

TEXTAINER GROUP HOLDINGS LTD

Form 6-K

February 22, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

February 21, 2019

Commission File Number 001-33725

Textainer Group Holdings Limited

(Translation of Registrant's name into English)

Century House

16 Par-La-Ville Road

Hamilton HM 08

Bermuda

(441) 296-2500

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

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Form 20-F      Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.    Yes      No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable



This report contains a copy of the press release entitled “Textainer Group Holdings Limited Reports Fourth-Quarter and Full-Year 2018 Results,” dated February 21, 2019.

Exhibit

1. Press Release dated February 21, 2019

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## Textainer Group Holdings Limited

## Reports Fourth-Quarter and Full- Year 2018 Results

HAMILTON, Bermuda – (BUSINESS WIRE) – February 21, 2019 –Textainer Group Holdings Limited (NYSE: TGH) (“Textainer”, “the Company”, “we” and “our”), one of the world’s largest lessors of intermodal containers, today reported financial results for the fourth-quarter and full-year ended December 31, 2018.

## Key Financial Information (in thousands except for per share and TEU amounts) and Business Highlights:

|   | QTD       |           | Full-Year |           |
|---|-----------|-----------|-----------|-----------|
|   | Q4 2018   | Q3 2018   | 2018      | 2017      |
| Lease rental income <sup>(1)</sup>                          | \$157,115 | \$157,760 | \$612,704 | \$549,454 |
| Gain on sale of owned fleet containers, net                 | \$9,591   | \$8,450   | \$36,071  | \$26,210  |
| Income from operations                                      | \$56,334  | \$37,156  | \$194,426 | \$143,866 |
| Net income attributable to Textainer Group Holdings         |           |           |           |           |
| Limited common shareholders                                 | \$12,241  | \$1,913   | \$50,378  | \$19,365  |
| Net income attributable to Textainer Group Holdings         |           |           |           |           |
| Limited common shareholders per diluted common share        | \$0.21    | \$0.03    | \$0.88    | \$0.34    |
| Adjusted net income <sup>(2)</sup>                          | \$11,917  | \$4,815   | \$51,471  | \$23,165  |
| Adjusted net income per diluted common share <sup>(2)</sup> | \$0.21    | \$0.08    | \$0.90    | \$0.41    |
| Adjusted EBITDA <sup>(2)</sup>                              | \$115,000 | \$113,697 | \$443,090 | \$374,541 |
| Average fleet utilization                                   | 98.6      | % 98.0    | % 98.1    | % 96.4    |
| Total fleet size at end of period (TEU)                     | 3,354,724 | 3,451,293 | 3,354,724 | 3,279,892 |
| Owned percentage of total fleet at end of period            | 78.9      | % 76.8    | % 78.9    | % 74.6    |

(1)“Lease rental income” includes both owned and managed fleet lease rental income. See note (a) within the attached Condensed Consolidated Statements of Comprehensive Income.

(2)“Adjusted net income” and “adjusted EBITDA” are Non-GAAP Measures that are reconciled to GAAP measures in section “Reconciliation of GAAP financial measures to non-GAAP financial measures” below. Section “Reconciliation of GAAP financial measures to non-GAAP financial measures” provides certain qualifications and limitations on the use of Non-GAAP Measures.

Lease rental income of \$157.1 million for the fourth quarter, as compared to \$157.8 million in the third quarter. Lease rental income of \$612.7 million for the full year, an increase of \$63.3 million (or 11.5%) from the prior year; Gain on sale of owned fleet containers, net, of \$9.6 million for the fourth quarter, an increase of \$1.1 million (or 13.5%) from the third quarter. Gain on sale of owned fleet containers, net, of \$36.1 million for the full year, an increase of \$9.9 million (or 37.6%) from the prior year; Adjusted net income of \$11.9 million for the fourth quarter, or \$0.21 per diluted common share, as compared to \$4.8 million, or \$0.08 per diluted common share in the third quarter. Adjusted net income of \$51.5 million for the full year, or \$0.90 per diluted common share, as compared to \$23.2 million, or \$0.41 per diluted common share in the

prior year;

• Adjusted EBITDA of \$115.0 million for the fourth quarter, an increase of \$1.3 million (or 1.1%) from the third quarter. Adjusted EBITDA of \$443.1 million for the full year, an increase of \$68.5 million (or 18.3%) from the prior year;

• Utilization averaged 98.6% for the fourth quarter, an improvement of 60 basis points over the third quarter, and is currently at 98.3%. Utilization averaged 98.1% for the full year, an improvement of 170 basis points over the prior year; and

• Container investments of approximately \$830 million accepted into our owned and managed fleet during the year.

“2018 was a strong year for Textainer, as we delivered lease rental income of \$612.7 million, an increase of 11.5% over the prior year. We leased out over 500 KTEU during the year, three-quarters of which was new production at an average yield of 11%. We delivered adjusted EBITDA growth of 18.3% to \$443.1 million. Our average utilization for the year of 98.1% was in improvement of 170 basis points over the prior year,” stated Olivier Ghesquiere, President and Chief Executive Officer of Textainer Group Holdings Limited.

“While we are pleased with our performance for the year, concerns and uncertainty around the ongoing trade frictions and slower global economic growth forecast served as a headwind to market activity in the fourth quarter. Accordingly, fourth quarter lease rental income of \$157.1 million was flat sequentially to the third quarter, driven by the low level of on-hire activity and reduced production volumes in the fourth quarter.”

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Ghesquiere continued, “As we look at the industry through the global perspective, we are cautiously optimistic about the market outlook. While macro uncertainty persists, we are encouraged by low turn-in bookings, high utilizations, favorable container resale environment, and reasonable inventory levels. We continue to strengthen our business, with a focus on driving disciplined profitability, and we believe we are well-positioned to capitalize on potential market opportunities and create shareholder value.”

#### Fourth-Quarter and Full- Year Results

Lease rental income decreased \$0.6 million from the third quarter of 2018 due to a slight decrease in fleet size, partially offset by higher utilization and increases in the average rental rates of the fleet. Lease rental income for the year increased \$63.3 million from 2017 due to a larger fleet size, higher utilization and increases in the average rental rates of the fleet.

Gain on sale of owned fleet containers, net, increased \$1.1 million from the third quarter of 2018 due to an increase in the number of containers sold, partially offset by a reduction in the average gain per container sold. Gain on sale of owned fleet containers, net, for the year increased \$9.9 million from 2017 due to an increase in the average gain per container sold, partially offset by a slight reduction in the number of containers sold.

Direct container expense – owned fleet decreased \$1.4 million, compared to the third quarter of 2018, mostly due to lower repositioning expense. Direct container expense – owned fleet for the year decreased \$1.5 million from 2017, mostly due to \$6.8 million in lower storage cost resulting from higher average utilization, partially offset by \$4.4 million in container recovery cost incurred for lessees that became insolvent in 2018.

Container impairment was \$8.2 million for the quarter, consisting of a \$4.6 million write-off for the estimated unrecoverable containers held by defaulted lessees and a \$3.6 million impairment to write down the value of containers held for sale to their estimated fair value less cost to sell. Container impairment was \$26.8 million for the year consisting primarily of a \$12.6 million write-off for the estimated unrecoverable containers held by defaulted lessees and \$13.0 million in impairments to write down the value of containers held for sale to their estimated fair value less cost to sell, of which \$6.9 million resulted from unleasable containers moved to disposal. These containers were primarily reefer units, many of them recovered from Hanjin, for which there were no near-term lease opportunities due to various technical and commercial factors.

Depreciation expense increased \$0.7 million from the third quarter of 2018 and \$4.7 million from the year 2017. The year over year increase was primarily due to fleet growth, partially offset by the decrease due to an increase in future residual values effective July 1, 2017.

General and administrative expense decreased \$1.8 million from the third quarter of 2018 mostly due to \$2.4 million in costs associated with departing senior executive personnel recorded in the third quarter of 2018 with no comparable charge in the fourth quarter of 2018. General and administrative expense for the year increased \$4.6 million from 2017 mostly due to a \$4.7 million increase in compensation costs, including the above \$2.4 million in costs associated with departing senior executive personnel and a \$1.0 million increase in short-term incentive compensation costs.

A gain on insurance recovery of \$8.7 million was recorded in 2018, which related to the final insurance settlement of the Hanjin bankruptcy for insurable costs including primarily unrecovered containers and incurred container recovery costs, net of the insurance deductible.

Interest expense for the quarter increased \$0.9 million from the third quarter of 2018 and for the year increased \$21.0 million compared to 2017. The year over year increase was primarily due to higher borrowing costs resulting mostly from a higher average debt balance and higher interest rates. Realized gain on interest rate swaps, collars and caps,

net, for the quarter was flat compared to the third quarter 2018 and for the year increased \$6.4 million, compared to the 2017 due to the increase in interest rates.

Unrealized loss on interest rate swaps, collars and caps, net, was \$8.0 million for the quarter and \$5.6 million for the year, primarily resulting from a notable decrease in the forward LIBOR curve at the end of 2018 which reduced the value of our interest rate derivatives. Longer tenured and higher fixed rate swaps were also required to be traded during the periods to replace expiring lower fixed rate swaps.

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## Reclassification and Revisions to Previously Issued Consolidated Statements of Comprehensive Income

We have revised the presentation in our previously issued Consolidated Statements of Comprehensive Income for the first three quarters of 2018 and for the years ended December 31, 2017 and 2016. In connection with preparing our 2018 financial statements, we re-evaluated our fleet's management agreements for managed containers and determined these agreements convey to the Company the right to control the managed fleet, therefore meeting the definition of a lease based on the guidance of ASC 840 Leases. As a result, lease management fee income, previously presented on a net basis, was reclassified and presented on a gross basis for all periods presented. Separately, we also decided to include short term incentive compensation expense and long term incentive compensation expense together within general and administrative expense. See note (a) and (c) within the attached Condensed Consolidated Statements of Comprehensive Income. These reclassifications have no impact to underlying income from operations or net income, as well as no resulting changes to the consolidated balance sheets and consolidated statement of cash flows.

## Conference Call and Webcast

A conference call to discuss the financial results for the fourth quarter and full year 2018 will be held at 5:00 pm EDT on Thursday, February 21, 2019. The dial-in number for the conference call is 1-877-407-9039 (U.S.) and 1-201-689-8470 (outside the U.S.). The participant passcode for both dial-in numbers is 13686662. The call and archived replay may also be accessed via webcast on Textainer's Investor Relations website at <http://investor.textainer.com>.

## About Textainer Group Holdings Limited

Textainer has operated since 1979 and is one of the world's largest lessors of intermodal containers with more than 3 million TEU in our owned and managed fleet. We lease containers to approximately 250 customers, including all of the world's leading international shipping lines, and other lessees. Our fleet consists of standard dry freight, refrigerated intermodal containers, and dry freight specials. We also lease tank containers through our relationship with Trifleet Leasing and are the primary supplier of containers to the U.S. Military. Textainer is one of the largest and most reliable suppliers of new and used containers. In addition to selling older containers from our lease fleet, we buy older containers from our shipping line customers for trading and resale. We sold an average of almost 140,000 containers per year for the last five years to more than 1,500 customers making us one of the largest sellers of used containers. Textainer operates via a network of 14 offices and approximately 500 independent depots worldwide.

## Important Cautionary Information Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of U.S. securities laws. Forward-looking statements include statements that are not statements of historical facts and include, without limitation, statements regarding: (i) being cautiously optimistic about the market outlook, and (ii) being well positioned to capitalize on potential market opportunities and create shareholder value. Readers are cautioned that these forward-looking statements involve risks and uncertainties, are only predictions and may differ materially from actual future events or results. These risks and uncertainties include, without limitation, the following items that could materially and negatively impact our business, results of operations, cash flows, financial condition and future prospects: any deceleration or reversal of the current domestic and global economic conditions; lease rates may decrease and lessees may default, which could decrease revenue and increase storage, repositioning, collection and recovery expenses; the demand for leased containers depends on many political and economic factors and is tied to international trade and if demand decreases due to increased barriers to trade or political or economic factors, or for other reasons, it reduces demand for intermodal container leasing; as we increase the number of containers in our owned fleet, we increase our capital at risk and may need to incur more debt, which could result in financial instability; Textainer faces extensive competition in the container leasing industry which tends to depress returns; the international nature of the container



shipping industry exposes Textainer to numerous risks; gains and losses associated with the disposition of used equipment may fluctuate; our indebtedness reduces our financial flexibility and could impede our ability to operate; and other risks and uncertainties, including those set forth in Textainer's filings with the Securities and Exchange Commission. For a discussion of some of these risks and uncertainties, see Item 3 "Key Information— Risk Factors" in Textainer's Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 14, 2018.

Textainer's views, estimates, plans and outlook as described within this document may change subsequent to the release of this press release. Textainer is under no obligation to modify or update any or all of the statements it has made herein despite any subsequent changes Textainer may make in its views, estimates, plans or outlook for the future.

Textainer Group Holdings Limited

Investor Relations

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## TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

## Condensed Consolidated Statements of Comprehensive Income

Three Months and Years Ended December 31, 2018 and 2017

(Unaudited)

(All currency expressed in United States dollars in thousands, except per share amounts)

|   | Three Months Ended December 31, |            | Years Ended December 31, |            |
|---|---------------------------------|------------|--------------------------|------------|
|   | 2018                            | 2017       | 2018                     | 2017       |
| <b>Revenue:</b>                                 |                                 |            |                          |            |
| Lease rental income - owned fleet               | \$ 129,723                      | \$ 116,297 | \$ 501,362               | \$ 444,888 |
| Lease rental income - managed fleet (a)         | 27,392                          | 29,633     | 111,342                  | 104,566    |
| Lease rental income                             | 157,115                         | 145,930    | 612,704                  | 549,454    |
| Management fees - non-leasing (a)               | 2,250                           | 1,813      | 8,529                    | 7,146      |
| Trading container sales proceeds (b)            | 6,887                           | 669        | 19,568                   | 4,758      |
| Cost of trading containers sold (b)             | (5,583 )                        | (456 )     | (16,118 )                | (3,302 )   |
| Trading container margin                        | 1,304                           | 213        | 3,450                    | 1,456      |
| Gain on sale of owned fleet containers, net (b) | 9,591                           | 8,305      | 36,071                   | 26,210     |
| <b>Operating expenses:</b>                      |                                 |            |                          |            |
| Direct container expense - owned fleet          | 15,129                          | 14,747     | 58,813                   | 60,321     |
| Distribution to managed fleet owners (a)        | 25,341                          | 27,401     | 102,992                  | 96,718     |
| Depreciation expense                            | 61,134                          | 55,437     | 235,705                  | 231,043    |
| Container impairment                            | 8,221                           | 1,591      | 26,775                   | 8,072      |
| Amortization expense                            | 502                             | 1,045      | 3,721                    | 4,092      |
| General and administrative expense (c)          | 10,652                          | 11,370     | 44,317                   | 39,677     |
| Bad debt expense (benefit), net                 | 1,639                           | (640 )     | 2,697                    | 477        |
| Gain on insurance recovery                      | (8,692 )                        | -          | (8,692 )                 | -          |
| Total operating expenses                        | 113,926                         | 110,951    | 466,328                  | 440,400    |
| Income from operations                          | 56,334                          | 45,310     | 194,426                  | 143,866    |
| <b>Other (expense) income:</b>                  |                                 |            |                          |            |
| Interest expense                                | (36,589 )                       | (29,089 )  | (138,427)                | (117,475)  |
|   | -                               | (84 )      | (881 )                   | (7,550 )   |

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|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Write-off of unamortized deferred debt issuance costs and bond discounts                   |           |           |           |           |
| Interest income  | 556       | 205       | 1,709     | 613       |
| Realized gain (loss) on interest rate swaps, collars and caps, net                         | 1,287     | 296       | 5,238     | (1,191 )  |
| Unrealized (loss) gain on interest rate swaps, collars and caps, net                       | (8,038 )  | 2,881     | (5,790 )  | 4,094     |
| Other, net   | 1         | 4         | -         | 3         |
| Net other expense  | (42,783 ) | (25,787 ) | (138,151) | (121,506) |
| Income before income tax and noncontrolling interests                                      | 13,551    | 19,523    | 56,275    | 22,360    |
| Income tax expense   | (763 )    | (1,187 )  | (2,025 )  | (1,618 )  |
| Net income   | 12,788    | 18,336    | 54,250    | 20,742    |
| Less: Net income attributable to the noncontrolling interests                              | (547 )    | (1,125 )  | (3,872 )  | (1,377 )  |
| Net income attributable to Textainer Group   |           |           |           |           |
| Holdings Limited common shareholders   | \$12,241  | \$17,211  | \$50,378  | \$19,365  |
| Net income attributable to Textainer Group Holdings Limited common shareholders per share: |           |           |           |           |
| Basic  | \$0.21    | \$0.30    | \$0.88    | \$0.34    |
| Diluted  | \$0.21    | \$0.30    | \$0.88    | \$0.34    |
| Weighted average shares outstanding (in thousands):  |           |           |           |           |
| Basic  | 57,363    | 56,961    | 57,200    | 56,845    |
| Diluted  | 57,511    | 57,505    | 57,487    | 57,159    |
| Other comprehensive income:  |           |           |           |           |
| Foreign currency translation adjustments   | (45 )     | 58        | (127 )    | 207       |
| Comprehensive income   | 12,743    | 18,394    | 54,123    | 20,949    |
| Comprehensive income attributable to the   | (547 )    | (1,125 )  | (3,872 )  | (1,377 )  |

|  |          |          |          |          |
|--|----------|----------|----------|----------|
| noncontrolling interests                       |          |          |          |          |
| Comprehensive income attributable to Textainer |          |          |          |          |
| Group Holdings Limited                         |          |          |          |          |
| common shareholders                            | \$12,196 | \$17,269 | \$50,251 | \$19,572 |

(a) Management fees for managed fleet leasing revenue for the periods ended December 31, 2017 have been reclassified to present the gross amount of revenue and expense under separate line items “lease rental income – managed fleet” and “distribution to managed fleet owners” to conform with the 2018 presentation. Management fees - non-leasing include acquisition fees and sales commission earned on the managed fleet.

(b) Amounts for the periods ended December 31, 2017 have been reclassified to conform with the 2018 presentation.

(c) Amounts for the periods ended December 31, 2017 have been reclassified out of the separate line items “short term incentive compensation expense” and “long term incentive compensation expense” and included within “general and administrative expense” to conform with the 2018 presentation.

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## TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

December 31, 2018 and 2017

(Unaudited)

(All currency expressed in United States dollars in thousands)

|  | 2018        | 2017        |
|--|-------------|-------------|
| <b>Assets</b>  |             |             |
| Current assets:  |             |             |
| Cash and cash equivalents  | \$ 137,298  | \$ 137,894  |
| Accounts receivable, net of allowance for doubtful accounts of \$4,082 and \$5,775, respectively | 110,222     | 78,312      |
| Net investment in direct financing and sales-type leases   | 39,270      | 56,959      |
| Trading containers   | 40,852      | 10,752      |
| Containers held for sale   | 21,874      | 22,089      |
| Prepaid expenses and other current assets  | 12,855      | 12,243      |
| Insurance receivable   | 9,814       | 15,909      |
| Due from affiliates, net   | 1,692       | 1,134       |
| Total current assets   | 373,877     | 335,292     |
| Restricted cash  | 87,630      | 99,675      |
| Containers, net of accumulated depreciation of \$1,322,221 and \$1,172,355, respectively         | 4,134,016   | 3,791,610   |
| Net investment in direct financing and sales-type leases   | 127,790     | 125,665     |
| Fixed assets, net of accumulated depreciation of \$11,525 and \$10,788, respectively             | 2,066       | 2,151       |
| Intangible assets, net of accumulated amortization of \$43,266 and \$44,279, respectively        | 7,384       | 11,105      |
| Interest rate swaps, collars and caps  | 5,555       | 7,787       |
| Deferred taxes   | 2,087       | 1,563       |
| Other assets   | 3,891       | 5,494       |
| Total assets   | \$4,744,296 | \$4,380,342 |
| <b>Liabilities and Equity</b>  |             |             |
| Current liabilities:   |             |             |
| Accounts payable   | \$5,151     | \$6,867     |
| Accrued expenses   | 15,778      | 13,365      |
| Container contracts payable  | 42,710      | 131,087     |
| Other liabilities  | 219         | 235         |
| Due to owners, net   | 8,322       | 11,131      |
| Debt, net of unamortized deferred financing costs of \$5,738 and \$3,989, respectively           | 191,689     | 233,681     |
| Total current liabilities  | 263,869     | 396,366     |
| Debt, net of unamortized deferred financing costs of \$22,248 and \$20,045, respectively         | 3,218,138   | 2,756,627   |
| Interest rate swaps, collars and caps  | 3,639       | 81          |
| Income tax payable   | 9,570       | 9,081       |
| Deferred taxes   | 7,039       | 5,881       |
| Other liabilities  | 1,805       | 2,024       |
| Total liabilities  | 3,504,060   | 3,170,060   |
| Equity:  |             |             |
| Textainer Group Holdings Limited shareholders' equity:   |             |             |

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Common shares, \$0.01 par value. Authorized 140,000,000 shares; 58,032,164 shares issued and

57,402,164 shares outstanding at 2018; 57,727,220 shares issued and 57,097,220 shares

|   |             |             |
|---|-------------|-------------|
| outstanding at 2017   | 581         | 578         |
| Additional paid-in capital                                  | 406,083     | 397,821     |
| Treasury shares, at cost, 630,000 shares                    | (9,149 )    | (9,149 )    |
| Accumulated other comprehensive loss                        | (436 )      | (309 )      |
| Retained earnings   | 813,979     | 763,601     |
| Total Textainer Group Holdings Limited shareholders' equity | 1,211,058   | 1,152,542   |
| Noncontrolling interests                                    | 29,178      | 57,740      |
| Total equity  | 1,240,236   | 1,210,282   |
| Total liabilities and equity                                | \$4,744,296 | \$4,380,342 |

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## TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

(Unaudited)

(All currency expressed in United States dollars in thousands)

|   | 2018        | 2017        |
|---|-------------|-------------|
| Cash flows from operating activities:   |             |             |
| Net income  | \$ 54,250   | \$ 20,742   |
| Adjustments to reconcile net income to net cash provided by operating activities:                         |             |             |
| Depreciation expense  | 235,705     | 231,043     |
| Container impairment  | 26,775      | 8,072       |
| Bad debt expense, net   | 2,697       | 477         |
| Unrealized loss (gain) on interest rate swaps, collars and caps, net                                      | 5,790       | (4,094 )    |
| Amortization and write-off of unamortized deferred debt issuance costs and<br>accretion of bond discounts | 9,531       | 20,814      |
| Amortization of intangible assets   | 3,721       | 4,092       |
| Gain on sale of owned fleet containers, net   | (36,071 )   | (26,210 )   |
| Gain on insurance recovery  | (8,692 )    | —           |
| Share-based compensation expense  | 7,355       | 6,083       |
| Changes in operating assets and liabilities   | (48,789 )   | (10,044 )   |
| Total adjustments   | 198,022     | 230,233     |
| Net cash provided by operating activities   | 252,272     | 250,975     |
| Cash flows from investing activities:   |             |             |
| Purchase of containers and fixed assets   | (854,383 )  | (300,125 )  |
| Payment for TW Container Leasing, Ltd capital restructuring   | (29,658 )   | —           |
| Proceeds from sale of containers and fixed assets   | 147,254     | 135,299     |
| Receipt of payments on direct financing and sales-type leases, net of income earned                       | 63,847      | 66,846      |
| Insurance proceeds received for unrecovered containers  | —           | 12,616      |
| Net cash used in investing activities   | (672,940 )  | (85,364 )   |
| Cash flows from financing activities:   |             |             |
| Proceeds from debt  | 2,029,025   | 1,729,580   |
| Principal payments on debt  | (1,608,753) | (1,770,715) |
| Debt issuance costs   | (10,252 )   | (27,702 )   |
| Dividends paid to noncontrolling interest   | (1,996 )    | (2,496 )    |
| Issuance of common shares upon exercise of share options  | 130         | 961         |
| Net cash provided by (used in) financing activities   | 408,154     | (70,372 )   |
| Effect of exchange rate changes   | (127 )      | 207         |
| Net (decrease) increase in cash, cash equivalents and restricted cash                                     | (12,641 )   | 95,446      |
| Cash, cash equivalents and restricted cash, beginning of the year   | 237,569     | 142,123     |
| Cash, cash equivalents and restricted cash, end of the year   | \$ 224,928  | \$ 237,569  |

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Reconciliation of GAAP financial measures to non-GAAP financial measures

Three Months and Years Ended December 31, 2018 and 2017

(Unaudited)

(All currency expressed in United States dollars in thousands, except per share amounts)

The following is a reconciliation of certain GAAP measures to non-GAAP financial measures (such items listed in (a) to (c) below and defined as “Non-GAAP Measures”) for the three months and years ended December 31, 2018 and 2017, including:

- (a) net income attributable to Textainer Group Holdings Limited common shareholders to adjusted EBITDA (Adjusted EBITDA defined as net income attributable to Textainer Group Holdings Limited common shareholders before interest income and expense, write-off of unamortized deferred debt issuance costs and bond discounts, realized (gain) loss on interest rate swaps, collars and caps, net, unrealized loss (gain) on interest rate swaps, collars and caps, net, gain on insurance recovery, costs associated with departing senior executives, income tax expense, net income attributable to the noncontrolling interests (“NCI”), depreciation expense, container impairment, amortization expense and the related impact of reconciling items on net income attributable to the NCI);
- (b) net income attributable to Textainer Group Holdings Limited common shareholders to adjusted net income (defined as net income attributable to Textainer Group Holdings Limited common shareholders before the write-off of unamortized deferred debt issuance costs and bond discounts, unrealized loss (gain) on interest rate swaps, collars and caps, net, gain on insurance recovery, costs associated with departing senior executives, the related impact of reconciling items on income tax expense and net income attributable to the NCI); and
- (c) net income attributable to Textainer Group Holdings Limited common shareholders per diluted common share to adjusted net income per diluted common share (defined as net income attributable to Textainer Group Holdings Limited common shareholders per diluted common share before the write-off of unamortized deferred debt issuance costs and bond discounts, unrealized loss (gain) on interest rate swaps, collars and caps, net, gain on insurance recovery, costs associated with departing senior executives, the related impact of reconciling items on income tax expense and net income attributable to the NCI).

Non-GAAP Measures are not financial measures calculated in accordance with U.S. generally accepted accounting principles (“GAAP”) and should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity. Non-GAAP Measures are presented solely as supplemental disclosures. Management believes that adjusted EBITDA may be a useful performance measure that is widely used within our industry and adjusted net income may be a useful performance measure because Textainer intends to hold its interest rate swaps, collars and caps until maturity and over the life of an interest rate swap, collar or cap the unrealized loss (gain) will net to zero. Adjusted EBITDA is not calculated in the same manner by all companies and, accordingly, may not be an appropriate measure for comparison.

Management also believes that adjusted net income and adjusted net income per diluted common share are useful in evaluating our operating performance because unrealized loss (gain) on interest rate swaps, collars and caps, net, is a noncash, non-operating item. We believe Non-GAAP Measures provide useful information on our earnings from ongoing operations. We believe that adjusted EBITDA provides useful information on our ability to service our long-term debt and other fixed obligations and on our ability to fund our expected growth with internally generated funds. Non-GAAP Measures have limitations as analytical tools, and you should not consider either of them in isolation, or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Some of these limitations are:



- They do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
  - They do not reflect changes in, or cash requirements for, our working capital needs;
  - Adjusted EBITDA does not reflect interest expense or cash requirements necessary to service interest or principal payments on our debt;
    - Although depreciation expense and container impairment are a noncash charge, the assets being depreciated may be replaced in the future, and neither adjusted EBITDA, adjusted net income or adjusted net income per diluted common share reflects any cash requirements for such replacements;
  - They are not adjusted for all noncash income or expense items that are reflected in our statements of cash flows; and
  - Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.
-

|  | Three Months Ended     |          | Years Ended            |          |
|--|------------------------|----------|------------------------|----------|
|  | December 31,           |          | December 31,           |          |
|  | 2018                   | 2017     | 2018                   | 2017     |
|  | (Dollars in thousands) |          | (Dollars in thousands) |          |
|  | (Unaudited)            |          | (Unaudited)            |          |
| <b>Reconciliation of adjusted net income:</b>                            |                        |          |                        |          |
| Net income attributable to Textainer Group Holdings                      |                        |          |                        |          |
| Limited common shareholders  | \$12,241               | \$17,211 | \$50,378               | \$19,365 |
| <b>Adjustments:</b>  |                        |          |                        |          |
| Write-off of unamortized deferred debt issuance costs and bond discounts | —                      | 84       | 881                    | 7,550    |
| Unrealized loss (gain) on interest rate swaps, collars and caps, net     | 8,038                  | (2,881 ) | 5,790                  | (4,094 ) |
| Gain on insurance recovery   | (8,692 )               | —        | (8,692 )               | —        |
| Costs associated with departing senior executives                        | —                      | —        | 2,368                  | —        |
| Impact of reconciling items on income tax expense                        | 6                      | 47       | (478 )                 | (56 )    |
| Impact of reconciling items on net income attributable to                |                        |          |                        |          |
| the noncontrolling interests   | 324                    | 331      | 1,224                  | 400      |
| Adjusted net income  | \$11,917               | \$14,792 | \$51,471               | \$23,165 |
| <b>Reconciliation of adjusted net income per diluted common share:</b>   |                        |          |                        |          |
| Net income attributable to Textainer Group Holdings                      |                        |          |                        |          |
| Limited common shareholders per diluted common share                     | \$0.21                 | \$0.30   | \$0.88                 | \$0.34   |
| <b>Adjustments:</b>  |                        |          |                        |          |
| Write-off of unamortized deferred debt issuance costs and bond discounts | —                      | —        | 0.02                   | 0.13     |
| Unrealized loss (gain) on interest rate swaps, collars and caps, net     | 0.14                   | (0.05 )  | 0.10                   | (0.07 )  |
| Gain on insurance recovery   | (0.15 )                | —        | (0.15 )                | -        |
| Costs associated with departing senior executives                        | —                      | —        | 0.04                   | —        |
| Impact of reconciling items on income tax expense                        | —                      | —        | (0.01 )                | —        |
| Impact of reconciling items on net income attributable to                |                        |          |                        |          |
| the noncontrolling interests   | 0.01                   | 0.01     | 0.02                   | 0.01     |
| Adjusted net income per diluted common share                             | \$0.21                 | \$0.26   | \$0.90                 | \$0.41   |

|   | Three Months Ended     |          | Years Ended            |          |
|---|------------------------|----------|------------------------|----------|
|   | December 31,           |          | December 31,           |          |
|   | 2018                   | 2017     | 2018                   | 2017     |
|   | (Dollars in thousands) |          | (Dollars in thousands) |          |
|   | (Unaudited)            |          | (Unaudited)            |          |
| <b>Reconciliation of adjusted EBITDA:</b>           |                        |          |                        |          |
| Net income attributable to Textainer Group Holdings | \$12,241               | \$17,211 | \$50,378               | \$19,365 |

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|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Limited common shareholders  |           |           |           |           |
| Adjustments:   |           |           |           |           |
| Interest income  | (556 )    | (205 )    | (1,709 )  | (613 )    |
| Interest expense   | 36,589    | 29,089    | 138,427   | 117,475   |
| Write-off of unamortized deferred debt issuance costs and bond discounts | —         | 84        | 881       | 7,550     |
| Realized (gain) loss on interest rate swaps, collars and caps, net       | (1,287 )  | (296 )    | (5,238 )  | 1,191     |
| Unrealized loss (gain) on interest rate swaps, collars and caps, net     | 8,038     | (2,881 )  | 5,790     | (4,094 )  |
| Gain on insurance recovery   | (8,692 )  | —         | (8,692 )  | —         |
| Costs associated with departing senior executives                        | —         | —         | 2,368     | —         |
| Income tax expense   | 763       | 1,187     | 2,025     | 1,618     |
| Net income attributable to the noncontrolling interests                  | 547       | 1,125     | 3,872     | 1,377     |
| Depreciation expense   | 61,134    | 55,437    | 235,705   | 231,043   |
| Container impairment   | 8,221     | 1,591     | 26,775    | 8,072     |
| Amortization expense   | 502       | 1,045     | 3,721     | 4,092     |
| Impact of reconciling items on net income attributable to                |           |           |           |           |
| the noncontrolling interests   | (2,500 )  | (2,774 )  | (11,213 ) | (12,535 ) |
| Adjusted EBITDA  | \$115,000 | \$100,613 | \$443,090 | \$374,541 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 21, 2019

Textainer Group Holdings Limited

/s/ OLIVIER GHESQUIERE

Olivier Ghesquiere

President and Chief Executive Officer