



Reconciliation of Non-GAAP Financial Measures

# Non-GAAP Financial Measures

This presentation contains references to Adjusted Net Income Attributable to G&W, Adjusted Diluted Earnings Per Common Share (EPS), Adjusted Operating Income, Adjusted Operating Ratio, Incremental Margins, Free Cash Flow, Free Cash Flow Before New Business Investments and Net Adjusted Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), 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 Net Income and Adjusted Diluted EPS

Three Months Ended June 30, 2017	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to G&W	Diluted EPS
As reported	\$ 77.7	\$ 29.6	\$ 46.0	\$ 0.74
Add back certain items:				
Corporate development and related costs	3.7	0.9	2.7	0.04
Restructuring costs	2.4	0.2	2.2	0.03
Gain on sale of investment	(1.6)	(0.7)	(1.0)	(0.02)
As adjusted	<u>\$ 82.1</u>	<u>\$ 30.0</u>	<u>\$ 49.9</u>	<u>\$ 0.80</u>
Weighted average shares - diluted				<u>62.4</u>

Three Months Ended June 30, 2016	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to G&W	Diluted EPS
As reported	\$ 70.5	\$ 22.1	\$ 48.4	\$ 0.83
Add back certain items:				
Corporate development and related costs	2.6	0.7	1.8	0.03
Restructuring costs	5.0	0.9	4.0	0.07
Q2 2016 Short Line Tax Credit	-	7.2	(7.2)	(0.12)
As adjusted	<u>\$ 78.1</u>	<u>\$ 31.0</u>	<u>\$ 47.0</u>	<u>\$ 0.81</u>
Weighted average shares - diluted				<u>58.1</u>

# Adjusted Operating Income – by Segment

Three Months Ended June 30, 2017	North American Operations	Australian Operations	U.K./European Operations	Total
Operating revenues	\$ 315.7	\$ 76.8	\$ 148.0	\$ 540.4
Operating expenses	236.1	56.6	146.4	439.1
Operating income <sup>(a)</sup>	<u>\$ 79.6</u>	<u>\$ 20.3</u>	<u>\$ 1.5</u>	<u>\$ 101.3</u>
Operating expenses	\$ 236.1	\$ 56.6	\$ 146.4	\$ 439.1
Corporate development and related costs	(1.5)	(0.1)	(2.1)	(3.7)
Restructuring costs	-	-	(2.3)	(2.3)
Adjusted operating expenses	<u>\$ 234.6</u>	<u>\$ 56.5</u>	<u>\$ 142.0</u>	<u>\$ 433.1</u>
Adjusted operating income	<u>\$ 81.1</u>	<u>\$ 20.3</u>	<u>\$ 5.9</u>	<u>\$ 107.4</u>

(a) Operating income is calculated as operating revenues less operating expenses.

## Adjusted Operating Income – by Segment (cont.)

Three Months Ended June 30, 2016	North American Operations	Australian Operations	U.K./European Operations	Total
Operating revenues	\$ 304.6	\$ 55.3	\$ 141.5	\$ 501.4
Operating expenses	225.6	45.9	142.7	414.2
Operating income/(loss) <sup>(a)</sup>	<u>\$ 79.0</u>	<u>\$ 9.4</u>	<u>\$ (1.2)</u>	<u>\$ 87.2</u>
Operating expenses	\$ 225.6	\$ 45.9	\$ 142.7	\$ 414.2
Corporate development and related costs	(1.7)	(0.8)	-	(2.5)
Restructuring costs	(0.3)	-	(4.6)	(4.9)
Adjusted operating expenses	<u>\$ 223.5</u>	<u>\$ 45.1</u>	<u>\$ 138.1</u>	<u>\$ 406.6</u>
Adjusted operating income	<u>\$ 81.1</u>	<u>\$ 10.2</u>	<u>\$ 3.4</u>	<u>\$ 94.7</u>
FX <sup>(b)</sup>	(0.1)	0.1	(0.5)	(0.5)
Adjusted operating income excluding FX	<u>\$ 81.0</u>	<u>\$ 10.3</u>	<u>\$ 2.9</u>	<u>\$ 94.2</u>

(a) Operating income/(loss) is calculated as operating revenues less operating expenses.

(b) Foreign exchange impact is calculated by comparing the prior period results translated from local currency to U.S. dollars using current period exchange rates to the prior period results in U.S. dollars as reported.

# Same Railroad Adjusted Operating Income – North American Operations

Three Months Ended June 30, 2017	Total	New Operations	Same Railroad
Operating revenues	\$ 315.7	\$ 8.7	\$ 307.0
Operating expenses	236.1	7.1	229.0
Operating income <sup>(a)</sup>	<u>\$ 79.6</u>	<u>\$ 1.6</u>	<u>\$ 78.0</u>
Operating expenses	\$ 236.1	\$ 7.1	\$ 229.0
Corporate development and related costs	(1.5)	(0.4)	(1.1)
Adjusted operating expenses	<u>\$ 234.6</u>	<u>\$ 6.8</u>	<u>\$ 227.8</u>
Adjusted operating income	<u>\$ 81.1</u>	<u>\$ 1.9</u>	<u>\$ 79.2</u>

(a) Operating income is calculated as operating revenues less operating expenses.

# Same Railroad Adjusted Operating – Australian Operations

Three Months Ended June 30, 2017	Total	New Operations	Same Railroad
Operating revenues	\$ 76.8	\$ 16.2	\$ 60.6
Operating expenses	56.6	8.3	48.3
Operating income <sup>(a)</sup>	<u>\$ 20.3</u>	<u>\$ 7.9</u>	<u>\$ 12.3</u>
Operating expenses	\$ 56.6	\$ 8.3	\$ 48.3
Corporate development and related costs	(0.1)	-	(0.1)
Adjusted operating expenses	<u>\$ 56.5</u>	<u>\$ 8.3</u>	<u>\$ 48.2</u>
Adjusted operating income	<u>\$ 20.3</u>	<u>\$ 7.9</u>	<u>\$ 12.4</u>

(a) Operating income is calculated as operating revenues less operating expenses.

# Same Railroad Adjusted Operating – U.K./European Operations

Three Months Ended June 30, 2017	Total	New Operations	Same Railroad
Operating revenues	\$ 148.0	\$ 25.5	\$ 122.4
Operating expenses	146.4	23.6	122.8
Operating income <sup>(a)</sup>	<u>\$ 1.5</u>	<u>\$ 1.9</u>	<u>\$ (0.4)</u>
Operating expenses	\$ 146.4	\$ 23.6	\$ 122.8
Corporate development and related costs	(2.1)	(0.1)	(2.0)
Restructuring costs	(2.3)	-	(2.3)
Adjusted operating expenses	<u>\$ 142.0</u>	<u>\$ 23.5</u>	<u>\$ 118.5</u>
Adjusted operating income	<u>\$ 5.9</u>	<u>\$ 2.0</u>	<u>\$ 3.9</u>

(a) Operating income is calculated as operating revenues less operating expenses.

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



# Incremental Margins – Australian Operations

(\$ in millions)	Q2 2017	Q2 2016	Variance	FX	Variance (Ex. FX)
Operating revenues	\$ 76.8	\$ 55.3	\$ 21.5	\$ 0.4	\$ 21.2
Operating expenses	56.6	45.9	10.7		
Operating income	\$ 20.3	\$ 9.4	\$ 10.9		
Incremental operating margin			50%		
Operating expenses	\$ 56.6	\$ 45.9	\$ 10.7		
Adjustments:					
Corporate development and related costs	0.1	0.8			
Adjusted operating expenses	\$ 56.5	\$ 45.1	\$ 11.4	\$ -	\$ 11.4
Adjusted operating income	\$ 20.3	\$ 10.2	\$ 10.1		\$ 10.1
Adjusted incremental operating margin			47%		48%

# Free Cash Flow

Six Months Ended June 30,	2017	2016
Net cash provided by operating activities	\$ 224.3	\$ 162.0
Net cash used in investing activities	(175.7)	(78.1)
Net cash used for acquisitions/divestitures	105.7	1.1
Free cash flow and Free cash flow attributable to G&W	154.3	85.0
New business investments, net of grants from outside parties	7.4	3.4
Free cash flow before new business investments	<u>\$ 161.6</u>	<u>\$ 88.3</u>

# Free Cash Flow – Australian Operations

Six Months Ended June 30,	2017
Net cash provided by operating activities	\$ 43.4
Net cash used in investing activities	(2.2)
Net cash received from working capital acquisition adjustment	(2.9)
Free cash flow and Free cash flow attributable to G&W	<u>\$ 38.2</u>

# EBITDA – Total G&W

	Three Months Ended September 30, 2016	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Twelve Months Ended June 30, 2017
Net income	\$ 56.8	\$ 8.9	\$ 27.3	\$ 48.1	\$ 141.1
Add back:					
Provision for income taxes	19.6	19.8	21.9	29.6	91.0
Interest expense	17.3	22.6	26.4	25.8	92.1
Depreciation and amortization expense	50.8	54.1	60.8	61.5	227.2
EBITDA	<u>\$ 144.6</u>	<u>\$ 105.4</u>	<u>\$ 136.4</u>	<u>\$ 165.0</u>	<u>\$ 551.4</u>

# EBITDA – Australian Operations

	Three Months Ended September 30, 2016	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Twelve Months Ended June 30, 2017
Net income/(loss)	\$ 0.8	\$ (4.8)	\$ 2.1	\$ 4.3	\$ 2.5
Add back:					
Provision for income taxes	0.8	0.5	0.9	1.9	4.1
Interest expense	2.3	7.0	14.1	14.0	37.4
Depreciation and amortization expense	7.1	9.8	15.2	15.0	47.1
EBITDA	<u>\$ 11.0</u>	<u>\$ 12.5</u>	<u>\$ 32.3</u>	<u>\$ 35.2</u>	<u>\$ 91.1</u>

# Net Adjusted Debt/Adjusted EBITDA – G&W

Twelve Months Ended June 30, 2017	Less: Australian		Adjustments <sup>(b)</sup>	Acquisitions <sup>(c)</sup>	G&W
	Total G&W	Operations <sup>(a)</sup>			
Net income	\$ 141.1	\$ 2.5	\$ -		\$ 138.6
Add back:					
Provision for income taxes	91.0	4.1	-		86.9
Interest expense	92.1	37.4	7.6		62.3
Depreciation and amortization expense	227.2	47.1	-		180.1
EBITDA	\$ 551.4	\$ 91.1	\$ 7.6	\$ 28.9	\$ 496.8
Add back certain items					
Non-cash compensation cost related to equity awards			17.0		17.0
Impairment and related costs			19.4		19.4
Corporate development and related costs			7.4		7.4
Restructuring costs			7.8		7.8
Net gain on sale of assets			(0.6)		(0.6)
Hedging agreement expense			3.7		3.7
U.K. coal railcar leases			8.7		8.7
Adjusted EBITDA					\$ 560.2
Total debt	\$ 2,433	\$ 695	\$ 3		\$ 1,741
Add back: Deferred financing fees	30	13	-		16
Adjusted debt	\$ 2,462	\$ 708	\$ 3		\$ 1,758
Less: Cash	84	48	(5)		31.6
Net adjusted debt	\$ 2,379	\$ 660	\$ 8		\$ 1,726
Net adjusted debt/Adjusted EBITDA ratio					3.1 : 1.0

(a) Australia Operations are excluded from G&W's Senior Secured Syndicated Credit Facility Agreement.

(b) Adjustments based on Credit Facility Agreement.

(c) Includes P&W for 7/1/16 - 10/31/16, GRail for 7/1/16 - 11/30/16, Pentalver for 7/1/16 - 4/30/17 and HOG for 7/1/16-5/30/17.

# Net Adjusted Debt/Adjusted EBITDA – G&W

	Three Months Ended December 31, 2015	Three Months Ended March 31, 2016	Three Months Ended June 30, 2016	Three Months Ended September 30, 2016	Twelve Months Ended September 30, 2016
Net income	\$ 84.9	\$ 27.0	\$ 48.4	\$ 56.8	\$ 217.1
Add back:					
Provision for/(benefit from) income taxes	(7.1)	12.8	17.7	19.6	43.1
Interest expense	18.3	18.0	22.1	17.3	75.7
Depreciation and amortization expense	50.0	49.3	50.9	50.8	201.1
EBITDA	\$ 146.1	\$ 107.1	\$ 139.2	\$ 144.6	\$ 537.0
Add back certain items					
Non-cash compensation cost related to equity awards	\$ 4.3	\$ 5.0	\$ 4.4	\$ 4.4	\$ 18.0
Australia impairment and related costs	-	13.0	-	-	13.0
Corporate development and related costs	2.4	0.3	0.4	-	3.1
Restructuring costs	-	1.1	5.0	-	6.1
Net gain on sale of assets	(0.3)	(0.2)	(0.3)	(0.5)	(1.3)
Adjusted EBITDA	<u>\$ 152.5</u>	<u>\$ 126.3</u>	<u>\$ 148.6</u>	<u>\$ 148.5</u>	<u>\$ 575.9</u>
Total debt					\$ 2,063
Less: Cash					26
Net debt					\$ 2,037
Add back: Deferred financing fees					19
Net adjusted debt					<u>\$ 2,056</u>
Net adjusted debt/Adjusted EBITDA ratio					3.6 : 1.0

# Adjusted Operating Income and Adjusted Operating Ratio – Full Year Guidance

Twelve Months Ended December 31, 2017 - Guidance	North American Operations	Australian Operations	U.K./European Operations
Operating revenues	\$1,270 - \$1,280	\$310 - \$320	\$620 - \$630
Operating expenses	\$962 - \$967	\$231 - \$236	\$608 - \$613
Operating income <sup>(a)</sup>	\$308 - \$313	\$79 - \$84	\$12 - \$17
Operating ratio <sup>(b)</sup>	~76%	~74%	~97%
Operating expenses	\$962 - \$967	\$231 - \$236	\$608 - \$613
Corporate development and related costs	(6.8)	(0.2)	(2.1)
Restructuring costs	(0.1)	(0.3)	(5.7)
Adjusted operating expenses	\$955 - \$960	\$230 - \$235	\$600 - \$605
Adjusted operating income	\$315 - \$320	\$80 - \$85	\$20 - \$25
Adjusted operating ratio	~75%	~73%	~96%

(a) Operating income 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 – Full Year Guidance

Twelve Months Ended December 31, 2017 - Guidance	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to G&W	Diluted EPS
As reported	~\$310	~\$125	~\$177	~\$2.83
Add back certain items:				
Corporate development and related costs	9.1	3.1	5.9	0.10
Restructuring costs	6.1	0.4	5.6	0.09
Gain on sale of investment	(1.6)	(0.7)	(1.0)	(0.02)
As adjusted	<u>~\$324</u>	<u>~\$128</u>	<u>~\$188</u>	<u>~\$3.00</u>
Weighted average shares - diluted				<u>62.5</u>

