



Trinity Industries, Inc. (TRN)

Updated July 5th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$29	5 Year CAGR Estimate:	11.5%	Market Cap:	\$2.4 B
Fair Value Price:	\$29	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	07/15/25
% Fair Value:	102%	5 Year Valuation Multiple Estimate:	-0.3%	Dividend Payment Date:	07/31/25
Dividend Yield:	4.1%	5 Year Price Target	\$42	Years Of Dividend Growth:	15
Dividend Risk Score:	C	Sector:	Industrials	Rating:	Hold

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 May 1st, 2025, the company announced results for the first quarter of 2025. Trinity reported Q1 non-GAAP EPS of \$0.29, which miss estimates by \$0.03, and revenue of \$585.4 million, which was down 27.7% year-over-year.

Trinity Industries reported quarterly results that showcased the continued strength of its rail leasing platform, despite a softer backdrop for new railcar orders. Operating cash flow came in at a healthy \$78 million, supported by net gains of \$6 million on lease portfolio sales. Notably, Trinity's lease fleet remained highly utilized at 96.8% with a robust Future Lease Rate Differential (FLRD) of positive 17.9%, a clear sign that market conditions for railcar leasing continue to trend favorably even as the Rail Products Group contends with longer customer decision cycles.

CEO Jean Savage noted that while external railcar deliveries were down year-over-year, strong renewal rates and disciplined cost management helped the company maintain an Adjusted ROE in its target range of 14.2%. Trinity delivered 3,060 railcars during the quarter and ended with a healthy \$1.9 billion backlog, providing solid visibility for the remainder of the year. With \$920 million in committed liquidity and a recent refinancing of Trinity Rail Leasing 2023 LLC, the company appears well-positioned to navigate short-term headwinds while seeking opportunities to generate value and maintain steady returns for shareholders.

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	\$1.43	\$2.09
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
Shares¹	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 \$1.43 in 2025. We maintain our EPS growth forecast of 8% over the next five years, leading to our estimated EPS of \$2.09 by 2030. Moreover, the company has a solid record of paying dividends despite operating in a 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.

¹ Shares in millions.

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.



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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	20.4	20.0
Avg. Yld.	2.1%	2.8%	2.3%	2.2%	3.1%	3.7%	3.0%	3.4%	4.3%	3.7%	4.1%	4.6%

The railcar manufacturer currently trades at a forward P/E of 20.4, 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 \$2.09 and P/E of 20.0 by 2030, our target price for the stock stands at \$42.

Safety, Quality, Competitive Advantage, & Recession Resiliency

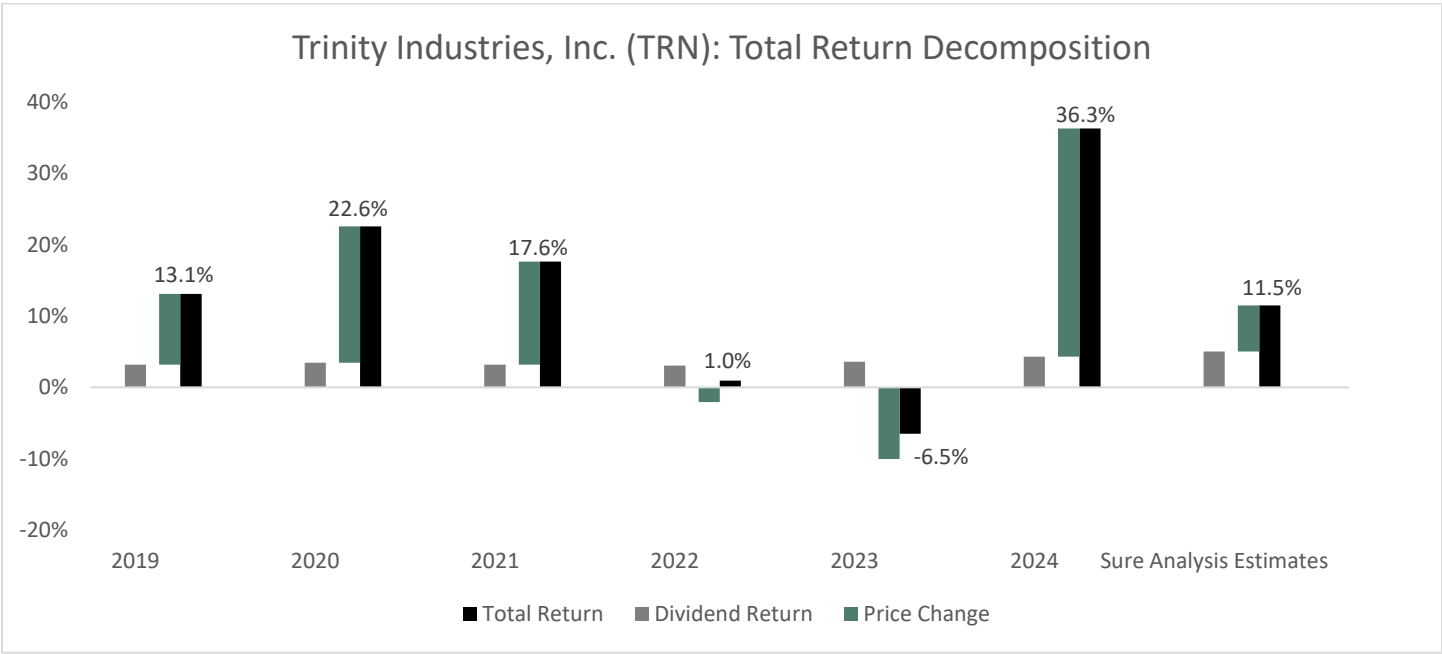
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	8%	20%	35%	74%	50%	224%	150%	130%	83%	70%	84%	92%

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. During Q1, Trinity Industries also returned capital to shareholders with share repurchases totaling \$32.8 million, underscoring its commitment to balanced capital allocation.

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, our hold rating is premised upon 11.5% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 8.0%, the 4.1% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	6,393	3,090	2,397	2,509	2,752	1,750	1,516	1,977	2,983	3,079
Gross Profit	1,737	778	622	570	574	422	355	368	527	668
Gross Margin	27.2%	25.2%	26.0%	22.7%	20.9%	24.1%	23.4%	18.6%	17.7%	21.7%
SG&A Exp.	476	314	339	297	217	341	179	185	202	236
D&A Exp.	266	217	230	252	277	259	266	276	293	294
Operating Profit	1,260	464	283	274	357	81	176	182	325	433
Op. Margin	19.7%	15.0%	11.8%	10.9%	13.0%	4.6%	11.6%	9.2%	10.9%	14.1%
Net Profit	797	344	703	159	138	(147)	182	60	106	138
Net Margin	12.5%	11.1%	29.3%	6.3%	5.0%	-8.4%	12.0%	3.0%	3.6%	4.5%
Free Cash Flow	(90)	242	131	(607)	(817)	(46)	41	(980)	(415)	(22)
Income Tax	426	107	(415)	43	59	(274)	16	28	9	50

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,886	9,125	9,543	7,989	8,701	8,702	8,236	8,723	8,906	8,832
Cash & Equivalents	786	563	779	179	166	132	167	80	106	228
Accounts Rec	370	379	204	277	260	164	228	324	364	379
Inventories	943	666	403	525	433	285	433	629	684	476
Goodwill & Int.	754	754	209	209	209	147	154	196	222	222
Total Liabilities	4,837	4,814	4,685	5,427	6,323	6,686	6,939	7,455	7,631	7,525
Accounts Payable	217	156	120	212	204	146	206	288	305	252
Long-Term Debt	3,160	3,025	3,214	4,029	4,882	5,017	5,171	5,608	5,754	5,691
Total Equity	3,654	3,919	4,501	2,211	2,030	1,739	1,030	1,012	1,037	1,059
LTD/E Ratio	0.86	0.77	0.71	1.82	2.40	2.89	5.02	5.53	5.55	5.37

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.1%	3.8%	7.5%	1.8%	1.6%	-1.7%	2.1%	0.71%	1.2%	1.6%
Return on Equity	24.0%	9.1%	16.7%	4.7%	6.5%	-7.8%	13.1%	5.9%	8.3%	10.7%
ROIC	11.3%	4.7%	9.1%	2.2%	2.0%	-2.1%	2.7%	0.90%	1.5%	2.0%
Shares Out.	152.9	152.2	150.9	133.3	119.7	111.2	83.3	84.20	8340	84.2
Revenue/Share	42.00	20.79	15.77	17.14	21.62	15.10	14.61	23.48	35.77	36.57
FCF/Share	(0.59)	1.63	0.86	(4.14)	(6.41)	(0.40)	0.40	(11.63)	(4.97)	(0.26)

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

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