TRINITY INDUSTRIES INC
Form 10-Q
October 29, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________ .
Commission File Number 1-6903
Trinity Industries, Inc.
(Exact name of registrant as specified in its charter)

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

(214) 631-4420
(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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ
At October 15, 2014 the number of shares of common stock outstanding was 155,637,103.

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All share and per share information, including dividends, has been retroactively adjusted to reflect the 2-for-1 stock split, except for the statement of stockholders' equity which reflects the stock split by reclassifying from "Capital in Excess of Par Value" to "Common Stock" an amount equal to the par value of the additional shares issued to effect the stock split.

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PART I
Item 1. Financial Statements
Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions, except per share amounts)			
Revenues:				
Manufacturing	$1,359.8	$959.7	$3,638.0	$2,654.7
Leasing	203.0	150.6	870.6	454.6
	1,562.8	1,110.3	4,508.6	3,109.3
Operating costs:				
Cost of revenues:				
Manufacturing	1,062.6	767.0	2,827.5	2,134.2
Leasing	109.6	69.3	517.0	225.4
	1,172.2	836.3	3,344.5	2,359.6
Selling, engineering, and administrative expenses:				
Manufacturing	64.2	43.9	169.7	133.7
Leasing	12.1	8.9	33.8	27.5
Other	36.7	17.8	89.5	49.9
	113.0	70.6	293.0	211.1
Gains on disposition of property, plant, and equipment:				
Net gains on railcar lease fleet sales owned more than one year at the time of sale	3.0	1.6	90.2	9.6
Other	0.6	0.6	13.2	0.3
	3.6	2.2	103.4	9.9
Total operating profit	281.2	205.6	974.5	548.5
Other (income) expense:				
Interest income	(0.4)	(0.6)	(1.5)	(1.4)
Interest expense	48.2	45.8	141.4	141.5
Other, net	(1.0)	(0.5)	(2.8)	(2.3)
	46.8	44.7	137.1	137.8
Income from continuing operations before income taxes	234.4	160.9	837.4	410.7
Provision for income taxes	78.1	55.1	274.5	143.5
Net income from continuing operations	156.3	105.8	562.9	267.2
Discontinued operations:				
Gain on sale of discontinued operations, net of provision for income taxes of $-, $-, $- and $5.4	—	—	—	7.1
Income (loss) from discontinued operations, net of provision (benefit) for income taxes of $0.2, $0.1, $- and $(0.7)	0.6	0.3	0.1	(1.2)
Net income	156.9	106.1	563.0	273.1
Net income attributable to noncontrolling interest	7.5	6.5	23.0	10.4
Net income attributable to Trinity Industries, Inc.	$149.4	$99.6	$540.0	$262.7
Net income attributable to Trinity Industries, Inc. per common share:				
Basic:				

Continuing operations	$0.95	$0.63	$3.46	$1.62
Discontinued operations	—	—	—	0.04
	$0.95	$0.63	$3.46	$1.66
Diluted:				
Continuing operations	$0.90	$0.63	$3.33	$1.62
Discontinued operations	—	—	—	0.04
	$0.90	$0.63	$3.33	$1.66
Weighted average number of shares outstanding:				
Basic	151.5	152.2	150.9	153.4
Diluted	159.6	152.3	157.0	153.6
Dividends declared per common share	$0.100	$0.075	$0.275	$0.195

See accompanying notes to consolidated financial statements.

Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Net income	$156.9	$106.1	$563.0	$273.1
Other comprehensive income (loss):				
Derivative financial instruments:				
Unrealized gains/(losses) arising during the period, net of tax expense/(benefit) of $–, $(0.5), $(0.5) and $(0.1)	0.1	(0.4)	(0.9)	0.4
Reclassification adjustments for losses included in net income, net of tax benefit of $1.9, $2.0, $6.6 and $6.8	4.2	4.4	11.9	13.7
Currency translation adjustment	(0.6)	—	(0.6)	—
Defined benefit plans:				
Amortization of net actuarial losses, net of tax benefit of $0.3, $0.4, $0.5 and $1.4	0.7	0.8	1.1	2.3
	4.4	4.8	11.5	16.4
Comprehensive income	161.3	110.9	574.5	289.5
Less: comprehensive income attributable to noncontrolling interest	8.6	7.3	25.4	13.6
Comprehensive income attributable to Trinity Industries, Inc.	$152.7	$103.6	$549.1	$275.9

See accompanying notes to consolidated financial statements.

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Trinity Industries, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2014 (unaudited) (in millions)	December 31, 2013
ASSETS		
Cash and cash equivalents	$663.7	$428.5
Short-term marketable securities	—	149.7
Receivables, net of allowance	560.7	372.7
Inventories:		
Raw materials and supplies	639.2	477.0
Work in process	346.8	201.4
Finished goods	124.2	136.3
	1,110.2	814.7
Restricted cash, including partially-owned subsidiaries of $94.3 and $77.1	237.9	260.7
Property, plant, and equipment, at cost, including partially-owned subsidiaries of $2,260.0 and $1,887.2	6,493.4	6,275.8
Less accumulated depreciation, including partially-owned subsidiaries of $245.3 and $202.1	(1,638.1)	(1,505.2)
	4,855.3	4,770.6
Goodwill	742.1	278.2
Other assets	375.0	238.3
	$8,544.9	$7,313.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$323.7	$216.3
Accrued liabilities	570.1	567.4
Debt:		
Recourse, net of unamortized discount of $63.7 and $74.1	826.3	419.0
Non-recourse:		
Wholly-owned subsidiaries	1,230.7	1,314.7
Partially-owned subsidiaries	1,538.6	1,256.1
	3,595.6	2,989.8
Deferred income	37.4	40.8
Deferred income taxes	606.1	650.7
Other liabilities	109.1	99.3
	5,242.0	4,564.3
Stockholders’ equity:		
Preferred stock – 1.5 shares authorized and unissued	—	—
Common stock – 200.0 shares authorized	156.1	81.7
Capital in excess of par value	468.7	686.6
Retained earnings	2,367.3	1,870.0
Accumulated other comprehensive loss	(68.8)	(78.2)
Treasury stock	(22.2)	(158.0)
	2,901.1	2,402.1
Noncontrolling interest	401.8	347.0
	3,302.9	2,749.1
	$8,544.9	$7,313.4

See accompanying notes to consolidated financial statements.

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Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(in millions)	
Operating activities:		
Net income	$563.0	$273.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations	(0.1)	(5.9)
Depreciation and amortization	171.5	156.2
Stock-based compensation expense	38.1	31.1
Excess tax benefits from stock-based compensation	(24.2)	(8.1)
Benefit for deferred income taxes	(61.2)	(41.9)
Net gains on railcar lease fleet sales owned more than one year at the time of sale	(90.2)	(9.6)
Gains on disposition of property, plant, equipment, and other assets	(13.2)	(0.3)
Non-cash interest expense	22.4	23.7
Other	(4.4)	(5.8)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(155.5)	(112.3)
(Increase) decrease in inventories	(226.3)	(72.2)
(Increase) decrease in restricted cash	25.0	—
(Increase) decrease in other assets	(34.2)	(48.6)
Increase (decrease) in accounts payable	89.0	19.7
Increase (decrease) in accrued liabilities	28.7	123.8
Increase (decrease) in other liabilities	3.4	45.6
Net cash provided by operating activities - continuing operations	331.8	368.5
Net cash provided by operating activities - discontinued operations	0.8	6.2
Net cash provided by operating activities	332.6	374.7
Investing activities:		
(Increase) decrease in short-term marketable securities	149.7	(96.0)
Proceeds from railcar lease fleet sales owned more than one year at the time of sale	257.4	59.3
Proceeds from disposition of property, plant, equipment, and other assets	21.9	1.1
Capital expenditures – leasing, net of sold lease fleet railcars owned one year or less with a net cost of $295.4 and $15.5	(170.4)	(455.5)
Capital expenditures – manufacturing and other	(170.0)	(91.2)
Acquisitions, net of cash acquired	(711.8)	(37.2)
Other	2.0	(9.4)
Net cash required by investing activities - continuing operations	(621.2)	(628.9)
Net cash provided by investing activities - discontinued operations	—	0.4
Net cash required by investing activities	(621.2)	(628.5)
Financing activities:		
Proceeds from issuance of common stock, net	0.6	2.1
Excess tax benefits from stock-based compensation	24.2	8.1
Payments to retire debt	(140.2)	(227.5)
Proceeds from issuance of debt	727.4	175.4

(Increase) decrease in restricted cash	(2.2)	(26.1)
Shares repurchased	(36.5)	(71.1)
Dividends paid to common shareholders	(38.7)	(27.5)
Purchase of shares to satisfy employee tax on vested stock	(38.5)	(9.1)
Proceeds from sale of interests in partially-owned leasing subsidiaries	—	296.7
Repurchase of noncontrolling interests in partially-owned leasing subsidiary	—	(84.0)
Contributions from noncontrolling interest	49.6	50.0
Distributions to noncontrolling interest	(19.3)	(3.3)
Other	(1.3)	0.7
Net cash provided by financing activities - continuing operations	525.1	84.4
Net cash required by financing activities - discontinued operations	(1.3)	(1.0)
Net cash provided by financing activities	523.8	83.4
Net increase (decrease) in cash and cash equivalents	235.2	(170.4)
Cash and cash equivalents at beginning of period	428.5	573.0
Cash and cash equivalents at end of period	$663.7	$402.6

See accompanying notes to consolidated financial statements.

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Trinity Industries, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
(unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Trinity Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	$1 Par Value				Shares	Amount			
	(in millions, except par value)									
Balances at December 31, 2013	81.7	$81.7	$686.6	$1,870.0	$(78.2)	(4.3)	$(158.0)	$2,402.1	$347.0	$2,749.1
Net income	—	—	—	540.0	—	—	—	540.0	23.0	563.0
Other comprehensive income	—	—	—	—	9.1	—	—	9.1	2.4	11.5
Cash dividends on common stock	—	—	—	(42.7)	—	—	—	(42.7)	—	(42.7)
Restricted shares, net	—	—	13.1	—	—	0.6	(13.5)	(0.4)	—	(0.4)
Shares repurchased	—	—	—	—	—	(0.6)	(31.5)	(31.5)	—	(31.5)
Stock options exercised	—	—	—	—	—	—	0.6	0.6	—	0.6
Excess tax benefits from stock-based compensation	—	—	24.2	—	—	—	—	24.2	—	24.2
Contributions from noncontrolling interest	—	—	—	—	—	—	—	—	49.6	49.6
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(19.3)	(19.3)
Retirement of treasury stock	(3.7)	(3.7)	(176.6)	—	—	3.7	180.3	—	—	—
Stock split	78.0	78.0	(78.0)	—	—	—	—	—	—	—
Other	0.1	0.1	(0.6)	—	0.3	—	(0.1)	(0.3)	(0.9)	(1.2)
Balances at September 30, 2014	156.1	$156.1	$468.7	$2,367.3	$(68.8)	(0.6)	$(22.2)	$2,901.1	$401.8	$3,302.9

See accompanying notes to consolidated financial statements.

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Trinity Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The foregoing consolidated financial statements are unaudited and have been prepared from the books and records of Trinity Industries, Inc. and its consolidated subsidiaries (“Trinity”, “Company”, “we”, or “our”) including the accounts of its wholly-owned subsidiaries and its partially-owned subsidiaries, TRIP Rail Holdings LLC (“TRIP Holdings”) and RIV 2013 Rail Holdings LLC ("RIV 2013"), in which the Company has a controlling interest. In our opinion, all normal and recurring adjustments necessary for a fair presentation of the financial position of the Company as of September 30, 2014, and the results of operations for the three and nine months ended September 30, 2014 and 2013, and cash flows for the nine months ended September 30, 2014 and 2013, have been made in conformity with generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated. Because of seasonal and other factors, the results of operations for the nine months ended September 30, 2014 may not be indicative of expected results of operations for the year ending December 31, 2014. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of the Company included in its Form 10-K for the year ended December 31, 2013.

Stockholders' Equity

On May 5, 2014, the Company's Board of Directors authorized a 2-for-1 stock split on its common shares. The stock split was issued in the form of a 100% stock dividend. The additional shares were distributed on June 19, 2014, to shareholders of record at the close of business on June 5, 2014. All share and per share information, including dividends, has been retroactively adjusted to reflect the 2-for-1 stock split, except for the statement of stockholders' equity which will reflect the stock split by reclassifying $78.0 million from "Capital in Excess of Par Value" to "Common Stock" representing the par value of the additional shares issued to effect the stock split.

In March 2014, the Company’s Board of Directors authorized a new $250 million share repurchase program that expires on December 31, 2015 and replaced the Company's previously authorized $200 million share repurchase program. Under the new program, 407,100 shares and 747,246 shares, respectively, were repurchased during the three and nine months ended September 30, 2014, at a cost of approximately $19.0 million and $31.5 million, respectively. During the three and nine months ended September 30, 2013, the Company repurchased 1,079,882 shares and 3,668,378 shares, respectively, under the prior program at a cost of approximately $23.9 million and $73.8 million, respectively. Certain shares of stock repurchased during September 2013, totaling $2.7 million, were cash settled in October 2013 in accordance with normal settlement practices.

Revenue Recognition

Revenues for contracts providing for a large number of units and few deliveries are recorded as the individual units are produced, inspected, and accepted by the customer as the risk of loss passes to the customer upon delivery acceptance on these contracts. This occurs primarily in the Rail and Inland Barge Groups. Revenue from rentals and operating leases, including contracts which contain non-level fixed rental payments, is recognized monthly on a straight-line basis. Revenue is recognized from the sales of railcars from the lease fleet on a gross basis in leasing revenues and cost of revenues if the railcar has been owned for one year or less at the time of sale. Sales of railcars from the lease fleet that have been owned for more than one year are recognized as a net gain or loss from the disposal of a long-term asset. Fees for shipping and handling are recorded as revenue. For all other products, we recognize revenue when products are shipped or services are provided.

Financial Instruments

The Company considers all highly liquid debt instruments to be either cash and cash equivalents if purchased with a maturity of three months or less, or short-term marketable securities if purchased with a maturity of more than three months and less than one year. The Company intends to hold its short-term marketable securities until they are redeemed at their maturity date and believes that under the "more likely than not" criteria, the Company will not be required to sell the securities before recovery of their amortized cost bases, which may be maturity.

Financial instruments that potentially subject the Company to a concentration of credit risk are primarily cash investments including restricted cash, short-term marketable securities, and receivables. The Company places its cash investments and short-term marketable securities in bank deposits and investment grade, short-term debt instruments and limits the amount of credit exposure to any one commercial issuer. Concentrations of credit risk with respect to receivables are limited due to control procedures

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that monitor the credit worthiness of customers, the large number of customers in the Company's customer base, and their dispersion across different industries and geographic areas. As receivables are generally unsecured, the Company maintains an allowance for doubtful accounts based upon the expected collectibility of all receivables. Receivable balances determined to be uncollectible are charged against the allowance. The carrying values of cash, short-term marketable securities, receivables, and accounts payable are considered to be representative of their respective fair values. At September 30, 2014, one customer's net receivable balance in our Rail Group, all within terms, accounted for 10% of the consolidated net receivables balance outstanding.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers," ("ASU 2014-09") providing common revenue recognition guidance for U.S. GAAP. Under ASU 2014-09, an entity recognizes revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires additional detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 will become effective for public companies during interim and annual reporting periods beginning after December 15, 2016. Early application is not permitted. We are currently evaluating the impact this standard will have on our consolidated financial statements.

Reclassifications

Certain prior year balances have been reclassified in the consolidated statements of cash flows to conform to the 2014 presentation.

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Note 2. Acquisitions and Divestitures

The Company's acquisition and divestiture activities are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Acquisitions:				
Purchase price	$593.0	$—	$718.3	$83.4
Net cash paid	$593.0	$—	$711.8	$37.2
Goodwill recorded	$376.7	$—	$463.9	$9.5
Divestitures:				
Proceeds	$—	$—	$—	$35.6
Gain recognized	$—	$—	$—	$12.5
Goodwill charged off	$—	$—	$—	$4.8

Acquisition of Meyer Steel Structures

On August 18, 2014, Trinity completed its acquisition of the assets of Meyer Steel Structures ("Meyer"), the utility steel structures division of Thomas & Betts Corporation, a member of the ABB Group, for approximately $593.0 million in cash. Meyer is one of North America's leading providers of tubular steel structures for electricity transmission and distribution and is included in the Company's Energy Equipment Group. For the nine months ended September 30, 2014, the Company incurred $8.3 million in acquisition-related transaction costs which have been expensed in our Corporate segment and $1.5 million in non-recurring additional state income tax expense included in our consolidated provision for income taxes. Due to the size and complexity of Meyer, the purchase price was allocated on a preliminary basis to the assets acquired and liabilities assumed based on their acquisition date fair value using level three inputs. We expect to complete our purchase price allocation as soon as reasonably possible not to exceed one year from the acquisition date. Adjustments to the preliminary purchase price allocation could be material to the purchase price allocation. The following table represents our preliminary purchase price allocation:

	September 30, 2014
	(in millions)
Accounts receivable	$29.4
Inventories	37.8
Property, plant, and equipment	72.1
Goodwill	378.4
Other assets	102.4
Accounts payable	(15.4)
Accrued liabilities	(11.7)
Total net assets acquired	$593.0

Level three inputs are those that reflect our estimates about the assumptions market participants would use in determining the fair value of the asset or liability based on the best information available in the circumstances. Valuation techniques for assets and liabilities measured using level three inputs may include methodologies such as the market approach, the income approach or the cost approach and may use unobservable inputs such as projections, estimates and management’s interpretation of current market data. These unobservable inputs are utilized only to the extent that observable inputs are not available or cost effective to obtain. Goodwill, all tax-deductible, was primarily related to the value of Meyer's market position and its existing workforce. Based on our preliminary valuation, other assets include intangibles arising from the Meyer acquisition as follows:

	Preliminary estimated fair value (in millions)	Weighted average useful life
Customer relationships	$62.6	15.3 years
Trademarks/trade names	34.1	Indefinite
Technology	5.6	5.0 years
	$102.3	

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In addition to Meyer, during the nine months ended September 30, 2014, we completed the acquisition of three businesses in our Energy Equipment Group located in the U.S. and Canada and one business in our Construction Products Group located in the U.S. These acquisitions were recorded based on preliminary valuations of the related assets and liabilities at their acquisition date fair value using level three inputs. Such assets and liabilities were not significant in relation to assets and liabilities at the consolidated or segment level. The valuations of the three Energy Equipment Group acquisitions were finalized as of September 30, 2014.

The operating results of our 2014 acquisitions, as summarized in the following table, are included in the Consolidated Statements of Operations from their date of acquisition, exclude transaction-related acquisition costs that are included in the Corporate segment, and include additional amortization expense resulting from the preliminary purchase price allocation:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
	(in millions)	
Revenues	$65.0	$97.8
Operating profit	$2.2	$3.7

The following table represents the pro-forma consolidated operating results of the Company as if our 2014 acquisitions had been acquired on January 1, 2013. The pro-forma information should not be considered indicative of the results that would have occurred if the acquisitions had been completed on January 1, 2013, nor is such pro-forma information necessarily indicative of future results.

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
	(in millions)	
Revenues	$4,708.4	$4,830.8
Operating profit	$995.2	$834.7

During the nine months ended September 30, 2013, the Company divested its ready-mix concrete operations in exchange for certain aggregates operations. The divestiture has been accounted for and reported as a discontinued operation. Condensed results of operations for the ready-mix concrete operations for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Revenues	$—	$—	$—	$31.6
Income (loss) from discontinued operations before income taxes	$0.8	$0.4	$0.1	$(1.9)
Income tax provision (benefit)	0.2	0.1	—	(0.7)
Net income (loss) from discontinued operations	$0.6	$0.3	$0.1	$(1.2)

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Note 3. Fair Value Accounting

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement as of September 30, 2014 (in millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$348.8	$—	$—	$348.8
Restricted cash	237.9	—	—	237.9
Total assets	$586.7	$—	$—	$586.7
Liabilities:				
Interest rate hedges:(1)				
Wholly-owned subsidiaries	$—	$10.3	$—	$10.3
Partially-owned subsidiaries	—	1.8	—	1.8
Total liabilities	$—	$12.1	$—	$12.1

	Fair Value Measurement as of December 31, 2013 (in millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$230.6	$—	$—	$230.6
Restricted cash	260.7	—	—	260.7
Total assets	$491.3	$—	$—	$491.3
Liabilities:				
Interest rate hedges:(1)				
Wholly-owned subsidiaries	$—	$21.7	$—	$21.7
Partially-owned subsidiaries	—	2.1	—	2.1
Total liabilities	$—	$23.8	$—	$23.8

(1) Included in accrued liabilities on the consolidated balance sheet.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for that asset or liability in an orderly transaction between market participants on the measurement date. An entity is required to establish a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair values are listed below:

Level 1 – This level is defined as quoted prices in active markets for identical assets or liabilities. The Company’s cash equivalents, excluding commercial paper, and restricted cash are instruments of the U.S. Treasury or highly-rated money market mutual funds.

Level 2 – This level is defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Interest rate hedges are valued at exit prices obtained from each counterparty. See Note 7 Derivative Instruments and Note 11 Debt.

Level 3 – This level is defined as unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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The carrying amounts and estimated fair values of our long-term debt are as follows:

	September 30, 2014		December 31, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in millions)			
Recourse:				
Senior notes due 2024	$399.6	$400.7	$—	$—
Convertible subordinated notes	449.5	874.1	450.0	593.4
Less: unamortized discount	(63.3)		(74.1)	
	386.2		375.9	
Capital lease obligations	39.8	39.8	42.2	42.2
Other	0.7	0.7	0.9	0.9
	826.3	1,315.3	419.0	636.5
Non-recourse:				
2006 secured railcar equipment notes	228.1	251.4	240.7	259.2
Promissory notes	374.3	371.3	396.1	389.6
2009 secured railcar equipment notes	191.3	230.3	199.0	229.5
2010 secured railcar equipment notes	315.2	347.1	326.9	342.7
TILC warehouse facility	121.8	121.8	152.0	152.0
TRL 2012 secured railcar equipment notes - RIV 2013	480.4	479.2	499.3	483.4
TRIP Master Funding secured railcar equipment notes	1,058.2	1,138.8	756.8	819.8
	2,769.3	2,939.9	2,570.8	2,676.2
Total	$3,595.6	$4,255.2	$2,989.8	$3,312.7

The estimated fair value of our senior notes and convertible subordinated notes were based on a quoted market price in a market with little activity as of September 30, 2014 and December 31, 2013, respectively (Level 2 input). The estimated fair values of our 2006, 2009, 2010, and 2012 secured railcar equipment notes, promissory notes, and TRIP Rail Master Funding LLC (“TRIP Master Funding”) secured railcar equipment notes are based on our estimate of their fair value as of September 30, 2014 and December 31, 2013, respectively. These values were determined by discounting their future cash flows at the current market interest rate (Level 3 inputs). The carrying value of our Trinity Industries Leasing Company (“TILC”) warehouse facility approximates fair value because the interest rate adjusts to the market interest rate (Level 3 input). The fair values of all other financial instruments are estimated to approximate carrying value. See Note 11 Debt for a description of the Company's long-term debt.

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Note 4. Segment Information

The Company reports operating results in five principal business segments: (1) the Rail Group, which manufactures and sells railcars and related parts and components; (2) the Construction Products Group, which manufactures and sells highway products and other steel products and services for infrastructure-related projects, and produces and sells aggregates; (3) the Inland Barge Group, which manufactures and sells barges and related products for inland waterway services; (4) the Energy Equipment Group, which manufactures and sells products for energy-related businesses, including structural wind towers, storage containers, transport trailers, tank heads for pressure and non-pressure vessels, and utility, traffic, and lighting structures; and (5) the Railcar Leasing and Management Services Group ("Leasing Group"), which owns and operates a fleet of railcars as well as provides third-party fleet management, maintenance, and leasing services. The segment All Other includes our captive insurance and transportation companies; legal, environmental, and maintenance costs associated with non-operating facilities; and other peripheral businesses. Gains and losses from the sale of property, plant, and equipment that are related to manufacturing and dedicated to the specific manufacturing operations of a particular segment are included in operating profit of that respective segment. Gains and losses from the sale of property, plant, and equipment that can be utilized by multiple segments are included in operating profit of the All Other segment. Total assets of the Energy Equipment Group amounted to $1,158.5 million as of September 30, 2014. See Note 2 Acquisitions and Divestitures for further discussion.

Sales and related net profits from the Rail Group to the Leasing Group are recorded in the Rail Group and eliminated in consolidation. Sales between these groups are recorded at prices comparable to those charged to external customers, taking into consideration quantity, features, and production demand. Intersegment sales and net profit ("deferred profit") are eliminated in consolidation and reflected in the "Eliminations – Lease subsidiary" line in the table below. Amortization of deferred profit on railcars sold to the Leasing Group is included in the operating profit of the Leasing Group, resulting in the recognition of depreciation expense based on the Company's original manufacturing cost of the railcars. Sales of railcars from the lease fleet are included in the Leasing Group, with related gains and losses computed based on the net book value of the original manufacturing cost of the railcars.

The financial information from continuing operations for these segments is shown in the tables below. We operate principally in North America.

Three Months Ended September 30, 2014

	Revenues External (in millions)	Intersegment	Total	Operating Profit (Loss)
Rail Group	$802.3	$194.1	$996.4	$186.4
Construction Products Group	168.4	2.0	170.4	21.6
Inland Barge Group	168.4	—	168.4	31.0
Energy Equipment Group	219.0	50.7	269.7	30.0
Railcar Leasing and Management Services Group	203.0	2.7	205.7	87.0
All Other	1.7	27.2	28.9	(3.3)
Segment Totals before Eliminations and Corporate	1,562.8	276.7	1,839.5	352.7
Corporate	—	—	—	(36.7)
Eliminations – Lease subsidiary	—	(186.5)	(186.5)	(34.3)
Eliminations – Other	—	(90.2)	(90.2)	(0.5)
Consolidated Total	$1,562.8	$—	$1,562.8	$281.2

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Three Months Ended September 30, 2013

	Revenues External (in millions)	Intersegment	Total	Operating Profit (Loss)
Rail Group	$541.5	$177.0	$718.5	$121.5
Construction Products Group	145.8	3.4	149.2	18.6
Inland Barge Group	136.4	—	136.4	23.8
Energy Equipment Group	135.0	34.7	169.7	15.0
Railcar Leasing and Management Services Group	150.6	—	150.6	74.0
All Other	1.0	21.0	22.0	(1.6)
Segment Totals before Eliminations and Corporate	1,110.3	236.1	1,346.4	251.3
Corporate	—	—	—	(17.8)
Eliminations – Lease subsidiary	—	(173.0)	(173.0)	(28.3)
Eliminations – Other	—	(63.1)	(63.1)	0.4
Consolidated Total	$1,110.3	$—	$1,110.3	$205.6

Nine Months Ended September 30, 2014

	Revenues External (in millions)	Intersegment	Total	Operating Profit (Loss)
Rail Group	$2,164.1	$585.3	$2,749.4	$529.9
Construction Products Group	430.5	4.7	435.2	65.7
Inland Barge Group	470.7	—	470.7	88.6
Energy Equipment Group	569.2	138.7	707.9	81.2
Railcar Leasing and Management Services Group	870.6	9.7	880.3	419.7
All Other	3.5	76.7	80.2	(11.3)
Segment Totals before Eliminations and Corporate	4,508.6	815.1	5,323.7	1,173.8
Corporate	—	—	—	(89.5)
Eliminations – Lease subsidiary	—	(564.2)	(564.2)	(110.5)
Eliminations – Other	—	(250.9)	(250.9)	0.7
Consolidated Total	$4,508.6	$—	$4,508.6	$974.5

Nine Months Ended September 30, 2013

	Revenues External (in millions)	Intersegment	Total	Operating Profit (Loss)
Rail Group	$1,439.2	$572.8	$2,012.0	$332.3
Construction Products Group	393.1	14.4	407.5	45.3
Inland Barge Group	433.8	—	433.8	69.0
Energy Equipment Group	384.9	92.0	476.9	44.2
Railcar Leasing and Management Services Group	454.6	—	454.6	211.3
All Other	3.7	59.3	63.0	(8.0)
Segment Totals before Eliminations and Corporate	3,109.3	738.5	3,847.8	694.1

Corporate	—	—	—	(49.9)
Eliminations – Lease subsidiary	—	(560.5)	(560.5)	(95.4)
Eliminations – Other	—	(178.0)	(178.0)	(0.3)
Consolidated Total	$3,109.3	$—	$3,109.3	$548.5

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Note 5. Partially-Owned Leasing Subsidiaries

The Company, through its wholly-owned subsidiary, TILC, formed two subsidiaries, TRIP Holdings and RIV 2013, for the purpose of providing railcar leasing in North America. Each of TRIP Holdings and RIV 2013 are direct, partially-owned subsidiaries of TILC and are each governed by a seven-member board of representatives, two of whom are designated by TILC. TILC is the agent of each of TRIP Holdings and RIV 2013 and as such, has been delegated the authority, power, and discretion to take certain actions on behalf of the respective companies. Each of TRIP Holdings and RIV 2013 in turn has wholly-owned subsidiaries which are the owners of railcars. These wholly-owned subsidiaries are TRIP Master Funding (wholly-owned by TRIP Holdings) and Trinity Rail Leasing 2012 LLC ("TRL 2012", wholly-owned by RIV 2013). TILC is the contractual servicer for TRIP Master Funding and TRL 2012, with the authority to manage and service each entity's owned railcars. The Company's controlling interest in each of TRIP Holdings and RIV 2013 results from its combined role as both equity member and agent/servicer. The noncontrolling interest included in the accompanying consolidated balance sheets represents the non-Trinity equity interest in these partially-owned subsidiaries. The railcars owned by TRIP Master Funding were originally acquired from the Company's Rail and Leasing Groups by TRIP Rail Leasing LLC ("TRIP Leasing"), a wholly-owned subsidiary of TRIP Holdings. TRIP Master Funding acquired the railcars from TRIP Leasing in July 2011. TRIP Leasing currently owns no railcars and is not expected to acquire any railcars.
TRIP Holdings and RIV 2013, through TRIP Leasing and TRL 2012, respectively, acquired railcars from the Company's Rail and Leasing Groups funded by capital contributions from TILC and third-party equity investors, and from secured borrowings. Railcars purchased from the Company by TRIP Master Funding and TRL 2012 are required to be purchased at fair value as determined by TILC and approved by the boards of representatives of TRIP Holdings and RIV 2013, respectively. The assets of each of TRIP Master Funding and TRL 2012 may only be used to satisfy the particular subsidiary's liabilities, and the creditors of each of TRIP Master Funding and TRL 2012 have recourse only to the particular subsidiary's assets. Each of TILC and the third-party equity investors receive distributions from TRIP Holdings and RIV 2013, when allowed, in proportion to its respective equity interests, and has an interest in the net assets of the partially-owned subsidiaries upon a liquidation event in the same proportion. TILC is paid fees for the services it provides to TRIP Master Funding and TRL 2012 and has the potential to earn certain incentive fees. With respect to TRIP Holdings as of September 30, 2014, TILC has a commitment that expires in May 2016 to provide additional equity funding of up to $5.7 million for the purchase of railcars and satisfaction of certain other liabilities of TRIP Holdings. The third-party equity investors in TRIP Holdings have a similar commitment that expires in May 2016 to provide up to $12.9 million of additional equity funding. TILC and the third-party equity investors may have additional commitments to provide equity funding to TRIP Holdings that expire in May 2019 contingent upon certain returns on investment in TRIP Holdings and other conditions being met. Trinity has no obligation to guarantee performance under any of the partially-owned subsidiaries' (or their respective subsidiaries') debt agreements, guarantee any railcar residual values, shield any parties from losses, or guarantee minimum yields.

In May 2014, TILC and the third-party investors of TRIP Holdings contributed $21.6 million and $49.6 million, respectively, net of expenses, to TRIP Holdings. These contributions, combined with additional secured borrowings, were used to purchase additional railcar equipment from TILC. At September 30, 2014, the Company's carrying value of its investment in TRIP Holdings and RIV 2013 totaled $229.7 million representing the Company's weighted average 39% ownership interest. The Company's investments in its partially-owned leasing subsidiaries are eliminated in consolidation.
See Note 11 Debt regarding the debt of TRIP Holdings and RIV 2013 and their respective subsidiaries.

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Note 6. Railcar Leasing and Management Services Group

The Railcar Leasing and Management Services Group owns and operates a fleet of railcars as well as provides third-party fleet management, maintenance, and leasing services. Selected consolidating financial information for the Leasing Group is as follows:

	September 30, 2014 Leasing Group Wholly-Owned Subsidiaries (in millions)	Partially-Owned Subsidiaries	Manufacturing/ Corporate	Total
Cash, cash equivalents, and short-term marketable securities	$2.3	$—	$661.4	$663.7
Property, plant, and equipment, net	$2,547.6	$2,014.7	$849.1	$5,411.4
Net deferred profit on railcars sold to the Leasing Group				(556.1)
Consolidated property, plant and equipment, net				$4,855.3
Restricted cash	$143.6	$94.3	$—	$237.9
Debt:				
Recourse	$39.8	$—	$850.2	$890.0
Less: unamortized discount	—	—	(63.7)	(63.7)
	39.8	—	786.5	826.3
Non-recourse	1,230.7	1,538.6	—	2,769.3
Total debt	$1,270.5	$1,538.6	$786.5	$3,595.6
Net deferred tax liabilities	$601.3	$—	$(1.1)	$600.2

	December 31, 2013 Leasing Group Wholly-Owned Subsidiaries (in millions)	Partially-Owned Subsidiaries	Manufacturing/ Corporate	Total
Cash, cash equivalents, and short-term marketable securities	$3.5	$—	$574.7	$578.2
Property, plant, and equipment, net	$2,964.6	$1,685.1	$670.6	$5,320.3
Net deferred profit on railcars sold to the Leasing Group				(549.7)
Consolidated property, plant and equipment, net				$4,770.6
Restricted cash	$183.6	$77.1	$—	$260.7
Debt:				