



## Reconciliation of Non-GAAP Financial Measures

# Non-GAAP Financial Measures

This presentation contains references to Adjusted Income from Operations, Adjusted Operating Expenses, Adjusted Operating Ratios, Adjusted Diluted Earnings Per Common Share (EPS), Free Cash Flow, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), Adjusted EBITDA and Debt to Adjusted EBITDA and which are “non-GAAP financial measures” as this term is defined in Item 10(e) of Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934 and Regulation G under the Securities Exchange Act of 1934. In accordance with these rules, G&W has reconciled these non-GAAP financial measures to their most directly comparable U.S. GAAP measures.

Management views these non-GAAP financial measures as important measures of G&W’s operating performance or, in the case of Free Cash Flow, an important financial measure of how well G&W is managing its assets and a useful indicator of cash flow that may be available for discretionary use by G&W. Management also views these non-GAAP financial measures as a way to assess comparability between periods. Key limitations of the Free Cash Flow measure include the assumptions that G&W will be able to refinance its existing debt when it matures and meet other cash flow obligations from financing activities, such as principal payments on debt.

These non-GAAP financial measures are not intended to represent, and should not be considered more meaningful than, or as an alternative to, their most directly comparable GAAP measures. These non-GAAP financial measures may be different from similarly-titled non-GAAP financial measures used by other companies.

The following tables set forth reconciliations of each of these non-GAAP financial measures to their most directly comparable GAAP measure (in millions, except percentages and per share amounts).

# Adjusted Income from Operations, Adjusted Operating Expenses and Adjusted Operating Ratio

	Three Months Ended September 30,	
	2015	2014
Operating revenues	\$ 546.3	\$ 432.5
Operating expenses	428.7	309.4
Income from operations (a)	<u>\$ 117.6</u>	<u>\$ 123.1</u>
Operating ratio (b)	78.5%	71.5%
Operating expenses	\$ 428.7	\$ 309.4
Business development and related costs	(2.0)	(0.7)
Net gain on sale of assets	1.2	1.2
Adjusted operating expenses	<u>\$ 428.0</u>	<u>\$ 309.9</u>
Adjusted income from operations	<u>\$ 118.3</u>	<u>\$ 122.6</u>
Adjusted operating ratio	78.3%	71.7%

(a) Income from operations is calculated as operating revenues less operating expenses.

(b) Operating ratio is calculated as operating expenses divided by operating revenues.

# Adjusted Income from Operations, Adjusted Operating Expenses and Adjusted Operating Ratio – by Segment

Three Months Ended September 30, 2015	North American Operations	Australian Operations	U.K./European Operations
Operating revenues	\$ 314.6	\$ 61.0	\$ 170.7
Operating expenses	224.0	46.0	158.7
Income from operations (a)	<u>\$ 90.6</u>	<u>\$ 15.0</u>	<u>\$ 12.0</u>
Operating ratio (b)	71.2%	75.5%	93.0%
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Operating expenses	\$ 224.0	\$ 46.0	\$ 158.7
Business development and related costs	(1.2)	(0.7)	(0.1)
Net gain on sale of assets	1.0	-	0.1
Adjusted operating expenses	<u>\$ 223.9</u>	<u>\$ 45.4</u>	<u>\$ 158.7</u>
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Adjusted income from operations	<u>\$ 90.7</u>	<u>\$ 15.6</u>	<u>\$ 12.0</u>
Adjusted operating ratio	71.2%	74.4%	93.0%

(a) Income from operations is calculated as operating revenues less operating expenses.

(b) Operating ratio is calculated as operating expenses divided by operating revenues.

# Adjusted Income from Operations, Adjusted Operating Expenses and Adjusted Operating Ratio – by Segment (cont.)

Three Months Ended September 30, 2014	North		
	American Operations	Australian Operations	U.K./European Operations
Operating revenues	\$ 345.1	\$ 81.5	\$ 6.0
Operating expenses	244.1	59.1	6.2
Income from operations (a)	<u>\$ 100.9</u>	<u>\$ 22.4</u>	<u>\$ (0.2)</u>
Operating ratio (b)	70.7%	72.6%	103.1%
Operating expenses	\$ 244.1	\$ 59.1	\$ 6.2
Business development and related costs	(0.6)	(0.1)	-
Net gain on sale of assets	1.1	0.1	-
Adjusted operating expenses	<u>\$ 244.7</u>	<u>\$ 59.1</u>	<u>\$ 6.2</u>
Adjusted income from operations	<u>\$ 100.4</u>	<u>\$ 22.4</u>	<u>\$ (0.2)</u>
Adjusted operating ratio	70.9%	72.5%	103.1%

(a) Income from operations is calculated as operating revenues less operating expenses.

(b) Operating ratio is calculated as operating expenses divided by operating revenues.

# Adjusted Income from Operations, Adjusted Operating Expenses and Adjusted Operating Ratio – by Segment (cont.)

Three Months Ended September 30, 2015 Outlook (Original - August 3, 2015)	North			Total
	American Operations	Australian Operations	U.K./European Operations	
Operating revenues	\$310 - \$315	\$60 - \$65	\$170 - \$175	\$540 - \$555
Operating expenses	230 - 231	47 - 51	160 - 163	436 - 445
Income from operations (a)	<u>\$80 - \$84</u>	<u>~14</u>	<u>\$10 - \$12</u>	<u>\$104 - \$110</u>
Operating ratio (b)	~74%	~78%	92% - 93%	~80%
Operating expenses	\$230 - \$231	\$47 - \$51	\$160 - \$163	\$436 - \$445
Business development and related costs	(3)	-	-	(3)
Net gain on sale of assets	1	-	-	1
Adjusted operating expenses	<u>\$228 - \$229</u>	<u>\$47 - \$51</u>	<u>\$160 - \$163</u>	<u>\$434 - \$443</u>
Adjusted income from operations	<u>\$82 - \$86</u>	<u>~\$14</u>	<u>\$10 - \$12</u>	<u>\$106 - \$112</u>
Adjusted operating ratio	~73%	~78%	92% - 93%	~80%

(a) Income from operations is calculated as operating revenues less operating expenses.

(b) Operating ratio is calculated as operating expenses divided by operating revenues.

# Adjusted Net Income and Adjusted Diluted EPS

Three Months Ended September 30, 2015	Net Income	Diluted EPS
As reported	\$ 63.4	\$ 1.10
Add back certain items:		
Business development and related costs	1.3	0.02
Net gain on sale of assets	(0.9)	(0.02)
Adjustment for tax returns from previous fiscal year	(0.4)	(0.01)
As adjusted	<u>\$ 63.3</u>	<u>\$ 1.09</u>

Three Months Ended September 30, 2014	Net Income	Diluted EPS
As reported	\$ 72.7	\$ 1.27
Add back certain items:		
Business development and related costs	0.5	0.01
Net gain on sale of assets	(0.9)	(0.02)
Adjustment for tax returns from pervious fiscal year	0.7	0.01
RailAmerica-related tax benefit	(3.9)	(0.07)
As adjusted	<u>\$ 69.1</u>	<u>\$ 1.21</u>
FX		(0.06)
As adjusted excluding FX		<u>\$ 1.15</u>

# Adjusted Diluted EPS

Three Months Ended September 30, 2015 Outlook  
(Revised - September 15, 2015)

	Diluted EPS
As reported	\$0.98 - \$1.03
Add back certain items:	
Business development and related costs	0.03
Net gain on sale of assets	(0.01)
As adjusted	<u>\$1.00 - \$1.05</u>

Three Months Ended September 30, 2015 Outlook  
(Original - August 3, 2015)

	Diluted EPS
As reported	\$0.93 - \$1.03
Add back certain items:	
Business development and related costs	0.03
Net gain on sale of assets	(0.01)
As adjusted	<u>\$0.95 - \$1.05</u>



## Adjusted Diluted EPS (Cont.)

Three Months Ended December 31, 2015 Outlook  
(Revised - October 30, 2015)

	Diluted EPS
As reported	\$0.85 - \$0.90
Add back certain items:	
Business development and related costs	0.03
Australian severance costs	0.02
As adjusted	<u>\$0.90 - \$0.95</u>

# Adjusted Income from Operations, Adjusted Operating Expenses and Adjusted Operating Ratio – by Segment

	Three Months Ended			
	December 31, 2015 Outlook (Revised - October 30, 2015)			
	North America	Australia	U.K./Europe	Total
Operating revenues	\$300 - \$305	\$55 - \$60	\$160 - \$165	\$515 - \$530
Operating expenses	224 - 225	43 - 48	152 - 155	418 - 427
Income from operations (a)	<u>\$76 - \$80</u>	<u>~\$12</u>	<u>\$8 - \$10</u>	<u>\$97 - \$103</u>
Operating ratio (b)	~74%	~78%	94% - 95%	~81%
Operating expenses	\$224 - \$225	\$43 - \$48	\$152 - \$155	\$418 - \$427
Business development and related costs	(2)	-	-	(2)
Australian severance costs	-	(2)	-	(2)
Adjusted operating expenses	<u>222 - 223</u>	<u>41 - 46</u>	<u>152 - 155</u>	<u>315 - 424</u>
Adjusted income from operations	<u>\$78 - \$82</u>	<u>~\$14</u>	<u>\$8 - \$10</u>	<u>\$100 - \$106</u>
Adjusted operating ratio	~74%	~76%	94% - 95%	~80%

(a) Income from operations is calculated as operating revenues less operating expenses.

(b) Operating ratio is calculated as operating expenses divided by operating revenues.

# Free Cash Flow

	Twelve Months Ended December 31,		
	2013	2014	2015*
Net cash provided by operating activities	\$ 413.5	\$ 491.5	\$ 480.0
Net cash used in investing activities	(208.7)	(509.8)	(1,061.3)
Add back: net cash used for acquisitions (a)	12.9	221.5	786.3
Free cash flow	\$ 217.6	\$ 203.1	\$ 205.0
New business investments	34.2	92.9	65.0
Free cash flow before new business investments	<u>\$ 251.8</u>	<u>\$ 295.9</u>	<u>\$ 270.0</u>

(a) The 2013 period consisted of net cash paid for expenses related to the integration of RailAmerica. The 2014 period primarily consisted of cash paid for the RCP&E acquisition. The 2015 period consisted of net cash paid for the acquisitions of Freightliner and Pinsky Arkansas as well as \$32.0 million in cash paid for incremental expenses related to the purchase and integration of the Freightliner acquisition.

\* Includes Outlook for Q4 2015.

# Debt/Adjusted EBITDA

	Three Months Ended December 31, 2014	Three Months Ended March 31, 2015	Three Months Ended June 30, 2015	Three Months Ended September 30, 2015	G&W LTM	Acquisition LTM*	Combined Company LTM
Net income	\$ 87.4	\$ 23.9	\$ 52.8	\$ 63.4	\$ 227.5		
Add back:							
Provision for income taxes	14.7	16.9	29.3	36.9	97.7		
Other income, net	(0.8)	(0.3)	(0.3)	(0.1)	(1.6)		
Interest expense	12.1	13.5	17.8	17.5	60.8		
Interest income	(0.1)	-	(0.1)	(0.2)	(0.4)		
Depreciation and amortization expense	41.0	41.8	48.0	48.3	179.1		
EBITDA	\$ 154.2	\$ 95.8	\$ 147.5	\$ 165.7	\$ 563.1	\$ 43.4	\$ 606.5
Add back certain items							
Non-cash compensation cost related to equity awards	\$ 3.8	\$ 3.8	\$ 3.0	\$ 3.3	\$ 14.0		
Loss on settlement of Freightliner acquisition-related foreign currency forward purchase contracts	-	18.7	-	-	18.7		
Freightliner acquisition-related costs	1.0	12.6	0.1	0.4	14.0		
Net gain on sale of assets	(1.7)	(0.3)	(0.5)	(1.2)	(3.6)		
Adjusted EBITDA	\$ 157.3	\$ 130.6	\$ 150.1	\$ 168.2	\$ 606.1	\$ 43.4	\$ 649.5
Combined company debt							\$ 2,300
Debt/Adjusted EBITDA Ratio							3.5 : 1.0

\* Includes Freightliner - 10/1/2014 - 3/24/2015 and Pinsky Arkansas - 10/1/2014 - 12/31/2014

