



GATX Corporation (GATX)

Updated August 10th, 2022, by Thomas Richmond

Key Metrics

Current Price:	\$100	5 Year CAGR Estimate:	4.6%	Market Cap:	\$3.5 B
Fair Value Price:	\$99	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	09/14/22
% Fair Value:	101%	5 Year Valuation Multiple Estimate:	-0.3%	Dividend Payment Date:	09/30/22
Dividend Yield:	2.1%	5 Year Price Target	\$114	Years Of Dividend Growth:	17
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

GATX Corporation (GATX) is a railcar leasing company that leases tank cars, freight cars and locomotives to companies in the petroleum, chemical, food/agriculture, and transportation industries. The company also offers services related to the assets that they lease, including routine maintenance, interior cleaning, repairs, and regulatory compliance work. The business operates through its 3 segments: Rail North America (70.9% of 2021 sales), Rail International (22.6% of 2021 sales), Portfolio Management (3.8% of 2021 sales), and the business made the remaining 2.7% of 2021's revenue from other sources. GATX has a portfolio of about 147,000 railcars, 565 locomotives, 20,000 tank containers, and an interest in over 400 aircraft spare engines. As a railcar leasing business, management has shared that their capital allocation priorities are to continue investing in core, service-intensive assets (buying more railcars), to keep the balance sheet strong, and to return capital to shareholders through dividends and share buybacks, and in fact - since 2012, the company has returned over \$1.5 billion to shareholders. Although rail-related businesses might seem to belong to a dying industry, the rail car leasing market is expected to expand at over 6% annually through 2026, according to Cision. GATX is one of the leading lessors of railcars across many regions and has an advantage in this market due to its size and proven ability to buy and lease these assets.

On July 21st, 2022, GATX reported Q2 2022 results for the period ending June 30th, 2022. The business earned \$1.07 in non-GAAP earnings-per-share for the quarter, which fell 20.7% year-over-year and missed analyst estimates by 4 cents. Sales decreased 1.4% year-over-year to \$312.7 million and missed analyst's estimates by \$11 million. Even though the company saw earnings and revenue miss analyst estimates, the company still reported positive news. GATX CEO, Robert Lyons, reported that the company is still seeing strong demand for leasing their railcars – Rail North America saw a 99.4% fleet utilization rate. Additionally, management increased the 2022 full-year earnings-per-share guidance from \$5.50-\$5.80 to \$5.60-\$6.00.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.88	\$3.59	\$4.34	\$5.30	\$5.75	\$4.72	\$5.20	\$5.51	\$3.54	\$5.07	\$5.80	\$6.72
DPS	\$1.20	\$1.24	\$1.32	\$1.52	\$1.60	\$1.68	\$1.76	\$1.84	\$1.92	\$2.00	\$2.08	\$2.30
Shares	47	46	44	42	39	38	37	35	35	35	34.5	33

Over the past 9 years, GATX has seen earnings-per-share grow at an average annualized rate of 6.5%, and over the past 5 years, the business has seen earnings-per-share grow at 4.2% annually. Management raised their full-year earnings-per-share guidance from \$5.50-\$5.80 to \$5.60-\$6.00, which guided our estimate of \$5.80 in earnings-per-share. We conservatively forecast that over the next 5 years, earnings-per-share will grow at ~3% annually and that in 2027 earnings-per-share will be around \$6.72.

Over the past 9 years, the business has grown dividends at 5.8% annually, and over the past 5 years, dividends have grown at 4.4% annually. Over the next 5 years, we forecast dividend growth of about 2%, and we expect the business to continue buying back shares over the intermediate term, as they have done every year since 2013.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



GATX Corporation (GATX)

Updated August 10th, 2022, by Thomas Richmond

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	14.5	13.7	14.4	9.9	8.0	12.8	14.4	14.0	19.3	18.7	17.2	17.0
Avg. Yld.	2.9%	2.5%	2.1%	2.9%	3.5%	2.8%	2.4%	2.4%	2.8%	2.1%	2.1%	2.0%

Over the past 9 years, GATX has averaged a P/E ratio of 14.0, and over the past 5 years, the business has averaged a P/E ratio of 15.8. We estimate that over the intermediate term, the business will trade for a P/E ratio of around 17, since the business's P/E ratio has been rising over time. Today, the stock offers a low 2.1% dividend yield, which isn't ideal for investors seeking dividend income, but investors may find this business attractive if they are interested in gaining exposure to the established railcar industry.

Safety, Quality, Competitive Advantage, & Recession Resiliency

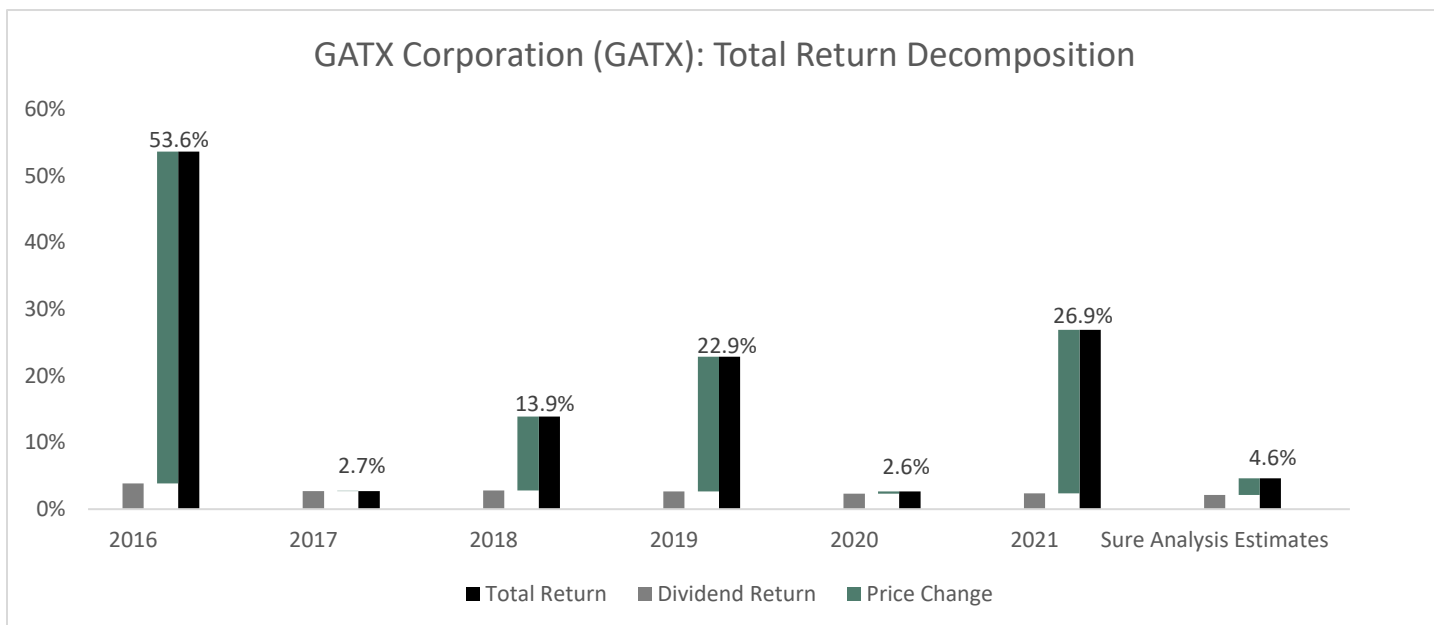
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	42%	35%	30%	29%	28%	36%	34%	33%	54%	39%	36%	34%

The business has averaged a payout ratio of 36.0% over the past 9 years, and 39.3% over the past 5 years. With a low payout ratio below 40%, we expect that the dividend is safe for now and over the intermediate term from any cuts or decreases. The business does have a large amount of long term debt on the balance sheet, but the business has ample liquidity to pay off current liabilities, so we don't think this is a big concern. The business is susceptible to economic downturns, as seen by 2020's earnings-per-share figures, but the company does have a competitive advantage as one of the leading railcar leasing companies in the world.

Final Thoughts & Recommendation

The GATX Corporation offers investors an opportunity to invest in a company that is a market leader in leasing railcars. We rate this stock as a Hold because total return prospects are expected to come in at just 4.6% annually over the next five years. Although the stock has low return prospects, investors might be interested in this company today if they're interested in the railcar leasing space, because this company is a leader in this market.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



GATX Corporation (GATX)

Updated August 10th, 2022, by Thomas Richmond

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	1,243	1,321	1,451	1,450	1,418	1,377	1,175	1,202	1,209	1,257
Gross Profit	424	453	534	590	586	548	498	493	494	539
Gross Margin	34.1%	34.3%	36.8%	40.7%	41.3%	39.8%	42.4%	41.0%	40.9%	42.9%
SG&A Exp.	160	178	189	192	169	180	183	180	172	198
D&A Exp.	249	268	287	303	310	323	327	333	343	378
Operating Profit	239	248	316	359	373	333	283	281	287	297
Op. Margin	19.2%	18.8%	21.8%	24.8%	26.3%	24.2%	24.0%	23.4%	23.7%	23.6%
Net Profit	137	169	205	205	257	502	211	211	151	143
Net Margin	11.0%	12.8%	14.1%	14.2%	18.1%	36.5%	18.0%	17.6%	12.5%	11.4%
Free Cash Flow	(370)	(405)	(717)	(258)	(83)	(182)	(472)	(261)	(433)	(623)
Income Tax	26	66	76	111	96	(244)	31	41	37	53

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	6,055	6,550	6,920	6,894	7,105	7,422	7,617	8,285	8,938	9,542
Cash & Equivalents	234	380	210	202	308	297	100	151	292	344
Acc. Receivable	88	80	86	69	86	83	87	66	75	70
Inventories	49	46	52	55	51	57	64	59	64	52
Goodwill & Int.	92	95	86	80	78	86	83	82	144	123
Total Liabilities	4,811	5,153	5,606	5,614	5,758	5,630	5,829	6,450	6,980	7,523
Long-Term Debt	3,557	3,862	4,250	4,186	4,257	4,376	4,541	4,796	5,353	5,906
Total Equity	1,244	1,397	1,314	1,280	1,347	1,793	1,788	1,835	1,957	2,019
LTD/E Ratio	2.86	2.76	3.23	3.27	3.16	2.44	2.54	2.61	2.73	2.92

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	2.3%	2.7%	3.0%	3.0%	3.7%	6.9%	2.8%	2.7%	1.8%	1.5%
Return on Equity	11.6%	12.8%	15.1%	15.8%	19.6%	32.0%	11.8%	11.7%	8.0%	7.2%
ROIC	2.9%	3.4%	3.8%	3.7%	4.6%	8.5%	3.4%	3.3%	2.2%	1.9%
Shares Out.	47	46	44	42	39	38	37	35	35	35
Revenue/Share	26.12	28.05	31.68	33.10	34.68	34.95	30.68	33.02	34.16	34.93
FCF/Share	(7.78)	(8.59)	(15.64)	(5.89)	(2.04)	(4.61)	(12.31)	(7.18)	(12.22)	(17.30)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.