, net income (loss) attributable to Trinity Industries, Inc., diluted weighted average shares outstanding and diluted income (loss) 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 restructuring activities, impairment of long-lived assets, pension plan settlement, early redemption of debt, the income tax effects of the CARES Act, and certain other non-recurring 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 non-recurring items. 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.

Tables for Non-GAAP Reconciliation Cont.

Reconciliation: Free Cash Flow

	Year Ended
	December 31, 2020
	(in millions)
Net cash provided by operating activities – continuing operations	\$ 651.8
Add:	
Proceeds from railcar lease fleet sales owned more than one year at the time of sale	138.7
Adjusted Net Cash Provided by Operating Activities	790.5
Less:	
Capital expenditures – manufacturing and other	(102.3)
Dividends paid to common shareholders	(91.7)
Free Cash Flow (before Capital expenditures – leasing)	596.5
Less: Equity CapEx for new leased railcars (<i>table below</i>)	(483.7)
Total Free Cash Flow After Investments and Dividends	\$ 112.8
Capital expenditures – leasing, net of sold lease fleet railcars owned one year or less	\$ 602.2
Less:	
Payments to retire debt	(1,442.9)
Proceeds from the issuance of debt	1,561.4
Net proceeds (repayments) of debt	118.5
Equity CapEx for new leased railcars	\$ 483.7

Total Free Cash Flow After Investments and Dividends ("Free Cash Flow") is a non-GAAP financial measure and is defined as net cash provided by operating activities from continuing operations as computed in accordance with GAAP, plus cash proceeds from sales of leased railcars owned more than one year at the time of sale, less capital expenditures for manufacturing, dividends paid, and Equity CapEx for new leased railcars. Equity CapEx for new leased railcars is defined as leasing capital expenditures, net of sold lease fleet railcars owned one year or less, adjusted to exclude net proceeds (repayments) of debt. We believe 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. 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.