# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-2328

## GATX Corporation
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **New York** | **36-1124040** |
| (State of incorporation) | (I.R.S. Employer Identification No.) |

**233 South Wacker Drive**
**Chicago, Illinois 60606-7147**
(Address of principal executive offices, including zip code)

**(312) 621-6200**
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock | GATX | New York Stock Exchange<br>Chicago Stock Exchange |
| 5.625% Senior Notes due 2066 | GMTA | New York Stock Exchange |

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 ☒ 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 ☒ No ☐

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
☐ Non-accelerated filer
☐ 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 ☒

There were 35.4 million common shares outstanding at March 31, 2021.

**GATX CORPORATION**
**FORM 10-Q**
**QUARTERLY REPORT FOR THE PERIOD ENDED MARCH 31, 2021**

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**FORWARD-LOOKING STATEMENTS**

Statements in this report not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and, accordingly, involve known and unknown risks and uncertainties that are difficult to predict and could cause our actual results, performance, or achievements to differ materially from those discussed. These include statements as to our future expectations, beliefs, plans, strategies, objectives, events, conditions, financial performance, prospects, or future events. In some cases, forward-looking statements can be identified by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "outlook," "continue," "likely," "will," "would", and similar words and phrases. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date they are made, and are not guarantees of future performance. We do not undertake any obligation to publicly update or revise these forward-looking statements.

A detailed discussion of the known material risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in our *Annual Report on Form 10-K* for the year ended December 31, 2020, and in our other filings with the Securities and Exchange Commission ("SEC"). The following factors, in addition to those discussed under "Risk Factors", in our *Annual Report on Form 10-K* for the year ended December 31, 2020 could cause actual results to differ materially from our current expectations expressed in forward looking statements:

- the duration and effects of the global COVID-19 pandemic, including adverse impacts on our business, personnel, operations, commercial activity, supply chain, the demand for our transportation assets, the value of our assets, our liquidity, and macroeconomic conditions
- exposure to damages, fines, criminal and civil penalties, and reputational harm arising from a negative outcome in litigation, including claims arising from an accident involving our transportation assets
- inability to maintain our transportation assets on lease at satisfactory rates due to oversupply of assets in the market or other changes in supply and demand
- a significant decline in customer demand for our transportation assets or services, including as a result of:
    - weak macroeconomic conditions
    - weak market conditions in our customers' businesses
    - adverse changes in the price of, or demand for, commodities
    - changes in railroad operations, efficiency, pricing and service offerings, including those related to "precision scheduled railroading"
    - changes in supply chains
    - availability of pipelines, trucks, and other alternative modes of transportation
    - changes in conditions affecting the aviation industry, including reduced demand for air travel, geographic exposure and customer concentrations
    - other operational or commercial needs or decisions of our customers
    - customers' desire to buy, rather than lease, our transportation assets
- higher costs associated with increased assignments of our transportation assets following non-renewal of leases, customer defaults, and compliance maintenance programs or other maintenance initiatives
- events having an adverse impact on assets, customers, or regions where we have a concentrated investment exposure
- financial and operational risks associated with long-term purchase commitments for transportation assets
- reduced opportunities to generate asset remarketing income
- inability to successfully consummate and manage ongoing acquisition and divestiture activities
- reliance on Rolls-Royce in connection with our aircraft spare engine leasing businesses, and the risks that certain factors that adversely affect Rolls-Royce could have an adverse effect on those businesses
- fluctuations in foreign exchange rates
- failure to successfully negotiate collective bargaining agreements with the unions representing a substantial portion of our employees
- asset impairment charges we may be required to recognize
- deterioration of conditions in the capital markets, reductions in our credit ratings, or increases in our financing costs
- changes in banks' inter-lending rate reporting practices and the phasing out of LIBOR
- competitive factors in our primary markets, including competitors with significantly lower costs of capital
- risks related to our international operations and expansion into new geographic markets, including laws, regulations, tariffs, taxes, treaties or trade barriers affecting our activities in the countries where we do business
- changes in, or failure to comply with, laws, rules, and regulations
- inability to obtain cost-effective insurance
- environmental liabilities and remediation costs
- potential obsolescence of our assets
- inadequate allowances to cover credit losses in our portfolio
- operational, functional and regulatory risks associated with severe weather events, climate change and natural disasters
- inability to maintain and secure our information technology infrastructure from cybersecurity threats and related disruption of our business

## PART I - FINANCIAL INFORMATION

**Item 1.** ***Financial Statements***

**GATX CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS (Unaudited)**
**(In millions, except share data)**

| | March 31 2021 | December 31 2020 |
|---|---|---|
| **Assets** | | |
| **Cash and Cash Equivalents** | $ 958.9 | $ 292.2 |
| **Restricted Cash** | 0.2 | 0.4 |
| **Receivables** | | |
| Rent and other receivables | 81.8 | 74.7 |
| Finance leases (as lessor) | 73.3 | 74.0 |
| Less: allowance for losses | (6.4) | (6.5) |
| | 148.7 | 142.2 |
| **Operating Assets and Facilities** | 10,835.0 | 10,484.0 |
| Less: allowance for depreciation | (3,311.8) | (3,313.3) |
| | 7,523.2 | 7,170.7 |
| **Lease Assets (as lessee)** | | |
| Right-of-use assets, net of accumulated depreciation | 326.5 | 335.9 |
| Finance leases, net of accumulated depreciation | — | 37.5 |
| | 326.5 | 373.4 |
| **Investments in Affiliated Companies** | 592.2 | 584.7 |
| **Goodwill** | 139.0 | 143.7 |
| **Other Assets** | 226.6 | 230.3 |
| **Total Assets** | $ 9,915.3 | $ 8,937.6 |
| **Liabilities and Shareholders' Equity** | | |
| **Accounts Payable and Accrued Expenses** | $ 143.6 | $ 147.3 |
| **Debt** | | |
| Commercial paper and borrowings under bank credit facilities | 19.6 | 23.6 |
| Recourse | 6,374.6 | 5,329.0 |
| | 6,394.2 | 5,352.6 |
| **Lease Obligations (as lessee)** | | |
| Operating leases | 328.0 | 348.6 |
| Finance leases | — | 33.3 |
| | 328.0 | 381.9 |
| **Deferred Income Taxes** | 960.4 | 962.8 |
| **Other Liabilities** | 129.1 | 135.6 |
| **Total Liabilities** | 7,955.3 | 6,980.2 |
| **Shareholders' Equity** | | |
| Common stock, $0.625 par value:<br>Authorized shares — 120,000,000<br>Issued shares — 68,089,687 and 67,751,074<br>Outstanding shares — 35,385,930 and 35,047,317 | 42.1 | 41.9 |
| Additional paid in capital | 753.1 | 735.4 |
| Retained earnings | 2,700.3 | 2,682.1 |
| Accumulated other comprehensive loss | (171.0) | (137.5) |
| Treasury stock at cost (32,703,757 and 32,703,757 shares) | (1,364.5) | (1,364.5) |
| **Total Shareholders' Equity** | 1,960.0 | 1,957.4 |
| **Total Liabilities and Shareholders' Equity** | $ 9,915.3 | $ 8,937.6 |

See accompanying notes to consolidated financial statements.

**GATX CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**
**(In millions, except per share data)**

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| **Revenues** | | |
| Lease revenue | $ 280.6 | $ 270.7 |
| Marine operating revenue | 3.6 | 3.3 |
| Other revenue | 21.6 | 25.4 |
| **Total Revenues** | 305.8 | 299.4 |
| **Expenses** | | |
| Maintenance expense | 74.3 | 85.8 |
| Marine operating expense | 4.6 | 4.1 |
| Depreciation expense | 88.6 | 80.4 |
| Operating lease expense | 10.9 | 13.3 |
| Other operating expense | 10.2 | 8.5 |
| Selling, general and administrative expense | 47.1 | 40.4 |
| **Total Expenses** | 235.7 | 232.5 |
| **Other Income (Expense)** | | |
| Net gain on asset dispositions | 22.5 | 27.4 |
| Interest expense, net | (53.6) | (45.5) |
| Other expense | (1.3) | (8.0) |
| **Income before Income Taxes and Share of Affiliates' Earnings** | 37.7 | 40.8 |
| Income taxes | (8.4) | (13.1) |
| Share of affiliates' earnings, net of taxes | 7.2 | 19.5 |
| **Net Income from Continuing Operations** | 36.5 | 47.2 |
| **Income from Discontinued Operations, Net of Taxes** | — | (0.9) |
| **Net Income** | $ 36.5 | $ 46.3 |
| **Other Comprehensive Income, Net of Taxes** | | |
| Foreign currency translation adjustments | (36.6) | (39.6) |
| Unrealized gain (loss) on derivative instruments | 0.6 | (0.7) |
| Post-retirement benefit plans | 2.5 | 2.2 |
| Other comprehensive loss | (33.5) | (38.1) |
| **Comprehensive Income** | $ 3.0 | $ 8.2 |
| **Share Data** | | |
| Basic earnings per share from continuing operations | $ 1.04 | $ 1.35 |
| Basic earnings per share from discontinued operations | — | (0.02) |
| Basic earnings per share from consolidated operations | $ 1.04 | $ 1.33 |
| Average number of common shares | 35.2 | 34.9 |
| Diluted earnings per share from continuing operations | $ 1.02 | $ 1.33 |
| Diluted earnings per share from discontinued operations | — | (0.02) |
| Diluted earnings per share from consolidated operations | $ 1.02 | $ 1.31 |
| Average number of common shares and common share equivalents | 35.9 | 35.4 |

See accompanying notes to consolidated financial statements.

**GATX CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**
**(In millions)**

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| **Operating Activities** | | |
| Net income | $ 36.5 | $ 46.3 |
| Income from discontinued operations, net of taxes | — | (0.9) |
| Net income from continuing operations | 36.5 | 47.2 |
| | | |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense | 92.0 | 83.2 |
| Net gains on sales of assets | (21.8) | (26.8) |
| Deferred income taxes | 2.5 | 5.0 |
| Share of affiliates' earnings, net of dividends | (7.2) | (19.5) |
| Changes in working capital items | (25.6) | (34.7) |
| Net cash provided by operating activities of continuing operations | 76.4 | 54.4 |
| **Investing Activities** | | |
| Portfolio investments and capital additions | (509.5) | (181.0) |
| Portfolio proceeds | 47.0 | 63.6 |
| Proceeds from sales of other assets | 15.3 | 6.7 |
| Other | 0.4 | 0.3 |
| Net cash used in investing activities of continuing operations | (446.8) | (110.4) |
| **Financing Activities** | | |
| Net proceeds from issuances of debt (original maturities longer than 90 days) | 1,074.1 | 861.2 |
| Repayments of debt (original maturities longer than 90 days) | — | (350.0) |
| Net decrease (increase) in debt with original maturities of 90 days or less | (3.2) | 9.5 |
| Dividends | (19.7) | (19.0) |
| Purchases of assets previously leased | (33.3) | (7.9) |
| Other | 20.8 | (15.4) |
| Net cash provided by financing activities of continuing operations | 1,038.7 | 478.4 |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | (1.8) | (2.8) |
| Net cash used in operating activities from discontinued operations | — | (1.4) |
| Net cash used in investing activities from discontinued operations | — | (13.7) |
| Net cash provided by financing activities from discontinued operations | — | 15.2 |
| **Cash provided by discontinued operations, net** | — | 0.1 |
| **Net increase in Cash, Cash Equivalents, and Restricted Cash during the period** | 666.5 | 419.7 |
| **Cash, Cash Equivalents, and Restricted Cash at beginning of the period** | 292.6 | 151.0 |
| **Cash, Cash Equivalents, and Restricted Cash at end of the period** | $ 959.1 | $ 570.7 |

See accompanying notes to consolidated financial statements.

**GATX CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**
**(In millions)**

| | Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Shares | Dollars | Shares | Dollars |
| **Common Stock** | | | | |
| Balance at beginning of the period | 67.8 | $ 41.9 | 67.5 | $ 41.8 |
| Issuance of common stock | 0.3 | 0.2 | 0.1 | — |
| Balance at end of the period | 68.1 | 42.1 | 67.6 | 41.8 |
| **Treasury Stock** | | | | |
| Balance at beginning of the period | (32.7) | (1,364.5) | (32.7) | (1,364.5) |
| Stock repurchases | — | — | — | — |
| Balance at end of the period | (32.7) | (1,364.5) | (32.7) | (1,364.5) |
| **Additional Paid In Capital** | | | | |
| Balance at beginning of the period | | 735.4 | | 720.1 |
| Share-based compensation effects | | 17.7 | | 5.3 |
| Balance at end of the period | | 753.1 | | 725.4 |
| **Retained Earnings** | | | | |
| Balance at beginning of the period | | 2,682.1 | | 2,601.3 |
| Net income | | 36.5 | | 46.3 |
| Dividends declared ($0.50 and $0.48 per share) | | (18.3) | | (17.6) |
| Balance at end of the period | | 2,700.3 | | 2,630.0 |
| **Accumulated Other Comprehensive Loss** | | | | |
| Balance at beginning of the period | | (137.5) | | (163.6) |
| Other comprehensive loss | | (33.5) | | (38.1) |
| Balance at end of the period | | (171.0) | | (201.7) |
| **Total Shareholders' Equity** | | $ 1,960.0 | | $ 1,831.0 |

See accompanying notes to consolidated financial statements.

**NOTE 1. Description of Business**

As used herein, "GATX," "we," "us," "our," and similar terms refer to GATX Corporation and its subsidiaries, unless indicated otherwise.

We lease, operate, manage, and remarket long-lived, widely-used assets, primarily in the rail market. We report our financial results through three primary business segments: Rail North America, Rail International, and Portfolio Management. Historically, we also reported financial results for American Steamship Company ("ASC") as a fourth segment.

In the first quarter of 2021, GATX began investing directly in aircraft spare engines through its new entity, GATX Engine Leasing ("GEL"). During the first quarter of 2021, GEL acquired 14 aircraft spare engines for approximately $352 million, including 4 engines for $120 million from the Rolls-Royce & Partners Finance joint ventures (collectively the “RRPF affiliates” or "RRPF"). Financial results for this business are reported in the Portfolio Management segment.

On December 29, 2020, GATX acquired Trifleet Leasing Holding B.V. ("Trifleet"), the fourth largest tank container lessor in the world. Financial results for this business are reported in the Other segment. See "Note 3. Business Combinations" for additional information.

On May 14, 2020, we completed the sale of our ASC business, subject to customary post-closing adjustments. As a result, ASC is now reported as discontinued operations, and financial data for the ASC segment has been segregated and presented as discontinued operations for all periods presented. See "Note 16. Discontinued Operations" of this Form 10-Q for additional information.

**NOTE 2. Basis of Presentation**

We prepared the accompanying unaudited consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, our unaudited consolidated financial statements do not include all of the information and footnotes required for complete financial statements. We have included all of the normal recurring adjustments that we deemed necessary for a fair presentation. Certain prior year amounts have been reclassified to conform to the 2021 presentation, including the separate presentation and reporting of discontinued operations.

Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results we may achieve for the entire year ending December 31, 2021. In particular, asset remarketing income does not occur evenly throughout the year. For more information, refer to the consolidated financial statements and footnotes in our *Annual Report on Form 10-K* for the year ended December 31, 2020.

***New Accounting Pronouncements Adopted***

| Standard/Description | Effective Date and Adoption Considerations | Effect on Financial Statements or Other Significant Matters |
|---|---|---|
| <u>*Income Taxes*</u><br><br>In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*: *Simplifying the Accounting for Income Taxes*, which eliminates exceptions for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. | We adopted the new guidance in the first quarter of 2021. | The application of this guidance did not impact our financial statements and had an immaterial impact on related disclosures. |

***New Accounting Pronouncements Not Yet Adopted***

| Standard/Description | Effective Date and Adoption Considerations | Effect on Financial Statements or Other Significant Matters |
|---|---|---|
| *Reference Rate Reform*<br><br>In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional practical expedients and exceptions in the application of GAAP principles to contracts, hedging relationships, and other transactions that reference LIBOR or other reference rates being discontinued as a result of reference rate reform. | Optional expedients are available for adoption from March 12, 2020 through December 31, 2022. | For any contracts that reference LIBOR, we are currently assessing how this standard may be applied to specific contract modifications. |

**NOTE 3. Business Combinations**

On December 29, 2020, GATX acquired Trifleet Leasing Holding B.V. ("Trifleet"), the fourth largest tank container lessor in the world, for approximately €165 million ($203.2 million) in cash. Transaction costs associated with this acquisition were approximately $2.7 million. Headquartered in the Netherlands with offices worldwide, Trifleet owns and manages a fleet of over 19,000 tank containers leased to a diverse customer base in the chemical, industrial gas, energy, food, cryogenic and pharmaceutical industries, as well as to tank container operators.

We initially allocated $146.2 million and $57.0 million to tangible net assets and goodwill in the preliminary purchase accounting for the acquisition. The initial allocation of the purchase price is incomplete with respect to certain assets and liabilities acquired. The purchase price allocation will be finalized during the measurement period, which will not exceed 12 months from the acquisition date. The acquisition was not significant in relation to our financial results and, therefore, pro-forma financial information has not been presented.

**NOTE 4. Revenue**

***Revenue Recognition***

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We disaggregate revenue into three categories as presented on our income statement:

*Lease Revenue*

Lease revenue, which includes operating lease revenue and finance lease revenue, is our primary source of revenue.

*Operating Lease Revenue*

We lease railcars, tank containers, aircraft spare engines, and other operating assets under full-service and net operating leases. We price full-service leases as an integrated service that includes amounts related to maintenance, insurance, and ad valorem taxes. We do not offer stand-alone maintenance service contracts. Operating lease revenue is within the scope of Topic 842, and we have elected not to separate non-lease components from the associated lease component for qualifying leases. Operating lease revenue is recognized on a straight-line basis over the term of the underlying lease. As a result, lease revenue may not be recognized in the same period as maintenance and other costs, which we expense as incurred. Variable rents are recognized when applicable contingencies are resolved. Revenue is not recognized if collectability is not reasonably assured. See "Note 5. Leases".

*Finance Lease Revenue*

In certain cases, we lease railcars, tank containers, and other operating assets that, at lease inception, are classified as finance leases. In accordance with Topic 842, finance lease revenue is recognized using the interest method, which produces a constant yield over the lease term. Initial unearned income is the amount by which the original lease payment receivable and the estimated residual value of the leased asset exceeds the original cost or carrying value of the leased asset. See "Note 5. Leases".

*Marine Operating Revenue*

We generate marine operating revenue through shipping services completed by our marine vessels. For vessels operating in a pooling arrangement, we recognize pool revenue based on the right to receive our portion of net distributions reported by the pool, with net distributions being the net voyage revenue of the pool after deduction of voyage expenses. For vessels operating out of the pool, we recognize revenue over time as the performance obligation is satisfied, beginning when cargo is loaded through its delivery and discharge.

*Other Revenue*

Other revenue is comprised of customer liability repair revenue, termination fees, utilization income, fee income, and other miscellaneous revenues. Select components of other revenue are within the scope of Topic 606. Revenue attributable to terms provided in our lease contracts are variable lease components that are recognized when earned, in accordance with Topic 842.

## NOTE 5. Leases

### *GATX as Lessor*

We lease railcars, tank containers, aircraft spare engines, and other operating assets under full-service and net operating leases. We price full-service leases as an integrated service that includes amounts related to maintenance, insurance, and ad valorem taxes. In accordance with applicable guidance, we do not separate lease and non-lease components when reporting revenue for our full-service operating leases. In some cases, we lease railcars and tank containers that, at commencement, are classified as finance leases. For certain operating leases, revenue is based on equipment usage and is recognized when earned. Typically, our leases do not provide customers with renewal options or options to purchase the asset. Our lease agreements do not generally have residual value guarantees. We collect reimbursements from customers for damage to our railcars, as well as additional rental payments for usage above specified levels, as provided in the lease agreements.

The following table shows the components of our lease income (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | 2021 | 2020 |
| Operating lease income: | | |
| Fixed lease income | $ 262.1 | $ 254.1 |
| Variable lease income | 16.8 | 14.8 |
| Total operating lease income | $ 278.9 | $ 268.9 |
| Finance lease income | 1.7 | 1.8 |
| Total lease income | $ 280.6 | $ 270.7 |

In accordance with the terms of our leases with customers, we may earn additional revenue, primarily for customer liability repairs. These amounts are reported in other revenue in the statements of comprehensive income and were $16.8 million and $22.7 million for three months ended March 31, 2021 and 2020.

## NOTE 6. Investments in Affiliated Companies

Our affiliate investments primarily include interests in each of the RRPF affiliates, a group of 50% owned domestic and foreign joint ventures with Rolls-Royce plc, a leading manufacturer of commercial aircraft jet engines.

In accordance with Regulation S-X, we must assess if any of our investments in affiliated companies is a “significant subsidiary”. Although we determined that Alpha Partners Leasing Limited, which is part of the RRPF affiliates, did not trigger any of the significance tests as of March 31, 2021, we determined that at least one of the significance tests was triggered as of March 31, 2020. As a result, and in accordance with Rule 10-01(b) of Regulation S-X, the following table shows summarized unaudited financial information for Alpha Partners Leasing Limited (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | 2021 | 2020 |
| Total revenue | $ 93.8 | $ 104.0 |
| Total expenses | (87.3) | (86.4) |
| Other income, including net gains on sales of assets | 9.0 | 22.3 |
| Net income | 12.6 | 32.3 |

## NOTE 7. Fair Value Disclosure

The assets and liabilities that GATX records at fair value on a recurring basis consisted entirely of derivatives at March 31, 2021 and December 31, 2020.

In addition, we review long-lived assets, such as operating assets and facilities, investments in affiliates, and goodwill, for impairment whenever circumstances indicate that the carrying amount of these assets may not be recoverable or when assets may be classified as held for sale. We considered COVID-19 as part of our assessment during the quarter and determined there were no material impacts on our final conclusions. We will continue to monitor our long-lived assets, investments in affiliates, and goodwill for indicators of impairment as COVID-19 continues to impact the global economy.

***Derivative Instruments***

*Fair Value Hedges*

We use interest rate swaps to manage the fixed-to-floating rate mix of our debt obligations by converting a portion of our fixed rate debt to floating rate debt. For fair value hedges, we recognize changes in fair value of both the derivative and the hedged item as interest expense. We had five instruments outstanding with an aggregate notional amount of $300.0 million as of March 31, 2021 with maturities ranging from 2021 to 2022 and five instruments outstanding with an aggregate notional amount of $300.0 million as of December 31, 2020 with maturities ranging from 2021 to 2022.

*Cash Flow Hedges*

We use Treasury rate locks and swap rate locks to hedge our exposure to interest rate risk on anticipated transactions. We also use currency swaps, forwards, and put/call options to hedge our exposure to fluctuations in the exchange rates of foreign currencies for certain loans and operating expenses denominated in non-functional currencies. We had eleven instruments outstanding with an aggregate notional amount of $135.1 million as of March 31, 2021 that mature in 2021 and one instrument outstanding with an aggregate notional amount of $105.7 million as of December 31, 2020 that matures in 2021. Within the next 12 months, we expect to reclassify $1.8 million ($1.3 million after-tax) of net losses on previously terminated derivatives from accumulated other comprehensive income (loss) to interest expense or operating lease expense, as applicable. We reclassify these amounts when interest and operating lease expense on the related hedged transactions affect earnings.

*Non-Designated Derivatives*

We do not hold derivative financial instruments for purposes other than hedging, although certain of our derivatives are not designated as accounting hedges. We recognize changes in the fair value of these derivatives in other (income) expense immediately.

Certain of our derivative instruments contain credit risk provisions that could require us to make immediate payment on net liability positions in the event that we default on certain outstanding debt obligations. We had no derivative instruments with credit risk related contingent features that were in a liability position as of March 31, 2021. We are not required to post any collateral on our derivative instruments and do not expect the credit risk provisions to be triggered.

In the event that a counterparty fails to meet the terms of an interest rate swap agreement or a foreign exchange contract, our exposure is limited to the fair value of the swap, if in our favor. We manage the credit risk of counterparties by transacting with institutions that we consider financially sound and by avoiding concentrations of risk with a single counterparty. We believe that the risk of non-performance by any of our counterparties is remote.

The following tables show our derivative assets and liabilities that are measured at fair value (in millions):

| | Balance Sheet Location | Fair Value March 31, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|
| **Derivative Assets** | | | | | |
| Interest rate contracts (1) | Other assets | $ 4.6 | $ — | $ 4.6 | $ — |
| Foreign exchange contracts (1) | Other assets | 4.8 | — | 4.8 | — |
| Foreign exchange contracts (2) | Other assets | 2.6 | — | 2.6 | — |
| Total derivative assets | | $ 12.0 | $ — | $ 12.0 | $ — |

| | Balance Sheet Location | Fair Value December 31, 2020 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|
| **Derivative Assets** | | | | | |
| Interest rate contracts (1) | Other assets | $ 5.6 | $ — | $ 5.6 | $ — |
| Foreign exchange contracts (1) | Other assets | 0.4 | — | 0.4 | — |
| Foreign exchange contracts (2) | Other assets | 0.4 | — | 0.4 | — |
| Total derivative assets | | $ 6.4 | $ — | $ 6.4 | $ — |

__________
(1) Designated as hedges.
(2) Not designated as hedges.

We value derivatives using a pricing model with inputs (such as yield curves and foreign currency rates) that are observable in the market or that can be derived principally from observable market data. As of March 31, 2021 and December 31, 2020, all derivatives were classified as Level 2 in the fair value hierarchy. There were no derivatives classified as Level 1 or Level 3.

The following table shows the amounts recorded on the balance sheet related to cumulative basis adjustments for fair value hedges as of March 31, 2021 and December 31, 2020 (in millions):

| | Carrying Amount of the Hedged Assets/(Liabilities) | | Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities) | |
|---|---|---|---|---|
| **Line Item in the Balance Sheet in Which the Hedged Item is Included** | **March 31 2021** | **December 31 2020** | **March 31 2021** | **December 31 2020** |
| Recourse debt | $ (302.9) | $ (303.6) | $ 4.6 | $ 5.6 |

The following tables show the impacts of our derivative instruments on our statement of comprehensive income for the three months ended March 31, 2021 and 2020 (in millions):

| | Amount of Loss (Gain) Recognized in Other Comprehensive Income | | | Amount of Loss (Gain) Reclassified from Accumulated Other Comprehensive Income into Income | |
|---|---|---|---|---|---|
| | Three Months Ended March 31 | | | Three Months Ended March 31 | |
| **Derivative Designation** | **2021** | **2020** | **Location of Loss (Gain) Reclassified from Accumulated Other Comprehensive Income into Income** | **2021** | **2020** |
| Derivatives in cash flow hedging relationships: | | | | | |
| Interest rate contracts | $ — | $ (0.1) | Interest expense | $ 0.6 | $ 0.4 |
| Foreign exchange contracts | (4.8) | (3.8) | Other (income) expense | (4.7) | (5.3) |
| Total | $ (4.8) | $ (3.9) | Total | $ (4.1) | $ (4.9) |

The following tables show the impact of our fair value and cash flow hedge accounting relationships, as well as the impact of our non-designated derivatives, on the statement of comprehensive income for the three months ended March 31, 2021 and 2020 (in millions):

| | Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships | | | |
|---|---|---|---|---|
| | Three Months Ended March 31 | | Three Months Ended March 31 | |
| | 2021 | | 2020 | |
| | Interest (expense), net | Other income (expense) | Interest (expense), net | Other income (expense) |
| Total amounts of income and expense presented in the statements of comprehensive income in which the effects of fair value or cash flow hedges are recorded | $ (53.6) | $ (1.3) | $ (45.5) | $ (8.0) |
| **Gain (loss) on fair value hedging relationships** | | | | |
| Interest rate contracts: | | | | |
| Hedged items | 1.3 | — | (6.9) | — |
| Derivatives designated as hedging instruments | (1.3) | — | 6.9 | — |
| **Gain (loss) on cash flow hedging relationships** | | | | |
| Interest rate contracts: | | | | |
| Amount of gain (loss) reclassified from accumulated other comprehensive income into income | (0.6) | — | (0.4) | — |
| Foreign exchange contracts: | | | | |
| Amount of gain (loss) reclassified from accumulated other comprehensive income into income (1) | — | 4.7 | — | 5.3 |
| **Gain (loss) on non-designated derivative contracts** | — | 2.0 | — | 6.9 |

(1) These amounts are substantially offset by foreign currency remeasurement adjustments on related hedged instruments, also recognized in other income (expense).

***Other Financial Instruments***

Except for derivatives, as disclosed above, GATX has no other assets and liabilities measured at fair value on a recurring basis. The carrying amounts of cash and cash equivalents, rent and other receivables, accounts payable, and commercial paper and borrowings under bank credit facilities with maturities under one year approximate fair value due to the short maturity of those instruments. We estimate the fair values of fixed and floating rate debt using discounted cash flow analyses that are based on interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The inputs we use to estimate each of these values are classified in Level 2 of the fair value hierarchy because they are directly or indirectly observable inputs.

The following table shows the carrying amounts and fair values of our other financial instruments (in millions):

| | March 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Liabilities** | | | | |
| Recourse fixed rate debt | $ 5,724.1 | $ 6,111.4 | $ 5,056.3 | $ 5,696.9 |
| Recourse floating rate debt | 683.9 | 684.2 | 299.9 | 300.4 |

**NOTE 8. Pension and Other Post-Retirement Benefits**

The following table shows the components of net periodic cost for the three months ended March 31, 2021 and 2020 (in millions):

| | 2021 Pension Benefits | 2020 Pension Benefits | 2021 Retiree Health and Life | 2020 Retiree Health and Life |
|---|---|---|---|---|
| Service cost | $ 2.2 | $ 2.0 | $ — | $ — |
| Interest cost | 2.0 | 3.1 | 0.1 | 0.1 |
| Expected return on plan assets | (4.7) | (5.1) | — | — |
| Amortization of (1): | | | | |
| Unrecognized prior service credit | — | — | — | — |
| Unrecognized net actuarial loss (gain) | 3.4 | 3.1 | (0.1) | — |
| Net periodic cost | $ 2.9 | $ 3.1 | $ — | $ 0.1 |

(1) Amounts reclassified from accumulated other comprehensive loss.

The service cost component of net periodic cost is recorded in selling, general and administrative expense in the statements of comprehensive income, and the non-service components are recorded in other expense.

**NOTE 9. Share-Based Compensation**

During the three months ended March 31, 2021, we granted 276,600 non-qualified employee stock options, 34,020 restricted stock units, 54,650 performance shares, and 4,696 phantom stock units. For the three months ended March 31, 2021, total share-based compensation expense was $6.0 million, and the related tax benefits were $1.5 million. For the three months ended March 31, 2020, total share-based compensation expense was $2.2 million, and the related tax benefits were $0.5 million.

The estimated fair value of our 2021 non-qualified employee stock option awards and related underlying assumptions are shown in the table below.

| | 2021 |
|---|---|
| Weighted-average estimated fair value | $29.56 |
| Quarterly dividend rate | $0.50 |
| Expected term of stock options, in years | 4.3 |
| Risk-free interest rate | 0.3% |
| Dividend yield | 2.2% |
| Expected stock price volatility | 34.4% |
| Present value of dividends | $8.61 |

**NOTE 10. Income Taxes**

The following table shows our effective income tax rate for continuing operations for the three months ended March 31:

| | 2021 | 2020 |
|---|---|---|
| Effective income tax rate for continuing operations | 22.2 % | 32.2 % |

The difference in the effective rate for the current year compared to the prior year is primarily due to incremental benefits associated with share-based compensation in the current year, as well as the mix of pre-tax income among domestic and foreign jurisdictions, which are taxed at different rates.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which includes modifications to the interest expense limitation threshold and net operating loss carryback period and utilization limitation, the acceleration of payments for alternative minimum tax credit refunds, and the deferral of employer payroll tax payments. The CARES Act did not have a material impact on our effective tax rate.

**NOTE 11. Commercial Commitments**

We have entered into various commercial commitments, such as guarantees, standby letters of credit, performance bonds, and guarantees related to certain transactions. These commercial commitments require us to fulfill specific obligations in the event of third-party demands. Similar to our balance sheet investments, these commitments expose us to credit, market, and equipment risk. Accordingly, we evaluate these commitments and other contingent obligations using techniques similar to those we use to evaluate funded transactions.

The following table shows our commercial commitments (in millions):

| | March 31 2021 | December 31 2020 |
|---|---|---|
| Standby letters of credit and performance bonds | $ 9.0 | $ 9.1 |
| Derivative guarantees | 1.0 | 1.5 |
| Total commercial commitments (1) | $ 10.0 | $ 10.6 |

(1) There were no liabilities recorded on the balance sheet for commercial commitments at March 31, 2021 and December 31, 2020. As of March 31, 2021, our outstanding commitments expire in 2021 through 2023. We are not aware of any event that would require us to satisfy any of our commitments.

We are parties to standby letters of credit and performance bonds, which primarily relate to contractual obligations and general liability insurance coverages. No material claims have been made against these obligations, and no material losses are anticipated. We also guarantee payment by an affiliate for final settlement of certain derivatives if they are in a liability position at expiration. The amount of the payment is ultimately determined by the value of the derivative upon final settlement.

**NOTE 12. Earnings per Share**

We compute basic earnings per share by dividing net income available to our common shareholders by the weighted-average number of shares of our common stock outstanding. We weight shares issued or reacquired for the portion of the period that they were outstanding. Our diluted earnings per share reflect the impacts of our potentially dilutive securities, which include our equity compensation awards.

The following table shows the computation of our basic and diluted net income per common share (in millions, except per share amounts):

| | Three Months Ended March 31 | |
|---|---|---|
| | 2021 | 2020 |
| **Numerator:** | | |
| Net income from continuing operations | $ 36.5 | $ 47.2 |
| Net loss from discontinued operations | — | (0.9) |
| Net income | $ 36.5 | $ 46.3 |
| | | |
| **Denominator:** | | |
| Weighted-average shares outstanding - basic | 35.2 | 34.9 |
| Effect of dilutive securities: | | |
| Equity compensation plans | 0.7 | 0.5 |
| Weighted-average shares outstanding - diluted | 35.9 | 35.4 |
| | | |
| Basic earnings per share from continuing operations | $ 1.04 | $ 1.35 |
| Basic earnings per share from discontinued operations | — | (0.02) |
| Basic earnings per share from consolidated operations | $ 1.04 | $ 1.33 |
| | | |
| Diluted earnings per share from continuing operations | $ 1.02 | $ 1.33 |
| Diluted earnings per share from discontinued operations | — | (0.02) |
| Diluted earnings per share from consolidated operations | $ 1.02 | $ 1.31 |

## NOTE 13. Accumulated Other Comprehensive Income (Loss)

The following table shows the change in components for accumulated other comprehensive loss (in millions):

| | Foreign Currency Translation Gain (Loss) | Unrealized Loss on Derivative Instruments | Post-Retirement Benefit Plans | Total |
|---|---|---|---|---|
| Balance at December 31, 2020 | $ (43.7) | $ (14.6) | $ (79.2) | $ (137.5) |
| Change in component | (36.6) | 4.8 | — | (31.8) |
| Reclassification adjustments into earnings (1) | — | (4.1) | 3.3 | (0.8) |
| Income tax effect | — | (0.1) | (0.8) | (0.9) |
| Balance at March 31, 2021 | $ (80.3) | $ (14.0) | $ (76.7) | $ (171.0) |

(1) See "Note 7. Fair Value Disclosure" and "Note 8. Pension and Other Post-Retirement Benefits" for impacts of the reclassification adjustments on the statement of comprehensive income.

## NOTE 14. Legal Proceedings and Other Contingencies

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against GATX and certain of our subsidiaries. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved or settled adversely. For a full discussion of our pending legal matters, please refer to the notes included with our consolidated financial statements in our *Annual Report on Form 10-K* for the year ended December 31, 2020.

**NOTE 15. Financial Data of Business Segments**

The financial data presented below depicts the profitability, financial position, and capital expenditures of each of our business segments.

We lease, operate, manage, and remarket long-lived, widely-used assets, primarily in the rail market. We report our financial results through three primary business segments: Rail North America, Rail International, and Portfolio Management. Historically, we also reported financial results for American Steamship Company ("ASC") as a fourth segment.

In the first quarter of 2021, GATX began investing directly in aircraft spare engines through its new entity, GEL. During the first quarter of 2021, GEL acquired 14 aircraft spare engines for approximately $352 million, including 4 engines for $120 million from the RRPF affiliates. Financial results for this business are reported in the Portfolio Management segment.

On December 29, 2020, GATX acquired Trifleet Leasing Holding B.V. ("Trifleet"), the fourth largest tank container lessor in the world. Financial results for this business are reported in the Other segment. See "Note 3. Business Combinations" for additional information.

On May 14, 2020, we completed the sale of our ASC business, subject to customary post-closing adjustments. As a result, ASC is now reported as discontinued operations, and financial data for the ASC segment has been segregated and presented as discontinued operations for all periods presented. See "Note 16. Discontinued Operations" of this Form 10-Q for additional information.

Rail North America is composed of our operations in the United States, Canada, and Mexico. Rail North America primarily provides railcars pursuant to full-service leases under which it maintains the railcars, pays ad valorem taxes and insurance, and provides other ancillary services.

Rail International is composed of our operations in Europe ("GATX Rail Europe" or "GRE"), India ("GRI"), and Russia ("Rail Russia"). GRE leases railcars to customers throughout Europe pursuant to full-service leases under which it maintains the railcars and provides value-adding services according to customer requirements.

Portfolio Management is composed primarily of our ownership in the RRPF affiliates, a group of joint ventures with Rolls-Royce plc that lease aircraft spare engines, direct ownership of aircraft spare engines that we lease, as well as five liquefied gas carrying vessels (the "Specialized Gas Vessels") and assorted other marine assets.

Other includes Trifleet operations, as well as selling, general and administrative expenses, income taxes, and certain other amounts not allocated to the segments.

Segment profit is an internal performance measure used by the Chief Executive Officer to assess the profitability of each segment. Segment profit includes all revenues, expenses, pre-tax earnings from affiliates, and net gains on asset dispositions that are directly attributable to each segment. We allocate interest expense to the segments based on what we believe to be the appropriate risk-adjusted borrowing costs for each segment. Segment profit excludes selling, general and administrative expenses, income taxes, and certain other amounts not allocated to the segments.

The following tables show certain segment data for each of our business segments (in millions):

| | Rail North America | Rail International | Portfolio Management | Other | GATX Consolidated |
|---|---|---|---|---|---|
| **Three Months Ended March 31, 2021** | | | | | |
| **Revenues** | | | | | |
| Lease revenue | $ 206.8 | $ 66.9 | $ 3.3 | $ 3.6 | $ 280.6 |
| Marine operating revenue | — | — | 3.6 | — | 3.6 |
| Other revenue | 17.8 | 2.5 | 0.2 | 1.1 | 21.6 |
| **Total Revenues** | 224.6 | 69.4 | 7.1 | 4.7 | 305.8 |
| **Expenses** | | | | | |
| Maintenance expense | 58.4 | 15.4 | — | 0.5 | 74.3 |
| Marine operating expense | — | — | 4.6 | — | 4.6 |
| Depreciation expense | 65.7 | 18.3 | 2.7 | 1.9 | 88.6 |
| Operating lease expense | 10.9 | — | — | — | 10.9 |
| Other operating expense | 7.6 | 2.0 | 0.2 | 0.4 | 10.2 |
| **Total Expenses** | 142.6 | 35.7 | 7.5 | 2.8 | 188.6 |
| **Other Income (Expense)** | | | | | |
| Net gain on asset dispositions | 21.5 | 0.3 | 0.6 | 0.1 | 22.5 |
| Interest expense, net | (37.0) | (12.2) | (3.1) | (1.3) | (53.6) |
| Other expense | (0.8) | — | — | (0.5) | (1.3) |
| Share of affiliates' pre-tax income | — | — | 9.0 | — | 9.0 |
| **Segment profit** | $ 65.7 | $ 21.8 | $ 6.1 | $ 0.2 | $ 93.8 |
| Less: | | | | | |
| Selling, general and administrative expense | | | | | 47.1 |
| Income taxes (includes $1.8 related to affiliates' earnings) | | | | | 10.2 |
| **Net income** | | | | | $ 36.5 |
| | | | | | |
| **Net Gain on Asset Dispositions** | | | | | |
| Asset Remarketing Income: | | | | | |
| Net gains on disposition of owned assets | $ 16.3 | $ — | $ — | $ — | $ 16.3 |
| Residual sharing income | 0.1 | — | 0.6 | — | 0.7 |
| Non-remarketing net gains (1) | 5.1 | 0.3 | — | 0.1 | 5.5 |
| | $ 21.5 | $ 0.3 | $ 0.6 | $ 0.1 | $ 22.5 |
| | | | | | |
| **Capital Expenditures** | | | | | |
| Portfolio investments and capital additions | $ 109.1 | $ 44.4 | $ 352.5 | $ 3.5 | $ 509.5 |
| **Selected Balance Sheet Data at March 31, 2021** | | | | | |
| Investments in affiliated companies | $ — | $ — | $ 592.2 | $ — | $ 592.2 |
| Identifiable assets | $ 5,932.0 | 1,698.9 | $ 1,067.0 | $ 1,217.4 | $ 9,915.3 |

(1) Includes net gains (losses) from scrapping of railcars.

| | Rail North America | Rail International | Portfolio Management | Other | GATX Consolidated |
|---|---|---|---|---|---|
| **Three Months Ended March 31, 2020** | | | | | |
| **Revenues** | | | | | |
| Lease revenue | $ 212.1 | $ 58.3 | $ 0.3 | $ — | $ 270.7 |
| Marine operating revenue | — | — | 3.3 | — | 3.3 |
| Other revenue | 23.6 | 1.8 | — | — | 25.4 |
| **Total Revenues** | 235.7 | 60.1 | 3.6 | — | 299.4 |
| **Expenses** | | | | | |
| Maintenance expense | 72.9 | 12.9 | — | — | 85.8 |
| Marine operating expense | — | — | 4.1 | — | 4.1 |
| Depreciation expense | 63.6 | 15.5 | 1.3 | — | 80.4 |
| Operating lease expense | 13.3 | — | — | — | 13.3 |
| Other operating expense | 6.6 | 1.8 | 0.1 | — | 8.5 |
| **Total Expenses** | 156.4 | 30.2 | 5.5 | — | 192.1 |
| **Other Income (Expense)** | | | | | |
| Net gain on asset dispositions | 26.8 | 0.1 | 0.5 | — | 27.4 |
| Interest (expense) income, net | (33.3) | (10.6) | (2.9) | 1.3 | (45.5) |
| Other expense | (0.8) | (5.5) | — | (1.7) | (8.0) |
| Share of affiliates' pre-tax income | — | — | 23.8 | — | 23.8 |
| **Segment profit** | $ 72.0 | $ 13.9 | $ 19.5 | $ (0.4) | $ 105.0 |
| Less: | | | | | |
| Selling, general and administrative expense | | | | | 40.4 |
| Income taxes (includes $4.3 related to affiliates' earnings) | | | | | 17.4 |
| **Net income from continuing operations** | | | | | $ 47.2 |
| **Net income from discontinued operations, net of taxes** | | | | | (0.9) |
| **Net income** | | | | | $ 46.3 |
| | | | | | |
| **Net Gain on Asset Dispositions** | | | | | |
| Asset Remarketing Income: | | | | | |
| Net gains on disposition of owned assets | $ 26.9 | $ — | $ — | $ — | $ 26.9 |
| Residual sharing income | 0.1 | — | 0.5 | — | 0.6 |
| Non-remarketing net (loss) gains (1) | (0.2) | 0.1 | — | — | (0.1) |
| | $ 26.8 | $ 0.1 | $ 0.5 | $ — | $ 27.4 |
| | | | | | |
| **Capital Expenditures** | | | | | |
| Portfolio investments and capital additions | $ 110.9 | $ 69.3 | $ 0.3 | $ 0.5 | $ 181.0 |
| | | | | | |
| **Selected Balance Sheet Data at December 31, 2020** | | | | | |
| Investments in affiliated companies | $ — | $ — | $ 584.7 | $ — | $ 584.7 |
| Identifiable assets from continuing operations | $ 5,944.4 | $ 1,745.8 | $ 706.1 | $ 541.3 | $ 8,937.6 |

(1) Includes net gains (losses) from scrapping of railcars.

**NOTE 16. Discontinued Operations**

On May 14, 2020, we completed the sale of our ASC business for estimated proceeds of $258.3 million in cash, of which $1.1 million was held in escrow as of March 31, 2021 to satisfy potential indemnification claims for one year after the sale date.

Accordingly, the results of operations from our ASC business and gain on sale of ASC are reported in the accompanying consolidated statements of operations as “discontinued operations, net of taxes” for the period ended March 31, 2021. As a result of the completion of the sale in May 2020, there were no operating results for the period ended March 31, 2021. There were no related assets and liabilities classified as assets and liabilities of discontinued operations as of March 31, 2021 and December 31, 2020 in the accompanying balance sheets.

Results of discontinued operations reflect directly attributable revenues, operating and ownership expenses, and income taxes. Results also reflect intercompany allocations for interest. Interest expense was $1.3 million for the three months ended March 31, 2020. Interest was allocated consistent with GATX's risk-adjusted approach for continuing operations.

The following table shows the financial results of our discontinued operations (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| **Revenues** | $ — | $ 9.5 |
| **Expenses** | | |
| Operating expense | — | 7.1 |
| Selling, general and administrative expense | — | 2.0 |
| **Total Expenses** | — | 9.1 |
| Other income (expense) | — | (1.5) |
| **Loss from Discontinued Operations Before Taxes** | $ — | $ (1.1) |
| Income tax benefit | — | 0.2 |
| **Income (Loss) from Discontinued Operations, Net of Taxes** | $ — | $ (0.9) |
| **Loss from Discontinued Operations, Net of Taxes** | $ — | $ (0.9) |

The following table shows cash flow information for our discontinued operations (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| Net Cash Used In Operating Activities | $ — | $ (1.4) |
| Net Cash Used In Investing Activities | — | (13.7) |
| Net Cash Provided By Financing Activities | — | 15.2 |
| **Cash provided by discontinued operations, net** | $ — | $ 0.1 |

**Item 2.** ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

**OVERVIEW**

We lease, operate, manage, and remarket long-lived, widely-used assets, primarily in the rail market. We report our financial results through three primary business segments: Rail North America, Rail International, and Portfolio Management. Historically, we also reported financial results for American Steamship Company ("ASC") as a fourth segment.

In the first quarter of 2021, GATX began investing directly in aircraft spare engines through its new entity, GATX Engine Leasing ("GEL"). During the first quarter of 2021, GEL acquired 14 aircraft spare engines for approximately $352 million, including 4 engines for $120 million from the Rolls-Royce & Partners Finance joint ventures (collectively the "RRPF affiliates" or "RRPF"). All engines are on long-term leases with airline customers and are managed by RRPF. Financial results for this business are reported in the Portfolio Management segment.

On December 29, 2020, GATX acquired Trifleet Leasing Holding B.V. ("Trifleet"), the fourth largest tank container lessor in the world. Financial results for this business are reported in the Other segment. See "Note 3. Business Combinations" in Part I, Item 1 of this Form 10-Q for additional information.

On May 14, 2020, we completed the sale of our ASC business, subject to customary post-closing adjustments. As a result, ASC is now reported as discontinued operations, and financial data for the ASC segment has been segregated and presented as discontinued operations for all periods presented. See "Note 16. Discontinued Operations" in Item 1 of this Form 10-Q for additional information.

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis in our *Annual Report on Form 10-K* for the year ended December 31, 2020. We based the discussion and analysis that follows on financial data we derived from the financial statements prepared in accordance with U.S. Generally Accepted Accounting Standards ("GAAP") and on certain other financial data that we prepared using non-GAAP components. For a reconciliation of these non-GAAP components to the most comparable GAAP components, see "Non-GAAP Financial Measures" at the end of this item.

Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results we may achieve for the entire year ending December 31, 2021. In particular, asset remarketing income does not occur evenly throughout the year. For more information, refer to the consolidated financial statements and footnotes in our *Annual Report on Form 10-K* for the year ended December 31, 2020.

**Coronavirus Disease 2019 ("COVID-19")**

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic and on March 13, 2020, the United States declared a national emergency related to COVID-19. Across our operating segments, we have implemented business continuity and crisis management plans. We have a strong liquidity position, solid balance sheet, and access to capital which we expect will enable GATX to effectively manage through the COVID-19 pandemic. The COVID-19 pandemic continues to evolve rapidly, including the scope and duration of disruptions and the pace and timing of the eventual recovery. The global economic recovery remains uncertain due to a potential COVID-19 resurgence. Our top priorities continue to be ensuring the health and safety of our global workforce and serving our various stakeholders with minimal disruptions.

*Rail North America*

The initial impact of COVID-19 resulted in a decline in industry railcar loadings, had a negative impact on lease rates, and led to a reduction in the purchase and sale of railcars in the secondary market. Although industry railcar loadings and absolute lease rates continued to improve modestly during the first quarter of 2021, we expect COVID-19 will likely continue to affect the North American railcar market and disrupt global manufacturing, supply chains, and customer spending.

*Rail International*

While the initial impact of COVID-19 has dissipated, Europe has seen a resurgence in COVID-19 cases in the first quarter of 2021. As a result, pressure on customer demand could increase and future disruptions to our railcar manufacturers could impact our ability to invest in our international railcar fleets.

*Rail North America & Rail International Maintenance Operations*

Rail freight transportation and railcar repair have been deemed essential businesses globally. Our rail operations teams have implemented COVID-19 preparation and response programs to ensure the health and safety of our employees while continuing to provide critical railcar maintenance services. Railcar repair facilities continued to operate effectively during the first quarter of 2021, but some experienced periodic operating disruptions due to COVID-19, resulting from impacts to our workforce and disruptions on the rail carriers that serve our facilities. Although COVID-19 related delays decreased substantially during the first quarter of 2021, a resurgence could cause future disruptions.

*Rolls-Royce & Partners Finance Joint Ventures ("RRPF affiliates")*

Global air travel continues to be significantly impacted by COVID-19. In response to the drastic decline in demand, airlines have reduced system-wide capacity and grounded large portions or all of their fleets. Although some flight operations have resumed in a limited capacity, air travel remains significantly below pre-COVID-19 levels. Many airlines are currently focused on managing their near-term liquidity positions, restructuring operations, and obtaining government financial support. The major reduction in global air travel and the disruption across the aviation industry adversely impacted the profitability of our aircraft spare engine leasing business and operating results in the first quarter of 2021, and we expect that it will continue to have a negative impact on our near-term operating results, the magnitude and duration of which are still uncertain.

## DISCUSSION OF OPERATING RESULTS

Net income from continuing operations for the first three months of 2021 was $36.5 million, or $1.02 per diluted share, compared to $47.2 million, or $1.33 per diluted share, in 2020. Net income from continuing operations decreased $10.7 million compared to the prior year, largely due to lower share of affiliates' earnings and asset disposition gains at Rail North America, partially offset by higher lease revenue and lower maintenance expenses.

The following table shows a summary of our reporting segments and consolidated financial results (in millions, except per share data):

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| **Segment Revenues** | | |
| Rail North America | $ 224.6 | $ 235.7 |
| Rail International | 69.4 | 60.1 |
| Portfolio Management | 7.1 | 3.6 |
| Other | 4.7 | — |
| | $ 305.8 | $ 299.4 |
| **Segment Profit** | | |
| Rail North America | $ 65.7 | $ 72.0 |
| Rail International | 21.8 | 13.9 |
| Portfolio Management | 6.1 | 19.5 |
| Other | 0.6 | — |
| | 94.2 | 105.4 |
| Less: | | |
| Selling, general and administrative expense | 47.1 | 40.4 |
| Unallocated interest (income) expense | (0.2) | (1.3) |
| Other, including eliminations | 0.6 | 1.7 |
| Income taxes (includes $1.8 and $4.3 related to affiliates' earnings) | 10.2 | 17.4 |
| **Net Income from Continuing Operations (GAAP)** | $ 36.5 | $ 47.2 |
| **Loss from Discontinued Operations, Net of Taxes (GAAP)** | — | (0.9) |
| **Net Income (GAAP)** | $ 36.5 | $ 46.3 |
| | | |
| Diluted earnings per share from continuing operations (GAAP) | $ 1.02 | $ 1.33 |
| Diluted earnings per share from discontinued operations (GAAP) | — | (0.02) |
| Diluted earnings per share from consolidated operations (GAAP) | $ 1.02 | $ 1.31 |
| | | |
| Investment Volume | $ 509.5 | $ 181.0 |

The following table shows our return on equity ("ROE") for the trailing 12 months ended March 31:

| | **2021** | **2020** |
|---|---|---|
| Return on Equity (GAAP) | 7.5 % | 11.9 % |
| Return on Equity, excluding tax adjustments and other items (non-GAAP) (1) | 9.8 % | 13.8 % |

_________

(1) See "Non-GAAP Financial Measures" at the end of this item for further details.

### Segment Operations

Segment profit is an internal performance measure used by the Chief Executive Officer to assess the profitability of each segment. Segment profit includes all revenues, expenses, pre-tax earnings from affiliates, and net gains on asset dispositions that are directly attributable to each segment. We allocate interest expense to the segments based on what we believe to be the appropriate risk-adjusted borrowing costs for each segment. Segment profit excludes selling, general and administrative expenses, income taxes, and certain other amounts not allocated to the segments.

## *RAIL NORTH AMERICA*

### Segment Summary

Conditions in the North American railcar leasing market continue to be challenging due to the ongoing effects of COVID-19 and the oversupply of railcars in the industry. While absolute lease rates for many car types modestly increased from the prior quarter, the continuing high number of industry idle cars put pressure on revenue. Fleet utilization was 97.8% at the end of the quarter.

Despite the challenges presented by COVID-19, the economic and operating environment improved modestly during the quarter. Railcar repair facilities continued to operate effectively during the quarter, but some experienced periodic operating disruptions due to COVID-19 and weather related impacts. Rail North America expects ongoing pressure on future railcar utilization and lease rates, the magnitude and duration of which are still uncertain.

The following table shows Rail North America's segment results (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| **Revenues** | | |
| Lease revenue | $ 206.8 | $ 212.1 |
| Other revenue | 17.8 | 23.6 |
| **Total Revenues** | 224.6 | 235.7 |
| | | |
| **Expenses** | | |
| Maintenance expense | 58.4 | 72.9 |
| Depreciation expense | 65.7 | 63.6 |
| Operating lease expense | 10.9 | 13.3 |
| Other operating expense | 7.6 | 6.6 |
| **Total Expenses** | 142.6 | 156.4 |
| | | |
| **Other Income (Expense)** | | |
| Net gain on asset dispositions | 21.5 | 26.8 |
| Interest expense, net | (37.0) | (33.3) |
| Other expense | (0.8) | (0.8) |
| **Segment Profit** | $ 65.7 | $ 72.0 |
| | | |
| **Investment Volume** | $ 109.1 | $ 110.9 |

The following table shows the components of Rail North America's lease revenue (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| Railcars | $ 182.7 | $ 187.8 |
| Boxcars | 17.4 | 16.4 |
| Locomotives | 6.7 | 7.9 |
| Total | $ 206.8 | $ 212.1 |

**Rail North America Fleet Data**

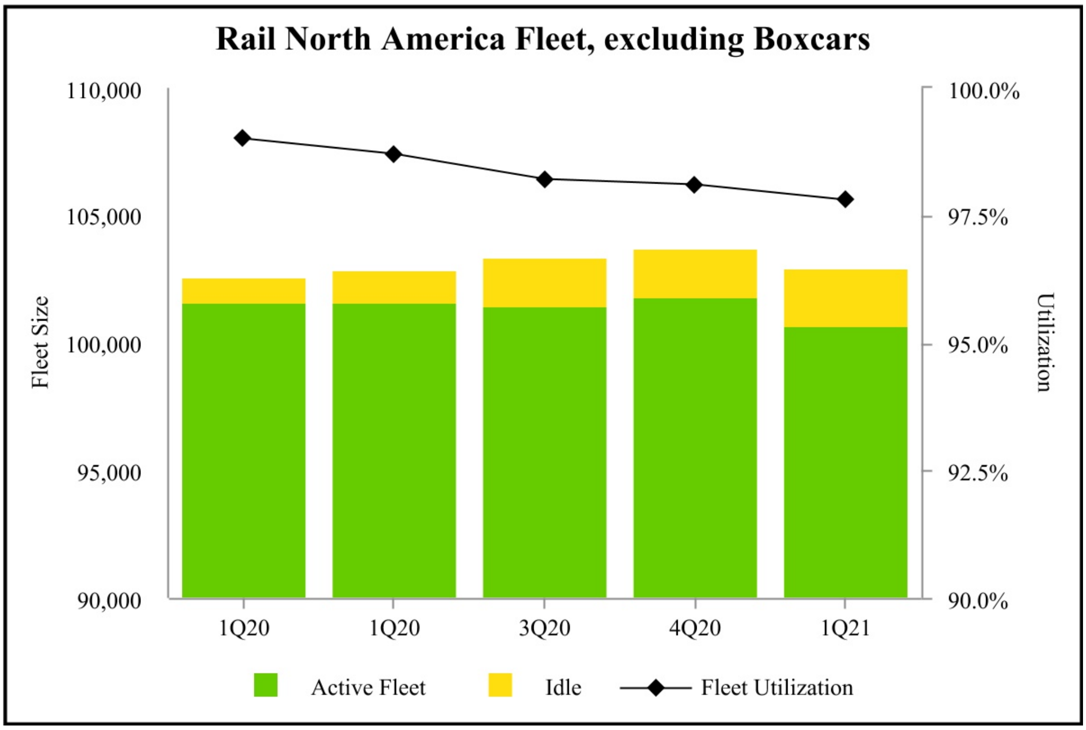
At March 31, 2021, Rail North America's wholly owned fleet, excluding boxcars, consisted of approximately 102,900 cars. Fleet utilization, excluding boxcars, was 97.8% at March 31, 2021, compared to 98.1% at the end of the prior quarter, and 99.0% at March 31, 2020. Fleet utilization for approximately 13,900 boxcars was 97.1% at March 31, 2021, compared to 95.8% at the end of the prior quarter, and 94.6% at March 31, 2020. Utilization is calculated as the number of railcars on lease as a percentage of total railcars in the fleet.

During the first quarter of 2021, an average of approximately 101,100 railcars, excluding boxcars, were on lease, compared to 101,700 in the prior quarter and 101,700 for the quarter ended March 31, 2020. Changes in railcars on lease compared to prior periods are impacted by the timing of deliveries of new railcars purchased under our supply agreements, the number and timing of railcars acquired in the secondary market, and the disposition of railcars that were sold or scrapped, as well as the fleet utilization rate.

As of March 31, 2021, leases for approximately 16,000 tank cars and freight cars and approximately 2,100 boxcars are scheduled to expire over the remainder of 2021. These amounts exclude railcars on leases expiring in 2021 that have already been renewed or assigned to a new lessee.

The following table shows fleet activity for Rail North America railcars, excluding boxcars, for the quarter ended:

| | **March 31 2020** | **June 30 2020** | **September 30 2020** | **December 31 2020** | **March 31 2021** |
|---|---|---|---|---|---|
| Beginning balance | 102,845 | 102,558 | 102,891 | 103,363 | 103,745 |
| Cars added | 883 | 1,220 | 1,578 | 1,015 | 977 |
| Cars scrapped | (389) | (570) | (623) | (571) | (1,002) |
| Cars sold | (781) | (317) | (483) | (62) | (817) |
| Ending balance | 102,558 | 102,891 | 103,363 | 103,745 | 102,903 |
| Utilization rate at quarter end | 99.0 % | 98.7 % | 98.2 % | 98.1 % | 97.8 % |
| Average active railcars | 101,668 | 101,600 | 101,552 | 101,723 | 101,099 |



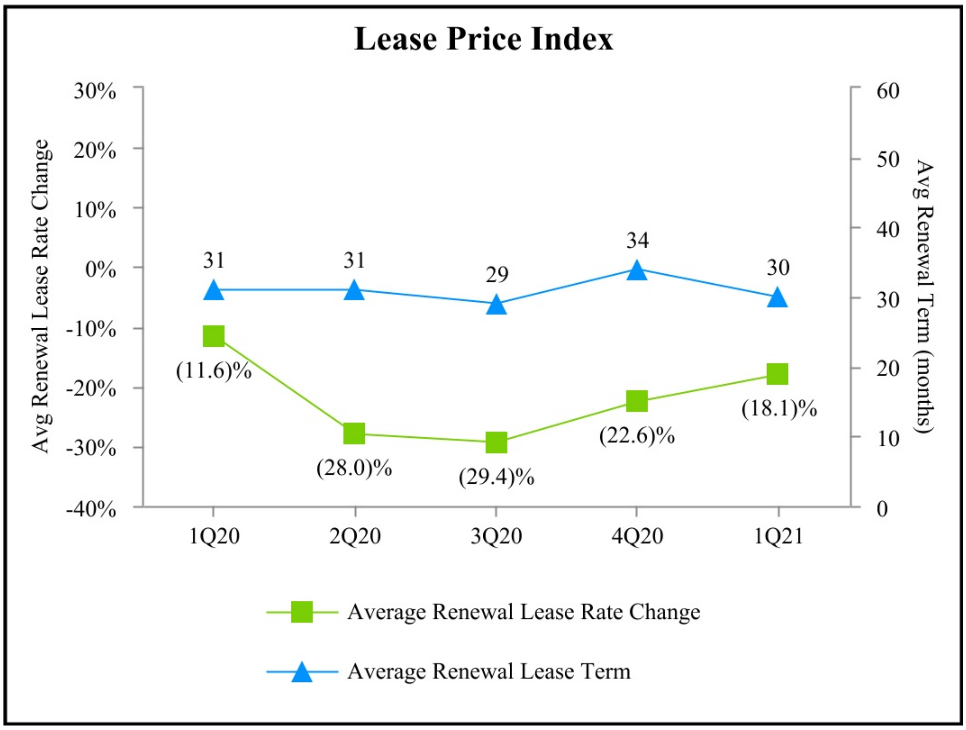

The following table shows fleet statistics for Rail North America boxcars for the quarter ended:

| | March 31 2020 | June 30 2020 | September 30 2020 | December 31 2020 | March 31 2021 |
|---|---|---|---|---|---|
| Ending balance | 15,026 | 14,936 | 14,753 | 14,315 | 13,880 |
| Utilization | 94.6 % | 94.6 % | 94.5 % | 95.8 % | 97.1 % |

**Lease Price Index**

Our Lease Price Index ("LPI") is an internally-generated business indicator that measures lease rate pricing on renewals for our North American railcar fleet, excluding boxcars. We calculate the index using the weighted-average lease rate for a group of railcar types that we believe best represents our overall North American fleet, excluding boxcars. The average renewal lease rate change is reported as the percentage change between the average renewal lease rate and the average expiring lease rate, weighted by fleet composition. The average renewal lease term is reported in months and reflects the average renewal lease term of railcar types in the LPI, weighted by fleet composition.

During the first quarter of 2021, the renewal rate change of the LPI was negative 18.1%, compared to negative 22.6% in the prior quarter, and negative 11.6% in the first quarter of 2020. Lease terms on renewals for cars in the LPI averaged 30 months in the current quarter, compared to 34 months in the prior quarter, and 31 months in the first quarter of 2020. Additionally, the renewal success rate, which represents the percentage of expiring leases that were renewed with the existing lessee, was 77.7% in the current quarter, compared to 77.0% in the prior quarter, and 74.6% in the first quarter of 2020. The renewal success rate is an important metric because railcars returned by our customers may remain idle or incur additional maintenance and freight costs prior to being leased to new customers.




***Comparison of the First Three Months of 2021 to the First Three Months of 2020***

**Segment Profit**

In the first quarter of 2021 segment profit of $65.7 million decreased 8.8% compared to $72.0 million for the same period in the prior year. The decrease was primarily driven by lower net gains on asset dispositions and lease revenue, partially offset by lower maintenance expense. The amount and timing of disposition gains is dependent on a number of factors and may vary materially from quarter to quarter and year to year.

**Revenues**

In the first quarter of 2021, lease revenue decreased $5.3 million, or 2.5%, resulting from fewer railcars and locomotives on lease, partially offset by higher boxcar revenue. Other revenue decreased $5.8 million, driven by lower repair revenue.

**Expenses**

In the first quarter of 2021, maintenance expense decreased $14.5 million, driven by fewer regulatory compliance events, fewer repairs performed by the railroads, and improved efficiency in our owned repair shops. Depreciation expense increased $2.1 million due to the timing of new railcar investments and dispositions. Operating lease expense decreased $2.4 million, resulting from the purchase of railcars previously on operating leases. Other operating expense increased $1.0 million due to higher switching, freight, and storage costs.

**Other Income (Expense)**

In the first quarter of 2021, net gain on asset dispositions decreased $5.3 million, due to lower asset remarketing gains, partially offset by higher net scrapping gains. The amount and timing of disposition gains is dependent on a number of factors and may vary materially from quarter to quarter and year to year. Higher net scrapping gains were impacted by a higher scrap price per ton in 2021. Net interest expense increased $3.7 million, primarily driven by a higher average debt balance and a higher average interest rate.

**Investment Volume**

During the first quarter of 2021, investment volume was $109.1 million compared to $110.9 million in the same period in 2020. We acquired 762 newly built railcars and purchased 218 railcars in the secondary market in the first three months of 2021, compared to

738 newly built railcars and 7 railcars purchased in the secondary market in the same period in 2020.

Our investment volume is predominantly composed of acquired railcars, but also includes certain capitalized repairs and improvements to owned railcars and our maintenance facilities. As a result, the dollar value of investment volume does not necessarily correspond to the number of railcars acquired in any given period. In addition, the comparability of amounts invested and the number of railcars acquired in each period is impacted by the mix of railcars purchased, which may include tank cars and freight cars, as well as newly manufactured railcars or those purchased in the secondary market.

## *RAIL INTERNATIONAL*

**Segment Summary**

Rail International, composed primarily of GATX Rail Europe ("GRE"), continued to produce strong operating results in the first three months of 2021. Demand for railcars in Europe remained strong, and renewal rates for most car types increased slightly. Europe experienced a resurgence of COVID-19 cases in the first quarter and certain countries enacted additional closures. However, COVID-19 did not have a material impact on GRE’s financial results. GRE expects ongoing pressure on future railcar utilization and lease rates, the magnitude and duration of which are still uncertain.

Our rail operations in India ("GRI") continued to focus on investment opportunities, diversification of its fleet, and developing relationships with customers, suppliers and the Indian Railways. Similar to Europe, India also began to experience a resurgence of COVID-19 cases later in the first quarter. Although COVID-19 did not have a material impact on GRI's financial results, GRI expects ongoing pressure on operations in future periods, the magnitude and duration of which are still uncertain.

The following table shows Rail International's segment results (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| **Revenues** | | |
| Lease revenue | $ 66.9 | $ 58.3 |
| Other revenue | 2.5 | 1.8 |
| **Total Revenues** | 69.4 | 60.1 |
| **Expenses** | | |
| Maintenance expense | 15.4 | 12.9 |
| Depreciation expense | 18.3 | 15.5 |
| Other operating expense | 2.0 | 1.8 |
| **Total Expenses** | 35.7 | 30.2 |
| **Other Income (Expense)** | | |
| Net gain on asset dispositions | 0.3 | 0.1 |
| Interest expense, net | (12.2) | (10.6) |
| Other expense | — | (5.5) |
| **Segment Profit** | $ 21.8 | $ 13.9 |
| **Investment Volume** | $ 44.4 | $ 69.3 |

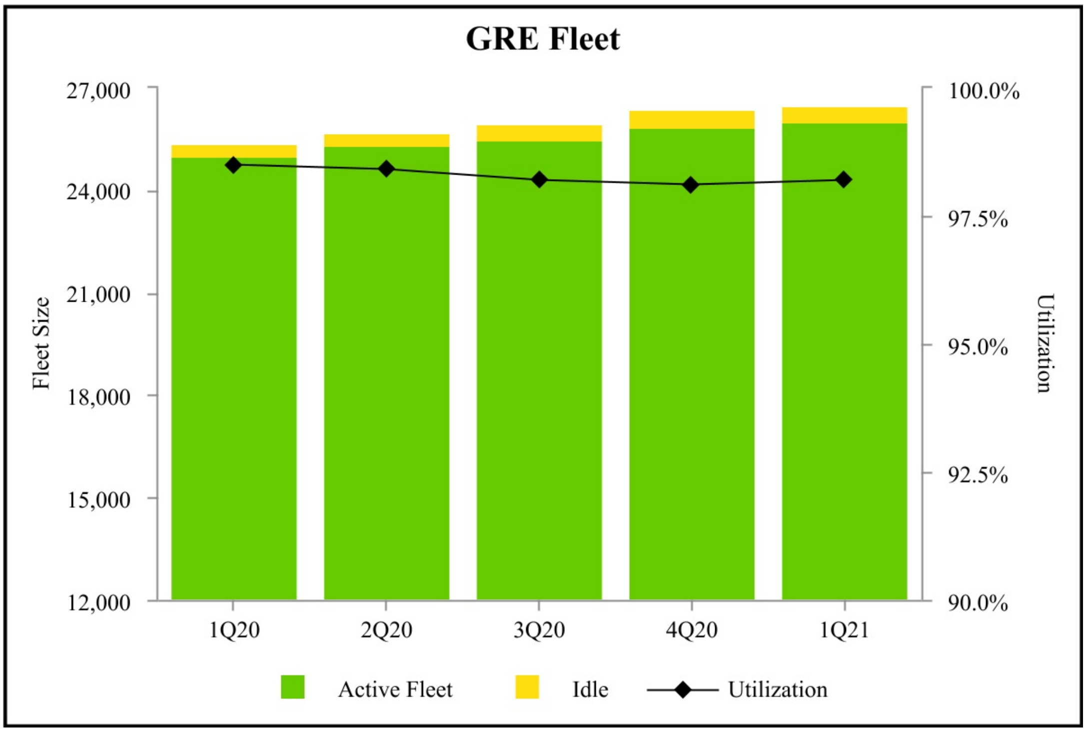
**GRE Fleet Data**

At March 31, 2021, GRE's wholly owned fleet consisted of approximately 26,500 cars. Fleet utilization was 98.2% at March 31, 2021, compared to 98.1% at the end of the prior quarter and 98.5% at March 31, 2020. Utilization is calculated as the number of railcars on lease as a percentage of total railcars in the fleet.

During the first quarter of 2021, an average of approximately 25,900 railcars were on lease, compared to 25,700 in the prior quarter and 24,600 for the quarter ended March 31, 2020. Changes in railcars on lease compared to prior periods are impacted by the number and timing of new railcars purchased or acquired in the secondary market and the disposition of railcars that were sold or scrapped, as well as the fleet utilization rate.

The following table shows fleet activity for GRE railcars for the quarter ended:

| | March 31 2020 | June 30 2020 | September 30 2020 | December 31 2020 | March 31 2021 |
|---|---|---|---|---|---|
| Beginning balance | 24,561 | 25,352 | 25,705 | 25,956 | 26,343 |
| Cars added | 871 | 423 | 331 | 446 | 226 |
| Cars scrapped or sold | (80) | (70) | (80) | (59) | (71) |
| Ending balance | 25,352 | 25,705 | 25,956 | 26,343 | 26,498 |
| Utilization rate at quarter end | 98.5 % | 98.4 % | 98.2 % | 98.1 % | 98.2 % |
| Average active railcars | 24,622 | 25,100 | 25,369 | 25,669 | 25,917 |




**GRI Fleet Data**

The following table shows fleet activity for GRI railcars for the quarter ended:

| | March 31 2020 | June 30 2020 | September 30 2020 | December 31 2020 | March 31 2021 |
|---|---|---|---|---|---|
| Beginning balance | 3,679 | 3,908 | 3,908 | 4,032 | 4,156 |
| Cars added | 229 | — | 124 | 124 | 136 |
| Ending balance | 3,908 | 3,908 | 4,032 | 4,156 | 4,292 |
| Utilization rate at quarter end | 100.0 % | 100.0 % | 100.0 % | 99.0 % | 99.0 % |

*Comparison of the First Three Months of 2021 to the First Three Months of 2020*

**Foreign Currency**

Rail International's reported results of operations are impacted by fluctuations in the exchange rates of the U.S. dollar versus foreign currencies in which it conducts business, primarily the euro. In the first quarter of 2021, fluctuations in the value of the euro, relative to the U.S. dollar, positively impacted lease revenue by approximately $4.7 million and segment profit, excluding other income (expense), by approximately $2.4 million compared to the first quarter of 2020.

**Segment Profit**

In the first quarter of 2021, segment profit of $21.8 million increased 56.8% compared to $13.9 million for the same period in the prior year. The increase was primarily due to lease revenue from more railcars on lease and changes in foreign exchange rates on non-functional currency items.

**Revenues**

In the first quarter of 2021, lease revenue increased $8.6 million, or 14.8%, due to more railcars on lease at GRE and GRI.

**Expenses**

In the first quarter of 2021, maintenance expense increased $2.5 million, primarily due to higher wheelset costs, partially offset by lower costs for other repairs. Depreciation expense increased $2.8 million, resulting from the impact of new railcars added to the fleet.

**Other Income (Expense)**

In the first quarter of 2021, net gain on asset dispositions increased $0.2 million, attributable to higher net scrapping gains. Net scrapping gains were positively impacted by a higher scrap price per ton in 2021. Net interest expense increased $1.6 million, due to a higher average debt balance, partially offset by a lower average interest rate. Other expense decreased $5.5 million, driven by the positive impact of changes in foreign exchange rates on non-functional currency items and lower litigation costs related to the Viareggio matter.

**Investment Volume**

During the first quarter of 2021, investment volume was $44.4 million compared to $69.3 million in the same period in 2020. In the first quarter of 2021, GRE acquired 226 newly built railcars (including 92 assembled at the GRE Ostróda, Poland facility) compared to 443 newly built railcars (including 100 assembled at the GRE Ostróda, Poland facility) and 428 railcars purchased in the secondary markets for the same period in 2020. In the first quarter of 2021, GRI acquired 136 newly built railcars, compared to 229 newly built railcars for the same period in 2020.

Our investment volume is predominantly composed of acquired railcars, but may also include certain capitalized repairs and improvements to owned railcars. As a result, the dollar value of investment volume does not necessarily correspond to the number of railcars acquired in any given period. In addition, the comparability of amounts invested and the number of railcars acquired in each period is impacted by the mix of the various car types acquired, as well as fluctuations in the exchange rates of the foreign currencies in which Rail International conducts business.

## *PORTFOLIO MANAGEMENT*

**Segment Summary**

Portfolio Management's segment profit is attributable primarily to income from the RRPF affiliates, a group of 50% owned domestic and foreign joint ventures with Rolls-Royce plc (or affiliates thereof, collectively "Rolls-Royce"), a leading manufacturer of commercial aircraft jet engines. Segment profit included earnings from the RRPF affiliates of $9.0 million for the three months ended March 31, 2021, compared to $23.4 million for the same periods in 2020.

The operating environment for RRPF remained challenging during the first quarter of 2021 due to the ongoing adverse impact of COVID-19 on air travel. RRPF continued to grant additional rent deferral requests in the current quarter. In addition, a number of its customers have declared bankruptcy or undertaken restructuring processes. This has placed pressure on both utilization and lease rates.

Despite this, RRPF maintained strong utilization, with 92.0% of its engines on lease at the end of the quarter, and a solid liquidity position in the current environment. RRPF continues to expect pressure on both engine utilization and lease rates, which will impact future operating results, the magnitude and duration of which are still uncertain.

In the first quarter of 2021, GATX began investing directly in aircraft spare engines through its new entity, GEL. During the first quarter of 2021, GEL acquired 14 aircraft spare engines for approximately $352 million, including 4 engines for $120 million from the RRPF affiliates. All engines are on long-term leases with airline customers and are managed by RRPF.

Portfolio Management also owns marine assets, consisting of five liquefied gas-carrying vessels (the "Specialized Gas Vessels"). The Specialized Gas Vessels are utilized to transport pressurized gases and chemicals, such as liquefied petroleum gas, liquefied natural gas, and ethylene, primarily on short-term spot contracts for major oil and chemical customers worldwide.

COVID-19 continued to have an impact on the gas shipping market in the current quarter. Although charter rates improved modestly, COVID-19 continued to impact vessel demand. We expect COVID-19 will likely continue to have a negative impact on future results, the magnitude and duration of which are still uncertain.

Portfolio Management's total asset base was $1,067.0 million at March 31, 2021, compared to $706.1 million at December 31, 2020, and $657.3 million at March 31, 2020. The increase in total assets during the three months ended March 31, 2021 is primarily attributable to the acquisition of aircraft spare engines at GEL.

The following table shows Portfolio Management’s segment results (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | **2021** | **2020** |
| **Revenues** | | |
| Lease revenue | $ 3.3 | $ 0.3 |
| Marine operating revenue | 3.6 | 3.3 |
| Other revenue | 0.2 | — |
| **Total Revenues** | 7.1 | 3.6 |
| | | |
| **Expenses** | | |
| Marine operating expense | 4.6 | 4.1 |
| Depreciation expense | 2.7 | 1.3 |
| Other operating expense | 0.2 | 0.1 |
| **Total Expenses** | 7.5 | 5.5 |
| | | |
| **Other Income (Expense)** | | |
| Net gain on asset dispositions | 0.6 | 0.5 |
| Interest expense, net | (3.1) | (2.9) |
| Share of affiliates' pre-tax income | 9.0 | 23.8 |
| **Segment Profit** | $ 6.1 | $ 19.5 |
| | | |
| **Investment Volume** | $ 352.5 | $ 0.3 |

The following table shows the net book values of Portfolio Management's assets (in millions):

| | March 31 2020 | June 30 2020 | September 30 2020 | December 31 2020 | March 31 2021 |
|---|---|---|---|---|---|
| Investment in RRPF Affiliates | $ 532.2 | $ 551.2 | $ 582.3 | $ 584.7 | $ 592.2 |
| Owned aircraft spare engines | — | — | — | — | 350.9 |
| Other owned assets | 125.1 | 125.1 | 127.4 | 121.4 | 123.9 |
| Managed assets (1) | 22.9 | 21.0 | 19.1 | 17.3 | 15.4 |

(1) Amounts shown represent the estimated net book value of assets managed for third parties and are not included in our consolidated balance sheets.

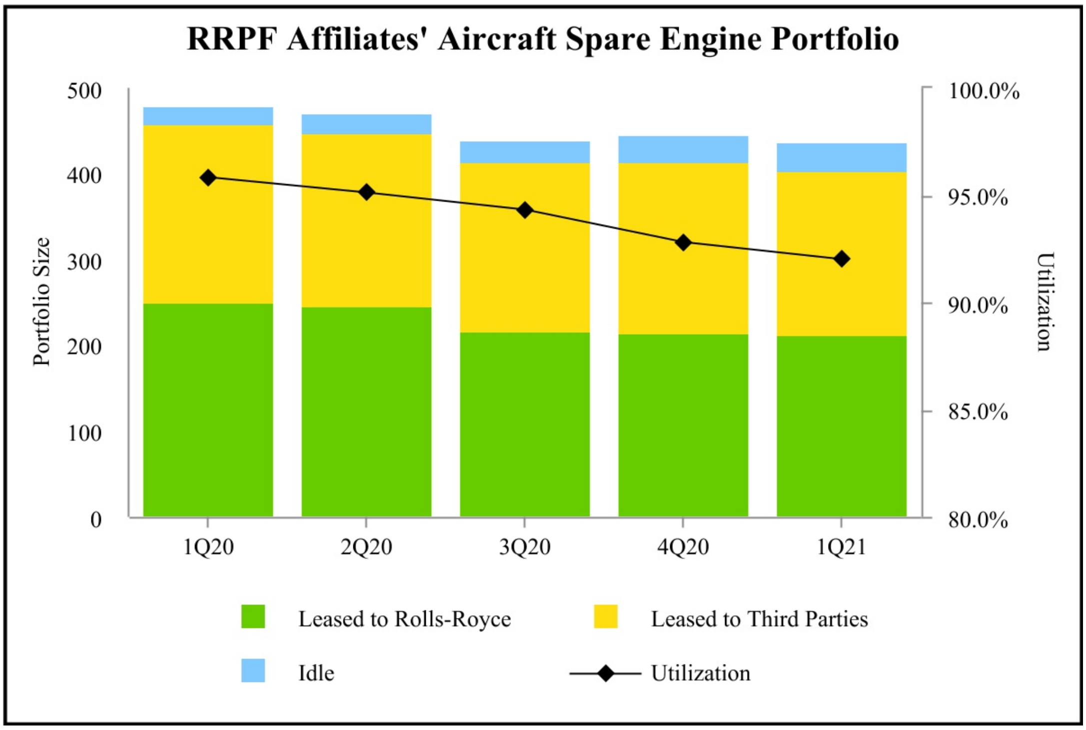
**RRPF Affiliates Engine Portfolio Data**

As of March 31, 2021, the RRPF affiliates' fleet consisted of 438 aircraft spare engines with a net book value of $4,656.0 million, compared to 445 aircraft spare engines with a net book value of $4,784.1 million at December 31, 2020 and 478 aircraft spare engines with a net book value of $5,007.0 million at March 31, 2020.

Engine utilization for the RRPF affiliates was 92.0% at March 31, 2021, compared to 92.8% at the end of the prior quarter and 95.8% at March 31, 2020. Utilization is calculated as the number of engines on lease as a percentage of total engines in the fleet.

The following table shows portfolio activity for the RRPF affiliates' aircraft spare engines for the quarter ended:

| | March 31 2020 | June 30 2020 | September 30 2020 | December 31 2020 | March 31 2021 |
|---|---|---|---|---|---|
| Beginning balance | 478 | 478 | 470 | 439 | 445 |
| Engine acquisitions | 8 | 2 | — | 10 | 2 |
| Engine dispositions | (8) | (10) | (31) | (4) | (9) |
| Ending balance | 478 | 470 | 439 | 445 | 438 |
| Utilization rate at quarter end | 95.8 % | 95.1 % | 94.3 % | 92.8 % | 92.0 % |




***Comparison of the First Three Months of 2021 to the First Three Months of 2020***

**Segment Profit**

In the first three months of 2021, segment profit was $6.1 million, compared to $19.5 million for the same period in the prior year. Lower segment profit was primarily driven by lower financial results at the RRPF affiliates due to the significant reduction in global air travel resulting from COVID-19.

**Revenues**

In the first three months of 2021, lease revenue was $3.0 million higher than prior year, due to GEL's new investment in aircraft spare engines on lease in the current year. Marine operating revenue increased $0.3 million, driven by higher utilization and increased charter rates from the Specialized Gas Vessels.

**Expenses**

In the first three months of 2021, marine operating expense increased $0.5 million, due to higher bunker fuel expense. Depreciation expense increased $1.4 million, due to the investment in new aircraft spare engines in the current year at GEL.

**Other Income (Expense)**

In the first three months of 2021, income from our share of affiliates' earnings decreased $14.8 million, driven by lower lease revenue and lower remarketing income.

***OTHER***

Other comprises Trifleet operations, as well as selling, general and administrative expenses ("SG&A"), unallocated interest expense, and miscellaneous income and expense not directly associated with the reporting segments and certain eliminations.

On December 29, 2020, GATX acquired Trifleet, the fourth largest tank container lessor in the world. Financial results for this business are reported in the Other segment. See "Note 3. Business Combinations" in Part I, Item 1 of this Form 10-Q for additional information.

The following table shows components of Other (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | 2021 | 2020 |
| Trifleet segment profit | $ 0.6 | $ — |
| Selling, general and administrative expense | 47.1 | 40.4 |
| Unallocated interest (income) expense | (0.2) | (1.3) |
| Other expense (income), including eliminations | 0.6 | 1.7 |

**Trifleet Summary**

The tank container market was challenging in the first quarter due to COVID-19. However, at the end of the quarter, Trifleet began to experience an increase in demand and expects this trend to continue. Overall, Trifleet's operating results are largely consistent with expectations.

**Trifleet Tank Container Data**

At March 31, 2021, Trifleet's owned and managed fleet consisted of approximately 19,200 tank containers. Fleet utilization was 80.0% at March 31, 2021. Utilization is calculated as the number of tank containers on lease as a percentage of total tank containers in the fleet.

The following table shows fleet statistics for Trifleet's tank containers for the quarter ended:

| | March 31 2021 |
|---|---|
| Ending balance - owned and managed | 19,179 |
| Utilization rate at quarter-end - owned and managed | 80.0 % |

**SG&A, Unallocated Interest and Other**

SG&A increased $6.7 million for the first three months of 2021 compared to the same period in the prior year. The increase was largely due to higher share-based compensation expenses, resulting from an increase in the GATX stock price during the current quarter, as well as the inclusion of expenses from Trifleet in the current year, partially offset by lower discretionary travel and entertainment expenses.

Unallocated interest expense (the difference between external interest expense and interest expense allocated to the reporting segments) in any year is affected by our consolidated leverage position, the timing of debt issuances and investing activities, and intercompany allocations.

Other expense (income), including eliminations decreased $1.1 million for the first three months of 2021 compared to the same period in the prior year, driven by the positive impact of foreign exchange rates on a foreign pension plan, as well as lower non-service pension expense.

**Consolidated Income Taxes**

See "Note 10. Income Taxes" in Part I, Item 1 of this Form 10-Q.

## *DISCONTINUED OPERATIONS*

On May 14, 2020, we completed the sale of our ASC business, subject to customary post-closing adjustments. As a result, ASC is now reported as discontinued operations, and financial data for the ASC segment has been segregated and presented as discontinued operations for all periods presented. See "Note 16. Discontinued Operations" in Item 1 of this Form 10-Q for additional information. The ASC business comprises the entirety of GATX's discontinued operations.

The following table shows the components of discontinued operations, net of taxes (in millions):

| | Three Months Ended March 31 | |
|---|---|---|
| | 2021 | 2020 |
| **Discontinued operations, net of taxes** | | |
| Net loss from discontinued operations, net of taxes | $ — | (0.9) |
| (Loss) gain on sale of discontinued operations, net of taxes | — | — |
| **Discontinued operations, net of taxes** | $ — | $ (0.9) |

As a result of the sale in the second quarter of 2020, there were no operations in the current year.

## CASH FLOW AND LIQUIDITY

We generate a significant amount of cash from operating activities and investment portfolio proceeds. We also access domestic and international capital markets by issuing unsecured or secured debt and commercial paper. We use these resources, along with available cash balances, to fulfill our debt, lease, and dividend obligations, to support our share repurchase programs, and to fund portfolio investments and capital additions. We primarily use cash from operations to fund daily operations. The timing of asset dispositions and changes in working capital impact cash flows from portfolio proceeds and operations. As a result, these cash flow components may vary materially from quarter to quarter and year to year.

We expect COVID-19 will continue to have negative impacts on our operating and financial results in future periods, the magnitude and duration of which are still uncertain. We also expect COVID-19 to have an ongoing negative impact on our customers, including their ability to make their lease payments timely, as well as their willingness to renew existing leases or enter into new lease contracts. In 2020, we received specific requests from customers for relief through deferral of lease payments, lease rate reductions, and new car order postponement. While we have granted certain requests, the impact on our financial results was limited. However, this could impact our cash flow and liquidity. We have a strong liquidity position, solid balance sheet, and access to capital that we expect will enable GATX to effectively manage through the COVID-19 pandemic. As of March 31, 2021, we had an unrestricted cash balance of $958.9 million. We also have a $250 million 3-year unsecured revolving credit facility in the U.S. that matures in 2023 and a $600 million, 5-year unsecured credit facility in the U.S. that matures in 2024, both of which are fully available as of March 31, 2021.

The following table shows our principal sources and uses of cash from continuing operations for the three months ended March 31 (in millions):

| | 2021 | 2020 |
|---|---|---|
| **Principal sources of cash** | | |
| Net cash provided by operating activities | $ 76.4 | $ 54.4 |
| Portfolio proceeds | 47.0 | 63.6 |
| Other asset sales | 15.3 | 6.7 |
| Proceeds from issuance of debt, commercial paper, and credit facilities | 1,074.1 | 870.7 |
| Total | $ 1,212.8 | $ 995.4 |
| | | |
| **Principal uses of cash** | | |
| Portfolio investments and capital additions | $ (509.5) | $ (181.0) |
| Repayments of debt, commercial paper, and credit facilities | (3.2) | (350.0) |
| Purchases of assets previously leased - financing activities | (33.3) | (7.9) |
| Dividends | (19.7) | (19.0) |
| Total | $ (565.7) | $ (557.9) |

***Net Cash Provided by Operating Activities***

Net cash provided by operating activities for the first three months of 2021 was $76.4 million, an increase of $22.0 million compared to the same period in 2020. Comparability among reporting periods is impacted by the timing of changes in working capital items. Specifically, lower cash payments for operating leases, interest expense and income taxes were partially offset by lower payments for other operating expenses.

***Portfolio Proceeds***

Portfolio proceeds primarily consist of proceeds from sales of operating assets and finance lease receipts, as well as capital distributions from affiliates. Portfolio proceeds of $47.0 million for the three months of 2021 decreased by $16.6 million from the prior year, primarily due to lower proceeds from railcar and locomotive sales at Rail North America.

***Proceeds From Issuance of Debt***

Proceeds from the issuance of debt for the three months ended March 31, 2021 were $1,074.1 million (net of hedges and debt issuance costs). In the first three months of 2021, we issued $400 million of 10-year unsecured debt, $300 million of 30-year unsecured debt, and drew $384 million from our $500 million 3-year unsecured delay draw bank term loan.

***Portfolio Investments and Capital Additions***

Portfolio investments and capital additions primarily consist of purchases of operating assets and capitalized asset improvements. Portfolio investments and capital additions of $509.5 million for the first three months of 2021 increased $328.5 million compared to 2020, primarily due to the acquisition of 14 aircraft spare engines at GEL, partially offset by fewer railcars acquired at GRE.

***Repayments of Debt***

Debt repayments of $3.2 million for the first three months of 2021 were $346.8 million lower than prior year.

***Purchases of Assets Previously Leased***

In the three months ended March 31, 2021, we exercised options to acquire 898 railcars previously recorded on the balance sheet as a finance lease for $33.3 million, compared to the exercise of options to acquire 166 railcars previously recorded on the balance sheet as a finance lease for $7.9 million in 2020.

***Share Repurchase Program***

On January 25, 2019, our board of directors approved a $300.0 million share repurchase program, pursuant to which we are authorized to purchase shares of our common stock in the open market, in privately negotiated transactions, or otherwise, including pursuant to Rule 10b5-1 plans. The share repurchase program does not have an expiration date, does not obligate the Company to repurchase any dollar amount or number of shares of common stock, and may be suspended or discontinued at any time. The timing of repurchases will be dependent on market conditions and other factors. No share repurchases were completed during the three months ended March 31, 2021 and March 31, 2020. As of March 31, 2021, $150.0 million remained available under the repurchase authorization.

### *Contractual and Other Commercial Commitments*

The following table shows our contractual commitments, including debt principal and related interest payments, lease payments, and purchase commitments at March 31, 2021 (in millions):

| | Payments Due by Period | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total** | **2021 (1)** | **2022** | **2023** | **2024** | **2025** | **Thereafter** |
| Recourse debt | $ 6,414.3 | $ 600.0 | $ 367.3 | $ 634.0 | $ 540.5 | $ 534.6 | $ 3,737.9 |
| Interest on recourse debt (2) | 2,222.8 | 147.6 | 188.2 | 176.1 | 163.8 | 149.6 | 1,397.5 |
| Commercial paper and credit facilities | 19.6 | 19.6 | — | — | — | — | — |
| Operating lease obligations | 386.9 | 27.2 | 48.9 | 48.0 | 45.1 | 37.7 | 180.0 |
| Purchase commitments (3) | 1,138.7 | 439.7 | 359.2 | 339.8 | — | — | — |
| Total | $ 10,182.3 | $ 1,234.1 | $ 963.6 | $ 1,197.9 | $ 749.4 | $ 721.9 | $ 5,315.4 |

(1) For the remainder of the year.
(2) For floating rate debt, future interest payments are based on the applicable interest rate as of March 31, 2021.
(3) Primarily railcar purchase commitments. The amounts shown for all years are based on management's estimates of the timing, anticipated car types, and related costs of railcars to be purchased under its agreements.

In 2014, we entered into a long-term supply agreement with Trinity Rail Group, LLC ("Trinity"), a subsidiary of Trinity Industries. Under the terms of that agreement, we agreed to order 8,950 newly built railcars. As of December 31, 2020, all 8,950 railcars have been ordered and delivered. On May 24, 2018, we amended our long-term supply agreement with Trinity to extend the term to December 2023, and we agreed to purchase an additional 4,800 tank cars (1,200 per year) beginning in January 2020 and continuing through the expiration of the extended term. At March 31, 2021, 2,326 railcars have been ordered, of which 1,562 railcars have been delivered, pursuant to the amended terms of the agreement.

In 2018, we entered into a multi-year railcar supply agreement with American Railcar Industries, Inc. ("ARI"), pursuant to which we will purchase 7,650 newly built railcars. The order encompasses a mix of tank and freight cars that are to be delivered over a five-year period, beginning in April 2019. ARI's railcar manufacturing business was subsequently acquired by The Greenbrier Companies, Inc. ("Greenbrier") on July 26, 2019, and Greenbrier assumed all of ARI's obligations under our long-term supply agreement. Under this agreement 450 railcars were to be delivered in 2019, with the remaining 7,200 to be delivered ratably over the four-year period of 2020 to 2023. As of March 31, 2021, 5,894 railcars have been ordered, of which 2,647 have been delivered. The agreement also includes an option to order up to an additional 4,400 railcars subject to certain restrictions.

### *Short-Term Borrowings*

The following table shows additional information regarding our short-term borrowings for the three months ended March 31, 2021:

| | **Europe (1)** |
|---|---|
| Balance as of March 31 (in millions) | $ 19.6 |
| Weighted-average interest rate | 0.9 % |
| Euro/dollar exchange rate | 1.17 |
| | |
| Average daily amount outstanding during the first quarter (in millions) | $ 21.2 |
| Weighted-average interest rate | 0.9 % |
| Average Euro/dollar exchange rate | 1.21 |
| | |
| Maximum daily amount outstanding (in millions) | $ 30.1 |
| Euro/dollar exchange rate | 1.22 |

(1) Short-term borrowings in Europe are composed of borrowings under bank credit facilities.

***Credit Lines and Facilities***

We have a $600 million, 5-year unsecured revolving credit facility in the U.S., expiring in May 2024. This credit facility contains two one-year extension options. As of March 31, 2021, the full $600 million was available under this facility. Additionally, we have a $250 million 3-year unsecured revolving credit facility in the U.S., expiring in May 2023. This facility also has two one-year extension options. As of March 31, 2021, the full $250 million was available on this facility.

Our European subsidiaries have unsecured credit facilities with an aggregate limit of €35.0 million. As of March 31, 2021, €18.8 million was available under these credit facilities.

***Delayed Draw Term Loan***

On December 14, 2020, we executed a delayed draw term loan agreement ("Term Loan") which provides for a 3-year term loan in the aggregate principal amount of up to $500 million. Advances may be made from December 14, 2020 through April 17, 2021 pursuant to the terms of the agreement and may not be re-borrowed. The amounts borrowed under the Term Loan agreement are required to be repaid no later than December 14, 2023. In January 2021, we drew $384 million on the Term Loan. On March 15, 2021, we terminated the unused commitment of $116 million. As of March 31, 2021, the full $384 million was drawn on the Term Loan.

***Restrictive Covenants***

Our $600 million revolving credit facility contains various restrictive covenants, including requirements to maintain a fixed charge coverage ratio and an asset coverage test. Some of our bank term loans have the same financial covenants as the facility.

The indentures for our public debt also contain various restrictive covenants, including limitations on liens provisions that restrict the amount of additional secured indebtedness that we may incur. Additionally, certain exceptions to the covenants permit us to incur an unlimited amount of purchase money and nonrecourse indebtedness.

At March 31, 2021, our European rail subsidiaries had outstanding term loan and private placement debt balances totaling €580.0 million. The loans are guaranteed by GATX Corporation and are subject to similar restrictive covenants as the revolving credit facility noted above.

At March 31, 2021, we were in compliance with all covenants and conditions of all of our credit agreements. We do not anticipate any covenant violations nor do we expect that any of these covenants will restrict our operations or our ability to obtain additional financing.

***Credit Ratings***

The global capital market environment and outlook may affect our funding options and our financial performance. Our access to capital markets at competitive rates depends on our credit rating and rating outlook, as determined by rating agencies. As of March 31, 2021, our long-term unsecured debt was rated BBB by Standard & Poor's and Baa2 by Moody's Investor Service and our short-term unsecured debt was rated A-2 by Standard & Poor's and P-2 by Moody's Investor Service. Our rating outlook from both agencies was stable.

***Leverage***

Leverage is expressed as a ratio of debt (including debt and lease obligations, net of unrestricted cash) to equity. The following table shows the components of recourse leverage (in millions, except recourse leverage ratio):

| | March 31 2021 | December 31 2020 | September 30 2020 | June 30 2020 | March 31 2020 |
|---|---|---|---|---|---|
| Debt and lease obligations, net of unrestricted cash: | | | | | |
| Unrestricted cash | $ (958.9) | $ (292.2) | $ (459.8) | $ (492.9) | $ (570.7) |
| Commercial paper and bank credit facilities | 19.6 | 23.6 | 13.5 | 5.9 | 275.5 |
| Recourse debt | 6,374.6 | 5,329.0 | 5,183.0 | 5,047.5 | 5,043.7 |
| Operating lease obligations | 328.0 | 348.6 | 368.0 | 372.3 | 399.3 |
| Finance lease obligations | — | 33.3 | — | 31.8 | — |
| Total debt and lease obligations, net of unrestricted cash | $ 5,763.3 | $ 5,442.3 | $ 5,104.7 | $ 4,964.6 | $ 5,147.8 |
| | | | | | |
| Total recourse debt (1) | $ 5,763.3 | $ 5,442.3 | $ 5,104.7 | $ 4,964.6 | $ 5,147.8 |
| Shareholders' Equity | $ 1,960.0 | $ 1,957.4 | $ 1,930.0 | $ 1,875.3 | $ 1,831.0 |
| Recourse Leverage (2) | 2.9 | 2.8 | 2.6 | 2.6 | 2.8 |

(1) Includes recourse debt, commercial paper and bank credit facilities, and operating and finance lease obligations, net of unrestricted cash.
(2) Calculated as total recourse debt / shareholder's equity.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

There have been no changes to our critical accounting policies during the three months ended March 31, 2021. Refer to our *Annual Report on Form 10-K* for the year ended December 31, 2020, for a summary of our policies.

**NON-GAAP FINANCIAL MEASURES**

In addition to financial results reported in accordance with GAAP, we compute certain financial measures using non-GAAP components, as defined by the SEC. These measures are not in accordance with, or a substitute for, GAAP, and our financial measures may be different from non-GAAP financial measures used by other companies. We have provided a reconciliation of our non-GAAP components to the most directly comparable GAAP components.

**Reconciliation of Non-GAAP Components Used in the Computation of Certain Financial Measures**

***Net Income Measures***

We exclude the effects of certain tax adjustments and other items for purposes of presenting net income, diluted earnings per share, and return on equity because we believe these items are not attributable to our business operations. Management utilizes net income, excluding tax adjustments and other items, when analyzing financial performance because such amounts reflect the underlying operating results that are within management’s ability to influence. Accordingly, we believe presenting this information provides investors and other users of our financial statements with meaningful supplemental information for purposes of analyzing year-to-year financial performance on a comparable basis and assessing trends.

There were no tax adjustments and other items impacting net income or diluted earnings per share for either the first quarter of 2021 or 2020. However, we did have tax adjustments and other items impacting net income in other periods used in the calculation of the applicable measures for the trailing 12 months ended March 31, 2021 and 2020.

The following table shows our net income and return on equity, excluding tax adjustments and other items, for the trailing 12 months ended March 31 (in millions):

| | 2021 | 2020 |
|---|---|---|
| Net income (GAAP) | $ 141.5 | $ 216.0 |
| Less: Net income from discontinued operations (GAAP) | 2.0 | 29.2 |
| Net income from continuing operations (GAAP) | $ 139.5 | $ 186.8 |
| | | |
| Other income tax adjustments attributable to income from continuing operations: | | |
| Income tax rate change (1) | — | (2.8) |
| Total other income tax adjustments attributable to income from continuing operations | $ — | $ (2.8) |
| | | |
| Adjustments attributable to affiliates' earnings, net of taxes: | | |
| Income tax rate change (2) | 12.3 | — |
| Total adjustments attributable to affiliates' earnings, net of taxes | $ 12.3 | $ — |
| Net income from continuing operations, excluding tax adjustments and other items (non-GAAP) | $ 151.8 | $ 184.0 |
| | | |
| Adjustments attributable to discontinued operations, net of taxes: | | |
| Net casualty gain at ASC (3) | — | (8.1) |
| Total adjustments attributable to discontinued operations, net of taxes | $ — | $ (8.1) |
| Net income from discontinued operations, excluding tax adjustments and other items (non-GAAP) | $ 2.0 | $ 21.1 |
| | | |
| Net income from consolidated operations, excluding tax adjustments and other items (non-GAAP) | $ 153.8 | $ 205.1 |
| | | |
| Return on Equity (GAAP) | 7.5 % | 11.9 % |
| Return on Equity, excluding tax adjustments and other items (non-GAAP) (4) | 9.8 % | 13.8 % |

(1) Deferred income tax adjustment due to a reduction of the corporate income tax rate enacted in Alberta, Canada.
(2) Deferred income tax adjustment due to the elimination of a previously announced corporate income tax rate reduction in the United Kingdom.
(3) Net casualty gain attributable to insurance recovery for a vessel at ASC.
(4) Shareholders' equity used in this calculation excludes the increases resulting from the impact of the Tax Cuts and Jobs Act of 2017.

**Item 3.** ***Quantitative and Qualitative Disclosures About Market Risk***

Since December 31, 2020, there have been no material changes in our interest rate and foreign currency exposures or types of derivative instruments used to hedge these exposures. For a discussion of our exposure to market risk, refer to "Item 7A. Quantitative and Qualitative Disclosure about Market Risk" of our *Annual Report on Form 10-K* for the year ended December 31, 2020.

**Item 4.** ***Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures were effective.

No changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) occurred during the quarter ended March 31, 2021, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

**Item 1.** ***Legal Proceedings***

Information concerning litigation and other contingencies is described in "Note 14. Legal Proceedings and Other Contingencies" in Part I, Item 1 of this Form 10-Q and is incorporated herein by reference.

**Item 1A.** ***Risk Factors***

Since December 31, 2020, there have been no material changes in our risk factors. For a discussion of our risk factors, refer to "Item 1A. Risk Factors" of our *Annual Report on Form 10-K* for the year ended December 31, 2020.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds***

On January 25, 2019, our board of directors approved a $300.0 million share repurchase program, pursuant to which we are authorized to purchase shares of our common stock in the open market, in privately negotiated transactions, or otherwise, including pursuant to Rule 10b5-1 plans. The share repurchase program does not have an expiration date, does not obligate the Company to repurchase any dollar amount or number of shares of common stock, and may be suspended or discontinued at any time. The timing of share repurchases will be dependent on market conditions and other factors.

No share repurchases were completed during the first quarter of 2021. As of March 31, 2021, $150.0 million remained available under the repurchase authorization.

**Item 6.** ***Exhibits***

| Exhibit Number | Exhibit Description |
|---|---|
| ***Filed with this Report:*** | |
| 31A | Certification Pursuant to Exchange Act Rule 13a-14(a) and Rule 15d-14(a) (CEO Certification). |
| 31B | Certification Pursuant to Exchange Act Rule 13a-14(a) and Rule 15d-14(a) (CFO Certification). |
| 32 | Certification Pursuant to 18 U.S.C. Section 1350 (CEO and CFO Certification). |
| 101 | The following materials from GATX Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, are formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at March 31, 2021 and December 31, 2020, (ii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2021 and 2020, (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020, (iv) Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2021 and 2020, and (v) Notes to the Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |
| ***Incorporated by Reference:*** | |
| 3.1 | Restated Certificate of Incorporation of GATX Corporation is incorporated herein by reference to Exhibit 3.2 to GATX's Form 8-K dated October 31, 2013, file number 1-2328. |
| 3.2 | Amended and Restated By-Laws of GATX Corporation, as amended and restated on April 20, 2020, are incorporated herein by reference to Exhibit 3.1 of GATX's Form 8-K dated April 21, 2020, file number 1-2328. |

Certain instruments evidencing long-term indebtedness of GATX Corporation are not being filed as exhibits to this Report because the total amount of securities authorized under any such instrument does not exceed 10% of GATX Corporation's total assets. GATX Corporation will furnish copies of any such instruments upon request of the Securities and Exchange Commission.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GATX CORPORATION
(Registrant)

/s/ Thomas A. Ellman

Thomas A. Ellman
*Executive Vice President and Chief Financial Officer*
(Duly Authorized Officer)

Date: April 29, 2021

**Exhibit 31A**

**Certification of Principal Executive Officer**

I, Brian A. Kenney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GATX Corporation (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Brian A. Kenney

Brian A. Kenney

*Chairman, President and Chief Executive Officer*

April 29, 2021

**Exhibit 31B**

**Certification of Principal Financial Officer**

I, Thomas A. Ellman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GATX Corporation (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

/s/ Thomas A. Ellman

Thomas A. Ellman

*Executive Vice President and Chief Financial Officer*

April 29, 2021

**Exhibit 32**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of GATX Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| /s/ Brian A. Kenney | /s/ Thomas A. Ellman |
| Brian A. Kenney | Thomas A. Ellman |
| *Chairman, President and Chief Executive Officer* | *Executive Vice President and Chief Financial Officer* |

April 29, 2021

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by GATX Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to GATX Corporation and will be retained by GATX Corporation and furnished to the Securities and Exchange Commission or its staff upon request.