



# TRAC Intermodal

## Earnings Call

### Quarter Ended September 30, 2013

November 8, 2013



# Forward Looking Statements and Use of Non-GAAP Information

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## FORWARD LOOKING STATEMENTS

- The Presentation contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to, among other things, future events (including, but not limited to, import container growth, chassis supply trends and the shift to the motor carrier model) and financial performance. Readers can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of those words or other comparable words. Any forward-looking statements contained in the Presentation are based upon our historical performance and on our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks, uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. Accordingly, you should not place undue reliance on any forward-looking statements.
- Important factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, the following: the volume of world trade due to economic, political, or other factors; increased operating costs; increased regulatory costs; defaults by our customers; and, the demand for chassis. More information about potential factors that could affect our business and financial results is included in our filings with the SEC, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.
- The Company undertakes no obligation to update the forward-looking information or any of the information contained in the Presentation.

## USE OF NON-GAAP INFORMATION

- There are non-GAAP measures used in this communication, including Adjusted EBITDA, Adjusted net income and free cash flow. The Company believes that such non-GAAP measures are appropriate measures of the operating performance of the Company. Additionally, certain of the Company’s debt covenant calculations use Adjusted EBITDA. The Company’s calculation of these measures may differ from the methodology used by other companies and, accordingly, may not be comparable to other companies. Adjusted EBITDA is defined as income (loss) before income taxes, interest expenses (net of interest income), depreciation and amortization expense, impairment of assets and leasing equipment, other expense (income) mainly related to loss (gain) from sale of equipment, and loss on retirement of debt, remanufacturing expenses, non-cash stock compensation and principal collections on direct finance leases. Adjusted net (loss) income is defined as net (loss) income before non-cash interest expense related to deferred financing fees, non-cash stock compensation, loss on retirement of debt, and terminations, modification, and fair value adjustments of derivative instruments. Free cash flow is defined as Adjusted EBITDA less Cash Interest Accrued. Adjusted EBITDA, Adjusted net (loss) income and free cash flow are not measures recognized under GAAP and are therefore unlikely to be comparable to similar measures presented by other companies and do not have a standardized meaning prescribed by GAAP. Management uses Adjusted EBITDA, Adjusted net (loss) income and free cash flow to provide comparative information about performance. A reconciliation of Adjusted EBITDA, Adjusted net (loss) income and free cash flow to project income is provided on slide15.



# Executive Summary – Q3 2013

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## Financial Performance

- Revenue grew by \$24.5 million or 22% in Q3 2013 vs.Q3 2012
- Adjusted EBITDA decreased by \$4.1 million or 10% in Q3 2013 vs. Q3 2012
- Marine segment adjusted EBITDA per chassis impacted by the shift from term leases and subscriptions to daily rentals

## Active Fleet

- Average on-hire fleet increased by over 30,700 chassis (14%) from Q3 2012 to Q3 2013
- On-hire fleet utilization increased to 91.9% at September 30, 2013 from 91.2% at September 30, 2012

## Key Initiatives

- Marine pool revenues billed to motor carriers increased from 34% Q3 2012 to 48% Q3 2013
- Improving cost controls in our Marine pools
- In-sourcing service centers – opened Los Angeles / Long Beach, expect to open other centers in 2013 and 2014

# Summary of Financial Performance – Q3 2013

- Revenues grew 22% in Q3 2013 vs.Q3 2012
  - Marine Market segment revenues grew \$24 million or 34% in Q3 2013 vs. Q3 2012
  - Domestic Market segment revenues grew \$2 million or 6% in Q3 2013 vs. Q3 2012
- Adjusted EBITDA decreased 10% in Q3 2013 vs. Q3 2012
  - Lower adjusted EBITDA per Marine chassis primarily due to change in operating model
  - Operating expenses were up 34% and the average number chassis operating in our Marine and Domestic pools was up 46%

\$ millions	Quarter ending September 30 <sup>th</sup>			Year-to-date September 30 <sup>th</sup>		
	2013	B / (W) 2012		2013	B / (W) 2012	
		\$	%		\$	%
Revenue	\$ 134.2	\$ 24.5	22%	\$ 379.2	\$ 80.4	27%
Direct operating expenses	81.1	(20.6)	-34%	215.3	(59.8)	-38%
All other expenses	60.7	(3.6)	-6%	174.3	(25.8)	-17%
Net income (loss) before tax	(7.6)	0.3	3%	(10.4)	(5.2)	-102%
Net income (loss)	\$ (6.3)	\$ (1.7)	-35%	\$ (8.0)	\$ (4.9)	-157%
Adjusted EBITDA	\$ 36.4	\$ (4.1)	-10%	\$ 118.5	\$ 4.0	4%
Adjusted net income (loss)	\$ (2.2)	\$ (4.6)	-190%	\$ 5.0	\$ (1.6)	-24%

# Market Review – Q3 2013

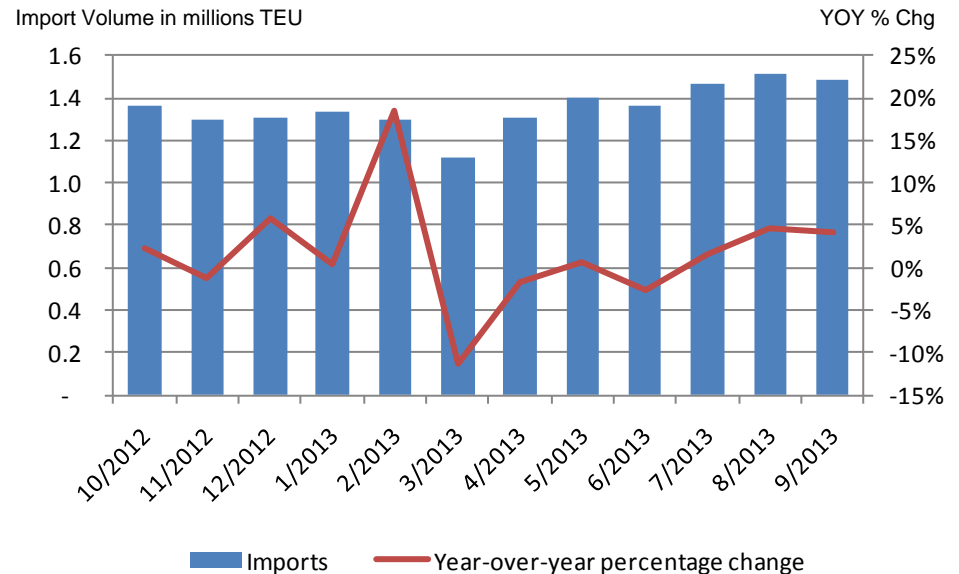
- Total U.S. intermodal volumes grew 5.3% in Q3 2013 vs. Q3 2012 - comprised of 2.2% growth in international volumes and 8.7% growth in domestic volumes, according to FTR
- U.S. containerized imports were up 3.5% year-over-year in Q3 2013, according to figures from PIERS
- U.S. international volume growth is expected to be 1.8% in 2013 compared to domestic volume growth of 7.3% in 2013, according to FTR

## U.S. Intermodal Load Growth

	International	Domestic	Total
2013 Q1	3.0%	6.3%	4.6%
2013 Q2	-1.3%	6.4%	2.4%
2013 Q3	2.2%	8.7%	5.3%
2013 Q4	3.7%	7.8%	5.8%
<b>2013</b>	<b>1.8%</b>	<b>7.3%</b>	<b>4.5%</b>
2014	1.4%	6.5%	3.9%

Source – FTR (Intermodal volume in loads, October 2013)

## U.S. Containerized Imports



Sources: PIERS

Note: extrapolated number for port NY/NJ for September 2013



# Revenue Drivers – Marine and Domestic Market Segments

- Within the Marine and Domestic Market segments the revenue growth is primarily driven by our neutral chassis pools
  - Marine Pool per diem revenue grew by 70% and the Domestic Pool per diem revenue grew by 9%
- Marine chassis customers have continued to shift from term leases to pools
  - This industry shift has resulted in incremental transition costs for repositioning, repairs, the establishment of new pools and has shifted the risk of billable usage to TRAC

## Key Operating Statistics – Q3 2013

	<u>2012</u>	<u>2013</u>	<u>Variance</u>	<u>% Change</u>
<b>Marine Market segment</b>				
<u>Pool Statistics</u>				
Per Diem Revenue <sup>1</sup>	\$ 44,851	\$ 76,451	\$ 31,600	70%
Average Total Fleet <sup>2</sup>	74,262	131,058	56,796	76%
Average Daily Revenue per Chassis	\$6.56	\$6.34	-\$0.22	-3%
<u>Term Lease Statistics</u>				
Per Diem Revenue	\$ 16,919	\$ 10,332	\$ (6,587)	-39%
Average Total Fleet	73,330	44,138	(29,192)	-40%
Average Daily Revenue per Chassis	\$2.51	\$2.54	\$0.03	1%
<b>Domestic Market segment</b>				
<u>Pool Statistics</u>				
Per Diem Revenue <sup>1</sup>	\$ 31,403	\$ 34,190	\$ 2,787	9%
Average Total Fleet <sup>2</sup>	56,166	59,911	3,745	7%
Average Daily Revenue per Chassis	\$6.08	\$6.20	\$0.12	2%
<u>Term Lease Statistics</u>				
Per Diem Revenue	\$ 4,630	\$ 4,515	\$ (115)	-2%
Average Total Fleet	14,309	13,671	(638)	-4%
Average Daily Revenue per Chassis	\$3.52	\$3.59	\$0.07	2%

<sup>1</sup> Per Diem Revenue in \$ thousands - represents revenues billed under operating leases and excludes amounts billed to lessees for maintenance and repair, positioning and handling, and other ancillary charges

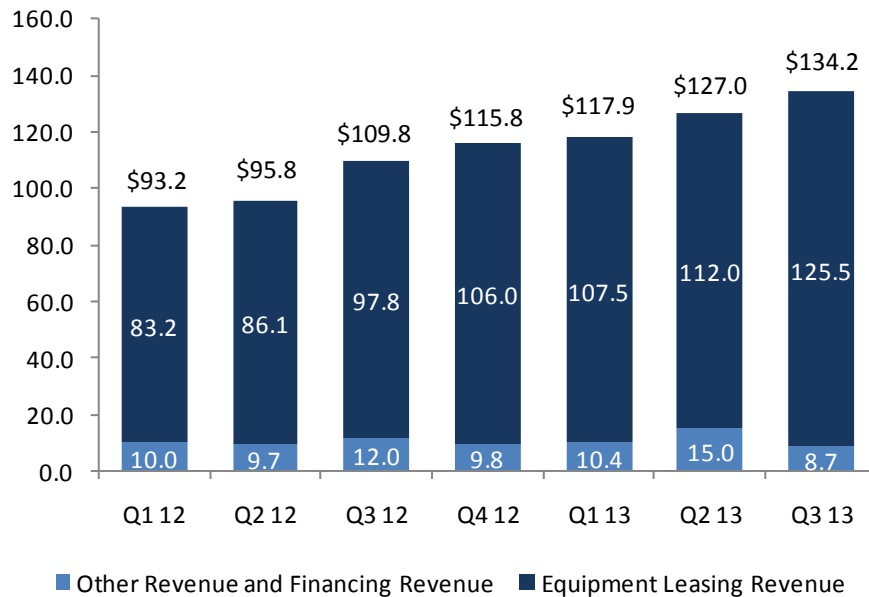
<sup>2</sup> Average Total Fleet in units - based upon the total fleet at each month end,

# Quarterly Revenue and Adjusted EBITDA Trends

- Strong chassis leasing revenue growth driven by both rate mix and volume contributions in Q3 2013
  - 22% revenue growth in Q3 2013 vs.Q3 2012
- Adjusted EBITDA for Q3 2013 decreased 10% vs. Q3 2012
  - 34% increase in costs driven primarily from higher repairs during peak season and from increased size of pool fleet
  - Transitional expenses of chassis acquisitions negatively impacted results

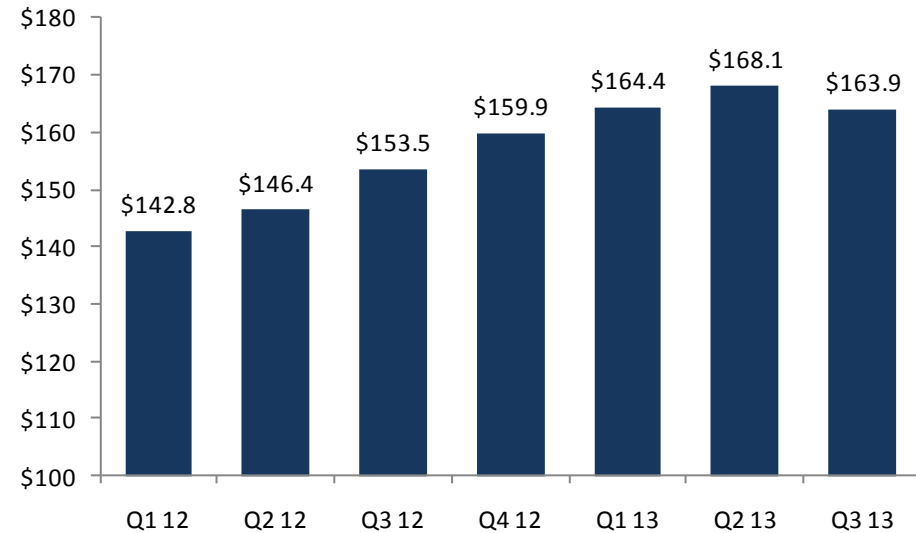
## Quarterly Revenue

(\$ millions)



## Last Twelve Months Adjusted EBITDA

(\$ millions)



# Capital Expenditures and Free Cash Flow

- Invested \$131.5 million of capital for chassis in the first nine months of 2013
  - Marine chassis purchases from steamship lines for pools
  - Domestic chassis purchases in the first nine months primarily to buyout existing operating leases
- \$69.9 million of free cash flow generated in the first nine months of 2013
  - Flat versus 2012
  - Fleet maintenance spending is captured in the income statement

## Capital Expenditures

(\$ millions)

	Q3 '12	Q3 '13	YTD 9 Months	
			2012	2013
Domestic Chassis	\$ 9.6	\$ 9.3	\$24.0	\$ 37.6
Marine Chassis	4.2	33.5	6.0	93.9
<b>Purchase of Leasing Assets</b>	<b>\$ 13.8</b>	<b>\$ 42.8</b>	<b>\$30.0</b>	<b>\$131.5</b>

## Free Cash Flow

(\$ millions)

	Q3 '12	Q3 '13	YTD 9 Months	
			2012	2013
Adjusted EBITDA	\$ 40.5	\$ 36.4	\$114.5	\$118.5
Cash Interest Accrued	(15.3)	(16.5)	(44.2)	(48.6)
<b>Free Cash Flow</b>	<b>\$ 25.2</b>	<b>\$ 19.9</b>	<b>\$ 70.3</b>	<b>\$ 69.9</b>

Note - Cash Interest on the \$300 million bond is paid twice a year, Q1 and Q3. In 2012, cash interest was paid evenly throughout the quarters on the previous term loans. Therefore, Cash Interest Accrued is used in calculating Free Cash Flow.



# Capital Structure

- Leverage ratio increased slightly from year end due to capital deployed to purchase steamship line chassis
  - Total debt increased \$79.5 million on capital spending of \$131.5 million

Capital Structure				
(\$ millions)				
		<u>at Close</u>	<u>12/31/2012</u>	<u>9/30/2013</u>
Cash		\$ 23.7	\$ 26.6	\$ 8.9
ABL Facility	<u>Cash Rate</u> <i>Libor + 275</i>	<u>Maturity</u> <i>Aug '17</i>	504.0	609.0
Capital Leases	<i>5.0%</i>	<i>Various</i>	266.7	199.4
2nd Lien Notes	<i>11.0%</i>	<i>Aug '19</i>	300.0	300.0
<b>Total Debt</b>	<i>5.5% <sup>1</sup></i>	<b>\$1,070.7</b>	<b>\$ 1,108.4</b>	<b>\$ 1,187.9</b>
Member's Interest <sup>2</sup>		\$ 542.0	\$ 538.9	\$ 541.6
<b>Total Debt and Equity</b>		<b>\$1,612.7</b>	<b>\$ 1,647.3</b>	<b>\$ 1,729.5</b>
<b>LTM Adjusted EBITDA</b>		<b>146.3</b>	<b>159.9</b>	<b>163.9</b>
<b>Total Debt / LTM Adj. EBITDA</b>		<b>7.3x</b>	<b>6.9x</b>	<b>7.2x</b>

<sup>1</sup> Weighted cash interest rate at 9/30/2013 – includes cash impact of interest rate swap

<sup>2</sup> Member's interest is the equivalent of shareholder's equity for LLC entities

Note – 'at Close' refers to the date to which the ABL Facility and 2<sup>nd</sup> Lien Notes closed, both in August of 2012



## For More Information

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**TRAC Intermodal** is the world's largest provider of marine and domestic chassis, measured by total assets, operating throughout the United States, Canada and Mexico. TRAC Intermodal provides long term chassis leasing and short term rentals through extensive chassis pool programs and pool/fleet management through the utilization of its proprietary PoolStat® system. TRAC Intermodal's fleet consists of approximately 309,000 chassis. TRAC Intermodal has a broad operating footprint with 546 marine, 154 domestic and 64 depot locations across North America and is the leader in providing chassis solutions to the intermodal industry.

Contact us to learn how our chassis products can help customers increase supply chain efficiency, control costs, and promote safety.



# Appendix



# Income Statement

## Consolidated Income Statement

(\$ thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2012	2013	Variance	2012	2013	Variance
<b>Revenues:</b>						
Equipment leasing revenue	\$ 97,803	\$ 125,488	28%	\$ 267,105	\$ 345,002	29%
Finance revenue	1,252	746	-40%	3,950	2,564	-35%
Other revenue	10,729	8,010	-25%	27,743	31,609	14%
<b>Total Revenues</b>	<b>\$ 109,784</b>	<b>\$ 134,244</b>	<b>22%</b>	<b>\$ 298,798</b>	<b>\$ 379,175</b>	<b>27%</b>
<b>Expenses:</b>						
Direct operating expense	\$ 60,583	\$ 81,140	-34%	\$ 155,492	\$ 215,336	-38%
Selling, general and administrative expenses	10,893	14,737	-35%	33,937	41,998	-24%
Depreciation expense	16,418	18,161	-11%	49,419	53,124	-7%
Other expense, net	3,252	4,886	-50%	6,506	10,167	-56%
Interest expense, net	20,216	22,911	-13%	52,158	68,050	-30%
Loss on modification and extinguishment of debt	6,294	6	NM	6,443	901	86%
<b>Income (loss) before benefit for income taxes</b>	<b>\$ (7,872)</b>	<b>\$ (7,597)</b>	<b>3%</b>	<b>\$ (5,157)</b>	<b>\$ (10,401)</b>	<b>-102%</b>
Benefit for income taxes	(3,201)	(1,273)	-60%	(2,047)	(2,409)	18%
<b>Net income (loss)</b>	<b>\$ (4,671)</b>	<b>\$ (6,324)</b>	<b>-35%</b>	<b>\$ (3,110)</b>	<b>\$ (7,992)</b>	<b>-157%</b>
<b>Adjusted EBITDA</b>						
EBITDA	\$ 38,049	\$ 34,640	-9%	\$ 107,297	\$ 113,407	6%
Plus: DFL collections	2,012	1,401	-30%	5,897	4,262	-28%
Plus: Non-cash stock compensation	432	340	-21%	1,311	873	-33%
<b>Adjusted EBITDA</b>	<b>\$ 40,493</b>	<b>\$ 36,381</b>	<b>-10%</b>	<b>\$ 114,505</b>	<b>\$ 118,542</b>	<b>4%</b>
<b>Adjusted Net Income</b>	<b>\$ 2,437</b>	<b>\$ (2,189)</b>	<b>-190%</b>	<b>\$ 6,577</b>	<b>\$ 5,019</b>	<b>-24%</b>

Unaudited – Quarter and nine months ended September 30<sup>th</sup> numbers for 2012 and 2013

Note – see page 15 for a reconciliation of Adjusted EBITDA and Adjusted Net Income

# Balance Sheet

## Consolidated Balance Sheet

<i>(\$ thousands)</i>	December 31, 2012	September 30, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 26,556	\$ 8,933
Accounts receivable, net	80,620	124,292
Net investment in direct finance leases	40,729	26,915
Leasing equipment, net	1,325,383	1,409,056
Fair value of derivative instruments	-	2,796
Goodwill	251,907	251,907
Other assets	43,268	44,497
<b>Total assets</b>	<b>\$ 1,768,463</b>	<b>\$ 1,868,396</b>
<b>Liabilities and member's interest</b>		
Accounts payable and accrued expenses	\$ 47,590	\$ 61,032
Deferred income taxes	73,569	77,879
Debt and capital lease obligations:		
Current portion	25,884	29,048
Non-current portion	1,082,513	1,158,813
<b>Total debt and capital lease obligations</b>	<b>1,108,397</b>	<b>1,187,861</b>
<b>Total liabilities</b>	<b>1,229,556</b>	<b>1,326,772</b>
<b>Member's interest</b>		
Member's interest	590,883	583,003
Accumulated other comprehensive loss	(51,976)	(41,379)
<b>Total member's interest</b>	<b>538,907</b>	<b>541,624</b>
<b>Total liabilities and member's interest</b>	<b>\$ 1,768,463</b>	<b>\$ 1,868,396</b>

Unaudited – September 30, 2013

# Cash Flow Statement

## Cash Flows

(\$ thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2013	2012	2013
<b>Cash flows from operating activities</b>				
Net Income (Loss)	\$ (4,671)	\$ (6,324)	\$ (3,110)	\$ (7,992)
Depreciation and amortization	16,520	18,218	49,749	53,302
Other adjustments to reconcile net loss to net cash provided by operating activities	(79,024)	10,316	(70,411)	30,058
Changes in assets and liabilities	(8,203)	(18,658)	(12,235)	(43,541)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (75,378)</b>	<b>\$ 3,552</b>	<b>\$ (36,007)</b>	<b>\$ 31,827</b>
<b>Cash flows from investing activities</b>				
Collections on net investment in direct finance leases, net of interest earned	\$ 2,012	\$ 1,401	\$ 5,897	\$ 4,262
Purchase of leasing equipment	(13,825)	(42,783)	(30,034)	(131,509)
Other investing activities	373	(353)	1,481	2,344
<b>Net cash used in investing activities</b>	<b>\$ (11,440)</b>	<b>\$ (41,735)</b>	<b>\$ (22,656)</b>	<b>\$ (124,903)</b>
<b>Cash flows from financing activities</b>				
Proceeds from long-term debt	\$ 805,632	\$ 56,000	\$ 816,397	\$ 142,000
Repayments of long-term debt	(690,339)	(14,682)	(732,576)	(63,506)
Cash paid for debt issuance fees	(30,045)	(498)	(30,306)	(2,267)
Other financing activities	(50)	(39)	(327)	(509)
<b>Net cash (used in) provided by financing activities</b>	<b>\$ 85,198</b>	<b>\$ 40,781</b>	<b>\$ 53,188</b>	<b>\$ 75,718</b>
Effects of changes in exchange rates on cash and cash equivalents	167	(24)	161	(265)
Net decrease in cash and cash equivalents	\$ (1,453)	\$ 2,574	\$ (5,314)	\$ (17,623)
Cash and cash equivalents, beginning of period	\$ 25,144	\$ 6,359	\$ 29,005	\$ 26,556
Cash and cash equivalents, end of period	\$ 23,691	\$ 8,933	\$ 23,691	\$ 8,933

Unaudited – Quarter and nine months ended September 30<sup>th</sup> numbers for 2012 and 2013



# Reconciliation of Non GAAP Measures

## Adjusted EBITDA and Adjusted Net Income and Free Cash Flow Reconciliation

(\$ thousands)

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Net income (loss)	\$ 1,525	\$ 36	\$ (4,671)	\$ 20	\$ (435)	\$ (1,233)	\$ (6,324)
Income tax (benefit) expense	1,128	26	(3,201)	(128)	(315)	(821)	(1,273)
Interest expense	16,143	15,820	20,304	22,835	22,722	22,688	22,926
Depreciation expense	16,524	16,477	16,418	16,633	17,274	17,689	18,161
Impairment of leasing equipment	1,375	617	3,081	1,433	2,133	431	1,065
Loss on retirement of debt	21	128	6,294	2,407	647	248	6
Other income, net	(136)	(415)	(89)	(169)	(798)	(1,192)	94
Interest income	(15)	(6)	(87)	(35)	(2)	(269)	(15)
Non-cash stock compensation	-	879	432	454	281	252	340
Principal collections on direct finance leases, net of interest earned	1,944	1,941	2,012	1,939	1,460	1,401	1,401
<b>Adjusted EBITDA</b>	<b>\$ 38,509</b>	<b>\$ 35,503</b>	<b>\$ 40,493</b>	<b>\$ 45,389</b>	<b>\$ 42,967</b>	<b>\$ 39,194</b>	<b>\$ 36,381</b>
Cash interest accrued	(14,563)	(14,343)	(15,285)	(15,765)	(15,986)	(16,181)	(16,437)
<b>Free cash flows</b>	<b>\$ 23,946</b>	<b>\$ 21,160</b>	<b>\$ 25,208</b>	<b>\$ 29,624</b>	<b>\$ 26,981</b>	<b>\$ 23,013</b>	<b>\$ 19,944</b>
Net income (loss)	\$ 1,525	\$ 36	\$ (4,671)	\$ 20	\$ (435)	\$ (1,233)	\$ (6,324)
Non-cash interest expense, net of tax	503	499	781	904	951	943	980
Non-cash stock compensation, net of tax	-	527	260	272	169	151	204
Loss on modification and extinguishment of debt, net of tax	522	528	6,067	4,836	3,518	3,144	2,951
<b>Adjusted Net Income</b>	<b>\$ 2,550</b>	<b>\$ 1,590</b>	<b>\$ 2,437</b>	<b>\$ 6,032</b>	<b>\$ 4,203</b>	<b>\$ 3,005</b>	<b>\$ (2,189)</b>

Unaudited – Quarter ending numbers

Note - Adjusted EBITDA and Adjusted Net Income are not U.S. GAAP measures, see note on page 2



# Fleet Composition

## Total Fleet by Lease Type

At September 30, 2013

Total fleet by lease type	Units		NBV of owned fleet		Avg age	% of on-hire fleet
	# of units	% of total	\$ millions	% of total		
Term lease	56,308	18%	\$ 297	20%	12.7yrs	22%
Direct finance lease	7,380	2%	27	2%	11.6 yrs	3%
Marine neutral chassis pool	132,659	43%	534	37%	14.2 yrs	52%
Domestic neutral chassis pool	59,982	20%	402	28%	6.9 yrs	23%
On-hire fleet	256,329	83%	1,260	87%	12.2 yrs	100%
Available fleet	22,540	7%	96	7%	15.5 yrs	
Active fleet	278,869	90%	1,356	94%	12.5 yrs	
Units available for remac	30,447	10%	80	6%		
Total fleet	309,316	100%	\$ 1,436	100%		