TRINITY INDUSTRIES (TRN)

THESIS & HIGHLIGHTS

Recommend BUY at $35.82 per share, with 31% upside potential. We believe TRN is undervalued despite the ongoing oil slump and much-publicized highway guardrail litigation.

Strong Q4 2014 new orders of 17,770 railcars drove backlog value to unprecedented $7.2 billion, and reduce operational uncertainty for next 2-4 years of operations. Backlog for the Energy and Barge groups also grew to $473 million and $438 million respectively. **These *firm and non-cancellable* orders across all groups reduce demand uncertainty** and will drive efficiency gains as the company continues to optimize its production lines to a known order set.

Trinity Rail is the market leader in freight cars in additional to tank cars**,** and offers a diversified, comprehensive lineup. A lull in tank car orders following oil uncertainty will be offset by two components: increased orders once HM-251 tank car safety regulations are finalized, and a sharp rebound in freight car and other car orders as old fleets are replaced amidst broadening demand for commodities transport by rail.

New tank car regulations will increase demand of new cars and modifications to existing cars, potentially driving 2,000 to 4,000 new tank car orders 2015, and more replacements subsequently.

Positive crash test results in Trinity pending litigation case certifies the ET Plus highway guard rail system, clearing the litigation cloud and allowing cash currently set aside to be redeployed for growth and resumption of share repurchases. Diversified business segments provide cushion to absorb any losses in the Construction Group, which only contributes 9% to sales. Nevertheless, current cash on hand is robust enough to withstand a worst case full payout.

Price Target	$46.90
% Change	31%
52 Week Range	24.41 - 50.77
Last	35.82
Market Cap	$5.57 B

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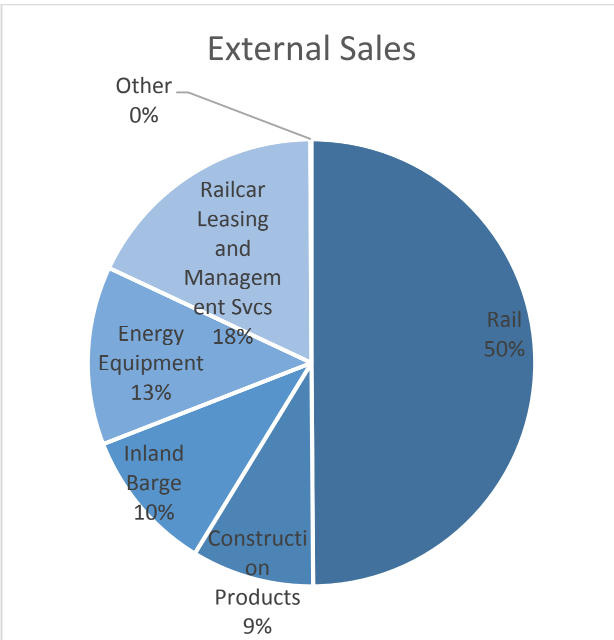
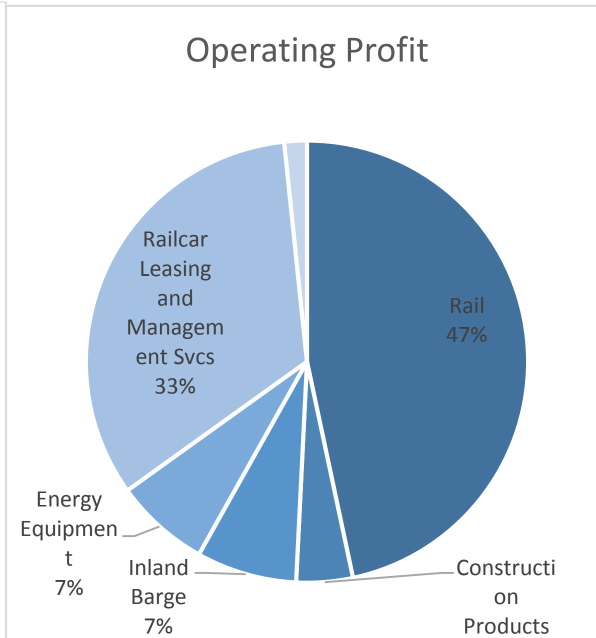
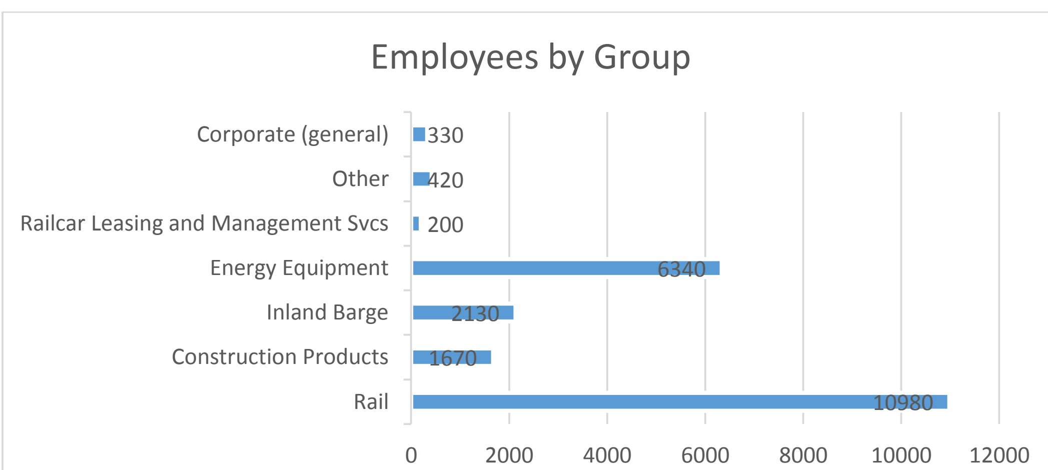
COMPANY OVERVIEW

BUSINESS OVERVIEW

Trinity Industries, Inc. provides industrial products and services for large volume transportation. It is divided into the following segments: rail manufacturing, railcar leasing and management, inland barge, energy equipment, and construction products. Trinity is the dominant manufacturer of railcars, having delivered 44% of total North American railcars in the year ending 2013. Trinity has the most diverse business segments out of all companies in the freight car manufacturer industry, and its rail group is responsible for 48% of total revenues, while the leasing, barge, and other segments comprise 10 to 20% each. Aside from achieving economies of scale from its size and a diversified set of business segments, Trinity is the dominant manufacturer of unpressurized tank railcars. Headcount in the energy equipment group has seen the most growth in the past five years, where the group is a key growth driver in offering different products.







SUPPLIERS AND COST

Supply costs comprise 60% of Trinity Rail Group's total manufacturing costs for freight cars. The majority is raw steel, which the group uses to manufacture most of the components in its products. We believe the dramatic decline in steel prices will reduce cost of revenue for Trinity's rail and barge groups. Trinity does not hedge against steel price chances, and therefore stands to benefit, particularly compared to peers such as American Railcar Industries, which does hedge its steel prices. Trinity's cost savings will be partly passed on to the customers, but current backlog prices have already been set for the next two years, and competition will not be too intense due to other players' hedging their steel at higher prices. Furthermore, steel's price decline could bolster the profitability of the rail car leasing group, as it continually replaces its fleet through internal purchases from the rail group.

Figure 1: Hot Rolled Steel Spot for April Delivery, Source: CME Group http://www.cmegroup.com/trading/metals/ferrous/hrc-steel.html?optid=2508

The construction group uses natural aggregates where shipment from the query to processing and customer location may be more expensive relative to value of the product itself. In a bid to control these distribution costs, Trinity has vertically integrated upstream with past acquisitions of 14 mining facilities in Texas, Louisiana, Colorado, and California.

For the remainder of specialty components for railcars such as brakes, wheels, and bearings, the supplier mix is increasingly concentrated as former suppliers merged or shut down during the recession.

COMPANY MANAGEMENT AND EXECUTIVE INCENTIVE COMPENSATION

Executive compensation is largely performance based, with 70%-80% of both annual and long term compensation paid on the basis of company performance.

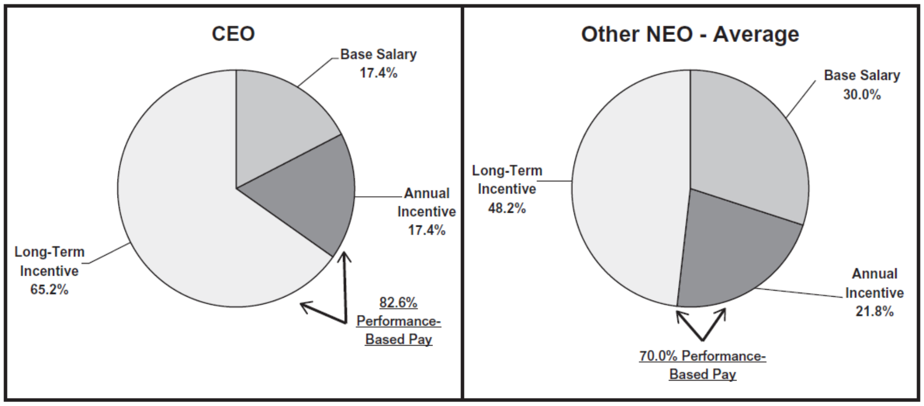


Figure 2: Compensation Allocation. Source: Trinity 2015 Proxy Statement

The company uses Earnings per Share (EPS) as the sole metric to measure performance-based compensation. Furthermore, the company has a maximum EPS limit where compensation does not increase after meeting the limit. The maximum limit reduced the incentive to take large risks in any given year. We believe that the EPS performance measure is consistent with the concern of the shareholder and leads to good governance. This contributes to our view that future return on equity growth is sustainable and should not come from undue risk-taking, such as increasing leverage.

INSIDER TRADING

Over the prior year, some insiders have been selling shares. During the year, managment sold $31 million in in shares, significany higher than the $12 million that were sold in 2013. The sales may be explained by the higher share price as it reached levels that have previously been seen only in 2008, when the total proceeds from sales were $160 million.

We are not concerned about the share sales at this point. Although sales are increasing, they are still not at the levels that were seen in 2006 and 2008 preceding a large cyclical fall in revenue..

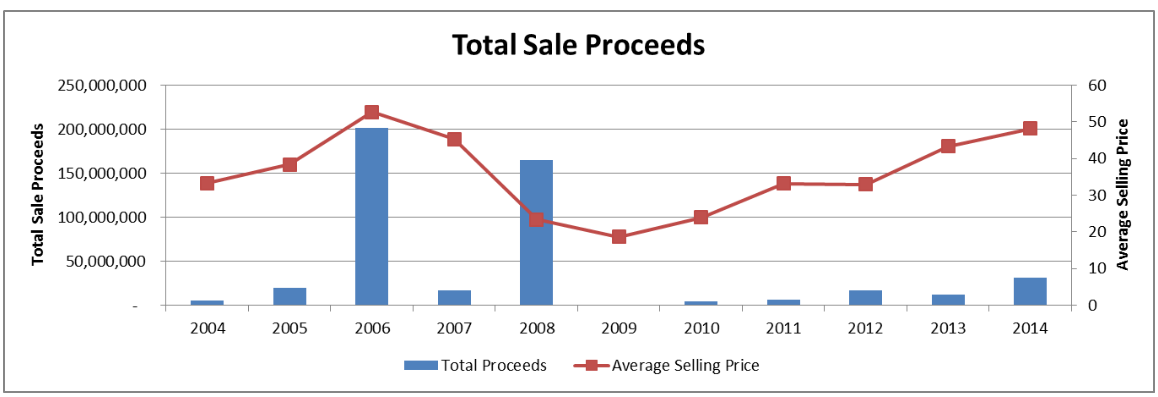
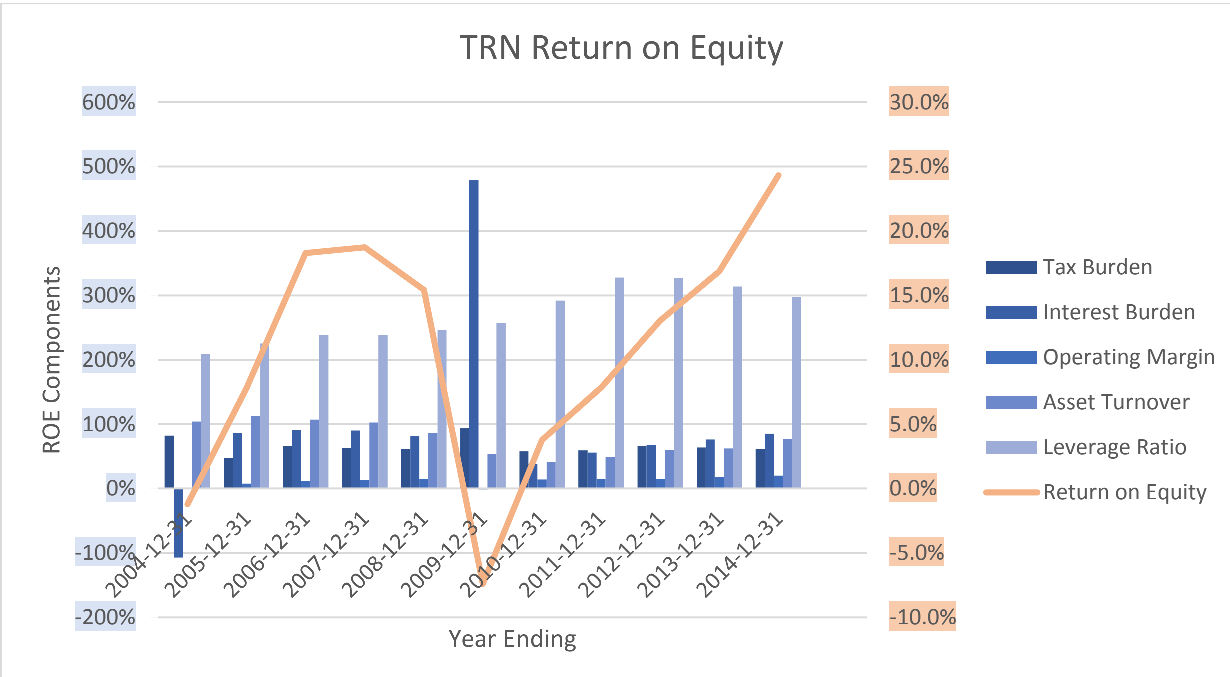


Figure 3: Source: Insidercow.com

OPERATIONS

RETURN ON EQUITY

The recent increase in ROE is healthy and sustainable, as it can be attributed to a combination of improving operating margins and increasing asset turnover, which is a sign that management is succeeding in improving factory efficiency.



The total leverage ratio, while increasing from 2x to 3x over the past decade, has shown signs of stabilizing since 2012, as Trinity's cash generation was more than sufficient for financing operations and growth during a time of rapid demand increase across all segments. Trinity uses revolving credit facilities to finance the majority of its capital.

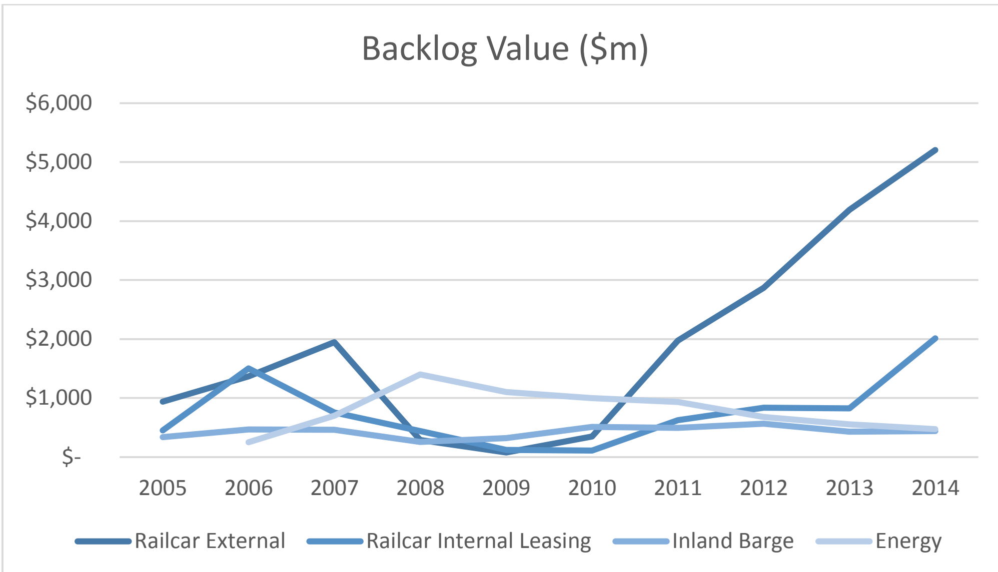
Deal Type	Close Date	Security Type	Amount Raised
Note/Bond	25 Sep '14	Corporate	400.0
Revolver/Standard	17 Jun '13	>364-Day Revolver	1,000.0
Revolver/Standard	20 Oct '11	>364-Day Revolver	425.0
Revolver/Standard	29 May '09	>364-Day Revolver	475.0
Delayed Draw/Multi-Draw Term Loan	09 May '08	Term Loan	572.2
Revolver/Standard	07 Aug '07	>364-Day Revolver	600.0
Note/Bond	07 Jun '06	Corporate Convertible	450.0
Revolver/Standard	20 Apr '05	>364-Day Revolver	425.0
Revolver/Standard	20 Apr '05	<364-Day Revolver	5.0
Note/Bond	09 Feb '05	Corporate Convertible	40.0

Table 1: Sources of capital, past 10 years. Source: FactSet Systems

KEY DRIVERS

RAIL CAR BACKLOG AND DELIVERIES

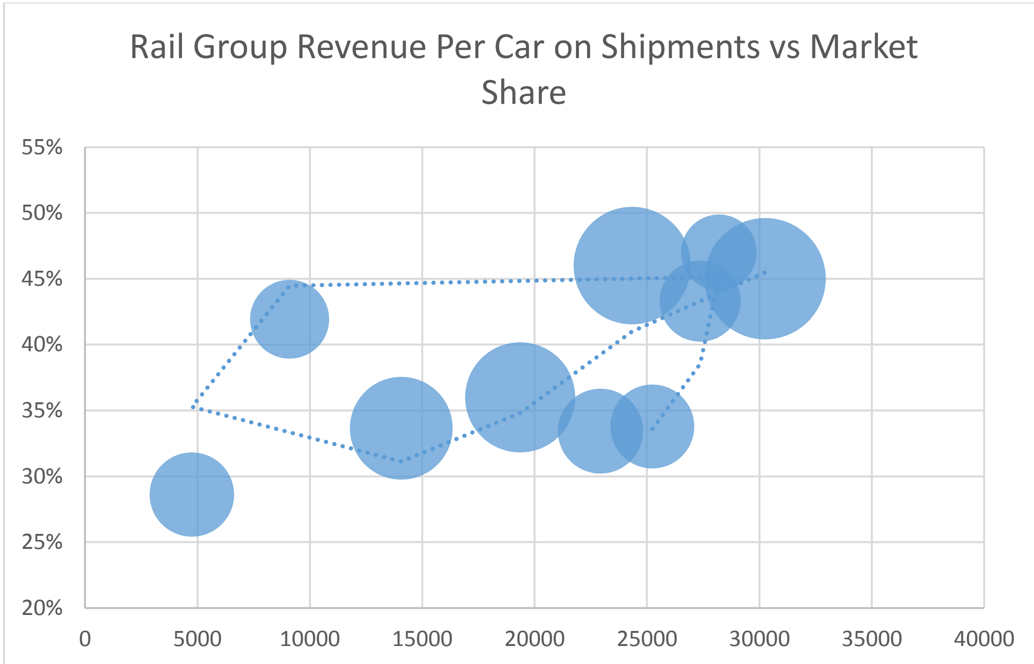
Despite the large $7 billion dollar backlog of rail cars, only a minority are tank cars, with management estimating most of the tank car backlog to be fulfilled by the end of 2015. Given that 2014 revenues were $6.17 billion, this current backlog represents at least a year of revenue waiting to be recognized, not counting for any new orders.



Per company guidance 55% to 57% of the backlogs of all groups are expected to be delivered this year, and the remainder in 2016. Utility construction backlog is not reported by management, as the contracts are cancellable or partly cancellable, unlike those of other groups.

Detailed rail car breakdowns are not publicly disclosed, so we estimate forward rail car orders with a slight decrease in market share from heightened competition, as well as a 15% decrease by 2020 in profit per rail car, from competition and from fewer sales of lucrative tank cars. However, we do not expect profitability to decline to recession levels as sustained demand (discussed below) for freight car transportation will continue to buoy the market.

The figure below plots market share against total shipments. Trinity's revenue per car has actually improved gradually over the past decade, independent of shipment count and market share. The dotted line shows the 24 month moving average, starting with a high number of deliveries, dipping to the left with low deliveries during the recession, and later back into high deliveries, revenue per car is only $64,000 during a time where 22,900 shipments were made by Trinity. However, by 2013, at a time of comparable shipments, revenue per car nearly doubled to $117,000.



CONTINUED STRONG AND GROWING DEMAND FOR RAIL TRANSPORT

Despite fears of a slump in US oil production, rail traffic for oil and oil products has remained consistent with last year, near all-time highs. Ultimately, existing wells have continued to produce, and the effects of oil's price crash have been limited to a decrease in new well exploration and excavations rather than stopping current production and therefore shipping requirements. Given current production volumes, transportation volumes may remain close to historical highs, given the backdrop of slow-to-completion pipeline expansions and lack of other viable shipping alternatives. For more information on industry oil transport forecasts, please refer to the railcar industry report.

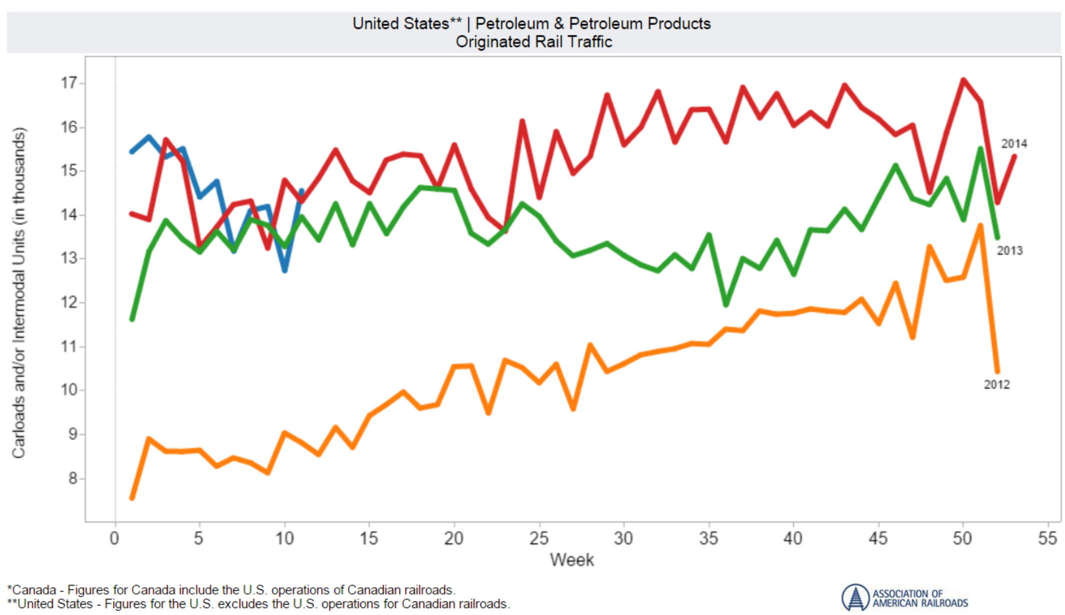


Figure 4: Petroleum and Petro Products US Traffic. Source: Association of American Railroads

At the same time, freight shipments in agricultural products have been growing, with grain shipments markedly higher for the first quarter of this year, on a seasonally-adjusted basis. While the price of diesel has not fallen as much as that of gasoline, the decrease has helped rail transport become more attractive nonetheless, particularly in areas such as grains, which are predominantly transported via rail versus trucking. Our projections of hopper cars and other dry goods vehicles increase modestly in line with continued strong demand for shipping and the replacement cycle for each type of car, to be discussed in the rail car forecasts section.

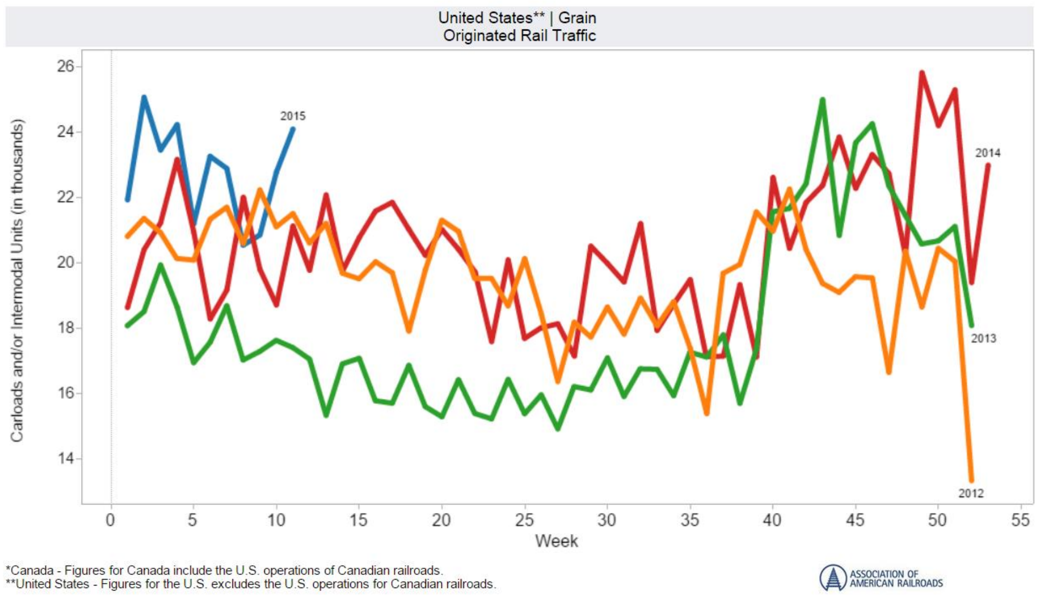


Figure 5: Dry grain freight traffic. Source: Association of American Railroads

TANK CAR REGULATION

Anticipated regulations requiring safer tank cars will require owners to retrofit or replace the current fleet. As retrofits will be uneconomical for about 30,000 older cars, owners will be forced to write-down car assets and scrap cars, possibly by as early as 2017. Given GBX's current estimated 40% market share in tank cars, the regulations would result in 12,000 additional tank car builds starting in 2017. These railcars are unlikely already included in the backlog given the significant uncertainty surrounding new regulations.

In some circumstances, GBX would capture a higher share of new deliveries, depending on the regulation. Greenbrier is the only company that is already manufacturing a tank car with a 9/16th in steel shell. If the regulations include this requirement (one of three proposals issued by the DOT), GBX would receive a greater share of orders given their proven capabilities. The company currently has 4,000 orders for this type of tank car.

REPLACEMENT CYCLE

The demand for new railcars is derived from both incremental growth of the fleet and replacement of old cars. The industry has recently been focusing on building new tank cars and hoppers for the fracking industry. However, given a consistent level of rail traffic, railcars will need to be replaced as they become unusable. Railcars generally have a useful life of about 40 years. Since 2004, the average age of the US railcar fleet has been around 20 years[1].

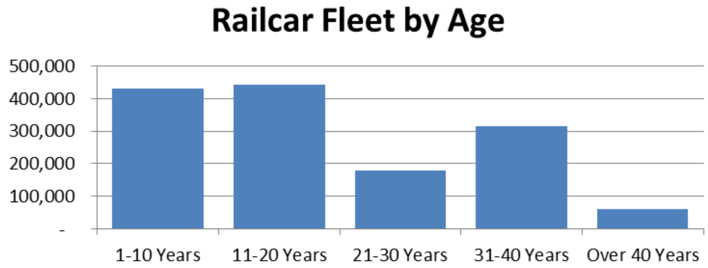


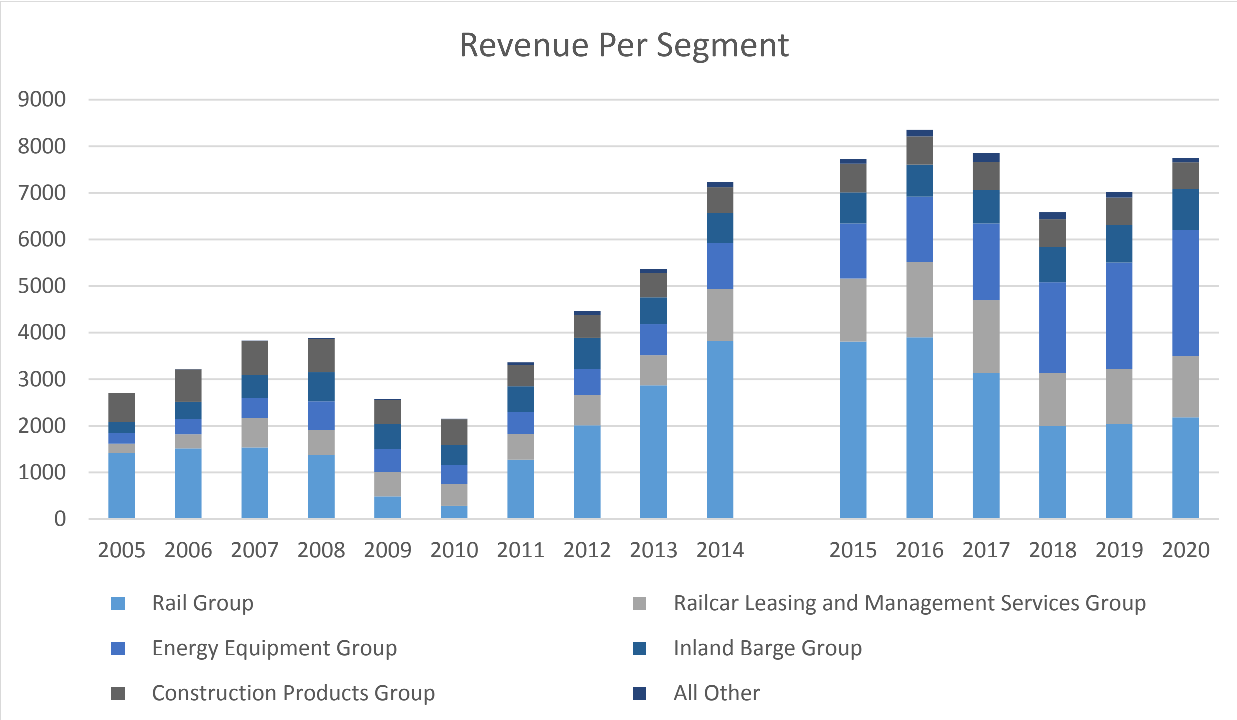
Figure 6: Source: Association of American Railroads

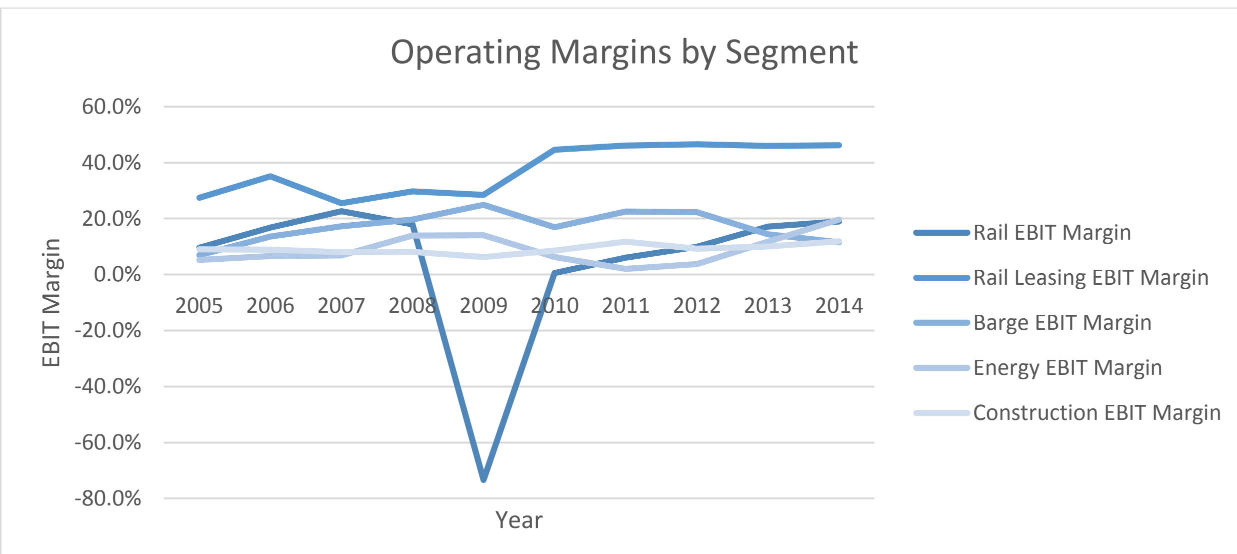
An analysis of the North American railcar fleet shows that a large number of railcars are nearing their retirement age within the next 10 years. The replacement cycle for railcars would support 40,000 in annual deliveries, or about 16,000 for Trinity. In addition, the industry will shift focus from energy-related railcars that were previously fetching premiums to other railcar types that were previously crowded out. Trinity will benefit given their leading market share in dry freight cars.

DIVERSIFICATION

One of Trinity's greatest strengths comes from its strong performance in other non-rail markets, where sales have been steadily increasing even through the past recession. We believe this resilience towards the past full economic cycle reduces overall risk to future broad downturns, in addition to reducing the shocks to the strongly cyclical nature of rail car demand. While we predict revenue may fall for the rail group due to heightened competition and less sales of lucrative tank cars, total sales across the company will remain strong. We discuss these assumptions in the valuation section.

[1] http://www.progressiverailroading.com/mechanical/article/Rail-car-and-locomotive-statistics-Fleet-Stats-2014--40971





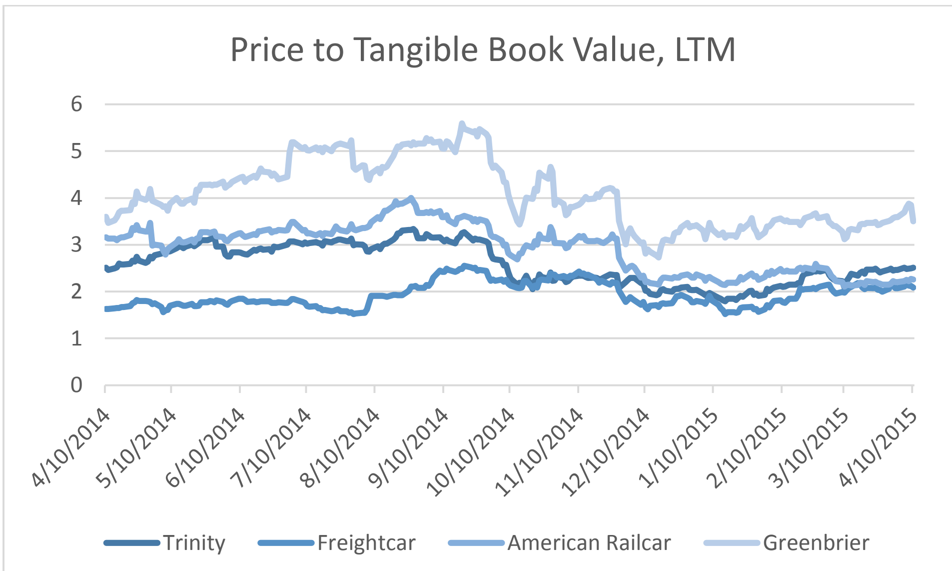
Similarly, operating margins across segments have been stable or improving even through 2008 and 2009, bolstered by the relative price insensitivity of utilities and infrastructure services and products provided by the construction and energy groups.

PENDING LITIGATION – CONSTRUCTION GROUP ET PLUS GUARD RAIL SYSTEM

Trinity Construction Group manufactures highway guard rail systems, including an end unit designed to safely slow cars in the case of a collision with the guard rail. Litigation is ongoing following an October 20, 2014 whistleblower case where a former employee alleged that the company made changes to the product since 2005 without disclosing them to regulators. The allegation is that the guard rail terminals failed as a result, and were responsible for at least eight deaths resulting from impalement. The US has over 200,000 systems in place, and all states have stopped installing the ET-Plus product since.

However, as of March 13, crash tests designed to test the current system passed, suggesting the system is still compliant with Federal Highway Administration requirements. The agency further stated that there were no unreported fabrication adjustments, and that all existing systems require no additional modifications.[2]

Trinity has set aside cash over $700 million in anticipation of damages, and has stopped acquisitions, share buybacks, and lowered capital expenditures. In the February 19th annual earnings call, James Perry, CFO, stated that the firm would use the test results as a proxy of litigation outcome, and that favorable test results would signal the company to start deploying its cash towards investments and share buybacks.



Trinity's price to tangible book value has fallen in greater proportion relative to its competitors since news of the highway guard rail broke in October 2014. Since then it has recovered slightly, but still remains close to American Railcar and FreightCar America, both of which are companies with non-dominant. And where FreightCar America has yet to turn a profit since the end of the 2008 recession.

A gauge of market sentiment on the probability of the litigation payout is drawn from Trinity's disproportionate decline in price to tangible book value between October 5th and the November 15th, as news of the jury case results and estimates of a $700 million costs and damages payout was disseminated. The other three companies in the industry saw a 15.6% decline in price to tangible book value on a market cap weighted basis, whereas Trinity's price to tangible book declined 23.4%, or 7.8% more than the industry average excluding Trinity. Had Trinity's price to tangible book value declined in line with the industry average of 15.6%, then it would have fallen from 3.03 to 2.57, instead of 1.94. Removing cash from assets to increase Trinity's October end ratio from 2.32 to 2.57 requires total tangible assets of $6678 million instead of $7398 million of declared assets on the balance sheet, a $720 million decrease. Compared to estimated litigation costs of $775 million in an unfavorable outcome, this represents a 93% chance of a bad outcome from market behavior against the industry when the news first broke.

[2] Bloomberg News. 11 March 2015. http://www.bloomberg.com/news/articles/2015-03-11/trinity-cleared-of-guardrail-cover-up-by-u-s-road-safety-agency

We believe this is an upper bound, as the decrease in price reflects decreased future cash flow generation potential, and not a single cash subtraction holding everything else constant.

To get an estimate for market sentiment today, we extend this estimation further into March 31st, after the announcement of all crash tests passed. Here, we see a 17.8% decline in price to tangible book value from October 1 2014 to March 31, 2015, against an industry average 28.5% decline. Since Trinity's price to tangible book declined less than the market's over this period—owing in large part due to gains after preliminary test results were announced in February—holding other factors constant, the market price movement implies that there is a less than 0% probability of the cash set aside by the company needing to be paid out for litigation.

Therefore, given recent developments, we estimate a base case where the majority of the set-aside cash will be usable, with part of it going into improving production efficiency through capital expenditures. Given that the case has garnered such negative publicity which exacerbated the original October 20th jury finding, there may still be a non-trivial of a final settlement unfavorable to Trinity. In our valuation, we assume an 80% chance of favorable settlement where Trinity's only expenses are legal and administrative fees, and 20% chance of unfavorable results that result in full damages payouts. We also assume a continued delay in the Trinity Construction group's profitability to return to past norms, as states continue to hold off on new installations or potentially seek other suppliers.

To test the extremes of valuation, a sensitivity analysis is below, showing the impact of no payout to full payout to cash flows and profitability and growth prospects. In the event of a full payout, current cash set aside would not be usable to resume share repurchases and acquisitions in the energy segment. In such a scenario, we forecast a bear case of zero revenue growth for 2015. We also forecast another middle case where the chances of losing litigation are higher at 50%, reducing revenue growth and increasing the expected payout. The results show little sensitivity of overall valuation to the cash payment itself, but that the company's ability to spend that cash will affect future profitability and cash flow generation potential, which are in turn the key drivers to the final valuation.

Scenario	Key Drivers	Valuation
Bear: full $775m litigation payout	No revenue growth in 2015, 2016, $775 million payout in 2016	$29.40
50% chance payout	Expected payout of $775/2, revenue growth halved from base case in 2015, 2016	$38.70
No payout	Full 2015 revenue growth	$47.85

Our overall valuation remains bullish, as we believe the market has not yet priced in the effects of stricter tank car regulation, and lower costs from production line optimization in the rail car and energy manufacturing sectors. Even in a case of full litigation payout and subsequent lessening of revenue growth for the next two years, the downside is limited compared to the current share price.

VALUATION

METHODOLOGY

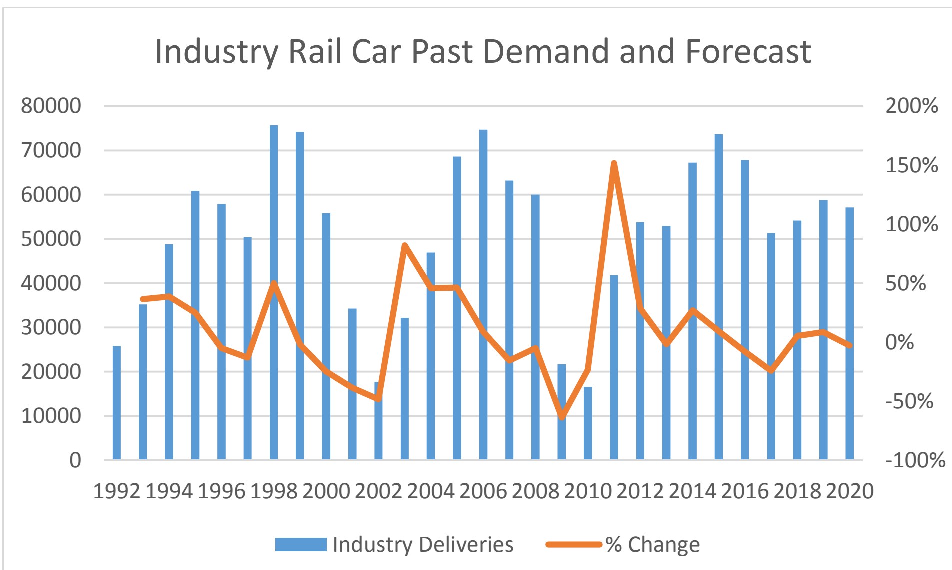
We evaluate the fair value by discounted cash flow analysis of each of Trinity's segments, with projected income, balance, and expenditures through 2020. Please refer to the appendices for our analysis and detailed breakdown of assumptions.

RAIL CAR FORECASTS

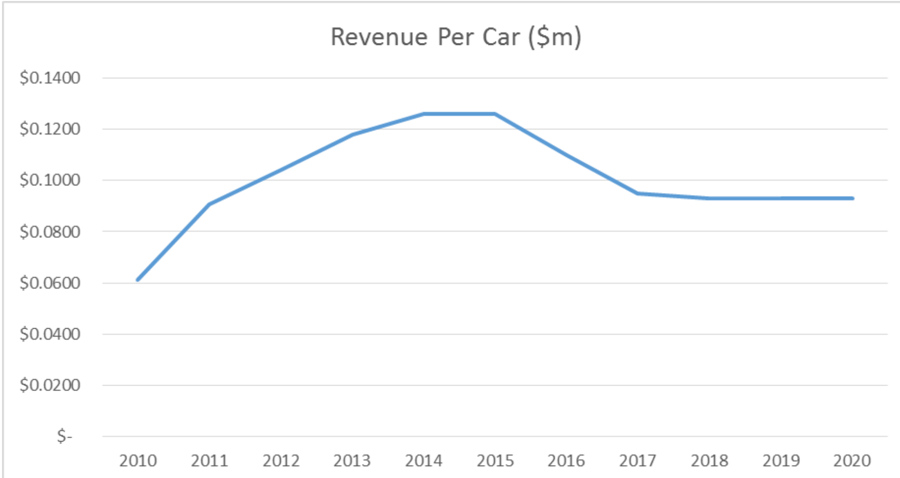
We use our industry rail car forecasts, combined with key drivers in tank car replacement, market share projections, and revenue per car projections to estimate the rail car segment shipments to external customers and subsequent revenues. Industry deliveries are estimated in our North America Rail Car Manufacturing Industry Report.

Deliveries	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Box Car										692	761.2	5785.7535	5988.2549	6197.8438	6197.8438	6197.8438
Covered Hoppers										20332	22365.2	29848.8	14427.569	14932.534	14932.534	13575.031
Open Hopper										719	790.9	4656.3615	4819.3342	4988.0108	4988.0108	4988.0108
Gondolas										3243	3241	4075.7472	6327.5975	6549.0634	6549.0634	5093.716
Flat Car										6949	7643.9	8408.29	11771.606	16480.248	23072.348	24225.965
Tank Car										35293	38822.3	15000	8000	5000	3000	3000
Total	68600	74700	63200	60000	21700	16600	41800	53800	52900	**67228**	**73624.5**	**67774.952**	**51334.362**	**54147.7**	**58739.8**	**57080.567**
TRN Share	33%	34%	43%	47%	42%	29%	34%	36%	46%	45%	42%	42%	41%	40%	40%	40%
TRN Shipmei	22930	25240	27370	28200	9100	4750	14065	19360	24335	30255	30922.29	28465.48	21047.088	21659.08	23495.92	22832.227
TRN Revenu	$ 1,418.3	$ 1,516.9	$ 1,540.0	$ 1,381.0	$ 485.2	$ 289.7	$ 1,274.7	$ 2,013.0	$ 2,867.5	$ 3,812.1	$ 3,896.2	$ 3,131.2	$ 1,999.5	$ 2,036.0	$ 2,185.1	$ 2,123.4
Revenue Per	$ 0.0619	$ 0.0601	$ 0.0563	$ 0.0490	$ 0.0533	$ 0.0610	$ 0.0906	$ 0.1040	$ 0.1178	$ 0.1260	$ 0.1260	$ 0.1100	$ 0.0950	$ 0.0940	$ 0.0930	$ 0.0930

Furthermore, we calculate Trinity's deliveries by forecasting their market share of the entire railcar industry. We assume the company's market share declines slightly to 40% as the market will shift away from energy-related cars where Trinity has enjoyed an absolute lead. Greenbrier's focus on tank cars and policymaker lobbying puts them at an advantage to gain market share, as they have a repair and maintenance group poised to service existing cars, as well as more integrated subsidiaries that manufacture rail car parts.



We also forecast the revenue per railcar to calculate a final revenue number for the segment. We believe that the revenue per railcar will peak in 2015 as the company will start to produce more freight cars and fewer high margin tank cars in the coming years. In addition, Trinity's pricing power will decline as the industry demand begins to weaken.



Aside from selling to external customers, the leasing group buys a fraction of the rail cars Trinity manufactures, and Trinity will benefit as manufacturing costs decrease as a result of ongoing investment in efficiency. As shown in the appendix, we believe cost of goods sold as a percentage of sales will decline toward 71% from today's 79%, as a result of manufacturing fewer tank cars, toward a mix of simpler non-tank cars, as well as production line optimization as the entire production backlog for the next two years is known.

OTHER SEGMENT FORECASTS

The railcar leasing group has enjoyed rapidly growing sales, even throughout the recession. The past decade has seen a steady CAGR of 18% in sales, as well as operating margins increasing from 27% to 46%. The group's recent fleet build-out and refresh will taper off starting this year as tank car transportation growth tapers. This reduced spending will improve profitability starting with this year. Therefore We project a 54% cost of leasing relative to revenue, to remain stable despite total sales growth, vs 58% cost last year and 51% in 2013.

The energy group is a leading manufacturer of wind towers, selling directly to wind turbine producers. The group also manufactures pressurized and unpressurized energy containers for storing oil and liquefied natural gas with storage capacities from 9 gallon vehicle fuel containers to 1.8 million gallon long term storage tanks. This group is the second largest in headcount, with more than a quarter of the company's employees. The factors area is also second largest behind the rail group, and is currently operating at 85% capacity utilization. Given the current glut in the supply of oil, U.S. stockpiles of crude is at the highest level in the past 80 years, filling 70% of national storage capacity.[3] Trinity is in a favorable position to capitalize on overflowing crude oil storage containers in the us as oil producers continue to generate output. Combined with a continued rollout of new turbines, we believe the energy group's growth is sustainable into the next five years.

We forecast barge shipments to increase with the previous trend per year for the next five years, due to favorable demand for chemical and petrochemical transportation in the long term. Management has adjusted the product mix from barges serving oil and gas markets to these chemical barges. These barges are technologically simpler and cheaper to produce. Similarly we project agricultural demand for hopper rail cars to spill over into demand for hopper barges as well, as operators seek to capture more of this market.

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[3] Friedman, Nicole. Wall Street Journal. Oil Glut Sparks Latest Dilemma: Where to Put it All. 5 March 2015. http://www.wsj.com/articles/oil-glut-sparks-latest-dilemma-where-to-put-it-all-1425577673. Accessed 1 April 2015

BALANCE SHEET AND EXPENDITURES OUTLOOK

Cash is forecast to decrease from 16% revenue to 12% revenue this year, as management starts spending the $800 million previously set aside in case the litigation were unfavorable. We project inventories and other short term assets to remain closely proportional to revenues as they have in the past, and used the ten year average percentage of revenues of each item. We do not expect Trinity to accelerate its issuance of debt; rather we project a constant long term debt to asset ratio through 2020 at 58% total assets.

DISCOUNTED CASH FLOW

VALUATION

For WACC assumptions, we use a market risk free rate is based off the past five years of 10 year US Treasury bond returns. The beta calculation methodology is explained in the appendix. Using a tax rate of 30% based on historical effective taxes paid, we estimate a WACC of 7.36%.

Tax Rate	**30%**
Cost of Debt	3.50%
Risk Free Rate	2%
Market Rate	6%
Beta	2.12
Cost of Equity	10.5%
Value of Debt	3553
Share Price	35.82
Shares Outstanding	155.6
Value of Equity	5573.592

With the above-mentioned assumptions, we project out a full income and balance sheet, and combine with expenditures and depreciation projections to estimate future free cash flow for the next six years.

Free Cash Flow Analysis												
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	***2015***	***2016***	***2017***	***2018***	***2019***	***2020***
EBIT	(30.7)	303.8	426.8	574.8	772.9	1,251.0	*1,314.7*	*1,552.3*	*1,549.7*	*1,281.3*	*1,356.8*	*1,502.7*
Taxes	(9.4)	40.9	92.2	134.0	204.4	354.8	*394.4*	*465.7*	*464.9*	*384.4*	*407.0*	*450.8*
NOPAT	(21.3)	262.9	334.6	440.8	568.5	896.2	*920.3*	*1,086.6*	*1,084.8*	*896.9*	*949.8*	*1,051.9*
Depreciation and Amortization	160.8	189.6	187.7	193.7	211.5	244.6	*205.3*	*218.4*	*205.1*	*178.7*	*189.4*	*214.3*
Decrease (Increase) in Working Capital		27.5	(269.3)	21.0	(93.1)	(123.6)	*140.1*	*43.7*	*20.3*	*59.0*	*(10.4)*	*(20.7)*
Net Capital Expenditures	(115.3)	(170.3)	(243.2)	(326.1)	(595.7)	(175.8)	(364.4)	(838.6)	(470.0)	(384.5)	(437.5)	(621.8)
Free Cash Flow		**309.7**	**9.8**	**329.4**	**91.2**	**841.4**	**901.2**	**510.2**	**840.2**	**750.1**	**691.2**	**623.7**
PV of Free Cash Flow							*$ 839.46*	*$ 442.62*	*$ 678.99*	*$ 564.58*	*$ 484.61*	*$ 407.31*

Given Trinity's BB-rated public debt, we use industry debt rating table to assign 3.5% as the cost of debt. Using a five year beta of 2.12, and a terminal growth rate of 1.5%, we arrive at a firm value of $9.9B, with an equity valuation of $7.4B or $46.90 per share. This *r*epresents an upside of 31% from the current share price. The investment time horizon is 9 to 12 months, and total shares outstanding by 2015 year end is adjusted up to reflect historical growth of 2% per year.

Present value of projected FCF	**$3,417.58**
Present value of terminal cash flows	$6,571.04
Present value of total cash flows	$9,988.61

Value of debt	$3,553.00
Value of cash	$962.90
Value of equity	**$7,398.51**
Shares outstanding	158.10
Value of equity per share	**$46.80**

COMPETITORS

Using a 7.5x EV/EBITDA multiple, and Trinity's current EBITDA of $1,402 million yield an enterprise value of $10,515 million or equity value of $46 per share.

Name	Fiscal Period	Price	Shares Outstanding	Market Cap	EV	Sales	EBIT	EBITDA	EV/ EBIT	EV/ EBITDA
Trinity Industries	**12/31/2014**	**35.82**	**155.7**	**5,575.7**	**8,332.6**	**6,170.0**	**1,157.6**	**1,402.2**	**7.20x**	**5.94x**
Average		**47.86**	**20.0**	**1,031.8**	**1,237.5**	**1,222.6**	**151.7**	**180.5**	**14.77x**	**8.39x**
Median		**51.72**	**21.4**	**1,104.3**	**1,418.0**	**733.0**	**169.9**	**204.1**	**8.35x**	**6.95x**
American Railcar Inds	**12/31/2014**	**51.72**	**21.4**	**1,104.3**	**1,418.0**	**733.0**	**169.9**	**204.1**	**8.35x**	**6.95x**
FreightCar America	**12/31/2014**	**30.32**	**12.1**	**367.2**	**199.7**	**598.5**	**7.0**	**17.1**	**28.43x**	**11.68x**
Greenbrier	**02/28/2015**	**61.53**	**26.4**	**1,624.0**	**2,094.9**	**2,336.2**	**278.2**	**320.2**	**7.53x**	**6.54x**

CATALYSTS AND RISKS

CATALYSTS

- Trinity holds a high level of cash on hand on balance sheet and much more virtually from backlog and profitability. Management has stopped buying back shares pending results of tests on the role of highway rail guard ET-Plus in failing to operate. Should the resolution be favorable, management has stated a willingness to use this unlocked cash for stock repurchases, growth opportunities, or even a one-time dividend payout. Under the current board authorization expiring in the end of the year, Trinity can purchase $250M in shares. This corresponds with seven million shares at current prices, of which only 747,000 were purchased last year.
- A faster than expected rebound in US oil production or passage of stricter tank car safety requirements could reignite demand for tank cars, adding to sales outside current expectations.
- While factory utilization is near 90% for the rail group segment, any meaningful decrease in inventory turnover will be evidence of more efficient production, and will result in greater-than-expected revenue as the company works through its backlog ahead of time.
- Significant orders for non-energy related railcars will demonstrate the latent demand for other railcars
- The anticipated tank car regulations could be better than expected, requiring more tank car replacements and retrofits

RISKS

- Despite management confidence in a quick litigation resolution in Trinity's favor, the complicated, state-by-state nature of the lawsuits add uncertainty, and the final outcome may be against Trinity despite the Federal Highway Administration's crash test results. This

- While crash tests are favorable toward Trinity's product, the politically-charged nature of the government litigation and huge negative publicity has created a potentially biased jury. There is still a minor chance the litigation outcome may be unfavorable
- Trinity will lose market share as competition for tank and covered copper cars continues to increase
- Regulatory action concerning safer tank cars, currently expected to come out in May, may again be delayed due to significant disagreements in the Department of Transportation over scope and technology requirements.
- Regulations regarding tank car safety would favor shippers and not require significant retrofits. This would decrease the number of required retrofits and retirements.
- Customers finance purchases through a combination of third party or Trinity-provided credit. Any significant increase in rates or decrease in access to credit markets may result in less sales or even defaults on promised payments.

APPENDIX

COMPANY FINANCIALS AND PROJECTIONS SUMMARY

Assumptions for all summary projections are contained in the Income, Balance, and Expenditure Forecasts.

Financials *$ Millions* Fiscal Year Ending 12/31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Income Statement												
Revenue	2,575.2	2,155.5	2,938.3	3,811.9	4,365.3	6,170.0	7,728.8	8,357.6	7,862.8	6,587.0	7,021.6	7,750.1
% Growth		-16%	36%	30%	15%	41%	25.3%	8.1%	-5.9%	-16.2%	6.6%	10.4%
COGS	2,095.0	1,689.6	2,357.5	3,051.5	3,322.3	4,619.8						
% of Revenue	81%	78%	80%	80%	76%	75%						
Gross Profit	480.2	465.9	580.8	760.4	1,043.0	1,550.2						
Gross Margin												
SG&A + General Overhead	510.9	162.1	154.0	185.6	270.1	299.2						
% of Revenue	20%	8%	5%	5%	6%	5%						
Operating Income EBIT	(30.7)	303.8	426.8	574.8	772.9	1,251.0	1,314.7	1,552.3	1,549.7	1,281.3	1,356.8	1,502.7
Other Income Expense	(7.5)	6.8	4.0	(4.3)	(2.8)	(4.6)						
Interest Expense (Income)	121.5	180.7	183.8	193.2	185.2	191.5						
Recurring Adjustments Expense (Income)	-	8.0	3.5	(1.5)	16.9	31.1						
Tax Expense (Income)	(9.4)	40.9	92.2	134.0	204.4	354.8	394.41	465.69	464.92	384.38	407.04	450.82
Net Income from Continuing Operations	(135.3)	67.4	143.3	253.4	369.2	678.2						
Net Margin	-5%	3%	5%	7%	8%	11%						
EBITDA	130.1	493.4	614.5	768.5	984.4	1,495.6	1,520.0	1,770.7	1,754.8	1,459.9	1,546.2	1,717.1
EBITDA Margin	5%	23%	21%	20%	23%	24%	20%	21%	22%	22%	22%	22%
Unusual Adjustments Income (Expense)	235.2	3.4	(24.5)	(25.0)	(28.4)	(90.5)						
Net Income after Adjustments	99.9	70.8	118.8	228.4	340.8	587.7						
Assumptions Summary (See Forecasts Tab)												
Revenue Growth (Decrease)							25.3%	8.1%	-5.9%	-16.2%	6.6%	10.4%
Operating Margin	-1.2%	14.1%	14.5%	15.1%	17.7%	20.3%	17%	19%	20%	19%	19%	19%
Tax Rate (% of EBIT)	30.6%	13.5%	21.6%	23.3%	26.4%	28.4%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Balance Sheet												
Inventory	231.5	331.3	544.6	667.7	814.7	1,068.4	1,237.4	1,262.9	1,188.1	988.7	1,046.9	1,147.8
Cash	611.8	354.0	351.1	573.0	428.5	887.9	927.5	1,002.9	864.9	658.7	702.2	620.0
Short term Investments	70.0	158.0	-	-	149.7	75.0						
Current Assets	1,222.9	1,082.7	1,314.1	1,658.6	1,765.6	2,495.2						
Total Assets	4,656.4	5,760.0	6,121.0	6,669.9	7,313.4	8,733.8						
Current Liabilities	451.3	508.4	631.4	775.0	783.7	1,005.0						
Total LT Debt	1,845.1	2,907.7	2,972.2	3,055.0	2,989.8	3,553.0						
Total Liabilities	2,850.1	3,914.3	4,172.7	4,532.3	4,564.3	5,336.4						
Shareholder's Equity	1,806.3	1,764.8	1,863.8	2,053.0	2,402.1	2,995.9						
Deferred Liabilities	553.7	498.2	569.1	702.3	790.8	778.4						
Working Capital	89.8	62.3	331.6	310.6	403.7	527.3	387.2	343.5	323.2	264.2	274.6	295.3
% of Revenue	3%	3%	11%	8%	9%	9%	5%	11%	4%	4%	4%	4%
Increase (Decrease) in Working Capital		(27.5)	269.3	(21.0)	93.1	123.6	(140.1)	(43.7)	(20.3)	(59.0)	10.4	20.7
Assumptions (See Balance Sheet Forecasts)												
Net working capital as % of revenue	3.5%	2.9%	11.3%	8.1%	9.2%	8.5%	5.0%	4.1%	4.1%	4.0%	3.9%	3.8%
Cash Flow												
Capital Expenditures	(429.2)	(254.8)	(335.6)	(469.2)	(731.0)	(464.6)	(650.36)	(1,147.79)	(760.95)	(628.23)	(697.33)	(908.57)
% of Revenue	-17%	-12%	-11%	-12%	-17%	-8%	-8%	-14%	-10%	-10%	-10%	-12%
Disposal of Old Equipment	313.9	84.5	92.4	143.1	135.3	288.8	285.97	309.23	290.92	243.72	259.80	286.75
% of Revenue	12.2%	3.9%	3.1%	3.8%	3.1%	4.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Net CapEx	(115.3)	(170.3)	(243.2)	(326.1)	(595.7)	(175.8)	(364.40)	(838.56)	(470.03)	(384.51)	(437.54)	(621.81)
% of Revenue	4%	8%	8%	9%	14%	3%	4.7%	10.0%	6.0%	5.8%	6.2%	8.0%
Depreciation and Amortization	160.8	189.6	187.7	193.7	211.5	244.6	205.3	218.4	205.1	178.7	189.4	214.3
% of Assets	3.5%	3.3%	3.1%	2.9%	2.9%	2.8%	2.7%	2.6%	2.6%	2.7%	2.7%	2.8%
Assumptions (See Income, Balance, Cash Flow Forecasts)												
Capital Expenditure as % of Revenue							-8.4%	-13.7%	-9.7%	-9.5%	-9.9%	-11.7%
D&A as % of Assets							2.7%	2.6%	2.6%	2.7%	2.7%	2.8%

INCOME AND RAIL DELIVERY FORECASTS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		*2015*	*2016*	*2017*	*2018*	*2019*	*2020*
Backlog Value (data exists after 2009)																	
Rail Total	$ 1,389	$ 2,870	$ 2,700	$ 722	$ 195	$ 458	$ 2,595	$ 3,702	$ 5,017	$ 7,215							
Railcar External	$ 937	$ 1,369	$ 1,947	$ 285	$ 76	$ 347	$ 1,973	$ 2,868	$ 4,190	$ 5,204							
Railcar Internal Leasing	$ 452	$ 1,501	$ 753	$ 437	$ 120	$ 111	$ 622	$ 835	$ 827	$ 2,011							
Inland Barge	$ 335	$ 464	$ 464	$ 258	$ 319	$ 508	$ 495	$ 564	$ 430	$ 438							
Energy		$ 249	$ 702	$ 1,400	$ 1,100	$ 1,000	$ 934	$ 680	$ 554	$ 474							
Rail Group Utilization: Owned and Leased Facto	91%	88%	84%	86%	27%	24%	50%	70%	80%	90%							
Rail Car Orders																	
Beginning balance	19400	18800	35930	31870	8260	2320	5960	29000	31990	39895							
Orders received	22330	42370	23310	4590	3160	8390	37105	22350	32240	51395							
Shipments	22930	25240	27370	28200	9100	4750	14065	19360	24335	30255		30922	28465	21047	21659	23496	22832
Ending balance	18800	35930	31870	8260	2320	5960	29000	31990	39895	61035							
Revenue Per Car	61,853	60,099	56,266	48,972	53,319	60,989	90,629	103,977	117,834	126,154		$ 0.1260	$ 0.1100	$ 0.0950	$ 0.0940	$ 0.0930	$ 0.0930
Industry Total Shipments	68600	74700	63200	60000	21700	16600	41800	53800	52900	67300		73625	67775	51334	54148	58740	57081
TRN Market Share (Shipments)	33.4%	33.8%	43.3%	47.0%	41.9%	28.6%	33.6%	36.0%	46.0%	45.0%		42%	42%	41%	40%	40%	40%
Revenue																	
Total	**2709.7**	**3218.9**	**3832.8**	**3882.8**	**2575.2**	**2155.5**	**2938.3**	**3811.9**	**4365.3**	**6170**		**7728.8**	**8357.6**	**7862.8**	**6587.0**	**7021.6**	**7750.1**
% Change		18.8%	19.1%	1.3%	-33.7%	-16.3%	36.3%	29.7%	14.5%	41.3%		25.3%	8.1%	-5.9%	-16.2%	6.6%	10.4%
Rail Group	1418.3	1516.9	1540	1,381	485.2	289.7	1274.7	2013	2867.5	3816.8		3812.1	3896.2	3131.2	1999.5	2036.0	2185.1
Railcar Leasing and Management Services Gro	203.7	303.5	631.7	535.9	524.5	464.50	552	647.1	645.4	1118.3		1351.2	1625.5	1565.6	1139.7	1180.9	1311.1
% of Rail Group Revenue	14%	20%	41%	39%	108%	160%	43%	32%	23%	29%		35%	42%	50%	57%	58%	60%
Energy Equipment Group	224.7	327.6	422.4	606	502.2	408.5	472.8	558.6	665.4	992.3		1183.2	1395.5	1645.9	1941.2	2289.5	2700.3
Inland Barge Group	240.7	371.2	493.2	625.2	527.3	422.3	548.5	675.2	576.7	638.5		662.5	687.4	717.6	755.6	806.0	878.5
Construction Products Group	616.8	694	731.2	719.7	524	558.3	453.3	483.7	525	551.7		616.3	608.7	601.2	593.8	586.5	579.3
All Other	5.5	5.7	14.3	15	12	12.2	61.8	81.4	86.6	110.4		103.1	143.9	200.9	156.7	122.2	95.3
Eliminations (Excl. Rail Group)							-111.1	-45.1	-55.8	269.5		0.0	0.0	0.0	0.0	0.0	0.0
% of Revenue							-4%	-1%	-1%	4%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Capacity is 95-98% owned, 2-5% leased PPE

$447M From one time sale of rail cars to Element Financial, announced Dec 2013

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	*2015*	*2016*	*2017*	*2018*	*2019*	60% of COGS is material
Total COGS	2324.4	2628.2	3091.1	3080.3	2095	1689.6	2357.5	3051.5	3322.3	4619.8	4900.8	5096.7	4701.8	4061.4	4363.6	4807.0
% Of Total Revenue	86%	82%	81%	79%	81%	78%	80%	80%	76%	75%	63.4%	61.0%	59.8%	61.7%	62.1%	62.0%
COGS Rail Group						489.3	1167.3	1773.9	2330.8	3027.2	3011.6	3039.0	2442.3	1559.6	1567.7	1682.5
% Of Revenue						169%	92%	88%	81%	79%	79%	78%	78%	78%	77%	77%
COGS Construction						354	453.3	387	409.6	430.9	480.7	474.8	468.9	463.2	457.5	451.8
% Of Revenue						63%	100%	80%	78%	78%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%
COGS Inland Barge						350.3	445	538.9	576.7	506.6	523.4	543.0	566.9	597.0	636.8	692.2
% Of Revenue						83%	81%	80%	100%	79%	79.0%	79.0%	79.0%	79.0%	79.0%	78.8%
COGS Energy						360.7	432.1	510.3	559	810.5	970.2	1131.7	1310.1	1514.1	1778.9	2065.7
% Of Revenue						88%	91%	91%	84%	82%	82.0%	81.1%	79.6%	78.0%	77.7%	76.5%
Eliminations (Incl. lease)						-24.2	-38.5	-38.5	-21.2	-104.4	-85.0	-91.9	-86.5	-72.5	-77.2	-85.3
% Of Total Revenue						-1%	-1%	-1%	0%	-2%	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%
Cost of Leasing						244	290.3	350.3	331.4	644.7	724.9	872.9	840.7	612.0	634.1	704.0
% Of Revenue						53%	53%	54%	51%	58%	53.7%	53.7%	53.7%	53.7%	53.7%	53.7%
Lease Subsidiary Elimination																
SGA Total	181.2	208.1	228.9	243	185.9	186.3	194	224.1	291.3	403.6	517.8	543.2	495.4	401.8	421.3	465.0
% Of Revenue	6.7%	6.5%	6.0%	6.3%	7.2%	8.6%	6.6%	5.9%	6.7%	6.5%	6.7%	6.5%	6.3%	6.1%	6.0%	6.0%
SGA Rail						31.3	34	40.1	47	65.5						
SGA Rail Lease Group						20.1	23.4	29.4	37.6	49.6						
SGA Construction						36.1	40.8	52	63.3	67.8						
SGA Inland Barge						12.7	14.7	15.5	19.2	17.5						
SGA Energy						25.9	31.8	30.8	45	74.8						
All Other						60.2	49.3	56.3	79.2	128.4						
Operating Income (Loss)																
Total	**204.1**	**382.6**	**512.8**	**549**	**-30.7**	**303.8**	**425.3**	**574.8**	**772.9**	**1251**	1314.7	1552.3	1549.7	1281.3	1356.8	1502.7
EBIT Margin	**7.5%**	**11.9%**	**13.4%**	**14.1%**	**-1.2%**	**14.1%**	**14.5%**	**15.1%**	**17.7%**	**20.3%**	**17.0%**	**18.6%**	**19.7%**	**19.5%**	**19.3%**	**19.4%**
Rail Group	135	253.9	347.6	247.7	-355.9	1.5	77.3	199	489.7	724.1						
Rail EBIT Margin	9.5%	16.7%	22.6%	17.9%	-73.4%	0.5%	6.1%	9.9%	17.1%	19.0%						
Railcar Leasing and Management Services Grc	55.8	106.5	161.2	158.9	149	207	254.5	300.9	296.8	516.3						
Rail Leasing EBIT Margin	27.4%	35.1%	25.5%	29.7%	28.4%	44.6%	46.1%	46.5%	46.0%	46.2%						
Inland Barge Group	15.7	44.5	72.6	119.2	125.2	69	106.4	124.7	96	114.4						
Barge EBIT Margin	7.0%	13.6%	17.2%	19.7%	24.9%	16.9%	22.5%	22.3%	14.4%	11.5%						
Energy Equipment Group	31.9	45.7	50.1	100.3	73.8	35.1	8.9	18.2	61.4	108.1						
Energy EBIT Margin	5.2%	6.6%	6.9%	13.9%	14.1%	6.3%	2.0%	3.8%	11.7%	19.6%						
Construction Products Group	55.3	61.5	58.2	58.2	32.6	47.4	53.4	44.8	52.6	65.4						
Construction EBIT Margin	9.0%	8.9%	8.0%	8.1%	6.2%	8.5%	11.8%	9.3%	10.0%	11.9%						
Eliminations - other								-0.3	-1.1	0.4						
All Other	-4.2	-8.8	1.8	2.5	0.8	-11.4	-3.8	-10.2	-13.7	-25.6						
Corporate	-35	-37.9	-34.9	-41.3	-30.6	-33.8	-43.6	-51.5	-73.4	-119						
Eliminations	-50.4	-82.8	-143.8	-96.5	-25.6	-11	-27.8	-50.8	-135.4	-133.1						
Total Eliminations	-89.6	-129.5	-176.9	-135.3	-55.4	-56.2	-75.2	-112.5	-222.5	-277.7	-270.5	-292.5	-275.2	-230.5	-245.8	-271.3
% of Revenue	-3.3%	-4.0%	-4.6%	-3.5%	-2.2%	-2.6%	-2.6%	-3.0%	-5.1%	-4.5%	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%
Operating Margin	**7.5**	**11.9**	**13.4**	**14.4**	**-1.2**	**14.1**	**14.5**	**15.1**	**17.7**	**20.3**	17.0%	18.6%	19.7%	19.5%	19.3%	19.4%
Railcar Leasing and Management Services Group					28.4	41.6	46.1	46.5	46	46.2						
Rail Group					-39.8	0.3	6.1	9.9	17.1	19						
Inland Barge Group					23.7	16.3	19.4	18.5	16.6	17.9						
Construction Products Group					6.1	8.2	9	9.3	10	11.9						
Energy Equipment Group					14.5	8.4	1.9	3.3	9.2	10.9						

BALANCE SHEET FORECAST

Millions $ USD	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		*2015*	*2016*	*2017*	*2018*	*2019*	*2020*
12 Months Ending	2005-12-3	2006-12-3	2007-12-3	2008-12-3	2009-12-3	2010-12-3	2011-12-3	2012-12-3	2013-12-3	2014-12-31							
Total Assets																	
+ Cash, Cash Equivalents & STI	150.9	311.5	289.6	161.8	681.8	512	351.1	573	578.2	962.9		927.5	1002.9	864.9	658.7	702.2	620.0
% of Revenue	6%	10%	8%	4%	26%	24%	12%	15%	13%	16%		12%	12%	11%	10%	10%	8%
+ Cash & Cash Equivalents	150.9	311.5	289.6	161.8	611.8	354	351.1	573	428.5	887.9							
+ ST Investments	0	0	0	0	70	158	0	0	149.7	75							
+ Accounts & Notes Receiv	250.1	252.5	296.5	251.3	159.8	232	385.9	390	372.7	405.3		541.0	585.0	550.4	461.1	491.5	542.5
% of Revenue	9%	8%	8%	6%	6%	11%	13%	10%	9%	7%		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
+ Accounts Receivable, Net	250.1	252.5	296.5	251.3	159.8	232	385.9	390	372.7	405.3							
+ Notes Receivable, Net	--	--	--	--	0	0	0	0	0	0							
+ Inventories	444.2	528.9	586.7	611.8	231.5	331.3	544.6	667.7	814.7	1068.4		1237.4	1262.9	1188.1	988.7	1046.9	1147.8
% of Revenue	16%	16%	15%	16%	9%	15%	19%	18%	19%	17%		16%	15%	15%	15%	15%	15%
+ Raw Materials	265.7	316.5	302.6	353	97.1	169.4	319.5	405.3	477	585.4		695.6	677.0	636.9	527.0	554.7	604.5
% of Revenue	10%	10%	8%	9%	4%	8%	11%	11%	11%	9%		9.0%	8.1%	8.1%	8.0%	7.9%	7.8%
+ Work In Process	124.2	139.1	127.3	111.2	46.5	83.3	125.6	140.9	201.4	298.2		295.1	319.1	300.2	251.5	268.1	295.9
% of Revenue	5%	4%	3%	3%	2%	4%	4%	4%	5%	5%		4%	4%	4%	4%	4%	4%
+ Finished Goods	54.3	73.3	156.8	147.6	87.9	78.6	99.5	121.5	136.3	184.8		246.7	266.8	251.0	210.3	224.2	247.4
% of Revenue	2%	2%	4%	4%	3%	4%	3%	3%	3%	3%		3%	3%	3%	3%	3%	3%
+ Other Inventory	0	0	0	0	0	0	0	0	0	0							
+ Other ST Assets	0	0	0	98.7	149.8	7.4	32.5	27.9	0	58.6							
+ Derivative & Hedging Assets	--	--	--	--	0	0	0	0	0	0							
+ Income Taxes Receivable	--	--	--	--	11.2	7.4	--	--	--	58.6							
+ Discontinued Operations	--	--	--	--	--	--	32.5	27.9	--	--							
+ Misc ST Assets	--	--	--	--	138.6	0	0	0	0	0							
Total Current Assets	**845.2**	**1092.9**	**1172.8**	**1123.6**	**1222.9**	**1082.7**	**1314.1**	**1658.6**	**1765.6**	**2495.2**		2705.9	2850.8	2603.4	2108.5	2240.6	2310.3
% of Revenue	31%	34%	31%	29%	47%	50%	45%	44%	40%	40%		35%	34%	33%	32%	32%	30%
+ Property, Plant & Equip, Net	**1121.1**	**1590.3**	**2069.8**	**2990.6**	**3038.2**	**4112**	**4159.1**	**4299**	**4770.6**	**4902.9**		**5374.702**	**5602.353**	**6002.83**	**6331.402**	**6647.714**	**6936.108**
% Growth		42%	30%	44%	2%	35%	1%	3%	11%	3%		10%	4%	7%	5%	5%	4%
+ Property, Plant & Equip	1859.5	2318.8	2849.6	3843.5	3973.3	5202.2	5336.8	5642	6275.8	6586		7112.88	7397.395	7841.239	8233.301	8644.966	9077.214
% Growth		25%	23%	35%	3%	31%	3%	6%	11%	5%		8%	4%	6%	5%	5%	5%
- Accumulated Depreciation	738.4	728.5	779.8	852.9	935.1	1090.2	1177.7	1343	1505.2	1683.1		1738.178	1795.043	1838.408	1901.899	1997.252	2141.106
% Growth		-1%	7%	9%	10%	17%	8%	14%	12%	12%		3%	3%	2%	3%	5%	7%
+ LT Investments & Receivables	0	0	0	0	0	0	0	0	0	0							
+ Other LT Assets	**620.2**	**742.4**	**800.6**	**797.4**	**395.3**	**565.3**	**647.8**	**712.3**	**777.2**	**1335.7**		**1429.199**	**1529.243**	**1636.29**	**1750.83**	**1873.388**	**2004.526**
% Growth		20%	8%	0%	-50%	43%	15%	10%	9%	72%		7%	7%	7%	7%	7%	7%
+ Total Intangible Assets	433.4	463.7	503.5	504	180.8	197.6	219.5	240.4	278.2	773.2							
+ Goodwill	433.4	463.7	503.5	504	180.8	197.6	219.5	240.4	278.2	773.2							
+ Other Intangible Assets	0	0	0	0	0	0	0	0	0	0							
+ Derivative & Hedging Assets	0	0	0	0	0	0.1	0	0.1	0	0							
+ Misc LT Assets	186.8	278.7	297.1	293.4	214.5	367.6	428.3	471.8	499	562.5							
Total Noncurrent Assets	1741.3	2332.7	2870.4	3788	3433.5	4677.3	4806.9	5011.3	5547.8	6238.6		6803.901	7131.596	7639.12	8082.232	8521.103	8940.634
Total Assets	**2586.5**	**3425.6**	**4043.2**	**4911.6**	**4656.4**	**5760**	**6121**	**6669.9**	**7313.4**	**8733.8**		9509.8	9982.4	10242.5	10190.8	10761.7	11251.0
% of Revenue	95%	106%	105%	126%	181%	267%	208%	175%	168%	142%		123%	119%	130%	155%	153%	145%

Liabilities & Shareholders' Equity																	
+ Payables & Accruals	629.9	655.8	684.3	217.6	418.8	414.4	574.9	728.5	756.8	1005		1391.2	1504.4	1415.3	1185.7	1263.9	1395.0
% of Total Sales	23%	20%	18%	6%	16%	19%	20%	19%	17%	16%		18%	18%	18%	18%	18%	18%
+ Accounts Payable	629.9	655.8	684.3	217.6	76.8	132.8	207.4	188.2	216.3	295.4							
+ Accrued Income Taxes	--	--	--	--	0	0	0	0	0	0							
+ Interest & Dividends Payable	--	--	--	--	0	0	0	0	0	0							
+ Other Payables & Accruals	--	--	--	--	342	281.6	367.5	540.3	540.5	709.6							
+ ST Debt	0	0	0	--	0	0	0	0	3.1	0							
+ ST Borrowings	--	--	--	--	--	--	--	--	0	--							
+ ST Capital Leases	--	--	--	--	--	--	--	--	3.1	--							
+ Other ST Liabilities	0	0	0	481.8	32.5	94	56.5	46.5	23.8	0							
+ Deferred Revenue	--	--	--	--	0	0	0	0	0	0							
+ Derivatives & Hedging	--	--	--	--	32.5	94	53.8	42.8	23.8	0							
+ Discontinued Operations	--	--	--	--	--	--	2.7	3.7	--	--							
+ Misc ST Liabilities	0	0	0	481.8	0	0	0	0	0	0							
Total Current Liabilities	**629.9**	**655.8**	**684.3**	**699.4**	**451.3**	**508.4**	**631.4**	**775**	**783.7**	**1005**		1391.2	1504.4	1415.3	1185.7	1263.9	1395.0
% of Total Sales	23%	20%	18%	18%	18%	24%	21%	20%	18%	16%		18%	18%	18%	18%	18%	18%
+ LT Debt	689	1198.9	1374.2	1774.7	1845.1	2907.7	2972.2	3055	2989.8	3553		3946.3	4136.3	4430.7	4687.7	4942.2	5185.6
% of LT Assets	40%	51%	48%	47%	54%	62%	62%	61%	54%	57%		58%	58%	58%	58%	58%	58%
+ LT Borrowings	689	1198.9	1374.2	1774.7	1845.1	2907.7	2972.2	3055	2950.7	3553							
+ LT Capital Leases	--	--	--	--	--	--	--	--	39.1	--							
+ Other LT Liabilities	94.5	167.4	258	525.2	553.7	498.2	569.1	702.3	790.8	778.4		938.9384	984.1602	1054.199	1115.348	1175.912	1233.807
% of LT Assets	5%	7%	9%	14%	16%	11%	12%	14%	14%	12%		13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
+ Accrued Liabilities	--	--	--	--	0	0	0	0	0	0							
+ Pension Liabilities	--	--	--	--	68.5	44.7	74.2	--	7.1	39.4							
+ Pensions	--	--	--	--	68.5	44.7	74.2	--	--	0							
+ Other Post-Ret Benefits	--	--	--	--	0	0	0	--	--	0							
+ Deferred Revenue	--	--	--	--	77.7	33.6	38.7	44.5	40.8	36.4							
+ Deferred Tax Liabilities	--	--	--	--	397.9	391	434.7	572.4	650.7	632.6							
+ Derivatives & Hedging	--	--	--	--	0	0	0	0	0	0							
+ Misc LT Liabilities	94.5	167.4	258	525.2	9.6	28.9	21.5	85.4	92.2	70							
Total Noncurrent Liabilities	**783.5**	**1366.3**	**1632.2**	**2299.9**	**2398.8**	**3405.9**	**3541.3**	**3757.3**	**3780.6**	**4331.4**		4885.2	5120.5	5484.9	5803.0	6118.2	6419.4
Total Liabilities	**1413.4**	**2022.1**	**2316.5**	**2999.3**	**2850.1**	**3914.3**	**4172.7**	**4532.3**	**4564.3**	**5336.4**		6276.4	6624.9	6900.2	6988.7	7382.0	7814.4
+ Preferred Equity	58.7	0	0	--	0	0	0	0	0	0							
+ Share Capital & APIC	490.7	564.3	620	694.4	680.1	687.8	708.2	734.3	768.3	618.9							
+ Common Stock	--	--	--	--	81.7	81.7	81.7	81.7	81.7	155.7							
+ Additional Paid in Capital	--	--	--	--	598.4	606.1	626.5	652.6	686.6	463.2							
- Treasury Stock	33	0.4	9.5	47.8	39.7	28	25.1	67.9	158	1							
+ Retained Earnings	696.9	908.8	1177.8	1427	1263.9	1200.5	1314.7	1536.7	1870	2489.9							
+ Other Equity	-40.2	-69.2	-61.6	-161.3	-98	-95.5	-134	-150.1	-78.2	-111.9							
Equity Before Minority Interest	1173.1	1403.5	1726.7	1912.3	1806.3	1764.8	1863.8	2053	2402.1	2995.9							
+ Minority Interest	0	0	0	--	0	80.9	84.5	84.6	347	401.5							
Total Equity	**1173.1**	**1403.5**	**1726.7**	**1912.3**	**1806.3**	**1845.7**	**1948.3**	**2137.6**	**2749.1**	**3397.4**		3233.4	3357.5	3342.3	3202.0	3379.7	3436.6
% Growth YoY		**20%**	**23%**	**11%**	**-6%**	**2%**	**6%**	**10%**	**29%**	**24%**							
Assets / Equity	2.2	2.4	2.3	2.6	2.6	3.1	3.1	3.1	2.7	2.6		2.9	3.0	3.1	3.2	3.2	3.3
Total Liabilities & Equity	**2586.5**	**3425.6**	**4043.2**	**4911.6**	**4656.4**	**5760**	**6121**	**6669.9**	**7313.4**	**8733.8**		9509.8	9982.4	10242.5	10190.8	10761.7	11251.0

EXPENDITURE AND DEPRECIATION FORECAST

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		2015	2016	2017	2018	2019	2020			
Capital Expenditures																					
Corporate		-4.7	-8.1	-6.7	-3.4	-3.8	-4.6	-5.5	-6.3	-26.1	-8.9		-15.5	-16.7	-15.7	-13.2	-14.0	-15.5			
	% of Sales	-0.2%	-0.3%	-0.2%	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.6%	-0.1%		-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%			
Other		-1.8	-2.2	-10.1	-8.6	-2	-4.2	-4	-6.6	-4.4	-9.3		-11.2	-12.9	-12.8	-9.9	-10.1	-11.8			
	% of Sales	-0.1%	-0.1%	-0.3%	-0.2%	-0.1%	-0.2%	-0.1%	-0.2%	-0.1%	-0.2%		-0.15%	-0.15%	-0.16%	-0.15%	-0.14%	-0.15%		Total Litig	775
Inland Barge Grou		-2.3	-9.2	-8.2	-8.7	-1.3	-14.6	-38	-15	-18.4	-9.7		-15.9661	-16.566	-17.2945	-18.211	-19.4254	-21.1713		% Chance	20%
	% of Segm	-0.96%	-2.48%	-1.66%	-1.39%	-0.25%	-3.46%	-6.93%	-2.22%	-3.19%	-1.52%		-2.41%	-2.41%	-2.41%	-2.41%	-2.41%	-2.41%		Prob. Wei	155
Construction Prod		-31.4	-29.5	-31.9	-25.5	-11.6	-5.5	-12.1	-15.7	-17.1	-37.1		-20.2758	-20.0261	-19.7794	-19.5358	-19.2952	-19.0575			
	% of Segm	-5.09%	-4.25%	-4.36%	-3.54%	-2.21%	-0.99%	-2.67%	-3.25%	-3.26%	-6.72%		-3.3%	-3.3%	-3.3%	-3.3%	-3.3%	-3.3%			
Energy Equipment		-5.3	-18.5	-48.5	-42.7	-9.1	-8.1	-10.4	-25.2	-41.5	-56		-49.6933	-58.6097	-69.1258	-81.5289	-96.1573	-113.411			
	% of Segm	-2.4%	-5.6%	-11.5%	-7.0%	-1.8%	-2.0%	-2.2%	-4.5%	-6.2%	-5.6%		-4.2%	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%			
Rail Group		-42.2	-50	-83.3	-43.4	-19.6	-4	-11.4	-47.8	-42.4	-98.3		-64.8062	-58.4431	-46.968	-29.9921	-30.5393	-32.7768			
	% of Segm	-3.0%	-3.3%	-5.4%	-3.1%	-4.0%	-1.4%	-0.9%	-2.4%	-1.5%	-2.6%		-1.7%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%			
Railcar Leasing and		-345.8	-543.6	-705.4	-1110.8	-381.8	-213.8	-258.6	-352.6	-581.1	-245.3		-472.934	-577.051	-579.273	-455.88	-507.767	-694.868			
	% of Segm	-169.8%	-179.1%	-111.7%	-207.3%	-72.8%	-46.0%	-46.8%	-54.5%	-90.0%	-21.9%		-35%	-36%	-37%	-40%	-43%	-53%			
Lawsuit Payout														-155							
Total		**-433.5**	**-661.1**	**-894.1**	**-1243.1**	**-429.2**	**-254.8**	**-340**	**-469.2**	**-731**	**-464.6**		-650.4	-915.3	-761.0	-628.2	-697.3	-908.6			
% of Revenue		**-16%**	**-21%**	**-23%**	**-32%**	**-17%**	**-12%**	**-12%**	**-12%**	**-17%**	**-8%**		**-8%**	**-11%**	**-10%**	**-10%**	**-10%**	**-12%**			
Depreciation and Amortization																					
Railcar Leasing and		29.8	35.8	51	65.2	82.4	112.6	115.7	120.5	129	130		135.2	139.256	140.6486	143.4615	149.2	159.644	CAGR	17.8%	
	Growth		20%	42%	28%	26%	37%	3%	4%	7%	1%		4%	3%	1%	2%	4%	7%			
Energy Equipment		4.7	5.5	7.8	12.1	16.9	17.1	18.4	19	18.2	33		33	33.33	33.6633	34.6732	36.40686	39.31941	CAGR	24.2%	
	Growth		17%	42%	55%	40%	1%	8%	3%	-4%	81%		0%	1%	1%	3%	5%	8%			
Rail Group		11.4	15.3	23.6	26.9	25	24	23.9	21.8	27.2	32.7		35.316	35.316	35.316	35.316	35.316	35.316	CAGR	12.4%	
	Growth		34%	54%	14%	-7%	-4%	0%	-9%	25%	20%		8%	0%	0%	0%	0%	0%			
Construction Prod		22	23.1	24.1	24.7	23.5	23.7	20.7	16.6	20.9	22.7		22.7	22.7	22.7	22.7	22.7	22.7	CAGR	0.3%	
	Growth		5%	4%	2%	-5%	1%	-13%	-20%	26%	9%		0%	0%	0%	0%	0%	0%			
All Other		1.8	1.5	2	2.6	3.1	3.6	4.4	4.4	3.7	9.6		11.5584	13.91631	16.75524	20.17331	24.28867	29.24355	CAGR	20.4%	
	Growth		-17%	33%	30%	19%	16%	22%	0%	-16%	159%		20%	20%	20%	20%	20%	20%			
Inland Barge Grou		2.8	3.3	4.2	5.3	6.1	5.5	6.4	7.6	8.1	9.3		10.6299	12.14998	13.88742	15.87332	18.14321	20.73769	CAGR	14.3%	
	Growth		18%	27%	26%	15%	-10%	16%	19%	7%	15%		14%	14%	14%	14%	14%	14%			
Corporate		3.7	3.1	6.2	4	4.2	3.4	3.6	3.9	4.5	7.4		4.4	4.4	4.4	4.4	4.4	4.4	CAGR	8.0%	
Eliminations						-0.4	-0.3	-0.2	-0.1	-0.1	-0.1		-0.2	-0.2	-0.2	-0.2	-0.2	-0.2			
Total		**76.2**	**87.6**	**118.9**	**140.8**	**160.8**	**189.6**	**192.9**	**193.7**	**211.5**	**244.6**		**252.6043**	**260.8683**	**267.1705**	**276.3974**	**290.2547**	**311.1606**			
	Growth		15%	36%	18%	14%	18%	2%	0%	9%	16%		3%	3%	2%	3%	5%	7%			
	% of Asset	2.9%	2.6%	2.9%	2.9%	3.5%	3.3%	3.2%	2.9%	2.9%	2.8%		2.7%	2.6%	2.6%	2.7%	2.7%	2.8%			

Expected value of litigation payout of $775m at 20% probability.

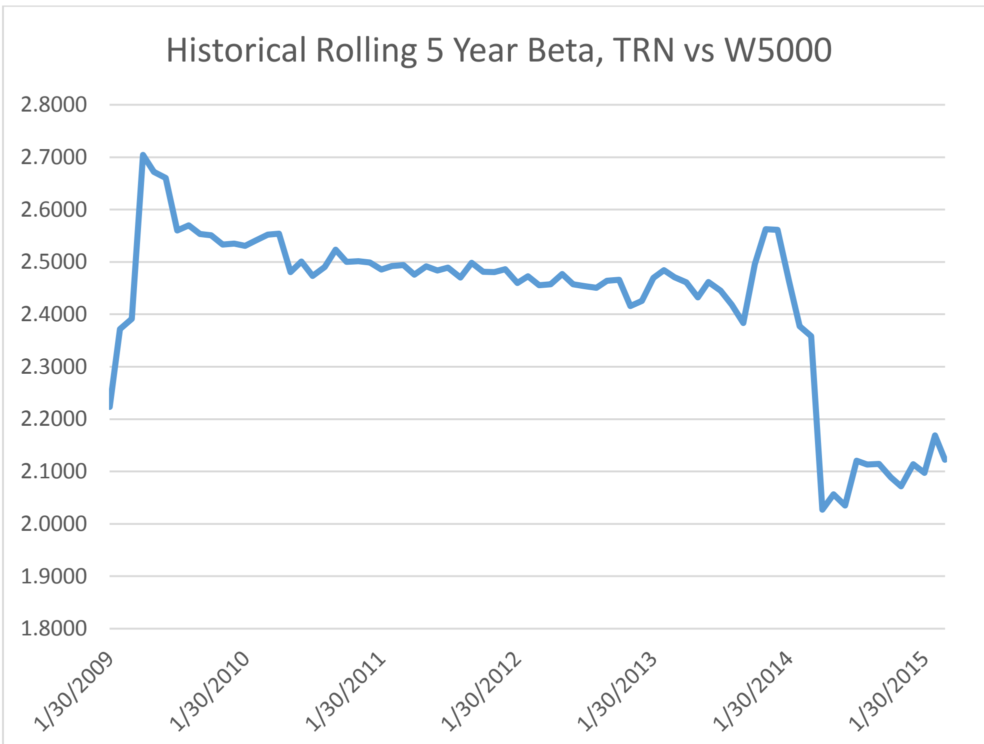
BETA CALCULATIONS

Beta is calculated as a regression of stock excess return against market return.

$$\beta = \frac{Cov\left(R_{ex}^{(m)}, R_{ex}^{(s)}\right)}{Var\left(R_{ex}^{(m)}\right)}$$

Where $R_{ex}^{(m)}$ is the monthly market return above the monthly 10 year treasury return, and $R_{ex}^{(s)}$ is the monthly total stock return above the 10 year treasury return. The market return is represented by the total return of the Wilshire 5000 index. Historical rolling beta seems abnormally high compared to the 2.1 used in our model. We believe the current lower beta of 2.12 is consistent with recent volatility, as earlier rolling betas that include 2009 or earlier are biased upward by the extreme volatility of the 2008-2009 market crash.

For more information please refer to the DCF model's WACC section.



Date	Price	Return	Wilsh5000	W5000 Return	10 Year Trea	Monthly Rf (	R-Rf	Mkt-Rf	5 Year Beta
3/26/2015	34.37	2%	21795.15	-1.9%	0.0199	0.0008	0.0215	-0.0196	2.1226
2/27/2015	33.62	27%	22212.34	5.5%	0.0199	0.0008	0.2693	0.0539	2.1687
1/30/2015	26.47	-5%	21060.44	-2.8%	0.0164	0.0005	-0.0555	-0.0287	2.0974
12/31/2014	28.01	-13%	21669.86	-0.3%	0.0217	0.0010	-0.1273	-0.0038	2.1139
11/28/2014	32.06	-10%	21731.18	2.2%	0.0216	0.0010	-0.1032	0.0213	2.0717
10/31/2014	35.71	-24%	21256.74	2.4%	0.0234	0.0011	-0.2368	0.0228	2.0888
9/30/2014	46.72	-3%	20760.46	-2.2%	0.0249	0.0012	-0.0356	-0.0235	2.1146
8/29/2014	48.38	11%	21233.89	4.0%	0.0234	0.0011	0.1075	0.0392	2.1129
7/31/2014	43.64	0%	20410.81	-2.2%	0.0256	0.0013	-0.0031	-0.0230	2.1204
6/30/2014	43.72	1%	20862.74	2.5%	0.0253	0.0013	0.0092	0.0240	2.0348
5/30/2014	43.265	15%	20348.35	1.9%	0.0248	0.0012	0.1516	0.0182	2.0564
4/30/2014	37.53	4%	19959.84	-0.2%	0.0265	0.0014	0.0401	-0.0032	2.0268

Figure 7: Subset of rolling beta

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