

GENESEE & WYOMING INC

Form 424B4

May 27, 2004

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Filed pursuant to Rule 424(b)(4)
Registration No. 333-115088

Prospectus Supplement
(to Prospectus dated May 25, 2004)

3,358,303 Shares

Class A Common Stock

The 1818 Fund III, L.P., the selling stockholder, is selling 3,358,303 shares of our Class A Common Stock. We will not receive any of the proceeds from the sale of the shares by the selling stockholder.

Our Class A Common Stock is listed on the New York Stock Exchange under the symbol GWR. On May 25, 2004, the last reported sale price of our Class A Common Stock was \$22.55 per share.

See **Risk Factors** beginning on page 1 of the accompanying prospectus to read about the risks you should consider before buying shares of our Class A Common Stock.

	Per Share	Total
Public Offering Price	\$ 21.50	\$72,203,514.50
Underwriting Discount	\$ 1.0213	\$ 3,429,834.85
Proceeds to the selling stockholder	\$20.4787	\$68,773,679.65

The selling stockholder and certain of our other stockholders have granted the underwriters a 30-day option to purchase up to an additional 503,745 shares of our Class A Common Stock to cover any over-allotments.

Delivery of the shares will be made on or about June 1, 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Bear, Stearns & Co. Inc.

Credit Suisse First Boston

Deutsche Bank Securities

BB&T Capital Markets

Morgan Keegan & Company, Inc.

Avondale Partners

The date of this prospectus supplement is May 25, 2004.

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PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and certain other matters relating to Genesee & Wyoming Inc. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description in the prospectus supplement differs from the description in the accompanying prospectus, the description in the prospectus supplement supersedes the description in the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the selling stockholder have not authorized anyone else to provide you with different information. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates, regardless of time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our Class A Common Stock. The selling stockholder is not making an offer of these securities in any state where the offer is not permitted.

WHERE YOU CAN FIND MORE INFORMATION ABOUT US

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. These filings are available to the public over the Internet at the Securities and Exchange Commission's web site at <http://www.sec.gov>. You may also read and copy any document we file with the Securities and Exchange Commission at its public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room.

The Securities and Exchange Commission allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the Securities and Exchange Commission will automatically update and supersede this information. Information furnished under Item 9 or Item 12 of our Current Report on Form 8-K is not incorporated by reference in this prospectus. We furnished information under Item 12 of our Current Reports on Form 8-K on February 11, 2004 and on May 3, 2004.

We incorporate by reference the documents listed below, any documents that we file after the date of filing of the initial registration statement of which this prospectus forms a part and prior to the effectiveness of that registration statement, and any documents we file in the future with the Securities and Exchange Commission, under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until we sell all of the securities that we have registered for sale under the registration statement of which this prospectus forms a part.

The Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004;

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed on May 10, 2004; and

The Current Reports on Form 8-K filed on January 7, 2004, March 9, 2004 and May 3, 2004.

We make available any documents that we file with the Securities and Exchange Commission free of charge on our website at <http://www.gwrr.com> as soon as reasonably practicable after we electronically file such documents with the Securities and Exchange Commission. In addition, you may request a copy of these filings, including the documents that are incorporated by reference in this prospectus, at no cost by writing or telephoning us at the following address or telephone number:

Genesee & Wyoming Inc.

66 Field Point Road
Greenwich, CT 06830
Attention: Adam B. Frankel, Esq.
Telephone: (203) 629-3722

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PROSPECTUS SUPPLEMENT SUMMARY

*The following information supplements, and should be read together with, the information contained or incorporated by reference in other parts of the prospectus. This summary highlights selected information from the prospectus supplement. As a result, it does not contain all of the information you should consider before investing in our Class A Common Stock. You should carefully read the entire prospectus, including the documents incorporated by reference in it, which are described under *Where You Can Find More Information About Us*.*

*Unless the context otherwise requires, when used in this prospectus, the terms *Genesee & Wyoming*, *we*, *our* and *us* refer to *Genesee & Wyoming Inc. and its consolidated subsidiaries and unconsolidated subsidiaries, including Australian Railroad Group Pty Ltd and its subsidiaries, referred to as ARG. ARG is our 50%-owned subsidiary based in Perth, Western Australia. Unless otherwise indicated, all references to currency amounts in this prospectus supplement are in U.S. dollars.**

Our Company

We are a leading owner and operator of short-line and regional freight railroads in the United States, Canada, Mexico, Australia and Bolivia. Genesee & Wyoming was founded in 1899 as a 14-mile rail line serving a single salt mine in upstate New York. Since 1977, when Mortimer B. Fuller, III purchased a controlling interest in Genesee & Wyoming Railroad Company and became our Chief Executive Officer, we have completed 24 acquisitions and now operate over 8,100 miles of owned, jointly owned or leased track, with access to more than 3,000 additional miles under track access arrangements. Based on track miles, we believe that we are the second-largest operator of regional railroads in North America, and that ARG, our 50%-owned subsidiary in Australia, operates the second largest privately owned rail system in Australia.

Since our initial public offering in 1996 through December 31, 2003, we increased our net income at a compound annual growth rate of 25.4%, from \$5.9 million to \$28.7 million, and increased our diluted earnings per share at a compound annual growth rate of 13.5%, from \$0.44 to \$1.07. For the three months ended March 31, 2004, we increased our net income by 71.1% to \$9.5 million compared to \$5.5 million for the three months ended March 31, 2003, and we increased our diluted earnings per share by 66.7% to \$0.35 compared to \$0.21 for the same period in 2003. For the three months ended March 31, 2004, ARG contributed \$3.7 million, or 39.5%, of our total net income. We have achieved these results through the execution of our acquisition and operating strategies.

Our Acquisition Strategy

We intend to increase our earnings and cash flow through the execution of our disciplined acquisition strategy for both domestic and international opportunities. When acquiring railroads in our existing regions, we target contiguous or nearby rail properties where our local management teams are best able to identify opportunities to reduce operating costs and increase equipment utilization. In new regions, we target rail properties that have adequate size to establish a presence in the region, provide a platform for growth in the region and attract qualified management. To help ensure accountability for the projected financial results of our potential acquisitions, we typically include the regional manager who would be operating the rail property as part of our due diligence team.

We derive our acquisition, investment and long-term lease opportunities from the following four sources:

rail lines of industrial companies, such as Bethlehem Steel Corporation, Mueller Industries, Inc. and Georgia-Pacific Corp.;

branch lines of Class I railroads, such as Burlington Northern Santa Fe Corporation, or BNSF, and CSX Corporation, or CSX;

other regional railroads or short-line railroads, such as Emons Transportation Group, Inc., or Emons; and

foreign government-owned railroads, such as Westrail in Western Australia, that have been privatized.

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From 1977 to 1997, we made and integrated twelve acquisitions in the United States. From 1997 to 2000, we acquired or made investments in seven railroads internationally, including in South Australia (1997), Canada (1997), Mexico (1999), Western Australia (2000) and Bolivia (2000). Since 2001, we have made five acquisitions in the United States and Canada, including South Buffalo Railway Company, or South Buffalo (2001), Emons (2002), Utah Railway Company (2002), a rail line leased from BNSF in Oregon (2002), and most recently, Arkansas Louisiana & Mississippi Railroad Company, Chattahoochee Industrial Railroad and Fordyce and Princeton R.R. Co., all acquired from Georgia-Pacific Corp. (December 2003).

We believe that acquisition opportunities in the United States exist among the 500 short-line and regional railroads operating approximately 50,000 miles of track, as well as additional lines expected to be sold or leased by Class I railroads. Internationally, we believe that there are additional acquisition or privatization candidates in Australia, Canada, South America and other markets. Furthermore, we believe that there is a relatively small number of well capitalized operators currently bidding for properties in the international and U.S. rail markets. As a result, we believe that we are well positioned to capitalize on additional acquisition opportunities. Each of our acquisitions requires strict adherence to our return on invested capital targets. A significant portion of our management performance bonuses, at both the corporate and regional levels, are tied by formula to achieving these financial targets.

Our strategy of building regional rail systems through acquisitions is best illustrated by our original U.S. region, the New York-Pennsylvania region, and our Australian operations, ARG.

New York-Pennsylvania Region. Starting with our original rail line, the Genesee & Wyoming, we have completed seven contiguous acquisitions since 1985, creating a regional railroad linking Western New York with Western Pennsylvania. Our most recent acquisition in this region was South Buffalo, which we acquired from Bethlehem Steel Corporation in 2001. From the year ended December 31, 1987 to the year ended December 31, 2003, we increased the annual revenues generated by our New York-Pennsylvania region from \$8.0 million to \$46.9 million. The region has a diverse commodity base including coal, petroleum, auto parts, chemicals, pulp and paper, salt and steel.

Australian Railroad Group. Over the past six years, we have been sequentially building a rail business that operates across the Australian continent. In Australia, we: (1) entered the market through the acquisition of the previously government-owned rail system of South Australia in 1997; (2) secured a contract to operate iron ore supply rail-lines and in-plant rail operations for a steel mill in Whyalla, South Australia in 1999; (3) combined our South Australian railroad business with previously government-owned rail assets of Western Australia, which we acquired with Wesfarmers Limited, or Wesfarmers, for \$334 million in December 2000; (4) acquired an equity interest (2.1% at December 31, 2003) in a consortium to build, own and operate an 885-mile rail line from Alice Springs to Darwin in the Northern Territory of Australia in April 2001; and (5) added a significant new customer contract in New South Wales on the east coast of Australia in November 2003. For the year ended December 31, 2003, ARG generated \$249.6 million in revenues. ARG's principal commodities are grain and various ores and minerals that are destined for export markets, particularly Asia.

Our Operating Strategy

We also intend to increase our earnings and cash flow through the execution of our operating strategy for both our domestic and international operations. Our railroads operate under strong local management, with centralized administrative support and oversight. Our operations are conducted in nine regions. These regions are, in the United States: Illinois; New York-Pennsylvania; Oregon; Rail Link (which includes our industrial switching and port operations in various geographic locations); and Utah, and outside the United States: Australia (50% owned); Bolivia (22.9% owned); Canada; and Mexico. In all of our regions, we seek to encourage the entrepreneurial drive, local knowledge and customer service that are prerequisites for us to

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achieve our financial goals. At the regional level, our operating strategy consists of the following four principal elements:

Focused Regional Marketing. We build each regional rail system on a base of large industrial customers, grow that business through marketing efforts and pursue additional revenues by attracting new customers and providing ancillary rail services. These ancillary rail services include railcar switching, repair, storage, cleaning, weighing and blocking, and bulk transfer, which enable shippers and Class I carriers to move freight more easily and cost-effectively.

Lower Operating Costs. We constantly focus on lowering operating costs and have historically been able to operate acquired rail lines more efficiently than the companies and governments from whom we acquired these properties. We typically achieve efficiencies through lowering administrative overhead, consolidating equipment and track maintenance contracts, reducing transportation costs and selling certain assets.

Efficient Use of Capital. We invest in track and rolling stock to ensure that we operate safe regional railroads that meet the demands of our customers. At the same time, we seek to maximize our return on invested capital by focusing on cost-effective capital programs. For example, we often rebuild older locomotives rather than purchase new locomotives, and our track investment on light density lines is at levels that are appropriate for infrequent traffic. In addition, in some instances, we are able to obtain state and/or federal grants to rehabilitate track to support investments that would not be financially viable for us to make on a stand-alone basis.

Continuous Safety Improvement. We believe that a safe work environment is essential for our employees, our customers and the long-term success of our business. Each year we establish stringent safety targets. Through the execution of our safety program, we have reduced our injury frequency rate from 5.89 injuries per 200,000 man-hours worked in 1998 to 1.64 in 2003.

As a result of our operating strategy, we and ARG have significantly increased our respective cash flow from operations and free cash flow. For a discussion of these items, see Summary Consolidated Financial Information of Genesee & Wyoming and Summary Consolidated Financial Information of ARG.

Company Information

Genesee & Wyoming Inc. is a Delaware corporation incorporated in 1977. Our executive offices are located at 66 Field Point Road, Greenwich, CT 06830. Our telephone number is (203) 629-3722. Our website address is <http://www.gwrr.com>. The information contained on our website is not part of this prospectus.

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The Offering

Class A Common Stock offered by the selling stockholder 3,358,303 shares

Class A Common Stock to be outstanding immediately after this offering 23,725,409 shares

Use of Proceeds We will not receive any proceeds from the sale of shares of our Class A Common Stock offered by the selling stockholder. The selling stockholder will receive all net proceeds from the sale of shares of our Class A Common Stock in this offering. See Use of Proceeds.

New York Stock Exchange Symbol GWR

The shares of Class A Common Stock offered by The 1818 Fund III, L.P., or The 1818 Fund, the selling stockholder in this offering, will be issued to the selling stockholder immediately prior to this offering upon the conversion by The 1818 Fund of 22,886 shares of our Series A Preferred Stock.

The number of shares to be outstanding after this offering is based on 20,367,106 shares of our Class A Common Stock issued and outstanding as of May 21, 2004 and excludes:

3,426,925 shares of our Class A Common Stock that may be issued under our 2004 Omnibus Incentive Plan, which as of May 12, 2004 replaced our Amended and Restated 1996 Stock Option Plan, Deferred Stock Plan for Non-Employee Directors and Stock Option Plan for Outside Directors, including 1,928,894 shares issuable upon exercise of outstanding stock options as of May 21, 2004, with a weighted average exercise price of approximately \$13.32 per share;

2,707,935 shares of our Class A Common Stock issuable upon conversion of our outstanding Class B Common Stock; and

310,175 shares of our Class A Common Stock issuable upon conversion of the remaining 2,114 shares of our Series A Preferred Stock held by The 1818 Fund.

Unless we indicate otherwise, the share information in this prospectus supplement assumes that the underwriters' option to cover over-allotments is not exercised. The selling stockholder and certain of our other stockholders have granted the underwriters a 30-day option to purchase up to an additional 503,745 shares of our Class A Common Stock to cover any over-allotments. See Underwriting and Principal and Selling Stockholders. In addition, all share, per share and par value amounts presented or incorporated by reference in this prospectus have been restated to reflect the retroactive effect of the 3-for-2 stock splits of our Class A Common Stock and Class B Common Stock on June 15, 2001, February 28, 2002 and March 15, 2004.

Table of Contents**Summary Consolidated Financial Information of Genesee & Wyoming**

The following table sets forth summary consolidated financial information for each of the three years ended December 31, 2001, 2002 and 2003 derived from our audited consolidated financial statements and as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 derived from our unaudited consolidated financial statements.

In the opinion of our management, the unaudited information reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for those periods. Interim results are not necessarily indicative of full year results. In addition, we have grown significantly through acquisitions and investments over the periods covered by this summary consolidated financial information. Because of variations in the structure, timing and size of these acquisitions and investments, our statements of income data in any reporting period may not be directly comparable to our statements of income data in other periods presented.

You should read the information in this table together with our consolidated financial statements and the related notes and the information contained in the documents incorporated by reference in this prospectus, including the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2003.

	Year Ended December 31,			Three Months Ended March 31,	
	2001(1)(2)	2002(3)	2003	2003	2004(4)
(in thousands, except per share amounts)					
Statements of Income Data:					
Operating revenues	\$ 173,576	\$ 209,540	\$ 244,827	\$ 58,862	\$ 72,403
Operating expenses	150,622	177,533	208,522	50,875	60,843
Income from operations	22,954	32,007	36,305	7,987	11,560
Interest expense	(10,049)	(8,139)	(8,646)	(2,342)	(2,435)
Gain on sale of 50% equity in Australian operations	2,985				
Other income, net	497	726	986	326	192
Income before income taxes and equity earnings	16,387	24,594	28,645	5,971	9,317
Income taxes	(6,166)	(8,761)	(10,567)	(2,174)	(3,633)
Equity in net income of international affiliates:					
Australia	8,451	8,487	10,371	2,014	3,742
South America	412	1,287	270	(277)	40
Net Income	19,084	25,607	28,719	5,534	9,466
Preferred stock dividends and cost accretion	957	1,172	1,270	293	301
Net income available to common stockholders	\$ 18,127	\$ 24,435	\$ 27,449	\$ 5,241	\$ 9,165
Basic Earnings Per Common Share:					
Net income available to common stockholders	\$ 1.15	\$ 1.11	\$ 1.21	\$ 0.23	\$ 0.40
Weighted average number of shares of common stock	15,764	22,056	22,700	22,529	22,928
Diluted Earnings Per Common Share:					
Net income	\$ 0.98	\$ 0.97	\$ 1.07	\$ 0.21	\$ 0.35
Weighted average number of shares of common stock and equivalents	19,375	26,378	26,768	26,594	27,325

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	Year Ended December 31,			Three Months Ended March 31,	
	2001(1)(2)	2002(3)	2003	2003	2004(4)
	(in thousands)				
Other Financial Data:					
Net cash provided by operating activities	\$ 28,560	\$ 27,568	\$ 46,917	\$ 14,028	18,002
Net cash used in investing activities	(37,438)	(103,040)	(75,889)	(1,875)	(5,164)
Net cash provided by (used in) financing activities	32,257	59,118	28,438	(14,396)	(11,046)
Free cash flow(5)	24,239	9,657	25,980	12,153	12,838

As of March 31, 2004

	(in thousands)
Balance Sheet Data:	
Cash and cash equivalents	\$ 12,817
Working capital	(1,845)
Total assets	632,107
Total debt	146,013
Series A Preferred Stock	24,045
Stockholders equity	278,210

- (1) Our consolidated financial statements for the year ended December 31, 2001 have been audited by Arthur Andersen LLP, except as they related to ARG and, insofar as they related to ARG, by Ernst & Young. These financial statements have been modified to reflect the transitional disclosures required by Statement of Financial Accounting Standards, or SFAS, No. 142, Goodwill and Other Intangible Assets, the adjustments to segment information and the adjustments for the three-for-two stock split effected as of March 15, 2004. See Experts.
- (2) The results for 2001 reflect our acquisition of South Buffalo and the related borrowings under our primary bank credit facilities of \$33.1 million and the related issuance of 5,000 shares of our Series A Preferred Stock to The 1818 Fund, the selling stockholder in this offering.
- (3) The results for 2002 reflect our acquisitions of:
- Utah Railway Company and the related borrowings under our primary bank credit facilities of \$55.7 million; and
- Emons and the related borrowings under our primary bank credit facilities of \$29.4 million.
- (4) The results for the three months ended March 31, 2004 reflect our acquisition of Arkansas Louisiana & Mississippi Railroad Company, Chattahoochee Industrial Railroad and Fordyce and Princeton R.R. Co. from Georgia-Pacific Corp. completed on December 31, 2003 and the related borrowings under our primary bank credit facilities of \$54.9 million.
- (5) We view free cash flow as an important financial measure of how well we are managing our assets. Subject to the limitations discussed below, free cash flow is a useful indicator of cash flow that may be available for discretionary use by us. Free cash flow is defined as net cash provided by operating activities, less net cash used in investing activities, excluding the cost of acquisitions. Key limitations of the free cash flow measure include the assumptions that we will be able to refinance our existing debt when it matures with new debt and meet other cash flow obligations from financing activities, such as required dividend payments, if any, and principal payments on debt. Free cash flow is not intended to represent, and should not be considered more meaningful than, or as an alternative to, measures of cash flow determined in accordance with generally accepted accounting principles.

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The following table sets forth a reconciliation of our net cash provided by operating activities to our free cash flow.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	(in thousands)				
Net cash provided by operating activities	\$ 28,560	\$ 27,568	\$ 46,917	\$ 14,028	\$ 18,002
Net cash used in investing activities	(37,438)	(103,040)	(75,889)	(1,875)	(5,164)
Cash used for acquisitions	33,117	85,129	54,952		
Free cash flow	\$ 24,239	\$ 9,657	\$ 25,980	\$ 12,153	\$ 12,838

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Table of Contents**Summary Consolidated Financial Information of ARG**

The following table sets forth summary consolidated financial information of ARG, our 50%-owned subsidiary in Australia, for each of the three years ended December 31, 2001, 2002 and 2003 derived from ARG's audited consolidated financial statements and as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 derived from ARG's unaudited consolidated financial statements.

In the opinion of our management, the unaudited information reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for those periods. Interim results are not necessarily indicative of full year results.

The summary financial information presented below is denominated in U.S. dollars although ARG records financial information in Australian dollars. Exchange rates between the U.S. dollar and Australian dollar have fluctuated significantly in recent years. As a result, fluctuations in exchange rates from one period to the next may affect ARG's results of operations and financial position and may affect the comparability of ARG's results between financial periods. See Risk Factors Additional Risks Associated with Our Foreign Operations Because some of our significant subsidiaries transact business in foreign currencies, and because a significant portion of our net income comes from the operations of our foreign subsidiaries, future exchange rate fluctuations may adversely affect our results of operations, financial condition and liquidity and may affect the comparability of our results between financial periods. in the accompanying prospectus.

You should read the information in this table together with ARG's consolidated financial statements and the related notes and the information contained in the documents incorporated by reference in this prospectus, including the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2003.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
(in thousands)					
Statements of Income Data:					
Operating revenues	\$ 188,490	\$ 211,067	\$ 249,571	\$ 53,360	\$ 82,353
Operating expenses	141,095	164,596	194,356	41,299	64,713
Income from operations	47,395	46,471	55,215	12,061	17,640
Interest expense	(22,505)	(24,859)	(33,877)	(7,064)	(7,348)
Other income, net	596	886	3,271	759	403
Income before income taxes	25,486	22,498	24,609	5,756	10,695
Income taxes	(8,584)	(5,524)	(3,866)	(1,727)	(3,212)
Net income(1)	\$ 16,902	\$ 16,974	\$ 20,743	\$ 4,029	\$ 7,483
Other Financial Data:					
Net cash provided by operating activities	\$ 41,398	\$ 29,773	\$ 45,293	\$ 12,426	18,521
Net cash provided by (used in) investing activities	(60,557)	(73,628)	41,128	(3,059)	(11,181)
Net cash provided by (used in) financing activities	20,549	38,990	(69,892)		
Free cash flow(2)	(12,808)	3,102	16,443	9,898	7,340

As of March 31, 2004

(in thousands)

Balance Sheet Data:

Cash and cash equivalents

\$ 34,504

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Working capital	50,070
Total assets	674,968
Total debt	375,193
Stockholders' equity	198,200

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- (1) Based on our 50% ownership of ARG, we recognized equity earnings relating to ARG of approximately \$8.5 million, \$8.5 million and \$10.4 million for the years ended December 31, 2001, 2002 and 2003, respectively, and approximately \$2.0 million and \$3.7 million for the three months ended March 31, 2003 and 2004, respectively.
- (2) We view ARG's free cash flow as an important financial measure of how well ARG is managing its assets. Subject to the limitations discussed below, ARG's free cash flow is a useful indicator of cash flow that may be available for discretionary use by ARG. ARG's free cash flow is defined as net cash provided by operating activities, less net cash used in investing activities, excluding the cash transfer to (from) restricted funds. Key limitations of the free cash flow measure include the assumptions that ARG will be able to refinance its existing debt when it matures with new debt and meet other cash flow obligations from financing activities, such as required dividend payments, if any, and principal payments on debt. Free cash flow is not intended to represent, and should not be considered more meaningful than, or as an alternative to, measures of cash flow determined in accordance with generally accepted accounting principles. In addition, we have no access or right to any of ARG's free cash flow other than as a shareholder, and any dividend or distribution of cash by ARG must be approved by ARG's board of directors, ourselves and our 50/50 partner, Wesfarmers.

The following table sets forth a reconciliation of ARG's net cash provided by operating activities to its free cash flow.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	(in thousands)				
Net cash provided by operating activities	\$ 41,398	\$ 29,773	\$ 45,293	\$ 12,426	\$ 18,521
Net cash used in investing activities	(60,557)	(73,628)	41,128	(3,059)	(11,181)
Cash transfer to (from) restricted funds(a)	6,351	46,957	(69,978)	531	
Free cash flow	\$ (12,808)	\$ 3,102	\$ 16,443	\$ 9,898	\$ 7,340

(a) Cash transfer to restricted funds represents a drawdown of cash placed in an escrow account and used to fund pre-approved capital expenditures or the repayment of debt under ARG's original senior credit facilities. Cash transfer from restricted funds represents the use of that cash to reduce a portion of ARG's outstanding senior debt when ARG's original senior credit facilities were refinanced in December 2003.

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FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated in this prospectus by reference may contain 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, that state our current expectations, estimates and projections about our industry and our management's beliefs and assumptions regarding anticipated cost savings and other matters. Words such as anticipates, intends, plans, believes, seeks, estimates, variations of these words and similar expressions are intended to identify these forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to forecast. Therefore, actual results may differ materially from those expressed or forecast in these forward-looking statements. These risks and uncertainties include those noted in this prospectus and in the documents incorporated in this prospectus by reference. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause our actual results to differ materially include those described under Risk Factors on page 1 of the accompanying prospectus, as well as:

the inability to successfully execute our growth strategy;

changes to Australia's open access regime;

the risks of doing business in foreign countries, including exchange rate fluctuations;

the unexpected loss of any long-term concession or lease agreement;

the unexpected loss of one or more of our largest customers;

adverse weather conditions;

changes in environmental and other laws and regulations to which we and our subsidiaries are subject;

the inability to successfully integrate our acquisitions;

failure to maintain satisfactory working relationships with joint venture partners;

inability to maintain a sufficient number of skilled workers; and

general economic and business conditions.

Other factors in addition to those listed here could also adversely affect us. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of our Class A Common Stock by the selling stockholder. The selling stockholder will receive all of the net proceeds from the sale of the shares of Class A Common Stock in this offering.

DIVIDEND POLICY

We have not paid cash dividends on our Class A Common Stock or Class B Common Stock since our initial public offering in 1996. Other than dividends to be paid on outstanding shares of Series A Preferred Stock, if any, or shares of preferred stock issued after the date of this prospectus supplement, if so designated, we do not intend to pay cash dividends for the foreseeable future and intend to retain earnings, if any, for the operation and expansion of our business. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent upon our results of operations, financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

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The following table sets forth our cash and cash equivalents and our capitalization as of March 31, 2004 on an actual basis and on an as adjusted basis after giving effect to the conversion by the selling stockholder of 22,886 shares of Series A Preferred Stock into 3,358,303 shares of our Class A Common Stock immediately prior to this offering.

In addition to our long-term debt and our stockholders' equity, we also consider the current portion of our long-term debt and our outstanding shares of Series A Preferred Stock, but not minority interest, as part of our capitalization.

You should read the information in this table together with our consolidated financial statements and the related notes and the information contained in the documents incorporated by reference in this prospectus.

	As of March 31, 2004	
	Actual	As Adjusted
	(in thousands)	
Cash and cash equivalents:	\$ 12,817	\$ 12,417
Debt:		
Current portion of long-term debt	\$ 6,503	\$ 6,503
Long-term debt, less current portion	139,510	139,510
Total debt	146,013	146,013
Series A Preferred Stock(1)	24,045	2,033
Stockholders' Equity:		
Class A Common Stock, \$.01 par value, one vote per share(2)	239	273
Class B Common Stock, \$.01 par value, ten votes per share(2)	27	27
Additional paid-in-capital	133,173	155,287
Retained earnings(3)	140,079	139,543
Accumulated other comprehensive income	17,321	17,321
Treasury stock, at cost	(12,629)	(12,629)
Total stockholders' equity	278,210	299,822
Total capitalization	\$448,268	\$447,868

- (1) Represents 25,000 shares of Series A Preferred Stock held by The 1818 Fund, the selling stockholder in this offering, on an actual basis. Prior to the consummation of this offering, The 1818 Fund will convert 22,886 shares of Series A Preferred Stock into 3,358,303 shares of our Class A Common Stock, which shares will be sold in this offering. If the underwriters fully exercise their option to purchase additional shares to cover over-allotments, The 1818 Fund will convert the remaining 2,114 shares of Series A Preferred Stock into 310,175 shares of our Class A Common Stock and sell those shares to satisfy the underwriters' option exercise.
- (2) These amounts do not include shares of our Class A Common Stock subject to outstanding stock options or shares of Class A Common Stock issuable in connection with the conversion of our outstanding Class B Common Stock.
- (3) The amount on an as adjusted basis includes a one time charge of \$136,000 resulting from the acceleration of accretion on 22,886 shares of Series A Preferred Stock upon conversion of such shares into 3,358,303 shares of Class A Common Stock immediately prior to this

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offering. This amount also includes a one-time charge resulting from estimated legal and other costs of \$400,000 related to this offering.
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BUSINESS

We are a leading owner and operator of short-line and regional freight railroads in the United States, Canada, Mexico, Australia and Bolivia. In addition, we provide freight car switching and rail-related services to industrial companies in the United States. Genesee & Wyoming was founded in 1899 as a 14-mile rail line serving a single salt mine in upstate New York. Since 1977, when Mortimer B. Fuller, III purchased a controlling interest in Genesee & Wyoming Railroad Company and became our Chief Executive Officer, we have completed 24 acquisitions and now operate over 8,100 miles of owned, jointly owned or leased track, with access to more than 3,000 additional miles under track access arrangements. Based on track miles, we believe that:

we are the second-largest operator of regional railroads in North America; and

ARG, our 50%-owned subsidiary in Australia, operates the second largest privately owned rail system in Australia.

Our Acquisition Strategy

We intend to increase our earnings and cash flow through the execution of our disciplined acquisition strategy for both domestic and international opportunities. When acquiring railroads in our existing regions, we target contiguous or nearby rail properties where our local management teams are best able to identify opportunities to reduce operating costs and increase equipment utilization. In new regions, we target rail properties that have adequate size to establish a presence in the region, provide a platform for growth in the region and attract qualified management. To help ensure accountability for the projected financial results of our potential acquisitions, we typically include the regional manager who would be operating the rail property as part of our due diligence team.

We derive our acquisition, investment and long-term lease opportunities from the following four sources:

rail lines of industrial companies, such as Bethlehem Steel Corporation, Mueller Industries, Inc. and Georgia-Pacific Corp.;

branch lines of Class I railroads, such as BNSF and CSX;

other regional railroads or short-line railroads, such as Emons; and

foreign government-owned railroads, such as Westrail in Western Australia, that have been privatized.

From 1977 to 1997, we made and integrated twelve acquisitions in the United States. From 1997 to 2000, we acquired or made investments in seven railroads internationally, including in South Australia (1997), Canada (1997), Mexico (1999), Western Australia (2000) and Bolivia (2000). Since 2001, we have made five acquisitions in the United States and Canada, including South Buffalo (2001), Emons (2002), Utah Railway Company (2002), a rail line leased from BNSF in Oregon (2002), and most recently, Arkansas Louisiana & Mississippi Railroad Company, Chattahoochee Industrial Railroad and Fordyce and Princeton R.R. Co., all acquired from Georgia-Pacific Corp. (December 2003).

We believe that acquisition opportunities in the United States exist among the 500 short-line and regional railroads operating approximately 50,000 miles of track, as well as additional lines expected to be sold or leased by Class I railroads. Internationally, we believe that there are additional acquisition or privatization candidates in Australia, Canada, South America and other markets. Furthermore, we believe that there is a relatively small number of well capitalized operators currently bidding for properties in the international and U.S. rail markets. As a result, we believe that we are well positioned to capitalize on additional acquisition opportunities. In evaluating potential acquisitions and investments, the criteria we consider, among others, include:

projected risk adjusted return on investment;

potential for additional revenue and service improvements;

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identifiable cost savings and synergies, such as consolidation of administrative functions, operational improvements and better equipment utilization; and

long-term capital expenditure requirements for track and rolling stock.

Our strategy of building regional rail systems through acquisitions is best illustrated by our original U.S. region, the New York-Pennsylvania region, and our Australian operations, ARG.

New York-Pennsylvania Region. Starting with our original rail line, the Genesee & Wyoming, we have completed seven contiguous acquisitions since 1985, creating a regional railroad linking Western New York with Western Pennsylvania. Our most recent acquisition in this region was South Buffalo, which we acquired from Bethlehem Steel Corporation in 2001. From the year ended December 31, 1987 to the year ended December 31, 2003, we increased the annual revenues generated by our New York-Pennsylvania region from \$8.0 million to \$46.9 million. The region has a diverse commodity base including coal, petroleum, auto parts, chemicals, pulp and paper, salt and steel.

Australian Railroad Group. Over the past six years, we have been sequentially building a rail business that operates across the Australian continent. In Australia, we: (1) entered the market through the acquisition of the previously government-owned rail system of South Australia in 1997; (2) secured a contract to operate iron ore supply rail-lines and in-plant rail operations for a steel mill in Whyalla, South Australia in 1999; (3) combined our South Australian railroad business with previously government-owned rail assets of Western Australia, which we acquired with Wesfarmers for \$334 million in December 2000; (4) acquired an equity interest (2.1% at December 31, 2003) in a consortium to build, own and operate an 885-mile rail line from Alice Springs to Darwin in the Northern Territory of Australia in April 2001; and (5) added a significant new customer contract in New South Wales on the east coast of Australia in November 2003. For the year ended December 31, 2003, ARG generated \$249.6 million in revenues. ARG's principal commodities are grain and various ores and minerals that are destined for export markets, particularly Asia.

Our Operating Strategy

We also intend to increase our earnings and cash flow through the execution of our operating strategy for both our domestic and international operations. Our railroads operate under strong local management, with centralized administrative support and oversight. Our operations are conducted in nine regions. These regions are, in the United States: Illinois; New York-Pennsylvania; Oregon; Rail Link (which includes our industrial switching and port operations in various geographic locations); and Utah, and outside the United States: Australia (50% owned); Bolivia (22.9% owned); Canada; and Mexico. In all of our regions, we seek to encourage the entrepreneurial drive, local knowledge and customer service that are prerequisites for us to achieve our financial goals. At the regional level, our operating strategy consists of the following four principal elements:

Focused Regional Marketing. We build each regional rail system on a base of large industrial customers, grow that business through marketing efforts, and pursue additional revenues by attracting new customers and providing ancillary rail services. By providing improved service to shippers, we are often able to provide increased revenue to the Class I carriers that connect with our North American lines.

Our marketing is often aimed at enhancing our railroads' relationships with both Class I carriers and shippers. Thus, we provide ancillary rail services such as railcar switching, repair, storage, cleaning, weighing and blocking, and bulk transfer, which enable shippers and Class I carriers to move freight more easily and cost-effectively. For example, our Utah region provides freight car switching for all of BNSF's rail traffic in the Salt Lake City area, and our Rail Link region provides rail car cleaning for major pulp and paper manufacturers in the Southeastern United States.

Lower Operating Costs. We constantly focus on lowering operating costs and have historically been able to operate acquired rail lines more efficiently than the companies and governments from whom we acquired these properties. We typically achieve efficiencies through lowering administrative

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overhead, consolidating equipment and track maintenance contracts, reducing transportation costs and selling certain assets. For example, in Australia, since acquiring Westrail in December 2000, we have reduced its operating expense through the elimination of 148 administrative and operating positions. In North America, upon acquiring Emons in 2002, we reduced our operating expenses through the elimination of 24 administrative and operating positions. In addition, senior managers in each of our North American regions participate in cross-regional teams for specific functional areas, such as track, locomotives and transportation, and each team establishes annual financial targets for operating savings.

Efficient Use of Capital. We invest in track and rolling stock to ensure that we operate safe regional railroads that meet the demands of our customers. At the same time, we seek to maximize our return on invested capital by focusing on cost effective capital programs. For example, we often rebuild older locomotives rather than purchase new locomotives, and our track investment on light density lines is at levels that are appropriate for infrequent traffic.

In addition, in some instances, we are able to obtain state and/or federal grants to rehabilitate track because of the importance of certain of our shippers and railroads to the regional economies where they are located. These government funds may provide capital to support investments that would not be financially viable for us to make on a stand alone basis. For example, in 2004, we plan to rehabilitate 16-miles of out of service track to a new coal-fired power plant customer in our New York-Pennsylvania region and make improvements on related tracks. We have currently set aside \$2.5 million in capital expenditures and are in the process of obtaining \$6.3 million in matching state and federal grants for this project.

Continuous Safety Improvement. We believe that a safe work environment is essential for our employees, our customers and the long-term success of our business. We have a comprehensive safety program that involves all of our employees and focuses on the prevention of accidents and injuries. Each year we establish stringent safety targets. Through the execution of our safety program, we have reduced our injury frequency rate from 5.89 injuries per 200,000 man-hours worked in 1998 to 1.64 in 2003, and three of our operating regions (Oregon, Illinois and Utah) were injury-free in 2003.

Our Financial Strategy

Each of our acquisitions requires strict adherence to our return on capital targets. A significant portion of our management performance bonuses, at both the corporate and regional levels, are tied by formula to achieving these financial targets. Starting with bonuses for 2002 performance, our board of directors adopted a new incentive compensation program, the Genesee Value Added Bonus Program, which is designed to create objective standards against which performance can be measured to determine whether we are operating in a manner that generates increased stockholder value. By focusing our corporate and regional management teams on improving our return on invested capital, we intend to continue to increase our earnings and cash flow.

Industry Overview

According to the Association of American Railroads, or AAR, in 2002 there were 552 railroads in the United States operating over approximately 141,961 miles of track. The AAR segments U.S. railroads into one of the following three categories, based on the amount of their revenues and track miles: Class I railroads; regional railroads; and local railroads. Class I railroads, those with over \$272.0 million in operating revenues in 2002, represented over 90% of total freight revenues in 2002. Regional and local railroads operated approximately 41,000 miles of track in the United States in 2002. The primary function of these smaller railroads is to provide feeder traffic to the Class I carriers. Regional and local railroads combined accounted for approximately 8% of total freight revenues in 2002.

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The following table shows the breakdown of U.S. railroads by AAR classification for 2002.

Classification of Railroads	Number	Aggregate Miles Operated	Revenues and Miles Operated
Class I ⁽¹⁾	7	100,125	over \$272.0 million
Regional	31	15,129	\$40.0 million to \$271.9 million and/or 350 or more miles operated
Local	514	26,444	less than \$40.0 million and less than 350 miles operated
	<hr/>	<hr/>	
Total	552	141,698	
	<hr/>	<hr/>	

Source: Association of American Railroads.

(1) Includes the U.S. portions of two Canadian railroads.

The railroad industry in the United States has undergone significant change since the passage of the Staggers Rail Act of 1980, which deregulated the pricing and types of services provided by railroads. Following the passage of the Staggers Act, Class I railroads in the United States took steps to improve profitability and recapture market share. In furtherance of that goal, Class I railroads focused their management and capital resources on their long-haul core systems, and some of them sold branch lines to smaller and more cost-efficient rail operators willing to commit the resources necessary to meet the needs of the shippers located on these lines. Divestiture of branch lines enabled Class I carriers to minimize incremental capital expenditures, concentrate traffic density, improve operating efficiency and avoid traffic losses associated with rail line abandonment.

Management

Our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer have responsibility for overall strategic and financial planning, including acquisitions. Our Chief Executive Officer is responsible for our global operations, including our equity investments in Australia and South America while our Chief Operating Officer is responsible for managing operations in North America. We believe that through our decentralized management structure, we have developed a culture that encourages employees to take initiative and responsibility which is rewarded through performance-based bonus programs.

North American Operations*North American Customers*

Our North American operations served over 850 customers in 2003 compared with approximately 800 customers in 2002. The largest ten North American customers accounted for approximately 26.9%, 26.6% and 27.9% of our North American revenues in 2003, 2002 and 2001, respectively, and approximately 29.6% for the three months ended March 31, 2004. In 2003, 2002 and 2001, our largest North American customer was a coal-fired electricity generating plant which accounted for approximately 5.0%, 4.9% and 6.6%, respectively, of our North American revenues. In the three months ended March 31, 2004, our largest North American customer was a forest products and paper manufacturer, which accounted for approximately 8.2% of our North American revenues. We typically handle freight pursuant to transportation contracts among us, our connecting carriers and the shipper. These contracts are in accordance with industry norms and vary in duration with a term of up to 20 years. These contracts establish price but do not typically obligate the shipper to move any particular volume.

North American Commodities

Our North American railroads transport a wide variety of commodities. Some of our railroads have a diversified commodity mix while others transport one or two principal commodities. For the three months ended March 31, 2003 and 2004, coal, coke and ores, and pulp & paper products were the two largest commodity groups transported by our North American railroads. For the three months ended March 31,

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2003, they constituted 22.1% and 16.5%, respectively, of total North American freight revenues, and 32.3% and 13.8%, respectively, of total North American carloads. For the three months ended March 31, 2004, they constituted 19.6% and 17.4%, respectively, of total North American freight revenues, and 29.1% and 15.2%, respectively, of total North American carloads. The following table provides North American freight revenues, carloads and average freight revenues per carload for the three months ended March 31, 2003 and 2004:

North American Freight Revenues and Carloads Comparison by Commodity Group**Three Months Ended March 31, 2003 and 2004**

Commodity Group	Freight Revenues				Carloads				Average Freight Revenue Per Carload	
	March 31, 2003	% of Total	March 31, 2004	% of Total	March 31, 2003	% of Total	March 31, 2004	% of Total	March 31, 2003	March 31, 2004
(dollars in thousands, except average per carload)										
Coal, Coke & Ores	\$ 9,843	22.1%	\$ 10,737	19.6%	41,979	32.3%	44,042	29.1%	\$ 234	\$ 244
Pulp & Paper	7,326	16.5	9,520	17.4	17,874	13.8	22,984	15.2	410	414
Petroleum Products	6,488	14.6	6,314	11.5	8,690	6.7	8,310	5.5	747	760
Minerals & Stone	4,909	11.0	5,136	9.4	12,636	9.7	12,665	8.4	388	406
Lumber & Forest Products	3,863	8.7	5,838	10.6	12,079	9.3	18,034	11.9	320	324
Metals	4,274	9.6	5,655	10.3	15,217	11.8	17,838	11.8	281	317
Farm & Food Products	2,892	6.5	4,792	8.7	8,271	6.4	11,452	7.6	350	418
Chemicals Plastics	2,578	5.8	3,872	7.1	5,675	4.4	7,468	4.9	454	518
Autos & Auto Parts	1,529	3.4	1,742	3.2	3,757	2.8	4,197	2.8	407	415
Intermodal	357	0.8	552	1.0	1,296	1.0	1,364	0.9	275	405
Other	467	1.0	652	1.2	2,456	1.8	2,854	1.9	190	228
Totals	\$44,526	100.0%	\$54,810	100.0%	129,930	100.0%	151,208	100.0%	\$ 343	\$ 362

Coal, coke and ores consist primarily of shipments of coal to power plants and industrial customers.

Pulp and paper consist primarily of inbound shipments of pulp and outbound shipments of kraft and finished papers.

Petroleum products consist primarily of fuel oil and crude oil.

Minerals and stone consist primarily of cement, gravel and stone used in construction, and salt used in highway ice control.

Lumber and forest products consist primarily of finished lumber used in construction, particleboard used in furniture manufacturing and wood chips and pulpwood used in paper manufacturing.

Metals consist primarily of scrap metal, finished steel products and coated pipe.

Farm and food products consist primarily of sugar, molasses, rice and other grains and fertilizer.

Chemicals consist primarily of various chemicals used in manufacturing.

Autos and auto parts consist primarily of finished automobiles and stamped auto parts.

Intermodal consists primarily of various commodities shipped in trailers or containers on flat cars.

North American Non-Freight Revenues

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North American non-freight revenues are generated from ancillary rail services such as railcar switching, car hire and rental, repair, storage, cleaning, weighing, blocking and bulk transfer, which enable shippers and Class I carriers to move freight more easily and cost-effectively. The three primary components of non-freight revenues are: railcar switching revenues; car hire and rental revenues; and other operating income. Railcar switching revenues primarily consist of intra-plant switching, which is revenue earned by providing services dedicated to the movement of railcars within industrial plants, and intra-terminal switching, which is revenue earned for the movement of customer railcars from one track to another track on the same railroad. Car hire

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and rental revenues primarily include charges paid by other railroads for use of our railcars for moving freight. Other operating income primarily consists of trackage rights fees, which are charges to other railroads for running over our railroads, demurrage and storage, which are charges to customers for holding or storing railcars, and management fees, which are charges for managing rail-related facilities. For the three months ended March 31, 2003 and 2004, non-freight revenues constituted 24.4% and 24.3%, respectively, of our total North American operating revenues with railcar switching representing 54.6% and 51.1%, respectively, of our total North American non-freight revenues. The following table provides North American non-freight revenues for the three months ended March 31, 2003 and 2004:

North American Non-Freight Revenues Comparison**Three Months Ended March 31, 2003 and 2004**

	March 31, 2003	% of Non- freight Total	March 31, 2004	% of Non- freight Total
(dollars in thousands)				
Railcar switching	\$ 7,825	54.6%	\$ 8,988	51.1%
Car hire and rental	1,780	12.4	2,831	16.1
Car repair services	1,140	8.0	1,331	7.6
Other operating income	3,591	25.0	4,443	25.2
Total non-freight revenues	\$14,336	100.0%	\$17,593	100.0%

The following table provides total North American revenues by geographic area for the three months ended March 31, 2003 and 2004:

North American Revenues by Geographic Area**Three Months Ended March 31, 2003 and 2004**

	Geographic Area Data			
	March 31, 2003	% of Total	March 31, 2004	% of Total
(dollars in thousands)				
Revenues:				
United States	\$42,064	71.4%	\$53,152	73.4%
Canada	9,228	15.7	11,786	16.3
Mexico	7,570	12.9	7,465	10.3
Total operating revenues	\$58,862			