

*Analysis of Sales/Earnings*
**Misses Street; Leases Facility Space from Navistar**

- **Misses Street:** FreightCar America reported 4Q12 EPS of \$(0.08). Our 4Q12 EPS estimate had been \$0.25, and the Street consensus had been \$0.26. The range of the eight analyst estimates ranged from a low of \$0.19 to a high of \$0.30. The company reported 4Q11 EPS (year-ago period) of \$0.71 and 3Q12 EPS of \$0.40 (previous sequential quarter). Analysts, including ourselves, had thought that the company would report a decent 4Q12 EPS, based on the units it already had in backlog. However, the company's 4Q12 results were impaired by changeovers at both of its manufacturing facilities, which resulted in a lower number of railcar units delivered than analysts were expecting in addition to greater changeover costs.
- **Expanding capacity:** As part of its diversification effort, FreightCar America announced it is leasing facility space from Navistar. Specifically, the company announced it has sub-leased approximately 25% of Navistar's Cherokee, Alabama manufacturing facility.
- **Order weak for second straight quarter:** Orders in 4Q12 totaled only 473 units, and backlog at the end of 4Q12 was 2,881 units. That is the second quarter in a row in which orders totaled fewer than 500 units; orders were only 225 units in the 3Q12.
- **\$13/share in net cash:** The company's cash balance was \$155.2 million, including restricted cash and marketable securities at the end of 2012, or about \$13 per share; also, the company has no debt.
- **We are reducing our 2013 and 2014 EPS estimates** from \$1.00 and \$1.45, respectively, to \$0.35 and \$0.90. The only 2013 guidance the company has provided is that 2013 unit deliveries are expected to be between 4,000 and 6,000 units.
- **We are maintaining our Hold rating** on the company's common shares. While the company's net cash balance should provide a floor for the share price, we believe there is too much uncertainty in the company's manufacturing business to recommend with a Buy rating at this time. Longer term, we believe the company's shares could be thought of as a way to approach the replacement cycle in the coal car fleet of the eastern Class I railroads. In addition, if the company was to be successful in its railcar diversification efforts, it could lessen its sensitivity to coal rail traffic, an area that may only be in the middle innings of a long-term secular decline.

Changes	Previous	Current
Rating	—	Hold
Target Price	—	NA
FY13E EPS	\$1.00	\$0.35
FY14E EPS	\$1.45	\$0.90
FY13E Revenue	\$576.6	\$472.9
FY14E Revenue	\$635.4	\$539.5

Price (02/20/13):	\$22.35
52-Week Range:	\$30 – \$17
Market Cap.(mm):	268.2
Shr.O/S-Diluted (mm):	12.0
Enterprise Val. (mm):	\$113.0
Avg Daily Vol (3 Mo):	68,467
LT Debt/Total Cap.:	0.0%
Net Cash/Share:	\$12.93
Book Value/Share:	\$17.61
Dividend(\$ / %)	\$0.24 / 1.1%
S&P Index	1,511.95

EPS	2012A	2013E	2014E
Q1	\$0.81	\$0.12	\$NE
Q2	0.46	0.10	NE
Q3	0.40	0.10	NE
Q4	(0.08)	0.03	NE
FY Dec	\$1.71A	\$0.35	\$0.90
P/E	13.1x	63.9x	24.8x

Revenue	2012A	2013E	2014E
Q1	\$219.1	\$129.0	\$NE
Q2	181.2	124.6	NE
Q3	160.6	117.6	NE
Q4	116.6	101.7	NE
FY Dec	\$678.8A	\$472.9	\$539.5
EV/Rev	0.2x	0.2x	0.2x

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All relevant disclosures and certifications appear on pages 9 - 10 of this report.

**FreightCar America reported 4Q12 EPS of \$(0.08).**

Our 4Q12 EPS estimate had been \$0.25, and the Street consensus had been \$0.26. The range of the eight analyst estimates ranged from a low of \$0.19 to a high of \$0.30. The company reported 4Q11 EPS (year-ago period) of \$0.71 and 3Q12 EPS of \$0.40 (previous sequential quarter). Analysts, including ourselves, had thought that the company would report a decent 4Q12 EPS based on the units it already had in backlog. However, the company's 4Q12 results were impaired by changeovers at both of its manufacturing facilities, which resulted in a lower number of railcar units delivered than analysts were expecting in addition to greater changeover costs. In recent quarters, there has often been wide variance (both to the upside and the downside) between the company's reported EPS and the Street average, which we attribute to the company not providing analysts with guidance or a framework for establishing forward EPS estimates.

**As part of its diversification effort, FreightCar America announced that it is leasing facility space from Navistar.**

Specifically, the company announced that it has sub-leased approximately 25% of Navistar's Cherokee, Alabama manufacturing facility. The company believes the facility will provide it with the capacity to build over 7,000 railcars per year when fully operational. The lease is nine years in duration, and the lease payment terms have not been disclosed. The company also entered into an agreement with Navistar for the supply of parts and production support services as well as the purchase of equipment at the facility. The company plans to invest up to \$23 million to equip and make the facility fully operational. The objective is to diversify the company's manufacturing capabilities to a wider range of railcar types; historically, the company has primarily been a manufacturer of coal cars.

At first glance, the timing of this capacity expansion seems odd. Railcar deliveries were 8,325 units in 2012 and are expected to only be 4,000-6,000 in 2013 on lower production of coal cars. The company could have changed over production at existing facilities instead of entering into this agreement and still would have had ample capacity to meet expected 2013 demand, even with downtime associated with changeovers. Management's rationale on the capacity expansion is that it wanted to avoid the costs associated with production line changeovers at its existing facilities, while taking longer-term steps to diversify its product mix away from coal cars toward a more balanced product mix. Management cited intermodal cars, other flatbed cars, and gondolas as areas of expansion and indicated that it does not expect to be producing tank cars any time soon (presumably, because tank car production requires additional expertise and capital investment). While we appreciate the company is taking steps to diversify its manufacturing business mix, we believe the recent announcement also adds another degree of uncertainty as it is unclear to us when there will be sufficient demand to support the incremental capacity. It is also unclear to us whether customers will feel as comfortable placing orders with FreightCar America as they are with larger competitors that have more experience building those car types (e.g., The Greenbrier Companies and Trinity Industries). Further, it is unclear to us how many incremental railcars the company will have to build in order to offset the incremental lease costs of the new facility and earn a return on the incremental capital investment (it is difficult to even estimate this without knowing what the company is paying to lease the facility space).

**Orders in 4Q12 totaled only 473 units and backlog at the end of 4Q12 was 2,881 units.**

That is the second quarter in a row in which orders totaled fewer than 500 units; orders were only 225 units in the 3Q12. The units in backlog are scheduled to be built out by the 3Q13.

**Operating income in the manufacturing segment in 4Q12 was \$6.5 million, down from \$16.5 million in the 4Q11.**

Deliveries in the quarter declined to 1,308 railcars from 2,489 railcars in the year-ago period. The lower volumes can be mainly attributed to line changeovers. In addition, incremental costs associated with those changeovers also impaired Manufacturing operating results in the quarter. The company's gross margin percentage in the 4Q12 was 7.0%, compared to 10.0% in the previous sequential quarter and 8.9% in the year-ago period. Management stated that the variance was related to the changeover costs and otherwise the company was operating within its budget expectations. The implication is that we should expect the gross margin percentage to improve from 7.0% in 4Q12 to the company's more historical range of 8%-11% during the projected period.

**Operating income in the Services segment was \$0.1 million, down from \$0.5 million in the 4Q11.**

Results in the Services segment were impaired by a mix shift toward lower margin repair work as well as a decline in repair volumes. Improvement in coal traffic would contribute to improved results in the Services segment, but we expect coal traffic on the rails to be down in the range of 5%-10% in 2013 from 2012 levels.

**The company's cash balance was \$155.2 million, including restricted cash and marketable securities at the end of 2012, or about \$13 per share; also, the company has no debt.**

In addition, the company has availability of \$30 million on its revolving credit facility that remains undrawn. It is clear to us that the first use of cash is the \$23 million investment to get the new manufacturing facilities fully operational. The company's ongoing capex requirements are fairly minimal and it does not seem interested in building out its lease fleet (it has been doing the opposite and divesting leased equipment) the way many of the other railcar OEMs have. The company seems to be willing to maintain a large cash balance so it can remain financially viable in all economic climates without seeking external financing.

**We are reducing our 2013 and 2014 EPS estimates from \$1.00 and \$1.45, respectively, to \$0.35 and \$0.90.**

The only 2013 guidance the company has provided is that 2013 production is expected to be between 4,000 and 6,000 units. That is a wide range and no guidance was given beyond that data point, such as the volume level at which the company expects to be earnings or cash flow positive, railcar pricing, or margins. With backlog of just under 3,000 units at the end of 4Q12, we believe the company should at least be able to have production come above the low end of that range, even if rail traffic continues to be mediocre. Our model assumes that volumes comes in just above the midpoint of that range, near 5,200 units, and we expect production in 2013 to be front-half loaded because we are not expecting strong orders during most of 2013. We believe it will be difficult to generate revenue growth in the Services segment in 2013 as rail traffic continues to be challenged. In 2014, our model projects railcar unit production expanding to about 6,000 units. In light of the company's capacity, unit production could be much higher than that if relatively favorable rail traffic leads to improvement in railcar orders, possibly combined with the company gaining traction at its newly leased facility. We should note that we do not have a clear sense about the lease payments the company will have to make to Navistar. Our underlying gross margin and SG&A assumptions are that the company's gross margin will be near the low end of its typical historical range of 8%-11% as the company absorbs new lease expenses and produces railcars below optimal production volumes. That general lack of visibility supports our view that FreightCar America has more model risk (both to the upside and the downside) than almost any other company covered by our Transportation and Logistics group.

**We are maintaining our Hold rating on the company's common shares.**

While the company's net cash balance should provide a floor for the share price, we believe that there is too much uncertainty in the company's manufacturing business to recommend the shares with a Buy rating at this time. Our fair value estimate is \$20 (or 8.0x our 2014 EPS estimate of \$0.90 plus \$13/share net cash). With coal rail traffic continuing to move at disappointing volume levels, and with coal railcars in storage increasing to 30,000 from 22,000 one quarter ago, we do not see a reason for coal car orders to turn around in the very near term. Longer term, we believe the company's shares could be thought of as a way to approach the replacement cycle in the coal car fleet of the eastern Class I railroads. In addition, if the company was to be successful in its railcar diversification efforts, it could lessen its sensitivity to coal rail traffic, an area that may only be in the middle innings of a long-term secular decline.

**Company Description**

FreightCar America is a manufacturer of North American freight railcars. The company specializes in building freight rail cars designed to haul bulk commodities, such as uncovered hoppers and gondolas that are used to move coal. In addition to manufacturing coal rail cars, the company manufactures railcars across several types including other open top cars moved to haul bulk commodities such as iron ore. In addition, the company recently received regulatory approval for an intermodal car design. In addition to manufacturing railcars, the company provides ancillary products and services such as refurbishing and rebuilding railcars and selling fabricated parts used in railcar production. The company expanded its presence in railcar services with its 2010 acquisition of DTE Rail Services, Inc., which provides general railcar repair and maintenance, inspections, and railcar fleet management services for all types of freight railcars.

STIFEL																						
Equity Comps - Transportation																						
Comparative Valuation Matrix																						
(figures in \$US millions, except per share amounts)																						
Company name (Ticker)	Rating	Closing Price 2/20/2013	Diluted S/O	Market cap.	Total Debt	Cash & equiv.	TEV <sup>(a)</sup>	Equity value as a multiple of				Enterprise value as a multiple of					TTM ROA	TTM ROE	TTM ROIC	PEG ratio <sup>(d)</sup>	Div. Yield	2013E FCF Yld
								2011A <sup>(b)</sup>	2012E <sup>(b)</sup>	2013E <sup>(b)</sup>	Book value	TTM Revenue	2013E EBITDA	TTM EBITDA	TTM EBITDAR <sup>(c)</sup>	TTM EBIT						
Rail Suppliers and Leasing Companies:																						
American Railcar Industries (ARII)	Hold	40.27	21.4	859.8	175.0	99.2	935.7	NM	15.2x	13.0x	2.5x	1.3x	6.8x	7.9x	7.9x	9.9x	6.5%	13.5%	10.2%	0.9	0.0%	NM
GATX Corp. (GMT)	Buy	49.55	47.3	2,345.9	3,567.9	263.9	5,649.9	25.7x	17.6x	15.7x	1.9x	4.3x	9.1x	9.6x	8.9x	16.0x	2.2%	11.3%	5.3%	1.0	2.5%	1.7%
Greenbrier (GBX)	Hold	21.10	27.1	572.8	517.5	41.3	1,049.0	23.5x	11.1x	10.6x	1.2x	0.6x	6.5x	6.6x	6.4x	9.1x	4.5%	14.1%	8.6%	0.9	0.0%	7.8%
Freightcar America (RAIL)	Hold	22.35	12.0	267.4	0.0	155.2	112.2	NM	13.1x	NM	1.3x	0.2x	7.0x	2.7x	2.1x	3.3x	5.6%	10.0%	10.1%	NM	1.1%	-6.2%
L.B. Foster (FSTR)	Hold	43.97	10.2	447.4	0.1	101.5	346.0	NM	15.4x	14.4x	1.6x	0.6x	5.7x	6.0x	7.9x	7.6x	7.4%	10.4%	10.4%	1.4	0.2%	6.0%
Ryder System (R)	Buy	56.48	51.8	2,927.2	3,888.1	95.7	6,719.6	16.1x	14.3x	11.7x	2.0x	1.1x	4.5x	5.0x	4.8x	15.1x	2.5%	13.3%	5.7%	1.0	2.2%	NM
Trinity Industries (TRN)	Hold	40.51	80.7	3,267.3	2,978.1	312.2	5,933.2	26.7x	13.0x	11.6x	1.6x	1.6x	7.3x	8.4x	8.3x	11.6x	3.9%	12.1%	7.4%	1.0	1.1%	0.6%
Wabtec (WAB)	Hold	97.54	48.6	4,738.6	317.0	216.0	4,839.6	26.3x	18.8x	16.7x	3.8x	2.0x	10.1x	11.1x	11.2x	12.3x	11.4%	22.4%	17.6%	1.1	0.2%	3.7%
Min				267.4	0.0	41.3	112.2	16.1x	11.1x	10.6x	1.2x	0.2x	4.5x	2.7x	2.1x	3.3x	2.2%	10.0%	5.3%	0.9	0.0%	-6.2%
Mean				1,928.3	1,430.5	160.6	3,198.1	23.7x	14.8x	13.4x	2.0x	1.4x	7.1x	7.1x	7.2x	10.6x	5.5%	13.4%	9.4%	1.0	0.9%	2.3%
Mean (Railcar OEMs only)				1,241.8	917.7	152.0	2,007.5	25.1x	13.1x	11.7x	1.6x	0.9x	6.9x	6.4x	6.2x	8.5x	5.1%	12.4%	9.1%	0.9	0.5%	0.8%
Mean (Leasing only)				2,636.5	3,728.0	179.8	6,184.7	20.9x	15.9x	13.7x	1.9x	2.7x	6.8x	7.3x	6.8x	15.6x	2.4%	12.3%	5.5%	1.0	2.3%	NM
Median				1,602.9	417.3	128.4	2,944.3	25.7x	14.7x	13.0x	1.7x	1.2x	6.9x	7.3x	7.9x	10.7x	5.0%	12.7%	9.3%	1.0	0.7%	2.7%
Max				4,738.6	3,888.1	312.2	6,719.6	26.7x	18.8x	16.7x	3.8x	4.3x	10.1x	11.1x	11.2x	16.0x	11.4%	22.4%	17.6%	1.4	2.5%	7.8%
Stifel Transportation Average				7,987.9	1,552.6	430.2	9,145.8	22.1x	19.3x	16.5x	3.1x	1.7x	8.0x	9.5x	9.0x	12.8x	5.3%	11.0%	10.4%	1.1	0.9%	4.0%

(a) Total Enterprise Value = Market Capitalization of Equity + Total Debt - Cash + Market Value of Minority Interest

(b) Stifel estimates for those rated and First Call mean estimates for unrated securities

(c) Enterprise value adjusted to include the capitalization of off balance sheet operating leases with lease expense (or rent expense) being added back to EBITDA for the valuation multiple calculation

(d) 2013E P/E divided by First Call mean or Stifel estimated long-term growth rate

Excludes non-recurring items

Calculations may vary due to rounding

Source: Company data, First Call, and Stifel estimates



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## FreightCar America, Inc.

(figures in \$ millions except per share amounts)

Fiscal Year End December 31

							2011					2012					2013					
	2005A	2006A	2007A	2008A	2009A	2010A	1QA	2QA	3QA	4QA	2011A	1QA	2QA	3QA	4QA	2012A	1QE	2QE	3QE	4QE	2013E	2014E
<b>Revenue</b>																						
Manufacturing						127.0	63.2	88.3	122.2	179.2	452.9	210.4	171.8	152.5	109.3	644.0	120.4	116.0	108.9	92.9	438.1	503.0
Y/Y% Change							312.2%	234.4%	211.2%	289.3%	256.6%	233.2%	94.6%	24.8%	-39.0%	42.2%	-42.8%	-32.5%	-28.6%	-15.0%	-32.0%	14.8%
Services						15.9	9.1	9.3	7.9	7.8	34.1	8.6	9.4	8.1	8.6	34.8	8.6	8.7	8.7	8.8	34.8	36.5
Y/Y% Change							115.6%	102.0%	281.9%	56.9%	114.9%	-5.0%	1.2%	2.4%	10.0%	1.9%	0.0%	-8.0%	7.0%	2.0%	0.0%	5.0%
<b>Total Revenue</b>	<b>927.2</b>	<b>1,444.8</b>	<b>817.0</b>	<b>746.4</b>	<b>248.5</b>	<b>142.9</b>	<b>72.2</b>	<b>97.6</b>	<b>130.1</b>	<b>187.1</b>	<b>487.0</b>	<b>219.1</b>	<b>181.2</b>	<b>160.6</b>	<b>116.6</b>	<b>678.8</b>	<b>129.0</b>	<b>124.6</b>	<b>117.6</b>	<b>101.7</b>	<b>472.9</b>	<b>539.5</b>
Y/Y% Change		55.8%	-43.5%	-8.6%	-66.7%	-42.5%	269.9%	214.8%	214.8%	266.6%	240.8%	203.2%	85.7%	23.4%	-37.7%	39.4%	-41.1%	-31.2%	-26.8%	-12.8%	-30.3%	14.1%
<b>Total cost of revenue</b>	<b>820.6</b>	<b>1,211.3</b>	<b>713.7</b>	<b>679.6</b>	<b>211.9</b>	<b>140.2</b>	<b>70.0</b>	<b>93.6</b>	<b>121.0</b>	<b>170.4</b>	<b>455.0</b>	<b>195.3</b>	<b>164.2</b>	<b>144.5</b>	<b>108.5</b>	<b>612.5</b>	<b>118.0</b>	<b>114.6</b>	<b>107.6</b>	<b>93.1</b>	<b>433.3</b>	<b>488.3</b>
Gross Margin %	11.5%	16.2%	12.7%	8.9%	14.7%	1.9%	3.1%	4.1%	7.0%	8.9%	6.6%	10.8%	9.4%	10.0%	7.0%	9.8%	8.5%	8.0%	8.5%	8.5%	8.4%	9.5%
<b>Gross profit</b>	<b>106.5</b>	<b>233.5</b>	<b>103.4</b>	<b>66.8</b>	<b>36.5</b>	<b>2.7</b>	<b>2.2</b>	<b>4.0</b>	<b>9.1</b>	<b>16.6</b>	<b>31.9</b>	<b>23.7</b>	<b>17.0</b>	<b>16.1</b>	<b>8.1</b>	<b>66.3</b>	<b>11.0</b>	<b>10.0</b>	<b>10.0</b>	<b>8.6</b>	<b>39.6</b>	<b>51.3</b>
% change y/y	119.1%	-55.7%	-35.4%	-45.3%	-92.5%	NM	NM	8.3%	NM	NM	NM	958.5%	329.8%	76.5%	-51.1%	107.6%	-53.8%	-41.5%	-37.9%	6.5%	-40.3%	29.5%
% of gross revenues	11.5%	16.2%	12.7%	8.9%	14.7%	1.9%	3.1%	4.1%	7.0%	8.9%	6.6%	10.8%	9.4%	10.0%	7.0%	9.8%	8.5%	8.0%	8.5%	8.5%	8.4%	9.5%
Selling, administrative and other	28.5	34.4	38.9	31.7	31.3	24.6	6.0	6.9	7.3	8.5	28.7	8.7	7.6	8.2	8.2	32.7	8.5	8.0	8.0	8.0	32.5	33.5
<b>Total Cost of Rev. and Expenses</b>	<b>849.1</b>	<b>1,245.7</b>	<b>752.6</b>	<b>711.3</b>	<b>243.3</b>	<b>164.8</b>	<b>76.0</b>	<b>100.5</b>	<b>128.3</b>	<b>178.9</b>	<b>483.7</b>	<b>204.0</b>	<b>171.8</b>	<b>152.7</b>	<b>116.6</b>	<b>645.2</b>	<b>126.5</b>	<b>122.6</b>	<b>115.6</b>	<b>101.1</b>	<b>465.8</b>	<b>521.8</b>
Operating ratio (gross rev.)	91.6%	86.2%	92.1%	95.3%	97.9%	115.3%	105.2%	103.0%	98.6%	95.7%	99.3%	93.1%	94.8%	95.1%	100.0%	95.1%	98.1%	98.4%	98.3%	99.4%	98.5%	96.7%
<b>EBIT</b>	<b>78.1</b>	<b>199.1</b>	<b>64.5</b>	<b>35.1</b>	<b>5.2</b>	<b>(21.9)</b>	<b>(3.8)</b>	<b>(2.9)</b>	<b>1.8</b>	<b>8.1</b>	<b>3.3</b>	<b>15.0</b>	<b>9.4</b>	<b>7.9</b>	<b>(0.1)</b>	<b>33.6</b>	<b>2.5</b>	<b>2.0</b>	<b>2.0</b>	<b>0.6</b>	<b>7.1</b>	<b>17.8</b>
% margin (gross revenues)	8.4%	13.8%	7.9%	4.7%	2.1%	-15.3%	-5.2%	-3.0%	1.4%	4.3%	0.7%	6.9%	5.2%	4.9%	0.0%	4.9%	1.9%	1.6%	1.7%	0.6%	1.5%	3.3%
<b>EBITDA</b>						<b>(14.9)</b>	<b>(1.6)</b>	<b>(0.6)</b>	<b>4.1</b>	<b>10.3</b>	<b>12.1</b>	<b>17.1</b>	<b>11.5</b>	<b>9.9</b>	<b>2.2</b>	<b>42.0</b>	<b>4.7</b>	<b>4.2</b>	<b>4.2</b>	<b>2.9</b>	<b>16.0</b>	<b>26.7</b>
% margin (gross revenues)						-10.4%	-2.3%	-0.6%	3.1%	5.5%	2.5%	7.8%	6.3%	6.1%	1.9%	6.2%	3.6%	3.4%	3.6%	2.8%	3.4%	4.9%
Interest income	1.2	5.9	8.3	3.8	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	(11.1)	(0.4)	(0.4)	(0.7)	(0.8)	(1.0)	(0.1)	(0.1)	(0.0)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization and write-off of deferred financing costs	(0.8)	(0.3)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Net loss attributable to noncontrolling interest in JV	(0.3)	0.0	0.0	0.0	0.2	0.1	(0.0)	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>67.1</b>	<b>204.3</b>	<b>41.3</b>	<b>18.2</b>	<b>5.2</b>	<b>(22.3)</b>	<b>(3.8)</b>	<b>(2.0)</b>	<b>1.8</b>	<b>9.3</b>	<b>5.3</b>	<b>15.9</b>	<b>9.3</b>	<b>7.8</b>	<b>(0.1)</b>	<b>34.2</b>	<b>2.4</b>	<b>1.9</b>	<b>1.9</b>	<b>0.5</b>	<b>6.7</b>	<b>17.4</b>
% margin (gross revenues)	7.2%	14.1%	5.1%	2.4%	2.1%	-15.6%	-5.3%	-2.0%	1.4%	5.0%	1.1%	7.3%	5.1%	4.8%	-0.1%	5.0%	1.8%	1.5%	1.6%	0.5%	1.4%	3.2%
Provision for income tax	21.8	75.5	14.8	6.8	0.2	(9.5)	(2.5)	(2.2)	4.2	0.9	0.4	6.2	3.8	3.0	0.8	13.8	0.9	0.7	0.7	0.2	2.5	6.6
Tax rate	32.4%	37.0%	35.9%	37.2%	4.8%	42.7%	66.4%	109.3%	237.9%	9.1%	6.7%	38.8%	40.3%	38.8%	NM	40.2%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
<b>Net Income (loss)</b>																						
<b>from continuing operations</b>	<b>45.4</b>	<b>128.7</b>	<b>26.5</b>	<b>11.4</b>	<b>4.9</b>	<b>(12.8)</b>	<b>(1.3)</b>	<b>0.2</b>	<b>(2.4)</b>	<b>8.5</b>	<b>4.9</b>	<b>9.7</b>	<b>5.6</b>	<b>4.8</b>	<b>(1.0)</b>	<b>20.4</b>	<b>1.5</b>	<b>1.2</b>	<b>1.2</b>	<b>0.3</b>	<b>4.1</b>	<b>10.8</b>
Extraordinary item (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss from unconsolidated affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income</b>	<b>45.4</b>	<b>128.7</b>	<b>26.5</b>	<b>11.4</b>	<b>4.9</b>	<b>(12.8)</b>	<b>(1.3)</b>	<b>0.2</b>	<b>(2.4)</b>	<b>8.5</b>	<b>4.9</b>	<b>9.7</b>	<b>5.6</b>	<b>4.8</b>	<b>(1.0)</b>	<b>20.4</b>	<b>1.5</b>	<b>1.2</b>	<b>1.2</b>	<b>0.3</b>	<b>4.1</b>	<b>10.8</b>
% margin (gross revenues)	4.9%	8.9%	3.2%	1.5%	2.0%	-8.9%	-1.8%	0.2%	-1.9%	4.5%	1.0%	4.4%	3.1%	3.0%	-0.8%	3.0%	1.1%	0.9%	1.0%	0.3%	0.9%	2.0%
Average shares outstanding - diluted	11.2	12.8	12.2	11.8	11.9	11.9	11.8	12.0	11.9	11.9	11.9	12.0	12.0	11.9	11.9	12.0	11.9	11.9	11.9	11.9	11.9	11.9
<b>EPS - Diluted</b>	<b>\$4.04</b>	<b>\$10.07</b>	<b>\$2.17</b>	<b>\$0.97</b>	<b>\$0.42</b>	<b>(\$1.07)</b>	<b>(\$0.11)</b>	<b>\$0.01</b>	<b>(\$0.21)</b>	<b>\$0.71</b>	<b>\$0.41</b>	<b>\$0.81</b>	<b>\$0.46</b>	<b>\$0.40</b>	<b>(\$0.08)</b>	<b>\$1.71</b>	<b>\$0.12</b>	<b>\$0.10</b>	<b>\$0.10</b>	<b>\$0.03</b>	<b>\$0.35</b>	<b>\$0.90</b>
% change y/y	149.3%	-78.4%	-55.6%	-56.9%	NM	-61.3%	NM	-48.0%	NM	NM	NM	NM	NM	NM	NM	NM	-84.9%	-79.1%	-75.3%	NM	-79.7%	160.2%
<b>EPS - Diluted excluding special items</b>	<b>\$4.04</b>	<b>\$10.07</b>	<b>\$2.17</b>	<b>\$0.97</b>	<b>\$0.42</b>	<b>(\$1.07)</b>	<b>(\$0.11)</b>	<b>\$0.02</b>	<b>(\$0.20)</b>	<b>\$0.71</b>	<b>\$0.41</b>	<b>\$0.81</b>	<b>\$0.46</b>	<b>\$0.40</b>	<b>(\$0.08)</b>	<b>\$1.71</b>	<b>\$0.12</b>	<b>\$0.10</b>	<b>\$0.10</b>	<b>\$0.03</b>	<b>\$0.35</b>	<b>\$0.90</b>
% change y/y	149.3%	-78.4%	-55.6%	-56.9%	NM	-60.7%	NM	-48.1%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

Source: Company data and Stifel Nicolaus estimates



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## FreightCar America, Inc.

						2011				2012				2013				
	2006	2007	2008	2009	2010	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QE	3QE	4QE	2014E
<b>ASSETS</b>																		
<b>Current assets</b>																		
Cash and cash equivalents	212.0	197.0	129.2	98.0	61.8	50.6	51.1	65.9	101.9	128.4	107.4	128.7	98.5	82.8	77.9	84.4	82.0	89.8
Restricted cash	0.0	0.0	0.0	1.4	2.3	2.3	2.2	0.9	1.8	16.2	17.0	15.5	14.7	14.7	14.7	14.7	14.7	14.7
Securities available for sale, at fair value	0.0	0.0	0.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	42.0	42.0	42.0	42.0	42.0	42.0
Accounts Receivable	11.4	13.1	73.1	3.7	4.1	14.1	77.8	9.0	10.1	12.3	7.2	14.4	13.0	11.8	10.6	9.8	9.5	10.8
Inventories	106.6	49.8	31.1	40.8	57.7	75.2	72.1	92.4	72.9	77.8	72.6	56.5	73.8	82.4	74.5	68.5	75.7	86.3
Leased railcars held for sale	0.0	0.0	11.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0	23.1	7.2	7.1	7.1	7.1	7.1	7.1	7.1
PP&E held for sale	0.0	0.0	0.0	2.5	6.7	6.7	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	5.0	7.2	6.8	9.5	7.1	5.8	4.3	4.2	2.6	7.3	6.1	4.6	0.0	8.8	8.0	7.3	7.1	8.1
Deferred income taxes	8.5	13.5	16.0	15.3	10.8	10.8	10.8	10.8	11.0	11.0	11.0	11.0	12.1	11.8	10.6	9.8	9.5	5.4
<b>Total current assets</b>	<b>343.5</b>	<b>280.7</b>	<b>267.7</b>	<b>203.4</b>	<b>150.5</b>	<b>165.4</b>	<b>225.3</b>	<b>183.2</b>	<b>200.3</b>	<b>253.0</b>	<b>244.4</b>	<b>237.9</b>	<b>261.2</b>	<b>261.4</b>	<b>245.5</b>	<b>243.6</b>	<b>247.5</b>	<b>264.2</b>
<b>Long-term assets</b>																		
Long-term inventory	0.0	0.0	0.0	5.6	7.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property and equipment	25.9	26.9	30.6	28.2	40.5	39.1	37.7	36.8	36.0	35.7	36.8	38.7	39.3	50.6	61.9	61.7	61.4	59.5
Railcars on operating leases	0.0	0.0	34.7	58.8	58.7	58.2	58.8	57.2	54.7	44.4	44.0	43.7	43.4	43.4	43.4	43.4	43.4	43.4
Goodwill	21.5	21.5	21.5	21.5	22.1	22.1	22.2	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Deferred income taxes, net	23.0	21.0	23.3	13.4	26.2	28.7	30.9	26.6	28.2	21.6	19.1	17.0	18.9	23.5	21.3	19.6	18.9	21.6
Other long-term assets	6.1	5.7	5.5	4.7	4.9	4.7	4.6	4.4	4.2	4.0	3.8	3.8	3.5	14.2	9.2	6.1	16.2	18.5
<b>Total assets</b>	<b>420.0</b>	<b>355.9</b>	<b>383.3</b>	<b>335.6</b>	<b>310.6</b>	<b>318.2</b>	<b>379.4</b>	<b>330.4</b>	<b>345.5</b>	<b>380.8</b>	<b>370.3</b>	<b>363.4</b>	<b>388.6</b>	<b>415.4</b>	<b>403.5</b>	<b>396.5</b>	<b>409.6</b>	<b>429.4</b>
<b>LIABILITIES AND EQUITY</b>																		
<b>Current liabilities</b>																		
Accounts payable	103.0	39.5	47.3	16.9	12.9	27.4	30.2	38.5	28.1	51.9	37.7	29.4	33.5	47.1	42.6	39.1	37.8	45.9
Accrued payroll and employee benefits	13.1	13.3	9.5	8.0	4.1	3.5	4.1	4.7	5.6	7.2	5.2	6.0	6.5	6.5	6.5	6.5	6.5	6.5
Accrued postretirement benefits	3.5	5.2	5.4	5.3	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2	5.0	5.0	5.0	5.0	5.0	5.0
Income taxes payable	9.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued warranty	12.1	10.6	11.5	9.1	7.9	7.1	6.8	7.3	7.8	7.8	7.8	7.7	7.6	7.6	7.6	7.6	7.6	7.6
Customer deposits	11.7	19.8	7.4	4.6	3.9	2.8	60.9	4.4	18.0	18.3	18.8	15.8	36.1	36.1	36.1	36.1	36.1	36.1
Other current liabilities	3.8	7.1	7.9	5.3	4.5	4.4	4.6	4.6	5.0	6.8	7.7	7.7	7.9	13.2	9.2	6.5	14.9	17.0
<b>Total current liabilities</b>	<b>157.0</b>	<b>95.5</b>	<b>89.0</b>	<b>49.3</b>	<b>38.7</b>	<b>50.5</b>	<b>111.9</b>	<b>64.8</b>	<b>69.7</b>	<b>97.1</b>	<b>82.2</b>	<b>71.7</b>	<b>96.6</b>	<b>115.5</b>	<b>107.0</b>	<b>100.8</b>	<b>107.9</b>	<b>118.1</b>
<b>Long-term liabilities</b>																		
Accrued pension costs	9.6	10.7	26.8	15.7	15.7	12.4	11.8	11.2	14.2	13.0	12.4	11.7	12.2	12.2	12.2	12.2	12.2	12.2
Accrued postretirement and pension benefits	49.5	47.9	55.3	58.0	59.9	59.5	59.2	58.9	59.9	59.3	58.9	58.5	64.3	64.3	64.3	64.3	64.3	64.3
Other long-term liabilities	0.1	3.7	7.4	6.3	3.8	3.7	3.6	4.4	4.3	4.3	4.3	4.3	4.1	11.2	7.4	6.1	12.5	14.3
<b>Total liabilities</b>	<b>216.1</b>	<b>157.8</b>	<b>178.5</b>	<b>129.3</b>	<b>118.1</b>	<b>126.2</b>	<b>186.6</b>	<b>139.3</b>	<b>148.1</b>	<b>173.8</b>	<b>157.8</b>	<b>146.2</b>	<b>177.2</b>	<b>203.3</b>	<b>190.9</b>	<b>183.5</b>	<b>197.0</b>	<b>208.9</b>
<b>Equity</b>																		
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Common stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Additional paid-in capital	100.0	99.3	98.3	98.0	98.7	98.9	99.0	99.6	100.2	100.0	99.8	100.2	100.4					
Treasury stock, at cost	0.0	(43.6)	(38.9)	(37.1)	(36.5)	(36.2)	(35.8)	(35.8)	(35.9)	(35.3)	(34.6)	(34.5)	(34.5)					
Accumulated other comprehensive loss	(26.8)	(9.9)	(16.5)	(18.6)	(20.0)	(19.9)	(19.7)	(19.6)	(22.3)	(22.1)	(22.0)	(21.8)	(26.1)					
Retained earnings	130.5	152.1	161.7	163.8	150.3	149.0	149.2	146.7	155.2	164.2	169.1	173.1	171.4					
<b>Total stockholders' equity</b>	<b>203.9</b>	<b>198.1</b>	<b>204.7</b>	<b>206.2</b>	<b>192.6</b>	<b>192.0</b>	<b>192.8</b>	<b>191.0</b>	<b>197.3</b>	<b>207.0</b>	<b>212.4</b>	<b>217.1</b>	<b>211.3</b>	<b>212.1</b>	<b>212.5</b>	<b>213.0</b>	<b>212.6</b>	<b>220.5</b>
Noncontrolling interest in India JV	0.0	0.0	0.1	0.1	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities and stockholders' equity</b>	<b>420.0</b>	<b>355.9</b>	<b>383.3</b>	<b>335.6</b>	<b>310.6</b>	<b>318.2</b>	<b>379.4</b>	<b>330.4</b>	<b>345.5</b>	<b>380.8</b>	<b>370.3</b>	<b>363.4</b>	<b>388.6</b>	<b>415.4</b>	<b>403.5</b>	<b>396.5</b>	<b>409.6</b>	<b>429.4</b>
<b>Book value per share</b>																		
Cash and equivalents per share	\$16.58	\$16.17	\$10.92	\$8.38	\$5.39	\$4.41	\$4.47	\$5.60	\$8.70	\$12.07	\$10.42	\$12.08	\$12.97	\$11.68	\$11.27	\$11.81	\$11.62	\$12.27
Average age of receivables (days)		93	315	273	25				38				65				63	53
Net working capital (ex. Cash)	(25.5)	(11.9)	49.5	56.0	50.0				28.7				66.1				57.5	56.3
Current ratio (ex. Cash)	0.8	0.9	1.6	2.1	2.3				1.4				1.7				1.5	1.5
Total debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return on Equity		13.2%	5.7%	2.4%	-6.4%				2.5%				10.0%				2.0%	5.0%

Source: Company data and Stifel Nicolaus estimates





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## FreightCar America, Inc.

(figures in \$ millions, except per share amounts)

Fiscal Year End August 31

## Operating Activities

Net income (loss)

Adjustments

Depreciation

Other non-cash items

Deferred income taxes

Comp expense under stock option and restricted share agreements

Changes in certain working capital items:

Accounts receivable

Inventories

Leased railcars held for sale

Other current assets

Account and contractual payables

Accrued payroll and employee benefits

Income taxes payable

Accrued warranty

Customer deposits and other current liabilities

Deferred revenue, non-current

Accrued pension costs and accrued postretirement benefits

Total change in net working capital

## Net cash provided by operations

## Investing Activities

Restricted cash deposits

Restricted cash withdrawals

(Purchase) maturity of securities available for sale

Proceeds from sale of railcars available for lease

Acquisitions and purchase price adjustment for business acquired

Purchases of property, plant, and equipment

## Net cash (used in) provided by investing activities

## Cash available for (required by) financing

Employee restricted stock settlement

Excess tax benefit from stock-based compensation

Cash dividends paid to stockholders

Stock repurchases

Issuance of common stock

Other

## Net cash (used in) provided by financing activities

Beginning cash balance

Net increase (decrease) in cash and equivalents

Ending cash balance

Free cash flow

Share price \$22.35

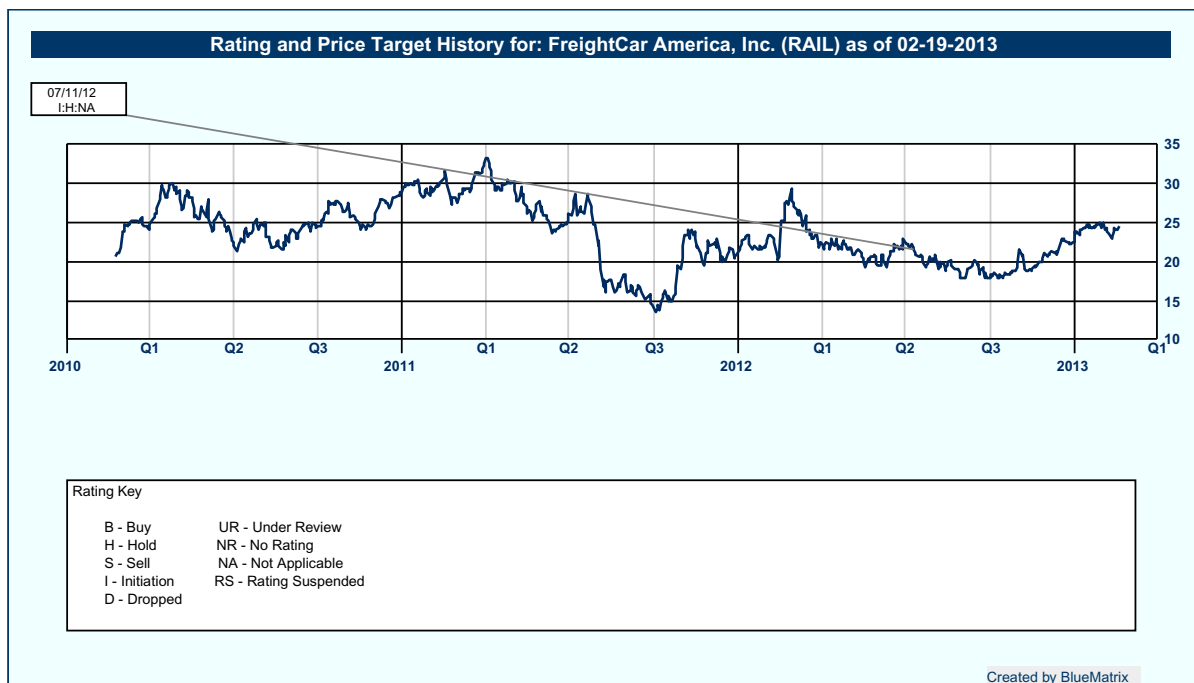
FCF yield	NM	11.9%	NM	0.0%	-15.7%					10.6%					15.4%					-6.2%	2.9%
Dividend Yield	0.7%	1.1%	1.1%	1.1%	0.3%					0.0%					1.1%					1.1%	1.1%

Source: Company data and Stifel Nicolaus estimates



### Important Disclosures and Certifications

We, Michael J. Baudendistel and John G. Larkin, certify that our respective views expressed in this research report accurately reflect our respective personal views about the subject securities or issuers; and we, Michael J. Baudendistel and John G. Larkin, certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. For our European Conflicts Management Policy go to the research page at [www.stifel.com](http://www.stifel.com).



For a price chart with our ratings and target price changes for RAIL go to <http://sf.bluematrix.com/bluematrix/Disclosure?ticker=RAIL>

Stifel expects to receive or intends to seek compensation for investment banking services from FreightCar America, Inc. in the next 3 months.

Stifel research analysts receive compensation that is based upon (among other factors) Stifel's overall investment banking revenues.

Our investment rating system is three tiered, defined as follows:

**BUY** -For U.S. securities we expect the stock to outperform the S&P 500 by more than 10% over the next 12 months. For Canadian securities we expect the stock to outperform the S&P/TSX Composite Index by more than 10% over the next 12 months. For other non-U.S. securities we expect the stock to outperform the MSCI World Index by more than 10% over the next 12 months. For yield-sensitive securities, we expect a total return in excess of 12% over the next 12 months for U.S. securities as compared to the S&P 500, for Canadian securities as compared to the S&P/TSX Composite Index, and for other non-U.S. securities as compared to the MSCI World Index.

**HOLD** -For U.S. securities we expect the stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. For Canadian securities we expect the stock to perform within 10% (plus or minus) of the S&P/TSX Composite Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

**SELL** -For U.S. securities we expect the stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value. For Canadian securities we expect the stock to underperform the S&P/TSX Composite Index by more than 10% over the next 12 months and believe the stock could decline in value. For other non-U.S. securities we expect the stock to underperform the MSCI World Index by more than 10% over the next 12 months and believe the stock could decline in value.

Of the securities we rate, 48% are rated Buy, 49% are rated Hold, and 3% are rated Sell.

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