

GREENBRIER COMPANIES INC
Form 10-K
October 31, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549-1004

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2013

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 No. 1-13146

THE GREENBRIER COMPANIES, INC.

(Exact name of Registrant as specified in its charter)

Oregon **93-0816972**
(State of Incorporation) (I.R.S. Employer Identification No.)
One Centerpointe Drive, Suite 200, Lake Oswego, OR 97035

(Address of principal executive offices)

(503) 684-7000

(Registrant's telephone number, including area code)

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

(Title of Each Class) (Name of Each Exchange on Which Registered)
Common Stock without par value **New York Stock Exchange**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ___ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Act. Yes ___ No X

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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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer 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

Aggregate market value of the Registrant's Common Stock held by non-affiliates as of February 28, 2013 (based on the closing price of such shares on such date) was \$495,035,003.

The number of shares outstanding of the Registrant's Common Stock on October 24, 2013 was 28,073,550, without par value.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's definitive Proxy Statement prepared in connection with the Annual Meeting of Stockholders to be held on January 8, 2014 are incorporated by reference into Parts II and III of this Report.

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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 filing on Form 10-K and in the Company's President's letter to stockholders that is typically distributed to the stockholders in conjunction with this Form 10-K and the Company's Proxy Statement. 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. These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

- availability of financing sources and borrowing base for working capital, other business development activities, capital spending and leased railcars for syndication (sale of railcars with lease attached);
- ability to renew, maintain or obtain sufficient credit facilities and financial guarantees on acceptable terms;
- ability to utilize beneficial tax strategies;
- ability to grow our businesses;
- ability to obtain lease and sales contracts which provide adequate protection against changes in interest rates and increased costs of materials and components;
- ability to obtain adequate insurance coverage at acceptable rates;
- ability to obtain adequate certification and licensing of products; 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;
- fluctuations in demand for wheels, repair & parts;
- delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated;
- ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to covenants under various credit agreements;
- domestic and global economic conditions including such matters as embargoes or quotas;
- U.S., Mexican and other global political or security conditions including such matters as terrorism, war, civil disruption and crime;
- growth or reduction in the surface transportation industry;
- ability to maintain good relationships with our labor force, third party labor providers and collective bargaining units representing our direct and indirect labor force;
- 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;
- delay or failure of acquired businesses, assets, start-up operations, or new products or services to compete successfully;
- 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, inefficiencies associated with the start-up of production lines or increased production rates, changing technologies, transfer of production between facilities or non-performance of alliance partners, subcontractors or suppliers;
- ability to renew or replace expiring customer contracts on satisfactory terms;
- ability to obtain and execute suitable contracts for leased railcars for syndication;
- lower than anticipated lease renewal rates, earnings on utilization based leases or residual values for leased equipment;
- discovery of defects in railcars resulting in increased warranty costs or litigation;
- resolution or outcome of pending or future litigation and investigations;
- natural disasters or severe weather patterns that may affect either us, our suppliers or our customers;

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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, intangibles or other assets due to impairment;

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

changes in future maintenance or warranty requirements;

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

changes in interest rates and financial impacts from interest rates;

ability and cost to maintain and renew operating permits;

actions by various regulatory agencies including potential environmental remediation obligations;

changes in fuel and/or energy prices;

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 of a trained work force at a reasonable cost and with reasonable terms of employment;

availability and/or price of essential raw materials, specialties or components, including steel castings, to permit manufacture of units on order;

failure to successfully integrate acquired businesses;

discovery of previously unknown liabilities associated with acquired businesses;

failure of or delay in implementing and using new software or other technologies;

the impact of cybersecurity risks and the costs of mitigating and responding to a data security breach;

ability to replace maturing lease and management services revenue and earnings with revenue and earnings from new commercial transactions, including new railcar leases, additions to the lease fleet and new management services contracts;

credit limitations upon our ability to maintain effective hedging programs; and

financial impacts from currency fluctuations and currency hedging activities in our worldwide operations; and

changes in legislation and increased costs related to health care.

Any forward-looking statements should be considered in light of these factors. Words such as anticipates, believes, forecast, potential, g contemplates, expects, intends, plans, projects, hopes, seeks, estimates, could, would, will, may, can, designed to, expressions identify 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 put undue reliance on any forward-looking statements. Except as otherwise required by law, we do not assume any obligation to update any forward-looking statements.

In assessing forward-looking statements contained herein, readers are urged to read carefully all cautionary statements contained in this Form 10-K, including, without limitation, those contained under the heading, Risk Factors, contained in Part I, Item 1A of this Form 10-K.

All references to years refer to the fiscal years ended August 31st unless otherwise noted.

The Greenbrier Companies is a registered trademark of The Greenbrier Companies, Inc. Gunderson, Maxi-Stack, Auto-Max and YSD are registered trademarks of Gunderson LLC.

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PART I

Item 1. BUSINESS

Introduction

We are one of the leading designers, manufacturers and marketers of railroad freight car equipment in North America and Europe, a manufacturer and marketer of marine barges in North America and a leading provider of wheel services, railcar refurbishment and parts, leasing and other services to the railroad and related transportation industries in North America.

We operate an integrated business model in North America that combines freight car manufacturing, wheel services, repair and refurbishment, component parts reconditioning, leasing and fleet management services. Our model is designed to provide customers with a comprehensive set of freight car solutions utilizing our substantial engineering, mechanical and technical capabilities as well as our experienced commercial personnel. This model allows us to develop cross-selling opportunities and synergies among our various business segments and to enhance our margins. We believe our integrated model is difficult to duplicate and provides greater value for our customers.

We operate in three primary business segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. Financial information about our business segments for the years ended August 31, 2013, 2012 and 2011 is located in Note 20 Segment Information to our Consolidated Financial Statements.

The Greenbrier Companies, Inc., which was incorporated in Delaware in 1981, consummated a merger on February 28, 2006 with its affiliate, Greenbrier Oregon, Inc., an Oregon corporation, for the sole purpose of changing its state of incorporation from Delaware to Oregon. Greenbrier Oregon survived the merger and assumed the name, The Greenbrier Companies, Inc. Our principal executive offices are located at One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035, our telephone number is (503) 684-7000 and our Internet web site is located at <http://www.gbrx.com>.

Products and Services

Manufacturing

North American Railcar Manufacturing - We manufacture a broad array of railcar types in North America, which includes most railcar types other than coal cars. We have demonstrated an ability to capture high market shares in many of the car types we produce. The primary products we produce for the North American market are:

Intermodal Railcars - We manufacture a comprehensive range of intermodal railcars. Our most important intermodal product is our articulated double-stack railcar. The double-stack railcar is designed to transport containers stacked two-high on a single platform. An articulated double-stack railcar is composed of up to five platforms each of which is linked by a common set of wheels and axles. Our comprehensive line of articulated and non-articulated double-stack intermodal railcars offers varying load capacities and configurations. The double-stack railcar provides significant operating and capital savings over other types of intermodal railcars.

Tank Cars - We produce a variety of tank cars that are designed for the transportation of products such as caustic soda, urea ammonium nitrate, vegetable oils, bio-diesel, crude oil, ethanol and various other products for the North American market. We continue to expand our product lines and production rates.

Automotive - We manufacture a full line of railcar equipment specifically designed for the transportation of automotive products. Our automotive offerings include our proprietary Auto-Max railcar, Multi-Max auto rack and flat cars for automotive transportation.

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Conventional Railcars - We produce a wide range of boxcars, which are used in the transport of forest products, automotive, perishables, general merchandise and commodities. We also produce a variety of covered hopper cars for the grain, energy, sand and cement industries as well as gondolas for the steel and metals markets and various other conventional railcar types. Our flat car products include center partition cars for the forest products industry, bulkhead flat cars and solid waste service flat cars.

European Railcar Manufacturing - Our European manufacturing operation produces a variety of railcar (wagon) types, including a comprehensive line of pressurized tank cars for liquid petroleum gas and ammonia and non-pressurized tank cars for light oil, chemicals and other products. In addition, we produce flat cars, coil cars for the steel and metals market, coal cars for both the continental European and United Kingdom markets, gondolas, sliding wall cars and automobile transporter cars. Although no formal statistics are available for the European market, we believe we are one of the leading new freight car manufacturers.

Marine Vessel Fabrication - Our Portland, Oregon manufacturing facility, located on a deep-water port on the Willamette River, includes marine vessel fabrication capabilities. The marine facilities also increase utilization of steel plate burning and fabrication capacity providing flexibility for railcar production. United States (U.S.) coastwise law, commonly referred to as the Jones Act, requires all commercial vessels transporting merchandise between ports in the U.S. to be built, owned, operated and manned by U.S. citizens and to be registered under the U.S. flag. We manufacture a broad range of Jones Act ocean-going and river barges for transporting merchandise between ports within the U.S. including conventional deck barges, double-hull tank barges, railcar/deck barges, barges for aggregates and other heavy industrial products and dump barges. Our primary focus is on the larger ocean-going vessels and coal carrying river barges although the facility has the capability to compete in other marine related products.

Wheels, Repair & Parts

Wheel Services, Railcar Repair, Refurbishment and Component Parts Manufacturing - We believe we operate the largest independent wheel services, repair, refurbishment and component parts networks in North America, operating in 36 locations. Our wheel shops, operating in 10 locations, provide complete wheel services including reconditioning of wheels and axles in addition to new axle machining and finishing and axle downsizing. Our network of railcar repair and refurbishment shops, operating in 22 locations, performs heavy railcar repair and refurbishment, as well as routine railcar maintenance. We are actively engaged in the repair and refurbishment of railcars for third parties, as well as of our own leased and managed fleet. Our component parts facilities, operating in 4 locations, recondition railcar cushioning units, couplers, yokes, side frames, bolsters and various other parts. We also produce roofs, doors and associated parts for boxcars.

Leasing & Services

Leasing - Our relationships with financial institutions, combined with our ownership of a lease fleet of approximately 8,600 railcars, enables us to offer flexible financing programs including operating leases and by the mile leases to our customers. As an equipment owner, we participate principally in the operating lease segment of the market. The majority of our leases are full service leases whereby we are responsible for maintenance and administration. Maintenance of the fleet is provided, in part, through our own facilities and engineering and technical staff. Assets from our owned lease fleet are periodically sold to take advantage of market conditions, manage risk and maintain liquidity.

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Management Services - Our management services business offers a broad array of software and services that include railcar maintenance management, railcar accounting services (such as billing and revenue collection, car hire receivable and payable administration), total fleet management (including railcar tracking using proprietary software), administration and railcar remarketing. Frequently, we originate leases of railcars, which are either newly built or refurbished by us, with railroads or shippers, and sell the railcars and attached leases to financial institutions and subsequently provide management services under multi-year agreements. We currently own or provide management services for a fleet of approximately 232,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America.

	Fleet Profile⁽¹⁾		
	As of August 31, 2013		
	Owned	Managed	Total
	Units⁽²⁾	Units	Units
Customer Profile:			
Leasing Companies	423	100,111	100,534
Class I Railroads	2,643	90,006	92,649
Shipping Companies	3,626	18,413	22,039
Non-Class I Railroads	1,199	15,381	16,580
En route to Customer Location	469		469
Off-lease	221		221
Total Units	8,581	223,911	232,492

(1) Each platform of a railcar is treated as a separate unit.

(2) Percent of owned units on lease is 97.4% with an average remaining lease term of 1.3 years. The average age of owned units is 16 years.

Backlog

Multi-year supply agreements are a part of rail industry practice. The following table depicts our reported third party railcar backlog in number of railcars and estimated future revenue value attributable to such backlog, at the dates shown:

	August 31,		
	2013	2012	2011
New railcar backlog units ⁽¹⁾	14,400	10,700	15,400
Estimated future revenue value (in millions) ⁽²⁾	\$ 1,520	\$ 1,200	\$ 1,230

(1) Each platform of a railcar is treated as a separate unit.

(2) Subject to change based on finalization of product mix.

Based on current production plans, approximately 10,000 units in the August 31, 2013 backlog are scheduled for delivery in 2014. The balance of the production is scheduled for delivery through 2015. A portion of the orders included in backlog reflects an assumed product mix. Under terms of the orders, the exact mix will be determined in the future which may impact the dollar amount of backlog. Subsequent to year end we received new railcar orders for 1,700 units valued at approximately \$140 million. The new orders referenced are subject to customary documentation and completion of terms.

Marine backlog as of August 31, 2013 was approximately \$10 million compared to \$25 million as of August 31, 2012. In addition, we were awarded a letter of intent during the fourth quarter of 2012 for 15 barges valued at \$60 million subject to significant permitting and other conditions.

Customer orders may be subject to cancellations or modifications and contain terms and conditions customary in the industry. In most cases, little variation has been experienced between the quantity ordered and the quantity actually delivered. Our railcar and marine backlogs are not necessarily indicative of future results of operations.

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Customers

Our customers include railroads, leasing companies, financial institutions, shippers, carriers and transportation companies. We have strong, long-term relationships with many of our customers. We believe that our customers' preference for high quality products, our technological leadership in developing innovative products and competitive pricing of our railcars have helped us maintain our long-standing relationships with our customers.

In 2013, revenue from two customers, TTX Company (TTX) and Union Pacific Railroad (UP), accounted for approximately 27% of total revenue, 39% of Wheels, Repair & Parts revenue and 25% of Manufacturing revenue. No other customers accounted for greater than 10% of total revenue.

Raw Materials and Components

Our products require a supply of materials including steel and specialty components such as brakes, wheels and axles. Specialty components purchased from third parties represent a significant amount of the cost of most freight cars. Our customers often specify particular components and suppliers of such components. Although the number of alternative suppliers of certain specialty components has declined in recent years, there are at least two suppliers for most such components.

Certain materials and components are periodically in short supply which could potentially impact production at our new railcar and refurbishment facilities. In an effort to mitigate shortages and reduce supply chain costs, we have entered into strategic alliances and multi-year arrangements for the global sourcing of certain components, we operate a replacement parts business and we continue to pursue strategic opportunities to protect and enhance our supply chain.

We periodically make advance purchases to avoid possible shortages of material due to capacity limitations of component suppliers and possible price increases. We do not typically enter into binding long-term contracts with suppliers because we rely on established relationships with major suppliers to ensure the availability of raw materials. We have long-term agreements for certain specialty items to help ensure their availability.

In 2013, the top ten suppliers for all inventory purchases accounted for approximately 41% of total purchases. Amsted Rail Company, Inc. accounted for 16% of total inventory purchases in 2013. No other suppliers accounted for more than 10% of total inventory purchases. The Company believes it maintains good relationships with its suppliers.

Competition

There are currently six major railcar manufacturers competing in North America. We compete on the basis of quality, price, reliability of delivery, product design and innovation, reputation and customer service and support.

Competition in the marine industry is dependent on the type of product produced. There are two principal competitors, located in the Gulf States, which build product types similar to ours. We compete on the basis of experienced labor, launch ways capacity, quality, price and reliability of delivery.

We believe that we are among the top five European railcar manufacturers, which maintain a combined market share of approximately 80%. European freight car manufacturers are largely located in central and eastern Europe where labor rates are lower and work rules are more flexible.

Competition in the wheels, repair and parts business is dependent on the type of product or service provided. There are many competitors in the railcar repair and refurbishment business and an increasing number of competitors in the wheel services and other parts businesses. We believe we are one of the largest non-railroad providers of wheel services and refurbishment services. We compete primarily on the basis of quality, timeliness of delivery, customer service, location of shops, price and engineering expertise.

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There are at least twenty institutions that provide railcar leasing and services similar to ours. Many of them are also customers that buy new railcars from our manufacturing facilities and used railcars from our lease fleet, as well as utilize our management services. More than half of these institutions have greater resources than we do. We compete primarily on the basis of quality, price, delivery, reputation, service offerings and deal structuring ability. We believe our strong servicing capability and our ability to sell railcars with a lease attached (syndicate railcars), integrated with our manufacturing, repair shops, railcar specialization and expertise in particular lease structures provide a strong competitive position.

Marketing and Product Development

In North America, we utilize an integrated marketing and sales effort to coordinate relationships in our various segments. We provide our customers with a diverse range of equipment and financing alternatives designed to satisfy each customer's unique needs, whether the customer is buying new equipment, refurbishing existing equipment or seeking to outsource the maintenance or management of equipment. These custom programs may involve a combination of railcar products, leasing, refurbishing and remarketing services. In addition, we provide customized maintenance management, equipment management, accounting services and proprietary software solutions.

In Europe, we maintain relationships with customers through a network of country-specific sales representatives. Our engineering and technical staff works closely with their customer counterparts on the design and certification of railcars. Many European railroads are state-owned and are subject to European Union regulations covering the tender of government contracts.

Through our customer relationships, insights are derived into the potential need for new products and services. Marketing and engineering personnel collaborate to evaluate opportunities and identify and develop new products. For example, we continue to expand our tank car, automotive and covered hopper product offerings in North America. Research and development costs incurred during the years ended August 31, 2013, 2012 and 2011 were \$2.0 million, \$2.0 million and \$3.0 million.

Patents and Trademarks

We have a number of U.S. and non-U.S. patents of varying duration, and pending patent applications, registered trademarks, copyrights and trade names that are important to our products and product development efforts. The protection of our intellectual property is important to our business and we have a proactive program aimed at protecting our intellectual property and the results from our research and development.

Environmental Matters

We are subject to national, state and local environmental laws and regulations concerning, among other matters, air emissions, wastewater discharge, solid and hazardous waste disposal and employee health and safety. Prior to acquiring facilities, we usually conduct investigations to evaluate the environmental condition of subject properties and may negotiate contractual terms for allocation of environmental exposure arising from prior uses. We operate our facilities in a manner designed to maintain compliance with applicable environmental laws and regulations. Environmental studies have been conducted on certain of our owned and leased properties that indicate additional investigation and some remediation on certain properties may be necessary.

Our Portland, Oregon manufacturing facility is located adjacent to the Willamette River. We have entered into a Voluntary Cleanup Agreement with the Oregon Department of Environmental Quality (DEQ) in which we agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. We are also conducting groundwater remediation relating to a historical spill on the property that preceded our ownership.

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Portland Harbor Site

The U.S. Environmental Protection Agency (EPA) has classified portions of the river bed of the Portland Harbor, including the portion fronting our manufacturing facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). We, along with 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 us that we 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. At this time, ten private and public entities, including us (the Lower Willamette Group or LWG), have 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 are nevertheless contributing money to the effort. The EPA-mandated RI/FS is being conducted by the LWG and has cost over \$100 million during a 13-year period. We have agreed to initially bear a percentage of the total costs incurred by the LWG in connection with the investigation. Our aggregate expenditure has not been material during the 13-year period. Some or all of any such outlay may be recoverable from other responsible parties. The investigation is expected to continue for at least one more year.

Eighty-three parties, including the State of Oregon and the federal government, have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Approximately 110 additional parties have 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*, US 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 now been stayed by the court, pending completion of the RI/FS. Although, as described below, the draft feasibility study has been submitted, the RI/FS will not be complete until the EPA approves it, which is not likely to occur until at least 2015.

A draft of the remedial investigation study was submitted to the EPA on October 27, 2009. The draft feasibility study was submitted to the EPA on March 30, 2012. The draft feasibility study evaluates several alternative cleanup approaches. The approaches submitted would take from 2 to 28 years with costs ranging from \$169 million to \$1.8 billion for cleanup of the entire Portland Harbor Site, depending primarily on the selected remedial action levels. The draft feasibility study suggests costs ranging from \$9 million to \$163 million for cleanup of the area of the Willamette River adjacent to our Portland, Oregon manufacturing facility, depending primarily on the selected remedial action level.

The draft feasibility study does not address responsibility for the costs of clean-up or allocate such costs among the potentially responsible parties, or define precise boundaries for the cleanup. Responsibility for funding and implementing the EPA's selected cleanup will be determined after the issuance of the Record of Decision. Based on the investigation to date, we believe that we did not contribute in any material way to the damage of natural resources in the Portland Harbor Site and that the damage in the area of the Portland Harbor Site adjacent to our property precedes our ownership of the Portland, Oregon manufacturing facility. Because these environmental investigations are still underway, sufficient information is currently not available to determine our liability, if any, for the cost of any required remediation 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, we 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, we may be required to perform periodic maintenance dredging in order to continue to launch vessels from our 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 our business and Consolidated Financial Statements, or the value of our Portland property.

We have also signed an Order on Consent with 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 those are in the process of being completed. Our aggregate expenditure has not been material during the 13-year period. Some or all of any such outlay may be recoverable from other responsible parties.

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Regulation

The Federal Railroad Administration in the U.S. and Transport Canada in Canada administer and enforce laws and regulations relating to railroad safety. These regulations govern equipment and safety appliance standards for freight cars and other rail equipment used in interstate commerce. The Association of American Railroads (AAR) promulgates a wide variety of rules and regulations governing the safety and design of equipment, relationships among railroads and other railcar owners with respect to railcars in interchange, and other matters. The AAR also certifies railcar builders and component manufacturers that provide equipment for use on North American railroads. These regulations require us to maintain our certifications with the AAR as a railcar builder and component manufacturer, and products sold and leased by us in North America must meet AAR, Transport Canada, and Federal Railroad Administration standards.

The primary regulatory and industry authorities involved in the regulation of the ocean-going barge industry are the U.S. Coast Guard, the Maritime Administration of the U.S. Department of Transportation, and private industry organizations such as the American Bureau of Shipping.

The regulatory environment in Europe consists of a combination of European Union (EU) regulations and country specific regulations, including a harmonized set of Technical Standards for Interoperability of freight wagons throughout the EU.

Employees

As of August 31, 2013, we had 7,959 full-time employees, consisting of 6,104 employees in Manufacturing, 1,687 in Wheels, Repair & Parts and 168 employees in Leasing & Services and corporate. In Poland, 324 employees are represented by unions. At our Frontera, Mexico joint venture manufacturing facility, 1,721 employees are represented by a union. At our Sahagun, Mexico facility, 1,393 employees are represented by a union. In addition to our own employees, 666 union employees work at our Sahagun, Mexico railcar manufacturing facility under our services agreement with Bombardier Transportation, Inc. At our Wheels, Repair & Parts locations, 42 employees, in Mexico, are represented by unions. We believe that our relations with our employees are generally good.

Additional Information

We are a reporting company and file annual, quarterly, current and special reports, proxy statements and other information with the Securities and Exchange Committee (SEC). Through a link on the Investor Relations section of our website, <http://www.gbrx.com>, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings are available free of charge. Copies of our Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter and the Company's Corporate Governance Guidelines are also available on our web site at <http://www.gbrx.com>. In addition, each of the reports and documents listed above are available free of charge by contacting our Investor Relations Department at The Greenbrier Companies, Inc., One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035.

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Item 1A. RISK FACTORS

In addition to the risks outlined in this annual report under the heading Forward-Looking Statements, as well as other comments included herein regarding risks and uncertainties, the following risk factors should be carefully considered when evaluating our company. Our business, financial condition or financial results could be materially and adversely affected by any of these risks.

Weak economic conditions, financial market volatility and other factors may decrease customer demand for our products and services and negatively impact our business and results of operations.

We rely upon continued demand from our customers for our products and services. Demand is dependent upon the markets for the products and services offered by our customers and the strength and growth of their businesses. A number of our customers operate in cyclical markets which are susceptible to macroeconomic downturns in the U.S. and abroad and may experience significant changes in demand over time.

Weak economic conditions in the U.S. and other parts of the world in recent years have reduced demand from some of our customers for certain products and services we provide. In Europe, the ongoing uncertainty has contributed to growing instability in the European currency and credit markets. Further deterioration of European economic conditions or significant loss of value by the Euro could reduce demand for our products and services.

Discord, conflict, and lack of compromise within and between the executive and legislative branches of the U.S. government relative to federal government budgeting, taxation policies, government expenditures, and U.S. borrowing/debt ceiling limits could adversely affect our business and operating results.

The inability of the legislative and executive branches of the U.S. government to pass in a timely manner a federal government budget, control deficit spending, address tax revenue requirements and effectively manage short and long term U.S. government borrowing, debt ratings, and debt ceiling adjustments could negatively impact U.S. domestic and global financial markets thereby reducing demand by our customers for our products and services thereby reducing our revenues. Similarly, if our suppliers face challenges in obtaining credit, in selling their products, or otherwise in operating their businesses, they may become unable to continue to offer the materials we purchase from them to manufacture our products. These actions could result in reductions in our revenues, increased price competition, or increased operating costs, which could adversely affect our results of operations and financial condition.

During economic downturns or a rising interest rate environment, the cyclical nature of our business results in lower demand for our products and services and reduced revenue.

Our business is cyclical. Overall economic conditions and the purchasing practices of buyers have a significant effect upon our business due to the impact on demand for our products and services. As a result, during downturns, we could operate with a lower level of backlog and may temporarily slow down or halt production at some or all of our facilities. Economic conditions that result in higher interest rates increase the cost of new leasing arrangements, which could cause some of our leasing customers to lease fewer of our railcars or demand shorter lease terms. An economic downturn or increase in interest rates may reduce demand for our products and services, resulting in lower sales volumes, lower prices, lower lease utilization rates and decreased profits.

Some of our employees belong to labor unions and strikes or work stoppages could adversely affect our operations. Union organizing efforts are in process at several of our sites, and those sites could experience disruptions in operations as a result of such activities, or if union representation is implemented at such sites and we are unable to agree with the union on reasonable employment terms, including wages, benefits, and work rules.

We are a party to collective bargaining agreements with various labor unions at some of our operations. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these

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unions in the future could result in, among other things, strikes, work stoppages or other slowdowns by the affected workers. We cannot be assured that our relations with our workforce will remain positive. Union organizers are actively working to organize at some of our other facilities. If our workers were to engage in a strike, work stoppage or other slowdown, or other employees were to become unionized or the terms and conditions in future labor agreements were renegotiated, we could experience a significant disruption of our operations and higher ongoing labor costs. In addition, we could face higher labor costs in the future as a result of severance or other charges associated with lay-offs, shutdowns or reductions in the size and scope of our operations or due to the difficulties of restarting our operations that have been temporarily shuttered.

One of our two manufacturing facilities in Sahagun, Mexico is dependent on certain factors outside of our control. If we experience an interruption of our manufacturing operations in Sahagun, Mexico, our results of operations may be adversely affected.

We operate two manufacturing facilities in Sahagun, Mexico, one of which we own and one which is leased. In the leased facility, we depend on the third party landlord to provide us with labor services for our operations under a services agreement. All of the labor provided by the third party is subject to collective bargaining agreements, over which we have no control. If the third party fails to provide us with the services required by our agreement for any reason, including labor stoppages or strikes or a sale of facilities owned by the third party, our operations could be adversely affected. Additionally, we do not have an agreement to renew the lease on our leased Sahagun, Mexico, manufacturing facility, which expires in November 2014. While we continue to discuss the potential extension of the lease, we are also planning for alternatives to replace the manufacturing capacity of such facility, including potentially through expanding production capacity at our owned facility in Sahagun, Mexico or at other manufacturing sites. If we are unable to obtain sufficient alternative manufacturing capacity, and to transfer production in an efficient manner and without disrupting other operations, we could incur substantial expense and interruption of our manufacturing activities. Any interruption of our manufacturing operations in Mexico could adversely affect our results of operations.

We face aggressive competition by a concentrated group of competitors and a number of factors may influence our performance and if we are unable to compete successfully, our market share, margin and results of operations may be adversely affected.

We face aggressive competition by a concentrated group of competitors in all geographic markets and in each area of our business. The railcar manufacturing and repair industry is intensely competitive and we expect it to remain so in the foreseeable future. Competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base and the relative competitiveness of our manufacturing facilities and products affect our ability to compete effectively. In addition, new technologies or the introduction of new railcars or other product offerings by our competitors could render our products obsolete or less competitive. If we do not compete successfully, our market share, margin and results of operation may be adversely affected.

A number of factors may influence our performance, including without limitation: fluctuations in the demand for newly manufactured railcars or marine barges; fluctuations in demand for wheels, repair and parts; our ability to adjust to the cyclical nature of the industries in which we operate; delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated; our customers may be financially unable to pay for products and services already provided; domestic and global economic conditions including such matters as embargoes or quotas; growth or reduction in the surface transportation industry; steel and specialty component price fluctuations and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and their impact on product demand and margin; 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; industry overcapacity and our manufacturing capacity utilization; and other risks, uncertainties and factors. If we are unfavorably affected by any of these factors, our market share, margin and results of operation may be adversely affected.

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Our actual results may differ significantly from our previously announced strategic initiatives.

From time to time, we have released, and may continue to release information in our quarterly earnings releases, quarterly earnings conference calls, or otherwise, regarding our anticipated future performance and goals including our previously announced strategic initiative to enhance margins and improve capital efficiency. Our actual results may differ significantly and we may not be successful in achieving the objectives outlined in our previously announced strategic initiatives. Failure to meet these goals could have a material adverse effect on our trading price or volume of our stock.

A recent train derailment accident in Quebec, Canada could subject us to legal claims and/or result in regulatory changes that adversely impact our business, financial condition and our results of operations.

On July 6, 2013, a train carrying crude oil and operated by Montreal, Main & Atlantic Railway, Inc. derailed in the town of Lac-Mégantic, Quebec, causing severe damage and resulting in a number of human fatalities. We manufacture and lease tank cars for the transport of crude oil and other petroleum products of the type involved in the accident (DOT 111 tank cars). Some of our competitors have been named as defendants in a class action lawsuit alleging wrongful death and negligence claims, and we also could be subject to physical damage and product liability claims, as well as potential penalties and liability under the environmental laws and regulations of Canada and/or Quebec relating to land contamination. If we are subject to such claims and are unsuccessful in resolving them, our business and results of operations could be adversely affected. In addition, U.S., Canadian and railroad industry regulatory authorities are considering various proposals that would restrict or even eliminate the use of DOT 111 cars for the transportation of certain hazardous materials. We are unable to predict what regulatory changes may be made in this regard or even what time period such regulatory changes may become effective. While certain regulatory changes could result in increased levels of refurbishment and/or new tank car manufacturing activity, if we are unable to manage successfully to adapt our business to changing regulations, our business and results of operations could be adversely affected.

Risks related to our operations outside of the U.S. could adversely affect our operating results.

Our operations outside of the U.S. are subject to the risks associated with cross-border business transactions and activities. Political, legal, trade, financial market or economic changes or instability could limit or curtail our foreign business activities and operations. Some foreign countries in which we operate have regulatory authorities that regulate railroad safety, railcar design and railcar component part design, performance and manufacturing. If we fail to obtain and maintain certifications of our railcars and railcar parts within the various foreign countries where we operate, we may be unable to market and sell our railcars in those countries. In addition, unexpected changes in regulatory requirements, tariffs and other trade barriers, more stringent rules relating to labor or the environment, adverse tax consequences, currency and price exchange controls could limit operations and make the manufacture and distribution of our products difficult. The uncertainty of the legal environment or geo-political risks in these and other areas could limit our ability to enforce our rights effectively. Because we have operations outside the U.S., we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws. We operate in parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. The failure to comply with laws governing international business practices may result in substantial penalties and fines. Any international expansion or acquisition that we undertake could amplify these risks related to operating outside of the U.S.

Our financial performance and market value could cause future write-downs of goodwill or intangibles in future periods.

We are required to perform an annual impairment review of goodwill and indefinite lived assets which could result in an impairment charge if it is determined that the carrying value of the asset is in excess of the fair value. We perform a goodwill impairment test annually during our third fiscal quarter. Goodwill is also tested more frequently

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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. Among other things, our assumptions used in the valuation of goodwill, which relate to our Wheels, Repair & Parts segment, include growth of revenue and margins and increased cash flows over time. If actual operating results were to differ from these assumptions, it may result in an impairment of our goodwill. A non-cash impairment charge of \$76.9 million (\$71.8 million, net of tax) was recorded for the year ended August 31, 2013 which relates to our Wheels, Repair & Parts segment. As of August 31, 2013, we had \$57.4 million of goodwill in our Wheels, Repair & Parts segment. Future write-downs of goodwill and intangibles could affect certain of the financial covenants under debt instruments and could restrict our financial flexibility. In the event of goodwill impairment, we may have to test other intangible assets for impairment. Impairment charges to our goodwill or our indefinite lived assets would impact our results of operations.

A change in our product mix due to shifts in demand could have an adverse effect on our profitability.

We manufacture and repair a variety of railcars. The demand for specific types of these railcars and mix of refurbishment work varies from time to time. These shifts in demand could affect our margins and could have an adverse effect on our profitability. Currently a portion of our backlog and railcar demand includes a concentrated product mix of automotive carrying railcars and covered hoppers and tank cars used in energy related transportation. A sudden change in these markets could have an adverse effect on our profitability. For example, a change in environmental regulations, competitive pricing, pipeline capacity and other factors could reduce demand for railcars in the energy transportation industry.

A failure to design or manufacture products or technologies or to achieve timely certification or market acceptance of new products or technologies could have an adverse effect on our profitability.

We continue to introduce new railcar products and technologies, and we periodically accept orders prior to receipt of railcar certification or proof of ability to manufacture a quality product that meets customer standards. We could be unable to successfully design or manufacture these new railcar products and technologies. Our inability to develop and manufacture such new products and technologies in a timely fashion and profitable manner, obtain timely certification, or achieve market acceptance, or the existence of quality problems in our new products, could have a material adverse effect on our revenue and results of operations and subject us to penalties, cancellation of orders and/or other damages.

A prolonged decline in performance of the rail freight industry would have an adverse effect on our financial condition and results of operations.

Our future success depends in part upon the performance of the rail freight industry, which in turn depends on the health of the economy. If railcar loadings, railcar and railcar components replacement rates or refurbishment rates or industry demand for our railcar products weaken or otherwise do not materialize, our financial condition and results of operations would be adversely affected.

Our backlog is not necessarily indicative of the level of our future revenues.

Our manufacturing backlog represents future production for which we have written orders from our customers in various periods, and estimated potential revenue attributable to those orders. Some of this backlog is subject to our fulfillment of certain competitive conditions. Our reported backlog may not be converted to revenue in any particular period and some of our contracts permit cancellations without financial penalties or with limited compensation that would not replace lost revenue or margins. Actual revenue from such contracts may not equal our anticipated revenues based on our backlog, and therefore, our backlog is not necessarily indicative of the level of our future revenues.

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We derive a significant amount of our revenue from a limited number of customers, the loss of or reduction of business from one or more of which could have an adverse effect on our business.

A significant portion of our revenue is generated from a few major customers. Although we have some long-term contractual relationships with our major customers, we cannot be assured that our customers will continue to use our products or services or that they will continue to do so at historical levels. A reduction in the purchase or leasing of our products or a termination of our services by one or more of our major customers could have an adverse effect on our business and operating results.

We rely on limited suppliers for certain components needed in our production. If we are not able to procure specialty components on commercially reasonable terms or on a timely basis, our business, financial condition and results of operations would be adversely affected.

Our manufacturing operations depend in part on our ability to obtain timely deliveries of materials and components in acceptable quantities and quality from our suppliers. In 2013, the top ten suppliers for all inventory purchases accounted for approximately 41% of total purchases. Amsted Rail Company, Inc. accounted for 16% of total inventory purchases in 2013. No other suppliers accounted for more than 10% of total inventory purchases. Certain components of our products, particularly specialized components like castings, bolsters and trucks, are currently available from only a limited number of suppliers. Increases in the number of railcars manufactured have increased the demand for such components and strong demand may cause industry-wide shortages if suppliers are in the process of ramping up production or reach capacity production. Our dependence on a limited number of suppliers involves risks, including limited control over pricing, availability and delivery schedules. If any one or more of our suppliers cease to provide us with sufficient quantities of our components in a timely manner or on terms acceptable to us, or cease to manufacture components of acceptable quality, we could incur disruptions or be limited in our production of our products and we could have to seek alternative sources for these components. We could also incur delays while we attempt to locate and engage alternative qualified suppliers and we might be unable to engage acceptable alternative suppliers on favorable terms, if at all. Any such disruption in our supply of specialized components or increased costs of those components could harm our business and adversely affect our results of operations.

Changes in the credit markets and the financial services industry could negatively impact our business, results of operations, financial condition or liquidity.

The credit markets and the financial services industry continue to experience volatility which may result in tighter availability of credit on more restrictive terms and limit our ability to sell railcar assets to other lessors. Our liquidity, financial condition and results of operations could be negatively impacted if our ability to borrow money to finance operations, obtain credit from trade creditors, offer leasing products to our customers or sell railcar assets to other lessors were to be impaired. In addition, it could also adversely affect our customers' ability to purchase or pay for products from us or our suppliers' ability to provide us with product, either of which could negatively affect our business and results of operations.

Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our financial condition and profitability.

We are subject to income taxes in both the United States and foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. Changes in estimates of projected future operating results, loss of deductibility of items, recapture of prior deductions (including related to interest on convertible notes), or changes in assumptions regarding our ability to generate future taxable income could result in significant increases to our tax expense and liabilities that could adversely affect our financial condition and profitability.

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If we or our joint ventures fail to complete capital expenditure projects on time and within budget, or if these projects, once completed, fail to operate as anticipated, such failure could adversely affect our business, financial condition and results of operations.

From time-to-time, we, or our joint ventures, undertake strategic capital projects in order to enhance, expand and/or upgrade facilities and operational capabilities. We are currently enhancing our manufacturing facilities in Mexico to increase our production capacity. Our ability, and our joint ventures' ability, to complete these projects on time and within budget, and for us to realize the anticipated increased revenues or otherwise realize acceptable returns on these investments or other strategic capital projects that may be undertaken is subject to a number of risks. Many of these risks are beyond our control, including a variety of market, operational, permitting, and labor related factors. In addition, the cost to implement any given strategic capital project ultimately may prove to be greater than originally anticipated. If we, or our joint ventures, are not able to achieve the anticipated results from the implementation of any of these strategic capital projects, or if unanticipated implementation costs are incurred, our business, financial condition and results of operations may be adversely affected.

The timing of our asset sales and related revenue recognition could cause significant differences in our quarterly results and liquidity.

We may build railcars or marine barges in anticipation of a customer order, or that are leased to a customer and ultimately planned to be sold to a third party. The difference in timing of production and the ultimate sale is subject to risk. In addition, we periodically sell railcars from our own lease fleet and the timing and volume of such sales is difficult to predict. As a result, comparisons of our manufacturing revenue, deliveries, quarterly net gain on disposition of equipment, income and liquidity between quarterly periods within one year and between comparable periods in different years may not be meaningful and should not be relied upon as indicators of our future performance.

We could be unable to remarket leased railcars on favorable terms upon lease termination or realize the expected residual values, which could reduce our revenue and decrease our overall return.

We re-lease or sell railcars we own upon the expiration of existing lease terms. The total rental payments we receive under our operating leases do not fully amortize the acquisition costs of the leased equipment, which exposes us to risks associated with remarketing the railcars. Our ability to remarket leased railcars profitably is dependent upon several factors, including, but not limited to, market and industry conditions, cost of and demand for newer models, costs associated with the refurbishment of the railcars and interest rates. Our inability to re-lease or sell leased railcars on favorable terms could result in reduced revenues and margins or net gain on disposition of equipment and decrease our overall returns.

We depend on our senior management team and other key employees, and significant attrition within our management team or unsuccessful succession planning could adversely affect our business.

Our success depends in part on our ability to attract, retain and motivate senior management and other key employees. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, competitors' hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. We must continue to recruit, retain and motivate senior management and other key employees sufficient to maintain our current business and support our future projects. We are vulnerable to attrition among our current senior management team and other key employees. A loss of any such personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results of operations. In addition, certain key members of our senior management team are at or nearing retirement age. If we are unsuccessful in our succession planning efforts, the continuity of our business and results of operations could be adversely affected.

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Shortages of skilled labor could adversely affect our operations.

We depend on skilled labor in the manufacture of railcars and marine barges, repair and refurbishment of railcars and provision of wheel services and supply of parts. Some of our facilities are located in areas where demand for skilled laborers often exceeds supply. Shortages of some types of skilled laborers such as welders and machine operators could restrict our ability to maintain or increase production rates, lead to production inefficiencies and increase our labor costs.

Our relationships with our joint venture and alliance partners could be unsuccessful, which could adversely affect our business.

We have entered into several joint venture agreements and other alliances with other companies to increase our sourcing alternatives, reduce costs, and to produce new railcars for the North American marketplace. We may seek to expand our relationships or enter into new agreements with other companies. If our joint venture alliance partners are unable to fulfill their contractual obligations or if these relationships are otherwise not successful in the future, our manufacturing costs could increase, we could encounter production disruptions, growth opportunities could fail to materialize, or we could be required to fund such joint venture alliances in amounts significantly greater than initially anticipated, any of which could adversely affect our business.

Our product and repair service warranties could expose us to potentially significant claims.

We offer our customers limited warranties for many of our products and services. Accordingly, we may be subject to significant warranty claims in the future, such as multiple claims based on one defect repeated throughout our production or servicing process or claims for which the cost of repairing the defective part is highly disproportionate to the original cost of the part. These types of warranty claims could result in costly product recalls, customers seeking monetary damages, significant repair costs and damage to our reputation.

If warranty claims attributable to actions of third party component manufacturers are not recoverable from such parties due to their poor financial condition or other reasons, we could be liable for warranty claims and other risks for using these materials on our products.

We have a significant amount of indebtedness, which could have negative consequences to us.

We are significantly leveraged. As of August 31, 2013, our total debt was approximately \$422.1 million, consisting of borrowings under our credit facilities, term loans, notes and capital lease obligations. Our significant indebtedness could have negative consequences to us, and could place us at a competitive disadvantage compared to our less leveraged competitors. It may be difficult for us to satisfy our repayment and other obligations with respect to such indebtedness, and we may not be able to refinance our existing indebtedness as it matures. Our borrowings maturing within the next year include a senior term note with a balloon payment of \$81.8 million due in March 2014 and our Mexican joint venture has a \$20.0 million line of credit expiring in December 2013. Significant indebtedness may also increase our vulnerability to adverse general economic, industry or competitive developments or conditions and limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate. We may be limited in our ability to raise additional capital or obtain additional financing to fund our operations, capital expenditures or other growth initiatives, and other general corporate requirements and may be required to dedicate a significant portion of our cash flow from operations to interest and principal payments on our indebtedness. We are more exposed to the risk of increased interest rates as certain of our borrowings are at variable rates of interest. As a consequence of our level of indebtedness, a significant portion of our cash flow from operations may be dedicated to debt service requirements. In addition, the terms of our revolving credit facility limit our ability to incur additional indebtedness. If we fail to comply with these covenants, a default may occur, in which case the lender could accelerate the debt. We cannot assure you that we would be able to renegotiate, refinance, restructure or otherwise obtain the necessary funds to satisfy the indebtedness or these obligations.

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A prolonged decline in the demand for two principal products produced at one of our North American manufacturing facilities may continue to adversely affect our results of operations.

Current demand for our marine barge and intermodal railcar products, which are two of the primary products produced at one of our North American manufacturing facilities, is below historic levels causing this facility to operate at low production rates. This reduced demand may limit our ability to grow, increase pricing pressure on our products, and otherwise adversely affect our financial results. We signed a letter of intent during the fourth quarter of 2012 for certain marine manufacturing business subject to significant permitting and other conditions, but cannot be certain whether such conditions will be met.

Fluctuations in the availability and price of energy, steel and other raw materials, and our fixed price contracts could have an adverse effect on our ability to manufacture and sell our products on a cost-effective basis and could adversely affect our margins and revenue of our Manufacturing and Wheels, Repair and Parts businesses.

A significant portion of our business depends upon the adequate supply of steel, components and other raw materials at competitive prices and a small number of suppliers provide a substantial amount of our requirements. The cost of steel and all other materials used in the production of our railcars represents more than half of our direct manufacturing costs per railcar and in the production of our marine barges represents more than 30% of our direct manufacturing costs per marine barge.

Our businesses also depend upon the adequate supply of energy at competitive prices. When the price of energy increases, it adversely impacts our operating costs and could have an adverse effect upon our ability to conduct our businesses on a cost-effective basis. We cannot be assured that we will continue to have access to supplies of energy or necessary components for manufacturing railcars and marine barges. Our ability to meet demand for our products could be adversely affected by the loss of access to any of these supplies, the inability to arrange alternative access to any materials, or suppliers limiting allocation of materials to us.

In some instances, we have fixed price contracts which anticipate material price increases and surcharges, or contracts that contain actual or formulaic pass-through of material price increases and surcharges. However, if the price of steel or other raw materials were to fluctuate in excess of anticipated increases on which we have based our fixed price contracts, or if we were unable to adjust our selling prices or have adequate protection in our contracts against changes in material prices, or if we are unable to reduce operating costs to offset any price increases, our margins would be adversely affected. The loss of suppliers or their inability to meet our price, quality, quantity and delivery requirements could have an adverse effect on our ability to manufacture and sell our products on a cost-effective basis.

Decreases in the price of scrap adversely impact our Wheels, Repair & Parts margin and revenue. A portion of our Wheels, Repair & Parts business involves scrapping steel parts and the resulting revenue from such scrap steel increases our margins and revenues. When the price of scrap steel declines, our margins and revenues in such business therefore decrease.

Fluctuations in foreign currency exchange rates could lead to increased costs and lower profitability.

Outside of the U.S., we operate in Mexico, Germany and Poland, and our non-U.S. businesses conduct their operations in local currencies and other regional currencies. We also source materials worldwide. Fluctuations in exchange rates may affect demand for our products in foreign markets or our cost competitiveness and may adversely affect our profitability. Although we attempt to mitigate a portion of our exposure to changes in currency rates through currency rate hedge contracts and other activities, these efforts cannot fully eliminate the risks associated with the foreign currencies. In addition, some of our borrowings are in foreign currency, giving rise to risk from fluctuations in exchange rates. A material or adverse change in exchange rates could result in significant deterioration of profits or in losses for us.

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We have potential exposure to environmental liabilities, which could increase costs or have an adverse effect on results of operations.

We are subject to extensive national, state, provincial and local environmental laws and regulations concerning, among other things, air emissions, water discharge, solid waste and hazardous substances handling and disposal and employee health and safety. These laws and regulations are complex and frequently change. We could incur unexpected costs, penalties and other civil and criminal liability if we fail to comply with environmental laws or permits issued to us pursuant to those laws. We also could incur costs or liabilities related to off-site waste disposal or remediating soil or groundwater contamination at our properties, including these set forth below and in the Environmental Matters section of this Report. In addition, future environmental laws and regulations may require significant capital expenditures or changes to our operations.

In addition to environmental, health and safety laws, the transportation of commodities by railcar raises potential risks in the event of a derailment or other accident. Generally, liability under existing law in the U.S. and Canada for accidents such as derailments depends on the negligence of the party. However, for certain hazardous commodities being shipped, strict liability concepts may apply.

Our Portland, Oregon manufacturing facility is located adjacent to the Willamette River. We have entered into a Voluntary Cleanup Agreement with the DEQ in which we agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances to the environment. We are also conducting groundwater remediation relating to a historical spill on the property which preceded our ownership.

The U.S. Environmental Protection Agency (EPA) has classified portions of the river bed of 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). We, along with 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 us that we 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. We are part of a group that 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 are nevertheless contributing money to the effort. We have agreed to initially bear a percentage of the total costs incurred in connection with the investigation. The investigation is expected to continue for at least one more year. We cannot assure that any such costs will be recoverable from third parties.

A draft of the remedial investigation study was submitted to the EPA on October 27, 2009. The draft feasibility study was submitted to the EPA on March 30, 2012. The draft feasibility study evaluates several alternative cleanup approaches. The approaches submitted would take from 2 to 28 years with costs ranging from \$9 million to \$163 million for cleanup of the area of the Willamette River adjacent to our Portland, Oregon manufacturing facility, depending primarily on the selected remedial action level. The draft feasibility study does not address responsibility for the costs of clean-up or allocate such costs among potentially responsible parties, or define precise boundaries for the cleanup. Responsibility for funding and implementing the EPA's selected cleanup will be determined after the issuance of the Record of Decision.

We have also signed an Order on Consent with 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 those are in the process of being completed. Our aggregate expenditure has not been material during the 13-year period. Some or all of any such outlay may be recoverable from other responsible parties. However, we cannot assure that any such costs will be recoverable from third parties.

Because these environmental investigations are still underway, sufficient information is currently not available to determine our liability, if any, for the cost of any required remediation of the Portland Harbor Site on our adjacent land or to estimate a range of potential loss. Based on the results of the pending investigations and future assessments of natural resource damages, we 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, we may be

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required to perform periodic maintenance dredging in order to continue to launch vessels from our 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 our business and Consolidated Financial Statements, or the value of our Portland property.

Updates or changes to our information technology systems may result in problems that could negatively impact our business.

We have information technology systems, comprising hardware, network, software, people, processes and other infrastructure that are important to the operation of our businesses. We continue to evaluate and implement upgrades and changes to information technology systems that support substantially all of our operating and financial functions. We could experience problems in connection with such implementations, including compatibility issues, training requirements, higher than expected implementation costs and other integration challenges and delays. A significant problem with an implementation, integration with other systems or ongoing management and operation of our systems could negatively impact our business by disrupting operations. Such a problem could also have an adverse effect on our ability to generate and interpret accurate management and financial reports and other information on a timely basis, which could have a material adverse effect on our financial reporting system and internal controls and adversely affect our ability to manage our business.

We are subject to cybersecurity risks and may incur increasing costs in an effort to minimize those risks.

Our business employs systems and websites that allow for the storage and transmission of proprietary or confidential information regarding our customers, employees, job applicants and other parties, including financial information, intellectual property and personal identification information. Security breaches and other disruptions could compromise our information, expose us to liability and harm our reputation and business. The steps we take to deter and mitigate these risks may not be successful. We may not have the resources or technical sophistication to anticipate or prevent current or rapidly evolving types of cyber-attacks. Attacks may be targeted at us, our customers, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts or consultants. Advances in computer capabilities, or other technological developments may result in the technology and security measures used by us to protect transaction or other data being breached or compromised. In addition, data and security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, legal and financial exposure, negative impacts on our customers' willingness to transact business with us and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation.

We could have difficulty integrating the operations of any companies that we acquire or joint ventures we enter into, which could adversely affect our results of operations.

The success of our acquisition and joint venture strategy depends upon our ability to successfully complete acquisitions, to enter into joint ventures and integrate any businesses that we acquire into our existing business. The integration of acquired business operations could disrupt our business by causing unforeseen operating difficulties, diverting management's attention from day-to-day operations and requiring significant financial resources that would otherwise be used for the ongoing development of our business. The difficulties of integration could be increased by the necessity of coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. In addition, we could be unable to retain key employees or customers of the combined businesses. We could face integration issues pertaining to the internal controls and operational functions of the acquired companies and we also could fail to realize cost efficiencies or synergies that we anticipated when selecting our acquisition candidates and joint ventures. Any of these items could adversely affect our results of operations.

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An adverse outcome in any pending or future litigation could negatively impact our business and results of operations.

We are a defendant in several pending cases in various jurisdictions. If we are unsuccessful in resolving these claims, our business and results of operations could be adversely affected. In addition, future claims that may arise relating to any pending or new matters, whether brought against us or initiated by us against third parties, could distract management's attention from business operations and increase our legal and related costs, which could also negatively impact our business and results of operations.

We could be liable for physical damage or product liability claims that exceed our insurance coverage.

The nature of our business subjects us to physical damage and product liability claims, especially in connection with the repair and manufacture of products that carry hazardous or volatile materials. Although we maintain liability insurance coverage at commercially reasonable levels compared to similarly-sized heavy equipment manufacturers, an unusually large physical damage or product liability claim or a series of claims based on a failure repeated throughout our production process could exceed our insurance coverage or result in damage to our reputation.

We could be unable to procure adequate insurance on a cost-effective basis in the future.

The ability to insure our businesses, facilities and rail assets is an important aspect of our ability to manage risk. As there are only limited providers of this insurance to the railcar industry, there is no guarantee that such insurance will be available on a cost-effective basis in the future. In addition, we cannot assure that our insurance carriers will be able to pay current or future claims.

Any failure by us to comply with regulations imposed by federal and foreign agencies could negatively affect our financial results.

Our operations and the industry we serve, including our customers, are subject to extensive regulation by governmental, regulatory and industry authorities and by federal and foreign agencies. These organizations establish rules and regulations for the railcar industry, including construction specifications and standards for the design and manufacture of railcars; mechanical, maintenance and related standards; and railroad safety. New regulatory rulings and regulations from these entities could impact our financial results, demand for our products and the economic value of our assets. In addition, if we fail to comply with the requirements and regulations of these entities, we could face sanctions and penalties that could negatively affect our financial results.

Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies, could adversely affect our financial results.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain. Accounting standard setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC, and our independent registered public accounting firm) may amend or even reverse their previous interpretations or positions on how these standards should be applied. In some cases, we could be required to apply a new or revised standard retrospectively, resulting in the revision of prior period financial statements. Changes in accounting standards can be hard to predict and can materially impact how we record and report our financial condition and results of operations.

From time to time we may take tax positions that the Internal Revenue Service may contest.

We have in the past and may in the future take tax positions that the Internal Revenue Service (IRS) may contest. We are required by an IRS regulation to disclose particular tax positions, to the IRS as part of our tax returns for that year and future years. If the IRS successfully contests a tax position that we take, we may be required to pay additional taxes, interest or fines that may adversely affect our results of operation and financial position.

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Natural disasters or severe weather conditions could disrupt our business and result in loss of revenue or higher expenses.

Any serious disruption at any of our facilities due to hurricane, earthquake, flood, or any other natural disaster could impair our ability to use our facilities and have a material adverse impact on our revenues and increase our costs and expenses. If there is a natural disaster or other serious disruption at any of our facilities, particularly any of our Mexican facilities, it could impair our ability to adequately supply our customers, cause a significant disruption to our operations, cause us to incur significant costs to relocate or reestablish these functions and negatively impact our operating results. While we insure against certain business interruption risks, such insurance may not adequately compensate us for any losses incurred as a result of natural or other disasters.

Repercussions from terrorist activities or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts, and other armed conflict involving the U.S. or its interests abroad may adversely affect the U.S. and global economies, potentially preventing us from meeting our financial and other obligations. In particular, the negative impacts of these events may affect the industries in which we operate. This could result in delays in or cancellations of the purchase of our products or shortages in raw materials, parts, or components. Any of these occurrences could have a material adverse impact on our financial results.

Compliance with recently passed health care legislation and increases in the cost of providing health care plans to our employees may adversely affect our business.

In March 2010, Congress passed the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act (collectively, the Acts). Among other things, the Acts contain provisions that will affect employer-sponsored health care plans, impose excise taxes on certain plans, and reduce the tax benefits available to employers that receive the Medicare Part D subsidy. Nationally, the cost of providing health care plans to a company's employees has increased at annual rates in excess of inflation. There continues to be uncertainty whether the Acts will increase the cost of employee health plan coverage. Continued significant annual increases in the cost of providing employee health coverage may adversely affect our business and results of operations.

If we are unable to protect our intellectual property and prevent its improper use by third parties or if third parties assert that our products or services infringe their intellectual property rights, our ability to compete in the market may be harmed, and our business and financial condition may be adversely affected.

The protection of our intellectual property is important to our business. We rely on a combination of trademarks, copyrights, patents and trade secrets to protect our intellectual property. However, these protections might be inadequate. Our pending or future trademark, copyright and patent applications might not be approved or, if allowed, might not be sufficiently broad. If our intellectual property rights are not adequately protected we may not be able to commercialize our technologies, products or services and our competitors could commercialize our technologies, which could result in a decrease in our sales and market share and could materially adversely affect our business, financial condition and results of operations. Conversely, third parties might assert that our products, services, or other business activities infringe their patents or other intellectual property rights. Infringement and other intellectual property claims and proceedings brought against us, whether successful or not, could result in substantial costs and harm our reputation. Such claims and proceedings can also distract and divert our management and key personnel from other tasks important to the success of our business. In addition, intellectual property litigation or claims could force us to cease selling or using products that incorporate the asserted intellectual property, which would adversely affect our revenues, pay substantial damages for past use of the asserted intellectual property or pay substantial fees to obtain a license from the holder of the asserted intellectual property, which license may not be available on reasonable terms, if at all. In the event of an adverse determination in an intellectual property suit or proceeding, or our failure to license essential technology or redesign our products so as not to infringe third party intellectual property rights, our sales could be harmed and our costs could increase, which could materially adversely affect our business, financial condition and results of operations.

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None.

Item 2. PROPERTIES

We operate at the following primary facilities as of August 31, 2013:

Description	Location	Status
Manufacturing Segment		
Manufacturing facilities:	Portland, Oregon	Owned
	2 locations in Sahagun, Mexico	Leased 1 location
	Frontera, Mexico	Owned 1 location
	3 locations in Poland	Leased Owned
Wheels, Repair & Parts Segment		
Wheel, Repair & Parts facilities:	33 locations in the U.S.	Leased 15 locations
		Owned 12 locations
	2 locations in Mexico	Customer premises 6 locations
	1 location in Canada	Leased
		Customer premises
Administrative offices:	1 location in the U.S.	Leased
Leasing & Services Segment		
Corporate offices, railcar marketing and leasing activities:	Lake Oswego, Oregon	Leased

We believe that our facilities are in good condition and that the facilities, together with anticipated capital improvements and additions, are adequate to meet our operating needs for the foreseeable future. We continually evaluate our Manufacturing and Wheels, Repair & Parts facilities in order to remain competitive and to take advantage of market opportunities.

Item 3. LEGAL PROCEEDINGS

There is hereby incorporated by reference the information disclosed in Note 23 to Consolidated Financial Statements, Part II, Item 8 of this Form 10-K.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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Our common stock has been traded on the New York Stock Exchange under the symbol GBX since July 14, 1994. There were approximately 437 holders of record of common stock as of October 24, 2013. The following table shows the reported high and low sales prices of our common stock on the New York Stock Exchange for the fiscal periods indicated.

	High	Low
2013		
Fourth quarter	\$ 25.33	\$ 21.10
Third quarter	\$ 25.24	\$ 19.85
Second quarter	\$ 22.51	\$ 15.41
First quarter	\$ 19.19	\$ 13.25
2012		
Fourth quarter	\$ 17.60	\$ 13.15
Third quarter	\$ 26.04	\$ 13.10
Second quarter	\$ 26.66	\$ 20.11
First quarter	\$ 23.79	\$ 10.38

Payment of future dividends is at the discretion of the Board of Directors and is reviewed on a regular basis along with other programs to return capital to stockholders. Factors that may be considered in determining whether to declare a dividend may include, but are not limited to, our results of operations and financial condition and our expected future capital expenditures and investments.

In October 2013, the Board of Directors authorized our company to repurchase up to \$50 million of our company's common stock. Under the share buyback 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 share buyback program does not obligate our company to acquire any specific number of shares in any period. The share buyback program expires April 30, 2015, but may be modified, suspended or discontinued at any time without prior notice.

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Performance Graph

The following graph demonstrates a comparison of cumulative total returns for the Company's Common Stock, the Dow Jones US Industrial Transportation Index and the Standard & Poor's (S&P) 500 Index. The graph assumes an investment of \$100 on August 31, 2008 in each of the Company's Common Stock and the stocks comprising the indices. Each of the indices assumes that all dividends were reinvested and that the investment was maintained to and including August 31, 2013, the end of the Company's 2013 fiscal year.

The comparisons in this table are required by the SEC, and therefore, are not intended to forecast or be indicative of possible future performance of our Common Stock.

Equity Compensation Plan Information

Equity Compensation Plan Information is hereby incorporated by reference to the Equity Compensation Plan Information table in Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's year ended August 31, 2013.

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YEARS ENDED AUGUST 31,

<i>(In thousands, except unit and per share data)</i>	2013	2012	2011	2010	2009
Statement of Operations Data					
Revenue:					
Manufacturing	\$ 1,215,734	\$ 1,253,964	\$ 721,102	\$ 295,566	\$ 462,496
Wheels, Repair & Parts	469,222	481,865	452,865	388,434	475,397
Leasing & Services	71,462	71,887	69,323	72,280	78,298
	\$ 1,756,418	\$ 1,807,716	\$ 1,243,290	\$ 756,280 ⁽¹⁾	\$ 1,016,191 ⁽¹⁾
Earnings (loss) from operations	\$ 41,651	\$ 118,788	\$ 67,574	\$ 52,107	\$ (28,303)
Net earnings (loss) attributable to Greenbrier	\$ (11,048) ⁽²⁾	\$ 58,708	\$ 6,466 ⁽³⁾	\$ 4,277 ⁽²⁾⁽³⁾	\$ (56,391) ⁽²⁾⁽³⁾
Basic earnings (loss) per common share attributable to Greenbrier:	\$ (0.41)	\$ 2.21	\$ 0.27	\$ 0.23	\$ (3.35)
Diluted earnings (loss) per common share attributable to Greenbrier:	\$ (0.41)	\$ 1.91	\$ 0.24	\$ 0.21	\$ (3.35)
Weighted average common shares outstanding:					
Basic	26,678	26,572	24,100	18,585	16,815
Diluted	26,678	33,718	26,501	20,213	16,815
Cash dividends paid per share	\$.00	\$.00	\$.00	\$.00	\$.12
Balance Sheet Data					
Total assets	\$ 1,289,741	\$ 1,384,544	\$ 1,301,655	\$ 1,072,888	\$ 1,048,291
Revolving notes and notes payable	\$ 422,098	\$ 488,834	\$ 519,479	\$ 501,330	\$ 541,190
Total equity	\$ 456,827	\$ 453,645	\$ 375,901	\$ 297,407	\$ 232,450
Other Operating Data					
New railcar units delivered	11,600	15,000	9,400	2,500	3,700
New railcar backlog (units)	14,400	10,700	15,400	5,300	13,400 ⁽⁴⁾
New railcar backlog (value in millions)	\$ 1,520	\$ 1,200	\$ 1,230	\$ 420	\$ 1,160
Lease fleet:					
Units managed	223,911	219,020	215,843	225,223	217,403
Units owned	8,581	10,841	8,684	8,156	8,713
Cash Flow Data					
Capital expenditures:					
Manufacturing	\$ 37,017	\$ 33,313	\$ 20,016	\$ 8,715	\$ 9,109
Wheels, Repair & Parts	7,492	11,248	20,087	12,215	6,599
Leasing & Services	16,318	73,324	44,199	18,059	23,139
	\$ 60,827	\$ 117,885	\$ 84,302	\$ 38,989	\$ 38,847
Proceeds from sale of assets	\$ 75,338	\$ 33,560	\$ 18,730	\$ 22,978	\$ 15,555
Depreciation and amortization:					
Manufacturing	\$ 13,469	\$ 11,754	\$ 9,853	\$ 11,061	\$ 11,471
Wheels, Repair & Parts	12,843	13,265	11,853	11,435	11,885
Leasing & Services	15,135	17,352	16,587	15,015	14,313
	\$ 41,447	\$ 42,371	\$ 38,293	\$ 37,511	\$ 37,669

- (1) Historically, the Company has reported Net gain on disposition of leased equipment as a net amount in Revenue. The Company has changed its financial statement presentation to now report these amounts as a separate line item captioned Net gain on disposition of equipment , which is a component of operating income below margin. This change in presentation resulted in a decrease in Revenue and corresponding increase in Net gain on disposition of equipment of \$8.2 million and \$1.9 million for 2010 and 2009. Such change in presentation did not result in any change to Net earnings (loss) attributable to Greenbrier.
- (2) 2013 includes a non-cash goodwill impairment charge of \$71.8 million net of tax and a restructuring charge of \$1.8 million net of tax. 2010 includes income of \$11.9 million net of tax for a special item related to the release of the liability associated with the 2008 de-consolidation of our former Canadian subsidiary. 2009 includes a non-cash goodwill impairment charge of \$51.0 million net of tax.
- (3) 2011 includes a loss on extinguishment of debt of \$9.4 million net of tax for the write-off of unamortized debt issuance costs, prepayment premiums, debt discount and other costs associated with the repayment of senior unsecured notes and certain term loans. 2010 includes a gain on extinguishment of debt of \$1.3 million net of tax for the gain associated with the early retirement of a portion of the convertible senior notes, partially offset by the write-off of loan fees and debt discount. 2009 includes a loss on extinguishment of debt of \$0.8 million net of tax for the interest rate swap breakage fees associated with the voluntary prepayment of certain term loans and the acceleration of loan fees associated with the reduction in size of the North American credit facility.
- (4) 2009 backlog includes 8,500 units subject to fulfillment of certain competitive and contractual conditions and 400 units subject to certain cancellation provisions.

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Executive Summary

We operate in three primary business segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. These three business segments are operationally integrated. The Manufacturing segment, operating from facilities in the United States, Mexico and Poland, produces double-stack intermodal railcars, conventional railcars, tank cars, marine vessels and automotive railcar products. The Wheels, Repair & Parts segment performs wheel and axle servicing; railcar repair, refurbishment and maintenance activities; as well as production and reconditioning of a variety of parts for the railroad industry in North America. The Leasing & Services segment owns approximately 8,600 railcars and provides management services for approximately 224,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America. We also produce rail castings through an unconsolidated joint venture. Management evaluates segment performance based on margin.

Multi-year supply agreements are a part of rail industry practice. Customer orders may be subject to cancellations or modifications and contain terms and conditions customary in the industry. In most cases, little variation has been experienced between the quantity ordered and the quantity actually delivered.

Our total manufacturing backlog of railcar units as of August 31, 2013 was approximately 14,400 units with an estimated value of \$1.52 billion compared to 10,700 units with an estimated value of \$1.20 billion as of August 31, 2012. Currently, the entire backlog is expected to be sold to third parties, therefore no orders in our backlog are expected to be placed into our owned lease fleet. A portion of the orders included in backlog reflects an assumed product mix. Under terms of the orders, the exact mix will be determined in the future which may impact the dollar amount of backlog. Our backlog of railcar units and marine vessels is not necessarily indicative of future results of operations. Subsequent to year end we received new railcar orders for 1,700 units valued at approximately \$140 million. The new orders referenced are subject to customary documentation and completion of terms.

Marine backlog as of August 31, 2013 was approximately \$10 million compared to \$25 million as of August 31, 2012. In addition, during the fourth quarter of 2012 we became party to a letter of intent for 15 barges valued at \$60 million subject to significant permitting and other conditions.

During 2013, we implemented a restructuring plan to sell or close certain Wheels, Repair & Parts facilities to enhance margins and improve capital efficiency. Restructuring charges related to this plan were \$2.7 million (\$1.8 million, net of tax) for the year ended August 31, 2013. We anticipate we will incur additional pre-tax cash restructuring charges of about \$2.0 - \$3.0 million over the next 2 quarters. This range does not include future non-cash gains or losses from facilities reductions, as these amounts are not presently determinable.

The results of our annual goodwill impairment test during the third quarter of 2013 indicated that the carrying amount related to Wheels, Repair & Parts was in excess of fair value. As a result, a non-cash impairment loss was recorded to the extent that the carrying amount of the reporting unit's goodwill exceeded the implied fair value of that goodwill. A non-cash impairment charge of \$76.9 million (\$71.8 million, net of tax) was recorded for the year ended August 31, 2013. After the goodwill impairment charge, a balance of \$57.4 million remained in goodwill related to Wheels, Repair & Parts as of August 31, 2013.

In October 2013, the Board of Directors authorized our company to repurchase up to \$50 million of our company's common stock. Under the share buyback 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 share buyback program does not obligate our company to acquire any specific number of shares in any period. The share buyback program expires April 30, 2015, but may be modified, suspended or discontinued at any time without prior notice.

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We operate two manufacturing facilities in Sahagun, Mexico, one of which we own and one which is leased. In September 2013, we were notified by the landlord of our leased facility that the landlord does not intend to renew the lease following the expiration of the lease term in November 2014. While we continue to discuss the potential extension of the lease, we are also planning for alternatives to replace the manufacturing capacity of such facility, including potentially through expanding production capacity at our owned facility in Sahagun, Mexico or at other manufacturing sites.

Results of Operations

The accounting policies of the three segments in which we operate are the same as those described in the summary of significant accounting policies. Segment performance is evaluated based on margin. The Company's integrated business model results in selling and administrative costs being intertwined among the segments. Currently, Greenbrier's management does not allocate these costs for either external or internal reporting purposes.

Overview

<i>(In thousands)</i>	2013	2012	2011
Revenue:			
Manufacturing	\$ 1,215,734	\$ 1,253,964	\$ 721,102
Wheels, Repair & Parts	469,222	481,865	452,865
Leasing & Services	71,462	71,887	69,323
	1,756,418	1,807,716	1,243,290
Margin:			
Manufacturing	132,845	131,580	59,975
Wheels, Repair & Parts	37,721	48,324	47,416
Leasing & Services	35,807	34,516	32,140
Segment margin total	206,373	214,420	139,531
Less unallocated items:			
Selling and administrative	103,175	104,596	80,326
Net gain on disposition of equipment	(18,072)	(8,964)	(8,369)
Goodwill impairment	76,900		
Restructuring charges	2,719		
Interest and foreign exchange	22,158	24,809	36,992
Loss on extinguishment of debt			15,657
Earnings before income tax and earnings (loss) from unconsolidated affiliates	19,493	93,979	14,925
Income tax expense	(25,060)	(32,393)	(3,564)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(5,567)	61,586	11,361
Earnings (loss) from unconsolidated affiliates	186	(416)	(2,974)
Net earnings (loss)	(5,381)	61,170	8,387
Net earnings attributable to noncontrolling interest	(5,667)	(2,462)	(1,921)
Net earnings (loss) attributable to Greenbrier	\$ (11,048)	\$ 58,708	\$ 6,466
Diluted earnings (loss) per common share	\$ (0.41)	\$ 1.91	\$ 0.24

The decrease in revenue for the year ended August 31, 2013 was primarily the result of a lower volume of deliveries in the Manufacturing segment of our business. The increase in revenue for the year ended August 31, 2012 was primarily the result of higher levels of activity associated with the economic recovery in the freight car market including higher railcar deliveries as a result of increased demand.

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The decrease in net earnings for the year ended August 31, 2013 was primarily attributable to a non-cash goodwill impairment charge of \$71.8 million, net of tax and restructuring charges of \$1.8 million, net of tax. These were partially offset by an increase in gain on disposition of equipment. The increase in net earnings for

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the year ended August 31, 2012 was primarily attributable to an increase in manufacturing margin in 2012 and loss on extinguishment of debt recognized in 2011. These factors were partially offset by higher selling and administrative costs associated with operating at higher production levels in 2012.

Manufacturing Segment

Manufacturing revenue was \$1.216 billion, \$1.254 billion and \$721.1 million for the years ended August 31, 2013, 2012 and 2011. Railcar deliveries, which are the primary source of manufacturing revenue, were 11,600 units in 2013 compared to 15,000 units in 2012 and 9,400 units in 2011. Manufacturing revenue decreased \$38.2 million in 2013 compared to 2012 primarily due to a lower volume of deliveries as compared to the prior year. These lower deliveries were a result of a change in product mix to more labor intensive railcar types and lower than expected demand for certain of our products. These factors were partially offset by a higher per unit average selling price as a result of a change in product mix and an increase in marine revenue from the prior year. Manufacturing revenue increased \$532.9 million in 2012 compared to 2011 primarily due to higher railcar deliveries as a result of increased demand and a higher per unit average selling price principally due to a change in product mix.

Manufacturing margin as a percentage of revenue was 10.9% in 2013, 10.5% in 2012 and 8.3% in 2011. The increase in 2013 compared to 2012 was primarily the result of a favorable change in product mix and an increase in marine revenue. These factors were partially offset by inefficiencies with ramping up tank car production. The increase in 2012 compared to 2011 was primarily the result of efficiencies from operating at higher production rates and a more favorable pricing environment. In addition, 2011 was impacted by inefficiencies as we ramped up production at idle facilities.

Wheels, Repair & Parts Segment

Wheels, Repair & Parts revenue was \$469.2 million, \$481.9 million and \$452.9 million for the years ended August 31, 2013, 2012 and 2011. The \$12.7 million decrease in revenue in 2013 compared to 2012 was primarily the result of lower demand for wheel set replacements and a decrease in scrap metal pricing and volume. These were partially offset by an increase in demand for repair work. The \$29.0 million increase in revenue in 2012 compared to 2011 was primarily the result of higher sales volumes of repair and parts due to higher demand.

Wheels, Repair & Parts margin as a percentage of revenue was 8.0% for 2013, 10.0% for 2012 and 10.5% for 2011. The decrease in margin as a percentage of revenue in 2013 compared to 2012 was primarily the result of inefficiencies from operating at lower wheel volumes and inefficiencies at certain underperforming facilities. These were partially offset by a favorable change in parts product mix. During 2013, we recorded adjustments to certain balance sheet accounts which related to prior years' activities related to our Mexico City facility. The results for the year ended August 31, 2013 included a charge of \$1.9 million within Cost of revenue to correct for the error. 2012 included an increase in warranty and related costs associated with replacing a number of wheel sets produced at our Mexico City wheel shop which did not conform to American Association of Railroads mounting standards. The decrease in 2012 compared to 2011 was primarily the result of a change in sales mix, operating inefficiencies in repair and refurbishment as we trained new employees and an increase in warranty and related costs associated with replacing a number of wheel sets produced at our Mexico City wheel shop as previously discussed.

Leasing & Services Segment

Leasing & Services revenue was \$71.5 million, \$71.9 million and \$69.3 million for the years ended August 31, 2013, 2012 and 2011. The \$0.4 million decrease in revenue in 2013 compared to 2012 was primarily the result of lower average volumes of rent-producing leased railcars for syndication and a decrease in earnings on mileage utilization leases. These were partially offset by an increase in management services revenue primarily due to the addition of new management service agreements. The \$2.6 million increase in revenue in 2012 compared to 2011 was primarily the result of an increase in the size of the owned leased fleet and higher rents earned on increased volumes of leased railcars for syndication, partially offset by the expiration of a certain management services contract in 2011.

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Leasing & Services margin as a percentage of revenue was 50.1% in 2013 compared to 48.0% in 2012 and 46.4% in 2011. The increase in 2013 compared to 2012 was primarily the result of a reduction in the maintenance accrual on terminated maintenance management agreements and a receipt of a settlement on a terminated railcar lease agreement. These were partially offset by lower average volumes of rent-producing leased railcars for syndication. The increase in 2012 compared to 2011 was primarily the result of more favorable lease rates and higher rents earned on increased volumes of leased railcars for syndication, which was partially offset by the expiration of a certain management services contract in 2011.

The percentage of owned units on lease as of August 31, 2013 was 97.4% compared to 93.5% at August 31, 2012 and 95.7% at August 31, 2011.

Selling and Administrative

Selling and administrative expense was \$103.2 million, or 5.9% of revenue for the year ended August 31, 2013, \$104.6 million, or 5.8% of revenue for the year ended August 31, 2012 and \$80.3 million, or 6.5% of revenue, for the year ended August 31, 2011. The \$1.4 million decrease in 2013 compared to 2012 was primarily due to a decrease in incentive compensation costs. The \$24.3 million increase in 2012 compared to 2011 was primarily due to higher employee related costs including incentive compensation associated with increased levels of activity and profitability. In addition, the revenue-based administrative fees paid to our joint venture partner in Mexico in 2012 increased due to higher activity levels. Revenue-based fees paid to our joint venture partner in Mexico were \$5.9 million, \$6.3 million and \$3.1 million for the years ended August 31, 2013, 2012 and 2011.

Net Gain on Disposition of Equipment

Net gain on disposition of equipment was \$18.1 million, \$9.0 million and \$8.4 million for the years ended August 31, 2013, 2012 and 2011.

The gain for the year ended August 31, 2013 consists of \$19.0 million in gains realized on the disposition of leased assets, a \$0.6 million other gain and a \$1.5 million loss related to the sale of certain assets from our roller bearing operation in Elizabethtown, Kentucky. The entire gain for the year ended August 31, 2012 was realized on the disposition of leased assets. The gain for the year ended August 31, 2011 consists of \$5.1 million gain realized on the disposition of leased assets and a \$3.3 million gain on insurance proceeds related to the January 2009 fire at one of our Wheels, Repair & Parts facilities. The increase in gains realized on disposition of leased assets for the year ended August 31, 2013 as compared to prior years reflect refinements of our leasing model as part of our previously announced strategic initiative to liberate capital.

Assets from Greenbrier's lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions and manage risk and liquidity.

Goodwill Impairment

The results of our annual goodwill impairment test during the third quarter of 2013 indicated that the carrying amount related to Wheels, Repair & Parts were in excess of fair value. As a result, a non-cash impairment loss was recorded to the extent that the carrying amount of the reporting unit's goodwill exceeded the implied fair value of that goodwill. A non-cash impairment charge of \$76.9 million (\$71.8 million, net of tax) was recorded for the year ended August 31, 2013. The primary drivers of the impairment charge were lower than expected operating results, changes in forecasted future results, accompanied by a reduction in observed market multiples.

Restructuring Charges

During 2013, we implemented a restructuring plan to sell or close certain Wheels, Repair & Parts facilities to enhance margins and improve capital efficiency. Restructuring charges related to this plan totaled \$2.7 million for the year ended August 31, 2013 and consisted of employee related termination costs, contract termination expenses and other costs. We anticipate we will incur additional pre-tax cash restructuring charges of about \$2.0 - \$3.0 million over the next 2 quarters. This range does not include future non-cash gains or losses from facilities reductions, as these are amounts are not presently determinable.

Table of Contents**Interest and Foreign Exchange**

Interest and foreign exchange expense was composed of the following:

<i>(In thousands)</i>	Years ended August 31,		Increase
	2013	2012	(decrease)
Interest and foreign exchange:			
Interest and other expense	\$ 19,203	\$ 22,474	\$ (3,271)
Accretion of convertible debt discount	2,455	3,259	(804)
Foreign exchange (gain) loss	500	(924)	1,424
	\$ 22,158	\$ 24,809	\$ (2,651)

Interest and other expense decreased in 2013 from 2012 primarily due to lower interest expense on reduced levels of borrowings and benefit from interest accruals associated with uncertain tax positions that expired during the year. This was partially offset by a foreign exchange gain in the prior year and a foreign exchange loss in the current year.

Interest and foreign exchange expense was composed of the following:

<i>(In thousands)</i>	Years ended August 31,		Increase
	2012	2011	(decrease)
Interest and foreign exchange:			
Interest and other expense	\$ 22,474	\$ 30,155	\$ (7,681)
Accretion of term loan debt discount		3,564	(3,564)
Accretion of convertible debt discount	3,259	3,021	238
Foreign exchange (gain) loss	(924)	252	(1,176)
	\$ 24,809	\$ 36,992	\$ (12,183)

Interest and other expense decreased in 2012 from 2011 primarily due to lower interest rates from refinancing certain indebtedness. In 2011, we repaid \$235.0 million of 8.375% senior unsecured loans and replaced it with \$230.0 million of 3.5% convertible debt. The accretion of term loan debt discount in 2011 was due to the expensing of unamortized debt discount that was fully amortized in 2011.

Loss on Extinguishment of Debt

The results of operations for the year ended August 31, 2011 included a loss on extinguishment of debt of \$15.7 million associated with the write-off of unamortized debt issuance costs of \$2.9 million and prepayment premiums and other costs of \$7.2 million due to the full retirement of \$235.0 million of senior unsecured notes and the write-off of unamortized loan fees of \$1.7 million and a debt discount of \$3.9 million due to the full retirement of a \$71.8 million term loan.

Income Tax

In 2013 our tax expense was \$25.1 million on \$19.5 million of pre-tax earnings. Results include a goodwill impairment charge of \$76.9 million that was largely nondeductible. Excluding the impact of the goodwill impairment charge, the effective tax rate was 30.4%. The decline from an effective tax rate of 34.5% in 2012 was primarily due to a benefit from the reversal of uncertain tax positions in 2013 and a change in the geographical mix of pre-tax earnings and losses from 2012 to 2013.

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In 2012 our tax expense was \$32.4 million on \$94.0 million of pre-tax earnings for an effective tax rate of 34.5%. The fluctuation from the U.S. federal statutory tax rate of 35% was due to the geographical mix of pre-tax earnings and losses, the change in the recognition of deferred tax assets in certain foreign jurisdictions and the

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impact of a restructuring of a foreign subsidiary for tax purposes. In addition, an income tax liability was not recorded on the noncontrolling interest earnings of \$1.1 million from a consolidated subsidiary that is a flow through entity only taxed at the owner's level. The increase in the effective tax rate in 2012 from 2011 was primarily due to the change in geographical mix of pre-tax earnings.

In 2011 our tax expense was \$3.6 million on \$14.9 million of pre-tax earnings for an effective tax rate of 23.9%. The fluctuation from the U.S. federal statutory tax rate of 35% was due to the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and operating results for certain operations with no related tax effect. In addition, an income tax liability was not recorded on the noncontrolling interest earnings of \$1.9 million from a consolidated subsidiary that is a flow through entity only taxed at the owner's level.

Earnings (Loss) from Unconsolidated Affiliates

Earnings from unconsolidated affiliates were \$0.2 million for the year ended August 31, 2013 and primarily included the results of operations from our castings joint venture. Loss from unconsolidated affiliates was \$0.4 million and \$3.0 million for the years ended August 31, 2012 and 2011 and included the results of operations from our castings joint venture and from WLR Greenbrier Rail Inc.

Net Earnings Attributable to Noncontrolling Interest

The years ended August 31, 2013, 2012 and 2011 include net earnings attributable to non-controlling interest of \$5.7 million, \$2.5 million and \$1.9 million 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. The changes from year to year are primarily a result of increased sales to third parties and lower intercompany activity.

Table of Contents**Liquidity and Capital Resources**

<i>(In thousands)</i>	Years Ended August 31,		
	2013	2012	2011
Net cash provided by (used in) operating activities	\$ 104,592	\$ 116,056	\$ (34,252)
Net cash provided by (used in) investing activities	6,159	(88,947)	(69,264)
Net cash provided by (used in) financing activities	(65,732)	(28,794)	57,991
Effect of exchange rate changes	(1,155)		