

RailUSA

Short line and regional railroad owner/operator

INVESTMENT HIGHLIGHTS

ONGOING, LONG-TERM DEMAND FOR RAIL

There is increasing need for first- and last-mile solutions. Rail is a low-cost, bulk commodity transportation option for long distances, and is sometimes the only option. One railcar carries the equivalent of four truckloads, and using rail is typically more economical for distances greater than 500 miles. Some heavier, hazardous and specialty cargo are better suited for rail, regardless of distance.

DURABLE, RECESSION-RESISTANT SECTOR WITH STRONG CASH-FLOW CHARACTERISTICS

During the Global Financial Crisis in 2008, short line railroad revenues only declined in the single digits, with storage acting as a natural hedge. Rail also recovered quickly following the Recession.

HIGH MARGINS

Railroads have a semi-fixed operating cost structure that benefits from margin expansion as freight traffic grows.

HIGH BARRIERS TO ENTRY

North America's railroad system is extensively built, and customers have already invested in plants alongside existing short line railroads. Building new track requires regulatory approvals and requires substantial capital. Trucking presents competition but, compared to rail, trucking is generally economical only for shorter distances. At longer distances and for certain types of commodities, trucking is significantly more expensive and more constrained given driver shortages.

SALES AND MARKETING OPPORTUNITY

There is substantial opportunity to grow revenue by acquiring under-served and under-marketed short line railroads, and executing on a targeted commercial strategy. RailUSA's mandate is to gain a greater share of business from existing customers and to acquire new customers that are either located by the railroad or that can be serviced via transloading.



INVESTMENT SUMMARY

In 2018, EGI led co-investors in a \$200+ million equity commitment to RailUSA to pursue short line and regional railroad investment opportunities in the U.S. RailUSA's first investment was Grenada Railroad LLC, which runs between Memphis, TN, and Canton, MS. In 2019, the company acquired Florida Gulf & Atlantic Railroad (FG&A) from CSX Corporation, which travels from Baldwin, FL, to Pensacola, FL, passing through Tallahassee.

COMPANY HIGHLIGHTS

Grenada Railroad

- 212 miles of rail line between Memphis, TN, and Canton, MS providing freight transportation and railcar storage
- Interchanges with Canadian National Railway Company at Southaven, MS, and has access to four additional Class I railroads, which would allow for rail connections throughout North America
- The southern half of the railroad underwent a rehabilitation project and was opened for service in the second half of 2019

Florida Gulf & Atlantic Railroad

- 373-mile rail line between Baldwin, FL, and Pensacola, FL providing freight transportation and railcar storage (storage is a new service being introduced on this track)
- Includes three switching yards in Tallahassee, FL; Chattahoochee, FL; and at the AN interchange