TRINITY INDUSTRIES INC
Form 10-K
February 21, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-6903
(Exact name of registrant as specified in its charter)

Delaware	75-0225040
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2525 N. Stemmons Freeway, Dallas, Texas	75207-2401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (214) 631-4420
Securities Registered Pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Common Stock ($0.01 par value)	New York Stock Exchange, Inc.

Securities registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ   No ¨
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ   No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ   Accelerated filer ¨   Non-accelerated filer ¨
Smaller reporting company ¨ Emerging growth company ¨
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

The aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter (June 29, 2018) was $4,970.8 million.

At January 31, 2019 the number of shares of common stock outstanding was 133,344,975.

The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference from the Registrant's definitive 2019 Proxy Statement.

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Forward-Looking Statements

This annual report on Form 10-K (or statements otherwise made by the Company or on the Company's behalf from time to time in other reports, filings with the Securities and Exchange Commission ("SEC"), news releases, conferences, website postings or otherwise) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not historical facts are forward-looking statements and involve risks and uncertainties. These forward-looking statements include expectations, beliefs, plans, objectives, future financial performances, estimates, projections, goals, and forecasts. Trinity uses the words "anticipates," "believes," "estimates," "expects," "intends," "forecasts," "may," "will," "should," and similar expressions to ide forward-looking statements. Potential factors which could cause our actual results of operations to differ materially from those in the forward-looking statements include, among others:

- market conditions and customer demand for our business products and services;
- the cyclical nature of the industries in which we compete;
- variations in weather in areas where our highway products are sold, used, or installed;
- naturally-occurring events and disasters causing disruption to our manufacturing, product deliveries, and production capacity, thereby giving rise to an increase in expenses, loss of revenue, and property losses;
- the timing of introduction of new products;
- the timing and delivery of customer orders, sales of leased railcars, or a breach of customer contracts;
- the credit worthiness of customers and their access to capital;
- product price changes;
- changes in mix of products sold;
- the costs incurred to align manufacturing capacity with demand and the extent of its utilization;
- the operating leverage and efficiencies that can be achieved by our manufacturing businesses;
- availability and costs of steel, component parts, supplies, and other raw materials;
- competition and other competitive factors;
- changing technologies;
- surcharges and other fees added to fixed pricing agreements for steel, component parts, supplies, and other raw materials;
- interest rates and capital costs;
- counter-party risks for financial instruments;
- long-term funding of our operations;
- taxes;
- the stability of the governments and political and business conditions in certain foreign countries, particularly Mexico;
- changes in import and export quotas and regulations;
- business conditions in emerging economies;
- costs and results of litigation, including trial and appellate costs;
- changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies;
- legal, regulatory, and environmental issues, including compliance of our products with mandated specifications, standards, or testing criteria and obligations to remove and replace our products following installation or to recall our products and install different products manufactured by us or our competitors;
- actions by the executive and legislative branches of the U.S. government relative to federal government budgeting, taxation policies, government expenditures, U.S. borrowing/debt ceiling limits, and trade policies;
- the use of social or digital media to disseminate false, misleading and/or unreliable or inaccurate information;
- the inability to sufficiently protect our intellectual property rights;
- if the Company does not realize some or all of the benefits expected to result from the spin-off of Arcosa, Inc. ("Arcosa"), a new public company focused on infrastructure-related products and services, or if such benefits are delayed; and
- if the distribution of shares of Arcosa, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, the Company's stockholders at the time of the distribution

and the Company could be subject to significant tax liability.

Any forward-looking statement speaks only as of the date on which such statement is made. Except as required by federal securities laws, Trinity undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made. For a discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Item 1A, "Risk Factors" included elsewhere herein.

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PART I

Item 1. Business.

General

Trinity Industries, Inc. and its consolidated subsidiaries (“Trinity,” “Company,” “we,” or “our”) own businesses that are leading providers of rail transportation products and services in North America. Our rail-related businesses market their railcar products and services under the trade name TrinityRail®. The TrinityRail integrated business platform provides railcar leasing and management services, railcar manufacturing, and railcar maintenance and modification services. We also own businesses engaged in the manufacturing of products used on the nation's roadways and in traffic control, as well as a transportation business that provides support services to Trinity and a variety of other industrial manufacturers.

Trinity was incorporated in 1933 and became a Delaware corporation in 1987. We are headquartered in Dallas, Texas, and our principal executive offices are located at 2525 N. Stemmons Freeway, Dallas, Texas 75207-2401. Our telephone number is 214-631-4420, and our Internet website address is www.trin.net.

Unless otherwise stated, any reference to income statement items in this Annual Report on Form 10-K (the "Form 10-K") refers to results from continuing operations.

Spin-off of Arcosa, Inc.

On November 1, 2018, we completed the separation of Trinity Industries, Inc. into two public companies: (1) Trinity Industries, Inc., comprised of Trinity’s rail-related businesses, which are leading providers of rail transportation products and services in North America, and (2) Arcosa, Inc. ("Arcosa"), a new public company focused on infrastructure-related products and services. The separation was effected through a pro rata dividend to Trinity's shareholders of all outstanding Arcosa shares and was structured to qualify as a tax free distribution for federal income tax purposes. Following the distribution, Arcosa became an independent, publicly-traded company on the New York Stock Exchange. Trinity did not retain an ownership interest in Arcosa following the completion of the spin-off transaction.

In connection with the Arcosa spin-off, Rhys J. Best, David W. Biegler, Antonio Carrillo, Ronald J. Gafford, and Douglas L. Rock resigned from their positions as members of Trinity's Board of Directors, effective as of November 1, 2018. Each of Messrs. Best, Biegler, Carrillo, Gafford, and Rock is now a director of Arcosa. Additionally, in connection with the Arcosa spin-off, each of Brandon B. Boze, John J. Diez, and E. Jean Savage was appointed as a director of Trinity’s Board of Directors, effective as of November 1, 2018.

Upon completion of the spin-off transaction on November 1, 2018, the accounting requirements for reporting Arcosa as a discontinued operation were met. Accordingly, Arcosa's results of operations are presented as discontinued operations for all periods in this Form 10-K. See Note 2 of the Consolidated Financial Statements for further information related to the spin-off transaction.

Our Reportable Segments

Following the completion of the Arcosa spin-off, we have three reportable segments: the Railcar Leasing and Management Services Group ("Leasing Group"), the Rail Products Group, and All Other. Our All Other segment includes the results of our highway products business, which was previously reported within our former Construction Products Group. Additionally, our Rail Products Group includes the results of our heads business, which was previously reported in our former Energy Equipment Group. Further, our axles, couplers, and industrial and mining components businesses, previously reported in the Rail Products Group, were transferred to Arcosa in connection with the spin-off transaction and are therefore reflected as a component of discontinued operations. All segment results set forth herein have been recast to present results on a comparable basis.

Business Overview and Current Business Strategy

We believe that we are a premier provider of railcar related products and services. We strive to operate industry-leading integrated railcar leasing, manufacturing, and services businesses, by providing a single source for comprehensive rail transportation solutions and services in North America. Our objective is to deliver a premier customer experience by providing high quality, innovative products and designing solutions that enhance and optimize our customers' businesses. As we continue to concentrate our focus and resources, we see opportunities to grow and enhance our product and service offerings in ways that will optimize the ownership and use of railcars.

Railcar Leasing and Management Services Group. Our Railcar Leasing and Management Services Group is a leading provider in North America of comprehensive railcar industry services. Through wholly-owned subsidiaries, primarily Trinity Industries Leasing Company ("TILC"), and partially-owned subsidiaries, TRIP Rail Holdings LLC (“TRIP Holdings”) and RIV 2013 Rail Holdings LLC ("RIV 2013"), we offer operating leases for freight and tank railcars. Trinity's Rail Products Group and TILC coordinate sales and marketing activities under the registered trade name TrinityRail, thereby providing a single point of contact for railroads and shippers seeking rail equipment and services.

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In addition, TILC originates and manages railcar leases for third-party investor-owned funds and provides fleet maintenance and management services to industrial shippers. Our affiliations with third-party investor-owned funds, through strategic railcar alliances and the formation of railcar investment vehicles, combined with TILC's fleet maintenance and management services capabilities, complement our leasing business by generating stable fee income, strengthening customer relationships, and enhancing the view of TrinityRail® as a leading provider of railcar products and services.

The railcars in our lease fleet are leased to industrial shippers and railroads. These companies operate in various markets including agriculture, construction and metals, consumer products, energy, and refined products and chemicals. Substantially all of the railcars in our lease fleet were manufactured by our Rail Products Group. The terms of our railcar leases generally vary from one to twenty years and provide for fixed monthly rentals, predominantly under full-service leases. A small percentage of our fleet is leased on a per diem basis. As of December 31, 2018, the lease fleet of our subsidiaries included 99,215 owned or leased railcars that were 98.5% utilized, of which 89,870 railcars were owned by TILC or its affiliates and 9,345 railcars were financed in sale-leaseback transactions, which are not reflected in the property, plant, and equipment amounts reported on our Consolidated Balance Sheet. Railcars under management, including those owned by third-parties, totaled 120,850 railcars.

The following charts provide additional information with respect to the Company's wholly-owned, partially-owned, and managed leased fleet.

Lease Fleet Diversification

(1) Data presented in this chart reflects our wholly-owned and partially-owned lease fleet, which totaled 99,215 railcars as of December 31, 2018.

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Rail Products Group. Through wholly-owned subsidiaries with manufacturing facilities in the U.S. and Mexico, our Rail Products Group is a leading manufacturer of freight and tank railcars in North America used for transporting a wide variety of liquids, gases, and dry cargo.

The Rail Products Group offers a complete portfolio of railcar solutions to our customers. We manufacture a full line of railcars, including:

Autorack Cars - Autoracks and flatcars transport finished automobiles, sport utility vehicles, and light trucks.

Box Cars - Box cars carry a wide variety of bulk cargo such as auto parts, paper, and food products.

Covered Hopper Cars - Covered hopper cars transport commodities such as industrial sand and cement, grain products, dry fertilizer, and plastics. Pressure differential covered hopper cars carry products such as flour and starch.

Gondola Cars - Rotary gondola cars are primarily used for coal service. Other gondola cars carry bulk commodities such as scrap metal, aggregates, ores, and finished steel.

Intermodal Cars - Intermodal cars transport shipping containers in single or double stacked configurations as well as truck trailers.

Open Hopper Cars - Open hopper cars are used to transport coal, aggregates, and other similar products.

Tank Cars - Non-pressurized tank cars transport a wide variety of liquid commodities including chemicals, food products, and petroleum products. Pressurized tank cars are used to transport liquefied gases.

We believe that our Rail Products Group's diversified manufacturing capabilities enable us to capitalize on changing industry trends and developing opportunities in various markets including agriculture, construction and metals, consumer products, energy, and refined products and chemicals.

We offer a full range of maintenance services and flexible solutions, from field inspections and comprehensive compliance testing to standard repairs and maintenance, specialized cleaning, inspection, and testing at multiple facilities in the U.S. We also provide modification capabilities and assist in transitioning railcars to new industry standards. We believe that our investment in maintenance services expands and enhances our ability to serve our customers and our lease fleet.

Our customers include railroads, leasing companies, and industrial shippers of products in various markets, such as agriculture, construction and metals, consumer products, energy, and refined products and chemicals. We compete in the North American market primarily against five major railcar manufacturers and numerous other maintenance services providers.

We hold patents of varying duration for use in our manufacture of railcars and components. We believe patents offer a marketing advantage in certain circumstances. No material revenues are received from the licensing of these patents.

All Other. All Other includes our highway products business; our transportation company and captive insurance company; legal, environmental, and maintenance costs associated with non-operating facilities; and other peripheral businesses.

Our highway products business is a leading U.S. manufacturer of guardrail, crash cushions, and other highway barriers. The Federal Highway Administration ("FHWA"), which determines product eligibility for cost reimbursement using federal funds, has approved many of our products as eligible for federal-aid reimbursement based on satisfactory performance testing pursuant to criteria established under either the National Cooperative Highway Research Program Report 350 or the Manual for Assessing Safety Hardware, as applicable. Our crash cushion, barrier, and guardrail product lines include multiple proprietary products manufactured under license from certain public and private research organizations and inventors as well as Company-held patents. We sell highway products throughout the U.S., Canada, and Mexico, and we export highway products, including proprietary products, internationally. We do not perform any installation services with respect to our highway products. Our highway products business is affected by seasonal fluctuations, with the second and third quarters historically being the quarters with the highest revenues.

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Backlog. As of December 31, 2018 and 2017, our backlog of firm orders was as follows:

	December 31, 2018	December 31, 2017
	(in millions)	
Rail Products Group		
Products:		
External Customers	$2,059.5	$ 1,334.7
Leasing Group	1,588.1	829.5
	$3,647.6	$ 2,164.2
Maintenance Services	$100.6	$ 74.4
Railcar Leasing and Management Services Group	$112.6	$ 123.5

For the year ended December 31, 2018, our rail manufacturing businesses received orders for 28,795 railcars. The change in backlog as of December 31, 2018 compared with our backlog as of December 31, 2017 reflects the value of orders taken, net of cancellations, executory contract change orders and price modifications, and orders delivered during the year. The orders in our backlog from the Leasing Group are fully supported by lease commitments with external customers. The final amount of backlog attributable to the Leasing Group may vary by the time of delivery as customers may choose to purchase railcars from the Rail Products Group rather than lease. Approximately 64% of our railcar backlog is expected to be delivered during the year ending December 31, 2019 with the remainder to be delivered thereafter into 2023.

Marketing. We sell or lease substantially all of our products and services through our own sales personnel operating from offices in multiple U.S locations as well as Canada and Mexico. We also use independent sales representatives on a limited basis.

Raw Materials and Suppliers.

Railcar Specialty Components and Steel. Products manufactured at our railcar manufacturing facilities require a significant supply of raw materials, such as steel, as well as numerous specialty components, such as brakes, wheels, heads, side frames, bolsters, and bearings. The input costs for raw steel and specialty components purchased from third parties represent a substantial portion of the cost of most railcars. Although the number of alternative suppliers of specialty components has declined in recent years, at least two suppliers continue to produce most components.

The principal material used in railcar manufacturing is steel. During 2018, the supply of steel was sufficient to support our manufacturing requirements. Market steel prices continue to exhibit periods of volatility and were lower exiting 2018 compared to 2017. Steel and component prices may be volatile in the future as a result of market conditions, changes in tariffs, or other governmental policies. We often use contract-specific purchasing practices, existing supplier commitments, contractual price escalation provisions, and other arrangements with our customers to mitigate the effect of steel price volatility on our operating profits for the year. In general, we believe there is enough capacity in the supply industry to meet current production levels and that our existing contracts and other relationships we have in place will meet our current production forecasts.

Employees. The following table presents the approximate headcount breakdown of employees by business group:

Business Group	December 31, 2018
Rail Products Group	9,810
Railcar Leasing and Management Services Group	230
All Other	1,120
Corporate	355
	11,515

As of December 31, 2018, approximately 5,150 employees were employed in the U.S. and 6,365 in Mexico.

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Executive Officers of the Company.

The following table sets forth the names and ages of all of our executive officers, positions and offices presently held by them, and the year each person first became an officer. All officer terms expire in May 2019.

Name	Age	Office	Officer Since
Timothy R. Wallace	65	Chairman, Chief Executive Officer, and President	1985
James E. Perry	47	Senior Vice President and Chief Financial Officer	2005
Melendy E. Lovett	60	Senior Vice President and Chief Administrative Officer	2014
Brian D. Madison	58	President, Trinity Industries Leasing Company	2016
Eric R. Marchetto	49	Chief Commercial Officer, TrinityRail	2001
Paul E. Mauer	60	President, TrinityRail Products	1999
Steven L. McDowell	57	Vice President and Chief Accounting Officer	2013
Sarah R. Teachout	46	Senior Vice President and Chief Legal Officer	2016

The following officers, for the preceding five years, have either not been in full time employment with the Company or have had changes in responsibilities during that period:

Ms. Lovett joined the Company in 2014 as Senior Vice President and Chief Administrative Officer. A member of the Company's Board of Directors since 2012, Ms. Lovett resigned her Board position at the time of her appointment as an officer of the Company. Prior to joining Trinity in 2014, she was the Senior Vice President and President of the Education Technology business for Texas Instruments.

Mr. Madison joined the Company in 2016 as President of Trinity Industries Leasing Company. Prior to joining the Company, he served as Executive Vice President at Key Equipment Finance from 2010 to 2016, overseeing manufacturer and vendor alliances. Prior to his tenure at Key Equipment, he served as General Manager, Microsoft Financing for Microsoft Corp.

Mr. Marchetto joined the Company in 1995. He has served as the Chief Commercial Officer for the Company’s rail businesses since 2018. He served as Executive Vice President and Chief Administrative Officer for the Company’s rail businesses from 2016 to 2018, following having served as Executive Vice President and Chief Financial Officer for the rail businesses from 2012 to 2016.

Mr. McDowell joined the Company in 2013 as Vice President and Chief Audit Executive and was named Vice President and Chief Compliance Officer in 2017. He was elected Vice President and Chief Accounting Officer in 2018. Prior to joining Trinity, he worked for Dean Foods from 2007 to 2013, where he held a variety of management positions and most recently served as Vice President, Internal Audit and Risk Management. Prior to his tenure at Dean Foods, he served as Vice President - Internal Audit at Centex Corporation.

Ms. Teachout joined the Company in 2015 as Deputy General Counsel, and was elected Vice President and Deputy General Counsel in 2016, and Senior Vice President and Chief Legal Officer in 2018. Prior to joining Trinity, Ms. Teachout was a partner at the law firm of Akin Gump Strauss Hauer & Feld LLP from 2012 to 2015. Before joining Akin Gump, Ms. Teachout had been a partner at the law firm of Haynes and Boone, LLP since 2007.

Messrs. Wallace, Mauer, and Perry have been in full time employment of Trinity or its subsidiaries for more than five years and have performed essentially the same respective duties during the past five years. The Company has announced that Mr. Perry will step down from his role as Chief Financial Officer following the filing of this Annual Report on Form 10-K, and that Ms. Lovett will assume the role of Chief Financial Officer.

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Environmental Matters. We are subject to comprehensive federal, state, local, and foreign environmental laws and regulations relating to the release or discharge of materials into the environment; the management, use, processing, handling, storage, transport, and disposal of hazardous and non-hazardous waste and materials; and other activities relating to the protection of human health, natural resources, and the environment.

Environmental operating permits are, or may be, required for our operations under these laws and regulations. These operating permits are subject to modification, renewal, and revocation. We regularly monitor and review our operations, procedures, and policies for compliance with our operating permits and related laws and regulations. We believe that our operations and facilities, whether owned, managed, or leased, are in substantial compliance with applicable environmental laws and regulations and that any non-compliance is not likely to have a material adverse effect on our operations or financial condition.

Governmental Regulation.

Railcar Industry. Our railcar and related manufacturing, maintenance services, and leasing businesses are regulated by multiple governmental regulatory agencies such as the U.S. Environmental Protection Agency ("USEPA"); Transport Canada ("TC"); the U.S. Department of Transportation ("USDOT") and the administrative agencies it oversees, including the Federal Railroad Administration ("FRA"), the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), the Research and Special Programs Administration; and industry authorities such as the Association of American Railroads ("AAR"). All such agencies and authorities promulgate rules, regulations, specifications, and operating standards affecting railcar design, configuration, and mechanics; maintenance, and rail-related safety standards for railroad equipment, tracks, and operations, including the packaging and transportation of hazardous or toxic materials. We believe that our product designs and operations are in compliance with these specifications, standards, and regulations applicable to our business.

Revised regulations pertaining to the transportation of flammable materials by rail remain in effect. These regulatory changes materially impact: the rail industry as a whole; railroad operations; older and newer tank railcars that met or exceeded prior regulatory requirements and standards; tank railcar specifications; and market decisions relative to capital investment in rail products.

Highway Products. The primary regulatory and industry authorities involved in the regulation of highway products manufacturers are the USDOT, the FHWA, and various state highway departments and administrative agencies. These organizations, with participation from the American Association of State Highway and Transportation Officials ("AASHTO"), establish certain specifications, product testing criteria, and performance standards related to the manufacture of our highway products. We believe that our highway products are in compliance with the standards and specifications applicable to our business.

Occupational Safety and Health Administration and Similar Regulations. Our operations are subject to regulation of health and safety matters by the U.S. Occupational Safety and Health Administration ("OSHA") and the Secretaria del Trabajo y Prevision Social ("STPS") in Mexico. We believe that we employ appropriate precautions to protect our employees and others from workplace injuries and harmful exposure to materials handled and managed at our facilities. However, claims that may be asserted against us for work-related illnesses or injury and the further adoption of occupational safety and health regulations in the U.S. or in foreign jurisdictions in which we operate could increase our operating costs. While we do not anticipate having to make material expenditures in order to remain in substantial compliance with health and safety laws and regulations, we are unable to predict the ultimate cost of compliance.

See Item 1A for further discussion of risk factors with regard to environmental, governmental, and other matters.

Additional Information.

Our Internet website address is www.trin.net. Information on the website is available free of charge. We make available on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto, as soon as reasonably practicable after such material is filed with, or furnished to, the SEC. The contents of our website are not intended to be incorporated by reference into this report or in any other report or document we file and any reference to our website is intended to be an inactive textual reference only.

Item 1A. Risk Factors.

Our business is subject to a number of risks which are discussed below. There are risks and uncertainties that could cause our actual results to be materially different from those mentioned in forward-looking statements that we make from time to time in filings with the SEC, news releases, reports, proxy statements, registration statements, and other written communications, as well as oral forward-looking statements made from time to time by representatives of our Company. All known material risks and uncertainties are described below. You should consider carefully these risks and uncertainties in addition to the other information contained in this report and our other filings with the SEC including our subsequent reports on Forms 10-Q and 8-K, and any amendments thereto before deciding to buy, sell, or hold our securities. If any of the following known risks or uncertainties actually occurs with material adverse effects on us, our business, financial condition, results of operations, and/or liquidity could be harmed. In that event, the market price for our various securities could decline and you may lose all or part of your investment.

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The cautionary statements below discuss important factors that could cause our business, financial condition, operating results, and cash flows to be materially adversely affected. Readers are cautioned not to place undue reliance on the forward-looking statements contained herein. Except as required by federal securities laws, we undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Risks Related to our Business

The industries in which we operate are cyclical, and, accordingly, our business is subject to changes in the economy.

We operate in cyclical industries. Periodic downturns in economic conditions usually have a significant adverse effect on cyclical industries due to decreased demand for new and replacement products. Decreased demand could result in lower sales volumes, lower prices, and/or a decline in or loss of profits. The railcar industry has previously experienced sharp cyclical downturns and at such times operated with a minimal backlog. While the business cycles of our different operations may not typically coincide, an economic downturn could affect disparate cycles simultaneously. The impacts of such an economic downturn may magnify the adverse effect on our business.

Volatility in the global markets may adversely affect our business and operating results.

Instability in the global economy, negative conditions in the global credit markets, volatility in the industries that our products serve, fluctuations in commodity prices that our customers produce and transport, changes in legislative or trade policy, adverse changes in the availability of raw materials and supplies, or adverse changes in the financial condition of our customers could lead to customers' requests for deferred deliveries of our backlog orders. Additionally such events could result in our customers' attempts to unilaterally cancel or terminate firm contracts or orders in whole or in part resulting in contract or purchase order breaches and increased commercial litigation costs. Such occurrences could adversely affect our cash flows and results of operations.

If volatile conditions in the global credit markets prevent our customers' access to credit, product order volumes may decrease or customers may default on payments owed to us. Likewise, if our suppliers face challenges obtaining credit, selling their products to customers that require purchasing credit, or otherwise operating their businesses, the supply of materials we purchase from them to manufacture our products may be interrupted. Any of these conditions or events could result in reductions in our revenues, increased price competition, or increased operating costs, which could adversely affect our business, results of operations, and financial condition.

Litigated disputes and other claims could increase our costs and weaken our financial condition.

We are currently, and may from time to time be involved in various claims or legal proceedings arising out of our operations. Adverse judgments and outcomes in some or all of these matters could result in significant losses and costs that could weaken our financial condition. Although we maintain reserves for our reasonably estimable liability, our reserves may be inadequate to cover our portion of claims or final judgments after taking into consideration rights in indemnity and recourse to third parties. As a result, there could be a material adverse effect on our business, operations, or financial condition. See Note 18 of the Consolidated Financial Statements for more detailed information on any material pending legal proceedings other than ordinary routine litigation incidental to our business, including the current status of the Company's highway products litigation.

While state and federal procedural rules exist to curtail the filing of claims against the Company in jurisdictions unrelated to the underlying claims, courts sometime may not enforce these rules, exposing us to a greater likelihood of unfavorable results and increased litigation costs. Whenever our products are sold to or ultimately owned and/or operated by governments or their authorized agencies, we may be unable to seek redress or recourse to at-fault parties. When litigation arising from the installation, maintenance, replacement, or use of our products is filed against the Company, recourse to such governments or authorized agencies may be subject to sovereign immunity or related defenses thereby exposing the Company to risk of liability and increased costs irrespective of fault.

Changes in the price and demand for steel could lower our margins and profitability.

The principal material used in our manufacturing segments is steel. Market steel prices may exhibit periods of volatility. Steel prices may experience further volatility as a result of scrap surcharges assessed by steel mills and other market factors. We often use contract-specific purchasing practices, supplier commitments, contractual price escalation provisions, and other arrangements with our customers to mitigate the effect of this volatility on our operating profits for the year. To the extent that we do not have such arrangements in place, a change in steel prices could materially lower our profitability. In addition, meeting production demands is dependent on our ability to obtain a sufficient amount of steel. An unanticipated interruption in our supply chain could have an adverse impact on both our margins and production schedules.

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We have potential exposure to environmental liabilities that may increase costs and lower profitability.

We are subject to comprehensive federal, state, local, and foreign environmental laws and regulations relating to: (i) the release or discharge of materials into the environment at our facilities or with respect to our products while in operation; (ii) the management, use, processing, handling, storage, transport, and disposal of hazardous and non-hazardous waste, substances, and materials; and (iii) other activities relating to the protection of human health and the environment. Such laws and regulations expose us to liability for our own acts and in certain instances potentially expose us to liability for the acts of others. These laws and regulations also may impose liability on us currently under circumstances where at the time of the action taken, our acts or those of others complied with then applicable laws and regulations. In addition, such laws may require significant expenditures to achieve compliance, and are frequently modified or revised to impose new obligations. Civil and criminal fines and penalties may be imposed for non-compliance with these environmental laws and regulations. Our operations involving hazardous materials also raise potential risks of liability under common law.

Environmental operating permits are, or may be, required for our operations under these laws and regulations. These operating permits are subject to modification, renewal, and revocation. Although we regularly monitor and review our operations, procedures, and policies for compliance with our operating permits and related laws and regulations, the risk of environmental liability is inherent in the operation of our businesses, as it is with other companies operating under environmental permits.

However, future events, such as changes in, or modified interpretations of, existing environmental laws and regulations or enforcement policies, or further investigation or evaluation of the potential health hazards associated with the manufacture of our products and related business activities and properties, may give rise to additional compliance and other costs that could have a material adverse effect on our financial condition and operations.

In addition to environmental laws, the transportation of commodities by railcar raises potential risks in the event of an accident that results in the release of an environmentally sensitive substance. Generally, liability under existing laws for a derailment or other accident depends upon causation analysis and the acts, errors, or omissions, if any, of a party involved in the transportation activity, including, but not limited to, the railroad, the shipper, the buyer and seller of the substances being transported, or the manufacturer of the railcar, or its components. Additionally, the severity of injury or property damage arising from an incident may influence the causation responsibility analysis, exposing the Company to potentially greater liability. Under certain circumstances, strict liability concepts may apply and if we are found liable in any such incident, it could have a material adverse effect on our financial condition, business, and operations.

We operate in highly competitive industries. We may not be able to sustain our market leadership positions, which may impact our financial results.

We face aggressive competition in all geographic markets and each industry sector in which we operate. In addition to price, we face competition in respect to product performance and technological innovation, quality, reliability of delivery, customer service, and other factors. The effects of this competition, which is often intense, could reduce our revenues and operating profits, limit our ability to grow, increase pricing pressure on our products, and otherwise affect our financial results.

The limited number of customers for certain of our products, the variable purchase patterns of our customers in all of our segments, and the timing of completion, delivery, and customer acceptance of orders may cause our revenues and income from operations to vary substantially each quarter, potentially resulting in significant fluctuations in our quarterly results.

Some of the markets we serve have a limited number of customers. The volumes purchased by customers in each of our business segments vary from year to year, and not all customers make purchases every year. As a result, the order levels for our products have varied significantly from quarterly period to quarterly period in the past and may continue to vary significantly in the future. Therefore, our results of operations in any particular quarterly period may also vary. As a result of these quarterly fluctuations, we believe that comparisons of our sales and operating results between quarterly periods may not be meaningful and should not be relied upon as indicators of future performance.

Our access to capital may be limited or unavailable due to deterioration of conditions in the global capital markets, weakening of macroeconomic conditions, and negative changes in our credit ratings.

In general, the Company, and more specifically its leasing subsidiaries' operations, relies in large part upon banks and capital markets to fund its operations and contractual commitments and refinance existing debt. These markets can experience high levels of volatility and access to capital can be constrained for extended periods of time. In addition to conditions in the capital markets, a number of other factors could cause the Company to incur increased borrowing costs and have greater difficulty accessing public and private markets for both secured and unsecured debt. These factors include the Company's financial performance and its credit ratings and rating outlook as determined primarily by rating agencies such as Standard & Poor's Financial Services LLC, Moody's Investors Service, Inc., and Fitch Ratings, Inc. If the Company is unable to secure financing on acceptable terms, the Company's other sources of funds, including available cash, bank facilities, and cash flow from operations may not be adequate to fund its operations and contractual commitments and refinance existing debt.

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We may be unable to maintain railcar assets on lease at satisfactory lease rates.

The profitability of our railcar leasing business depends on our ability to lease railcars at satisfactory lease rates, to re-lease railcars at satisfactory lease rates upon the expiration and non-renewal of existing leases, and to sell railcars in the secondary market as part of our ordinary course of business. Our ability to accomplish these objectives is dependent upon several factors, including, among others:

•the cost of and demand for leases or ownership of newer or specific-use railcar types;
•the general availability in the market of competing used or new railcars;
•the degree of obsolescence of leased or unleased railcars, including railcars subject to regulatory obsolescence;
•the prevailing market and economic conditions, including the availability of credit, interest rates, and inflation rates;
•the market demand or governmental mandate for refurbishment; and
•the volume and nature of railcar traffic and loadings.

A downturn in the industries in which our lessees operate and decreased demand for railcars could also increase our exposure to re-marketing risk because lessees may demand shorter lease terms or newer railcars, requiring us to re-market leased railcars more frequently. Furthermore, the resale market for previously leased railcars has a limited number of potential buyers. Our inability to re-lease or sell leased or unleased railcars on favorable terms could result in lower lease rates, lower lease utilization percentages, and reduced revenues and operating profit.

Fluctuations in the price and supply of raw materials and parts and components used in the production of our products could have a material adverse effect on our ability to cost-effectively manufacture and sell our products. In some instances, we rely on a limited number of suppliers for certain raw materials and parts and components needed in our production.

A significant portion of our business depends on the adequate supply of numerous specialty and other parts and components at competitive prices such as brakes, wheels, side frames, bolsters, and bearings for the railcar business. Our manufacturing operations partially depend on our ability to obtain timely deliveries of raw materials, parts, and components in acceptable quantities and quality from our suppliers. Certain raw materials and parts and components for our products are currently available from a limited number of suppliers and, as a result, we may have limited control over pricing, availability, and delivery schedules. If we are unable to purchase a sufficient quantity of raw materials and parts and components on a timely basis, we could face disruptions in our production and incur delays while we attempt to engage alternative suppliers. Fewer suppliers could result from unimproved or worsening economic or commercial conditions, potentially increasing our rejections for poor quality and requiring us to source unknown and distant supply alternatives. Any such disruption or conditions could harm our business and adversely impact our results of operations.

Reductions in the availability of energy supplies or an increase in energy costs may increase our operating costs.

We use various gases, including natural gas, at our manufacturing facilities and use diesel fuel in vehicles to transport our products to customers and to operate our plant equipment. An outbreak or escalation of hostilities between the U.S. and any foreign power and, in particular, prolonged conflicts could result in a real or perceived shortage of petroleum and/or natural gas, which could result in an increase in the cost of natural gas or energy in general. Extreme weather conditions and natural occurrences such as hurricanes, tornadoes, and floods could result in varying states of disaster and a real or perceived shortage of petroleum and/or natural gas, including rationing thereof, potentially resulting in an increase in natural gas prices or general energy costs. Speculative trading in energy futures in the world markets could also result in an increase in natural gas and general energy cost. Future limitations on the availability (including limitations imposed by increased regulation or restrictions on rail, road, and pipeline transportation of energy supplies) or consumption of petroleum products and/or an increase in energy costs, particularly natural gas for plant operations and diesel fuel for vehicles and plant equipment, could have an adverse effect upon our ability to conduct our business cost effectively.

Our manufacturer's warranties expose us to product replacement and repair claims.

Depending on the product, we warrant our workmanship and certain materials (including surface coatings, primers, sealants, and interior linings), parts, and components pursuant to express limited contractual warranties. We may be subject to significant warranty claims in the future such as multiple claims based on one defect repeated throughout our production process or claims for which the cost of repairing or replacing the defective part, component or material is highly disproportionate to the original price. These types of warranty claims could result in significant costs associated with product recalls or product repair or replacement, and damage to our reputation.

Increasing insurance claims and expenses could lower profitability and increase business risk.

We are subject to potential liability for claims alleging property damage and personal and bodily injury or death arising from the use of or exposure to our products, especially in connection with products we manufacture that our customers install along U.S. highways or that our customers use to transport hazardous, flammable, toxic, or explosive materials. As insurance policies expire, premiums for renewed or new coverage may increase and/or require that we increase our self-insured retention or deductibles. The Company maintains primary coverage and excess coverage policies. If the number of claims or the dollar amounts of any such claims rise in any policy year, we could suffer additional costs associated with accessing our excess coverage policies. Also, an increase in the loss amounts attributable to such claims could expose us to uninsured damages if we were unable or elected not to insure against certain claims because of high premiums or other reasons. While our liability insurance coverage is at or above typical levels for our industries, an unusually large liability claim or a string of claims coupled with an unusually large damage award could exceed our available insurance coverage. In addition, the availability of, and our ability to collect on, insurance coverage is often subject to factors beyond our control, including positions on policy coverage taken by insurers. If any of our third-party insurers fail, cancel, or refuse coverage, or otherwise are unable to provide us with adequate insurance coverage, then our risk exposure and our operational expenses may increase and the management of our business operations would be disrupted. Moreover, any accident or incident involving our industries in general or us or our products specifically, even if we are fully insured, contractually indemnified, or not held to be liable, could negatively affect our reputation among customers and the public, thereby making it more difficult for us to compete effectively, and could significantly affect the cost and availability of insurance in the future.

Many of our products are sold to leasing companies, contractors, distributors, and installers who may misuse, abuse, improperly install or improperly or inadequately maintain or repair such products thereby potentially exposing the Company to claims that could increase our costs and weaken our financial condition.

The products we manufacture are designed to work optimally when properly assembled, operated, installed, repaired, and maintained. When this does not occur, the Company may be subjected to claims or litigation associated with personal or bodily injuries or death and property damage.

Risks related to our operations outside of the U.S., particularly Mexico, could decrease our profitability.

Our operations outside of the U.S. are subject to the risks associated with cross-border business transactions and activities. Political, legal, trade, economic change or instability, criminal activities or social unrest could limit or curtail our respective foreign business activities and operations, including the ability to hire and retain employees. We have not, to date, been materially affected by any of these risks, but we cannot predict the likelihood of future effects from such risks or any resulting adverse impact on our business, results of operations or financial condition. Many items manufactured by us in Mexico are sold in the U.S. and the transportation and import of such products may be disrupted. Some foreign countries where we operate have regulatory authorities that regulate products sold or used in those countries. If we fail to comply with the applicable regulations within the foreign countries where we operate, we may be unable to market and sell our products in those countries. In addition, with respect to operations in foreign countries, unexpected changes in laws, rules, and regulatory requirements; tariffs and other trade barriers, including regulatory initiatives for buying goods produced in America; more stringent or restrictive laws, rules, and regulations relating to labor or the environment; adverse tax consequences; price exchange controls; and restrictions or regulations affecting cross-border rail and vehicular traffic could limit operations affecting production throughput and making the manufacture and distribution of our products less timely or more difficult. Furthermore, any material change in the quotas, regulations, or duties on imports imposed by the U.S. government and agencies, or on exports by the government of Mexico or its agencies, could affect our ability to export products that we manufacture in Mexico.

Because we have operations outside the U.S., we could be adversely affected by final judgments of non-compliance with the U.S. Foreign Corrupt Practices Act or import/export rules and regulations and similar anti-corruption, anti-bribery, or import/export laws of other countries.

U.S. government actions relative to the federal budget, taxation policies, government expenditures, U.S. borrowing/debt ceiling limits, and trade policies could adversely affect our business and operating results.

Periods of impasse, deadlock, and last minute accords may continue to permeate many aspects of U.S. governance, including federal government budgeting and spending, taxation, U.S. deficit spending and debt ceiling adjustments, and international commerce. Such periods could negatively impact U.S. domestic and global financial markets thereby reducing customer demand for our products and services and potentially result in reductions in our revenues, increased price competition, or increased operating costs, any of which could adversely affect our business, results of operations, and financial condition. We produce many of our products at our manufacturing facilities in Mexico. Our business benefits from free trade agreements such as the North American Free Trade Agreement ("NAFTA"). The United States, Mexico, and Canada have reached a preliminary U.S.-Mexico-Canada Agreement ("USMCA") which would replace NAFTA. The USMCA would maintain duty-free access for many products. The USMCA still requires approval from the United States Congress, Mexico's Senate, and Canada's Parliament before it takes effect. In addition, the USMCA is still undergoing a legal review which could result in further negotiations and modifications of certain provisions. It is uncertain what the outcome of the Congressional approval process, legal review, and any further negotiations will be, but it is possible that revisions to the USMCA or failure to secure Congressional or other approvals could adversely affect our business, financial condition, and results of operations.

Equipment failures or extensive damage to our facilities, including as might occur as a result of natural disasters, could lead to production, delivery, or service curtailments or shutdowns, loss of revenue or higher expenses.

We operate a substantial amount of equipment at our production facilities, several of which are situated in tornado and hurricane zones in the U.S. and Mexico. An interruption in production capabilities or maintenance and repair capabilities at our facilities, as a result of equipment failure or acts of nature, could reduce or prevent our production, delivery, service, or repair of our products and increase our costs and expenses. A halt of production at any of our manufacturing facilities could severely affect delivery times to our customers. While we maintain emergency response and business recovery plans that are intended to allow us to recover from natural disasters that could disrupt our business, we cannot provide assurances that our plans would fully protect us from the effects of all such disasters. In addition, insurance may not adequately compensate us for any losses incurred as a result of natural or other disasters, which may adversely affect our financial condition. Any significant delay in deliveries not otherwise contractually mitigated by favorable force majeure provisions could result in cancellation of all or a portion of our orders, cause us to lose future sales, and negatively affect our reputation and our results of operations.

Because we do not have employment contracts with our key management employees, we may not be able to retain their services in the future.

Our success depends on the continued services of our key management employees, none of whom currently have an employment agreement with us. The loss of the services of one or more key members of our management team could result in increased costs associated with attracting and retaining a replacement and could disrupt our operations and result in a loss of revenues.

Repercussions from terrorist activities or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts, and other armed conflict involving the U.S. or its interests abroad may adversely affect the U.S. and global economies, potentially preventing us from meeting our financial and other obligations. In particular, the negative impacts of these events may affect the industries in which we operate. This could result in delays in or cancellations of the purchase of our products or shortages in raw materials, parts, or components. Any of these occurrences could have a material adverse impact on our operating results, revenues, and costs.

Violations of or changes in the regulatory requirements applicable to the industries in which we operate may increase our operating costs.

Our railcar manufacturing and leasing businesses are regulated by multiple governmental regulatory agencies such as the USEPA; TC; the USDOT and the administrative agencies it oversees, including the FRA, the PHMSA, and the Research and Special Programs Administration; Mexico's Agencia Reguladora del Transporte Ferroviario; Mexico's Secretaria de Comunicaciones y Transportes; and industry authorities such as the AAR. All such agencies and authorities promulgate rules, regulations, specifications, and operating standards affecting railcar design, configuration, and mechanics; maintenance, and rail-related safety standards for railroad equipment, tracks, and operations, including the packaging and transportation of hazardous, flammable, explosive, and toxic materials.

Revised regulations implemented in 2015 pertaining to the transportation of flammable materials by rail remain in effect. These regulatory changes materially impact: the rail industry as a whole; railroad operations; older and newer tank railcars that met or exceeded prior regulatory requirements and standards; future tank railcar specifications; and market decisions relative to capital investment in rail products.

Our highway products business is subject to regulation by the USDOT, the FHWA, and various state highway departments and administrative agencies. These organizations, with participation from AASHTO, establish certain specifications, product testing criteria, and performance standards related to the manufacture of our highway products.

Our operations are also subject to regulation of health and safety matters by the U.S. Occupational Safety and Health Administration and Mexico's Secretaria del Trabajo y Prevision Social. We believe we employ appropriate precautions to protect our employees and others from workplace injuries and harmful exposure to materials handled and managed at our facilities.

Future regulatory changes or the determination that our products or processes are not in compliance with applicable requirements, rules, regulations, specifications, standards, or product testing criteria might result in additional operating expenses, administrative fines or penalties, product recalls or loss of business that could have a material adverse effect on our financial condition and operations.

Some of our customers place orders for our products (i) in reliance on their ability to utilize tax benefits or tax credits such as accelerated depreciation, or (ii) to utilize federal-aid programs that allow for purchase price reimbursement or other government funding or subsidies, any of which benefits, credits, or programs could be discontinued or allowed to expire without extension thereby reducing demand for certain of our products.

There is no assurance that the U.S. government will reauthorize, modify, or otherwise not allow the expiration of such tax benefits, tax credits, subsidies, or federal-aid programs that may include funding of the purchase or purchase price reimbursement of certain of our products. In instances where such benefits, credits, subsidies, or programs are allowed to expire or are otherwise modified or discontinued, the demand for our products could decrease, thereby creating the potential for a material adverse effect on our financial condition or results of operations.

We may be required to reduce the value of our long-lived assets and/or goodwill, which would weaken our financial results.

We periodically evaluate for potential impairment the carrying values of our long-lived assets to be held and used. The carrying value of a long-lived asset to be held and used is considered impaired when the carrying value is not recoverable through undiscounted future cash flows and the fair value of the asset is less than the carrying value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risks involved or market quotes as available. Impairment losses on long-lived assets held for sale are determined in a similar manner, except that fair values are reduced commensurate with the estimated cost to dispose of the assets. In addition, goodwill is required to be tested for impairment annually or on an interim basis whenever events or circumstances change indicating that the carrying amount of the goodwill might be impaired. Impairment losses related to reductions in the value of our long-lived assets or our goodwill could weaken our financial condition and results of operations.

We may incur increased costs due to fluctuations in interest rates and foreign currency exchange rates.

We are exposed to risks associated with fluctuations in interest rates and changes in foreign currency exchange rates. Under varying circumstances, we may seek to minimize these risks through the use of interest rate hedges and similar financial instruments and other activities, although these measures, if and when implemented, may not be effective. Any material and untimely changes in interest rates or exchange rates could result in significant losses to us.

Railcars as a significant mode of transporting freight could decline, experience a shift in types of modal transportation, and/or certain railcar types could become obsolete.

As the freight transportation markets we serve continue to evolve, the use of railcars may decline in favor of other more economic transportation modalities or the number of railcars needed to transport current or an increasing volume of goods may decline. Features and functionality specific to certain railcar types could result in those railcars becoming obsolete as customer requirements for freight delivery change or as regulatory mandates are promulgated that affect railcar design, configuration, and manufacture.

Business, regulatory, and legal developments regarding climate change may affect the demand for our products or the ability of our critical suppliers to meet our needs.

We have followed the current debate over climate change in general, and the related science, policy discussion, and prospective legislation. Some scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases (“GHGs”) which include carbon dioxide and methane, may be contributing to warming of the Earth’s atmosphere and other climate changes. Additionally, we periodically review the potential challenges and opportunities for the Company that climate change policy and legislation may pose. However, any such challenges or opportunities are heavily dependent on the nature and degree of climate change legislation and the extent to which it applies to our industries.

In response to an emerging scientific and political consensus, legislation and new rules to regulate emission of GHGs has been introduced in numerous state legislatures, the U.S. Congress, and by the USEPA. Some of these proposals would require industries to meet stringent new standards that may require substantial reductions in carbon emissions. While Trinity cannot assess the direct impact of these or other potential regulations, it does recognize that new climate change protocols could affect demand for its products and/or affect the price of materials, input factors, and manufactured components. Potential opportunities could include greater demand for certain types of railcars, while potential challenges could include decreased demand for certain types of railcars or other products and higher energy costs. Other adverse consequences of climate change could include an increased frequency of severe weather events and rising sea levels that could affect operations at our manufacturing facilities, the price of insuring company assets, or other unforeseen disruptions of the Company's operations, systems, property, or equipment. Ultimately, when or if these impacts may occur cannot be assessed until scientific analysis and legislative policy are more developed and specific legislative proposals begin to take shape.

Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our financial results.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain. Accounting standard setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC, the Public Company Accounting Oversight Board, and our independent registered public accounting firm) may amend or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. For a further discussion of some of our critical accounting policies and standards and recent accounting changes, see Critical Accounting Policies and Estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of the Consolidated Financial Statements.

Shortages of skilled labor could adversely impact our operations.

We depend on skilled labor in the manufacture, maintenance, and repair of our products. Some of our facilities are located in areas where demand for skilled laborers may exceed supply. Shortages of some types of skilled laborers, such as welders, could restrict our ability to maintain or increase production rates and could increase our labor costs.

Some of our employees belong to labor unions, and strikes or work stoppages could adversely affect our operations.

We are a party to collective bargaining agreements with various labor unions at some of our operations in the U.S. and all of our operations in Mexico. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions in the future could result in, among other things, strikes, work stoppages or other slowdowns by the affected workers. We cannot be assured that our relations with our workforce will remain positive or that union organizers will not be successful in future attempts to organize at some of our facilities. If our workers were to engage in a strike, work stoppage or other slowdown, or other employees were to become unionized, or the terms and conditions in future labor agreements were renegotiated, we could experience a significant disruption of our operations and higher ongoing labor costs. In addition, we could face higher labor costs in the future as a result of severance or other charges associated with lay-offs, shutdowns, or reductions in the size and scope of our operations or difficulties of restarting our operations that have been temporarily shuttered.

From time to time we may take tax positions that the Internal Revenue Service or other taxing jurisdictions may contest.

We have in the past and may in the future take tax positions that the Internal Revenue Service (“IRS”) or other taxing jurisdictions may challenge. We are required to disclose to the IRS as part of our tax returns particular tax positions in which we have a reasonable basis for the position but not a "more likely than not" chance of prevailing. If the IRS successfully contests a tax position that we take, we may be required to pay additional taxes or fines which may not have been previously accrued that may adversely affect our results of operations and financial position.

Our inability to produce and disseminate relevant and/or reliable data and information pertaining to our business in an efficient, cost-effective, secure, and well-controlled fashion may have significant negative impacts on confidentiality requirements and obligations and trade secret or other proprietary needs and expectations and, therefore, our future operations, profitability, and competitive position.

We rely on information technology infrastructure and architecture, including hardware, network, software, people, and processes to provide useful and confidential information to conduct our business. This includes correspondence and commercial data and information interchange with customers, suppliers, legal counsel, governmental agencies, and consultants, and to support assessments and conclusions about future plans and initiatives pertaining to market demands, operating performance, and competitive positioning. In addition, any material failure, interruption of service, compromised data security, phishing emails, or cybersecurity threat could adversely affect our relations with suppliers and customers, place us in violation of confidentiality and data protection laws, rules, and regulations, and result in negative impacts to our market share, operations, and profitability. Security breaches in our information technology could result in theft, destruction, loss, misappropriation, or release of confidential data, trade secret, or other proprietary or intellectual property that could adversely impact our future results.

The Company could potentially fail to successfully integrate new businesses or products into its current business.

The Company routinely engages in the search for growth opportunities, including assessment of merger and acquisition prospects in new markets and/or products. Any merger or acquisition into which the Company enters is subject to integration into the Company's businesses and culture. If such integration is unsuccessful to any material degree, such lack of success could result in unexpected claims or otherwise have a material adverse effect on our business, operations, or financial condition.

The use of social and other digital media (including websites, blogs and newsletters) to disseminate false, misleading and/or unreliable or inaccurate data and information about our Company could create unwarranted volatility in our stock price and losses to our stockholders and could adversely affect our reputation, products, business, and operating results.

The number of people relying on social and other digital media to receive news, data, and information is increasing. Social and other digital media can be used by anyone to publish data and information without regard for factual accuracy. The use of social and other digital media to publish inaccurate, offensive, and disparaging data and information coupled with the increasingly frequent use of strong language and hostile expression, may influence the public's inability to distinguish between what is true and what is false and could obstruct an effective and timely response to correct inaccuracies or falsifications. Such use of social and other

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digital media could result in unexpected and unsubstantiated claims concerning the Company in general or our products, our leadership or our reputation among customers and the public at large, thereby making it more difficult for us to compete effectively, and potentially having a material adverse effect on our business, operations, or financial condition.

Our inability to sufficiently protect our intellectual property rights could adversely affect our business.

Our patents, copyrights, trademarks, service marks, trade secrets, proprietary processes, and other intellectual property are important to our success. We rely on patent, copyright and trademark law, trade secret protection, and confidentiality and/or license agreements with others to protect our intellectual property rights. Our trademarks, service marks, copyrights, patents, and trade secrets may be exposed to market confusion, commercial abuse, infringement, or misappropriation and possibly challenged, invalidated, circumvented, narrowed, or declared unenforceable by countries where our products and services are made available, but where the laws may not protect our intellectual property rights as fully as in the U.S. Such instances could negatively impact our competitive position and adversely affect our business. Additionally, we could be required to incur significant expenses to protect our intellectual property rights.

The price for our common stock is subject to volatility which may result in losses to our shareholders.

During the two year period ended December 31, 2018, the closing sales price of our stock, as adjusted to give effect to the spin-off of Arcosa, Inc. on November 1, 2018, varied between a high of $27.84 per share and a low of $17.52 per share. Stock price volatility affects the price at which our common stock can be sold and could subject our stockholders to losses. The trading price of our common stock is likely to remain volatile and could fluctuate widely in response to, among other things, the risk factors described in this report and other factors including:

- actual or anticipated variations in quarterly and annual results of operations;
- changes in recommendations by securities analysts;
- changes in composition and perception of the investors who own our stock and other securities;
- changes in ratings from national rating agencies on publicly or privately owned debt securities;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the industries in which we operate;
- actual or expected economic conditions that are perceived to affect our Company;
- perceptions in the marketplace regarding us and/or our competitors;
- fluctuations in prices of commodities that our customers produce and transport;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving us or our competitors;
- changes in government regulations and policies and interpretations of those regulations and policies;
- shareholder activism; and
- dissemination of false or misleading statements through the use of social and other media to discredit our Company, disparage our products, or to harm our reputation.

Additionally, in the past, following periods of volatility in the market price of a public company’s securities, securities class action litigation has often been initiated. Any such litigation could result in substantial costs and a diversion of management’s attention and resources. We cannot predict the outcome of any such litigation. The initiation of any such litigation or an unfavorable result could have a material adverse effect on our financial condition and results of operations. See Note 18 of the Consolidated Financial Statements for more detailed information on any material pending legal proceedings other than ordinary routine litigation incidental to our business, including the current status of the Company's Highway Products litigation.

Risks Related to the Spin-Off of Arcosa

We may not achieve some or all of the expected benefits of the spin-off, and the spin-off may adversely affect our business.

We may not be able to achieve the full strategic and financial benefits expected to result from the spin-off, or such benefits may be delayed or not occur at all. The spin-off is expected to provide the following benefits, among others:

- allow us to more effectively pursue our own distinct operating priorities and strategies, and enable our management to pursue opportunities for long-term growth and profitability, and to recruit, retain and motivate employees pursuant to compensation policies which are appropriate for our lines of business;

- permit us to concentrate our financial resources solely on our own operations, providing greater flexibility to invest capital in our business in a time and manner appropriate for our distinct strategy and business needs; and
- enable investors to evaluate the merits, performance and future prospects of our businesses and to invest in us separately based on these distinct characteristics.

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We may not achieve these or other anticipated benefits for a variety of reasons, including, among others: (a) the spin-off has required, and the related transition requires, significant amounts of management's time and effort, which could otherwise have been spent operating and growing our business; (b) following the spin-off, Trinity's stock price may be more susceptible to market fluctuations and other events particular to one or more of Trinity's products than if Arcosa were still a part of Trinity; and (c) following the spin-off, our operational and financial profiles have changed such that our diversification of revenue sources has diminished, and our results of operations, cash flows, working capital, and financing requirements may be subject to increased volatility than prior to the spin-off. Additionally, we may experience unanticipated competitive developments, including changes in the conditions of our rail-related businesses' market that could negate the expected benefits from the spin-off. In addition, we have incurred one-time costs in connection with the spin-off that may negate some of the benefits we expect to achieve. If we do not realize some or all of the benefits expected to result from the spin-off, or if such benefits are delayed, the business, financial condition, and results of operations and cash flows of Trinity could be adversely affected.

Either Arcosa or Trinity may fail to perform under various transaction agreements that were executed as part of the spin-off.

Arcosa and Trinity have entered into certain agreements, including a separation and distribution agreement, a transition services agreement, and certain other agreements, which provide for the performance by each company for the benefit of the other for a period of time after the spin-off. If either company is unable to satisfy its obligations under these agreements, including its indemnification obligations, the other company could incur operational difficulties or losses.

Potential indemnification liabilities to Arcosa pursuant to the separation and distribution agreement could materially and adversely affect Trinity's business, financial condition, results of operations and cash flows.

The separation and distribution agreement, among other things, provides for indemnification obligations designed to make Trinity financially responsible for certain liabilities that may exist relating to its business activities. If Trinity is required to indemnify Arcosa under the circumstances set forth in the separation and distribution agreement, Trinity may be subject to substantial liabilities.

In connection with the spin-off, Arcosa agreed to indemnify Trinity for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure Trinity against the full amount of such liabilities, or that Arcosa's ability to satisfy its indemnification obligation will not be impaired in the future.

Arcosa agreed to indemnify Trinity for certain liabilities. However, third parties could also seek to hold Trinity responsible for liabilities that Arcosa has agreed to assume, and there can be no assurance that the indemnity from Arcosa will be sufficient to protect Trinity against the full amount of such liabilities, or that Arcosa will be able to fully satisfy its indemnification obligations. In addition, insurers may attempt to deny coverage to Trinity for liabilities associated with certain occurrences of indemnified liabilities prior to the spin-off.

If the distribution of shares of Arcosa, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, Trinity stockholders at the time of the distribution and Trinity could be subject to significant tax liability.

In connection with the distribution of shares in Arcosa, we obtained a private letter ruling from the IRS (the "IRS Ruling") and opinions from tax advisors (the "Tax Opinions"), in each case substantially to the effect that, among other things, the distribution of shares in Arcosa, together with certain related transactions, qualify as tax-free for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). The IRS Ruling and the Tax Opinions rely on certain facts, assumptions, representations, and undertakings from Trinity and Arcosa, including those regarding the past and future conduct of the companies' respective businesses and other matters. Notwithstanding the IRS Ruling and the Tax Opinions, the IRS could determine that the distribution or any such related transaction is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated, or that the distribution should be taxable for other reasons, including if the IRS were to disagree with the conclusions in the Tax Opinions that are not covered by the IRS Ruling.

If the distribution is determined to be taxable for U.S. federal income tax purposes, a stockholder of Trinity that has received shares of Arcosa common stock in the distribution would be treated as having received a distribution of property in an amount equal to the fair value of such Arcosa shares on the distribution date and could incur significant income tax liabilities. Such distribution would be taxable to such stockholder as a dividend to the extent of Trinity's current and accumulated earnings and profits. Any amount that exceeded Trinity's earnings and profits would be treated first as a non-taxable return of capital to the extent of such stockholder’s tax basis in its shares of Trinity stock, with any remaining amount being taxed as capital gain. Trinity would recognize a taxable gain in an amount equal to the excess, if any, of the fair market value of the shares of Arcosa common stock held by Trinity on the distribution date over Trinity's tax basis in such shares. In addition, if certain related transactions fail to qualify for tax-free treatment under federal, state and local tax law and/or foreign tax law, Trinity could incur significant tax liabilities under U.S. federal, state, local and/or foreign tax law.

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The spin-off and related internal restructuring transactions may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal dividend requirements.

The spin-off could be challenged under various state and federal fraudulent conveyance laws. Fraudulent conveyances or transfers are generally defined to include transfers made or obligations incurred with the actual intent to hinder, delay, or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized, or unable to pay its debts as they become due. An unpaid creditor or an entity acting on behalf of a creditor (including, without limitation, a trustee or debtor-in-possession in a bankruptcy by us or Arcosa or any of our respective subsidiaries) may bring a lawsuit alleging that the spin-off or any of the related transactions constituted a constructive fraudulent conveyance. If a court accepts these allegations, it could impose a number of remedies, including, without limitation, voiding the distribution and returning Arcosa’s assets or Arcosa’s shares and subject us to liability.

The distribution of Arcosa common stock is also subject to state corporate distribution statutes. Under the Delaware General Corporation Law ("DGCL"), a corporation may only pay dividends to its stockholders either (i) out of its surplus (net assets minus capital) or (ii) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Although Trinity made the distribution of Arcosa common stock entirely out of surplus, Trinity cannot ensure that a court would reach the same conclusion in determining the availability of funds for the separation and the distribution to our stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We principally operate in various locations throughout the U.S. and in Mexico. Our facilities are considered to be in good condition, well maintained, and adequate for our purposes.

	Approximate Square Feet(1)		Approximate Square Feet Located In(1)	
	Owned	Leased	U.S.	Mexico
Rail Products Group(2)	5,117,500	133,000	3,159,000	2,091,500
All Other(2)	1,028,500	81,600	1,110,100	—
Corporate Offices	211,000	13,600	217,000	7,600
	6,357,000	228,200	4,486,100	2,099,100

(1) Excludes non-operating facilities and facilities classified as discontinued operations

(2) Estimated weighted average production capacity utilization was approximately 80% for the year ended December 31, 2018

Item 3. Legal Proceedings.

See Note 18 of the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

This information is required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K and is included in Exhibit 95 to this Form 10-K. The business activities which give rise to these disclosures pertain to certain of our infrastructure-related businesses, which were transferred to Arcosa in connection with the spin-off transaction; therefore, the information included in Exhibit 95 reflects only the portion of the year for which such businesses were under Trinity's ownership.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange under the ticker symbol “TRN”. Our transfer agent and registrar as of December 31, 2018 was American Stock Transfer & Trust Company.

Holders

At January 31, 2019, we had 1,697 record holders of common stock. The par value of the common stock is $0.01 per share.

Stock Performance Graph

The following Performance Graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The following graph compares our cumulative total stockholder return (assuming reinvestment of dividends) during the five-year period ended December 31, 2018 with an overall stock market index (New York Stock Exchange Composite Index) and our peer group index (Dow Jones US Commercial Vehicles & Trucks Index). For 2018, we elected to add the S&P MidCap 400 to the graph below. We believe this is a meaningful data point as the Company's common stock is included in this index. Additionally, the S&P MidCap 400 is used in measuring the Company's relative total stockholder return for purposes of determining the performance of certain stock awards granted in 2018. The data in the graph assumes $100 was invested on December 31, 2013. For the purpose of this graph, historical stock prices of Trinity prior to the spin-off of Arcosa have been adjusted to reflect the impact of the spin.

	2013	2014	2015	2016	2017	2018
Trinity Industries, Inc.	100	104	90	107	146	110
Dow Jones US Commercial Vehicles & Trucks Index	100	104	79	113	166	139
New York Stock Exchange Composite Index	100	107	103	115	137	125
S&P MidCap 400	100	110	107	130	151	134

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Issuer Purchases of Equity Securities N EED

This table provides information with respect to purchases by the Company of shares of its common stock during the quarter ended December 31, 2018:

Period	Number of Shares Purchased (1)	Average Price Paid per Share (1) (3)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
October 1, 2018 through October 31, 2018	1,933	$ 36.50	—	$ 350,005,846
November 1, 2018 through November 30, 2018	12,879,605	$ 21.74	12,879,485	$ 70,005,842
December 1, 2018 through December 31, 2018	35,422	$ 20.45	—	$ 70,005,842
Total	12,916,960	$ 21.74	12,879,485	$ 70,005,842

(1) These columns include the following transactions during the three months ended December 31, 2018: (i) the surrender to the Company of 37,107 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees, (ii) the purchase of 368 shares of common stock by the Trustee for assets held in a non-qualified employee profit-sharing plan trust, and (iii) the purchase of 12,879,485 shares of common stock as part of our accelerated share repurchase program as further described below.

(2) In December 2017, our Board of Directors authorized a $500 million share repurchase program effective January 1, 2018 through December 31, 2019. On November 16, 2018, we entered into an accelerated share repurchase program (the "ASR Program") to repurchase $350 million of the Company's common stock. The $350 million notional value of the ASR Program represents the entire remaining amount that was available to us under our existing share repurchase program. During the three months ended December 31, 2018, 12,879,485 shares were repurchased at a cost of approximately $280.0 million, representing approximately 80% of the notional value of the ASR Program. The final number of shares to be repurchased will be based on Trinity's volume-weighted average stock price, less a discount, during the term of the ASR Program, which is expected to be completed by the end of the first quarter of 2019. The approximate dollar value of shares that were eligible to be repurchased is shown as of the end of such month or quarter.

(3) The decline in average price paid per share from October to November reflects the decrease in the Company's stock price that occurred on November 1, 2018 to give effect to the spin-off of Arcosa.

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Item 6. Selected Financial Data.

The following selected financial data for the five years ended December 31, 2018 has been derived from our audited consolidated financial statements. The operating results and certain other directly attributable expenses related to the businesses transferred to Arcosa in connection with the spin-off, which was completed on November 1, 2018, are reflected as discontinued operations in the table below for all periods presented. This selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and the Notes thereto.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in millions, except percent and per share data)				
Statement of Operations Data:					
Revenues	$2,509.1	$2,397.4	$3,089.8	$4,602.3	$4,519.1
Operating profit	315.1	368.3	478.9	1,068.6	953.7
Income from continuing operations before income taxes	151.6	195.4	310.0	880.5	765.8
Provision (benefit) for income taxes[(1)]	42.6	(414.8)	106.8	295.5	253.3
Income from continuing operations	109.0	610.2	203.2	585.0	512.5
Income from discontinued operations, net of provision for income taxes of $30.7, $73.1, $95.2, $130.7, and $101.5[(2)]	54.1	103.4	161.5	241.0	196.8
Net income	$163.1	$713.6	$364.7	$826.0	$709.3
Net income attributable to Trinity Industries, Inc.	$159.3	$702.5	$343.6	$796.5	$678.2
Net income attributable to Trinity Industries, Inc. per common share:					
Basic:					
Continuing operations	$0.72	$3.94	$1.19	$3.58	$3.08
Discontinued operations	$0.37	$0.68	$1.06	$1.56	$1.27
	$1.09	$4.62	$2.25	$5.14	$4.35
Diluted:					
Continuing operations	$0.70	$3.85	$1.19	$3.54	$2.97
Discontinued operations	$0.37	$0.67	$1.06	$1.54	$1.22
	$1.07	$4.52	$2.25	$5.08	$4.19
Weighted average number of shares outstanding:					
Basic	144.0	148.6	148.4	150.2	151.0
Diluted	146.4	152.0	148.6	152.2	156.7
Dividends declared per common share	$0.52	$0.50	$0.44	$0.43	$0.375
Balance Sheet Data:					
Total assets [(3)]	$7,989.2	$9,543.2	$9,125.3	$8,885.9	$8,695.3
Debt - recourse	$397.4	$866.3	$850.6	$836.2	$822.8
Debt - non-recourse	$3,631.8	$2,375.6	$2,206.0	$2,358.7	$2,691.0
Stockholders' equity [(4)]	$2,562.0	$4,858.0	$4,311.1	$4,048.7	$3,397.4
Ratio of total debt to total capital [(4)]	61.1 %	40.0 %	41.5 %	44.1 %	50.8 %
Book value per share	$19.23	$32.21	$28.34	$26.50	$21.83

(1) As a result of the Tax Cuts and Jobs Act (the "Tax Act"), which was enacted on December 22, 2017, income tax expense for the year ended December 31, 2017 includes a provisional net benefit of $476.2 million or $3.06 per common diluted share associated with the remeasurement of the Company's deferred tax assets and deferred tax liabilities and the impact of certain other provisions of the Tax Act. Income tax expense for the year ended December 31, 2018 reflects the lower U.S. federal corporate income tax rate of 21% in comparison to a U.S.

federal corporate income tax rate of 35% for the years ended December 31, 2014 to December 31, 2017. See Note 13 of the Consolidated Financial Statements for further information.

(2) Income from discontinued operations for the years ended December 31, 2018 and 2017 includes transaction costs and certain other expenses directly attributable to the Arcosa spin-off of $31.2 million and $14.2 million, respectively.

(3) The decrease in total assets from December 31, 2017 to December 31, 2018 is primarily attributable to the spin-off of Arcosa on November 1, 2018.

(4) In connection with the spin-off of Arcosa, which was completed on November 1, 2018, we recorded a reduction to stockholders' equity of approximately $1,732.2 million, representing the distribution of the net assets of Arcosa to Trinity's shareholders.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our MD&A should be read in conjunction with our Consolidated Financial Statements and related Notes in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Company Overview

Trinity Industries, Inc. and its consolidated subsidiaries own businesses that are leading providers of rail transportation products and services in North America. Our rail-related businesses market their railcar products and services under the trade name TrinityRail®. The TrinityRail integrated business platform provides railcar leasing and management services, railcar manufacturing, and railcar maintenance and modification services. We also own businesses engaged in the manufacturing of products used on the nation's roadways and in traffic control, as well as a transportation business that provides support services to Trinity and a variety of other industrial manufacturers.

On November 1, 2018, we completed the separation of Trinity Industries, Inc. into two public companies: (1) Trinity Industries, Inc., comprised of Trinity’s rail-related businesses, which are leading providers of rail transportation products and services in North America, and (2) Arcosa, Inc. ("Arcosa"), a new public company focused on infrastructure-related products and services. The separation was effected through a pro rata dividend to Trinity's shareholders of all outstanding Arcosa shares and was structured to qualify as a tax free distribution for federal income tax purposes. Following the distribution, Arcosa became an independent, publicly-traded company on the New York Stock Exchange. Trinity did not retain an ownership interest in Arcosa following the completion of the spin-off transaction. See Note 2 of the Consolidated Financial Statements for further information related to the spin-off transaction.

Following the Arcosa spin-off, Trinity now reports its financial results in three principal business segments: the Railcar Leasing and Management Services Group, the Rail Products Group, and the All Other Group. Our All Other segment includes the results of our highway products business, which was previously reported within our former Construction Products Group. Additionally, our heads business, which was previously reported in our former Energy Equipment Group, is now included within the Rail Products Group. Further, our axles and couplers businesses were previously included in our Rail Products Group and were transferred to Arcosa in connection with the spin-off.

Arcosa's results of operations have been presented as discontinued operations for all periods presented in this Annual Report on this Form 10-K. Additionally, all intersegment sales between Arcosa and us, previously recorded as intersegment sales and eliminated in consolidation prior to the Arcosa spin-off, are now reflected as third-party sales that, along with their related costs, are no longer eliminated in consolidation.

All segment results set forth herein have been recast to present results on a comparable basis.

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Executive Summary

Financial and Operational Highlights

- Our revenues for the year ended December 31, 2018 were $2,509.1 million representing an increase of 4.7%, compared to the year ended December 31, 2017. Although we experienced improvements in railcar orders and deliveries in 2018, marketplace conditions put downward pressure on pricing for certain railcar types.
- Total railcar backlog at December 31, 2018 was $3,647.6 million, compared to $2,164.2 million at December 31, 2017. The Rail Products Group received railcar orders of 28,795 and delivered 20,105 railcars in 2018, in comparison to railcar orders of 12,900 and railcar deliveries of 18,395 in 2017.
- The Railcar Leasing and Management Services Group (the "Leasing Group") reported additions to the wholly-owned and partially-owned lease fleet of 10,625 railcars in 2018, for a total of 99,215 railcars as of December 31, 2018, an increase of 12%.
- The Leasing Group's lease fleet of 99,215 company-owned rail cars was 98.5% utilized as of December 31, 2018, in comparison to a lease fleet utilization of 96.8% on 88,590 company-owned railcars as of December 31, 2017. Our company-owned railcars includes wholly-owned, partially-owned, and railcars under sale-leaseback arrangements.
- For 2018, after taking into account deferred profit on new railcar additions, modifications to the lease fleet, and the proceeds from the sales of leased railcars, we made a net investment in our lease fleet of approximately $948.3 million.

See "Consolidated Results of Operations" and "Segment Discussion" below for additional information regarding our operating results.

Debt and Capital Allocation Updates

- In November 2018, we entered into an accelerated share repurchase program (the "ASR Program") to repurchase $350 million of the Company's common stock. The $350 million notional value of the ASR Program represents the entire remaining amount that was available to us under our existing share repurchase program. As of December 31, 2018, approximately 12.9 million shares have been delivered to us, representing approximately 80% of the total notional value of the ASR Program. The ASR Program is expected to be completed by the end of the first quarter of 2019, at which time the remaining shares will be delivered to the Company.
- In November 2018, Trinity Rail Leasing 2017 LLC ("TRL-2017"), a Delaware limited liability company and a limited purpose, indirect wholly-owned subsidiary of the Company owned through TILC, entered into an Amended and Restated Term Loan Agreement to increase the aggregate amount of the term loan from $302.4 million under the Original Loan Agreement to $663.0 million and to extend the maturity date by approximately eighteen months to November 8, 2025. The proceeds from the expansion of TRL-2017 were used to fund the ASR Program described above.
- In November 2018, we amended and restated our prior credit agreement, dated as of May 20, 2015 (as amended from time to time). The amended and restated Credit Agreement provides for a $450.0 million unsecured revolving line of credit with an extended maturity date of November 1, 2023.
- In June 2018, Trinity Rail Leasing 2018 LLC ("TRL-2018"), a Delaware limited liability company and a limited purpose, indirect wholly-owned subsidiary of the Company owned through TILC, issued $482.5 million of TRL-2018 Secured Railcar Equipment Notes. These notes have an ultimate maturity date of 2048. The net proceeds received from the transaction were used to repay a portion of the conversion settlement value of our convertible subordinated notes that were called for redemption at par on June 1, 2018 as described further below.
- In April 2018, the Company issued a Notice of Redemption with respect to our then outstanding 3 7/8% convertible senior notes (the "Convertible Notes") to redeem these notes on June 1, 2018. Pursuant to the terms of the indenture governing these notes, the settlement of these notes submitted for conversion occurred on various dates between May 30, 2018 and July 3, 2018 and were settled in cash, at our election, for an aggregate cash amount of approximately $646.6 million. Following the redemption and settlement of the conversions, there were no Convertible Notes outstanding under the indenture, and the indenture was satisfied and discharged in accordance with its terms.

See "Liquidity and Capital Resources" below for further information regarding these activities.

Litigation Updates

See Note 18 of the Consolidated Financial Statements for an update on the status of the Company's Highway Products litigation.

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Subsequent Events

- As previously disclosed, our Leasing Group leased railcars from certain independent owner Trusts under operating leases, which contained an option to purchase the railcars at a predetermined fixed price in 2019. In January 2018, the Leasing Group provided the Trusts with an irrevocable twelve-month notice of intent to exercise their option to purchase all of the Trusts' railcars. We completed the purchase in January 2019 at a purchase price of $218.4 million. As a result, 6,779 railcars previously under lease are now wholly owned by our Leasing Group. The purchase was funded using cash on hand and borrowings available to us under our revolving credit facility.

Cyclical Trends Impacting Our Business

The industries in which we operate are cyclical in nature. Weaknesses in certain sectors of the U.S. and global economy may make it more difficult to sell or lease certain types of railcars. Additionally, adverse changes in commodity prices or lower demand for certain commodities could result in a decline in customer demand for various types of railcars. We continuously assess demand for our products and services and take steps to align our manufacturing capacity appropriately and rationalize and diversify our leased railcar portfolio. Due to their transactional nature, railcar sales from the lease fleet are the primary driver of fluctuations in results in the Railcar Leasing and Management Services Group. Results in our All Other Group are affected by seasonal fluctuations, with the second and third quarters historically being the quarters with the highest revenues.

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Consolidated Results of Operations

The following table summarizes our consolidated results of operations for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
	(in millions)		
Revenue	$2,509.1	$2,397.4	$3,089.8
Cost of revenues	1,938.8	1,775.2	2,312.0
Selling, engineering, and administrative expenses	296.6	339.3	313.9
Gains on disposition of property	41.4	85.4	15.0
Total operating profit	315.1	368.3	478.9
Interest expense, net	167.4	173.6	176.6
Other, net	(3.9)	(0.7)	(7.7)
Income before income taxes	151.6	195.4	310.0
Provision (benefit) for income taxes	42.6	(414.8)	106.8
Income from continuing operations	$109.0	$610.2	$203.2

Revenue

The tables below present revenue by segment for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31, 2018			
	Revenues			Percent Change 2018 versus 2017
	External	Intersegment	Total	
	($ in millions)			
Railcar Leasing and Management Services Group	$842.0	$ 0.8	$842.8	— %
Rail Products Group	1,356.4	990.3	2,346.7	14.8
All Other	310.7	50.6	361.3	8.5
Segment Totals before Eliminations	2,509.1	1,041.7	3,550.8	10.3
Eliminations – Lease subsidiary[(1)]	—	(990.0)	(990.0)	
Eliminations – Other	—	(51.7)	(51.7)	
Consolidated Total	$2,509.1	$ —	$2,509.1	4.7

	Year Ended December 31, 2017			
	Revenues			Percent Change 2017 versus 2016
	External	Intersegment	Total	
	($ in millions)			
Railcar Leasing and Management Services Group	$842.2	$ 1.0	$843.2	2.0 %
Rail Products Group	1,254.5	789.5	2,044.0	(32.5)
All Other	300.7	32.4	333.1	(6.6)
Segment Totals before Eliminations	2,397.4	822.9	3,220.3	(23.5)
Eliminations – Lease subsidiary[(1)]	—	(788.6)	(788.6)	
Eliminations – Other	—	(34.3)	(34.3)	
Consolidated Total	$2,397.4	$ —	$2,397.4	(22.4)

Year Ended December 31, 2016

	Revenues		
	External	Intersegment	Total
	($ in millions)		
Railcar Leasing and Management Services Group	$824.9	$ 2.1	$827.0
Rail Products Group	1,954.5	1,073.3	3,027.8
All Other	310.4	46.3	356.7
Segment Totals before Eliminations	3,089.8	1,121.7	4,211.5
Eliminations – Lease subsidiary[1]	—	(1,070.4)	(1,070.4)
Eliminations – Other	—	(51.3)	(51.3)
Consolidated Total	$3,089.8	$ —	$3,089.8

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Operating Costs

Operating costs are comprised of cost of revenues; selling, engineering, and administrative costs; and gains or losses on property disposals. Operating costs by segment for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31,		
	2018	2017	2016
	(in millions)		
Railcar Leasing and Management Services Group	$491.7	$398.7	$466.9
Rail Products Group	2,174.6	1,847.7	2,578.4
All Other	325.6	331.7	355.2
Segment Totals before Eliminations and Corporate Expenses	2,991.9	2,578.1	3,400.5
Corporate	149.0	175.1	153.0
Eliminations – Lease subsidiary[1]	(894.9)	(692.1)	(889.7)
Eliminations – Other	(52.0)	(32.0)	(52.9)
Consolidated Total	$2,194.0	$2,029.1	$2,610.9

Operating Profit

Operating profit by segment for the years ended December 31, 2018, 2017 and 2016 was as follows:

	Year Ended December 31,		
	2018	2017	2016
	(in millions)		
Railcar Leasing and Management Services Group	$351.1	$444.5	$360.1
Rail Products Group	172.1	196.3	449.4
All Other	35.7	1.4	1.5
Segment Totals before Eliminations and Corporate Expenses	558.9	642.2	811.0
Corporate	(149.0)	(175.1)	(153.0)
Eliminations – Lease subsidiary[1]	(95.1)	(96.5)	(180.7)
Eliminations – Other	0.3	(2.3)	1.6
Consolidated Total	$315.1	$368.3	$478.9

[1] Historically, the Eliminations - Lease subsidiary line has included only railcar shipments from the Rail Products Group to the Leasing Group; however, beginning January 1, 2018, we elected to include the sales from our maintenance services business, previously reflected in Eliminations - Other, in the Eliminations - Lease subsidiary line. Previously reported amounts have been recast to conform to the current presentation.

Discussion of Consolidated Results

Revenue — Our revenues for 2018 were $2,509.1 million, representing an increase of $111.7 million, or 4.7%, over last year. The increase in revenues for 2018 when compared to the previous year resulted primarily from higher railcar sales volumes and an increase in railcar modifications performed by our maintenance services business, partly offset by pricing pressures on certain railcar types. Our revenues for 2017 were $2,397.4 million, representing a decrease of 22.4% when compared with 2016, primarily as a result of reduced volumes and product mix changes.

Cost of Revenues — Our cost of revenues for 2018 were $1,938.8 million, representing an increase of $163.6 million, or 9.2%, over last year. The increase in cost of revenues for 2018, when compared to the previous year, resulted primarily from higher volumes in our railcar manufacturing and maintenance services businesses and increased depreciation expense associated with the growth of our lease fleet. Cost of revenues for 2017 were $1,775.2 million, representing a decrease of $536.8 million, or 23.2%, over 2016, primarily driven by reduced volumes.

Selling, engineering, and administrative expenses — Selling, engineering, and administrative expenses decreased by 12.6% for the year ended December 31, 2018, when compared to the prior year primarily due to a reduction in litigation-related expenses. Selling, engineering, and administrative expenses increased by 8.1% for the year ended December 31, 2017, when compared to the prior year primarily due to higher performance-related compensation and litigation-related expenses.

Gains on disposition of property — Gains on disposition of property decreased by $44.0 million, or 51.5%, for the year ended December 31, 2018, when compared to the prior year primarily due to lower sales of leased railcars, as well as a non-cash charge of $12.6 million associated with our election to forego the early purchase options contained in certain lease agreements. Gains on the disposition of property increased by $70.4 million for the year ended December 31, 2017, primarily due to higher sales of leased railcars in 2017 when compared to 2016.

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Operating profit — Operating profit for 2018 totaled $315.1 million, representing a decrease of 14.4% from prior year. The decrease in operating profit for 2018 when compared to 2017 resulted primarily from pricing pressures on certain railcar types in our railcar manufacturing business and lower lease rates in our leasing business. The decrease in operating profit was slightly offset by a reduction in selling, engineering and administrative expenses, and higher volumes and operating efficiencies in our Rail Products Group. Operating profits for the year ended December 31, 2017 totaled $368.3 million, representing a decrease of 23.1% from the prior year. The decrease in operating profit for 2017 was primarily driven by lower shipment volumes, partly offset by a higher volume of sales of leased railcars and higher leasing and management operating profit as a result of growth in the lease fleet.

For further information regarding the operating results of individual segments, see "Segment Discussion" below.

Interest Expense, Net — Interest expense, net for 2018 totaled $167.4 million, compared to $173.6 million for 2017.

Other, Net — We reported income in other, net of $3.9 million in 2018, representing an increase of $3.2 million over 2017. The increase was primarily due to lower net periodic benefit costs associated with our company-sponsored pension plans.

Income Taxes — The effective tax expense (benefit) rates for the years ended December 31, 2018, 2017, and 2016 were 28.1%, (212.2)%, and 34.5%, respectively. The effective tax rate for 2018 reflects the lower 21% federal statutory rate that took effect January 1, 2018 in connection with the Tax Cuts & Jobs Act (the "Tax Act"). The 2018, 2017, and 2016 effective tax rates differ from the federal tax rate of 21%, 35%, and 35%, respectively, as the effective tax rates include the impacts of state income tax expense, income attributable to the noncontrolling interests in partially-owned leasing subsidiaries for which no income tax expense is provided, excess tax deficiencies (benefits) related to equity compensation, the completion of income tax audits that resulted in a net tax benefit and certain other differences. Income tax payments, net of refunds, differ from the current provision primarily based on when estimated tax payments were due as compared to when the related income was earned and taxable. Our consolidated income tax position was a net receivable of $38.4 million and $20.2 million from federal, state, and foreign jurisdictions at December 31, 2018 and 2017, respectively. Income tax payments (refunds) during the years ended December 31, 2018, 2017, and 2016 totaled $4.1 million, $(79.9) million, and $(65.5) million, respectively.

See Note 13 of the Consolidated Financial Statements for a further discussion of income taxes.

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Segment Discussion

Railcar Leasing and Management Services Group

	Year Ended December 31,			Percent Change	
	2018	2017	2016	2018 versus 2017	2017 versus 2016
	($ in millions)				
Revenues:					
Leasing and management	$728.9	$743.6	$700.9	(2.0)%	6.1 %
Sale of railcars owned one year or less at the time of sale	113.9	99.6	126.1	*	*
Total revenues	$842.8	$843.2	$827.0	—	2.0
Operating profit:					
Leasing and management	$291.8	$341.3	$312.5	(14.5)	9.2
Railcar sales:					
Railcars owned one year or less at the time of sale	21.5	19.7	34.1	*	*
Railcars owned more than one year at the time of sale	50.4	83.5	13.5	*	*
Property disposition losses (1)	(12.6)	—	—	*	*
Total operating profit	$351.1	$444.5	$360.1	(21.0)	23.4
Total operating profit margin	41.7 %	52.7 %	43.5 %		
Leasing and management operating profit margin:	40.0 %	45.9 %	44.6 %		
Selected expense information (2):					
Depreciation	$196.6	$172.3	$156.2	14.1	10.3
Maintenance and compliance	$99.3	$96.4	$104.3	3.0	(7.6)
Rent	$42.4	$39.9	$39.3	6.3	1.5
Selling, engineering, and administrative expenses	$51.1	$50.7	$45.4	0.8	11.7
Interest	$142.3	$125.8	$125.2	13.1	0.5

* Not meaningful

(1) Property disposition losses include a non-cash charge of $12.6 million associated with our election to forego the early purchase options contained in certain lease agreements.

(2) Depreciation, maintenance and compliance, rent, and selling, engineering, and administrative expenses are components of operating profit. Amortization of deferred profit on railcars sold from the Rail Products Group to the Leasing Group is included in the operating profits of the Leasing Group resulting in the recognition of depreciation expense based on our original manufacturing cost of the railcars. Interest expense is not a component of operating profit and includes the effect of hedges.

Total revenues for the Railcar Leasing and Management Services Group were substantially unchanged for the year ended December 31, 2018 when compared to 2017. Revenues attributable to sales of leased railcars owned one year or less were higher in 2018 when compared to 2017, due to a higher volume of railcars sold partially offset by a change in the mix of the types of cars sold from the fleet. Additionally, leasing and management revenues decreased 2.0% for the year ended December 31, 2018 when compared to 2017, primarily as a result of lower average rental rates, as well as lower lease fleet management advisory fees earned in the current year, partially offset by growth in the lease fleet. Total revenues increased by 2.0% for the year ended December 31, 2017 compared to 2016 primarily due to growth in leasing and management revenues, partially offset by a lower volume of sales of leased railcars owned one year or less. Leasing and management revenues increased 6.1% due primarily to growth in the lease fleet, higher lease fleet management advisory fees, and a cancellation fee received in October 2017, partially offset by the effect of lower average rental rates.

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During the years ended December 31, 2018, 2017, and 2016 the Leasing Group received total proceeds from the sale of leased railcars as follows:

	Year Ended December 31,		
	2018	2017	2016
	(in millions)		
Leasing Group:			
Sales of railcars owned one year or less at the time of sale	$113.9	$99.6	$126.1
Railcars owned more than one year at the time of sale	230.5	360.7	37.7
Rail Products Group	—	—	8.1
	$344.4	$460.3	$171.9

Operating profit decreased by 21.0% for the year ended December 31, 2018 compared to 2017, primarily due to a decline in operating profit attributable to our leasing and management services business. This decrease of 14.5% was primarily the result of higher depreciation and maintenance and compliance expenses associated with the growth of the lease fleet, lower average rental rates, and lower lease fleet management advisory fees earned in comparison to the prior year. Additionally, segment operating profit was impacted by a decrease in sales of railcars owned more than one year at the time of sale, a change in the mix of of the types of railcars sold from the fleet, and a non-cash charge of $12.6 million associated with our election to forego the early purchase options contained in certain lease agreements.

Operating profit increased by 23.4% for the year ended December 31, 2017 compared to 2016 primarily due to a higher volume of sales of leased railcars. Leasing and management operating profit for the year ended December 31, 2017 increased by 9.2% due to growth in the lease fleet, higher lease fleet management advisory fees, and lower fleet maintenance and compliance expense.

The Leasing Group generally uses its non-recourse warehouse loan facility or cash to provide initial funding for a portion of the purchase price of the railcars. After initial funding, the Leasing Group may obtain long-term financing for the railcars in the lease fleet through non-recourse asset-backed securities; long-term non-recourse operating leases pursuant to sales/leaseback transactions; long-term recourse debt such as equipment trust certificates; long-term non-recourse promissory notes; or third-party equity.

Information regarding the Leasing Group’s lease fleet, managed or owned through its wholly-owned and partially-owned subsidiaries, follows:

	December 31, 2018	December 31, 2017	December 31, 2016
Number of railcars:			
Wholly-owned	74,565	63,915	60,440
Partially-owned	24,650	24,675	24,670
	99,215	88,590	85,110
Managed (third-party owned)	21,635	25,460	18,730
	120,850	114,050	103,840
Company-owned railcars [(1)]:			
Average age in years	9.1	8.7	8.2
Average remaining lease term in years	3.5	3.4	3.5
Fleet utilization	98.5 %	96.8 %	97.6 %

[(1)]Company-owned railcars includes wholly-owned, partially-owned, and railcars under sale-leaseback arrangements.

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Rail Products Group

	Year Ended December 31,			Percent Change	
	2018	2017	2016	2018 versus 2017	2017 versus 2016
	($ in millions)				
Revenues:					
Rail Products	$1,996.9	$1,853.1	$2,894.4	7.8 %	(36.0)%
Maintenance services	300.1	145.1	98.9	106.8	46.7
Other	49.7	45.8	34.5	8.5	32.8
Total revenues	2,346.7	2,044.0	3,027.8	14.8	(32.5)
Operating costs:					
Cost of revenues	2,122.8	1,795.5	2,523.2	18.2	(28.8)
Selling, engineering, and administrative costs	51.8	52.2	55.2	(0.8)	(5.4)
Operating profit	$172.1	$196.3	$449.4	(12.3)	(56.3)
Operating profit margin	7.3 %	9.6 %	14.8 %		

As of December 31, 2018, 2017, and 2016 our Rail Products Group backlog of railcars was as follows:

As of December 31,			Percent Change
2018	2017	2016	