



RAILCAR POOLING EXPERTS®





ACASCO

2017 – A Difficult Year Ahead Fleet

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November 11, 2016





TTX Overview

TTX functions as the industry's railcar cooperative, operating under pooling authority granted by the Surface Transportation Board

» \$1.5 billion company, serves/owned by North America's leading railroads

» TTX owns/maintains a national pool of over 230,000 railcars/wells:

- Intermodal
- Automotive
- General Merchandise

» Owners enjoy financial/operational benefits matched to business needs:

- Empty mile reduction
- Capital outlay elimination
- Risk mitigation

» Rail customers benefit from a consistent fleet of free-running cars

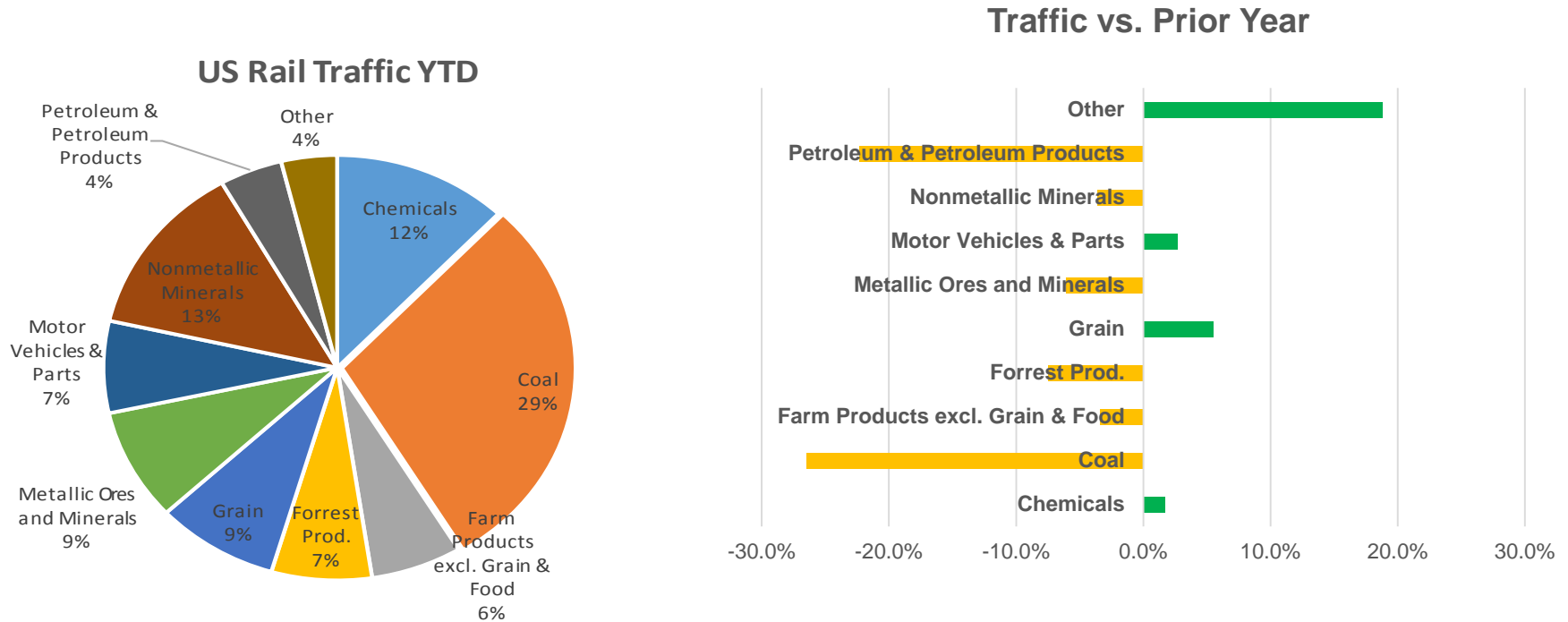
» TTX is not a leasing company – TTX is a *pooling* company



- » 2016 growth has remained weak
- » Falling investment and over-sized inventories were the key drivers of weakness
- » Policy uncertainty is a factor/and the next President is...
- » The labor market continues to improve
- » Consumer spending growth is very solid
- » The housing market is improving - slowly
- » Industrial output is just slightly better
- » Long term growth is likely to remain modest



AAR Traffic Shows Few Winners



- » The largest traffic types (i.e. Coal, Minerals, etc.) are all down significantly over last year at this time
- » Whatever traffic that is up over last year is a relatively small share of our overall traffic volume (i.e. ~12%)

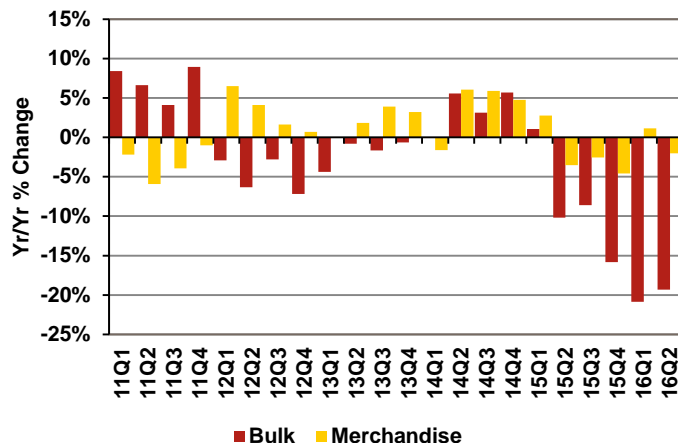
Source: AAR.org, as of 10 Sept 2016





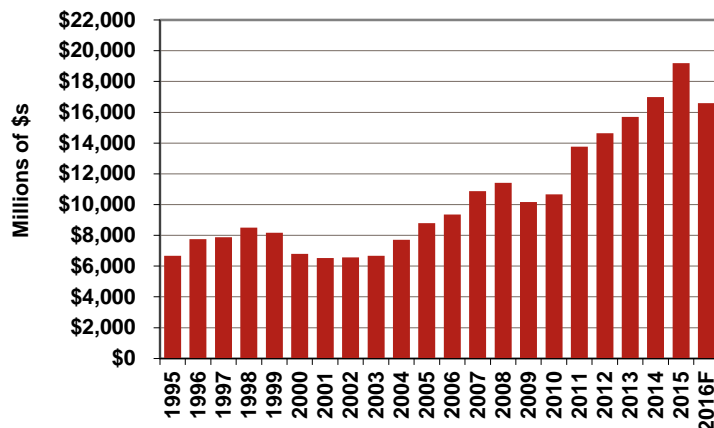
Two Trends – Volume and Velocity

Carload Growth by Segment



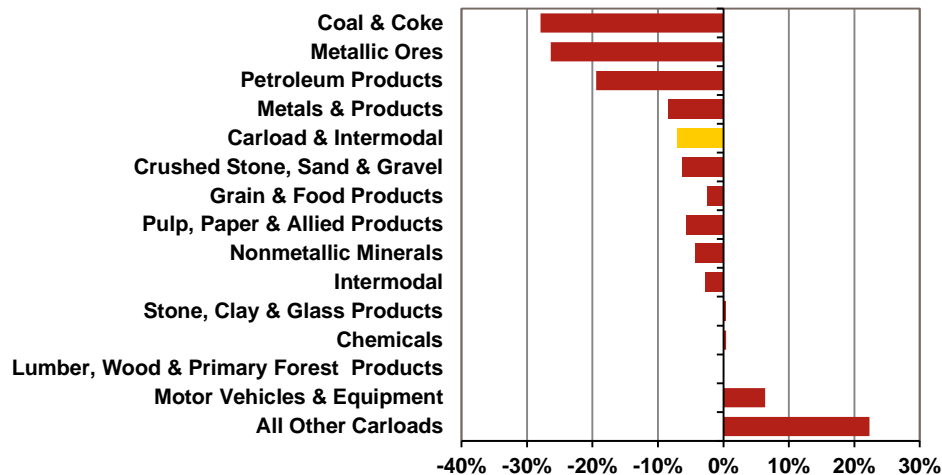
- » Bulk carloads fell by 19% in Q2, a slightly slower drop than Q1
- » Falling coal, petroleum & metallic ores continue to weigh heavily on bulk commodities
- » Miscellaneous carloads show the most growth in 2016 thus far

NA Railroad Capex



Source: Association of American Railroads, Licensed Material

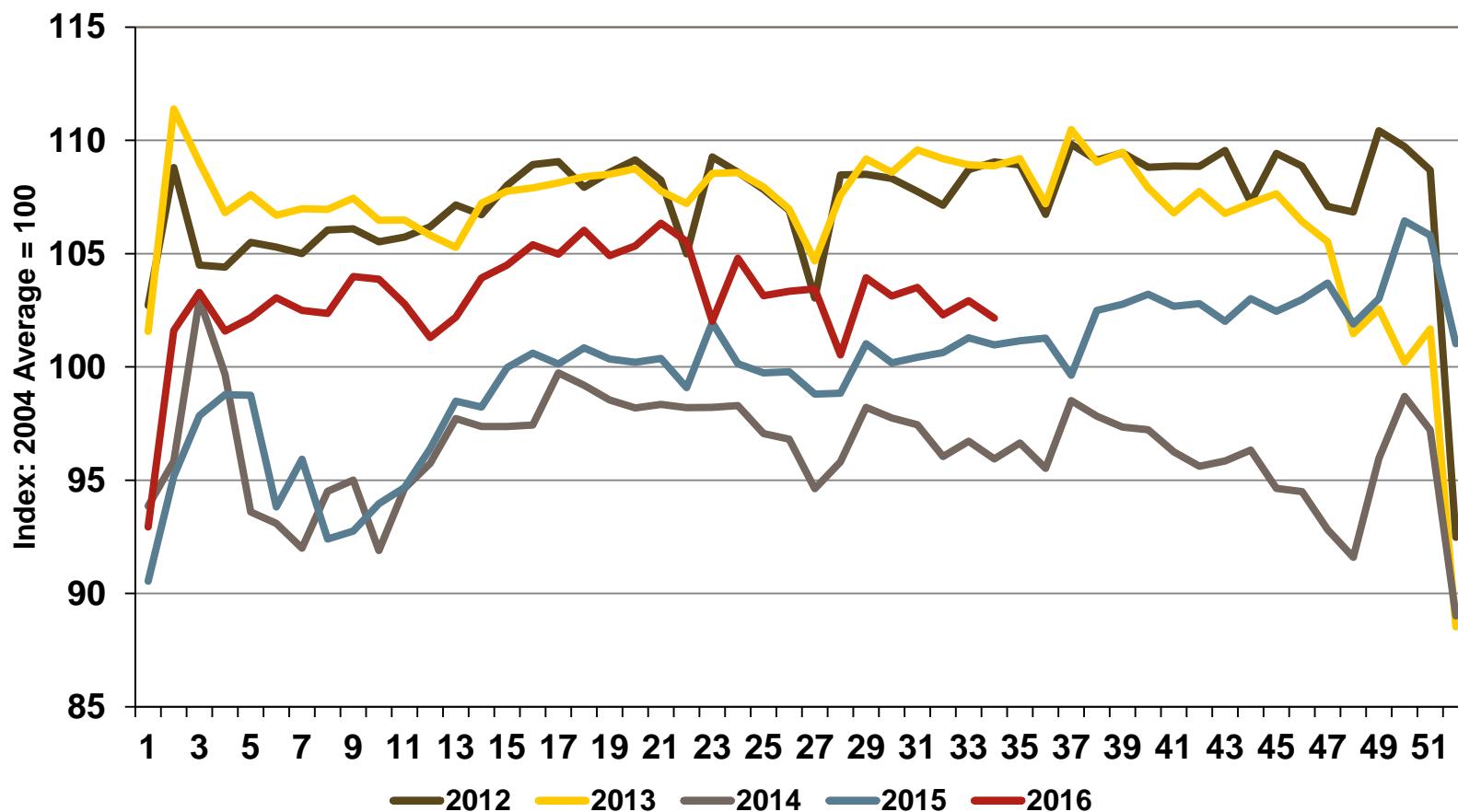
YTD Carload Growth by Commodity





Two Trends – Volume and Velocity

Weekly Total Industry Velocity Index



Source: Association of American Railroads, Licensed Materials





Summary of TTX's forecasts for leading economic indicators

Economic Indicator	2015 Actual	2016 Forecast
GDP ¹	2.6%	1.5%
Consumer Spending ¹	3.2%	2.6%
Retail Sales	2.3%	3.2%
Investment ¹	2.1%	-1.4%
Housing Starts ³	1.11	1.21
US Vehicle Prod. ⁽⁰⁰⁰⁾	11,777	12,039
US Vehicle Sales ⁽⁰⁰⁰⁾	17,451	17,800
Industrial Prod. ²	0.3%	-1.1%
Mexico GDP ^{1*}	2.5%	2.3%
Canada GDP ^{1*}	1.1%	1.3%

Sources: Bureau of Economic Analysis, Moody's Analytics, Autocast

1: SAAR, real % change 2: Year-over-Year %Change 3: Millions, annualized rate *Actual data through 3Q15 & 4Q15 estimated





Finding Optimism

- Automotive
- Intermodal
- Boxcars

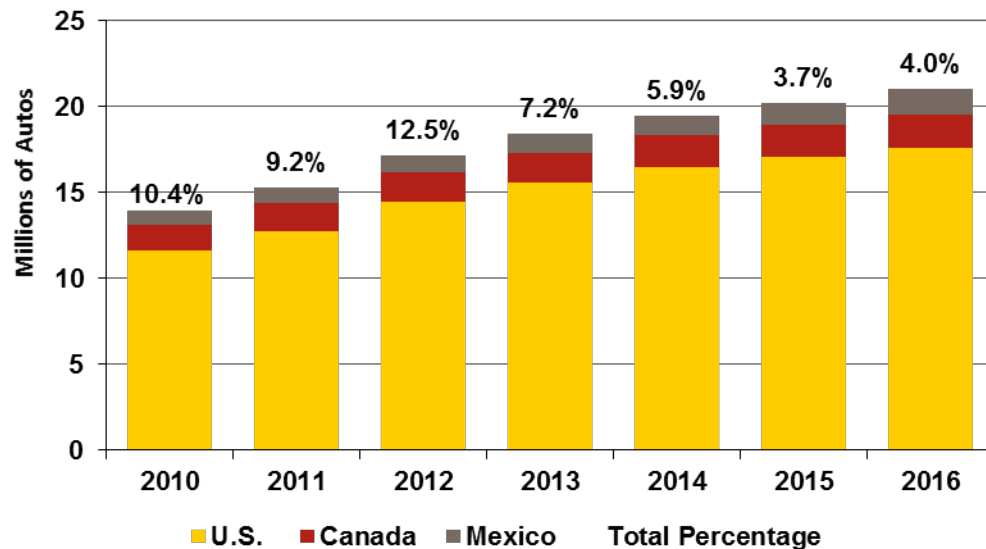




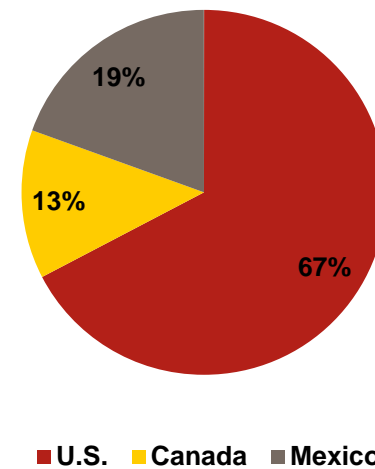
The Automotive Fleet



North American Vehicle Sales



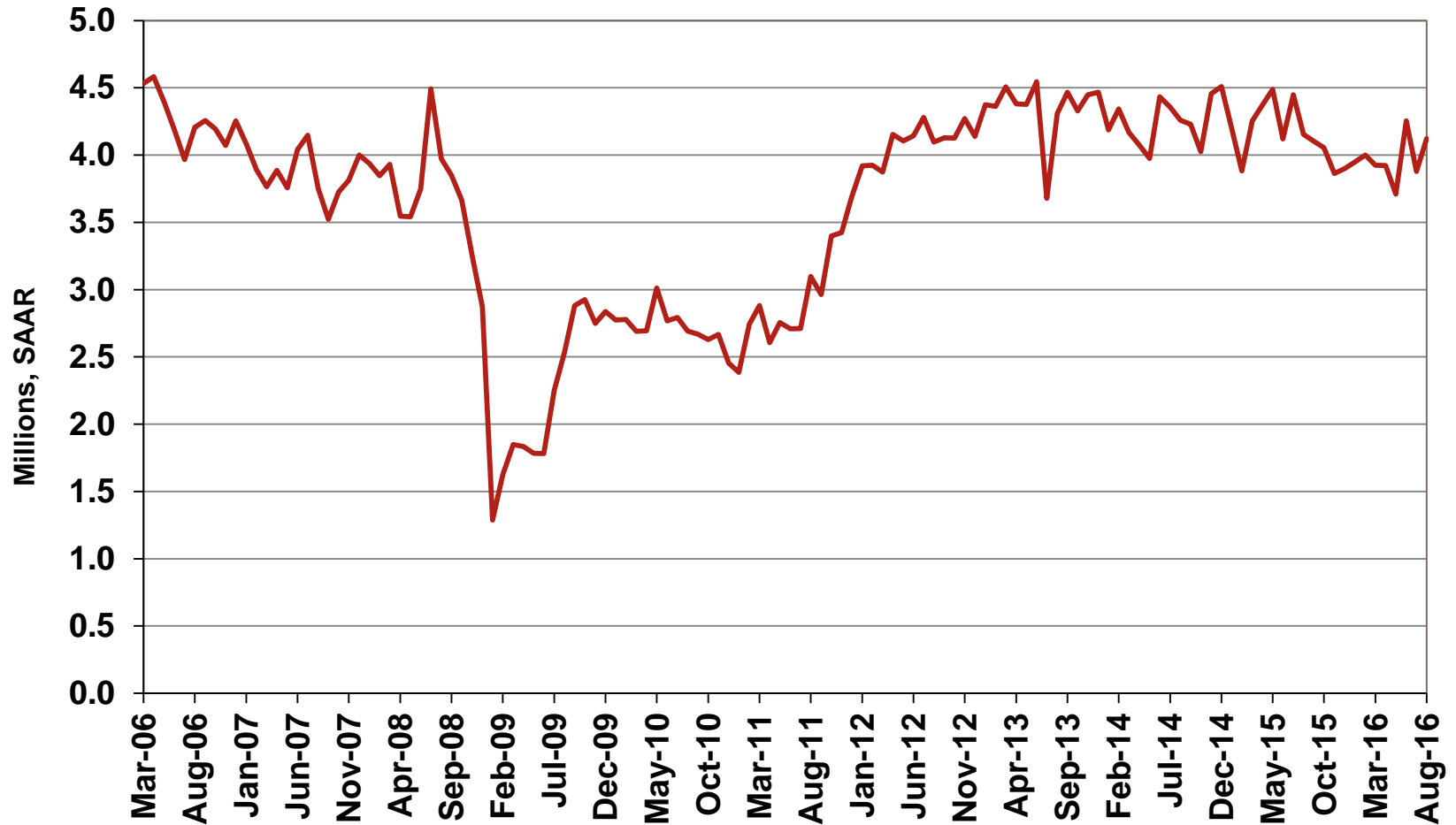
2016 North American Vehicle Production



Source: Autocast, TTX



Total U.S. Vehicle Production



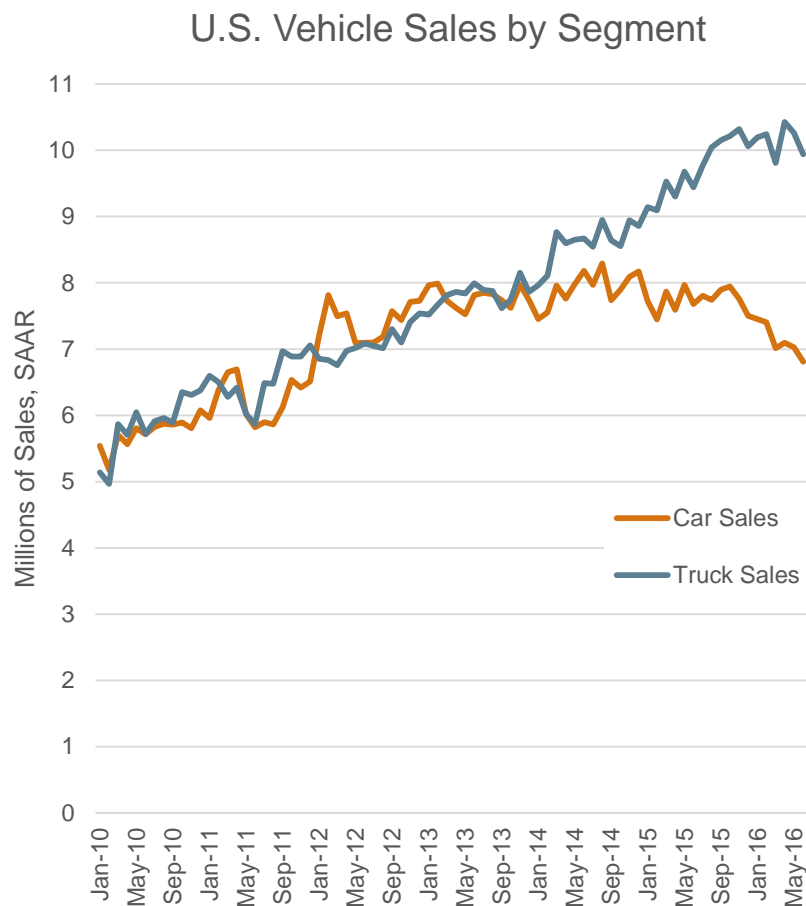
Source: U.S. Bureau of Economic Analysis





U.S. Light Vehicle Sales

Light Trucks vs. Passenger Cars



Source: AutoData

- » In early 2014, truck and SUV sales began outpacing that of smaller passenger vehicles
- » Last year, following a trend of low energy prices, the composition of sales started to change even more dramatically
 - From June to September, SAAR of light trucks jumped 9.4%
 - Meanwhile, passenger car sales more or less flattened out
- » Today, the share of total U.S. vehicle sales that are light trucks ended October at 62.4%



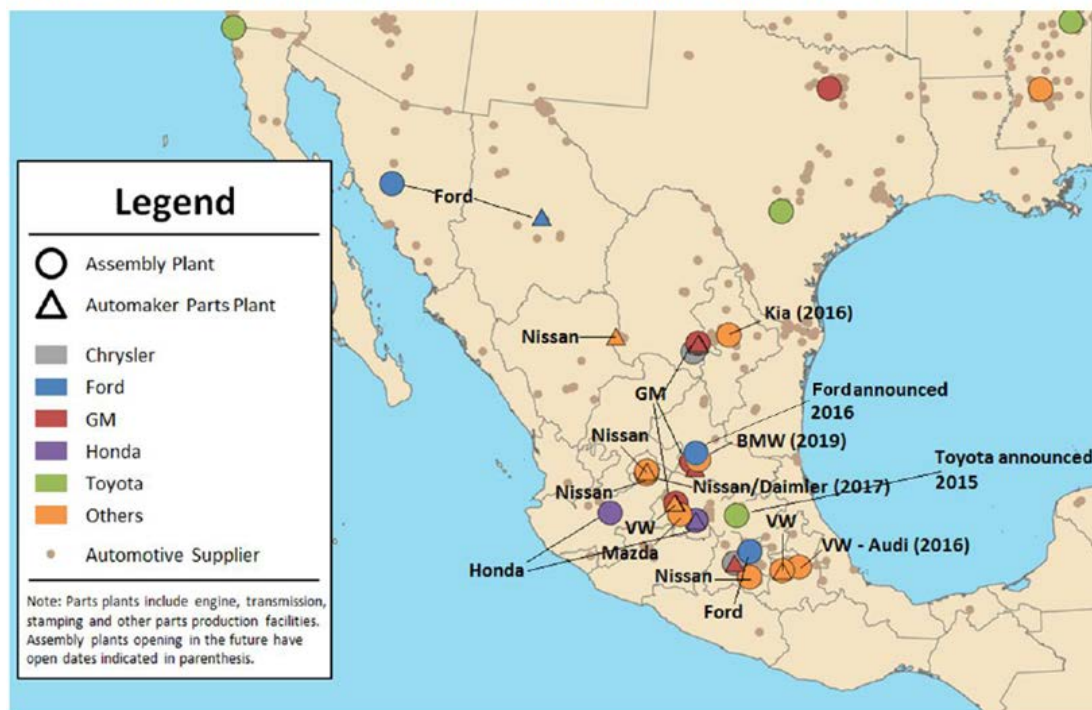
Mexico Assembly Plants

New + Recently Announced

Year	Shipper	Model	Plant Location
2016	Kia	Forte	Monterrey, NL
2017	Mercedes	GLA	Aguascalientes, AG
2017	Nissan	Infiniti	Aguascalientes, AG
2018	Ford	Focus	San Luis Potosi, SL
2019	BMW	3-Series	San Luis Potosi, SL
2019	Toyota	Corolla	Guanajuato, GJ



Figure 2: Mexican Automaker Assembly Plants and Automaker-owned Parts Plants as of June 2016



Source: Center for Automotive Research, 2016



The Intermodal Fleet





Intermodal railcar fleet overview



Type: Single-unit 40' well with
70T trucks
Fleet distribution: 40' DTTX



Type: 5-unit 40' well with
125T Intermediate trucks
Fleet distribution: 40'
DTTX

Type: 3-unit 53' articulated well with
125T Intermediate trucks
Fleet distribution: 53' DTTX



Type: Single-unit 53' well with
70T trucks
Fleet distribution: 53' DTTX



Type: 5-unit 53' Articulated All-
purpose (TTAX)
Fleet distribution: CONV



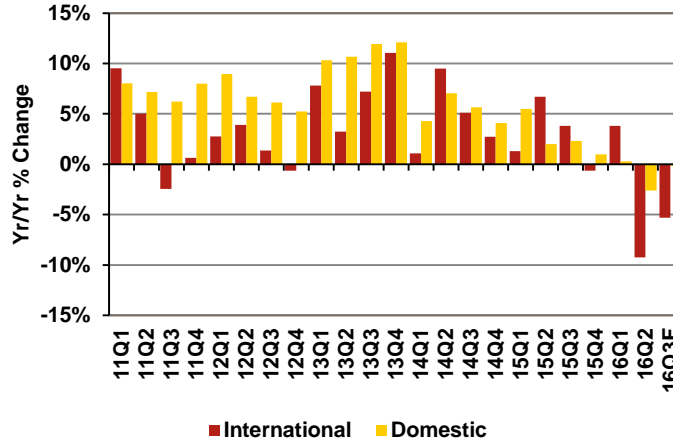
Type: 3-unit 57' Articulated All-
purpose (TTRX)
Fleet distribution: CONV



Type: Single-unit 89' All-
purpose (RTTX)
Fleet distribution: CONV

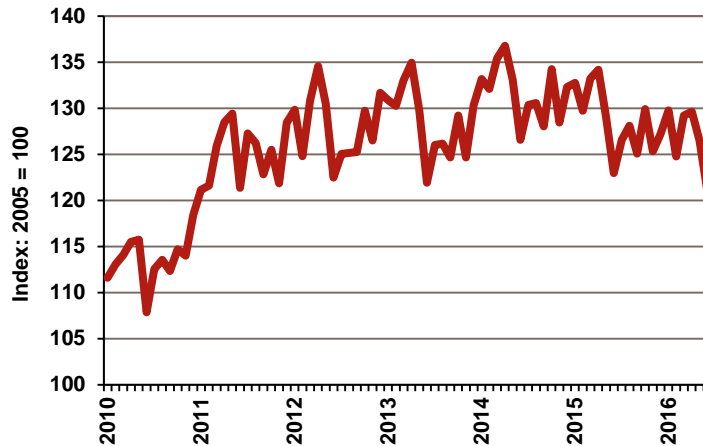


Domestic and International Growth

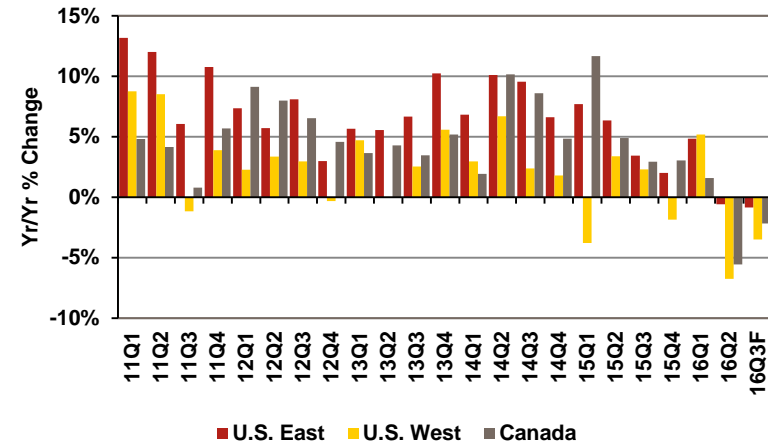


- » Overall growth fell in 2016Q2, first time since the recession
- » Declines are expected to persist into Q3
- » All regions are recording negative growth, but losses are the worst in the West and Canada

Cass Intermodal Linehaul Index



Intermodal Growth by Origin Region



Source: Intermodal Association of North America, Cass Information Systems

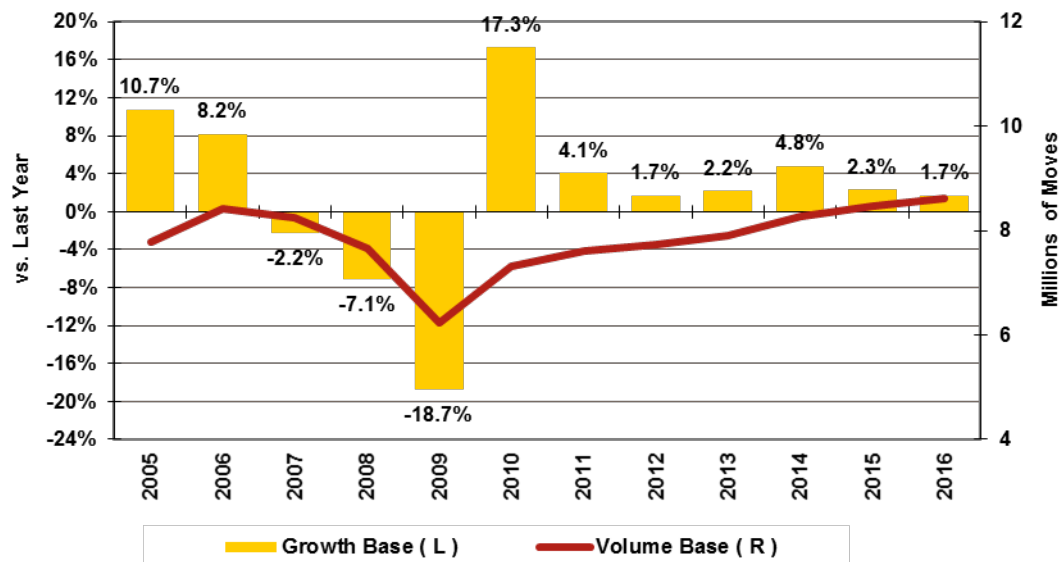


International Intermodal & 40-ft Wells

Market Segment	2014	2015	2016 Forecast
Containerized Imports	6.3%	5.2%	4.6%
Containerized Exports	-2.4%	-5.2%	1.9%
International Intermodal	4.8%	2.3%	1.7%
PSW Transloads	31.9%	33.0%	33.8%
All-water share	30.6%	33.9%	34.1%



U.S. and Canada International Containers Routing Inland by Rail



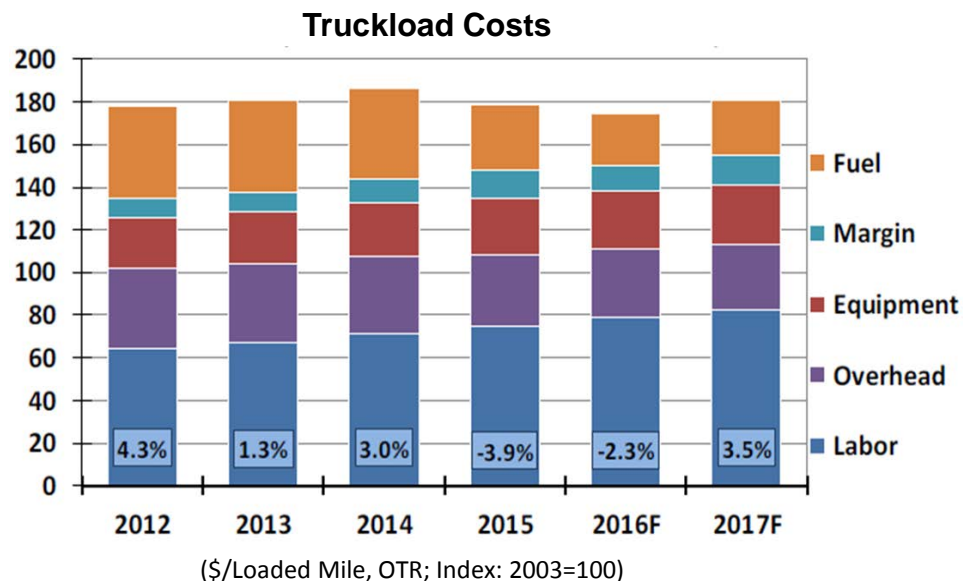
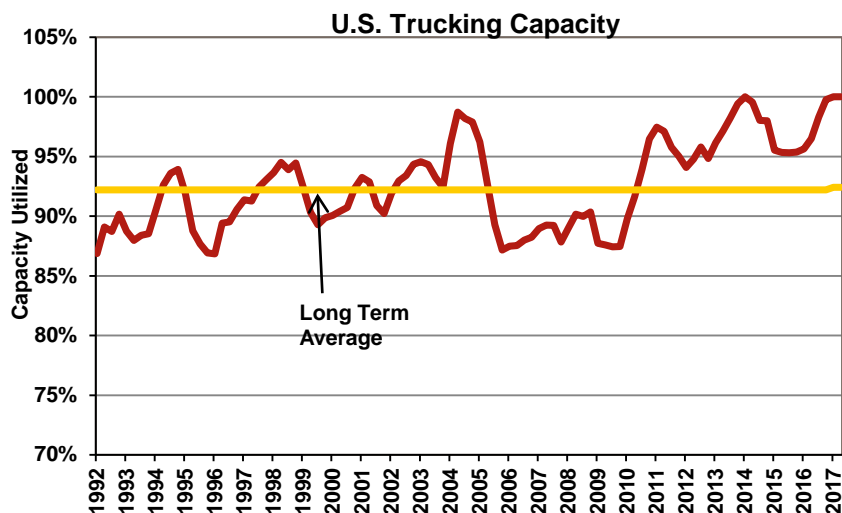
Source: TTX, PIERS/JOC/IHS





Domestic Intermodal & 53-ft Wells

Market Segment	2014	2015	2016 Forecast
Domestic Intermodal Total	6.3%	2.9%	3.8%
Domestic Containers	6.6%	4.1%	6.0%
Domestic Trailers	4.2%	-3.3%	-8.3%
Dry Van (U.S. only)	2.3%	2.9%	2.0%



Source: FTR, TTX

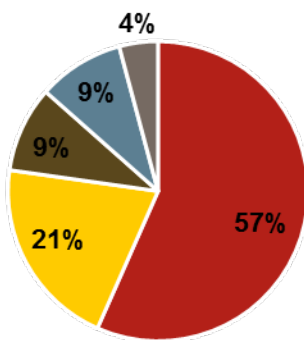




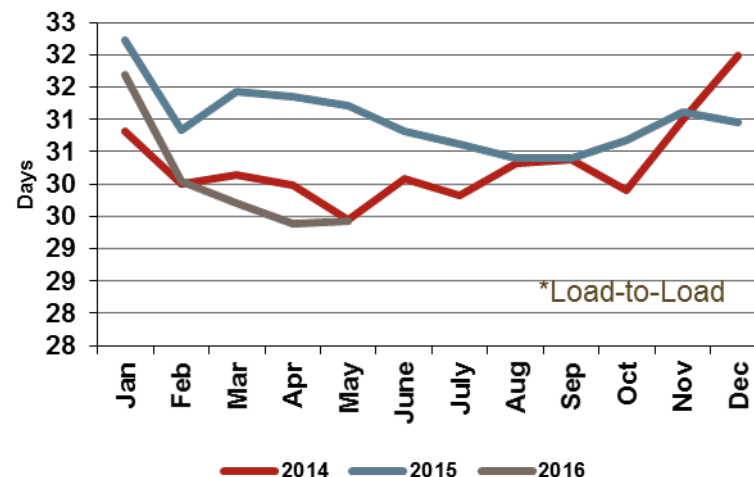
The Boxcar Fleet



2016 YTD TTX Paper Waybills by Major Group

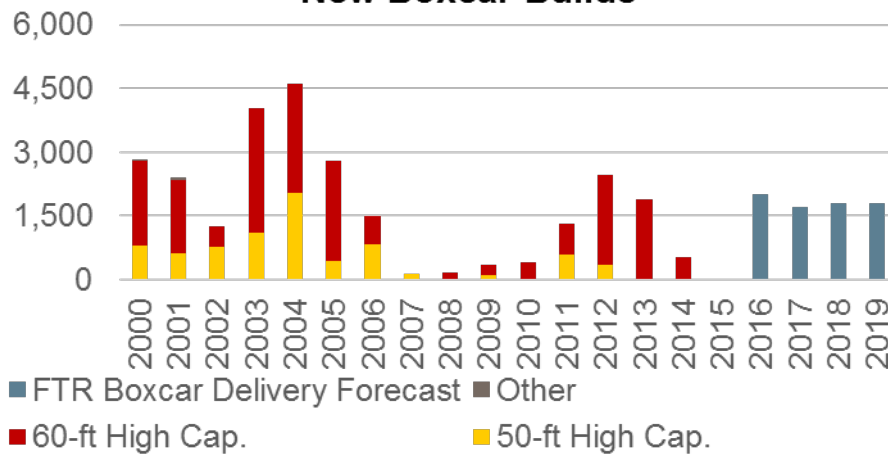


Boxcar Cycle Times*



■ Packaging Paper ■ Pulp ■ Printing Paper ■ Scrap Paper ■ Newsprint

New Boxcar Builds

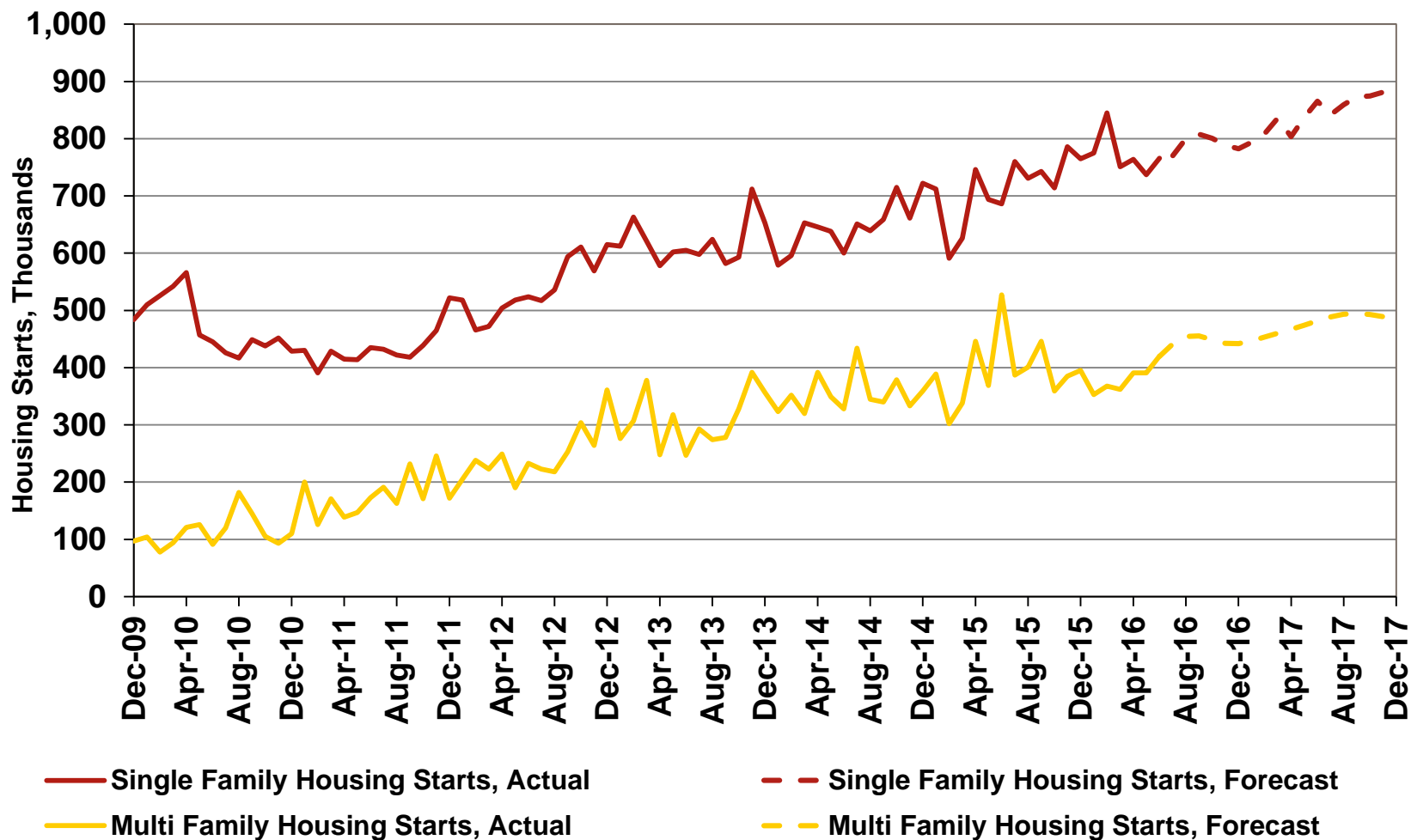


Source: TTX, FTR, Association of American Railroads - Licensed Material





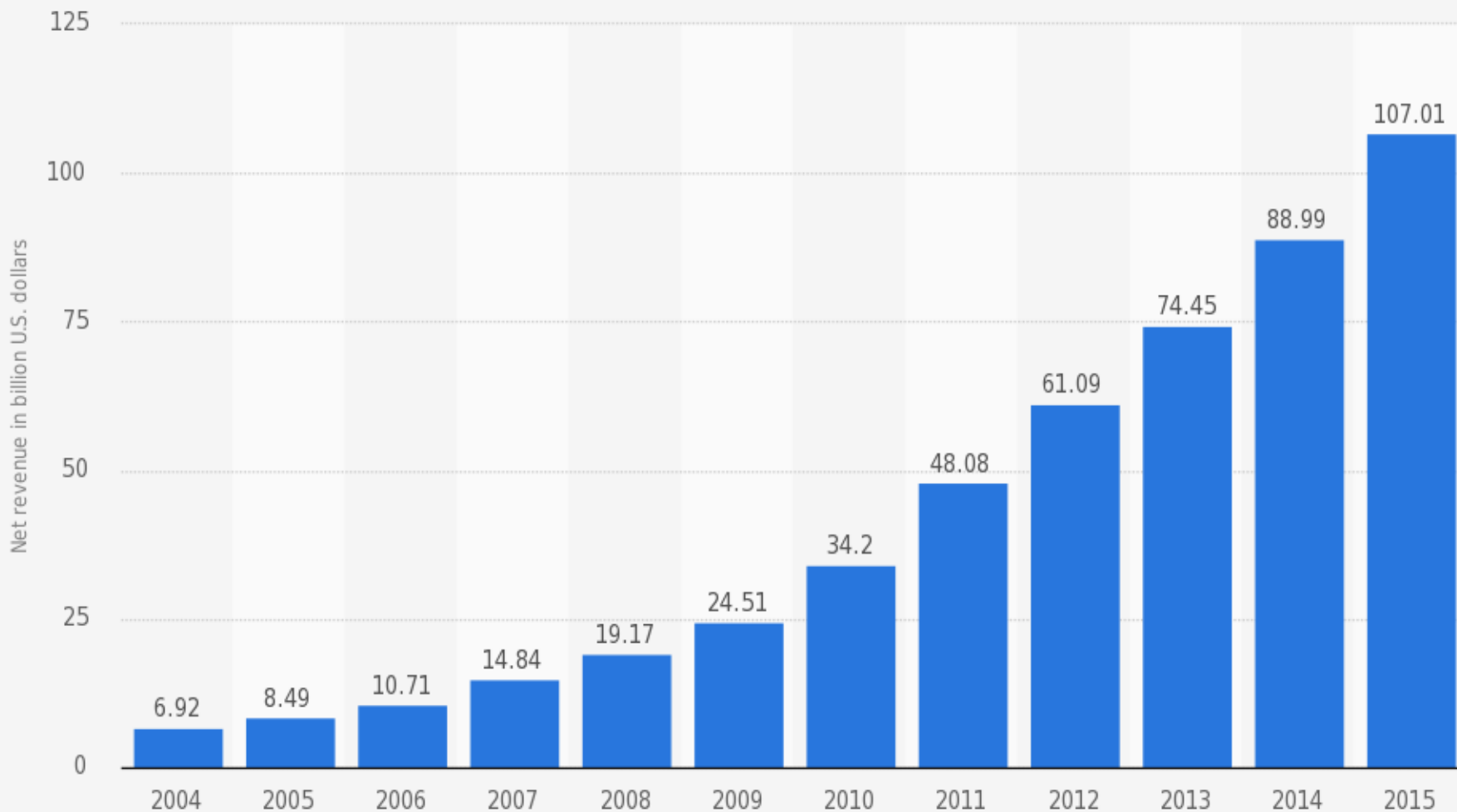
Housing starts are forecast to continue improving slowly



Source: U.S. Census Bureau, Moody's Analytics



Net sales revenue of Amazon from 2004 to 2015 (in billion U.S. dollars)



Source:
Amazon
© Statista 2016

Additional Information:
Worldwide; Amazon; 2004 to 2015

In Summary

- Automotive – slow/steady growth due to mix change
- Intermodal – easiest to capture and lots of opportunities
- Boxcars – bigger, better cars





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