



Trinity Industries, Inc. (TRN)

Updated March 4th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$30	5 Year CAGR Estimate:	13.5%	Market Cap:	\$2.4 B
Fair Value Price:	\$33	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	04/11/2025 ¹
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	1.9%	Dividend Payment Date:	04/30/2025 ²
Dividend Yield:	4.0%	5 Year Price Target	\$48	Years Of Dividend Growth:	15
Dividend Risk Score:	C	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Trinity Industries (TRN) is a leading provider of rail transportation products and services in North America. The business of the company is classified primarily under two reporting segments: Railcar Leasing, which owns and operates a fleet of railcars and provides third-party fleet leasing, management, and administrative services, and the Rail Products Group, which manufactures and sells railcars and related parts and components and provides railcar maintenance and modification services.

On February 20th, 2025, the company announced results for the fourth quarter of 2024. Trinity reported Q4 non-GAAP EPS of \$0.39, which beat estimates by \$0.05, and revenue of \$629.4 million, which was down 21.1% year-over-year.

Railcar deliveries for the quarter reached 3,760 units, while new orders totaled 1,500 units, reflecting steady demand. Trinity Industries delivered solid financial performance in 2024, and the company generated \$588 million in operating cash flow, supported by \$57 million in net gains on lease portfolio sales. Lease fleet utilization remained high at 97.0%, while the Future Lease Rate Differential (FLRD) stood at a positive 24.3%, reflecting strong demand and pricing momentum. Trinity Industries delivered 17,570 railcars throughout the year, maintaining a \$2.1 billion backlog at year-end. These results highlight the company's effective operational strategies, cost efficiencies, and resilient demand across its core segments.

The company ended 2024 with a 39% reduction in long-term debt to \$244.1 million, reinforcing its strong financial position. For 2025, management expects industry railcar deliveries of approximately 35,000, with a net fleet investment between \$300 million and \$400 million. Full-year EPS guidance is set between \$1.50 and \$1.80, accounting for continued leasing revenue growth, stable margins, and a shift in the sales mix. With disciplined capital allocation and a focus on sustainable growth, Trinity Industries remains well-positioned to drive long-term shareholder value.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.08	\$2.25	\$1.41	\$0.70	\$1.27	\$0.34	\$0.56	\$0.71	\$1.27	\$1.64	\$1.65	\$2.42
DPS	\$0.43	\$0.44	\$0.50	\$0.52	\$0.64	\$0.76	\$0.84	\$0.92	\$1.06	\$1.14	\$1.20	\$1.93
Shares³	152.9	152.2	150.9	133.3	119.7	111.2	83.3	81.9	83.4	84.2	80.0	61.9

Trinity Industries has been adversely affected by the supply chain disruptions and higher costs after the pandemic outbreak over the past two years, along with implementing the Precision Scheduled Railroading model. As a result, the company's net income declined to \$0.56 per share in 2021 as production inefficiencies and increased cost pressures weighed on the company's margins. However, the near-term outlook has improved with the re-opening after COVID lockdowns and increased demand reflected by the current book-to-bill ratio of 5 times.

In line with the company's midpoint guidance and improving demand environment for the TRN, we expect the company to post EPS of \$1.65 in 2025. We maintain our EPS growth forecast of 8% over the next five years, leading to our estimated EPS of \$2.42 by 2030. Moreover, the company has a solid record of paying dividends despite operating in a

¹ The ex-dividend date is estimated based on historical data.

² The dividend payment date is estimated based on historical data.

³ Shares in millions.

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cyclical sector, as Trinity Industries has paid increasing dividends for the past 15 years. We expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 10%, leading to a dividend of \$1.93 in 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	4.0	6.9	15.1	34.4	16.4	60.0	50.4	38.7	19.6	19.0	18.2	20.0
Avg. Yld.	2.1%	2.8%	2.3%	2.2%	3.1%	3.7%	3.0%	3.4%	4.3%	3.7%	4.0%	4.0%

The railcar manufacturer currently trades at a forward P/E of 18.2, hitting our previous multiple target, but still considerably lower than the long-term average P/E of 26.5 and the five-year average P/E of 37.5. Even though the declining steel prices and an uptick in demand will benefit the company in the near term, we believe that our P/E target of 20.0 is a fair reflection of its value. Accordingly, with a projected EPS of \$2.42 and P/E of 20.0 by 2030, our target price for the stock stands at \$48.

Safety, Quality, Competitive Advantage, & Recession Resiliency

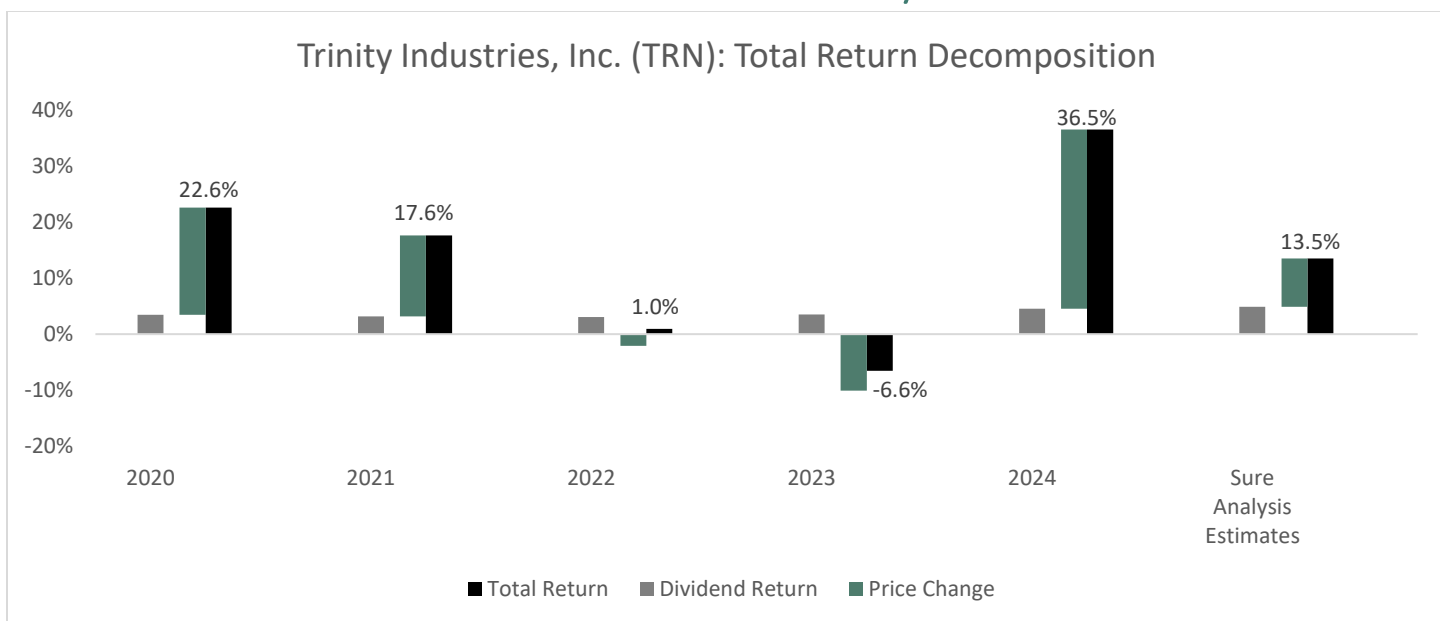
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	8%	20%	35%	74%	50%	224%	150%	130%	83%	70%	73%	80%

The company has paid a consistent dividend to its shareholders and has a 10-year payout ratio averaging 84%. We expect the company to maintain and increase its dividend in the future. The demand for the company's product has recovered in recent quarters, and we expect the company to be in a much better position in the future than it is today. In addition, the leasing margins continue to improve in a rising rate environment, and the fleet's utilization ought to be high, driven by solid railcar demand. Nevertheless, a recession could adversely affect its performance.

Final Thoughts & Recommendation

While Trinity Industries runs a capital-intensive cyclical business, increased bookings and reduced cost pressures will be a positive catalyst for EPS growth. Indeed, Trinity Industries' growth prospects could remain strong throughout the cycle. Hence, we revise our rating to buy premised upon 13.5% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 8.0%, the 4.0% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	6,170	6,393	3,090	2,397	2,509	2,752	1,750	1,516	1,977	2,983
Gross Profit	1,550	1,737	778	622	570	574	422	355	368	527
Gross Margin	25.1%	27.2%	25.2%	26.0%	22.7%	20.9%	24.1%	23.4%	18.6%	17.7%
SG&A Exp.	404	476	314	339	297	217	341	179	185	202
D&A Exp.	245	266	217	230	252	277	259	266	276	293
Operating Profit	1,147	1,260	464	283	274	357	81	176	182	325
Op. Margin	18.6%	19.7%	15.0%	11.8%	10.9%	13.0%	4.6%	11.6%	9.2%	10.9%
Net Profit	678	797	344	703	159	138	(147)	182	60	106
Net Margin	11.0%	12.5%	11.1%	29.3%	6.3%	5.0%	-8.4%	12.0%	3.0%	3.6%
Free Cash Flow	355	(90)	242	131	(607)	(817)	(46)	41	(980)	(415)
Income Tax	355	426	107	(415)	43	59	(274)	16	28	9

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	8,695	8,886	9,125	9,543	7,989	8,701	8,702	8,236	8,723	8,906
Cash & Equivalents	888	786	563	779	179	166	132	167	80	106
Accounts Rec	405	370	379	204	277	260	164	228	324	364
Inventories	1,068	943	666	403	525	433	285	433	629	684
Goodwill & Int.	773	754	754	209	209	209	147	154	196	222
Total Liabilities	5,298	4,837	4,814	4,685	5,427	6,323	6,686	6,939	7,455	7,631
Accounts Payable	295	217	156	120	212	204	146	206	288	305
Long-Term Debt	3,476	3,160	3,025	3,214	4,029	4,882	5,017	5,171	5,608	5,754
Total Equity	2,996	3,654	3,919	4,501	2,211	2,030	1,739	1,030	1,012	1,037
LTD/E Ratio	1.16	0.86	0.77	0.71	1.82	2.40	2.89	5.02	5.53	5.55

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	8.5%	9.1%	3.8%	7.5%	1.8%	1.6%	-1.7%	2.1%	0.71%	1.2%
Return on Equity	25.1%	24.0%	9.1%	16.7%	4.7%	6.5%	-7.8%	13.1%	5.9%	8.3%
ROIC	10.8%	11.3%	4.7%	9.1%	2.2%	2.0%	-2.1%	2.7%	0.90%	1.5%
Shares Out.	155.7	152.9	152.2	150.9	133.3	119.7	111.2	83.3	84.20	8340
Revenue/Share	39.37	42.00	20.79	15.77	17.14	21.62	15.10	14.61	23.48	35.77
FCF/Share	2.26	(0.59)	1.63	0.86	(4.14)	(6.41)	(0.40)	0.40	(11.63)	(4.97)

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

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