

**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**

For the quarterly period ended June 30, 2020

Commission File Number 001-33725

Textainer Group Holdings Limited

(Translation of Registrant's name into English)

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16 Par-La-Ville Road
Hamilton HM 08
Bermuda
(441) 296-2500
(Address of principal executive office)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, \$0.01 par value	TGH	New York Stock Exchange

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

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

TEXTAINER GROUP HOLDINGS LIMITED
Quarterly Report on Form 6-K for the Three and Six Months Ended June 30, 2020
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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS; CAUTIONARY LANGUAGE

This Quarterly Report on Form 6-K, including the section entitled Item 2, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, contains forward-looking statements within the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not statements of historical facts and may relate to, but are not limited to, expectations or estimates of future operating results or financial performance, capital expenditures, regulatory compliance, plans for growth and future operations, as well as assumptions relating to the foregoing. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “continue” or the negative of these terms or other similar terminology. The forward-looking statements contained in this Quarterly Report on Form 6-K include, but are not limited to, statements regarding (i) factors that are likely to continue to affect our performance and (ii) our belief that, assuming that our lenders remain solvent that our cash flow from operations, proceeds from the sale of containers and borrowing availability under our debt facilities are sufficient to meet our liquidity needs, including for the payment of dividends, for the next twelve months.

Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy, and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which cannot be foreseen. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including, among others, the risk described in Item 4, “Risk Factors” of this Quarterly Report on Form 6-K and the risks we face that are described in the section entitled Item 3, “Key Information -- Risk Factors” included in our Annual Report on Form 20-F for the fiscal year ended December 31, 2019 filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 30, 2020 (our “2019 Form 20-F”).

We believe that it is important to communicate our expectations about the future to potential investors, shareholders and other readers. However, there may be events in the future that we are not able to accurately predict or control and that may cause actual events or results to differ materially from the expectations expressed in or implied by our forward-looking statements. The risk factors listed in Item 3, “Key Information -- Risk Factors” included in our 2019 Form 20-F, as well as any cautionary language in this Quarterly Report on Form 6-K, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you decide to buy, hold or sell our common shares, you should be aware that the occurrence of the events described in Item 3, “Key Information -- Risk Factors” included in our 2019 Form 20-F and elsewhere in this Quarterly Report on Form 6-K could negatively impact our business, cash flows, results of operations, financial condition and share price. Potential investors, shareholders and other readers are cautioned not to place undue reliance on our forward-looking statements.

Forward-looking statements regarding our present plans or expectations for fleet size, management contracts, container purchases, sources and availability of financing, and growth involve risks and uncertainties relative to return expectations and related allocation of resources, and changing economic or competitive conditions, as well as the negotiation of agreements with container investors, which could cause actual results to differ from present plans or expectations, and such differences could be material. Similarly, forward-looking statements regarding our present expectations for operating results and cash flow involve risks and uncertainties related to factors such as utilization rates, per diem rates, container prices, demand for containers by container shipping lines, supply, the magnitude and duration of the ongoing COVID-19 pandemic and other factors discussed under Item 3, “Key Information -- Risk Factors” included in our 2019 Form 20-F or elsewhere in this Quarterly Report on Form 6-K, which could also cause actual results to differ from present plans. Such differences could be material.

All future written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. New risks and uncertainties arise from time to time, and we cannot predict those events or how they may affect us. The forward-looking statements contained in this Quarterly Report on Form 6-K speak only as of, and are based on information available to us on, the date of the filing of this Quarterly Report on Form 6-K. We assume no obligation to, and do not plan to, update any forward-looking statements after the date of this Quarterly Report on Form 6-K as a result of new information, future events or developments, except as expressly required by U.S. federal securities laws. You should read this Quarterly Report on Form 6-K and the documents that we reference and have furnished as exhibits with the understanding that we cannot guarantee future results, levels of activity, performance or achievements and that actual results may differ materially from what we expect.

In this Quarterly Report on Form 6-K, unless otherwise specified, all monetary amounts are in U.S. dollars. To the extent that any monetary amounts are not denominated in U.S. dollars, they have been translated into U.S. dollars in accordance with our accounting policies as described in Item 18, “*Financial Statements*” included in our 2019 Form 20-F.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues:				
Lease rental income - owned fleet (1)	\$ 128,648	\$ 130,439	\$ 258,720	\$ 260,000
Lease rental income - managed fleet	16,126	25,804	31,532	52,357
Lease rental income	<u>144,774</u>	<u>156,243</u>	<u>290,252</u>	<u>312,357</u>
Management fees - non-leasing	544	1,940	2,028	4,241
Trading container sales proceeds (1)	7,427	14,394	17,012	27,106
Cost of trading containers sold	(6,856)	(12,170)	(15,792)	(22,902)
Trading container margin	<u>571</u>	<u>2,224</u>	<u>1,220</u>	<u>4,204</u>
Gain on sale of owned fleet containers, net	5,640	5,404	11,434	12,171
Operating expenses:				
Direct container expense - owned fleet (2)	15,248	10,681	28,512	22,261
Distribution expense to managed fleet container investors	14,692	23,737	28,855	48,217
Depreciation expense (3)	63,848	64,135	130,682	126,599
Amortization expense	557	493	1,121	1,095
General and administrative expense	9,866	9,444	20,004	19,274
Bad debt (recovery) expense, net	(276)	3,689	1,769	3,848
Container lessee default (recovery) expense, net (2)	(1,671)	8,555	(1,683)	7,902
Gain on insurance recovery and legal settlement	—	(841)	—	(841)
Total operating expenses	<u>102,264</u>	<u>119,893</u>	<u>209,260</u>	<u>228,355</u>
Income from operations	<u>49,265</u>	<u>45,918</u>	<u>95,674</u>	<u>104,618</u>
Other (expense) income:				
Interest expense	(30,022)	(38,213)	(66,134)	(75,729)
Write-off of unamortized deferred debt issuance costs	—	—	(122)	—
Interest income	56	729	456	1,367
Realized (loss) gain on derivative instruments, net	(3,267)	1,095	(4,793)	2,539
Unrealized gain (loss) on derivative instruments, net	1,342	(10,099)	(13,595)	(15,837)
Other, net	(3)	—	(56)	—
Net other expense	(31,894)	(46,488)	(84,244)	(87,660)
Income (loss) before income tax and noncontrolling interest	17,371	(570)	11,430	16,958
Income tax (expense) benefit	(1,074)	221	(241)	(152)
Net income (loss)	16,297	(349)	11,189	16,806
Less: Net (income) loss attributable to the noncontrolling interest	(308)	663	421	558
Net income attributable to Textainer Group Holdings Limited common shareholders	<u>\$ 15,989</u>	<u>\$ 314</u>	<u>\$ 11,610</u>	<u>\$ 17,364</u>
Net income attributable to Textainer Group Holdings Limited common shareholders per share:				
Basic	\$ 0.30	\$ 0.01	\$ 0.21	\$ 0.30
Diluted	\$ 0.30	\$ 0.01	\$ 0.21	\$ 0.30
Weighted average shares outstanding (in thousands):				
Basic	53,715	57,500	55,084	57,488
Diluted	53,776	57,576	55,148	57,578
Other comprehensive income (loss), before tax:				
Change in derivative instruments designated as cash flow hedges	(4,393)	—	(13,251)	—
Reclassification of realized loss on derivative instruments designated as cash flow hedges	590	—	528	—
Foreign currency translation adjustments	(39)	(40)	(102)	67
Comprehensive income (loss), before tax	12,455	(389)	(1,636)	16,873
Income tax benefit related to items of other comprehensive income (loss)	39	—	132	—
Comprehensive income (loss), after tax	12,494	(389)	(1,504)	16,873
Comprehensive (income) loss attributable to the noncontrolling interest	(308)	663	421	558
Comprehensive income (loss) attributable to Textainer Group Holdings Limited common shareholders	<u>\$ 12,186</u>	<u>\$ 274</u>	<u>\$ (1,083)</u>	<u>\$ 17,431</u>

(1) Amounts for trading containers rental revenue for the three and six months ended June 30, 2019 have been reclassified out of the line item "trading container sales proceeds" and included within "lease rental income - owned fleet" to appropriately reflect the nature of the revenue.

(2) Amounts for container write-off and recovery and container recovery costs from lessee default for the three and six months ended June 30, 2019 have been reclassified out of the previously reported line item "container impairment" and "direct container expense - owned fleet", respectively, and included within "container lessee default recovery, net" to conform with the 2020 presentation.

(3) Amounts to write-down the carrying value of containers held for sale to their estimated fair value less costs to sell for the three and six months ended June 30, 2019 have been reclassified out of the previously reported line item "container impairment" and included within "depreciation expense" to conform with the 2020 presentation.

See accompanying notes to condensed consolidated financial statements.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Uunaudited)
(All currency expressed in United States dollars in thousands)

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 189,848	\$ 180,552
Accounts receivable, net of allowance for credit losses of \$7,009 and \$6,299, respectively	106,761	109,384
Net investment in finance leases, net of allowance for credit losses of \$199 and \$0, respectively	38,112	40,940
Container leaseback financing receivable, net of allowance for credit losses of \$117 and \$0, respectively	21,412	20,547
Trading containers	9,140	11,330
Containers held for sale	50,422	41,884
Prepaid expenses and other current assets	12,068	14,816
Due from affiliates, net	2,270	1,880
Total current assets	<u>430,033</u>	<u>421,333</u>
Restricted cash	91,129	97,353
Containers, net of accumulated depreciation of \$1,522,009 and \$1,443,167, respectively	4,054,337	4,156,151
Net investment in finance leases, net of allowance for credit losses of \$983 and \$0, respectively	318,398	254,363
Container leaseback financing receivable, net of allowance for credit losses of \$445 and \$0, respectively	249,384	251,111
Fixed assets, net of accumulated depreciation of \$12,490 and \$12,266, respectively	943	1,128
Intangible assets, net of accumulated amortization of \$46,480 and \$45,359, respectively	4,170	5,291
Derivative instruments	-	135
Deferred taxes	1,383	1,388
Other assets	13,435	14,364
Total assets	<u>\$ 5,163,212</u>	<u>\$ 5,202,617</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 25,466	\$ 23,404
Container contracts payable	136,937	9,394
Other liabilities	2,325	2,636
Due to container investors, net	19,458	21,978
Debt, net of unamortized costs of \$6,186 and \$8,120, respectively	<u>241,519</u>	<u>242,433</u>
Total current liabilities	425,705	299,845
Debt, net of unamortized costs of \$19,240 and \$21,446, respectively	3,406,474	3,555,296
Derivative instruments	39,961	13,778
Income tax payable	9,976	9,909
Deferred taxes	7,683	7,789
Other liabilities	17,101	30,355
Total liabilities	<u>3,906,900</u>	<u>3,916,972</u>
Equity:		
Textainer Group Holdings Limited shareholders' equity:		
Common shares, \$0.01 par value. Authorized 140,000,000 shares; 58,389,184 shares issued and 53,299,310 shares outstanding at 2020; 58,326,555 shares issued and 56,817,918 shares outstanding at 2019	584	583
Treasury shares, at cost, 5,089,874 and 1,508,637 shares, respectively	(46,828)	(17,746)
Additional paid-in capital	412,739	410,595
Accumulated other comprehensive loss	(13,204)	(511)
Retained earnings	877,183	866,458
Total Textainer Group Holdings Limited shareholders' equity	<u>1,230,474</u>	<u>1,259,379</u>
Noncontrolling interest	25,838	26,266
Total equity	<u>1,256,312</u>	<u>1,285,645</u>
Total liabilities and equity	<u>\$ 5,163,212</u>	<u>\$ 5,202,617</u>

See accompanying notes to condensed consolidated financial statements.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity
(Uaudited)
(All currency expressed in United States dollars in thousands)

	Textainer Group Holdings Limited Shareholders' Equity										
	Common shares		Treasury shares		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total Textainer Group Holdings Limited shareholders' equity		Noncontrolling interest	Total equity
Balances, December 31, 2018	58,032,164	\$ 581	(630,000)	\$ (9,149)	\$ 406,083	\$ (436)	\$ 809,734	\$ 1,206,813	\$ 29,178	\$ 1,235,991	
Dividends paid to noncontrolling interest	—	—	—	—	—	—	—	—	(2,744)	(2,744)	
Restricted share units vested	34,721	—	—	—	—	—	—	—	—	—	
Exercise of share options	9,633	—	—	—	93	—	—	93	—	93	
Share-based compensation expense	—	—	—	—	2,115	—	—	2,115	—	2,115	
Comprehensive income:											
Net income attributable to Textainer Group Holdings Limited common shareholders	—	—	—	—	—	—	17,364	17,364	—	17,364	
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	—	(558)	(558)	
Foreign currency translation adjustments	—	—	—	—	—	67	—	67	—	67	
Total comprehensive income											16,873
Balances, June 30, 2019	<u>58,076,518</u>	<u>\$ 581</u>	<u>(630,000)</u>	<u>\$ (9,149)</u>	<u>\$ 408,291</u>	<u>\$ (369)</u>	<u>\$ 827,098</u>	<u>\$ 1,226,452</u>	<u>\$ 25,876</u>	<u>\$ 1,252,328</u>	
Balances, December 31, 2019	<u>58,326,555</u>	<u>583</u>	<u>(1,508,637)</u>	<u>(17,746)</u>	<u>410,595</u>	<u>(511)</u>	<u>866,458</u>	<u>1,259,379</u>	<u>26,266</u>	<u>1,285,645</u>	
Cumulative adjustment for adoption of ASU 2016-13	—	—	—	—	—	—	(885)	(885)	(7)	(892)	
Restricted share units vested	62,629	1	—	—	(1)	—	—	—	—	—	
Purchase of treasury shares	—	—	(3,581,237)	(29,082)	—	—	—	(29,082)	—	(29,082)	
Share-based compensation expense	—	—	—	—	2,145	—	—	2,145	—	2,145	
Comprehensive income (loss):											
Net income attributable to Textainer Group Holdings Limited common shareholders	—	—	—	—	—	—	11,610	11,610	—	11,610	
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	—	(421)	(421)	
Change in derivative instruments designated as cash flow hedges	—	—	—	—	—	(13,251)	—	(13,251)	—	(13,251)	
Reclassification of realized loss on derivative instruments designated as cash flow hedges	—	—	—	—	—	528	—	528	—	528	
Foreign currency translation adjustments	—	—	—	—	—	(102)	—	(102)	—	(102)	
Income tax benefit related to items of other comprehensive loss	—	—	—	—	—	132	—	132	—	132	
Total comprehensive loss	—	—	—	—	—	—	—	—	—	(1,504)	
Balances, June 30, 2020	<u>58,389,184</u>	<u>\$ 584</u>	<u>(5,089,874)</u>	<u>\$ (46,828)</u>	<u>\$ 412,739</u>	<u>\$ (13,204)</u>	<u>\$ 877,183</u>	<u>\$ 1,230,474</u>	<u>\$ 25,838</u>	<u>\$ 1,256,312</u>	

See accompanying notes to condensed consolidated financial statements.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(All currency expressed in United States dollars in thousands)

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 11,189	\$ 16,806
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense (1)	130,682	126,599
Bad debt expense, net	1,769	3,848
Container (recovery) write-off from lessee default, net (2)	(1,558)	7,730
Unrealized loss on derivative instruments, net	13,595	15,837
Amortization and write-off of unamortized deferred debt issuance costs and accretion of bond discounts	4,210	3,875
Amortization of intangible assets	1,121	1,095
Gain on sale of owned fleet containers, net	(11,434)	(12,171)
Gain on insurance recovery and legal settlement	—	(841)
Share-based compensation expense	2,145	2,115
Changes in operating assets and liabilities	36,501	47,130
Total adjustments	177,031	195,217
Net cash provided by operating activities	188,220	212,023
Cash flows from investing activities:		
Purchase of containers and fixed assets	(52,660)	(335,067)
Payments on container leaseback financing receivable	(9,919)	—
Receipt of principal payments on container leaseback financing receivable	10,310	—
Proceeds from sale of containers and fixed assets	62,920	70,591
Net cash provided by (used in) investing activities	10,651	(264,476)
Cash flows from financing activities:		
Proceeds from debt	41,800	550,634
Principal payments on debt	(195,676)	(472,667)
Principal repayments on container leaseback financing liability	(12,682)	—
Purchase of treasury shares	(29,082)	—
Debt issuance costs	(57)	(3,854)
Dividends paid to noncontrolling interest	—	(2,744)
Issuance of common shares upon exercise of share options	—	93
Net cash (used in) provided by financing activities	(195,697)	71,462
Effect of exchange rate changes	(102)	67
Net increase in cash, cash equivalents and restricted cash	3,072	19,076
Cash, cash equivalents and restricted cash, beginning of the year	277,905	224,928
Cash, cash equivalents and restricted cash, end of period	\$ 280,977	\$ 244,004

Supplemental disclosures of cash flow information:

Cash paid for interest expense and realized loss (gain) on derivative instruments, net	\$ 67,040	\$ 68,821
Net income taxes paid	\$ 49	\$ 76
Receipt of payments on finance leases, net of income earned	\$ 22,713	\$ 26,201

Supplemental disclosures of noncash operating activities:

Initial recognition of operating lease liability from obtaining right-of-use assets	\$ -	\$ 12,024
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Supplemental disclosures of noncash investing activities:

Increase in accrued container purchases	\$ 127,543	\$ 285,891
Containers placed in finance leases	\$ 86,684	\$ 91,363
Container leaseback financing receivable	\$ -	\$ 229,112

(1) Amount to write-down the carrying value of containers held for sale to their estimated fair value less costs to sell for the period ended June 30, 2019 has been reclassified out of the previously reported line item "container impairment" and included within "depreciation expense" to conform with the 2020 presentation.

(2) Amount for container write-off and recovery from lessee default for the period ended June 30, 2019 has been reclassified out of the previously reported line item "container impairment" and included within "container recovery from lessee default, net" to conform with the 2020 presentation.

See accompanying notes to condensed consolidated financial statements.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

(1) Nature of Business

Textainer Group Holdings Limited (“TGH”) is incorporated in Bermuda. TGH is the holding company of a group of companies, consisting of TGH and its subsidiaries (collectively, the “Company”), involved in the purchase, management, leasing and resale of a fleet of marine cargo containers. The Company manages and provides administrative support to the third-party owners’ (the “Container Investors”) container fleets.

The Company conducts its business activities in three main areas: Container Ownership, Container Management and Container Resale (see Note 10 “Segment Information”).

(2) Accounting Policies and Recent Accounting Pronouncements**(a) Basis of Presentation**

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2019 (“2019 Form 20-F”) filed with the Securities and Exchange Commission on March 30, 2020.

The preparation of financial statements in conformity with U.S. GAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities in the financial statements. The Company’s management evaluates its estimates on an ongoing basis, including those related to container rental equipment, containers held for sale, allowance for credit losses, income taxes and accruals. Actual results could differ from those estimates under different assumptions or conditions.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal and recurring adjustments) necessary to present fairly the Company’s condensed consolidated balance sheet as of June 30, 2020, the Company’s condensed consolidated statements of comprehensive income for the three and six months ended June 30, 2020 and 2019, condensed consolidated statements of shareholders’ equity for the six months ended June 30, 2020 and 2019 and condensed consolidated statements of cash flows for the six months ended June 30, 2020 and 2019. These condensed consolidated financial statements are not necessarily indicative of the results of operations or cash flows that may be reported for the remainder of the fiscal year ending December 31, 2020.

(b) Principles of Consolidation and Variable Interest Entity

The condensed consolidated financial statements of the Company include TGH and all of its subsidiaries in which the Company has a controlling financial interest. All significant intercompany accounts and balances have been eliminated in consolidation.

TAP Funding

TAP Funding Ltd. (“TAP Funding”) (a Bermuda company) is a joint venture between the Company’s wholly-owned subsidiary, Textainer Limited (“TL”) (a Bermuda company) and TAP Ltd. (“TAP”) in which TL owns 50.1%, TAP owns 49.9% of the common shares of TAP Funding, and TAP Funding is a voting interest entity (“VME”). The Company consolidates TAP Funding as the Company has a controlling financial interest in TAP Funding.

The equity owned by TAP in TAP Funding is shown as a noncontrolling interest on the Company’s condensed consolidated balance sheets and the net income (loss) is shown as net income (loss) attributable to the noncontrolling interests on the Company’s condensed consolidated statements of comprehensive income.

(c) Containers

Capitalized container costs include the container cost payable to the manufacturer and the associated transportation costs incurred in moving the Company’s containers from the manufacturer to the containers’ first destined port. Containers are depreciated using the straight-line method over their estimated useful lives to an estimated dollar residual

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

value. Used containers are depreciated based upon their remaining useful lives at the date of acquisition to an estimated dollar residual value.

The cost, accumulated depreciation and net book value of the Company's container leasing equipment by equipment type as of June 30, 2020 and December 31, 2019 were as follows:

	June 30, 2020			December 31, 2019		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Dry containers other than open top and flat rack containers:						
20'	\$ 1,561,124	\$ (407,824)	\$ 1,153,300	\$ 1,627,878	\$ (396,247)	\$ 1,231,631
40'	150,371	(55,091)	95,280	167,011	(58,852)	108,159
40' high cube	2,516,972	(629,730)	1,887,242	2,510,937	(592,374)	1,918,563
45' high cube	28,251	(12,105)	16,146	28,670	(11,488)	17,182
Refrigerated containers:						
20'	20,356	(7,898)	12,458	20,484	(7,258)	13,226
20' high cube	4,915	(3,134)	1,781	5,139	(3,090)	2,049
40' high cube	1,103,865	(367,815)	736,050	1,052,707	(338,068)	714,639
Open top and flat rack containers:						
20' folding flat	17,410	(4,815)	12,595	17,617	(4,538)	13,079
40' folding flat	50,336	(17,821)	32,515	51,152	(17,278)	33,874
20' open top	12,811	(1,666)	11,145	13,259	(1,625)	11,634
40' open top	22,872	(4,572)	18,300	23,313	(4,351)	18,962
Tank containers	87,063	(9,538)	77,525	81,151	(7,998)	73,153
Total containers	<u>\$ 5,576,346</u>	<u>\$ (1,522,009)</u>	<u>\$ 4,054,337</u>	<u>\$ 5,599,318</u>	<u>\$ (1,443,167)</u>	<u>\$ 4,156,151</u>

See Note 4 "Managed Container Fleet" for information on the managed fleet containers included above.

Impairment of Container Rental Equipment

The Company reviews its containers for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The Company compares the carrying value of the containers to the expected future undiscounted cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds expected future undiscounted cash flows, the assets are reduced to fair value. There was no such impairment of the Company's leasing equipment for the three and six months ended June 30, 2020 and 2019.

Write-Off of Container Rental Equipment due to Lessees in Default

The Company evaluates the recoverability of the recorded amounts of containers that are unlikely to be recovered from lessees in default. The Company recorded a gain on container recovery of \$1,558 during the three and six months ended June 30, 2020 due to a settlement agreement with an insolvent lessee on containers which were previously written off in 2018. The Company recorded impairment charges during the three and six months ended June 30, 2019 of \$8,450 and \$7,730, respectively, to write-off containers that were unlikely to be recovered from lessees in default, of which net of \$612 and \$1,343 gains associated with recoveries on containers previously estimated as lost with lessees in default for the three and six months ended June 30, 2019, respectively. These amounts are recorded in the condensed consolidated statements of comprehensive income as "container lessee default (recovery) expense, net".

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Impairment of Containers Held for Sale

Containers identified as being available for sale are valued at the lower of carrying value or fair value, less costs to sell. The Company records impairment to write-down the value of containers held for sale to their estimated fair value, less cost to sell, under observable (Level 2) market inputs. The fair value was estimated based on recent gross sales proceeds for sales of similar containers. Any subsequent increase in fair value less costs to sell is recognized as a reversal of container impairment but not in excess of the cumulative loss previously recognized. The carrying value of containers held for sale that have been impaired to write down the value of the containers to their estimated fair value less cost to sell was \$24,379 and \$22,217 as of June 30, 2020 and December 31, 2019, respectively. When containers are sold or otherwise disposed of, the cost and related accumulated depreciation are removed, and any resulting gain or loss is recognized.

During the three and six months ended June 30, 2020, the Company recorded container impairments of \$2,754 and \$7,341, respectively, and during the three and six months ended June 30, 2019, the Company recorded container impairments of \$2,468 and \$3,988, respectively, to write down the value of containers held for sale to their estimated fair value less cost to sell, net of reversals of previously recorded impairments on containers held for sale due to rising used container prices, and was included in “depreciation expense” in the condensed consolidated statements of comprehensive income (loss).

(d) Concentrations

The Company's customers are mainly international shipping lines, which transport goods on international trade routes. Once the containers are on-hire with a lessee, the Company does not track their location. The domicile of the lessee is not indicative of where the lessee is transporting the containers. The Company's business risk in its foreign concentrations lies with the creditworthiness of the lessees rather than the geographic location of the containers or the domicile of the lessees.

Except for the lessees noted in the tables below, no other single lessee made up greater than 10% of the Company's lease rental income from its owned fleet for the three and six months ended June 30, 2020 and 2019 and more than 10% of the Company's gross accounts receivable from its owned fleet as of June 30, 2020 and December 31, 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Lease Rental Income - owned fleet				
Customer A	17.5%	15.6%	17.2%	14.6%
Customer B	13.2%	12.9%	13.2%	13.3%
Gross Accounts Receivable- owned fleet		June 30, 2020		December 31, 2019
Customer A		18.9%		17.1%
Customer B		12.6%		11.2%

Total fleet lease rental income, as reported in the condensed consolidated statements of comprehensive income, comprises revenue earned from leases on containers in the Company's total fleet, including revenue earned from leases on containers in its managed fleet. Except for the lessees noted in the table below, no other single lessee accounted for more than 10% of the Company's total fleet lease rental income for the three and six months ended June 30, 2020 and 2019, as well, there is no other single lessee that accounted for more than 10% of the Company's gross accounts receivable from its total fleet as of June 30, 2020 and December 31, 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Lease Rental Income - total fleet				
Customer A	16.9%	15.0%	16.7%	14.1%
Customer B	13.6%	13.0%	14.0%	13.4%

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Gross Accounts Receivable- total fleet	June 30, 2020	December 31, 2019
Customer A	21.8%	16.6%
Customer B	10.6%	12.0%

(e) Net Income Attributable to Textainer Group Holdings Limited Common Shareholders Per Common Share

Basic earnings per share (“EPS”) is computed by dividing net income attributable to Textainer Group Holdings Limited common shareholders by the weighted average number of shares outstanding during the applicable period. Diluted EPS reflects the potential dilution that could occur if all outstanding share options were exercised for, and all outstanding restricted share units were converted into, common shares. A reconciliation of the numerator and denominator of basic EPS with that of diluted EPS is reported as follows:

Share amounts in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator:				
Net income attributable to Textainer Group Holdings Limited common shareholders	\$ 15,989	\$ 314	\$ 11,610	\$ 17,364
Denominator:				
Weighted average common shares outstanding - basic	53,715	57,500	55,084	57,488
Dilutive share options and restricted share units	61	76	64	90
Weighted average common shares outstanding - diluted	<u>53,776</u>	<u>57,576</u>	<u>55,148</u>	<u>57,578</u>
Net income attributable to Textainer Group Holdings Limited common shareholders per common share				
Basic	\$ 0.30	\$ 0.01	\$ 0.21	\$ 0.30
Diluted	\$ 0.30	\$ 0.01	\$ 0.21	\$ 0.30
Share options and restricted share units excluded from the computation of diluted EPS because they were anti-dilutive	1,992	2,016	2,025	1,812

(f) Fair Value Measurements

The Company's financial instruments include cash and cash equivalents; restricted cash; accounts receivable and payable; container leaseback financing receivable; net investment in finance leases; due from affiliates, net; container contracts payable; due to container investors, net; debt and derivative instruments. See Note 2 (c) “Containers” and Note 2 (g) “Derivative Instruments and Hedging” for further discussions on fair value of containers held for sale and fair value of derivative instruments, respectively.

At June 30, 2020 and December 31, 2019, the fair value of the Company's financial instruments approximated the related book value of such instruments except that, the fair value of net investment in finance leases (including the short-term balance) was approximately \$374,862 and \$299,275 at June 30, 2020 and December 31, 2019, respectively, compared to book values of \$356,510 and \$295,303 at June 30, 2020 and December 31, 2019, respectively. The fair value of container leaseback financing receivable (including the short-term balance) was approximately \$272,792 and \$267,551 at June 30, 2020 and December 31, 2019, respectively, compared to book values of \$270,796 and \$271,658 at June 30, 2020 and December 31, 2019, respectively. The fair value of long-term debt (including current maturities) based on the borrowing rates available to the Company was approximately \$3,567,363 and \$3,798,683 at June 30, 2020 and December 31, 2019, respectively, compared to book values of \$3,647,993 and \$3,797,729 at June 30, 2020 and December 31, 2019, respectively.

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(g) Derivative Instruments and Hedging

The Company has entered into various interest rate swap and cap agreements to mitigate its exposure associated with its variable rate debt. The Company has utilized the income approach to measure at each balance sheet date the fair value of its derivative instruments using observable (Level 2) market inputs. The valuation also reflects the credit standing of the Company and the counterparties to the derivative agreements. The credit valuation adjustment was determined to be \$472 and \$167 (both were additions to the net fair value) as of June 30, 2020 and December 31, 2019, respectively. See Note 9 "Debt and Derivative Instruments" for further discussions.

Derivative instruments are designated or non-designated for hedge accounting purposes. The fair value of the derivative instruments is reflected on a gross basis on the condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets		
Interest rate swaps - not designated as hedges	\$ —	\$ 135
Total	<u>\$ —</u>	<u>\$ 135</u>
Liabilities		
Interest rate swaps - designated as hedges	\$ 12,840	\$ 117
Interest rate swaps - not designated as hedges	<u>27,121</u>	<u>13,661</u>
Total	<u>\$ 39,961</u>	<u>\$ 13,778</u>

Designated Derivative Instruments

As of June 30, 2020 and December 31, 2019, the Company has designated interest rate swap agreements for a total notional amount of \$775,000 and \$110,000, respectively, as a cash flow hedge for accounting purposes. The change in fair value of cash flow hedging instruments during the three and six months ended June 30, 2020 of \$4,393 and \$13,251, respectively, pre-tax loss were recorded on the condensed consolidated balance sheets in "accumulated other comprehensive loss" and a \$590 and \$528 pre-tax loss during the three and six months ended June 30, 2020, respectively were reclassified to "interest expense, net" when realized. As of June 30, 2019, none of the derivative instruments are designated by the Company for hedge accounting.

Non-Designated Derivative Instruments

As of June 30, 2020 and December 31, 2019, the Company has non-designated interest rate swap and cap agreements for a total notional amount of \$616,000 and \$920,500, respectively. The fair value of the non-designated derivative instruments is measured at each balance sheet date and the change in fair value during the three and six months ended June 30, 2020 of \$1,342 and \$(13,595), respectively, and change in fair value during the three and six months ended June 30, 2019 of \$(10,099) and \$(15,837), respectively, were recorded in the condensed consolidated statements of comprehensive income as "unrealized gain (loss) on derivative instruments, net." The differentials between the fixed and variable rate payments under these agreements are recognized in "realized (loss) gain on derivative instruments, net" in the condensed consolidated statements of comprehensive income when realized.

(h) Revenue Recognition

The components of the Company's revenue as reported in the condensed consolidated statements of comprehensive income and in Note 10 "Segment Information" are as follows:

Lease Rental Income

Lease rental income arises principally from leasing containers to various international shipping lines and includes all rental charges billed to the lessees. Lease rental income - owned fleet comprises rental income for the container fleet owned by the Company. Lease rental income - managed fleet comprises rental income for the container fleet owned by the Container Investors. For lease accounting purposes, the management agreements with these Container Investors are deemed to convey to the Company the right to control the use of the managed containers and are therefore accounted for as "lease rental income - managed fleet" as reported in the condensed consolidated statements of comprehensive income (see Note 4 "Managed Container Fleet" for further information).

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Revenue is earned and recognized evenly over the period that the equipment is on lease. Where minimum lease payments vary over the lease term, revenue is recognized on a straight-line basis over the term of the lease. Interest income from finance leases and sales-type leaseback transactions that are accounted for as financing transactions are recognized using the effective interest method, which generates a constant rate of interest over the period of the transaction.

Management Fees - Non-leasing

Under the Company's management service agreements with Container Investors, fees are earned for the acquisition and sale of containers under management. Acquisition fees from purchases of containers for managed fleet are deferred and recognized as earned on a straight-line basis over the deemed lease term.

Trading Container Margin

The Company's trading container sales proceeds arise from the resale of new and used containers to a wide variety of buyers. The related expenses represent the cost of trading containers sold as well as other selling costs that are recognized as incurred. Revenue is recorded when control of the containers is transferred to the customer, which typically occurs upon delivery to, or pick-up by, the customer and when collectability is reasonably assured.

Gain on Sale of Owned Fleet Containers, Net

The Company also generally sells containers at the end of their useful lives or when it is financially attractive to do so. The gain on sale of owned fleet containers is the excess of the sale price over the carrying value for these units at the time of sale. Revenue is recorded when control of the containers is transferred to the customer, which typically occurs upon delivery to, or pick-up by, the customer and when collectability is reasonably assured.

Gain on sale of owned fleet containers, net, also includes gains (losses) recognized at the inception of sales-type leases of our owned fleet, representing the excess (deficiency) of the estimated fair value of containers placed on sales-type leases over (below) their book value.

For further discussion on the Company's revenue recognition accounting policy, please refer to Note 1 "Nature of Business and Summary of Significant Accounting Policies" in Item 18, "Financial Statements" in our 2019 Form 20-F.

(i) Allowance for Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* ("ASU 2016-13"), which replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses over the life of the Company's net investments in finance leases and container leaseback financing receivable. Operating lease receivables are accounted for under Topic 842, *Leases* and are not within the scope of Topic 326. The guidance requires the measurement of expected credit losses using a forward-looking approach based on relevant information from past events, current conditions, and reasonable and supportable forecasts that affect collectability.

The Company adopted ASU 2016-13 and all related amendments on the effective date of January 1, 2020 using the modified retrospective method by recognizing the cumulative effect adjustment to the opening balance of retained earnings at the adoption date. Periods prior to the adoption date that are presented for comparative purposes are not adjusted. As a result of the adoption of ASU 2016-13, the Company recognized a beginning balance transition adjustment to the allowance for credit losses on January 1, 2020 of \$892, with a cumulative effect adjustment to the opening balance of retained earnings in the condensed consolidated balance sheet and condensed consolidated statement of stockholder's equity as of June 30, 2020.

Accounts receivable, net investment in finance leases and container leaseback financing receivable are stated at amortized cost net of allowance for credit losses. The Company maintains allowances for credit losses resulting from the inability of its lessees to make required payments under operating leases, finance leases and container leaseback financing

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receivable. Changes in economic conditions or other events may necessitate additions or deductions to the allowance for credit losses (see Note 7 “Allowance for Credit Losses” for further information).

(j) Recently Issued Accounting Standards

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles - Goodwill and Other (Topic 350) - Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (“ASU 2018-15”). The amendments in the update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The amendments are effective for fiscal years beginning after December 15, 2019 and may be applied either retrospectively or prospectively to all implementation costs incurred after the adoption date. The Company adopted ASU 2018-15 during the six months ended June 30, 2020 using the prospective transition approach and the adoption of the standard did not result in a material impact on the Company’s condensed consolidated financial statements.

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, *Reference Rate Reform (“Topic 848”): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the reference rate reform if certain criteria are met, that reference LIBOR or another rate that is expected to be discontinued due to reference rate reform. The amendments in ASU 2020-04 are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company will continue its review of the debt and derivative agreements during the transition period until the LIBOR cessation by the end of 2021. The Company expects the adoption of this guidance will not have a material impact on the Company’s condensed consolidated financial statements.

On April 10, 2020, the FASB issued a question-and-answer document regarding accounting for lease concessions and other effects of the coronavirus disease pandemic (“COVID-19”). The document clarifies that entities may elect to not evaluate whether lease-related relief that lessors provide to mitigate the economic effects of COVID-19 on lessees is a lease modification under Leases ASC 842. Instead, an entity that elects not to evaluate whether a concession is a modification can then elect whether to apply the modification guidance (i.e. assume the relief was always contemplated by the contract or assume the relief was not contemplated by the contract). Both lessees and lessors may make this election only when concessions related to the effects of COVID-19 do not result in a substantial increase in the rights of the lessor or the obligations of the lessee. Upon issuance of this document, the Company made the election to apply the practical expedient method to account for any concessions as if they were contemplated as part of our existing leases and will apply this election consistently for all leases. There were no concessions related to the COVID-19 that were granted (as a lessor) or received (as a lessee) as of June 30, 2020.

(k) Reclassifications and Changes in Presentation

Certain prior period amounts for the three and six months ended June 30, 2019 have been reclassified to conform with the 2020 presentation and to the 2019 Form 20-F. The changes in the presentation have no impact on “net income.”

- Amounts of rental income from trading containers that were on lease were reclassified out of the line item “trading container sales proceeds” and included within the line item “lease rental income – owned fleet” in the condensed consolidated statements of comprehensive income to appropriately reflect the nature of the revenue, which represents an immaterial reclassification in the previously reported amounts.
- Amounts for container write-off and recovery and container recovery costs from lessee default for the period ended June 30, 2019 have been reclassified out of the previously reported line item “container impairment” and “direct container expense – owned fleet”, respectively, and included within “container lessee default recovery, net” in the condensed consolidated statements of comprehensive income and condensed consolidated statements of cash flows.

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- Amounts to write-down the carrying value of containers held for sale to their estimated fair value less costs to sell for the period ended June 30, 2019 have been reclassified out of the previously reported line item “container impairment” and included within “depreciation expense” in the condensed consolidated statements of comprehensive income and condensed consolidated statements of cash flows.

(3) Insurance Receivable and Impairment

During the second quarter of 2019, one of the Company’s customers became insolvent and the total net book value of its owned containers leased to this insolvent customer was \$63,120. The Company maintains insurance that covers a portion of the exposure related to the value of containers that are unlikely to be recovered from this customer, the cost to recover containers and up to 183 days of lost lease rental income. Based on prior recovery experience, the Company estimated that containers with a book value of \$9,468 would not be recovered from this insolvent customer. Accordingly, the Company recorded impairment charges of \$9,059 included in “container lessee default (recovery) expense, net” as of December 31, 2019. The Company also recorded bad debt expense of \$2,921 to fully reserve for this insolvent customer’s outstanding accounts receivable as of December 31, 2019. For the three and six months ended June 30, 2020, the Company recorded a bad debt recovery of \$1,452 and \$2,451, respectively, on cash collection from this insolvent customer. Container recovery costs of \$215 was recorded as an insurance receivable and included in “container lessee default (recovery) expense, net” for the six months ended June 30, 2020. An insurance receivable of \$2,007 and \$1,792, net of insurance deductible was recorded in the “prepaid expenses and other current assets” in the condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019, respectively.

In August 2016, one of the Company’s customers filed for bankruptcy. The Company entered into a final agreement with its insurers on December 31, 2018 and remaining payments totaling \$9,814 for the Company’s owned fleet were received during the first quarter of 2019. The Company recorded a \$14,881 gain on insurance recovery and legal settlement on a net cash distribution from the bankruptcy estate for its owned fleet during the fourth quarter of 2019. As of June 30, 2020 and December 31, 2019, there is no insurance receivable for the Company’s owned fleet related to this bankrupt customer.

(4) Managed Container Fleet

Lease rental income and expenses from the managed fleet owned by Container Investors are reported on a gross basis. Lease rental income – managed fleet represents rental charges billed to the ultimate lessee for the managed fleet, including charges for handling fees, drop-off charges, pick-up charges, and charges for a damage protection plan that is set forth in the leases.

Management fees from non-leasing services are earned for acquiring new managed containers and sales commissions are earned from sales of the managed containers on behalf of the Container Investors, which are generally calculated as a fixed percentage of the cost of the managed containers purchased and the proceeds from the sale of the managed containers, respectively. Acquisition fees from purchases of containers for the managed fleet are deferred and recognized as earned on a straight-line basis over the deemed lease term. As of June 30, 2020 and December 31, 2019, deferred revenue from acquisition fees amounted to \$1,174 and \$3,109, respectively.

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Containers - December 31, 2018 and Prior

Distribution expense to managed fleet container investors represents direct container expenses of the managed containers and the amounts distributed to the Container Investors, reduced by associated lease management fees earned and retained by the Company.

Managed containers in the Company's managed fleet on or before December 31, 2018 are not included in the Company's container leasing equipment in the Company's condensed consolidated balance sheet as of June 30, 2020 and December 31, 2019.

Container Purchases On or After January 1, 2019

Distribution expense to managed fleet container investors represents direct container expenses of the managed containers.

From an accounting perspective, in accordance with Topic 842 which is effective January 1, 2019 for the Company and under the above management arrangements, the Company is deemed to control the containers owned by the Container Investors before they are leased out. Furthermore, the deemed leaseback is considered a sales-type lease under Topic 842, with the Company as lessee and the Container Investors as lessors.

For accounting purposes, the Company is deemed to own the managed containers purchased by the Company on or after January 1, 2019 for and on behalf of Container Investors, notwithstanding the contractual management relationship which the Company has with the Container Investors. Accordingly, such managed containers are included in the Company's container leasing equipment in the Company's condensed consolidated balance sheet as of June 30, 2020 and December 31, 2019 and depreciated using the straight-line method over their estimated useful lives to an estimated dollar residual value per the Company's depreciation policy (see Note 2 (c) "Accounting Policies and Recent Accounting Pronouncements – Containers"). The purchase consideration paid by the Container Investors for such containers is reported as a deemed financial liability of the Company. Subsequent net operating income distributions made by the Company to the Container Investors are recorded as a reduction to the financial liability and as interest expense using the effective interest method. The net book value for these managed containers and the associated financial liability will reduce over time and will be removed upon container sale, irrespective of the amount realized in such sale.

As of June 30, 2020 and December 31, 2019, the Company's deemed container leaseback financial liability to the Container Investors amounted to \$4,947, and \$17,449, respectively, which were reported as "other liabilities" in the condensed consolidated balance sheet.

In June 2020, the Company paid \$12,515 in cash to purchase the previously managed containers from a Container Investor which resulted in the extinguishment of the deemed financial liability. As a result of the settlement of the container leaseback financial liability, the management agreement between the Company and the Container Investor was terminated.

The Company's container leasing equipment includes such managed containers in the condensed consolidated balance sheet as of June 30, 2020 and December 31, 2019, which consisted of the following:

	June 30, 2020			December 31, 2019		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Containers - owned fleet	\$ 5,572,073	\$ (1,521,844)	\$ 4,050,229	\$ 5,582,986	\$ (1,442,986)	\$ 4,140,000
Containers - managed fleet	4,273	(165)	4,108	16,332	(181)	16,151
Total containers	<u>\$ 5,576,346</u>	<u>\$ (1,522,009)</u>	<u>\$ 4,054,337</u>	<u>\$ 5,599,318</u>	<u>\$ (1,443,167)</u>	<u>\$ 4,156,151</u>

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Total management fee income from the managed fleet, including management fees earned from acquisition fees and sales commissions during the three and six months ended June 30, 2020 and 2019 were as follows (see Note 5 "Transactions with Affiliates and Container Investors"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Lease rental income - managed fleet	\$ 16,126	\$ 25,804	\$ 31,532	\$ 52,357
Less: distribution expense to managed fleet container investors	(14,692)	(23,737)	(28,855)	(48,217)
Less: depreciation and interest expense on managed containers purchased on or after January 1, 2019	(280)	(124)	(519)	(124)
Management fees from leasing	1,154	1,943	2,158	4,016
Management fees from non-leasing services	544	1,940	2,028	4,241
Total management fees	\$ 1,698	\$ 3,883	\$ 4,186	\$ 8,257

The Company's condensed consolidated balance sheets also include the accounts receivable from the lessees of the managed fleet which are uncollected lease billings related to the containers managed by the Company for the Container Investors. Amounts billed under leases for the managed fleet ("sub-leases") are recorded in accounts receivable with a corresponding credit to due to Container Investors. As sub-lessor, accounts receivable from the managed fleet represent receivables from lessees that the Company is required to remit, in terms of the management agreements, to the Container Investors once paid. The Company's condensed consolidated balance sheets also include the prepaid expenses, accounts payable and accrued expenses and container contracts payable related to the containers managed by the Company for the Container Investors.

The following table provides a reconciliation of the balance sheet accounts from the managed fleet to the total amount as of June 30, 2020 and December 31, 2019 in the condensed consolidated balance sheets (also, see Note 5 "Transactions with Affiliates and Container Investors"):

	June 30, 2020	December 31, 2019
Accounts receivable - owned fleet	\$ 93,686	\$ 96,158
Accounts receivable - managed fleet	13,075	13,226
Total accounts receivable	\$ 106,761	\$ 109,384
Prepaid expenses and other current assets - owned fleet	\$ 11,971	\$ 14,627
Prepaid expenses and other current assets - managed fleet	97	189
Total prepaid expenses and other current assets	\$ 12,068	\$ 14,816
Accounts payable and accrued expenses - owned fleet	\$ 22,829	\$ 21,451
Accounts payable and accrued expenses - managed fleet	2,637	1,953
Total accounts payable and accrued expenses	\$ 25,466	\$ 23,404
Container contracts payable - owned fleet	\$ 136,937	\$ 9,394
Container contracts payable - managed fleet	—	—
Total container contracts payable	\$ 136,937	\$ 9,394

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(5) Transactions with Affiliates and Container Investors

Due from affiliates, net of \$2,270 and \$1,880, as of June 30, 2020 and December 31, 2019, respectively, represents lease rentals on tank containers collected on behalf of and payable to the Company from the Company's tank container manager, net of direct container expenses and management fees.

Total management fees earned from the Company's managed fleet, including acquisition fees and sales commissions for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Fees from affiliated Container Investors	\$ —	\$ 890	\$ —	\$ 1,862
Fees from unaffiliated Container Investors	1,698	2,993	4,186	6,057
Fees from Container Investors	1,698	3,883	4,186	7,919
Other fees	—	—	—	338
Total management fees	<u>\$ 1,698</u>	<u>\$ 3,883</u>	<u>\$ 4,186</u>	<u>\$ 8,257</u>

The following table provides a summary of due to container investors, net at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Accounts receivable - managed fleet	\$ 13,075	\$ 13,226
Prepaid expenses and other current assets - managed fleet	97	189
Accounts payable and accrued expenses - managed fleet	(2,637)	(1,953)
	10,535	11,462
Distributions due to container investors on lease rentals collected, net of container expenses paid and management fees	8,923	10,516
Due to container investors, net	<u>\$ 19,458</u>	<u>\$ 21,978</u>

There is no due to affiliated Container Investor as of June 30, 2020 and December 31, 2019.

(6) Leases

(a) Lessor

The Company's lease rental income for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three Months Ended June 30,					
	2020			2019		
	Owned	Managed	Total	Owned	Managed	Total
Lease rental income - operating leases	\$ 112,796	\$ 14,884	\$ 127,680	\$ 118,037	\$ 24,516	\$ 142,553
Interest income on net investment in finance leases	5,674	—	5,674	5,810	—	5,810
Interest income on container leaseback financing receivable	4,069	—	4,069	2,345	—	2,345
Variable lease revenue	6,109	1,242	7,351	4,247	1,288	5,535
Total lease rental income	<u>\$ 128,648</u>	<u>\$ 16,126</u>	<u>\$ 144,774</u>	<u>\$ 130,439</u>	<u>\$ 25,804</u>	<u>\$ 156,243</u>

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	Six Months Ended June 30,					
	2020			2019		
	Owned	Managed	Total	Owned	Managed	Total
Lease rental income - operating leases	\$ 228,599	\$ 29,397	\$ 257,996	\$ 236,908	\$ 49,586	\$ 286,494
Interest income on net investment in finance leases	10,958	—	10,958	8,807	—	8,807
Interest income on container leaseback financing receivable	8,075	—	8,075	2,345	—	2,345
Variable lease revenue	11,088	2,135	13,223	11,940	2,771	14,711
Total lease rental income	<u>\$ 258,720</u>	<u>\$ 31,532</u>	<u>\$ 290,252</u>	<u>\$ 260,000</u>	<u>\$ 52,357</u>	<u>\$ 312,357</u>

Variable lease revenue includes other charges set forth in the leases, such as handling fees, pick-up and drop-off charges and charges for damage protection plan.

For finance leases, the net selling gain (loss) recognized at lease commencement, representing the difference between the estimated fair value of containers placed on these leases and their net book value, in the amount of \$23 and \$(24) for the three months ended June 30, 2020 and 2019, respectively, and \$14 and \$(321) for the six months ended June 30, 2020 and 2019, respectively, are included in "gain on sale of owned fleet containers, net" in the condensed consolidated statements of comprehensive income.

Operating Leases

The following is a schedule, by year, of future minimum lease payments receivable under the long-term leases for the owned and managed container fleet as of June 30, 2020:

	Owned	Managed	Total
Twelve months ending June 30:			
2021	\$ 280,783	\$ 31,830	\$ 312,613
2022	214,473	16,199	230,672
2023	174,922	8,576	183,498
2024	126,793	6,699	133,492
2025 and thereafter	166,287	13,127	179,414
Total future minimum lease payments receivable	\$ 963,258	\$ 76,431	\$ 1,039,689

Net Investment in Finance Leases

The following table represents the components of the net investment in finance leases, which are reported in the Company's condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Future minimum lease payments receivable	\$ 490,193	\$ 385,589
Residual value of containers	11,109	11,143
Less: unearned income	(143,610)	(101,429)
Net investment in finance leases (1)	\$ 357,692	\$ 295,303
Less: Allowance for credit losses	(1,182)	—
Net investment in finance leases, net	<u>\$ 356,510</u>	<u>\$ 295,303</u>
Amounts due within one year	\$ 38,112	\$ 40,940
Amounts due beyond one year	318,398	254,363
Net investment in finance leases, net	<u>\$ 356,510</u>	<u>\$ 295,303</u>

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(1) As of June 30, 2020, two major customers represented 58.9% and 13.1% of the Company's finance leases portfolio. As of December 31, 2019, two major customers represented 44.3% and 16.1% of the Company's finance leases portfolio. No other customer represented more than 10% of the Company's finance leases portfolio as of June 30, 2020 and December 31, 2019.

Container Leaseback Financing Receivable

The Company's container leaseback financing receivable pertains to containers purchased that were leased back to the seller-lessees through a sales-type leaseback arrangement. Under the provisions of Topic 842, these transactions from an accounting perspective are accounted for as financing transactions.

The components of the container leaseback financing receivable, which are reported in the Company's condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019 were as follows:

	June 30, 2020	December 31, 2019
Future minimum payments receivable	\$ 373,968	\$ 377,917
Less: unearned income	(102,610)	(106,259)
Container leaseback financing receivable (1)	271,358	\$ 271,658
Less: Allowance for credit losses	(562)	—
Container leaseback financing receivable, net	<u>\$ 270,796</u>	<u>\$ 271,658</u>
Amounts due within one year	21,412	20,547
Amounts due beyond one year	249,384	251,111
Container leaseback financing receivable, net	<u>\$ 270,796</u>	<u>\$ 271,658</u>

(1) As of June 30, 2020, two customers represented 84.5% and 15.5% of the Company's container leaseback financing receivable portfolio. As of December 31, 2019, two customers represented 82.9% and 17.1% of the Company's container leaseback financing receivable portfolio.

The following is a schedule, by year, of future minimum payments receivable under the net investment in finance leases and container leaseback financing receivable as of June 30, 2020:

Twelve months ending June 30:	Net Investment in Finance Leases	Container Leaseback Financing Receivable	Total
	\$	\$	\$
2021	\$ 60,796	\$ 37,020	\$ 97,816
2022	67,212	37,020	104,232
2023	45,400	37,020	82,420
2024	39,757	37,122	76,879
2025 and thereafter	<u>277,028</u>	<u>225,786</u>	<u>502,814</u>
Total future minimum lease payments receivable	<u><u>\$ 490,193</u></u>	<u><u>\$ 373,968</u></u>	<u><u>\$ 864,161</u></u>

See Note 2 (h) "Accounting Policies and Recent Accounting Pronouncements – Revenue Recognition", Note 2 (i) "Accounting Policies and Recent Accounting Pronouncements – Allowance for Credit Losses", Note 4 "Managed Container Fleet" and Note 7 "Allowance for Credit Losses" for further information.

(b) Lessee

Right-of-use ("ROU") lease assets and lease liability are recognized for the Company's office space leases at the commencement date based on the present value of lease payments over the lease term. As of June 30, 2020 and December 31,

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2019, ROU operating lease assets amounted to \$10,486 and \$11,276, respectively, which were reported in “other assets” in the condensed consolidated balance sheets.

As of June 30, 2020 and December 31, 2019, total lease liabilities amounted to \$12,871 and \$13,736, respectively, of which amounts due within one year of \$1,736 and \$1,706 were reported in “other liabilities – current.” As of June 30, 2020 and December 31, 2019, long-term lease obligations that are due beyond one year of \$11,135 and \$12,030, respectively, were reported in “other liabilities – non-current” in the condensed consolidated balance sheets.

Operating lease expense is recognized on a straight-line basis over the lease term and is reported in “general and administrative expense” in the condensed consolidated statements of comprehensive income. Other information related to the Company’s operating leases are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating lease cost	\$ 524	\$ 511	\$ 1,051	\$ 1,043
Short-term and variable lease cost	33	7	64	15
Total rent expense	<u>\$ 557</u>	<u>\$ 518</u>	<u>\$ 1,115</u>	<u>\$ 1,058</u>
Cash paid for amounts included in the measurement of lease liabilities	\$ 521	\$ 514	\$ 1,144	\$ 1,048
Weighted-average remaining lease term	June 30, 2020 5.1 years	December 31, 2019 5.4 years		
Weighted-average discount rate	4.76%	4.17%		

Future minimum lease payment obligations under the Company’s noncancelable operating leases at June 30, 2020 were as follows:

	Operating Leases
Twelve months ending June 30:	
2021	\$ 2,245
2022	2,065
2023	2,067
2024	2,129
2025 and thereafter	6,309
Total minimum lease payments	14,815
Less imputed interest	(1,944)
Total present value of operating lease liabilities	<u>\$ 12,871</u>

(7) Allowance for Credit Losses

The Company’s allowance for credit losses are estimated based on historical losses, current economic conditions, and ongoing review of the credit worthiness, but not limited to, each lessee’s payment history, lessee credit ratings, management’s current assessment of each lessee’s financial condition and the recoverability. The Company considers an account past due when a payment has not been received in accordance with the terms of the lease agreement, and if the financial condition of the Company’s lessees deteriorates resulting in an impairment of their ability to make payments, additional allowances may be required.

Accounts Receivable

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The Company maintains allowances, if necessary, for doubtful accounts against accounts receivables resulting from the inability of its lessees to make required payments related to billed amounts under the operating leases, finance leases and container leaseback financing receivable. The allowance for credit losses included in accounts receivable, net, amounted to \$7,009 and \$6,299 as of June 30, 2020 and December 31, 2019, respectively.

As of June 30, 2020 and December 31, 2019, the Company does not have an allowance for credit losses related to the billed amounts under the container leaseback financing receivable and does not have any past due balances relating to such transactions. As of June 30, 2020 and December 31, 2019, the allowance for credit losses related to the billed amounts under the finance leases and included in accounts receivable, net, amounted to \$758 and \$675, respectively.

Net Investment in Finance Leases and Container Leaseback Financing Receivable

On January 1, 2020, the Company adopted ASU 2016-13 by estimating current expected credit losses (“CECL”) over the contractual lease term of the finance leases and container leaseback financing receivable (see Note 2 (i) “Accounting Policies and Recent Accounting Pronouncements” for further information.) ASU 2016-13 requires that an allowance for credit loss is recognized to reflect the risk of credit loss even when risk is remote.

The Company maintains allowances for credit losses against net investment in finance leases and container leaseback financing receivable related to unbilled amounts under the finance leases and the sales-type leaseback arrangements accounted for as financing receivable. The allowance for credit losses related to unbilled amounts under finance leases and included in net investment in finance leases, net, amounted to \$1,182 as of June 30, 2020. The allowance for credit losses related to unbilled amounts under the financing arrangements and included in container leaseback financing receivable, net, amounted to \$562 as of June 30, 2020.

The Company estimates its potential future expected credit losses based on historical losses from lessee defaults, current economic conditions and reasonable and supportable forecasts that may affect the collectability of the reported amount. The Company evaluates its exposure by portfolio with similar risk characteristics based on the credit worthiness, external credit data and overall credit quality of its lessees.

The Company’s internal risk rating categories are “Tier 1” for the lowest level of risk which are typically the large international shipping lines with strong financial and asset base; “Tier 2” for moderate level of risk which includes lessees which are well-established in the market; and “Tier 3” for the highest level of risk which includes smaller shipping lines or lessees that exhibit high volatility in payments on a regular basis.

As of June 30, 2020, the Company’s net investment in finance leases and container leaseback financing receivable are primarily comprised of the largest shipping lines which represented 76% and 84%, respectively, of the Company’s portfolio.

The following table presents the net investment in finance leases and container leaseback financing receivable by internal credit rating category and year of origination as of June 30, 2020:

	Six Months Ended June							
	30, 2020	2019	2018	2017	2016	Prior	Total	
Tier 1	\$ 69,191	\$ 126,254	\$ 24,479	\$ 7,749	\$ —	\$ 43,894	\$ 271,567	
Tier 2	437	38,660	22,364	74	6,250	5,805	73,590	
Tier 3	545	7,753	1,432	45	1,198	1,562	12,535	
Net investment in finance leases	\$ 70,173	\$ 172,667	\$ 48,275	\$ 7,868	\$ 7,448	\$ 51,261	\$ 357,692	
Tier 1	\$ 9,825	\$ 219,403	\$ —	\$ —	\$ —	\$ —	\$ 229,228	
Tier 2	—	42,130	—	—	—	—	42,130	
Tier 3	—	—	—	—	—	—	—	
Container leaseback financing receivable	\$ 9,825	\$ 261,533	\$ —	\$ —	\$ —	\$ —	\$ 271,358	

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Subsequent changes in the estimated allowance for credit losses are recognized in “bad debt expense, net” in the condensed consolidated statements of comprehensive income. Subsequent changes in the estimated allowance for credit losses relating to the accounts receivable from managed container fleet are recognized in “distribution expense to managed fleet container investors” in the condensed consolidated statements of comprehensive income (See Note 4 “Managed Container Fleet” for further information). The changes in the carrying amount of the allowance for credit losses during the six months ended June 30, 2020 are as follows:

	Accounts Receivable	Net Investment in Finance Leases	Container Leaseback Financing Receivable	Total Allowance for Credit Losses
Balance as of December 31, 2019	\$ 6,299	\$ —	\$ —	\$ 6,299
Impact of adopting ASU 2016-13 on January 1, 2020	—	636	256	892
Additions charged to expense	893	546	306	1,745
Write-offs	(183)	—	—	(183)
Balance as of June 30, 2020	\$ 7,009	\$ 1,182	\$ 562	\$ 8,753

(8) Income Taxes

The Company's effective income tax rates were 6.2% and 38.8% for the three months ended June 30, 2020 and 2019, respectively, and 2.1% and 0.9% for the six months ended June 30, 2020 and 2019, respectively. The Company has computed its provision for income taxes based on the estimated annual effective income tax rate and is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income the Company earns in those jurisdictions. It is also affected by the changes in discrete items that may occur in any given period. The change in the effective income tax rate for the three months ended June 30, 2020 versus the same period in 2019 was primarily due to a net income for the three months ended June 30, 2020 compared to a net loss for the three months ended June 30, 2019, and a decrease in forecasted income. The increase in the year to date effective income tax rate for the six months ended June 30, 2020 from the same period in 2019 was primarily due to a decrease in forecasted income.

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(9) Debt and Derivative Instruments

The following represents the Company's debt obligations as of June 30, 2020 and December 31, 2019:

Secured Debt Facilities, Revolving Credit Facilities, Term Loan and Bonds Payable	June 30, 2020		December 31, 2019		Final Maturity
	Outstanding	Average Interest	Outstanding	Average Interest	
TL Revolving Credit Facility	\$ 1,253,383	1.68%	\$ 1,280,037	3.29%	September 2023
TL 2019 Term Loan	153,289	3.50%	158,371	3.50%	December 2026
TMCL II Secured Debt Facility (1)	653,325	1.93%	689,658	3.49%	July 2026
TMCL V 2017-1 Bonds	298,479	3.91%	316,395	3.91%	May 2042
TMCL V 2017-2 Bonds	375,188	3.73%	395,836	3.73%	June 2042
TMCL VI Term Loan	238,769	4.30%	249,421	4.30%	February 2038
TMCL VII 2018-1 Bonds	218,002	4.13%	227,624	4.14%	July 2043
TMCL VII 2019-1 Bonds	313,940	4.02%	327,563	4.02%	April 2044
TAP Funding Revolving Credit Facility	143,618	2.13%	152,824	3.69%	December 2021
Total debt obligations	\$ 3,647,993		\$ 3,797,729		
Amount due within one year	\$ 241,519		\$ 242,433		
Amounts due beyond one year	\$ 3,406,474		\$ 3,555,296		

- (1) Final maturity of the TMCL II Secured Debt Facility is based on the assumption that the facility will not be extended on its associated conversion date.

The Company's debt agreements contain various restrictive financial and other covenants and the Company was in full compliance with these restrictive covenants at June 30, 2020.

The following is a schedule of future scheduled repayments, by year, and borrowing capacities, as of June 30, 2020:

	Twelve months ending June 30,					Total Borrowing	Available Borrowing, as limited by the Borrowing Base	Current and Available Borrowing, as limited by the Borrowing Base	Total Commitment
	2021	2022	2023	2024	2025 and thereafter				
TL Revolving Credit Facility	\$ —	\$ —	\$ —	\$ 1,258,800	\$ —	\$ 1,258,800	\$ 151,727	\$ 1,410,527	\$ 1,500,000
TL 2019 Term Loan	10,709	11,090	11,484	11,892	109,610	154,785	—	154,785	154,785
TMCL II Secured Debt Facility	58,801	60,148	53,915	53,328	431,054	657,246	—	657,246	1,200,000
TMCL V 2017-1 Bonds (1)	45,408	58,522	64,545	59,705	72,397	300,577	—	300,577	300,577
TMCL V 2017-2 Bonds (2)	48,667	61,700	74,474	79,210	113,801	377,852	—	377,852	377,852
TMCL VI Term Loan	25,500	25,500	25,500	25,500	138,500	240,500	—	240,500	240,500
TMCL VII 2018-1 Bonds (2)	18,656	18,655	18,655	18,655	147,635	222,256	—	222,256	222,256
TMCL VII 2019-1 Bonds (2)	28,000	28,000	28,000	28,000	205,333	317,333	—	317,333	317,333
TAP Funding Revolving Credit Facility	11,964	132,106	—	—	—	144,070	219	144,289	155,000
Total (3)	\$ 247,705	\$ 395,721	\$ 276,573	\$ 1,535,090	\$ 1,218,330	\$ 3,673,419	\$ 151,946	\$ 3,825,365	\$ 4,468,303

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- (1) TMCL V 2017-1 Bonds was fully repaid by proceeds from the TMCL VII 2020-1 Bonds on August 20, 2020, see Note 13 "Subsequent Events" for further information.
- (2) Future scheduled payments for TMCL V 2017-2 Bonds, TMCL VII 2018-1 and TMCL VII 2019-1 Bonds exclude an unamortized discount of \$39, \$2,071 and \$91, respectively.
- (3) Future scheduled payments for all debts exclude unamortized prepaid debt issuance costs in an aggregate amount of \$23,225.

For further discussion on the Company's debt instruments, please refer to Item 18, "Financial Statements – Note 9" in our 2019 Form 20-F.

Derivative Instruments and Hedging Activities

The following is a summary of the Company's derivative instruments as of June 30, 2020:

Derivative instruments	Notional amount
Interest rate swap contracts with several banks, with fixed rates between 1.73% and 2.94% per annum, amortizing notional amounts, with termination dates through January 15, 2023, non-designated	\$ 616,000
Interest rate swap contracts with several banks, with fixed rates between 0.17% and 1.58% per annum, amortizing notional amounts, with termination dates through April 30, 2027, designated	775,000
Total notional amount as of June 30, 2020	<u>\$ 1,391,000</u>

The Company expects to reclassify an estimated net loss amount of \$4,372 related to the designated interest rate swap agreements from "accumulated other comprehensive loss" to "interest expense" in the condensed consolidated statements of comprehensive income over the next twelve months. The following table summarizes the pre-tax impact of derivative instruments on the condensed consolidated statements of comprehensive income during the three and six months ended June 30, 2020 and 2019:

Derivative instruments	Financial Statement Caption	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Non-designated	Realized (loss) gain on derivative instruments, net	\$ (3,267)	\$ 1,095	\$ (4,793)	\$ 2,539
Non-designated	Unrealized gain (loss) on derivative instruments, net	\$ 1,342	\$ (10,099)	\$ (13,595)	\$ (15,837)
Designated	Other comprehensive loss	\$ 4,393	\$ —	\$ 13,251	\$ —
Designated	Interest and debt expense, net	\$ 590	\$ —	\$ 528	\$ —

For further discussion on the Company's derivative instruments, please refer to Item 18, "Financial Statements – Note 9" in our 2019 Form 20-F.

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(10) Segment Information

The Company operates in three reportable segments: Container Ownership, Container Management and Container Resale. The following tables show segment information for the three and six months ended June 30, 2020 and 2019, reconciled to the Company's income before income taxes and noncontrolling interests as shown in its condensed consolidated statements of comprehensive income:

Three Months Ended June 30, 2020	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Lease rental income - owned fleet	\$ 128,298	\$ 350	\$ -	\$ -	\$ -	\$ 128,648
Lease rental income - managed fleet	-	16,126	-	-	-	16,126
Lease rental income	<u>\$ 128,298</u>	<u>\$ 16,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,774</u>
Management fees - non-leasing from external customers	\$ 98	\$ (565)	\$ 1,011	\$ -	\$ -	\$ 544
Inter-segment management fees	<u>\$ -</u>	<u>\$ 12,152</u>	<u>\$ 2,687</u>	<u>\$ -</u>	<u>\$ (14,839)</u>	<u>\$ -</u>
Trading container margin	\$ -	\$ -	\$ 571	\$ -	\$ -	\$ 571
Gain on sale of owned fleet containers, net	\$ 5,640	\$ -	\$ -	\$ -	\$ -	\$ 5,640
Depreciation expense	\$ 65,553	\$ 169	\$ -	\$ -	\$ (1,874)	\$ 63,848
Container lessee default recovery, net	\$ 1,671	\$ -	\$ -	\$ -	\$ -	\$ 1,671
Interest expense	\$ 29,898	\$ 124	\$ -	\$ -	\$ -	\$ 30,022
Realized loss on derivative instruments, net	\$ 3,267	\$ -	\$ -	\$ -	\$ -	\$ 3,267
Unrealized gain on derivative instruments, net	\$ 1,342	\$ -	\$ -	\$ -	\$ -	\$ 1,342
Segment income (loss) before income tax and noncontrolling interests	\$ 10,976	\$ 4,320	\$ 3,390	\$ (927)	\$ (388)	\$ 17,371
Total assets	<u>\$ 5,068,020</u>	<u>\$ 173,054</u>	<u>\$ 12,759</u>	<u>\$ 10,921</u>	<u>\$ (101,542)</u>	<u>\$ 5,163,212</u>
Purchase of containers and fixed assets	<u>\$ 173,160</u>	<u>\$ (106)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,054</u>
Payments on container leaseback financing receivable	<u>\$ 9,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,919</u>

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Six Months Ended June 30, 2020	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Lease rental income - owned fleet	\$ 258,148	\$ 572	\$ -	\$ -	\$ -	\$ 258,720
Lease rental income - managed fleet	-	31,532	-	-	-	31,532
Lease rental income	<u>\$ 258,148</u>	<u>\$ 32,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,252</u>
Management fees - non-leasing from external customers	\$ 196	\$ (10)	\$ 1,842	\$ -	\$ -	\$ 2,028
Inter-segment management fees	<u>\$ -</u>	<u>\$ 21,897</u>	<u>\$ 5,108</u>	<u>\$ -</u>	<u>\$ (27,005)</u>	<u>\$ -</u>
Trading container margin	\$ -	\$ -	\$ 1,220	\$ -	\$ -	\$ 1,220
Gain on sale of owned fleet containers, net	<u>\$ 11,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,434</u>
Depreciation expense	\$ 133,909	\$ 510	\$ -	\$ -	\$ (3,737)	\$ 130,682
Container lessee default recovery, net	<u>\$ 1,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,683</u>
Interest expense	<u>\$ 65,854</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,134</u>
Realized loss on derivative instruments, net	<u>\$ 4,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,793</u>
Unrealized loss on derivative instruments, net	<u>\$ 13,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,595</u>
Segment (loss) income before income tax and noncontrolling interests	<u>\$ (1,075)</u>	<u>\$ 6,930</u>	<u>\$ 6,148</u>	<u>\$ (1,989)</u>	<u>\$ 1,416</u>	<u>\$ 11,430</u>
Total assets	<u>\$ 5,068,020</u>	<u>\$ 173,054</u>	<u>\$ 12,759</u>	<u>\$ 10,921</u>	<u>\$ (101,542)</u>	<u>\$ 5,163,212</u>
Purchase of containers and fixed assets	<u>\$ 180,117</u>	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,203</u>
Payments on container leaseback financing receivable	<u>\$ 9,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,919</u>

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

- (1) Container Ownership segment income (loss) before income tax and noncontrolling interests includes unrealized gain (loss) on derivative instruments, net of \$1,342 and \$(13,595) for the three and six months ended June 30, 2020, respectively, and write-off of unamortized deferred debt issuance costs of \$0 and \$122 for the three and six months ended June 30, 2020, respectively.

Three Months Ended June 30, 2019	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Lease rental income - owned fleet	\$ 130,128	\$ 311	\$ -	\$ -	\$ -	\$ 130,439
Lease rental income - managed fleet	-	25,804	-	-	-	25,804
Lease rental income	<u>\$ 130,128</u>	<u>\$ 26,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,243</u>
Management fees - non-leasing from external customers	\$ 52	\$ 413	\$ 1,475	\$ -	\$ -	\$ 1,940
Inter-segment management fees	\$ -	\$ 15,494	\$ 2,994	\$ -	\$ (18,488)	\$ -
Trading container margin	\$ -	\$ -	\$ 2,224	\$ -	\$ -	\$ 2,224
Gain on sale of owned fleet containers, net	\$ 5,404	\$ -	\$ -	\$ -	\$ -	\$ 5,404
Depreciation expense	\$ 65,784	\$ 202	\$ -	\$ -	\$ (1,851)	\$ 64,135
Container lessee default expense, net	\$ 8,555	\$ -	\$ -	\$ -	\$ -	\$ 8,555
Interest expense	\$ 38,134	\$ 79	\$ -	\$ -	\$ -	\$ 38,213
Realized gain on derivative instruments, net	\$ 1,095	\$ -	\$ -	\$ -	\$ -	\$ 1,095
Unrealized loss on derivative instruments, net	\$ 10,099	\$ -	\$ -	\$ -	\$ -	\$ 10,099
Segment (loss) income before income tax and noncontrolling interests	\$ (11,748)	\$ 10,196	\$ 5,551	\$ (959)	\$ (3,610)	\$ (570)
Total assets	<u>\$ 5,027,668</u>	<u>\$ 186,708</u>	<u>\$ 34,085</u>	<u>\$ 10,978</u>	<u>\$ (85,791)</u>	<u>\$ 5,173,648</u>
Purchase of containers and fixed assets	<u>\$ 210,086</u>	<u>\$ 11,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,956</u>
Payments on container leaseback financing receivable	<u>\$ 229,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,112</u>

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Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

Six Months Ended June 30, 2019	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Lease rental income - owned fleet	\$ 259,315	\$ 685	\$ -	\$ -	\$ -	\$ 260,000
Lease rental income - managed fleet	-	52,357	-	-	-	52,357
Lease rental income	<u>\$ 259,315</u>	<u>\$ 53,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,357</u>
Management fees - non-leasing from external customers	\$ 104	\$ 1,391	\$ 2,746	\$ -	\$ -	\$ 4,241
Inter-segment management fees	\$ -	27,985	5,521	\$ -	(33,506)	\$ -
Trading container margin	\$ -	\$ -	\$ 4,204	\$ -	\$ -	\$ 4,204
Gain on sale of owned fleet containers, net	\$ 12,171	\$ -	\$ -	\$ -	\$ -	\$ 12,171
Depreciation expense	\$ 129,852	\$ 374	\$ -	\$ -	(3,627)	\$ 126,599
Container lessee default expense, net	\$ 7,902					\$ 7,902
Interest expense	\$ 75,650	\$ 79	\$ -	\$ -	\$ -	\$ 75,729
Realized gain on derivative instruments, net	\$ 2,539	\$ -	\$ -	\$ -	\$ -	\$ 2,539
Unrealized loss on derivative instruments, net	\$ 15,837	\$ -	\$ -	\$ -	\$ -	\$ 15,837
Segment (loss) income before income tax and noncontrolling interests	\$ (4,411)	\$ 17,058	\$ 10,126	\$ (1,880)	\$ (3,935)	\$ 16,958
Total assets	\$ 5,027,668	\$ 186,708	\$ 34,085	\$ 10,978	(85,791)	\$ 5,173,648
Purchase of containers and fixed assets	\$ 379,903	\$ 11,943	\$ -	\$ -	\$ -	\$ 391,846
Payments on container leaseback financing receivable	\$ 229,112	\$ -	\$ -	\$ -	\$ -	\$ 229,112

- (1) Container Ownership segment (loss) income before income tax and noncontrolling interests includes unrealized loss on derivative instruments, net of \$10,099 and \$15,837 for the three and six months ended June 30, 2019, respectively.
- (2) Certain amounts for trading containers rental revenue for the three and six months ended June 30, 2019 have been reclassified out of the line item “trading container margin” and included within “lease rental income - owned fleet” to appropriately reflect the nature of the revenue.

General and administrative expenses are allocated to the reportable business segments based on direct overhead costs incurred by those segments. Amounts reported in the “Other” column represent activity unrelated to the active reportable business segments. Amounts reported in the “Eliminations” column represent inter-segment management fees between the Container Management and Container Resale segments and the Container Ownership segment.

Geographic Segment Information

Substantially all of the Company’s leasing related revenue is denominated in U.S. dollars. As all of the Company’s containers are used internationally, where no single container is domiciled in one particular place for a prolonged period of time, all of the Company’s long-lived assets are considered to be international with no single country of use.

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

The following table represents the geographic allocation of total fleet lease rental income and management fees from non-leasing services during the three and six months ended June 30, 2020 and 2019 based on customers' and Container Investors' primary domicile, respectively:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	Percent of Total	2019 (1)	Percent of Total	2020	Percent of Total	2019 (1)	Percent of Total
Lease rental income:								
Asia	\$ 72,599	50.1%	\$ 84,065	53.8%	\$ 145,394	50.1%	\$ 167,896	53.7%
Europe	63,532	43.9%	63,899	40.9%	128,259	44.2%	126,152	40.4%
North / South America	7,975	5.5%	7,548	4.8%	15,293	5.3%	16,842	5.4%
All other international	668	0.5%	731	0.5%	1,306	0.4%	1,467	0.5%
	\$ 144,774	100.0%	\$ 156,243	100.0%	\$ 290,252	100.0%	\$ 312,357	100.0%
Management fees, non-leasing:								
Europe	\$ 457	84.0%	\$ 624	32.2%	\$ 903	44.6%	\$ 1,200	28.3%
Bermuda	100	18.4%	1,201	61.9%	1,081	53.3%	2,487	58.6%
Asia	0	—	4	0.2%	3	0.1%	7	0.2%
North / South America	(5)	(0.9)%	(1)	(0.1)%	(2)	(0.1)%	339	8.0%
All other international	(8)	(1.5)%	112	5.8%	43	2.1%	208	4.9%
	\$ 544	100.0%	\$ 1,940	100.0%	\$ 2,028	100.0%	\$ 4,241	100.0%

- (1) Certain amounts for trading containers rental revenue for the three and six months ended June 30, 2019 have been reclassified out of the line item "trading container margin" and included within "lease rental income - owned fleet" to appropriately reflect the nature of the revenue.

The following table represents the geographic allocation of trading container sales proceeds and gain on sale of owned fleet containers, net during the three and six months ended June 30, 2020 and 2019 based on the location of sale:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	Percent of Total	2019 (1)	Percent of Total	2020	Percent of Total	2019 (1)	Percent of Total
Trading container sales proceeds:								
Asia	\$ 4,195	56.5%	\$ 7,743	53.7%	\$ 9,973	58.6%	\$ 16,106	59.4%
North / South America	2,636	35.5%	3,262	22.7%	5,357	31.5%	6,136	22.6%
Europe	593	8.0%	3,324	23.1%	1,673	9.8%	4,789	17.7%
All other international	3	0.0%	65	0.5%	9	0.1%	75	0.3%
	\$ 7,427	100.0%	\$ 14,394	100.0%	\$ 17,012	100.0%	\$ 27,106	100.0%
Gain on sale of owned fleet containers, net:								
Asia	\$ 3,844	68.1%	\$ 2,881	53.3%	\$ 6,290	55.0%	\$ 5,335	43.8%
North / South America	1,929	34.2%	450	8.3%	3,030	26.5%	2,551	21.0%
Europe	1,177	20.9%	1,887	34.9%	2,221	19.4%	4,131	33.9%
All other international	(1,310)	(23.2)%	186	3.5%	(107)	(0.9)%	154	1.3%
	\$ 5,640	100.0%	\$ 5,404	100.0%	\$ 11,434	100.0%	\$ 12,171	100.0%

- (1) Certain amounts for trading containers rental revenue for the three and six months ended June 30, 2019 have been reclassified out of the line item "trading container margin" and included within "lease rental income - owned fleet" to appropriately reflect the nature of the revenue.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

(11) Commitments and Contingencies**(a) Restricted Cash**

Restricted interest-bearing cash accounts were established by the Company as additional collateral for outstanding borrowings under certain of the Company's debt facilities. The total balance of these restricted cash accounts was \$91,129 and \$97,353 as of June 30, 2020 and December 31, 2019, respectively.

(b) Container Commitments

At June 30, 2020, the Company had commitments to purchase containers to be delivered subsequent to June 30, 2020 in the total amount of \$251,930.

(c) Distribution Expense to Managed Fleet Container Investors

The amounts distributed to the Container Investors are variable payments based upon the net operating income for each managed container (see Note 4 "Managed Container Fleet"). There are no future minimum lease payment obligations under the Company's management agreements.

(12) Share Repurchase Program

In August 2019, the Company's board of directors approved a share repurchase program of up to \$25,000 of the Company's common shares. Under the program, the Company may purchase its common shares from time to time in the open market, in privately negotiated transactions or such other manner as will comply with applicable laws and regulations. The authorization does not obligate us to acquire a specific number of shares during any period, but it may be modified, suspended or terminated at any time at the discretion of the Company's board of directors. As of December 31, 2019, the Company repurchased 878,637 shares at an average price of \$9.75 and for a total amount of \$8,597, including commission paid.

In March 2020, the Company's board of directors approved an amendment to the share repurchase program to increase from \$25,000 to an aggregate of \$50,000 of the Company's common shares that may be repurchased under the program (including all common shares repurchased under the program prior to this amendment), commencing in September 2019 up to and including September 1, 2022.

During the six months ended June 30, 2020, the Company repurchased 3,581,237 shares at an average price of \$8.09 for a total amount of \$29,082, including commission paid. As of June 30, 2020, approximately \$12,000 remained available for repurchases under the share repurchase program.

(13) Subsequent Events

On July 8, 2020, the Company entered into an agreement to purchase approximately 19,800 containers from a container lessor company for a total cash consideration of \$29,900.

On August 20, 2020, Textainer Marine Containers VII Limited ("TMCL VII"), a wholly-owned subsidiary of the Company, issued \$380,800 of aggregate Class A and \$69,200 of aggregate Class B Series 2020-1 Fixed Rate Asset Backed Notes ("the TMCL VII 2020-1 Bonds") to qualified institutional investors pursuant to Rule 144A under the Securities Act and to non-U.S. persons in accordance with Regulation S promulgated under the Securities Act. The TMCL VII 2020-1 Bonds totaling \$450,000 represent fully-amortizing notes payable over an expected payment term of 8.8 years, but not to exceed a maximum payment term of 25 years. Under the terms of the TMCL VII 2020-1 Bonds, both principal and interest incurred are payable monthly. Proceeds from the TMCL VII 2020-1 Bonds were primarily used to pay off the TMCL V 2017-1 Bonds and pay down debt in our secured debt facility and revolving credit facility. The TMCL VII 2020-1 Bonds are secured by a pledge of TMCL VII's assets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in Item 1, “Condensed Consolidated Financial Statements (Unaudited)” of this Quarterly Report on Form 6-K, as well as our audited consolidated financial statements and notes thereto included in our Annual Report on Form 20-F for the fiscal year ended December 31, 2019 filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 30, 2020 (our “2019 Form 20-F”). In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those contained in or implied by any forward-looking statements. See “Information Regarding Forward-Looking Statements; Cautionary Language.” Factors that could cause or contribute to these differences include those discussed below, the additional risk factor as set forth in Item 4, “Risk Factors” of this Quarterly Report on Form 6-K and Item 3, “Key Information -- Risk Factors” included in our 2019 Form 20-F.

As used in the following discussion and analysis, unless indicated otherwise or the context otherwise requires, references to: (1) “the Company,” “we,” “us,” “our” or “TGH” refer collectively to Textainer Group Holdings Limited, the issuer of the publicly-traded common shares that have been registered pursuant to Section 12(b) of the U.S. Securities Exchange Act of 1934, as amended, and its subsidiaries; (2) “TEU” refers to a “Twenty-Foot Equivalent Unit,” which is a unit of measurement used in the container shipping industry to compare shipping containers of various lengths to a standard 20’ dry freight container, thus a 20’ container is one TEU and a 40’ container is two TEU; (3) “CEU” refers to a Cost Equivalent Unit, which is a unit of measurement based on the approximate cost of a container relative to the cost of a standard 20’ dry freight container, so the cost of a standard 20’ dry freight container is one CEU; the cost of a 40’ dry freight container is 1.6 CEU; and the cost of a 40’ high cube dry freight container (9’6” high) is 1.7 CEU; and the cost of a 40’ high cube refrigerated container is 8.0 CEU; (4) “our owned fleet” means the containers we own; (5) “our managed fleet” means the containers we manage that are owned by other container investors; (6) “our fleet” and our “total fleet” means our owned fleet plus our managed fleet plus any containers we lease from other lessors; and (7) “container investors” means the owners of the containers in our managed fleet.

Dollar amounts in this section of this Quarterly Report on Form 6-K are expressed in thousands. Per container amounts are in dollars.

Overview

We are one of the world’s largest lessors of intermodal containers based on fleet size, with a total fleet of approximately 2.3 million containers, representing 3.5 million TEU. Containers are an integral component of intermodal trade, providing a secure and cost-effective method of transportation because they can be used to transport freight by ship, rail or truck, making it possible to move cargo from point of origin to final destination without repeated unpacking and repacking.

We lease containers to approximately 250 shipping lines and other lessees, including most of the world’s top 20 container lines, as measured by the total TEU capacity of their container vessels. We believe that our scale, global presence, customer service, market knowledge and long history with our customers have made us one of the most reliable suppliers of leased containers. We have a long track record in the industry, operating since 1979, and have developed long-standing relationships with key industry participants. Our top 20 customers, as measured by revenues, have leased containers from us for 30 years.

We have provided an average of approximately 250,000 TEU of new containers per year for the past five years and have been one of the largest buyers of new containers over the same period. We are one of the largest sellers of used containers, having sold an average of approximately 140,000 containers per year for the last five years to more than 1,500 customers.

We provide our services worldwide via an international network of 14 regional and area offices and approximately 500 independent depots.

We operate our business in three core segments:

- *Container Ownership.* As of June 30, 2020, we owned containers accounting for approximately 86.1% of our fleet.
- *Container Management.* As of June 30, 2020, we managed containers on behalf of 13 affiliated and unaffiliated container investors, providing acquisition, management and disposal services. As of June 30, 2020, total managed containers accounted for approximately 13.9% of our fleet.
- *Container Resale.* We generally sell containers from our fleet when they reach the end of their useful lives in marine service or when we believe it is financially attractive for us to do so, considering the location, sale price, cost of repair and possible repositioning expenses. We also purchase and lease or resell containers from shipping line customers, container traders and other sellers of containers.

The table below summarizes the composition of our owned and managed fleets, in TEU and CEU, by type of containers, as of June 30, 2020:

	TEU			CEU		
	Owned	Managed	Total	Owned	Managed	Total
Standard dry freight	2,760,845	461,708	3,222,553	2,474,295	411,243	2,885,538
Refrigerated	162,765	9,301	172,066	657,172	37,689	694,861
Other specialized	54,026	9,435	63,461	84,439	14,043	98,482
Total fleet	2,977,636	480,444	3,458,080	3,215,906	462,975	3,678,881
Percent of total fleet	86.1%	13.9%	100.0%	87.4%	12.6%	100.0%

Our total fleet as of June 30, 2020, by lease type, as a percentage of total TEU on hire was as follows:

	Percent of Total On- Hire Fleet
Term leases	73.8%
Master leases	11.9%
Finance leases	12.2%
Spot leases	2.1%
Total	100.0%

The following table summarizes our average total fleet utilization (CEU basis) for the three and six months ended June 30, 2020 and 2019:

Utilization	Three Months Ended June 30,		Six Months Ended June 30,	
	2020		2019	
	95.4%	97.9%	95.8%	98.1%

We measure the utilization rate on the basis of CEU on lease, using the actual number of days on hire, expressed as a percentage of CEU available for lease, using the actual days available for lease. CEU available for lease excludes CEU that have been manufactured but have not yet been delivered to a lessee and CEU designated as held-for-sale units.

Our total revenues primarily consist of leasing revenues derived from the lease of owned and managed containers and, to a lesser extent, other non-leasing fees received for managing containers owned by third parties and equipment resale. The most important driver of our profitability is the extent to which revenues on our owned fleet and management fee income exceed our operating costs. The key drivers of our revenues are fleet size, rental rates, utilization and ancillary charges. Our operating costs primarily consist of direct container expenses – owned fleet, distribution expense to managed fleet container investors, depreciation of container rental equipment, amortization expense, general and administrative expenses, bad debt expense, net and container lessee default recovery, net. Our lessees are generally responsible for loss of or damage to a container beyond ordinary wear and tear, and they are required to purchase insurance to cover any other liabilities.

COVID-19 Impact

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which continues to spread throughout the United States and the world and has resulted in new and changing government measures to contain the virus, including travel bans and restrictions, shelter-in-place orders, and business limitations and shutdowns. The decrease in global trade volumes and economic activity due to the COVID-19 pandemic led to disruptions in global shipping and reduced container demand during the first half of the year. However, we have seen recent positive signs of leasing demand improvements. Even as certain government restrictions are lifted and economies gradually reopen, the shape of the economic recovery is still uncertain.

While we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, our compliance with these measures could disrupt our business and operations, as well as that of our customers, manufacturers, suppliers and other counterparties, for a prolonged period of time. In response to the pandemic, the Company has continued to operate in a remote working environment to support the health and well-being of our employees, customers, partners and communities, that may continue, in whole or in part, for an extended period until comprehensive safety protocols are implemented. We currently believe these disruptions are temporary and that global containerized trade volumes will improve when the pandemic is contained, and shelter-in-place orders are lifted.

Key Factors Affecting Our Performance

We believe there are a number of key factors that have affected, and are likely to continue to affect, our operating performance. These key factors include the following, among others:

- the demand for leased containers;
- lease rates;
- prices and availability of new and used containers and the impact of changing prices on containers held for sale and the residual value of our in-fleet owned containers;
- steel prices;
- interest rates;
- our ability to lease our new containers shortly after we purchase them;
- remarketing risk;
- the creditworthiness of our customers;
- further consolidation among shipping lines and/or container lessors;
- further consolidation of container manufacturers and/or decreased access to new containers;
- import/export tariffs, duties and restrictions;
- governmental regulations, including environmental or maritime rules that impact container shipping; and
- global and macroeconomic factors that affect trade generally, such as recessions, trade disputes, terrorist attacks, pandemics, such as the COVID-19 pandemic, or the outbreak of war and hostilities.

For further details regarding these and other factors that may affect our business and results of operations, see Item 3, “*Key Information -- Risk Factors*” included in our 2019 Form 20-F.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2020 and 2019

The following table summarizes our total revenues for the three and six months ended June 30, 2020 and 2019 and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between 2020 and 2019	Six Months Ended June 30,		% Change Between 2020 and 2019
	2020 (Dollars in thousands)	2019 (Dollars in thousands)		2020 (Dollars in thousands)	2019 (Dollars in thousands)	
Lease rental income - owned fleet (1)	\$ 128,648	\$ 130,439	(1.4%)	\$ 258,720	\$ 260,000	(0.5%)
Lease rental income - managed fleet	16,126	25,804	(37.5%)	31,532	52,357	(39.8%)
Lease rental income	<u>\$ 144,774</u>	<u>\$ 156,243</u>	<u>(7.3%)</u>	<u>\$ 290,252</u>	<u>\$ 312,357</u>	<u>(7.1%)</u>
Management fees - non-leasing	\$ 544	\$ 1,940	(72.0%)	\$ 2,028	\$ 4,241	(52.2%)
Trading container sales proceeds (1)	7,427	14,394	(48.4%)	17,012	27,106	(37.2%)
Cost of trading containers sold	(6,856)	(12,170)	(43.7%)	(15,792)	(22,902)	(31.0%)
Trading container margin	<u>\$ 571</u>	<u>\$ 2,224</u>	<u>(74.3%)</u>	<u>\$ 1,220</u>	<u>\$ 4,204</u>	<u>(71.0%)</u>
Gain on sale of owned fleet containers, net	<u>\$ 5,640</u>	<u>\$ 5,404</u>	<u>4.4%</u>	<u>\$ 11,434</u>	<u>\$ 12,171</u>	<u>(6.1%)</u>

(1) Amounts for trading containers rental revenue for the three and six months ended June 30, 2019 have been reclassified out of the line item “trading container sales proceeds” and included within “lease rental income - owned fleet” to appropriately reflect the nature of the revenue.

Lease rental income for the three months ended June 30, 2020 decreased \$11,469 (-7.3%) compared to the three months ended June 30, 2019, primarily due to a decrease of \$7,744 (-5.5%) in our total operating fleet that was available for lease, a decrease of \$5,471 (-4.1%) in average per diem rental rates, and a decrease of \$4,402 (-3.0%) in utilization, partially offset by an increase of \$3,676 in the growth of our fleet on finance leases. Lease rental income for the six months ended June 30, 2020 decreased \$22,105 (-7.1%) compared to the six months ended June 30, 2019, primarily due to a decrease of \$13,483 (-5.3%) in our total operating fleet that was available for lease, a decrease of \$12,123 (-4.6%) in average per diem rental rates, and a decrease of \$7,426 (-2.7%) in utilization, partially offset by an increase of \$9,881 in the growth of our fleet on finance leases.

Lease rental income – managed fleet for the three and six ended June 30, 2020 decreased \$9,678 (-37.5%) and \$20,825 (-39.8%) compared to the three and six months ended June 30, 2019, respectively, primarily due to our acquisition of a managed fleet at December 31, 2019.

Management fees – non-leasing for the three months ended June 30, 2020 decreased \$1,396 (-72.0%) compared to the three months ended June 30, 2019 primarily due to \$985 decrease in acquisition fees on container purchases for the managed fleet predominantly due to a prior period adjustment and \$463 decrease in sales commissions. Management fees – non-leasing for the six months ended June 30, 2020 decreased \$2,213 (-52.2%) compared to the six months ended June 30, 2019 primarily due to \$1,100 decrease in acquisition fees on container purchases for the managed fleet predominantly due to a prior period adjustment and \$903 decrease in sales commissions.

Trading container margin for the three months ended June 30, 2020 decreased \$1,653 (-74.3%) compared to the three months ended June 30, 2019, related to a \$1,186 decrease due to a reduction in unit sales volume and a \$467 decrease due to a reduction in per unit margin. Trading container margin for the six months ended June 30, 2020 decreased \$2,984 (-71.0%) compared to the six months ended June 30, 2019, related to a \$1,932 decrease due to a reduction in unit sales volume and a \$1,052 decrease due to a reduction in per unit margin.

Gain on sale of owned fleet containers, net for the three months ended June 30, 2020 increased \$236 (4.4%) compared to the three months ended June 30, 2019 primarily due to a \$577 increase resulting from improvement in average gain per container sold, partially offset by a \$391 decrease resulting from a reduction in the number of containers being sold. Gain on sale of owned fleet containers, net for the six months ended June 30, 2020 decreased \$737 (-6.1%) compared to the six months ended June 30, 2019 primarily due to a \$1,088 decrease resulting from a reduction in average gain per container sold, partially offset by a \$329 decrease in net loss in sales-type leases.

The following table summarizes our total operating expenses for the three and six months ended June 30, 2020 and 2019 and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between 2020 and 2019	Six Months Ended June 30,		% Change Between 2020 and 2019
	2020	2019		2020	2019	
	(Dollars in thousands)			(Dollars in thousands)		
Direct container expense - owned fleet (1)	\$ 15,248	\$ 10,681	42.8%	\$ 28,512	\$ 22,261	28.1%
Distribution expense to managed fleet container investors	14,692	23,737	(38.1%)	28,855	48,217	(40.2%)
Depreciation expense (2)	63,848	64,135	(0.4%)	130,682	126,599	3.2%
Amortization expense	557	493	13.0%	1,121	1,095	2.4%
General and administrative expense	9,866	9,444	4.5%	20,004	19,274	3.8%
Bad debt (recovery) expense, net	(276)	3,689	(107.5%)	1,769	3,848	(54.0%)
Container lessee default (recovery) expense, net (1)	(1,671)	8,555	(119.5%)	(1,683)	7,902	(121.3%)
Gain on insurance recovery and legal settlement	—	(841)	(100.0%)	—	(841)	(100.0%)
Total operating expenses	<u>\$ 102,264</u>	<u>\$ 119,893</u>	<u>(14.7%)</u>	<u>\$ 209,260</u>	<u>\$ 228,355</u>	<u>(8.4%)</u>

- (1) Amounts for container write-offs and container recovery costs from lessee default for the three and six months ended June 30, 2019 have been reclassified out of the previously reported line item “container impairment” and “direct container expense – owned fleet”, respectively, and included within “container lessee default recovery, net” to conform with the 2020 presentation.
- (2) Amounts to write-down the carrying value of containers held for sale to their estimated fair value less cost to sell for the three and six months ended June 30, 2019 have been reclassified out of the previously reported line item “container impairment” and included within “depreciation expense” to conform with the 2020 presentation.

Direct container expense – owned fleet for the three months ended June 30, 2020 increased \$4,567 (42.8%) compared to the three months ended June 30, 2019 primarily due a \$3,451 increase in storage expense and a \$1,352 increase in maintenance expense, partially offset by a \$606 decrease in insurance expense. Direct container expense for the six months ended June 30, 2020 increased \$6,251 (28.1%) compared to the six months ended June 30, 2019 primarily due to a \$6,558 increase in storage expense and a \$1,598 increase in maintenance expense, partially offset by a \$1,100 decrease in insurance expense and a \$1,018 decrease in repositioning expense.

Distribution expense to managed fleet container investors for the three and six ended June 30, 2020 decreased \$9,045 (-38.1%) and \$19,362 (-40.2%) compared to the three and six months ended June 30, 2019, respectively, primarily due to our acquisition of a managed fleet at December 31, 2019 and decrease in lease rental income on the managed fleet.

Depreciation expense for the three months ended June 30, 2020 decreased \$287 (-0.4%) compared to the three months ended June 30, 2019; \$351 decrease was due to a net decrease in the size of our owned depreciable fleet, partially offset by an increase of \$286 due to a net increase to write down the value of containers held for sale to their estimated fair value less cost to sell. Depreciation expense for the six months ended June 30, 2020 increased \$4,083 (3.2%) compared to the six months ended June 30, 2019; \$3,354 of the increase was due to a net increase to write down the value of containers held for sale to their estimated fair value less cost to sell and \$924 increase was due to a net increase in the size of our owned depreciable fleet.

Amortization expense represents the amortization of amounts paid to acquire the rights to manage the container fleets of Capital Lease Limited, Hong Kong (“Capital”); Amphibious Container Leasing Limited (“Amficon”); and Capital Intermodal Limited, Capital Intermodal GmbH, Capital Intermodal Inc., Capital Intermodal Assets Limited and Xines Limited (“Capital Intermodal”). Amortization expense for the three and six months ended June 30, 2020 increased \$64 (13.0%) and \$26 (2.4%) compared to the three and six months ended June 30, 2019, respectively, primarily due to an update in the estimates for management fee revenue.

General and administrative expense for the three months ended June 30, 2020 increased \$422 (4.5%) compared to the three months ended June 30, 2019, primarily due to a \$776 increase in compensation costs, partially offset by a \$379 decrease in travel expense. General and administrative expense for the six months ended June 30, 2020 increased \$730 (3.8%) compared to the six months ended June 30, 2019, primarily due to a \$857 increase in compensation costs and a \$155 increase in professional fees, partially offset by a \$413 decrease in travel expense.

Bad debt (recovery) expense, net for the three and six months ended June 30, 2020 amounted to a recovery of \$276 and an expense of \$1,769 compared to an expense of \$3,689 and \$3,848 for the three and six months ended June 30, 2019, respectively. The changes were primarily due to improvements in collections and our general customer credit profile, partially offset by a credit loss expense of \$288 and \$851 for the three and six months ended June 30, 2020, respectively, which related to our adoption of ASU 2016-13, Financial Instruments – Credit Losses (Topic 326) on the effective date of January 1, 2020, see Note 2 (i) "Accounting Policies and Recent Accounting Pronouncements" in Item 1, "Financial Statements" in this Quarterly Report on Form 6-K for further information.

Container lessee default recovery, net for the three and six months ended June 30, 2020 amounted to \$1,671 and \$1,683, respectively; primarily due to payments received on a settlement agreement with an insolvent lessee in the second quarter of 2020. Container lessee default expense, net for the three and six months ended June 30, 2019 amounted to \$8,555 and \$7,902, respectively; primarily due to \$9,059 for written off containers that were deemed unlikely to be recovered from an insolvent lessee in the second quarter of 2019, partially offset by \$731 and \$1,343 gain associated with recoveries on containers previously estimated as lost with insolvent lessees for the three and six months ended June 30, 2019, respectively.

Gain on insurance recovery and legal settlement for both three and six months ended June 30, 2019 amounted to \$841 which related to a net settlement associated with an insolvent lessee.

The following table summarizes other (expense) income for the three and six months ended June 30, 2020 and 2019 and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between 2020 and 2019	Six Months Ended June 30,		% Change Between 2020 and 2019
	2020	2019		2020	2019	
	(Dollars in thousands)	(Dollars in thousands)		(Dollars in thousands)	(Dollars in thousands)	
Interest expense	\$ (30,022)	\$ (38,213)	(21.4%)	\$ (66,134)	\$ (75,729)	(12.7%)
Write-off of unamortized deferred debt issuance costs	—	—	100.0%	(122)	—	100.0%
Interest income	56	729	(92.3%)	456	1,367	(66.6%)
Realized (loss) gain on derivative instruments, net	(3,267)	1,095	(398.4%)	(4,793)	2,539	(288.8%)
Unrealized gain (loss) on derivative instruments, net	1,342	(10,099)	(113.3%)	(13,595)	(15,837)	(14.2%)
Other, net	(3)	—	100.0%	(56)	—	100.0%
Net other expense	\$ (31,894)	\$ (46,488)	(31.4%)	\$ (84,244)	\$ (87,660)	(3.9%)

Interest expense for the three months ended June 30, 2020 decreased \$8,191 (-21.4%) compared to the three months ended June 30, 2019; \$10,738 decrease driven by a decline in average interest rates of 1.17 percentage points primarily due to a decrease in the market rate, partially offset by \$2,423 increase from an increase in average debt balances of \$218,835. Interest expense for the six months ended June 30, 2020 decreased \$9,595 (-12.7%) compared to the six months ended June 30, 2019; \$15,935 decrease driven by a decline in average interest rates of 0.86 percentage points primarily due to a decrease in the market rate, partially offset by \$6,060 increase from an increase in average debt balances of \$274,897.

The write-off of unamortized deferred debt issuance costs for the six months ended June 30, 2020 amounted to \$122, which related to the amendment of TAP Funding Limited's credit facility.

Realized (loss) gain on derivative instruments, net changed from a net gain of \$1,095 and \$2,539 for the three and six months ended June 30, 2019 to a net loss of \$3,267 and \$4,793 for the three and six months ended June 30, 2020, respectively. This change was primarily due to a decrease in market rates as compared to spot strike rates in our contracts which caused a negative net settlement differential in 2020 compared to a positive net settlement differential in 2019.

Unrealized gain (loss) on derivative instruments, net changed from a net loss of \$10,099 for the three months ended June 30, 2019 to a net gain of \$1,342 for the three months ended June 30, 2020; primarily due to a reduction in the value of the interest rate derivatives, between March 31, 2019 to June 30, 2019 compared to an increase between March 31, 2020 to June 30, 2020, mainly resulting from a decrease and an increase in the forward LIBOR curve at the end of the respective period ends, respectively. Unrealized loss on derivative instruments, net for the six months ended June 30, 2020 decreased \$2,242 (-14.2%) compared to the six months ended June 30, 2019. The decrease was primarily due to a smaller reduction in the value of the interest rate derivatives, between December 31, 2019 to June 30, 2020 compared to the period between December 31, 2018 to June 30, 2019, mainly resulting from a decrease in the forward LIBOR curve at the end of the respective period ends.

The following table summarizes income tax benefit (expense) and net (loss) income attributable to the noncontrolling interests for the three and six months ended June 30, 2020 and 2019 and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between 2020 and 2019	Six Months Ended June 30,		% Change Between 2020 and 2019
	2020	2019		2020	2019	
	(Dollars in thousands)			(Dollars in thousands)		
Income tax (expense) benefit	\$ (1,074)	\$ 221	586.0%	\$ (241)	\$ (152)	58.6%
Net income (loss) attributable to the noncontrolling interest	\$ 308	\$ (663)	(146.5%)	\$ (421)	\$ (558)	(24.6%)

Income tax (expense) benefit changed from a benefit of \$221 for the three months ended June 30, 2019 to an expense of \$1,074 for the three months ended June 30, 2020, primarily due to net loss before tax and noncontrolling interest for the three months ended June 30, 2019 compared to net income before tax and noncontrolling interest for the three months ended June 30, 2020. Income tax expense for the six months ended June 30, 2020 increased \$89 compared to the six months ended June 30, 2019, primarily due an increase in the estimated full-year effective tax rate. The full year-year estimated effective rate tax was 2.1% at June 30, 2020 compared to 0.9% at June 30, 2019.

Net income (loss) attributable to the noncontrolling interest changed from a loss of \$663 and \$558 for the three and six months ended June 30, 2019 to a gain of \$308 and a loss of \$421 for the three and six months ended June 30, 2020, respectively. Net income (loss) attributable to the noncontrolling interest represents the noncontrolling interest's portion of TAP Funding Limited's ("TAP Funding") and the net loss position was primarily due to an unrealized loss on derivative instruments mentioned above. See Note 2 "Accounting Policies and Recent Accounting Pronouncements" in Item 1, "Financial Statements" in this Quarterly Report on Form 6-K for further information.

Segment Information

The following table summarizes our income (loss) before taxes and noncontrolling interests attributable to each of our business segments for the three and six months ended June 30, 2020 and 2019 (before inter-segment eliminations) and the percentage changes between those periods:

	Three Months Ended June 30,		% Change Between 2020 and 2019	Six Months Ended June 30,		% Change Between 2020 and 2019
	2020	2019		2020	2019	
	(Dollars in thousands)			(Dollars in thousands)		
Container ownership	\$ 10,976	\$ (11,748)	(193.4%)	\$ (1,075)	\$ (4,411)	(75.6%)
Container management	4,320	10,196	(57.6%)	6,930	17,058	(59.4%)
Container resale	3,390	5,551	(38.9%)	6,148	10,126	(39.3%)
Other	(927)	(959)	(3.3%)	(1,989)	(1,880)	5.8%
Eliminations	(388)	(3,610)	(89.3%)	1,416	(3,935)	(136.0%)
Income (loss) before income tax and noncontrolling interests	<u>\$ 17,371</u>	<u>\$ (570)</u>	<u>(3147.5%)</u>	<u>\$ 11,430</u>	<u>\$ 16,958</u>	<u>(32.6%)</u>

Income (loss) before income taxes and noncontrolling interests attributable to the Container Ownership segment changed from a loss of \$11,748 for the three months ended June 30, 2019 to an income of \$10,976 for the three months ended June 30, 2020. The following table summarizes the variances included within this change:

Change from unrealized loss on derivative instruments, net to unrealized gain on derivative instruments, net	\$ 11,441
Change from container lessee default expense, net to container lessee default recovery, net	10,226
Decrease in interest expense	8,236
Change from bad debt expense, net to bad debt recovery, net	3,966
Change from realized gain on derivative instruments, net to realized loss on derivative instruments, net	(4,362)
Increase in direct container expense	(3,913)
Decrease in lease rental income - owned fleet	(1,830)
Gain on insurance recovery and legal settlement in 2019	(841)
Other	(199)
	<u>\$ 22,724</u>

Loss before income taxes and noncontrolling interests attributable to the Container Ownership segment for the six months ended June 30, 2020 decreased \$3,336 (-75.6%) compared to the six months ended June 30, 2019. The following table summarizes the variances included within this decrease:

Decrease in interest expense	\$ 9,674
Change from container lessee default expense, net to container lessee default recovery, net	9,585
Decrease in unrealized loss on derivative instruments, net	2,242
Decrease in bad debt expense, net	2,072
Change from realized gain on derivative instruments, net to realized loss on derivative instruments, net	(7,332)
Increase in direct container expense	(5,075)
Increase in depreciation expense	(4,057)
Decrease in lease rental income - owned fleet	(1,167)
Gain on insurance recovery and legal settlement in 2019	(841)
Decrease in gain on sale of owned fleet containers, net	(737)
Decrease in interest income	(699)
Other	(329)
	<u>\$ 3,336</u>

Income before income taxes and noncontrolling interests attributable to the Container Management segment for the three months ended June 30, 2020 decreased \$5,876 (-57.6%) compared to the three months ended June 30, 2019. The following table summarizes the variances included within this decrease:

Decrease in distribution expense to managed fleet container investors	\$ 9,045
Decrease in lease rental income - managed fleet	(9,678)
Decrease in management fees	(4,324)
Other	(919)
	<u>\$ (5,876)</u>

Income before income taxes and noncontrolling interests attributable to the Container Management segment for the six months ended June 30, 2020 decreased \$10,128 (-59.4%) compared to the six months ended June 30, 2019. The following table summarizes the variances included within this decrease:

Decrease in distribution expense to managed fleet container investors	\$ 19,362
Decrease in lease rental income - managed fleet	(20,825)
Decrease in management fees	(7,492)
Other	(1,173)
	<u>\$ (10,128)</u>

Income before income taxes and noncontrolling interests attributable to the Container Resale segment for the three and six months ended June 30, 2020 decreased \$2,161 (-38.9%) and \$3,978 (-39.3%) compared to the three and six months ended June 30, 2019, respectively, primarily due to decreases of \$1,642 and \$2,970 in trading container margin and \$771 and \$1,317 in management fees, for the three and six months ended June 30, 2019, respectively.

Loss before income taxes and noncontrolling interests attributable to Other activities unrelated to our reportable business segments for the three months ended June 30, 2020 decreased \$32 (-3.3%) compared to the three months ended June 30, 2019, primarily due to a decrease in general and administrative expense. Loss before income taxes and noncontrolling interests attributable to Other activities unrelated to our reportable business segments for the six months ended June 30, 2020 increased \$109 (5.8%) compared to the six months ended June 30, 2019, primarily due to an increase in general and administrative expense.

Segment eliminations for the three months ended June 30, 2020 decreased \$3,222 (-89.3%) compared to the three months ended June 30, 2019. This decrease consisted of a \$3,201 decrease in acquisition fees received by our Container Management segment from our Container Ownership segment and a \$21 increase in depreciation expense related to capitalized acquisition fees received by our Container Management segment from our Container Ownership segment. Our Container Ownership segment capitalizes acquisition fees billed by our Container Management segment as part of containers, net and records depreciation expense to amortize the acquisition fees over the useful lives of the containers, which is eliminated in consolidation.

Segment eliminations change from a loss of \$3,935 for the six months ended June 30, 2019 to an income of \$1,416 for the six months ended June 30, 2020. This change consisted of a \$5,246 decrease in acquisition fees received by our Container Management segment from our Container Ownership segment and a \$105 increase in depreciation expense related to capitalized acquisition fees received by our Container Management segment from our Container Ownership segment.

Currency

Almost all of our revenues are denominated in U.S. dollars and approximately 73.8% and 73.6% of our direct container expenses – owned fleet for the three and six months ended June 30, 2020, respectively, were denominated in U.S. dollars. See the risk factor entitled “Because substantially all of our revenues are generated in U.S. dollars, but a significant portion of our expenses are incurred in other currencies, exchange rate fluctuations could have an adverse impact on our results of operations” under Item 3, “Key Information—Risk Factors” included in our 2019 Form 20-F. Our operations in non-U.S. dollar locations have some exposure to foreign currency fluctuations, and trade growth and the direction of trade flows can be influenced by large changes in relative currency values. For the six months ended June 30, 2020, our non-U.S. dollar operating expenses were spread among 15 currencies, resulting in some level of self-hedging. We do not engage in currency hedging.

Liquidity and Capital Resources

As of June 30, 2020, we had cash and cash equivalents (including restricted cash) of \$280,977. Our principal sources of liquidity have been our cash flows from operations including the sale of containers and borrowings under debt facilities. As of June 30, 2020, we had the following outstanding borrowings and borrowing capacities per debt facility (in thousands):

Facility:	Current Borrowing	Additional Borrowing Commitment	Total	Current Borrowing	Available Borrowing, as limited by our Borrowing Base	Current and Available Borrowing
TL Revolving Credit Facility	\$ 1,258,800	\$ 241,200	\$ 1,500,000	\$ 1,258,800	\$ 151,727	\$ 1,410,527
TL 2019 Term Loan	154,785	—	154,785	154,785	—	154,785
TMCL II Secured Debt Facility	657,246	542,754	1,200,000	657,246	—	657,246
TMCL V 2017-1 Bonds	300,577	—	300,577	300,577	—	300,577
TMCL V 2017-2 Bonds (1)	377,852	—	377,852	377,852	—	377,852
TMCL VI Term Loan	240,500	—	240,500	240,500	—	240,500
TMCL VII 2018-1 Bonds (1)	222,256	—	222,256	222,256	—	222,256
TMCL VII 2019-1 Bonds (1)	317,333	—	317,333	317,333	—	317,333
TAP Funding Revolving Credit Facility	144,070	10,930	155,000	144,070	219	144,289
Total (2)	\$ 3,673,419	\$ 794,884	\$ 4,468,303	\$ 3,673,419	\$ 151,946	\$ 3,825,365

(1) Amounts on the TMCL V 2017-2 Bonds, TMCL VII 2018-1 Bonds and TMCL VII 2019-1 Bonds exclude an unamortized discount of \$39, \$2,071 and \$91, respectively.

(2) Current borrowing for all debts excludes prepaid debt issuance costs in an aggregate amount of \$23,225.

Our condensed consolidated financial statements do not reflect the income taxes that would be payable to foreign taxing jurisdictions if the earnings of a group of corporations operating in those jurisdictions were to be transferred out of such jurisdictions, because such earnings are intended to be permanently reinvested in those countries. At June 30, 2020, cumulative earnings of approximately \$36,498 would be subject to income taxes of approximately \$10,949 if such earnings of foreign corporations were transferred out of such jurisdictions in the form of dividends.

Assuming that our lenders remain solvent and lessees meet their lease payment obligations, we currently believe that our existing cash and cash equivalents, cash flows generated from operations, proceeds from the sale of containers and borrowing availability under our debt facilities are sufficient to meet our working capital needs and other capital and liquidity requirements for the next twelve months. We will continue to monitor our liquidity and the credit markets in light of the global economic uncertainty and financial market conditions caused by the COVID-19 pandemic.

All of our debt facilities are secured by specific pools of containers and related assets owned by the Company. In addition to customary events of default as defined in our credit agreements and indenture and various restrictive financial covenants, the Company's debt facilities also contain various other debt covenants and borrowing base minimums. As of June 30, 2020, we were in compliance with all of the applicable covenants.

Cash Flow

The following table summarizes cash flow information for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		(Dollars in thousands)	% Change Between 2020 and 2019
	2020	2019		
Net cash provided by operating activities	\$ 188,220	\$ 212,023		(11.2%)
Net cash provided by (used in) investing activities	\$ 10,651	\$ (264,476)		(104.0%)
Net cash (used in) provided by financing activities	\$ (195,697)	\$ 71,462		(373.8%)

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2020 decreased \$23,803 (-11.2%) compared to the six months ended June 30, 2019. The following table summarizes the variances included within this decrease:

Decrease in net income adjusted for non-cash items	\$ (19,380)
Proceeds from insurance settlement received during the six months ended June 30, 2019	(9,814)
Lower decrease in trading containers during the six months ended June 30, 2020 compared to the six months ended June 30, 2019	(7,731)
Lower receipt of payments on finance leases, net of income earned during the six months ended June 30, 2020 compared to the six months ended June 30, 2019	(3,488)
Decrease in accounts receivable, net during the six months ended June 30, 2020 compared to an increase during the six months ended June 30, 2019	7,171
Increase in accounts payable and accrued expense during the six months ended June 30, 2020 compared to a decrease during the six months ended June 30, 2019	6,698
Lower decrease in due to container investors during the six months ended June 30, 2020 compared to the six months ended June 30, 2019	5,272
Other	(2,531)
	<hr/>
	\$ (23,803)

Investing Activities

Net cash provided by (used in) investing activities changed from net cash used in investing activities of \$264,476 for the six months ended June 30, 2019 to net cash provided by investing activities of \$10,651 for the six months ended June 30, 2020 primarily due to a \$272,488 decrease in payments for container and fixed asset purchases, including containers under leaseback financing receivable. The increase in cash provided by investing activities was also due to principal payments received on container leaseback financing receivable, partially offset by a lower amount of proceeds from the sale of containers and fixed assets.

Financing Activities

Net cash (used in) provided by financing activities changed from net cash provided by financing activities of \$71,462 for the six months ended June 30, 2019 to net cash used in financing activities of \$195,697 for the six months ended June 30, 2020. The change was primarily due to a decrease of \$508,834 in proceeds from debt and a decrease of \$276,991 in principal repayments of debt. The increase in cash used in financing activities during the six months ended June 30, 2020 were also due to purchase of treasury shares under the Company's share repurchase program which commenced in September 2019 and the extinguishment of container leaseback financing liability that was due to a container investor in June 2020.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations by due date as of June 30, 2020:

	Payments Due by Twelve Month Period Ending June 30,						2026 and thereafter
	Total	2021	2022	2023	2024	2025	
	(Dollars in thousands) (Unaudited)						
Total debt obligations:							
TL Revolving Credit Facility	\$ 1,258,800	-	-	-	\$ 1,258,800	-	-
TL 2019 Term Loan	154,785	10,709	11,090	11,484	11,892	12,315	97,295
TMCL II Secured Debt Facility (1)	657,246	58,801	60,148	53,915	53,328	53,328	377,726
TMCL V 2017-1 Bonds (2)	300,577	45,408	58,522	64,545	59,705	47,409	24,988
TMCL V 2017-2 Bonds (3)	377,852	48,667	61,700	74,474	79,210	65,260	48,541
TMCL VI Term Loan	240,500	25,500	25,500	25,500	25,500	138,500	-
TMCL VII 2018-1 Bonds (3)	222,256	18,656	18,655	18,655	18,655	18,655	128,980
TMCL VII 2019-1 Bonds (3)	317,333	28,000	28,000	28,000	28,000	28,000	177,333
TAP Funding Revolving Credit Facility	144,070	11,964	132,106	-	-	-	-
Interest on obligations (4)	364,390	91,950	86,836	75,998	54,569	33,528	21,509
Interest rate swaps and caps payables, net (5)	40,125	18,044	15,336	5,572	812	276	85
Office lease obligations	14,815	2,245	2,065	2,067	2,129	2,137	4,172
Container contracts payable	136,937	136,937	-	-	-	-	-
Total contractual obligations (6) (7)	\$ 4,229,686	\$ 496,881	\$ 499,958	\$ 360,210	\$ 1,592,600	\$ 399,408	\$ 880,629

- (1) The estimated future scheduled repayments for TMCL II Secured Debt Facility is based on the assumption that the facility will not be extended on its associated conversion date.
- (2) TMCL V 2017-1 Bonds was fully repaid by proceeds from the TMCL VII 2020-1 Bonds on August 20, 2020, see Note 13 "Subsequent Events" in Item 1, "Financial Statements" in this Quarterly Report on Form 6-K for further information.
- (3) Future scheduled payments for the TMCL V 2017-2 Bonds, TMCL VII 2018-1 Bonds and TMCL VII 2019-1 Bonds exclude an unamortized discount of \$39, \$2,071 and \$91, respectively.
- (4) Using 0.16% which was one-month spot interest rate of London InterBank Offered Rate ("LIBOR") plus a margin rate that varies based on each debt facility. Weighted average interest rate at 3.20%.
- (5) Calculated based on the difference between our fixed contractual pay rates and the counterparties' estimated average rate at 0.16% which was one-month spot interest of LIBOR rate as of June 30, 2020, for all periods, for all interest rate contracts outstanding as of June 30, 2020.
- (6) Future scheduled payments for all debts exclude prepaid debt issuance costs in an aggregate amount of \$23,225.
- (7) Excluded container leaseback financing liability amounting to \$4,947 as of June 30, 2020 which is accounted for as a financing transaction under FASB Accounting Standards Update No. 2016-02, *Leases* ("Topic 842") ("ASU 2016-02"). This is excluded due to the uncertainty in the timing and variable amounts of future cash flows since the estimated future scheduled payments is dependent upon assumptions regarding the amounts distributed to the Container Investors which is based on net operating income of the managed fleet, reduced by the management fees earned. The Container Investors have no rights or recourse against the Company in the event of a lessee default or any other risk in respect of the managed containers.

Off Balance Sheet Arrangements

As of June 30, 2020, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies and Estimates

We have identified the policies and estimates in Item 5, “*Operating and Financial Review and Prospects*” included in our 2019 Form 20-F as among those critical to our business operations and the understanding of our results of operations. These policies and estimates are considered critical due to the existence of uncertainty at the time the estimate is made, the likelihood of changes in estimates from period to period and the potential impact that these estimates can have on our financial statements. These policies remain consistent with those reported in our 2019 Form 20-F. Please refer to Item 5, “*Operating and Financial Review and Prospects*” included in our 2019 Form 20-F.

We adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* (“ASU 2016-13”) on January 1, 2020. The changes in our accounting policies for credit losses under the new accounting standard are discussed in Note 2 “Accounting Policies and Recent Accounting Pronouncements” and in Note 7 “Allowance for Credit Losses” in Item 1, “*Financial Statements*” in this Quarterly Report on Form 6-K.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying value of our assets or liabilities as of August 20, 2020, the date of issuance of this Quarterly Report on Form 6-K. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET AND CREDIT RISK

Quantitative and Qualitative Disclosures About Market Risk

We could be exposed to market risk from future changes in interest rates and foreign exchange rates. At times, we may enter into various derivative instruments to manage certain of these risks. We do not enter into derivative instruments for speculative or trading purposes.

For the six months ended June 30, 2020, we did not experience any material changes in market risk that affect the quantitative and qualitative disclosures presented in Item 11, “*Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Risk*” or in Item 11, “*Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk*” included in our 2019 Form 20-F. Updated interest rate swap and cap agreement information is set forth below.

Interest Rate Risk

We have entered into various interest rate swap and cap agreements to mitigate our exposure associated with our variable rate debt. The swap agreements involve payments by us to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London InterBank Offered Rate. The differentials between the fixed and variable rate payments under these agreements are recognized in realized gains or losses on derivative instruments, net in the condensed consolidated statements of comprehensive income. As of June 30, 2020, certain of our interest rate swap agreements are designated as cash flow hedges for accounting purposes, and any unrealized gains or losses related to the changes in fair value are recognized in accumulated comprehensive (loss) income and re-classed to interest expense as they are realized.

The notional amount of the interest rate swap agreements was \$1,391,000 as of June 30, 2020, with expiration dates between December 2020 and April 2027. We pay fixed rates between 0.17% and 2.94% under the interest rate swap agreements. The net fair value of these agreements was a liability of \$39,961 as of June 30, 2020.

Based on the average debt balances and derivative instruments as of June 30, 2020, it is estimated that a 1% increase in interest rates would result in a net increase of \$4,619 in interest expense and realized gains on derivative instruments, net for the six months ended June 30, 2020. It would also result in an increase in the fair value of derivative instruments, net of \$11,450.

Quantitative and Qualitative Disclosures About Credit Risk

We monitor our container lessees’ performance and our lease exposures on an ongoing basis, and our credit management processes are aided by the long payment experience we have with most of our container lessees and our broad network of long-standing relationships in the shipping industry that provide current information about our container lessees. In managing this risk, we also make an allowance for doubtful accounts on our accounts receivable. The allowance for doubtful accounts is developed based on two key components:

- specific reserves for receivables which are impaired for which management believes full collection is doubtful; and
- general reserves for estimated losses inherent in the receivables based upon historical trends and age of the balances.

An allowance for doubtful accounts of \$5,845 has been established against accounts receivables as of June 30, 2020 for our owned fleet. Due to the COVID-19 pandemic, we may be unable to collect receivables from those shipping line customers that may be significantly impacted by COVID-19, thus we are closely monitoring our customers’ payment performance.

On January 1, 2020, we adopted ASU 2016-13 and an allowance for credit losses of \$1,182 and \$562 have been established to recognize expected lifetime credit losses against our net investment in finance leases and container leaseback financing receivable, respectively, as of June 30, 2020.

For the six months ended June 30, 2020, we did not experience any material changes in our credit risks that affect the quantitative and qualitative disclosures about credit risk presented in Item 11, “*Quantitative and Qualitative Disclosures About Market Risk – Quantitative and Qualitative Disclosures About Credit Risk*” included in our 2019 Form 20-F.

ITEM 4. RISK FACTORS

Other than the matters noted below, there have been no material changes with respect to the risk factors disclosed in Item 3, “*Key Information — Risk Factors*” included in our 2019 Form 20-F that was filed with the Securities and Exchange Commission on March 30, 2020. Please refer to that section for disclosures regarding the risks and uncertainties related to the Company’s business and industry and the Company’s common shares. The following is a discussion of risks relating to the Novel Coronavirus (COVID-19) pandemic which could cause our future results to be materially adversely affected.

Global economic weakness has in the past and may in the future materially and negatively impact our business, results of operations, cash flows, financial condition and future prospects.

While domestic and global economic growth resumed and has continued following the global financial crisis in 2008 and 2009, continued sustainability of the international economic growth is uncertain particularly due to the ongoing COVID-19 pandemic. Any slowdown or reversal in U.S. and global trade growth could heighten a number of material risks to our business, results of operations, cash flows and financial condition, as well as our future prospects. The COVID-19 pandemic has added to uncertainty about container trade demand, freight rates and our lessees' financial performance and solvency. As a result, we continue to face heightened risk that our financial performance and cash flow could be severely affected by defaults or payment delays by our customers.

Global demand growth for shipping is expected to slow with the overall market dominated by trade uncertainty and the impact of COVID-19, which will lead to slower overall GDP growth in 2020. The impact of COVID-19 and lower global GDP may result in lower container production than forecast and may alter the percentage of total production purchased by lessors. Continued disruptions from COVID-19 may lead to increased credit concerns regarding our customers, reduced container demand, lower utilization of our fleet, lower lease rates, lower sale prices for our used containers, disruptions in the capital markets, increased risk of non-compliance with our debt covenants and operational and business process disruptions for us and our customers.

Uncertainties relating to COVID-19 include the duration of the outbreak, actions that may be taken to contain or treat its impact, by governments and others, including declarations of states of emergency, business closures, manufacturing restrictions and a prolonged period of travel and/or other similar restrictions and limitations. The magnitude of the COVID-19 pandemic, including the extent of any impact on our business, financial position, results of operations or liquidity, which could be material, cannot be reasonably determined at this time due to the rapid development and fluidity of the situation.

ITEM 5. EXHIBITS

The following exhibits are filed as part of this Quarterly Report on Form 6-K:

<u>Exhibit Number</u>	<u>Description of Document</u>
101.INS†	Inline XBRL Instance Document
101.SCH†	Inline XBRL Taxonomy Extension Schema Document
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

† Filed herewith.

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: August 20, 2020

Textainer Group Holdings Limited

/s/ Olivier Ghesquiere

Olivier Ghesquiere

President and Chief Executive Officer