

GREENBRIER COMPANIES INC  
Form 10-Q  
April 05, 2019

**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 February 28, 2019**

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

**for the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 1-13146**

**THE GREENBRIER COMPANIES, INC.**

**(Exact name of registrant as specified in its charter)**

**Oregon**  
**(State of Incorporation)**

**93-0816972**  
**(I.R.S. Employer Identification**  
**No.)**

**One Centerpointe Drive, Suite 200, Lake Oswego, OR 97035**

**(Address of principal executive offices) (Zip Code)**

**(503) 684-7000**

**(Registrant's telephone number, including area code)**

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 Regulations S-T (Section 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 definition of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the registrant's common stock, without par value, outstanding on March 29, 2019 was 32,406,264 shares.

## **Forward-Looking Statements**

From time to time, The Greenbrier Companies, Inc. and its subsidiaries (Greenbrier or the Company) or their representatives have made or may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements as to expectations, beliefs and strategies regarding the future. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by us with the Securities and Exchange Commission, including this Quarterly Report on Form 10-Q. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Investors 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 undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

- ability to grow our businesses;
- ability to obtain lease and sales contracts which provide adequate protection against attempted modifications or cancellations, changes in interest rates and increased costs of materials and components;
- ability to convert backlog of railcar orders and obtain and execute lease syndication commitments;
- ability to recruit, train and retain adequate numbers of qualified employees;
- ability to obtain adequate certification and licensing of products on a timely basis;
- availability of financing sources and borrowing base and loan covenant flexibility for working capital, other business development activities, capital spending and leased railcars for syndication (sale of railcars with lease attached);
- ability to utilize beneficial tax strategies;
- ability to renew, maintain or obtain sufficient credit facilities and financial guarantees on acceptable terms including loan covenants;
- ability to obtain adequate insurance coverage at acceptable rates; and
- short-term and long-term revenue and earnings effects of the above items.

The following factors, among others, could cause actual results or outcomes to differ materially from the forward-looking statements:

- fluctuations in demand for newly manufactured railcars or marine barges, for wheels, repair services and parts and for railcar management and leasing services;
- delays in receipt of orders, risks that contracts may be canceled or modified during their term, not renewed, unenforceable or breached by the customer and that customers may not purchase the amount of products or services under the contracts as anticipated;
- availability of a trained work force at a reasonable cost and with reasonable terms of employment;

our ability to maintain good relationships with our labor force, third party labor providers and collective bargaining units representing our direct and indirect labor force;  
domestic and international economic conditions including such matters as embargoes, quotas, tariffs, or modifications to existing trade agreements;  
domestic and international political and security conditions including such matters as terrorism, war, civil disruption and crime;  
the policies and priorities of the federal government including those concerning international trade, infrastructure and corporate taxation;  
sovereign risk related to international governments that includes, but is not limited to, governments stopping payments, repudiating their contracts, nationalizing private businesses and assets or altering foreign exchange regulations;

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*THE GREENBRIER COMPANIES, INC.*

growth or reduction in the surface transportation industry, the enactment of policies favoring other types of surface transportation over rail transportation or the impact from technological advances;

our ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to covenants under various credit agreements;

our ability to maintain good relationships with our customers and suppliers;

our ability to renew or replace expiring customer contracts on satisfactory terms;

our ability to obtain and execute suitable lease contracts for leased railcars for syndication;

steel and specialty component price fluctuations and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and availability and their impact on product demand and margin;

the delay or failure of acquired businesses or joint ventures, assets, start-up operations, or new products or services to compete successfully;

our failure to successfully integrate joint ventures or acquired businesses or complete previously announced transactions;

discovery of previously unknown liabilities associated with acquired businesses;

changes in product mix and the mix of revenue levels among reporting segments;

labor disputes, energy shortages or operating difficulties that might disrupt operations or the flow of cargo;

production difficulties and product delivery delays as a result of, among other matters, costs or inefficiencies associated with expansion, start-up, or changing of production lines or changes in production rates, equipment failures, changing technologies, transfer of production between facilities or non-performance of alliance partners, subcontractors or suppliers;

lower than anticipated lease renewal rates, earnings on utilization-based leases or residual values for owned or managed leased equipment;

discovery of defects in railcars or services resulting in increased warranty costs or litigation;

physical damage, business interruption or product or service liability claims that exceed our insurance coverage;

commencement of and ultimate resolution or outcome of pending or future litigation and investigations;

natural disasters or severe or unusual weather patterns that may affect either us, our suppliers or our customers;

loss of business from, or a decline in the financial condition of, any of the principal customers that represent a significant portion of our total revenues;

competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base, and competitiveness of our manufacturing facilities and products;

industry overcapacity and our manufacturing capacity utilization;

decreases or write-downs in carrying value of inventory, goodwill, investments, intangibles or other assets due to impairment;

severance or other costs or charges associated with layoffs, shutdowns, or reducing the size and scope of operations;

changes in future maintenance or warranty requirements;

our ability to adjust to the cyclical nature of the industries in which we operate;

changes in interest rates and financial impacts from interest rates;

our ability and cost to maintain and renew operating permits;

actions or failures to act by various regulatory agencies including changing tank car or other rail car regulations;

potential environmental remediation obligations;

changes in commodity prices, including oil and gas;

risks associated with our intellectual property rights or those of third parties, including infringement, maintenance, protection, validity, enforcement and continued use of such rights;  
expansion of warranty and product support terms beyond those which have traditionally prevailed in the rail supply industry;  
availability and/or price of essential raw materials, specialties or components, including steel castings, to permit manufacture of units on order;  
the failure of, or our delay in implementing and using, new software or other technologies;

***THE GREENBRIER COMPANIES, INC.***

the impact of cybersecurity risks and the costs of mitigating and responding to a data security breach;  
our ability to replace maturing lease and management services revenue and earnings from equipment sold from our lease fleet with revenue and earnings from new commercial transactions, including new railcar leases, additions to the lease fleet and new management services contracts;  
financial impacts from currency fluctuations and currency hedging activities in our worldwide operations;  
credit limitations upon our ability to maintain effective hedging programs;  
increased costs or other impacts on us or our customers due to changes in legislation, taxes, regulations or accounting pronouncements;  
our ability to effectively execute our business and operating strategies if we become the target of shareholder activism; and  
fraud, misconduct by employees and potential exposure to liabilities under the Foreign Corrupt Practices Act and other anti-corruption laws and regulations.

Any forward-looking statements should be considered in light of these factors. Words such as affirms, anticipates, believes, forecast, potential, goal, contemplates, expects, intends, plans, projects, hopes, seeks, could, would, should, likely, will, may, can, designed to, future, foreseeable future and similar expressions are forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. Many of the important factors that will determine these results and values are beyond our ability to control or predict. You are cautioned not to place undue reliance on any forward-looking statements, which reflect management's opinions only as of the date hereof. Except as otherwise required by law, we do not assume any obligation to update any forward-looking statements.

All references to years refer to the fiscal years ended August 31<sup>st</sup> unless otherwise noted.

**THE GREENBRIER COMPANIES, INC.****PART I. FINANCIAL INFORMATION****Item 1. Condensed Financial Statements  
Consolidated Balance Sheets***(In thousands, unaudited)*

	February 28, 2019	August 31, 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 341,500	\$ 530,655
Restricted cash	21,584	8,819
Accounts receivable, net	335,732	348,406
Inventories	574,146	432,314
Leased railcars for syndication	163,472	130,926
Equipment on operating leases, net	381,336	322,855
Property, plant and equipment, net	472,739	457,196
Investment in unconsolidated affiliates	58,685	61,414
Intangibles and other assets, net	101,284	94,668
Goodwill	82,743	78,211
	\$ 2,533,221	\$ 2,465,464
<b>Liabilities and Equity</b>		
Revolving notes	\$ 22,323	\$ 27,725
Accounts payable and accrued liabilities	474,863	449,857
Deferred income taxes	29,481	31,740
Deferred revenue	91,533	105,954
Notes payable, net	486,107	436,205
<b>Commitments and contingencies (Note 16)</b>		
Contingently redeemable noncontrolling interest	25,637	29,768
<b>Equity:</b>		
Greenbrier		
Preferred stock - without par value; 25,000 shares authorized; none outstanding		
Common stock - without par value; 50,000 shares authorized; 32,379 and 32,191 shares outstanding at February 28, 2019 and August 31, 2018		
Additional paid-in capital	444,962	442,569
Retained earnings	840,478	830,898
Accumulated other comprehensive loss	(27,622)	(23,366)



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Total equity	Greenbrier	1,257,818	1,250,101
Noncontrolling interest		145,459	134,114
Total equity		1,403,277	1,384,215
		\$ 2,533,221	\$ 2,465,464

*The accompanying notes are an integral part of these financial statements*

**THE GREENBRIER COMPANIES, INC.****Consolidated Statements of Income***(In thousands, except per share amounts, unaudited)*

	Three Months Ended February 28,		Six Months Ended February 28,	
	2019	2018	2019	2018
<b>Revenue</b>				
Manufacturing	\$ 476,019	\$ 511,827	\$ 947,808	\$ 963,312
Wheels, Repair & Parts	125,278	88,710	233,821	166,721
Leasing & Services	57,374	28,799	81,565	58,838
	658,671	629,336	1,263,194	1,188,871
<b>Cost of revenue</b>				
Manufacturing	442,996	429,165	860,801	810,015
Wheels, Repair & Parts	118,455	80,708	219,433	153,214
Leasing & Services	43,376	14,116	56,583	30,981
	604,827	523,989	1,136,817	994,210
<b>Margin</b>	53,844	105,347	126,377	194,661
Selling and administrative expense	47,892	50,294	98,324	97,337
Net gain on disposition of equipment	(12,102)	(5,817)	(26,455)	(24,988)
<b>Earnings from operations</b>	18,054	60,870	54,508	122,312
<b>Other costs</b>				
Interest and foreign exchange	9,237	7,029	13,641	14,049
<b>Earnings before income taxes and earnings (loss) from unconsolidated affiliates</b>	8,817	53,841	40,867	108,263
Income tax benefit (expense)	(2,248)	11,301	(11,383)	(6,834)
<b>Earnings before earnings (loss) from unconsolidated affiliates</b>	6,569	65,142	29,484	101,429
Earnings (loss) from unconsolidated affiliates	(786)	147	(319)	(2,763)
<b>Net earnings</b>	5,783	65,289	29,165	98,666
Net earnings attributable to noncontrolling interest	(3,018)	(3,647)	(8,444)	(10,771)
<b>Net earnings attributable to Greenbrier</b>	\$ 2,765	\$ 61,642	\$ 20,721	\$ 87,895
Basic earnings per common share	\$ 0.08	\$ 2.10	\$ 0.63	\$ 3.00
Diluted earnings per common share	\$ 0.08	\$ 1.91	\$ 0.63	\$ 2.74
Weighted average common shares:				
Basic	32,628	29,355	32,634	29,343

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Diluted	33,206	32,711	33,149	32,703
Dividends declared per common share	\$ 0.25	\$ 0.23	\$ 0.50	\$ 0.46

*The accompanying notes are an integral part of these financial statements*

**THE GREENBRIER COMPANIES, INC.****Consolidated Statements of Comprehensive Income***(In thousands, unaudited)*

	Three Months Ended February 28,		Six Months Ended February 28,	
	2019	2018	2019	2018
Net earnings	\$ 5,783	\$ 65,289	\$ 29,165	\$ 98,666
Other comprehensive income (loss)				
Translation adjustment	1,745	4,160	(2,186)	973
Reclassification of derivative financial instruments recognized in net earnings <sup>1</sup>	701	(337)	1,170	(665)
Unrealized gain (loss) on derivative financial instruments <sup>2</sup>	(1,035)	1,007	(3,337)	1,829
Other (net of tax effect)	306	44	76	25
	1,717	4,874	(4,277)	2,162
Comprehensive income	7,500	70,163	24,888	100,828
Comprehensive income attributable to noncontrolling interest	(3,012)	(3,655)	(8,423)	(10,775)
Comprehensive income attributable to Greenbrier	\$ 4,488	\$ 66,508	\$ 16,465	\$ 90,053

<sup>1</sup> Net of tax effect of \$0.2 million and \$0.1 million for the three months ended February 28, 2019 and 2018 and \$0.4 million and \$0.1 million for the six months ended February 28, 2019 and 2018.

<sup>2</sup> Net of tax effect of \$0.2 million and \$0.4 million for the three months ended February 28, 2019 and 2018 and \$1.1 million and \$0.7 million for the six months ended February 28, 2019 and 2018.

*The accompanying notes are an integral part of these financial statements*

**THE GREENBRIER COMPANIES, INC.****Consolidated Statements of Equity***(In thousands, unaudited)*

	Attributable to Greenbrier				Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	Total Equity	Contingently Redeemable Noncontrolling Interest
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss				
<b>Balance August 31, 2018</b>	32,191	\$ 442,569	\$ 830,898	\$ (23,366)	\$ 1,250,101	\$ 134,114	\$ 1,384,215	\$ 29,768
Net earnings			20,721		20,721	12,575	33,296	(4,131)
Other comprehensive loss, net				(4,256)	(4,256)	(21)	(4,277)	
Noncontrolling interest adjustments						5,306	5,306	
Joint venture partner distribution declared						(8,430)	(8,430)	
Noncontrolling interest acquired						1,915	1,915	
Cumulative effect adjustment due to adoption of ASU 2014-09 (See Note 1)			5,461		5,461		5,461	
Restricted stock awards (net of cancellations)	188	12,683			12,683		12,683	
Unamortized restricted stock		(17,445)			(17,445)		(17,445)	
Restricted stock amortization		7,155			7,155		7,155	
Cash dividends (\$0.50 per share)			(16,602)		(16,602)		(16,602)	
<b>Balance February 28, 2019</b>	32,379	\$ 444,962	\$ 840,478	\$ (27,622)	\$ 1,257,818	\$ 145,459	\$ 1,403,277	\$ 25,637

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	Attributable to Greenbrier				Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	Total Equity	Contingently Redeemable Noncontrolling Interest
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss				
<b>Balance November 30, 2018</b>	32,350	\$ 440,958	\$ 846,018	\$ (29,345)	\$ 1,257,631	\$ 141,590	\$ 1,399,221	\$ 28,449
Net earnings			2,765		2,765	5,830	8,595	(2,812)
Other comprehensive income, net				1,723	1,723	(6)	1,717	
Noncontrolling interest adjustments						1,387	1,387	
Joint venture partner distribution declared						(5,257)	(5,257)	
Noncontrolling interest acquired						1,915	1,915	
Restricted stock awards (net of cancellations)	29	1,267			1,267		1,267	
Unamortized restricted stock		(1,282)			(1,282)		(1,282)	
Restricted stock amortization		4,019			4,019		4,019	
Cash dividends (\$0.25 per share)			(8,305)		(8,305)		(8,305)	
<b>Balance February 28, 2019</b>	32,379	\$ 444,962	\$ 840,478	\$ (27,622)	\$ 1,257,818	\$ 145,459	\$ 1,403,277	\$ 25,637

*The accompanying notes are an integral part of these financial statements*

**THE GREENBRIER COMPANIES, INC.****Consolidated Statements of Equity (continued)***(In thousands, unaudited)*

	Attributable to Greenbrier				Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	Total Equity	Contingently Redeemable Noncontrolling Interest
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss				
<b>Balance August 31, 2017</b>	28,503	\$ 315,306	\$ 709,103	\$ (6,279)	\$ 1,018,130	\$ 160,763	\$ 1,178,893	\$ 36,148
Net earnings			87,895		87,895	13,873	101,768	(3,102)
Other comprehensive income, net				2,158	2,158	4	2,162	
Noncontrolling interest adjustments						(2,561)	(2,561)	
Joint venture partner distribution declared						(30,993)	(30,993)	
Investment by joint venture partner						6,500	6,500	
Restricted stock awards (net of cancellations)	229	(4,250)			(4,250)		(4,250)	
Unamortized restricted stock		(950)			(950)		(950)	
Restricted stock amortization		5,967			5,967		5,967	
Cash dividends (\$0.46 per share)			(13,503)		(13,503)		(13,503)	
<b>Balance February 28, 2018</b>	28,732	\$ 316,073	\$ 783,495	\$ (4,121)	\$ 1,095,447	\$ 147,586	\$ 1,243,033	\$ 33,046

	Attributable to Greenbrier				Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	Total Equity	Contingently Redeemable Noncontrolling Interest
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss				
<b>Balance November 30, 2017</b>	28,701	\$ 312,789	\$ 728,755	\$ (8,987)	\$ 1,032,557	\$ 147,651	\$ 1,180,208	\$ 35,209

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Net earnings			61,642		61,642	5,810	67,452	(2,163)
Other comprehensive income, net			4,866		4,866	8	4,874	
Noncontrolling interest adjustments						(1,679)	(1,679)	
Joint venture partner distribution declared						(4,204)	(4,204)	
Restricted stock awards (net of cancellations)	31	811			811		811	
Unamortized restricted stock		(950)			(950)		(950)	
Restricted stock amortization		3,423			3,423		3,423	
Cash dividends (\$0.23 per share)			(6,902)		(6,902)		(6,902)	

**Balance**

**February 28, 2018**

28,732 \$ 316,073 \$ 783,495 \$ (4,121) \$ 1,095,447 \$ 147,586 \$ 1,243,033 \$ 33,046

*The accompanying notes are an integral part of these financial statements*



**THE GREENBRIER COMPANIES, INC.****Consolidated Statements of Cash Flows***(In thousands, unaudited)*

	Six Months Ended February 28,	
	2019	2018
<b>Cash flows from operating activities</b>		
Net earnings	\$ 29,165	\$ 98,666
Adjustments to reconcile net earnings to net cash used in operating activities:		
Deferred income taxes	(3,405)	(35,080)
Depreciation and amortization	40,815	36,454
Net gain on disposition of equipment	(26,455)	(24,988)
Accretion of debt discount	2,165	2,060
Stock based compensation expense	7,311	12,574
Noncontrolling interest adjustments	5,306	(2,555)
Other	1,809	958
Decrease (increase) in assets:		
Accounts receivable, net	23,298	(25,681)
Inventories	(154,388)	(10,211)
Leased railcars for syndication	(76,386)	(74,129)
Other	(11,274)	10,434
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	28,458	46,434
Deferred revenue	(13,041)	(42,589)
<b>Net cash used in operating activities</b>	<b>(146,622)</b>	<b>(7,653)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of assets	63,879	105,142
Capital expenditures	(98,176)	(53,503)
Investment in and advances to unconsolidated affiliates	(11,393)	(17,739)
Other	1,986	1,207
<b>Net cash provided by (used in) investing activities</b>	<b>(43,704)</b>	<b>35,107</b>
<b>Cash flows from financing activities</b>		
Net change in revolving notes with maturities of 90 days or less	(6,007)	3,666
Proceeds from issuance of notes payable	225,000	13,929
Repayments of notes payable	(176,641)	(16,056)
Investment by joint venture partner		6,500
Debt issuance costs	(2,770)	
Dividends	(16,651)	(13,546)
Cash distribution to joint venture partner	(5,058)	(41,758)

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Tax payments for net share settlement of restricted stock	(4,762)	(5,199)
Net cash provided by (used in) financing activities	13,111	(52,464)
Effect of exchange rate changes	825	(465)
<b>Decrease in cash, cash equivalents and restricted cash</b>	<b>(176,390)</b>	<b>(25,475)</b>
<b>Cash, cash equivalents and restricted cash</b>		
Beginning of period	539,474	620,358
End of period	\$ 363,084	\$ 594,883
<b>Balance Sheet Reconciliation</b>		
Cash and cash equivalents	\$ 341,500	\$ 586,008
Restricted cash	21,584	8,875
Total cash, cash equivalents and restricted cash as presented above	\$ 363,084	\$ 594,883
<b>Cash paid during the period for</b>		
Interest	\$ 8,600	\$ 9,234
Income taxes, net	\$ 31,494	\$ 20,789
<b>Non-cash activity</b>		
Transfer from Leased railcars for syndication to Equipment on operating leases, net	\$ 42,809	\$
Capital expenditures accrued in Accounts payable and accrued liabilities	\$ 11,812	\$ 12,748
Change in Accounts payable and accrued liabilities associated with cash distributions to joint venture partner	\$ (3,372)	\$ 396
Change in Accounts payable and accrued liabilities associated with dividends declared	\$ 50	\$ 43

*The accompanying notes are an integral part of these financial statements*

**Notes to Condensed Consolidated Financial Statements**

*(Unaudited)*

**Note 1 Interim Financial Statements**

The Condensed Consolidated Financial Statements of The Greenbrier Companies, Inc. and its subsidiaries (Greenbrier or the Company) as of February 28, 2019 and for the three and six months ended February 28, 2018 and 2019 have been prepared to reflect all adjustments (consisting of normal recurring accruals) that, in the opinion of management, are necessary for a fair presentation of the financial position, operating results and cash flows for the periods indicated. The results of operations for the three and six months ended February 28, 2019 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2019.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these unaudited financial statements should be read in conjunction with the Consolidated Financial Statements contained in the Company's 2018 Annual Report on Form 10-K.

*Management Estimates* The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires judgment on the part of management to arrive at estimates and assumptions on matters that are inherently uncertain. These estimates may affect the amount of assets, liabilities, revenue and expenses reported in the financial statements and accompanying notes and disclosure of contingent assets and liabilities within the financial statements. Estimates and assumptions are periodically evaluated and may be adjusted in future periods. Actual results could differ from those estimates.

*Initial Adoption of Accounting Policies* In the first quarter of 2019, the Company adopted Accounting Standard Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). This standard was issued to provide a common revenue recognition model for entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. The new standard also requires additional disclosures to sufficiently describe the nature, amount, timing, and uncertainty of revenue and cash flow arising from contracts with customers. As a result of adopting the new standard, the timing of the Company's revenue recognition has principally remained unchanged. Certain minor changes have occurred related to maintenance and repair services. Costs incurred while fulfilling maintenance contracts will now be recognized as incurred while the related revenue will continue to be recognized over time. Additionally, repair service revenue, while previously recognized upon completion of the services, will now be recognized over time. This standard was adopted using a modified retrospective approach through a cumulative effect adjustment, which increased retained earnings by \$5.5 million at September 1, 2018. The adoption of the new revenue standard did not have a material effect on the Company's Unaudited Condensed Consolidated Balance Sheets and Statements of Income.

In the first quarter of 2019, the Company adopted Accounting Standard Update 2016-18, *Restricted Cash* (ASU 2016-18). This update requires additional disclosure and that the Statement of Cash Flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash. Therefore, amounts generally described as restricted cash are included with cash & cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The guidance requires retrospective adjustment to each period presented. The adoption of ASU 2016-18 did not have an impact on the Condensed Consolidated Balance Sheet or the Statement of Income, but did result in revisions to the Condensed

Consolidated Statement of Cash Flows as well as other revised disclosures.

*Prospective Accounting Changes* In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASU 2016-02). The new guidance supersedes existing guidance on accounting for leases in Topic 840 and is intended to increase the transparency and comparability of accounting for lease transactions. ASU 2016-02 requires most leases to be recognized on the balance sheet by recording a right-of-use asset and a lease liability. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Lessor accounting remains similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. The ASU will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. The standard is effective for fiscal

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**THE GREENBRIER COMPANIES, INC.**

years, and interim periods within those fiscal years, beginning after December 15, 2018 and the Company plans to adopt this standard on September 1, 2019. The new standard must be adopted using a modified retrospective transition and will include a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company continues to evaluate the impact of this standard on its consolidated financial statements and disclosures.

In August 2017, the FASB issued Accounting Standards Update 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12). This update improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and make certain targeted improvements to simplify the application of the hedge accounting guidance. The guidance expands the ability to qualify for hedge accounting for non-financial and financial risk components, reduces complexity in fair value hedges of interest rate risk, eliminates the requirement to separately measure and report hedge ineffectiveness, as well as eases certain hedge effectiveness assessment requirements. The new guidance is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company plans to adopt this guidance beginning September 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

*Share Repurchase Program* The Board of Directors has authorized the Company to repurchase shares of the Company's common stock. In January 2019, the expiration date of this share repurchase program was extended from March 31, 2019 to March 31, 2021 and the amount remaining for repurchase was increased from \$88 million to \$100 million. Under the share repurchase program, shares of common stock may be purchased on the open market or through privately negotiated transactions from time to time. The timing and amount of purchases will be based upon market conditions, securities law limitations and other factors. The program may be modified, suspended or discontinued at any time without prior notice. The share repurchase program does not obligate the Company to acquire any specific number of shares in any period.

The Company did not repurchase any shares during the three and six months ended February 28, 2019. As of February 28, 2019, the Company had cumulatively repurchased 3,206,226 shares for approximately \$137.0 million since October 2013 and had \$100.0 million available under the share repurchase program.

**Note 2 Revenue Recognition**

The Company measures revenue at the amounts that reflect the consideration to which it expects to be entitled in exchange for transferring control of goods and services to customers. The Company recognizes revenue either at the point in time or over the period of time that performance obligations to customers are satisfied. Payment terms vary by segment and product type and are generally due within normal commercial terms. The Company's contracts with customers may include multiple performance obligations (e.g. railcars, maintenance, management services, etc.). For such arrangements, the Company allocates revenues to each performance obligation based on its relative standalone selling price. The Company has disaggregated revenue from contracts with customers into categories which describe the principal activities from which the Company generates its revenues. See Note 14 - Segment Information for further disaggregated revenue information.

*Manufacturing*

Railcars are manufactured in accordance with contracts with customers. The Company recognizes revenue upon its customers' acceptance of the completed railcars at a specified delivery point. From time to time, the Company enters

into multi-year supply agreements. Each railcar delivery is considered a distinct performance obligation, such that the amounts that are recognized as revenue following railcar delivery are generally not subject to change.

The Company typically recognizes marine vessel manufacturing revenue over time using the cost input method, based on progress toward contract completion measured by actual costs incurred to date in relation to the estimate of total expected costs. This method best depicts the Company's performance in completing the construction of the marine vessel for the customer and is consistent with the percentage of completion method used prior to the adoption of the new revenue standard.

**THE GREENBRIER COMPANIES, INC.***Wheels, Repair & Parts*

The Company operates a network of wheel, repair and parts shops in North America that provide complete wheelset reconditioning and railcar repair services.

Wheels revenue is recognized when wheelsets are shipped to the customer or when consumed by customers in the case of consignment arrangements. Parts revenue is recognized upon shipment of the parts to the customers.

Repair revenue is typically recognized over time using the cost input method, based on progress toward contract completion measured by actual costs incurred to date in relation to the estimate of total expected costs. This method best depicts the Company's performance in repairing the railcars for the customer. Repair services are typically completed in less than 90 days.

*Leasing & Services*

The Company owns a fleet of new and used cars which are leased to third-party customers. Lease revenue is recognized over the lease-term in the period in which it is earned in accordance with ASC 840: *Leases*.

Syndication transactions represent new and used railcars which have been placed on lease to a customer and which the Company intends to sell to an investor with the lease attached. At the time of such sale, revenue and cost of revenue associated with railcars that the Company has manufactured are recognized in the Manufacturing segment; while revenue and cost of revenue associated with railcars which were obtained from a third-party with the intent to resell them and subsequently sold, are recognized in the Leasing & Services segment in accordance with ASC 840: *Leases*.

The Company enters into multi-year contracts to provide management and maintenance services to customers for which revenue is generally recognized ratably over the contract term as a stand-ready obligation. Costs to fulfill these contracts are recognized as incurred.

Contract balances

Contract assets primarily consist of unbilled receivables related to marine vessel construction and repair services, for which the respective contracts do not yet permit billing at the reporting date. Contract liabilities primarily consist of customer prepayments for manufacturing, maintenance, and other management-type services, for which the Company has not yet satisfied the related performance obligations.

The opening and closing balances of the Company's contract balances are as follows:

<i>(in thousands)</i>	Balance sheet classification	September 1, 2018	February 28, 2019	\$ change
Contract assets	Inventories	\$ 7,228	\$ 9,581	\$ 2,353
Contract liabilities <sup>1</sup>	Deferred revenue	\$ 41,250	\$ 41,743	\$ 493

<sup>1</sup> Contract liabilities balance includes deferred revenue within the scope of the new revenue standard.

For the three and six month periods ended February 28, 2019, the Company recognized \$4.9 million and \$10.3 million of revenue that was included in Contract liabilities as of September 1, 2018.



**THE GREENBRIER COMPANIES, INC.**Performance obligations

As of February 28, 2019, the Company has entered into contracts with customers for which revenue has not yet been recognized. The following table outlines estimated revenue related to performance obligations wholly or partially unsatisfied, that the Company anticipates will be recognized in future periods.

<i>(in millions)</i>	February 28, 2019
Revenue type <sup>1</sup> :	
Manufacturing Railcar Sales	\$ 1,864.5
Manufacturing Railcars intended for syndication <sup>2</sup>	\$ 780.8
Manufacturing Marine	\$ 95.3
Services	\$ 137.7

<sup>1</sup> Unsatisfied performance obligation related to Wheels, Repair & Parts revenue is not material

<sup>2</sup> Not within the scope of the new revenue standard

Based on current production and delivery schedules and existing contracts, approximately \$0.9 billion of the Railcar Sales amount is expected to be recognized in the remainder of fiscal 2019 while the remaining amount is expected in future periods. The table above excludes estimated revenue to be recognized at the Company's Brazilian manufacturing operation, as they are accounted for under the equity method.

Revenue amounts reflected in Railcars intended for syndication may be syndicated to third parties or held in the Company's fleet depending on a variety of factors.

Marine revenue is expected to be recognized from 2019-2021 as vessel construction is completed.

Services includes management and maintenance services of which approximately 57% are expected to be performed from 2019-2024 and the remaining amount ratably through 2037.

**THE GREENBRIER COMPANIES, INC.****Note 3 Acquisitions**

On August 20, 2018, the Company entered into a dissolution agreement with Watco Companies, LLC, its previous joint venture partner, to discontinue their GBW Railcar Services railcar repair joint venture. Pursuant to the dissolution agreement, previously operated Greenbrier repair shops and associated employees returned to the Company. Additionally, the dissolution agreement provides that certain agreements entered into in connection with the original creation of GBW in 2014 were terminated as of the transaction date, including the leases of real and personal property, service agreements, and certain employment-related agreements. GBW will complete its cessation of activities in an orderly manner in fiscal 2019.

As the assets received and liabilities assumed from GBW meet the definition of a business, the Company has accounted for this transaction as a business combination. The total net assets acquired were approximately \$56.8 million. Additionally, the Company removed the book value of its remaining equity method investment in, and note receivable due from, the joint venture. The accumulated deficit reflected in GBW's balance sheet as of August 31, 2018 continues to be funded by the joint venture partners. The Company has included this assumed liability within the purchase price allocation in the table below.

For the six months ended February 28, 2019, the Repair operations contributed by this acquisition generated consolidated revenues of \$47.7 million and a loss from operations of \$5.8 million, which are reported in the Company's condensed consolidated financial statements as part of the Wheels, Repair & Parts segment. The impact of the acquisition was not material to the Company's results of operations, therefore pro forma financial information has not been included.

The preliminary allocation of the purchase price based on the fair value of the net assets acquired was:

<i>(in thousands)</i>	
Cash and cash equivalents	\$ 5,000
Accounts receivable, net	12,230
Inventories	18,106
Property, plant and equipment, net	16,748
Intangibles and other assets, net	9,200
Goodwill	7,863
<b>Total assets acquired</b>	<b>69,147</b>
Accounts payable and accrued liabilities	12,394
<b>Total liabilities assumed</b>	<b>12,394</b>
<b>Net assets acquired</b>	<b>\$ 56,753</b>

Certain liabilities in the table above are estimates and the Company will adjust the purchase price allocation as they are settled.



**THE GREENBRIER COMPANIES, INC.****Note 4 Inventories**

Inventories are valued at the lower of cost (first-in, first-out) or market. Work-in-process includes material, labor and overhead. The following table summarizes the Company's inventory balance:

<i>(In thousands)</i>	February 28, 2019	August 31, 2018
Manufacturing supplies and raw materials	\$ 337,957	\$ 278,726
Work-in-process	142,290	105,021
Finished goods	100,314	54,181
Excess and obsolete adjustment	(6,415)	(5,614)
	<b>\$ 574,146</b>	<b>\$ 432,314</b>

**Note 5 Intangibles and Other Assets, net**

Intangible assets that are determined to have finite lives are amortized over their useful lives. Intangible assets with indefinite useful lives are not amortized and are periodically evaluated for impairment.

The following table summarizes the Company's identifiable intangible and other assets balance:

<i>(In thousands)</i>	February 28, 2019	August 31, 2018
Intangible assets subject to amortization:		
Customer relationships	\$ 72,625	\$ 72,521
Accumulated amortization	(45,633)	(43,576)
Other intangibles	16,018	16,300
Accumulated amortization	(7,473)	(6,400)
	35,537	38,845
Intangible assets not subject to amortization	4,788	5,115
Prepaid and other assets	25,174	18,935
Nonqualified savings plan investments	28,687	26,299
Revolving notes issuance costs, net	3,448	1,824
Assets held for sale	3,650	3,650
Total Intangible and other assets, net	<b>\$ 101,284</b>	<b>\$ 94,668</b>

Amortization expense for the three and six months ended February 28, 2019 was \$1.4 million and \$3.4 million and for the three and six months ended February 28, 2018 was \$1.4 million and \$2.7 million. Amortization expense for the years ending August 31, 2019, 2020, 2021, 2022 and 2023 is expected to be \$5.8 million, \$5.1 million, \$5.1 million, \$3.7 million and \$3.5 million, respectively.



**Note 6 Revolving Notes**

Senior secured credit facilities, consisting of three components, aggregated to \$690.1 million as of February 28, 2019.

As of February 28, 2019, a \$600.0 million revolving line of credit, maturing September 2023, secured by substantially all the Company's assets in the U.S. not otherwise pledged as security for term loans, was available to provide working capital and interim financing of equipment, principally for the U.S. and Mexican operations. Advances under this facility bear interest at LIBOR plus 1.50% or Prime plus 0.50% depending on the type of borrowing. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and fixed charges coverage ratios.

As of February 28, 2019, lines of credit totaling \$40.1 million secured by certain of the Company's European assets, with variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.1% to WIBOR plus 1.3% and Euro Interbank Offered Rate (EURIBOR) plus 1.1%, were available for working capital needs of the European manufacturing operations. The European lines of credit include a \$12.3 million facility which is guaranteed by the Company. European credit facilities are continually being renewed. Currently, these European credit facilities have maturities that range from June 2019 through February 2021.

The Company's Mexican railcar manufacturing joint venture has two lines of credit totaling \$50.0 million. The first line of credit provides up to \$30.0 million. Advances under this facility bear interest at LIBOR plus 2.0%. The Mexican railcar manufacturing joint venture will be able to draw against this facility through March 2024. The second line of credit provides up to \$20.0 million, of which the Company and its joint venture partner have each guaranteed 50%. Advances under this facility bear interest at LIBOR plus 2.0%. The Mexican railcar manufacturing joint venture will be able to draw amounts available under this facility through July 2019.

As of February 28, 2019, outstanding commitments under the senior secured credit facilities consisted of \$24.0 million in letters of credit under the North American credit facility and \$22.3 million outstanding under the European credit facilities.

As of August 31, 2018, outstanding commitments under the senior secured credit facilities consisted of \$72.2 million in letters of credit under the North American credit facility and \$27.7 million outstanding under the European credit facilities.

**THE GREENBRIER COMPANIES, INC.****Note 7 Accounts Payable and Accrued Liabilities**

<i>(In thousands)</i>	February 28, 2019	August 31, 2018
Trade payables	\$ 262,145	\$ 226,405
Other accrued liabilities	95,924	73,273
Accrued payroll and related liabilities	89,350	105,111
Accrued warranty	24,994	27,395
Income taxes payable		4,771
Other	2,450	12,902
	\$ 474,863	\$ 449,857

**Note 8 Warranty Accruals**

Warranty costs are estimated and charged to operations to cover a defined warranty period. The estimated warranty cost is based on the history of warranty claims for each particular product type. For new product types without a warranty history, preliminary estimates are based on historical information for similar product types. The warranty accruals, included in Accounts payable and accrued liabilities on the Consolidated Balance Sheets, are reviewed periodically and updated based on warranty trends and expirations of warranty periods.

Warranty accrual activity:

<i>(In thousands)</i>	Three Months Ended February 28,		Six Months Ended February 28,	
	2019	2018	2019	2018
Balance at beginning of period	\$ 26,264	\$ 21,952	\$ 27,395	\$ 20,737
Charged to cost of revenue, net	1,412	5,646	2,853	7,599
Payments	(2,612)	(1,089)	(4,796)	(1,840)
Currency translation effect	(70)	468	(458)	481
Balance at end of period	\$ 24,994	\$ 26,977	\$ 24,994	\$ 26,977

**Note 9 Notes Payable**

In September 2018, the Company refinanced approximately \$170 million of existing senior term debt, due in March 2020, secured by a pool of leased railcars with new 5-year \$225 million senior term debt also secured by a pool of leased railcars. The new debt bears a floating interest rate of LIBOR plus 1.50% or Prime plus 0.50%. The term loan is to be repaid in equal quarterly installments of \$1.97 million with the remaining outstanding amounts, plus accrued interest, to be paid on the maturity date in September 2023. An interest rate swap agreement was entered into on 50% of the initial balance to swap the floating interest rate to a fixed rate of 2.99%.





**THE GREENBRIER COMPANIES, INC.****Note 10 Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss, net of tax effect as appropriate, consisted of the following:

<i>(In thousands)</i>	Unrealized Gain (loss) on Derivative Financial Instruments	Foreign Currency Translation Adjustment	Other	Accumulated Other Comprehensive Loss
Balance, August 31, 2018	\$ (431)	\$ (21,506)	\$ (1,429)	\$ (23,366)
Other comprehensive loss before reclassifications	(3,337)	(2,165)	76	(5,426)
Amounts reclassified from Accumulated other comprehensive loss	1,170			1,170
Balance, February 28, 2019	\$ (2,598)	\$ (23,671)	\$ (1,353)	\$ (27,622)

The amounts reclassified out of Accumulated other comprehensive loss into the Consolidated Statements of Income, with presentation location, were as follows:

<i>(In thousands)</i>	Three Months Ended February 28,		Financial Statement
	2019	2018	Location
<b>(Gain) loss on derivative financial instruments:</b>			
Foreign exchange contracts	\$ 769	\$ (546)	Revenue and cost of revenue
Interest rate swap contracts	151	106	Interest and foreign exchange
	920	(440)	Total before tax
	(219)	103	Income tax (benefit) expense
	\$ 701	\$ (337)	Net of tax

<i>(In thousands)</i>	Six Months Ended February 28,		Financial Statement
	2019	2018	Location
<b>(Gain) loss on derivative financial instruments:</b>			
Foreign exchange contracts	\$ 1,257	\$ (1,057)	Revenue and cost of revenue
Interest rate swap contracts	295	273	Interest and foreign exchange
	1,552	(784)	Total before tax
	(382)	119	Income tax (benefit) expense

\$ 1,170 \$ (665)

Net of tax

**THE GREENBRIER COMPANIES, INC.****Note 11 Earnings Per Share**

The shares used in the computation of basic and diluted earnings per common share are reconciled as follows:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
	2019	2018	2019	2018
Weighted average basic common shares outstanding <sup>(1)</sup>	32,628	29,355	32,634	29,343
Dilutive effect of 2018 Convertible notes <sup>(2)</sup>		3,349		3,340
Dilutive effect of 2024 Convertible notes <sup>(3)</sup>				
Dilutive effect of restricted stock units <sup>(4)</sup>	578	7	515	20
<b>Weighted average diluted common shares outstanding</b>	<b>33,206</b>	<b>32,711</b>	<b>33,149</b>	<b>32,703</b>

- (1) Restricted stock grants and restricted stock units that are considered participating securities, including some grants subject to certain performance criteria, are included in weighted average basic common shares outstanding when the Company is in a net earnings position.
- (2) The dilutive effect of the 2018 Convertible notes was included for the three and six months ended February 28, 2018 as they were considered dilutive under the if converted method as further discussed below. The 2018 Convertible notes matured on April 1, 2018.
- (3) The dilutive effect of the 2024 Convertible notes was excluded for the three and six months ended February 28, 2019 and 2018 as the average stock price was less than the applicable conversion price and therefore was considered anti-dilutive.
- (4) Restricted stock units that are not considered participating securities and restricted stock units subject to performance criteria, for which actual levels of performance above target have been achieved, are included in weighted average diluted common shares outstanding when the Company is in a net earnings position.

Diluted EPS is calculated using the more dilutive of two approaches. The first approach includes the dilutive effect, using the treasury stock method, associated with shares underlying the 2024 Convertible notes, restricted stock units that are not considered participating securities and performance based restricted stock units subject to performance criteria, for which actual levels of performance above target have been achieved. The second approach supplements the first by including the if converted effect of the 2018 Convertible notes during the periods in which they were outstanding. Under the if converted method, debt issuance and interest costs, both net of tax, associated with the convertible notes are added back to net earnings and the share count is increased by the shares underlying the convertible notes. The 2024 Convertible notes are included in the calculation of both approaches using the treasury stock method when the average stock price is greater than the applicable conversion price.

	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
	2019	2018	2019	2018
<b>Net earnings attributable to Greenbrier</b>	<b>\$ 2,765</b>	<b>\$ 61,642</b>	<b>\$ 20,721</b>	<b>\$ 87,895</b>

Add back:

Interest and debt issuance costs on the 2018

Convertible notes, net of tax	n/a	843	n/a	1,686
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Earnings before interest and debt issuance costs on

2018 Convertible Notes	n/a	\$ 62,485	n/a	\$ 89,581
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Weighted average diluted common shares outstanding	33,206	32,711	33,149	32,703
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Diluted earnings per share	\$ 0.08	\$ 1.91 <sup>(1)</sup>	\$ 0.63	\$ 2.74 <sup>(1)</sup>
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(1) Diluted earnings per share was calculated as follows:

Earnings before interest and debt issuance costs (net of tax) on convertible notes

Weighted average diluted common shares outstanding

**THE GREENBRIER COMPANIES, INC.****Note 12 Stock Based Compensation**

The value of stock based compensation awards is amortized as compensation expense from the date of grant through the earlier of the vesting period or in some instances the recipient's eligible retirement date. Stock based compensation expense consists of restricted stock units, restricted stock and phantom stock units awards.

Stock based compensation expense was \$4.1 million and \$7.3 million for the three and six months ended February 28, 2019, respectively and \$6.6 million and \$12.6 million for the three and six months ended February 28, 2018, respectively. Compensation expense is recorded in Selling and administrative expense and Cost of revenue on the Consolidated Statements of Income.

**Note 13 Derivative Instruments**

Foreign operations give rise to market risks from changes in foreign currency exchange rates. Foreign currency forward exchange contracts with established financial institutions are utilized to hedge a portion of that risk. Interest rate swap agreements are used to reduce the impact of changes in interest rates on certain debt. The Company's foreign currency forward exchange contracts and interest rate swap agreements are designated as cash flow hedges, and therefore the effective portion of unrealized gains and losses is recorded in accumulated other comprehensive income or loss.

At February 28, 2019 exchange rates, forward exchange contracts for the purchase of Polish Zlotys and the sale of Euros; the purchase of Mexican Pesos and the sale of U.S. Dollars; and for the purchase of U.S. Dollars and the sale of Saudi Riyals aggregated to \$106.2 million. The fair value of the contracts is included on the Consolidated Balance Sheets as Accounts payable and accrued liabilities when there is a loss, or as Accounts receivable, net when there is a gain. As the contracts mature at various dates through March 2021, any such gain or loss remaining will be recognized in manufacturing revenue or cost of revenue along with the related transactions. In the event that the underlying transaction does not occur or does not occur in the period designated at the inception of the hedge, the amount classified in accumulated other comprehensive loss would be reclassified to the results of operations in Interest and foreign exchange at the time of occurrence. At February 28, 2019 exchange rates, approximately \$0.9 million would be reclassified to revenue or cost of revenue in the next year.

At February 28, 2019, an interest rate swap agreement maturing in September 2023 had a notional amount of \$111.5 million. The fair value of the contract is included on the Consolidated Balance Sheets in Accounts payable and accrued liabilities when there is a loss, or in Accounts receivable, net when there is a gain. As interest expense on the underlying debt is recognized, amounts corresponding to the interest rate swap are reclassified from Accumulated other comprehensive loss and charged or credited to interest expense. At February 28, 2019 interest rates, approximately \$0.5 million would be reclassified to interest expense in the next year.

**Fair Values of Derivative Instruments**

	Asset Derivatives		Liability Derivatives	
	February 28, 2019	August 31, 2018	February 28, 2019	August 31, 2018
(In thousands)	Balance sheet		Balance sheet location	

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	location	Fair Value	Fair Value		Fair Value	Fair Value
<b>Derivatives designated as hedging instruments</b>						
Foreign forward exchange contracts	Accounts receivable, net	\$ 648	\$ 700	Accounts payable and accrued liabilities	\$ 81	\$ 1,211
Interest rate swap contracts	Accounts receivable, net		781	Accounts payable and accrued liabilities	2,612	1
		\$ 648	\$ 1,481		\$ 2,693	\$ 1,212

<b>Derivatives not designated as hedging instruments</b>						
Foreign forward exchange contracts	Accounts receivable, net	\$ 85	\$ 76	Accounts payable and accrued liabilities	\$ 98	\$ 354
Interest rate swap contracts	Accounts receivable, net			Accounts payable and accrued liabilities	22	
		\$ 85	\$ 76		\$ 120	\$ 354

**THE GREENBRIER COMPANIES, INC.****The Effect of Derivative Instruments on the Statements of Income**

Derivatives in cash flow hedging relationships	Location of gain (loss) recognized in income on derivatives	Gain (loss) recognized in income on derivatives six months ended	
		February 28, 2019	2018
Foreign forward exchange contract	Interest and foreign exchange	\$ 495	\$ 1,933
Interest rate swap contracts	Interest and foreign exchange		(1)
		\$ 495	\$ 1,932

Derivatives in cash flow hedging relationships	Gain (loss) recognized in OCI on derivatives (effective portion) six months ended		Location of gain (loss) reclassified from accumulated OCI into income	Gain (loss) reclassified from accumulated OCI into income (effective portion) six months ended		Location of gain (loss) reclassified from derivative (ineffective portion and amount excluded from effectiveness testing)	Gain (loss) recognized on derivative (ineffective portion and amount excluded from effectiveness testing) six months ended	
	February 28, 2019	2018		February 28, 2019	2018		February 28, 2019	2018
Foreign forward exchange contracts	\$ (346)	\$ 1,222	Revenue	\$ (667)	\$ 1,430	Revenue	\$ 900	\$ 282
Foreign forward exchange contracts	(395)	(223)	Cost of revenue	(590)	(373)	Cost of revenue	678	196
Interest rate swap contracts	(3,689)	1,473	Interest and foreign exchange	(295)	(273)	Interest and foreign exchange	(22)	
	\$ (4,430)	\$ 2,472		\$ (1,552)	\$ 784		\$ 1,556	\$ 478

**THE GREENBRIER COMPANIES, INC.****Note 14 Segment Information**

The Company operates in three reportable segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. Prior to August 20, 2018, the Company operated in four reportable segments: Manufacturing; Wheels, Repair & Parts; Leasing & Services; and GBW Joint Venture. On August 20, 2018 the Company entered into an agreement with its joint venture partner to discontinue the GBW railcar repair joint venture, which resulted in 12 repair shops returned to the Company. Beginning on August 20, 2018, the GBW Joint Venture is no longer considered a reportable segment.

The accounting policies of the segments are described in the summary of significant accounting policies in the Consolidated Financial Statements contained in the Company's 2018 Annual Report on Form 10-K except for the revenue recognition accounting policy which has subsequently been updated (see Note 2 Revenue Recognition). Performance is evaluated based on Earnings from operations. Corporate includes selling and administrative costs not directly related to goods and services and certain costs that are intertwined among segments due to our integrated business model. The Company does not allocate Interest and foreign exchange or Income tax expense for either external or internal reporting purposes. Intersegment sales and transfers are valued as if the sales or transfers were to third parties. Related revenue and margin are eliminated in consolidation and therefore are not included in consolidated results in the Company's Consolidated Financial Statements.

The information in the following table is derived directly from the segments' internal financial reports used for corporate management purposes. The results of operations for the GBW Joint Venture are not reflected in the tables below as the investment was accounted for under the equity method of accounting.

For the three months ended February 28, 2019:

<i>(In thousands)</i>	Revenue			Earnings (loss) from operations		
	External	Intersegment	Total	External	Intersegment	Total
Manufacturing	\$ 476,019	\$ 46,855	\$ 522,874	\$ 13,990	\$ 2,358	\$ 16,348
Wheels, Repair & Parts	125,278	8,858	134,136	2,823	(858)	1,965
Leasing & Services	57,374	2,911	60,285	21,030	2,101	23,131
Eliminations		(58,624)	(58,624)		(3,601)	(3,601)
Corporate				(19,789)		(19,789)
	\$ 658,671	\$	\$ 658,671	\$ 18,054	\$	\$ 18,054

For the six months ended  
February 28, 2019:

<i>(In thousands)</i>	Revenue			Earnings (loss) from operations		
	External	Intersegment	Total	External	Intersegment	Total
Manufacturing	\$ 947,808	\$ 53,056	\$ 1,000,864	\$ 50,845	\$ 2,791	\$ 53,636
Wheels, Repair & Parts	233,821	24,839	258,660	6,070	(546)	5,524
Leasing & Services	81,565	8,910	90,475	38,543	7,553	46,096



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Eliminations	(86,805)	(86,805)	(9,798)	(9,798)
Corporate			(40,950)	(40,950)
	\$ 1,263,194	\$ 1,263,194	\$ 54,508	\$ 54,508

For the three months ended  
February 28, 2018:

<i>(In thousands)</i>	Revenue			Earnings (loss) from operations		
	External	Intersegment	Total	External	Intersegment	Total
Manufacturing	\$ 511,827	\$ 13,948	\$ 525,775	\$ 63,185	\$ 3,415	\$ 66,600
Wheels, Repair & Parts	88,710	8,951	97,661	5,119	780	5,899
Leasing & Services	28,799	4,365	33,164	16,114	3,794	19,908
Eliminations		(27,264)	(27,264)		(7,989)	(7,989)
Corporate				(23,548)		(23,548)
	\$ 629,336	\$	\$ 629,336	\$ 60,870	\$	\$ 60,870

**THE GREENBRIER COMPANIES, INC.**

For the six months ended  
February 28, 2018:

<i>(In thousands)</i>	Revenue			Earnings (loss) from operations		
	External	Intersegment	Total	External	Intersegment	Total
Manufacturing	\$ 963,312	\$ 30,752	\$ 994,064	\$ 116,154	\$ 7,601	\$ 123,755
Wheels, Repair & Parts	166,721	16,683	183,404	7,537	1,528	9,065
Leasing & Services	58,838	5,970	64,808	44,304	5,166	49,470
Eliminations		(53,405)	(53,405)		(14,295)	(14,295)
Corporate				(45,683)		(45,683)
	\$ 1,188,871	\$	\$ 1,188,871	\$ 122,312	\$	\$ 122,312

<i>(In thousands)</i>	Total assets	
	February 28, 2019	August 31, 2018
Manufacturing	\$ 1,093,593	\$ 1,020,757
Wheels, Repair & Parts	341,317	306,756
Leasing & Services	704,016	578,818
Unallocated	394,295	559,133
	\$ 2,533,221	\$ 2,465,464

Reconciliation of Earnings from operations to Earnings before income tax and earnings (loss) from unconsolidated affiliates:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Earnings from operations	\$ 18,054	\$ 60,870	\$ 54,508	\$ 122,312
Interest and foreign exchange	9,237	7,029	13,641	14,049
Earnings before income tax and earnings (loss) from unconsolidated affiliates	\$ 8,817	\$ 53,841	\$ 40,867	\$ 108,263

**Note 15 Income Taxes**

The Company recognized the income tax effects of the Tax Cuts and Jobs Act (Tax Act) in accordance with Staff Accounting Bulletin No. 118 (SAB 118), which required the financial results to reflect effects for which the accounting is complete and those which are provisional. Provisional effects were adjusted during the measurement period determined under SAB 118 based on ongoing analysis of data, tax positions and regulatory guidance. The accounting was considered complete as of November 30, 2018. There were no material adjustments made to the

provisional effects during 2019.

The Tax Act also made other significant changes to U.S. federal income tax laws, including a global intangible low-taxed income tax (GILTI) and a base erosion anti-abuse tax (BEAT) which became effective for the Company beginning on September 1, 2018. Though the impact of GILTI and BEAT during the six months ended February 28, 2019 was not material, those taxes were included in the projected effective tax rate for the current year.

## **Note 16 Commitments and Contingencies**

### Portland Harbor Superfund Site

The Company's Portland, Oregon manufacturing facility is located adjacent to the Willamette River. In December 2000, the U.S. Environmental Protection Agency (EPA) classified portions of the Willamette River bed known as the Portland Harbor, including the portion fronting the Company's manufacturing facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). The Company and more than 140 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised the Company that it may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. Ten private and public entities, including the Company (the Lower

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Willamette Group or LWG), signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but nevertheless contributed money to the effort. The EPA-mandated RI/FS was produced by the LWG and cost over \$110 million during a 17-year period. The Company bore a percentage of the total costs incurred by the LWG in connection with the investigation. The Company's aggregate expenditure during the 17-year period was not material. Some or all of any such outlay may be recoverable from other responsible parties. The EPA issued its Record of Decision (ROD) for the Portland Harbor Site on January 6, 2017 and accordingly on October 26, 2017, the AOC was terminated.

Separate from the process described above, which focused on the type of remediation to be performed at the Portland Harbor Site and the schedule for such remediation, 83 parties, including the State of Oregon and the federal government, entered into a non-judicial mediation process to try to allocate costs associated with remediation of the Portland Harbor site. Approximately 110 additional parties signed tolling agreements related to such allocations. On April 23, 2009, the Company and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; *Arkema Inc. et al v. A & C Foundry Products, Inc. et al*, U.S. District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has been stayed by the court until January 16, 2020. The allocation process is continuing in parallel with the process to define the remediation steps.

The EPA's January 6, 2017 ROD identifies a clean-up remedy that the EPA estimates will take 13 years of active remediation, followed by 30 years of monitoring with an estimated undiscounted cost of \$1.7 billion. The EPA typically expects its cost estimates to be accurate within a range of -30% to +50%, but this ROD states that changes in costs are likely to occur as a result of new data it wants to collect over a 2-year period prior to final remedy design. The ROD identifies 13 Sediment Decision Units. One of the units, RM9W, includes the nearshore area of the river sediments offshore of the Company's Portland, Oregon manufacturing facility as well as upstream and downstream of the facility. It also includes a portion of the Company's riverbank. The ROD does not break down total remediation costs by Sediment Decision Unit. The EPA's ROD concluded that more data was needed to better define clean-up scope and cost. On December 8, 2017, the EPA announced that Portland Harbor is one of 21 Superfund sites targeted for greater attention. On December 19, 2017, the EPA announced that it had entered a new AOC with a group of four potentially responsible parties to conduct additional sampling during 2018 and 2019 to provide more certainty about clean-up costs and aid the mediation process to allocate those costs. The parties to the mediation, including the Company, have agreed to help fund the additional sampling.

The ROD does not address responsibility for the costs of clean-up, nor does it allocate such costs among the potentially responsible parties. Responsibility for funding and implementing the EPA's selected cleanup remedy will be determined at an unspecified later date. Based on the investigation to date, the Company believes that it did not contribute in any material way to contamination in the river sediments or the damage of natural resources in the Portland Harbor Site and that the damage in the area of the Portland Harbor Site adjacent to its property precedes its ownership of the Portland, Oregon manufacturing facility. Because these environmental investigations are still underway, including the collection of new pre-remedial design sampling data by EPA, sufficient information is currently not available to determine the Company's liability, if any, for the cost of any required remediation or restoration of the Portland Harbor Site or to estimate a range of potential loss. Based on the results of the pending investigations and future assessments of natural resource damages, the Company may be required to incur costs associated with additional phases of investigation or remedial action, and may be liable for damages to natural resources. In addition, the Company may be required to perform periodic maintenance dredging in order to continue to launch vessels from its launch ways in Portland, Oregon, on the Willamette River, and the river's classification as a

Superfund site could result in some limitations on future dredging and launch activities. Any of these matters could adversely affect the Company's business and Consolidated Financial Statements, or the value of its Portland property.

On January 30, 2017 the Confederated Tribes and Bands of Yakama Nation sued 33 parties including the Company as well as the United States and the State of Oregon for costs it incurred in assessing alleged natural resource damages to the Columbia River from contaminants deposited in Portland Harbor. *Confederated Tribes and Bands of the Yakama Nation v. Air Liquide America Corp., et al.*, United States Court for the District of Oregon Case No. 3:17-CV-00164-SB. The complaint does not specify the amount of damages the plaintiff will seek. A magistrate judge has recommended that the case be stayed until January 16, 2020.

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Oregon Department of Environmental Quality (DEQ) Regulation of Portland Manufacturing Operations

The Company has entered into a Voluntary Cleanup Agreement with the Oregon Department of Environmental Quality (DEQ) in which the Company agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances into the environment. The Company has also signed an Order on Consent with the DEQ to finalize the investigation of potential onsite sources of contamination that may have a release pathway to the Willamette River. Interim precautionary measures are also required in the order and the Company is discussing with the DEQ potential remedial actions which may be required. The Company's aggregate expenditure has not been material, however the Company could incur significant expenses for remediation. Some or all of any such outlay may be recoverable from other responsible parties.

Other Litigation, Commitments and Contingencies

From time to time, Greenbrier is involved as a defendant in litigation in the ordinary course of business, the outcomes of which cannot be predicted with certainty. While the ultimate outcome of such legal proceedings cannot be determined at this time, the Company believes that the resolution of pending litigation will not have a material adverse effect on the Company's Consolidated Financial Statements.

As of February 28, 2019, the Company had outstanding letters of credit aggregating to \$24.0 million associated with performance guarantees, facility leases and workers compensation insurance.

As of February 28, 2019, the Company had a \$10.0 million note receivable from Amsted-Maxion Cruzeiro, its unconsolidated Brazilian castings and components manufacturer and a \$20.4 million note receivable balance from Greenbrier-Maxion, its unconsolidated Brazilian railcar manufacturer. These note receivables are included on the Consolidated Balance Sheet in Accounts receivable, net. In the future, the Company may make loans to or provide guarantees for Amsted-Maxion Cruzeiro or Greenbrier-Maxion.

**Note 17 Fair Value Measures**

Certain assets and liabilities are reported at fair value on either a recurring or nonrecurring basis. Fair value, for this disclosure, is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, under a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

- Level 1 - observable inputs such as unadjusted quoted prices in active markets for identical instruments;
- Level 2 - inputs, other than the quoted market prices in active markets for similar instruments, which are observable, either directly or indirectly; and
- Level 3 - unobservable inputs for which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis as of February 28, 2019 were:

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<i>(In thousands)</i>	Total	Level 1	Level 2 <sup>(1)</sup>	Level 3
<b>Assets:</b>				
Derivative financial instruments	\$ 733	\$	\$ 733	\$
Nonqualified savings plan investments	28,687	28,687		
Cash equivalents	82,379	82,379		
	\$ 111,799	\$ 111,066	\$ 733	\$
<b>Liabilities:</b>				
Derivative financial instruments	\$ 2,813	\$	\$ 2,813	\$

- (1) Level 2 assets and liabilities include derivative financial instruments that are valued based on observable inputs. See Note 13 - Derivative Instruments for further discussion.

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Assets and liabilities measured at fair value on a recurring basis as of August 31, 2018 were:

<i>(In thousands)</i>	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Derivative financial instruments	\$ 1,557	\$	\$ 1,557	\$
Nonqualified savings plan investments	26,299	26,299		
Cash equivalents	126,430	126,430		
	\$ 154,286	\$ 152,729	\$ 1,557	\$
<b>Liabilities:</b>				
Derivative financial instruments	\$ 1,566	\$	\$ 1,566	\$

**Note 18 Related Party Transactions**

In June 2017, the Company purchased a 40% interest in the common equity of an entity that buys and sells railcar assets that are leased to third parties. The railcars sold to this leasing warehouse are principally built by Greenbrier. The Company accounts for this leasing warehouse investment under the equity method of accounting. As of February 28, 2019, the carrying amount of the investment was \$4.3 million which is classified in Investment in unconsolidated affiliates in the Consolidated Balance Sheet. Upon sale of railcars to this entity from Greenbrier, 60% of the related revenue and margin is recognized and 40% is deferred until the railcars are ultimately sold by the entity. During the six months ended February 28, 2019, the Company recognized \$18 million in revenue associated with railcars sold into the leasing warehouse and an additional \$6 million associated with railcars sold out of the leasing warehouse. The Company also provides administrative and remarketing services to this entity and earns management fees for these services which were immaterial for the six months ended February 28, 2019.

As of February 28, 2019, the Company had a \$10.0 million note receivable from Amsted-Maxion Cruzeiro, its unconsolidated Brazilian castings and components manufacturer and a \$20.4 million note receivable balance from Greenbrier-Maxion, its unconsolidated Brazilian railcar manufacturer. These note receivables are included on the Consolidated Balance Sheet in Accounts receivable, net.



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

We operate in three reportable segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. Our segments are operationally integrated. The Manufacturing segment, which currently operates from facilities in the U.S., Mexico, Poland, Romania and Turkey, produces double-stack intermodal railcars, tank cars, conventional railcars, automotive railcar products and marine vessels. The Wheels, Repair & Parts segment performs wheel and axle servicing; railcar repair, refurbishment and maintenance; as well as production of a variety of parts for the railroad industry in North America. The Leasing & Services segment owns approximately 10,600 railcars and provides management services for approximately 372,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America as of February 28, 2019. Through unconsolidated affiliates we produce railcars in Brazil, rail and industrial castings, tank heads and other components and we have an ownership stake in a lease financing warehouse.

Our total manufacturing backlog of railcar units as of February 28, 2019 was approximately 26,000 units with an estimated value of \$2.66 billion. Less than 1% of backlog units and estimated value as of February 28, 2019 was associated with our Brazilian manufacturing operations which is accounted for under the equity method. Backlog units for lease may be syndicated to third parties or held in our own fleet depending on a variety of factors. Multi-year supply agreements are a part of rail industry practice. A portion of the orders included in backlog reflects an assumed product mix. Under terms of the orders, the exact mix and pricing will be determined in the future, which may impact the dollar amount of backlog. Marine backlog as of February 28, 2019 was \$95 million.

Our backlog of railcar units and marine vessels is not necessarily indicative of future results of operations. Certain orders in backlog are subject to customary documentation and completion of terms. Customers may attempt to cancel or modify orders in backlog. Historically, little variation has been experienced between the quantity ordered and the quantity actually delivered, though the timing of deliveries may be modified from time to time. We cannot guarantee that our reported backlog will convert to revenue in any particular period, if at all.

**THE GREENBRIER COMPANIES, INC.****Three Months Ended February 28, 2019 Compared to Three Months Ended February 28, 2018****Overview**

Revenue, cost of revenue, margin and operating profit presented below, include amounts from external parties and exclude intersegment activity that is eliminated in consolidation.

<i>(In thousands)</i>	Three Months Ended February 28,	
	2019	2018
<b>Revenue:</b>		
Manufacturing	\$ 476,019	\$ 511,827
Wheels, Repair & Parts	125,278	88,710
Leasing & Services	57,374	28,799
	658,671	629,336
<b>Cost of revenue:</b>		
Manufacturing	442,996	429,165
Wheels, Repair & Parts	118,455	80,708
Leasing & Services	43,376	14,116
	604,827	523,989
<b>Margin:</b>		
Manufacturing	33,023	82,662
Wheels, Repair & Parts	6,823	8,002
Leasing & Services	13,998	14,683
	53,844	105,347
Selling and administrative	47,892	50,294
Net gain on disposition of equipment	(12,102)	(5,817)
Earnings from operations	18,054	60,870
Interest and foreign exchange	9,237	7,029
Earnings before income taxes and earnings (loss) from unconsolidated affiliates	8,817	53,841
Income tax benefit (expense)	(2,248)	11,301
Earnings before earnings (loss) from unconsolidated affiliates	6,569	65,142
Earnings (loss) from unconsolidated affiliates	(786)	147
Net earnings	5,783	65,289
Net earnings attributable to noncontrolling interest	(3,018)	(3,647)

Net earnings attributable to Greenbrier \$ 2,765 \$ 61,642

Diluted earnings per common share \$ 0.08 \$ 1.91

Performance for our segments is evaluated based on operating profit. Corporate includes selling and administrative costs not directly related to goods and services and certain costs that are intertwined among segments due to our integrated business model. Management does not allocate Interest and foreign exchange or Income tax expense for either external or internal reporting purposes.

<i>(In thousands)</i>	Three Months Ended	
	February 28,	
	2019	2018
Operating profit (loss):		
Manufacturing	\$ 13,990	\$ 63,185
Wheels, Repair & Parts	2,823	5,119
Leasing & Services	21,030	16,114
Corporate	(19,789)	(23,548)
	\$ 18,054	\$ 60,870

**THE GREENBRIER COMPANIES, INC.****Consolidated Results**

<i>(In thousands)</i>	Three Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Revenue	\$ 658,671	\$ 629,336	\$ 29,335	4.7%
Cost of revenue	\$ 604,827	\$ 523,989	\$ 80,838	15.4%
Margin (%)	8.2%	16.7%	(8.5%)	*
Net earnings attributable to Greenbrier	\$ 2,765	\$ 61,642	\$ (58,877)	(95.5%)

\* Not meaningful

Through our integrated business model, we provide a broad range of custom products and services in each of our segments, which have various average selling prices and margins. The demand for and mix of products and services delivered changes from period to period, which causes fluctuations in our results of operations.

The 4.7% increase in revenue for the three months ended February 28, 2019 as compared to the three months ended February 28, 2018 was primarily due to a 41.2% increase in Wheels, Repair & Parts revenue. The increase in Wheels, Repair & Parts revenue was primarily due to the current period including \$24.0 million in revenue associated with the repair shops returned to us after discontinuing the GBW joint venture. The increase was also due to a 99.2% increase in Leasing & Services revenue primarily attributed to an increase in the sale of railcars which we had purchased from third parties with the intent to resell them. These were partially offset by a 7.0% decrease in Manufacturing revenue primarily attributed to a change in product mix partially offset by a 4.7% increase in the volume of railcar deliveries

The 15.4% increase in cost of revenue for the three months ended February 28, 2019 as compared to the three months ended February 28, 2018 was primarily due to a 46.8% increase in Wheels, Repair & Parts cost of revenue primarily due to the current period including \$27.4 million in costs associated with the repair shops returned to us after discontinuing the GBW joint venture. The increase was also due to a 207.3% increase in Leasing & Services cost of revenue primarily due to an increase in the volume of railcars sold that we purchased from third parties and higher transportation costs.

Margin as a percentage of revenue was 8.2% and 16.7% for the three months ended February 28, 2019 and 2018, respectively. The overall margin as a percentage of revenue was negatively impacted by a decrease in Manufacturing margin to 6.9% from 16.2% primarily attributed to a change in product mix, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals on certain contracts. The decrease was also due to a decrease in Leasing & Services margin to 24.4% from 51.0%. Leasing & Services margin for the three months ended February 28, 2018 benefited from fewer sales of railcars that we purchased from third parties which have lower margin percentages.

The \$58.9 million decrease in net earnings for the three months ended February 28, 2019 as compared to the three months ended February 28, 2018 was primarily attributable to a decrease in margin from a change in Manufacturing product mix, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals on certain contracts. This was partially offset by a \$6.3 million increase in net gain on disposition of equipment.



**THE GREENBRIER COMPANIES, INC.****Manufacturing Segment**

<i>(In thousands)</i>	Three Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Revenue	\$ 476,019	\$ 511,827	\$ (35,808)	(7.0%)
Cost of revenue	\$ 442,996	\$ 429,165	\$ 13,831	3.2%
Margin (%)	6.9%	16.2%	(9.3%)	*
Operating profit (\$)	\$ 13,990	\$ 63,185	\$ (49,195)	(77.9%)
Operating profit (%)	2.9%	12.3%	(9.4%)	*
Deliveries	4,500	4,300	200	4.7%

\* Not meaningful

Manufacturing revenue decreased \$35.8 million or 7.0% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The decrease in revenue was primarily attributed to a change in product mix partially offset by a 4.7% increase in the volume of railcar deliveries.

Manufacturing cost of revenue increased \$13.8 million or 3.2% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The increase in cost of revenue was primarily attributed to a 4.7% increase in railcar deliveries, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals of \$6.5 million on certain contracts. Operating inefficiencies include poor manufacturing execution at some of our manufacturing facilities and supplier delivery failures at our European operations.

Manufacturing margin as a percentage of revenue decreased 9.3% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The decrease was primarily attributed to a change in product mix, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals of \$6.5 million on certain contracts. Operating inefficiencies include poor manufacturing execution at some of our manufacturing facilities and supplier delivery failures at our European operations. Management is actively addressing these performance issues and expects gross margins to improve.

Manufacturing operating profit decreased \$49.2 million or 77.9% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The decrease was primarily attributed to a lower margin percentage from a change in product mix, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals of \$6.5 million on certain contracts. Operating inefficiencies include poor manufacturing execution at some of our manufacturing facilities and supplier delivery failures at our European operations.

**THE GREENBRIER COMPANIES, INC.****Wheels, Repair & Parts Segment**

<i>(In thousands)</i>	Three Months Ended		Increase (Decrease)	% Change
	February 28, 2019	2018		
Revenue	\$ 125,278	\$ 88,710	\$ 36,568	41.2%
Cost of revenue	\$ 118,455	\$ 80,708	\$ 37,747	46.8%
Margin (%)	5.4%	9.0%	(3.6%)	*
Operating profit (\$)	\$ 2,823	\$ 5,119	\$ (2,296)	(44.9%)
Operating profit (%)	2.3%	5.8%	(3.5%)	*

\* Not meaningful

On August 20, 2018, 12 repair shops were returned to us as a result of discontinuing our GBW railcar repair joint venture. Beginning on August 20, 2018, the results of operations from these repair shops were included in the Wheels, Repair & Parts segment as they are now consolidated for financial reporting purposes. The addition of these repair shops contributed to the increase in Wheels, Repair & Parts revenue and cost of revenue during the three months ended February 28, 2019 compared to the prior year.

Wheels, Repair & Parts revenue increased \$36.6 million or 41.2% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The increase was primarily due to the current period including \$24.0 million in revenue associated with the repair shops returned to us after discontinuing the GBW joint venture. The increase was also due to higher parts revenue and higher wheel set and component volumes.

Wheels, Repair & Parts cost of revenue increased \$37.7 million or 46.8% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The increase was primarily due to the current period including \$27.4 million in costs associated with the repair shops returned to us after discontinuing the GBW joint venture. The increase was also due to higher costs associated with increased parts volumes, higher wheel set and component volumes and \$1.1 million in costs associated with closing sites in our repair network.

Wheels, Repair & Parts margin as a percentage of revenue decreased 3.6% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The decrease was primarily attributed to inefficiencies at our repair operations and \$1.1 million in costs associated with closing sites in our repair network. This was partially offset by a favorable parts product mix.

Wheels, Repair & Parts operating profit decreased \$2.3 million or 44.9% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The decrease was primarily attributed to inefficiencies at our repair operations and \$1.1 million in costs associated with closing sites in our repair network. This was partially offset by higher parts revenue and wheelset and component volumes and a more favorable parts product mix.

**THE GREENBRIER COMPANIES, INC.****Leasing & Services Segment**

<i>(In thousands)</i>	Three Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Revenue	\$ 57,374	\$ 28,799	\$ 28,575	99.2%
Cost of revenue	\$ 43,376	\$ 14,116	\$ 29,260	207.3%
Margin (%)	24.4%	51.0%	(26.6%)	*
Operating profit (\$)	\$ 21,030	\$ 16,114	\$ 4,916	30.5%
Operating profit (%)	36.7%	56.0%	(19.3%)	*

\* Not meaningful

The Leasing & Services segment primarily generates revenue from leasing railcars from its lease fleet and providing various management services. We also earn revenue from rent-producing leased railcars for syndication, which are held short term and classified as Leased railcars for syndication on our Consolidated Balance Sheet. From time to time, railcars are purchased from third parties with the intent to resell them. The gross proceeds from the sale of these railcars are recorded in revenue and the cost of purchasing these railcars are recorded in cost of revenue.

Leasing & Services revenue increased \$28.6 million or 99.2% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The increase was primarily attributed to an increase in the sale of railcars which we had purchased from third parties with the intent to resell them. This was partially offset by lower average volume of rent-producing leased railcars for syndication.

Leasing & Services cost of revenue increased \$29.3 million or 207.3% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The increase was primarily due to an increase in the volume of railcars sold that we purchased from third parties and higher transportation costs.

Leasing & Services margin as a percentage of revenue decreased 26.6% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. Margin for the three months ended February 28, 2019 was negatively impacted from higher sales of railcars that we purchased from third parties which have lower margin percentages. The decrease in margin was also due to higher transportation costs.

Leasing & Services operating profit increased \$4.9 million or 30.5% for the three months ended February 28, 2019 compared to the three months ended February 28, 2018. The increase was primarily attributed to a \$5.8 million increase in net gain on disposition of equipment partially offset by a \$0.7 million decrease in margin.

The percentage of owned units on lease was 97.4% at February 28, 2019 compared to 92.2% at February 28, 2018.



**THE GREENBRIER COMPANIES, INC.****Selling and Administrative Expense**

<i>(In thousands)</i>	Three Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Selling and administrative expense	\$ 47,892	\$ 50,294	\$ (2,402)	(4.8%)

Selling and administrative expense was \$47.9 million or 7.3% of revenue for the three months ended February 28, 2019 compared to \$50.3 million or 8.0% of revenue for the prior comparable period. The \$2.4 million decrease was primarily attributed to a \$3.0 million decrease in employee costs primarily related to a decrease in incentive compensation. This was partially offset by a \$0.9 million increase from the addition of the selling and administrative costs from the repair shops returned to us after discontinuing the GBW joint venture.

**Net Gain on Disposition of Equipment**

Net gain on disposition of equipment was \$12.1 million for the three months ended February 28, 2019 compared to \$5.8 million for the prior comparable period. Net gain on disposition of equipment primarily includes the sale of assets from our lease fleet (Equipment on operating leases, net) that are periodically sold in the normal course of business in order to take advantage of market conditions and to manage risk and liquidity; and disposition of property, plant and equipment. The increase in net gain on disposition of equipment primarily relates to higher volumes of equipment sales as we continue to rebalance our lease portfolio.

**Other Costs**

Interest and foreign exchange expense was composed of the following:

<i>(In thousands)</i>	Three Months Ended		Increase (Decrease)
	February 28, 2019	February 28, 2018	
Interest and foreign exchange:			
Interest and other expense	\$ 7,617	\$ 7,895	\$ (278)
Foreign exchange (gain) loss	1,620	(866)	2,486
	\$ 9,237	\$ 7,029	\$ 2,208

The \$2.2 million increase in interest and foreign exchange expense from the prior comparable period was primarily attributed to a \$2.5 million increase in foreign exchange loss in the current year. The change in foreign exchange loss was primarily attributed to the change in the Mexican Peso relative to the U.S. Dollar.

## **Income Tax**

The effective tax rate for the three months ended February 28, 2019 was 25.5% compared to a 21.0% benefit for the three months ended February 28, 2018. The 21.0% benefit in the prior year was primarily due to the enactment of the Tax Act on December 22, 2017, which reduced the federal corporate tax rate from 35% to 21%.

The effective tax rate can fluctuate year-to-year due to changes in the mix of foreign and domestic pre-tax earnings. It can also fluctuate with changes in the proportion of pre-tax earnings attributable to our Mexican railcar manufacturing joint venture because the joint venture is predominantly treated as a partnership for tax purposes and, as a result, the partnership's entire pre-tax earnings are included in Earnings before income taxes and earnings from unconsolidated affiliates, whereas only our 50% share of the tax is included in Income tax expense.

## **Earnings (Loss) From Unconsolidated Affiliates**

Earnings (loss) from unconsolidated affiliates primarily included our share of after-tax results from our Brazil operations which include a castings joint venture and a railcar manufacturing joint venture, our lease financing warehouse investment, our North American castings joint venture and our tank head joint venture. In addition, for the three months ended February 28, 2018, earnings (loss) from unconsolidated affiliates also included our share of after-tax results from the GBW joint venture.

Loss from unconsolidated affiliates was \$0.8 million for the three months ended February 28, 2019 compared to earnings of \$0.1 million for the three months ended February 28, 2018. The \$0.9 million decrease in earnings from unconsolidated affiliates was primarily attributed to losses at our Brazil operations.

## **Noncontrolling Interest**

Net earnings attributable to noncontrolling interest was \$3.0 million for the three months ended February 28, 2019 compared to \$3.6 million in the prior comparable period, which primarily represents our joint venture partner's share in the results of operations of our Mexican railcar manufacturing joint venture, adjusted for intercompany sales, and our European partner's share of the results of our European operations.

**THE GREENBRIER COMPANIES, INC.****Six Months Ended February 28, 2019 Compared to Six Months Ended February 28, 2018****Overview**

Revenue, cost of revenue, margin and operating profit presented below, include amounts from external parties and exclude intersegment activity that is eliminated in consolidation.

<i>(In thousands)</i>	Six Months Ended February 28,	
	2019	2018
<b>Revenue:</b>		
Manufacturing	\$ 947,808	\$ 963,312
Wheels, Repair & Parts	233,821	166,721
Leasing & Services	81,565	58,838
	1,263,194	1,188,871
<b>Cost of revenue:</b>		
Manufacturing	860,801	810,015
Wheels, Repair & Parts	219,433	153,214
Leasing & Services	56,583	30,981
	1,136,817	994,210
<b>Margin:</b>		
Manufacturing	87,007	153,297
Wheels, Repair & Parts	14,388	13,507
Leasing & Services	24,982	27,857
	126,377	194,661
Selling and administrative	98,324	97,337
Net gain on disposition of equipment	(26,455)	(24,988)
Earnings from operations	54,508	122,312
Interest and foreign exchange	13,641	14,049
Earnings before income taxes and loss from unconsolidated affiliates	40,867	108,263
Income tax expense	(11,383)	(6,834)
Earnings before loss from unconsolidated affiliates	29,484	101,429
Loss from unconsolidated affiliates	(319)	(2,763)
Net earnings	29,165	98,666
Net earnings attributable to noncontrolling interest	(8,444)	(10,771)

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Net earnings attributable to Greenbrier \$ 20,721 \$ 87,895

Diluted earnings per common share \$ 0.63 \$ 2.74

Performance for our segments is evaluated based on operating profit. Corporate includes selling and administrative costs not directly related to goods and services and certain costs that are intertwined among segments due to our integrated business model. Management does not allocate Interest and foreign exchange or Income tax expense for either external or internal reporting purposes.

<i>(In thousands)</i>	Six Months Ended	
	February 28, 2019	2018
Operating profit (loss):		
Manufacturing	\$ 50,845	\$ 116,154
Wheels, Repair & Parts	6,070	7,537
Leasing & Services	38,543	44,304
Corporate	(40,950)	(45,683)
	\$ 54,508	\$ 122,312

**THE GREENBRIER COMPANIES, INC.****Consolidated Results**

<i>(In thousands)</i>	Six Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Revenue	\$ 1,263,194	\$ 1,188,871	\$ 74,323	6.3%
Cost of revenue	\$ 1,136,817	\$ 994,210	\$ 142,607	14.3%
Margin (%)	10.0%	16.4%	(6.4%)	*
Net earnings attributable to Greenbrier	\$ 20,721	\$ 87,895	\$ (67,174)	(76.4%)

\* Not meaningful

Through our integrated business model, we provide a broad range of custom products and services in each of our segments, which have various average selling prices and margins. The demand for and mix of products and services delivered changes from period to period, which causes fluctuations in our results of operations.

The 6.3% increase in revenue for the six months ended February 28, 2019 as compared to the six months ended February 28, 2018 was primarily due to a 40.2% increase in Wheels, Repair & Parts revenue. The increase in Wheels, Repair & Parts revenue was primarily due to the six months ended February 28, 2019 including \$47.7 million in revenue associated with the repair shops returned to us after discontinuing the GBW joint venture. The increase was also due to a 38.6% increase in Leasing & Services revenue primarily attributed to an increase in the sale of railcars which we had purchased from third parties with the intent to resell them.

The 14.3% increase in cost of revenue for the six months ended February 28, 2019 as compared to the six months ended February 28, 2018 was primarily due to a 43.2% increase in Wheels, Repair & Parts cost of revenue primarily due to the six months ended February 28, 2019 including \$51.5 million in costs associated with the repair shops returned to us after discontinuing the GBW joint venture. The increase was also due to a 6.3% increase in Manufacturing cost of revenue. The increase in Manufacturing cost of revenue was primarily due to a 4.8% increase in the volume of railcar deliveries, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals on certain contracts.

Margin as a percentage of revenue was 10.0% and 16.4% for the six months ended February 28, 2019 and 2018, respectively. The overall margin as a percentage of revenue was negatively impacted by a decrease in Manufacturing margin to 9.2% from 15.9% primarily attributed to a change in product mix, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals on certain contracts. The decrease was also due to a decrease in Leasing & Services margin to 30.6% from 47.3%. Leasing & Services margin for the six months ended February 28, 2018 benefited from fewer sales of railcars that we purchased from third parties which have lower margin percentages.

The \$67.2 million decrease in net earnings for the six months ended February 28, 2019 as compared to the six months ended February 28, 2018 was primarily attributable to a decrease in margin from a change in Manufacturing product mix, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals on certain contracts.



**THE GREENBRIER COMPANIES, INC.****Manufacturing Segment**

<i>(In thousands)</i>	Six Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Revenue	\$ 947,808	\$ 963,312	\$ (15,504)	(1.6%)
Cost of revenue	\$ 860,801	\$ 810,015	\$ 50,786	6.3%
Margin (%)	9.2%	15.9%	(6.7%)	*
Operating profit (\$)	\$ 50,845	\$ 116,154	\$ (65,309)	(56.2%)
Operating profit (%)	5.4%	12.1%	(6.7%)	*
Deliveries	8,700	8,300	400	4.8%

\* Not meaningful

Manufacturing revenue decreased \$15.5 million or 1.6% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The decrease in revenue was primarily attributed to a change in product mix partially offset by a 4.8% increase in the volume of railcar deliveries.

Manufacturing cost of revenue increased \$50.8 million or 6.3% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The increase in cost of revenue was primarily attributed to a 4.8% increase in the volume of railcar deliveries, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals of \$6.5 million on certain contracts. Operating inefficiencies include poor manufacturing execution at some of our manufacturing facilities and supplier delivery failures at our European operations.

Manufacturing margin as a percentage of revenue decreased 6.7% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The decrease was primarily attributed to a change in product mix, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals of \$6.5 million on certain contracts. Operating inefficiencies include poor manufacturing execution at some of our manufacturing facilities and supplier delivery failures at our European operations. Management is actively addressing these performance issues and expects gross margins to improve.

Manufacturing operating profit decreased \$65.3 million or 56.2% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The decrease was primarily attributed to a lower margin percentage from a change in product mix, operating inefficiencies at some of our manufacturing facilities and railcar contract loss accruals of \$6.5 million on certain contracts. Operating inefficiencies include poor manufacturing execution at some of our manufacturing facilities and supplier delivery failures at our European operations. These were partially offset by an increase in net gain on disposition of equipment from insurance proceeds received for business interruption and assets destroyed in a fire at a manufacturing facility in 2016.

**THE GREENBRIER COMPANIES, INC.****Wheels, Repair & Parts Segment**

<i>(In thousands)</i>	Six Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Revenue	\$ 233,821	\$ 166,721	\$ 67,100	40.2%
Cost of revenue	\$ 219,433	\$ 153,214	\$ 66,219	43.2%
Margin (%)	6.2%	8.1%	(1.9%)	*
Operating profit (\$)	\$ 6,070	\$ 7,537	\$ (1,467)	(19.5%)
Operating profit (%)	2.6%	4.5%	(1.9%)	*

\* Not meaningful

On August 20, 2018, 12 repair shops were returned to us as a result of discontinuing our GBW railcar repair joint venture. Beginning on August 20, 2018, the results of operations from these repair shops were included in the Wheels, Repair & Parts segment as they are now consolidated for financial reporting purposes. The addition of these repair shops contributed to the increase in Wheels, Repair & Parts revenue and cost of revenue during the six months ended February 28, 2019 compared to the prior year.

Wheels, Repair & Parts revenue increased \$67.1 million or 40.2% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The increase was primarily due to the six months ended February 28, 2019 including \$47.7 million in revenue associated with the repair shops returned to us after discontinuing the GBW joint venture. The increase was also due to higher parts revenue and an increase in scrap metal pricing and volume.

Wheels, Repair & Parts cost of revenue increased \$66.2 million or 43.2% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The increase was primarily due to the six months ended February 28, 2019 including \$51.5 million in costs associated with the repair shops returned to us after discontinuing the GBW joint venture. The increase was also due to higher costs associated with increased parts volumes and \$1.1 million in costs associated with closing sites in our repair network.

Wheels, Repair & Parts margin as a percentage of revenue decreased 1.9% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The decrease was primarily attributed to inefficiencies at our repair operations and \$1.1 million in costs associated with closing sites in our repair network. This was partially offset by a favorable parts product mix and an increase in scrap metal pricing.

Wheels, Repair & Parts operating profit decreased \$1.5 million or 19.5% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The decrease was primarily attributed to inefficiencies at our repair operations and \$1.1 million in costs associated with closing sites in our repair network. This was partially offset by higher parts revenue, a more favorable parts product mix and increase in scrap metal pricing and volume.



**THE GREENBRIER COMPANIES, INC.****Leasing & Services Segment**

<i>(In thousands)</i>	Six Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Revenue	\$ 81,565	\$ 58,838	\$ 22,727	38.6%
Cost of revenue	\$ 56,583	\$ 30,981	\$ 25,602	82.6%
Margin (%)	30.6%	47.3%	(16.7%)	*
Operating profit (\$)	\$ 38,543	\$ 44,304	\$ (5,761)	(13.0%)
Operating profit (%)	47.3%	75.3%	(28.0%)	*

\* Not meaningful

The Leasing & Services segment primarily generates revenue from leasing railcars from its lease fleet and providing various management services. We also earn revenue from rent-producing leased railcars for syndication, which are held short term and classified as Leased railcars for syndication on our Consolidated Balance Sheet. From time to time, railcars are purchased from third parties with the intent to resell them. The gross proceeds from the sale of these railcars are recorded in revenue and the cost of purchasing these railcars are recorded in cost of revenue.

Leasing & Services revenue increased \$22.7 million or 38.6% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The increase was primarily attributed to an increase in the sale of railcars which we had purchased from third parties with the intent to resell them. This was partially offset by lower average volume of rent-producing leased railcars for syndication.

Leasing & Services cost of revenue increased \$25.6 million or 82.6% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The increase was primarily due to an increase in the volume of railcars sold that we purchased from third parties and higher transportation costs.

Leasing & Services margin as a percentage of revenue decreased 16.7% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. Margin for the six months ended February 28, 2019 was negatively impacted from higher sales of railcars that we purchased from third parties which have lower margin percentages. The decrease in margin was also due to higher transportation costs.

Leasing & Services operating profit decreased \$5.8 million or 13.0% for the six months ended February 28, 2019 compared to the six months ended February 28, 2018. The decrease was primarily attributed to a \$2.9 million decrease in margin as the six months ended February 28, 2019 was negatively impacted from higher sales of railcars that we purchased from third parties which have lower margin percentages. In addition, the decrease was attributed to a \$2.4 million decrease in net gain on disposition of equipment.

**THE GREENBRIER COMPANIES, INC.****Selling and Administrative Expense**

<i>(In thousands)</i>	Six Months Ended		Increase (Decrease)	% Change
	February 28, 2019	February 28, 2018		
Selling and administrative expense	\$ 98,324	\$ 97,337	\$ 987	1.0%

Selling and administrative expense was \$98.3 million or 7.8% of revenue for the six months ended February 28, 2019 compared to \$97.3 million or 8.2% of revenue for the prior comparable period. The \$1.0 million increase was primarily attributed to \$2.0 million from the addition of the selling and administrative costs from the repair shops returned to us after discontinuing the GBW joint venture and \$0.9 million in consulting and related costs associated with strategic business development. These were partially offset by a \$2.4 million reduction in employee costs.

**Net Gain on Disposition of Equipment**

Net gain on disposition of equipment was \$26.5 million for the six months ended February 28, 2019 compared to \$25.0 million for the prior comparable period. Net gain on disposition of equipment primarily includes the sale of assets from our lease fleet (Equipment on operating leases, net) that are periodically sold in the normal course of business in order to take advantage of market conditions and to manage risk and liquidity; disposition of property, plant and equipment; and insurance proceeds received for business interruption and assets destroyed in a fire.

**Other Costs**

Interest and foreign exchange expense was composed of the following:

<i>(In thousands)</i>	Six Months Ended		Increase (Decrease)
	February 28, 2019	February 28, 2018	
Interest and foreign exchange:			
Interest and other expense	\$ 14,782	\$ 15,859	\$ (1,077)
Foreign exchange gain	(1,141)	(1,810)	669
	\$ 13,641	\$ 14,049	\$ (408)

The \$0.4 million decrease in interest and foreign exchange expense from the prior comparable period was primarily attributed to \$1.1 million decrease in interest and foreign exchange expense due to the maturity of the \$119 million convertible senior notes in April 2018. This was partially offset by a \$0.7 million decrease in foreign exchange gain in the current year. The change in foreign exchange gain was primarily attributed to the change in the Brazilian Real and Mexican Peso relative to the U.S. Dollar.

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*THE GREENBRIER COMPANIES, INC.*

**Income Tax**

The effective tax rate for the six months ended February 28, 2019 was 27.9% compared to 6.3% for the six months ended February 28, 2018. The low effective tax rate in the prior year was primarily attributable to the enactment of the Tax Act on December 22, 2017, which reduced the federal corporate tax rate from 35% to 21%.

The effective tax rate can fluctuate year-to-year due to changes in the mix of foreign and domestic pre-tax earnings. It can also fluctuate with changes in the proportion of pre-tax earnings attributable to our Mexican railcar manufacturing joint venture because the joint venture is predominantly treated as a partnership for tax purposes and, as a result, the partnership's entire pre-tax earnings are included in Earnings before income taxes and earnings from unconsolidated affiliates, whereas only our 50% share of the tax is included in Income tax expense.

**Loss From Unconsolidated Affiliates**

Loss from unconsolidated affiliates primarily included our share of after-tax results from our Brazil operations which include a castings joint venture and a railcar manufacturing joint venture, our lease financing warehouse investment, our North American castings joint venture and our tank head joint venture. In addition, for the six months ended February 28, 2018, loss from unconsolidated affiliates also included our share of after-tax results from the GBW joint venture.

Loss from unconsolidated affiliates was \$0.3 million for the six months ended February 28, 2019 compared to \$2.8 million for the six months ended February 28, 2018. The \$2.5 million decrease in loss from unconsolidated affiliates was primarily attributed to the prior year including losses from our GBW joint venture.

**Noncontrolling Interest**

Net earnings attributable to noncontrolling interest was \$8.4 million for the six months ended February 28, 2019 compared to \$10.8 million in the prior comparable period, which primarily represents our joint venture partner's share in the results of operations of our Mexican railcar manufacturing joint venture, adjusted for intercompany sales, and our European partner's share of the results of our European operations.

**THE GREENBRIER COMPANIES, INC.****Liquidity and Capital Resources**

<i>(In thousands)</i>	Six Months Ended February 28,	
	2019	2018
Net cash used in operating activities	\$ (146,622)	\$ (7,653)
Net cash provided by (used in) investing activities	(43,704)	35,107
Net cash provided by (used in) financing activities	13,111	(52,464)
Effect of exchange rate changes	825	(465)
Net decrease in cash and cash equivalents and restricted cash	\$ (176,390)	\$ (25,475)

We have been financed through cash generated from operations and borrowings. At February 28, 2019, cash and cash equivalents and restricted cash were \$363.1 million, a decrease of \$176.4 million from \$539.5 million at August 31, 2018.

The change in cash used in operating activities for the six months ended February 28, 2019 compared to the six months ended February 28, 2018 was primarily due to lower earnings and a net change in working capital as we buildup inventory while ramping up production.

Cash provided by (used in) investing activities primarily related to capital expenditures net of proceeds from the sale of assets. The change in cash provided by (used in) investing activities for the six months ended February 28, 2019 compared to the six months ended February 28, 2018 was primarily attributable to an increase in capital expenditures and lower proceeds from the sale of assets.

Capital expenditures totaled \$98.2 million and \$53.5 million for the six months ended February 28, 2019 and 2018, respectively. Manufacturing capital expenditures were approximately \$40.5 million and \$21.0 million for the six months ended February 28, 2019 and 2018, respectively. Capital expenditures for Manufacturing are expected to be approximately \$90 million in 2019 and primarily relate to enhancements of our existing manufacturing facilities. Wheels, Repair & Parts capital expenditures were approximately \$3.2 million and \$1.1 million for the six months ended February 28, 2019 and 2018, respectively. Capital expenditures for Wheels, Repair & Parts are expected to be approximately \$15 million in 2019 for enhancements of our existing facilities. Leasing & Services and corporate capital expenditures were approximately \$54.5 million and \$31.4 million for the six months ended February 28, 2019 and 2018, respectively. Leasing & Services and corporate capital expenditures for 2019 are expected to be approximately \$90 million. Proceeds from sales of leased railcar equipment are expected to be \$120 million for 2019. The asset additions and dispositions for Leasing & Services in 2018 primarily relate to higher volumes of equipment purchases and sales as we rebalance our lease portfolio. Assets from our lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions and to manage risk and liquidity.

Proceeds from the sale of assets, which primarily related to sales of railcars from our lease fleet within Leasing & Services, were approximately \$63.9 million and \$105.1 million for the six months ended February 28, 2019 and 2018, respectively.

The change in cash provided by (used in) financing activities for the six months ended February 28, 2019 compared to the six months ended February 28, 2018 was primarily attributed to proceeds from the issuance of notes payable and a change in the net activities with joint venture partners.

A quarterly dividend of \$0.25 per share was declared on April 2, 2019.

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*THE GREENBRIER COMPANIES, INC.*

The Board of Directors has authorized our company to repurchase shares of our common stock. In January 2019, the expiration date of this share repurchase program was extended from March 31, 2019 to March 31, 2021 and the amount remaining for repurchase was increased from \$88 million to \$100 million. Under the share repurchase program, shares of common stock may be purchased on the open market or through privately negotiated transactions from time to time. The timing and amount of purchases will be based upon market conditions, securities law limitations and other factors. The program may be modified, suspended or discontinued at any time without prior notice. The share repurchase program does not obligate us to acquire any specific number of shares in any period.

Senior secured credit facilities, consisting of three components, aggregated to \$690.1 million as of February 28, 2019. We had an aggregate of \$552.9 million available to draw down under committed credit facilities as of February 28, 2018. This amount consists of \$485.1 million available on the North American credit facility, \$17.8 million on the European credit facilities and \$50.0 million on the Mexican railcar manufacturing joint venture credit facilities.

As of February 28, 2019, a \$600.0 million revolving line of credit, maturing September 2023, secured by substantially all of our assets in the U.S. not otherwise pledged as security for term loans, was available to provide working capital and interim financing of equipment, principally for the U.S. and Mexican operations. Advances under this facility bear interest at LIBOR plus 1.50% or Prime plus 0.50% depending on the type of borrowing. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and fixed charges coverage ratios.

As of February 28, 2019, lines of credit totaling \$40.1 million secured by certain of our European assets, with variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.1% to WIBOR plus 1.3% and Euro Interbank Offered Rate (EURIBOR) plus 1.1%, were available for working capital needs of our European manufacturing operation. The European lines of credit include a \$12.3 million facility which is guaranteed by us. European credit facilities are continually being renewed. Currently, these European credit facilities have maturities that range from June 2019 through February 2021.

Our Mexican railcar manufacturing joint venture has two lines of credit totaling \$50.0 million. The first line of credit provides up to \$30.0 million. Advances under this facility bear interest at LIBOR plus 2.0%. The Mexican railcar manufacturing joint venture will be able to draw against this facility through March 2024. The second line of credit provides up to \$20.0 million, of which we and our joint venture partner have each guaranteed 50%. Advances under this facility bear interest at LIBOR plus 2.0%. The Mexican railcar manufacturing joint venture will be able to draw amounts available under this facility through July 2019.

As of February 28, 2019, outstanding commitments under the senior secured credit facilities consisted of \$24.0 million in letters of credit under the North American credit facility and \$22.3 million outstanding under the European credit facilities.

The revolving and operating lines of credit, along with notes payable, contain covenants with respect to us and our various subsidiaries, the most restrictive of which, among other things, limit our ability to: incur additional indebtedness or guarantees; pay dividends or repurchase stock; enter into capital leases; create liens; sell assets; engage in transactions with affiliates, including joint ventures and non U.S. subsidiaries, including but not limited to loans, advances, equity investments and guarantees; enter into mergers, consolidations or sales of substantially all our assets; and enter into new lines of business. The covenants also require certain maximum ratios of debt to total capitalization and minimum levels of fixed charges (interest plus rent) coverage. As of February 28, 2019, we were in compliance with all such restrictive covenants.

From time to time, we may seek to repurchase or otherwise retire or exchange securities, including outstanding notes, borrowings and equity securities, and take other steps to reduce our debt or otherwise improve our balance sheet. These actions may include open market repurchases, unsolicited or solicited privately negotiated transactions or other retirements, repurchases or exchanges. Such retirements, repurchases or exchanges, if any, will depend on a number of factors, including, but not limited to, prevailing market conditions, trading levels of our debt, our liquidity requirements and contractual restrictions, if applicable. The amounts involved in any such transactions may, individually or in the aggregate, be material and may involve all or a portion of a particular series of notes or other indebtedness which may reduce the float and impact the trading market of notes or other indebtedness which remain outstanding.

***THE GREENBRIER COMPANIES, INC.***

We have global operations that conduct business in their local currencies as well as other currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency, we enter into foreign currency forward exchange contracts with established financial institutions to protect the margin on a portion of foreign currency sales in firm backlog. Given the strong credit standing of the counterparties, no provision has been made for credit loss due to counterparty non-performance.

As of February 28, 2019, we had a \$10.0 million note receivable from Amsted-Maxion Cruzeiro, our unconsolidated Brazilian castings and components manufacturer and a \$20.4 million note receivable balance from Greenbrier-Maxion, our unconsolidated Brazilian railcar manufacturer. These note receivables are included on the Consolidated Balance Sheet in Accounts receivable, net. In the future, we may make loans to or provide guarantees for Amsted-Maxion Cruzeiro or Greenbrier-Maxion.

We expect existing funds and cash generated from operations, together with proceeds from financing activities including borrowings under existing credit facilities and long-term financings, to be sufficient to fund expected debt repayments, working capital needs, planned capital expenditures, additional investments in our unconsolidated affiliates and dividends during the next twelve months.

**Off-Balance Sheet Arrangements**

We do not currently have off balance sheet arrangements that have or are likely to have a material current or future effect on our Consolidated Financial Statements.



**Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires judgment on the part of management to arrive at estimates and assumptions on matters that are inherently uncertain. These estimates may affect the amount of assets, liabilities, revenue and expenses reported in the financial statements and accompanying notes and disclosure of contingent assets and liabilities within the financial statements. Estimates and assumptions are periodically evaluated and may be adjusted in future periods. Actual results could differ from those estimates.

*Income taxes* - For financial reporting purposes, income tax expense is estimated based on amounts anticipated to be reported on tax return filings. Those anticipated amounts may change from when the financial statements are prepared to when the tax returns are filed. Further, because tax filings are subject to review by taxing authorities, there is risk that a position taken in preparation of a tax return may be challenged by a taxing authority. If a challenge is successful, differences in tax expense or between current and deferred tax items may arise in future periods. Any material effect of such differences would be reflected in the financial statements when management considers the effect more likely than not of occurring and the amount reasonably estimable. Valuation allowances reduce deferred tax assets to amounts more likely than not that will be realized based on information available when the financial statements are prepared. This information may include estimates of future income and other assumptions that are inherently uncertain.

*Warranty accruals* - Warranty costs to cover a defined warranty period are estimated and charged to operations. The estimated warranty cost is based on historical warranty claims for each particular product type. For new product types without a warranty history, preliminary estimates are based on historical information for similar product types. These estimates are inherently uncertain as they are based on historical data for existing products and judgment for new products. If warranty claims are made in the current period for issues that have not historically been the subject of warranty claims and were not taken into consideration in establishing the accrual or if claims for issues already considered in establishing the accrual exceed expectations, warranty expense may exceed the accrual for that particular product. Conversely, there is the possibility that claims may be lower than estimates. The warranty accrual is periodically reviewed and updated based on warranty trends. However, as we cannot predict future claims, the potential exists for the difference in any one reporting period to be material.

*Environmental costs* - At times we may be involved in various proceedings related to environmental matters. We estimate future costs for known environmental remediation requirements and accrue for them when it is probable that we have incurred a liability and the related costs can be reasonably estimated based on currently available information. If further developments in or resolution of an environmental matter result in facts and circumstances that are significantly different than the assumptions used to develop these reserves, the accrual for environmental remediation could be materially understated or overstated. Adjustments to these liabilities are made when additional information becomes available that affects the estimated costs to study or remediate any environmental issues or when expenditures for which reserves are established are made. Due to the uncertain nature of environmental matters, there can be no assurance that we will not become involved in future litigation or other proceedings or, if we were found to be responsible or liable in any litigation or proceeding, that such costs would not be material to us.

*Revenue recognition* - We measure revenue at the amounts that reflect the consideration to which we expect to be entitled in exchange for transferring control of goods and services to customers. We recognize revenue either at the point in time or over the period of time that performance obligations to customers are satisfied. Payment terms vary by segment and product type and are generally due within normal commercial terms. Our contracts with customers may

include multiple performance obligations (e.g. railcars, maintenance, management services, etc.). For such arrangements, we allocate revenues to each performance obligation based on its relative standalone selling price. We have disaggregated revenue from contracts with customers into categories which describe the principal activities from which we generate our revenues. See Note 14 - Segment Information for further disaggregated revenue information.

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***THE GREENBRIER COMPANIES, INC.***

*Manufacturing*

Railcars are manufactured in accordance with contracts with customers. We recognize revenue upon our customers acceptance of the completed railcars at a specified delivery point. From time to time, we enter into multi-year supply agreements. Each railcar delivery is considered a distinct performance obligation, such that the amounts that are recognized as revenue following railcar delivery are generally not subject to change.

We typically recognize marine vessel manufacturing revenue over time using the cost input method, based on progress toward contract completion measured by actual costs incurred to date in relation to the estimate of total expected costs. This method best depicts our performance in completing the construction of the marine vessel for the customer and is consistent with the percentage of completion method used prior to the adoption of the new revenue standard.

*Wheels, Repair & Parts*

We operate a network of wheel, repair and parts shops in North America that provide complete wheelset reconditioning and railcar repair services.

Wheels revenue is recognized when wheelsets are shipped to the customer or when consumed by customers in the case of consignment arrangements. Parts revenue is recognized upon shipment of the parts to the customers.

Repair revenue is typically recognized over time using the cost input method, based on progress toward contract completion measured by actual costs incurred to date in relation to the estimate of total expected costs. This method best depicts our performance in repairing the railcars for the customer. Repair services are typically completed in less than 90 days.

*Leasing & Services*

We own a fleet of new and used cars which are leased to third-party customers. Lease revenue is recognized over the lease-term in the period in which it is earned in accordance with ASC 840: *Leases*.

Syndication transactions represent new and used railcars which have been placed on lease to a customer and which we intend to sell to an investor with the lease attached. At the time of such sale, revenue and cost of revenue associated with railcars that we have manufactured are recognized in the Manufacturing segment; while revenue and cost of revenue associated with railcars which were obtained from a third-party with the intent to resell them and subsequently sold, are recognized in the Leasing & Services segment in accordance with ASC 840: *Leases*.

We enter into multi-year contracts to provide management and maintenance services to customers for which revenue is generally recognized on a straight-line basis over the contract term as a stand-ready obligation. Costs to fulfill these contracts are recognized as incurred.

*Impairment of long-lived assets* - When changes in circumstances indicate the carrying amount of certain long-lived assets may not be recoverable, the assets are evaluated for impairment. If the forecast of undiscounted future cash flows are less than the carrying amount of the assets, an impairment charge to reduce the carrying value of the assets to fair value would be recognized in the current period. These estimates are based on the best information available at the time of the impairment and could be materially different if circumstances change. If the forecast of undiscounted future cash flows exceeds the carrying amount of the assets it would indicate that the assets were not impaired.

*Goodwill and acquired intangible assets* - We periodically acquire businesses in purchase transactions in which the allocation of the purchase price may result in the recognition of goodwill and other intangible assets. The determination of the value of such intangible assets requires management to make estimates and assumptions. These estimates affect the amount of future period amortization and possible impairment charges.

***THE GREENBRIER COMPANIES, INC.***

Goodwill and indefinite-lived intangible assets are tested for impairment annually during the third quarter. The provisions of ASC 350: *Intangibles – Goodwill and Other*, require that we perform this test by comparing the fair value of each reporting unit with its carrying value. We determine the fair value of our reporting units based on a weighting of income and market approaches. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows which incorporates expected revenue and margins and the use of discount rates. Under the market approach, we estimate the fair value based on observed market multiples for comparable businesses. An impairment loss is recorded to the extent that the reporting unit's carrying amount exceeds the reporting unit's fair value. An impairment loss cannot exceed the total amount of goodwill allocated to the reporting unit. Goodwill and indefinite-lived intangible assets are also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. When changes in circumstances, such as a decline in the market price of our common stock, changes in demand or in the numerous variables associated with the judgments, assumptions and estimates made in assessing the appropriate valuation of goodwill indicate the carrying amount of certain indefinite lived assets may not be recoverable, the assets are evaluated for impairment. If actual operating results were to differ from these assumptions, it may result in an impairment of our goodwill.

Our goodwill balance was \$82.7 million as of February 28, 2019 of which \$51.1 million related to our Wheels, Repair & Parts segment and \$31.6 million related to our Manufacturing segment.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

*Foreign Currency Exchange Risk*

We have global operations that conduct business in their local currencies as well as other currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency of each entity, we enter into foreign currency forward exchange contracts to protect revenue or margin on a portion of forecast foreign currency sales and expenses. At February 28, 2019 exchange rates, forward exchange contracts for the purchase of Polish Zlotys and the sale of Euros; the purchase of Mexican Pesos and the sale of U.S. Dollars; and for the purchase of U.S. Dollars and the sale of Saudi Riyals aggregated to \$106.2 million. Because of the variety of currencies in which purchases and sales are transacted and the interaction between currency rates, it is not possible to predict the impact a movement in a single foreign currency exchange rate would have on future operating results.

In addition to exposure to transaction gains or losses, we are also exposed to foreign currency exchange risk related to the net asset position of our foreign subsidiaries. At February 28, 2019, net assets of foreign subsidiaries aggregated \$172.6 million and a 10% strengthening of the U.S. Dollar relative to the foreign currencies would result in a decrease in equity of \$17.3 million, or 1.2% of Total equity - Greenbrier. This calculation assumes that each exchange rate would change in the same direction relative to the U.S. Dollar.

*Interest Rate Risk*

We have managed a portion of our variable rate debt with interest rate swap agreements, effectively converting \$111.5 million of variable rate debt to fixed rate debt. As a result, we are exposed to interest rate risk relating to our revolving debt and a portion of term debt, which are at variable rates. At February 28, 2019, 73% of our outstanding debt had fixed rates and 27% had variable rates. At February 28, 2019, a uniform 10% increase in variable interest rates would result in approximately \$0.5 million of additional annual interest expense.

**Item 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

Our management has evaluated, under the supervision and with the participation of our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control over Financial Reporting*

There have been no changes in our internal control over financial reporting during the quarter ended February 28, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

There is hereby incorporated by reference the information disclosed in Note 16 to Consolidated Financial Statements, Part I of this quarterly report.

**Item 1A. Risk Factors**

This Form 10-Q should be read in conjunction with the risk factors and information disclosed in our Annual Report on Form 10-K for the year ended August 31, 2018. There have been no material changes in the risk factors described in our Annual Report on Form 10-K for the year ended August 31, 2018.

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

The Board of Directors has authorized the Company to repurchase shares of the Company's common stock. In January 2019, the expiration date of this share repurchase program was extended from March 31, 2019 to March 31, 2021 and the amount remaining for repurchase was increased from \$88 million to \$100 million. Under the share repurchase program, shares of common stock may be purchased on the open market or through privately negotiated transactions from time to time. The timing and amount of purchases will be based upon market conditions, securities law limitations and other factors. The program may be modified, suspended or discontinued at any time without prior notice. The share repurchase program does not obligate the Company to acquire any specific number of shares in any period.

There were no shares repurchased under the share repurchase program during the three months ended February 28, 2019.

Period	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid Per Share (Including Commissions)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>1</sup>
December 1, 2018 – December 31, 2018			\$ 87,989,491
January 1, 2019 – January 31, 2019			\$ 100,000,000
February 1, 2019 – February 28, 2019			\$ 100,000,000



- <sup>1</sup> In January 2019, the Board of Directors authorized an increase in the amount remaining for repurchase under the share repurchase program from \$88 million to \$100 million.

**Item 6. Exhibits**

(a) List of Exhibits:

31.1 Certification pursuant to Rule 13a-14 (a).

31.2 Certification pursuant to Rule 13a-14 (a).

32.1 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended February 28, 2019 formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to Condensed Consolidated Financial Statements.

***THE GREENBRIER COMPANIES, INC.***

**SIGNATURES**

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.

**THE GREENBRIER COMPANIES, INC.**

Date: April 5, 2019

By: /s/ Lorie L. Tekorius  
Lorie L. Tekorius  
Executive Vice President and

Chief Operating Officer

(Principal Financial Officer)

Date: April 5, 2019

By: /s/ Adrian J. Downes  
Adrian J. Downes  
Senior Vice President,

Acting Chief Financial Officer and

Chief Accounting Officer

(Principal Accounting Officer)