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# Textainer Group Holdings Ltd.

## Investor Presentation

February 2019

# Forward Looking Statements

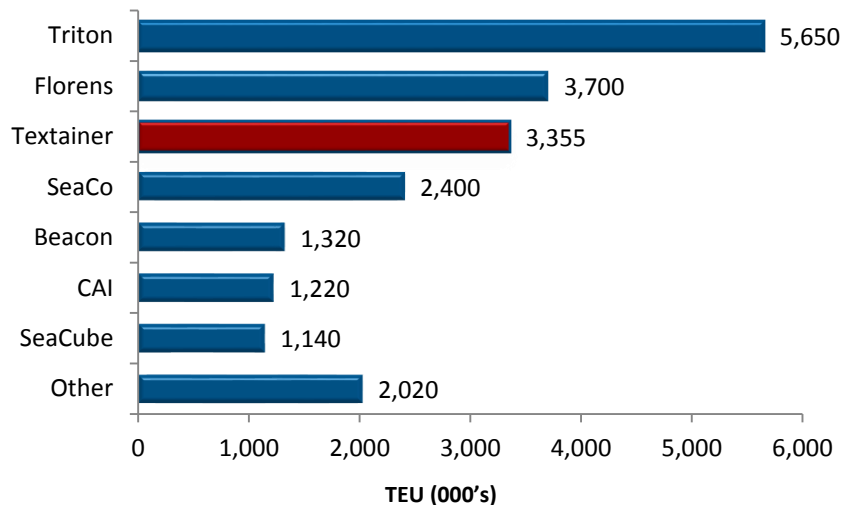


Certain information included in this presentation and other statements or materials published or to be published by the Company are not historical facts but are forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new and existing products, expectations for market segment and growth, and similar matters. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors which, among others, could cause the Company’s actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company’s forward-looking statements. The risks and uncertainties that may affect the operations, performance, development, results of the Company’s business, and the other matters referred to above include, but are not limited to: (i) changes in the business environment in which the Company operates, including global GDP changes, the level of international trade, inflation and interest rates; (ii) changes in taxes, governmental laws, and regulations; (iii) competitive product and pricing activity; (iv) difficulties of managing growth profitably; and (v) the loss of one or more members of the Company’s management team.

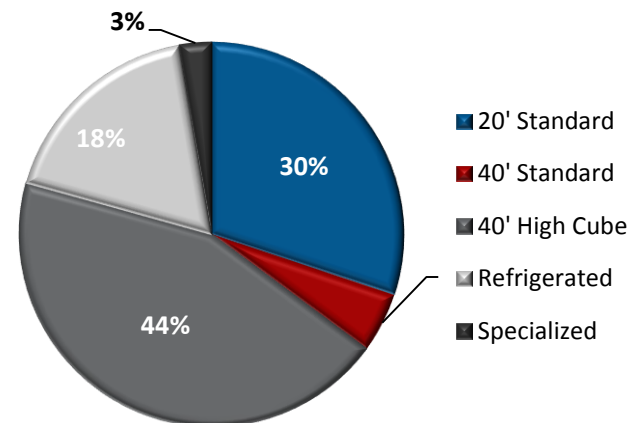
As required by SEC rules, we have provided a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP measures in materials on our website at [www.textainer.com](http://www.textainer.com).

# Fleet Overview

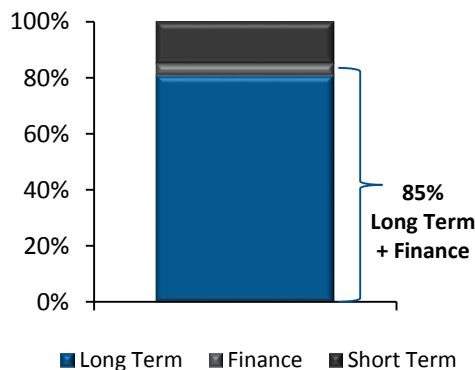
Container Lessors <sup>1</sup>



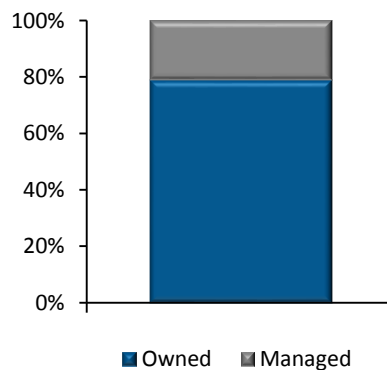
Fleet breakdown <sup>2</sup>



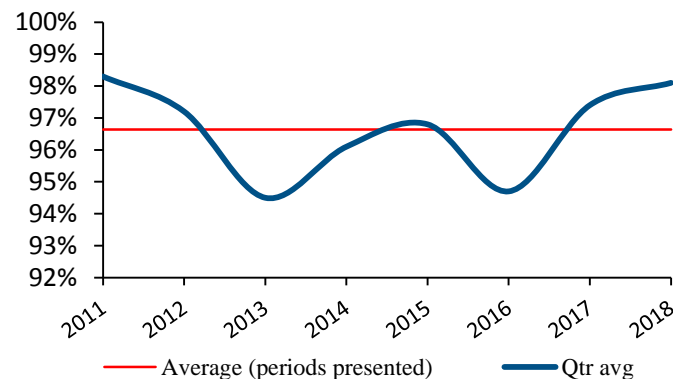
Lease Container Portfolio <sup>3</sup>



Owned vs Managed <sup>3</sup>



Average Fleet Utilization <sup>2</sup>



***Diversified fleet with high utilization and predominantly long-term leases***

(1) Competitor data from World Cargo News Container Industry February 2018; Textainer fleet data updated as of most recent quarter end. Calculated based on TEU  
 (2) Calculated based on CEU, as of December 2018. CEU refers to a Cost Equivalent Unit, a unit of measurement based on the approximate cost of a container relative to the cost of a standard 20' dry freight container  
 (3) Calculated based on TEU, as of December 2018. TEU refers to Twenty-Foot Equivalent Unit, a unit of measurement based on the length of a container relative to a standard 20' dry freight container

# Diversified Revenue Streams

## **“Go To” manager for third party owners**

- Manage 21% of our fleet for 14 third-party owners
- Taken over management of fleets totaling over 1.6 million TEU since 1998

## **Tank container partnership with Trifleet**

- Investing in new tank containers managed by Trifleet
- Leverages both companies’ experience and expertise
- Trifleet is the world’s fourth largest tank lessor with over 25 years of experience and a fleet of approximately 14,000 containers
- Industry grew more than 8% in 2017 <sup>(a)</sup>

## **Sole provider of containers to US Military since 2003**

- Recipient of the National Defense Transportation Association (NDTA) Quality Award in 2008
- Contract has been re-bid and re-awarded twice to Textainer



## **Dedicated international container resale team**

- One of the largest sellers, averaging over 140,000 annual sales over the past 5 years
- Optimizes the residual value in multiple markets, including locations with low lease-out demand, selling used containers to a wide variety of buyers
- Purchases and resells containers from shipping line customers, container traders and other sellers of containers

***Management income, military, tanks, and resale provide growth and diversification***

(a) Source: ITC’s Global Tank Container Survey dated February 2018

# Current Market Environment

## Strong lease-out market continues

- Rental rate yields in low double-digits
- Average new production operating lease terms with Asia-focused return schedules
- Shipping lines favoring lease vs. purchase

## Current container price around \$1,700/CEU

- Prices have decreased due to a weakening Renminbi and steel prices and lower seasonal demand

## Positive container trade growth

- 2019 GDP growth forecast at 3.5%
- Container trade expected to grow at a multiple of GDP
- Increases in vessel capacity and slow steaming also stimulate container demand



**Containers demand is strong and utilization at high levels**

**Limited inventory supply worldwide**

**Used containers are being sold at high prices significantly above book value**

***Most market factors remain positive, amid a decrease in new container prices***

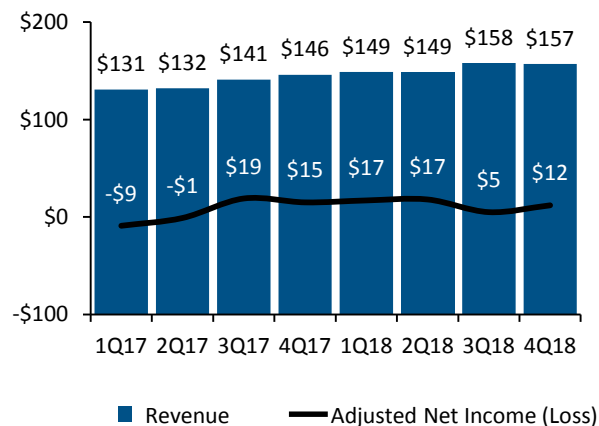
# Summary of 4Q and 2018 Results

\$ in millions except per share figures
Lease rental income <sup>2</sup>
Adjusted EBITDA <sup>1</sup>
Adjusted net income <sup>1</sup>
Adjusted net income per share
Average Utilization

4Q18	3Q18	Change
\$157	\$158	-0%
\$115	\$114	1%
\$12	\$5	147%
\$0.21	\$0.08	163%
98.6%	98.2%	60 bps

FY18	FY17	Change
\$613	\$549	12%
\$443	\$375	18%
\$51	\$23	122%
\$0.90	\$0.41	120%
98.1%	96.4%	170 bps

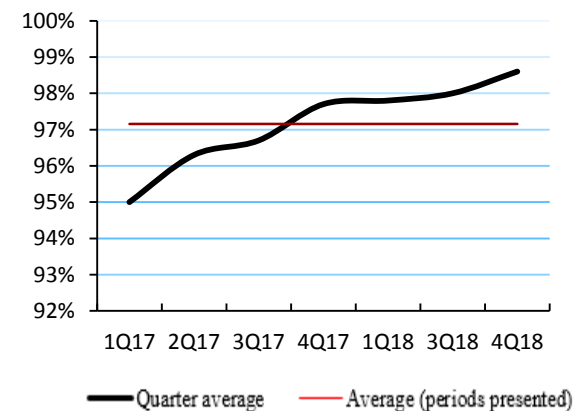
Lease rental income<sup>2</sup> and Adjusted Net Income(Loss)<sup>1</sup>



Adjusted EBITDA<sup>1</sup>



Average Fleet Utilization



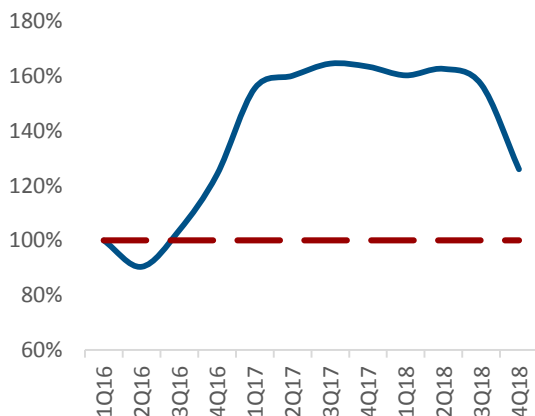
***Focus on improving container yields and profitability***

Note: Figures \$ in millions.

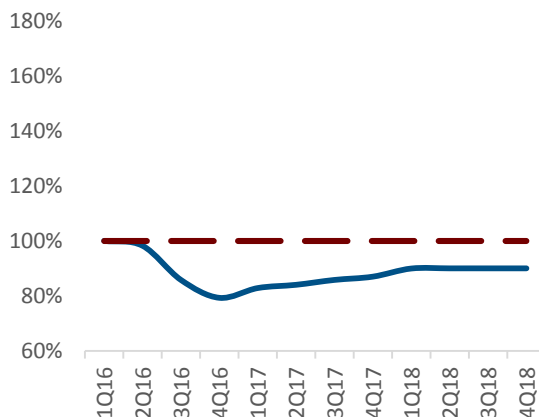
- (1) See reconciliation in Appendix. Adjustments include items such as unrealized gains/losses on interest rate swaps and write-off of unamortized financing fees.
- (2) Includes lease rental income for both the Company's owned fleet and managed fleet. See subsequent slides and 4Q18 Earnings Release for additional details regarding reclassification to the Consolidated Statements of Comprehensive Income.

# Drivers of Improved Financial Performance

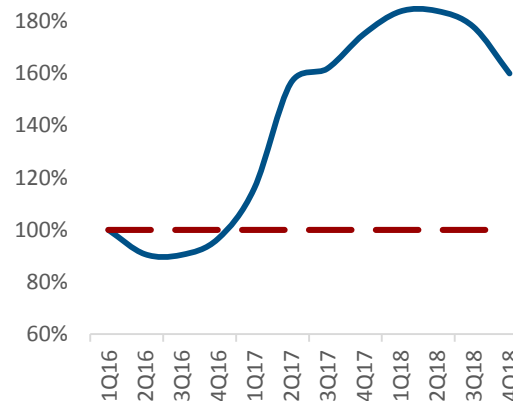
**New Container Price Index (CEU)**



**Avg Fleet Lease Rate Index (CEU)**



**Avg Fleet Sales Price Index (CEU)**



## Projected upside from improvements

### Estimated Annual Pre-Tax Income Impact of Key Metrics

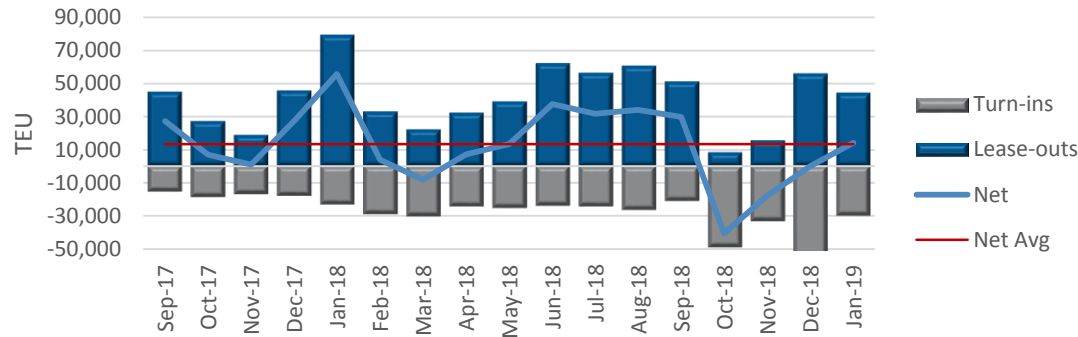
1% increase in utilization	\$9M
\$0.01 increase in average per diem rate	\$10M
\$100 increase in used container sales price	\$10M

- Key indicators remain positive
- \$830M containers received YTD
- Utilization currently at 98.3%

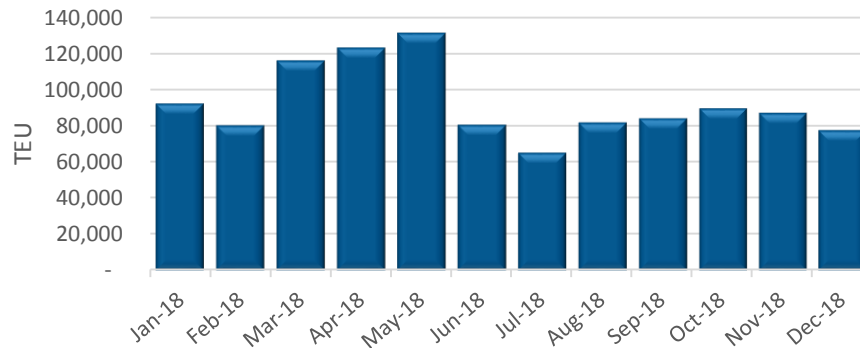
***Fundamentals remain attractive albeit a decrease in new container prices***

# Inventory Supply and Lease-Outs

Container fleet lease-outs and turn-ins



New production (factory) inventory



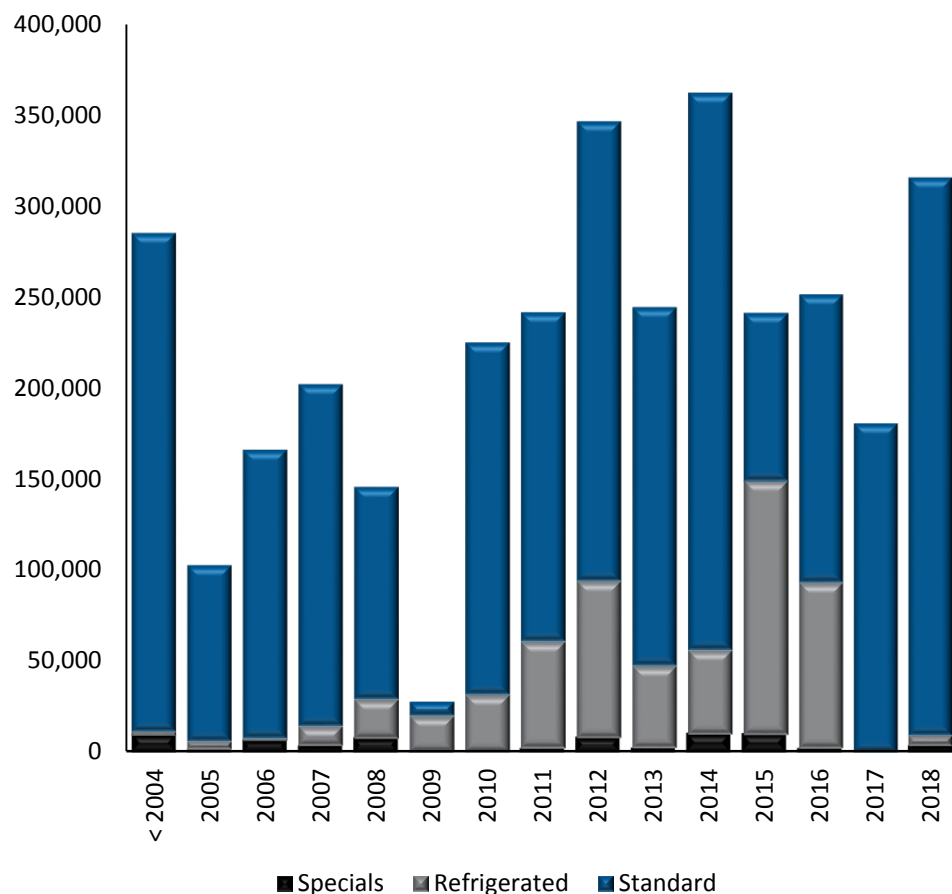
- Over 500,000 TEU leased in 2018; including over 375,000 TEU of new production
- Lease-out to return ratio averaging 1.4 to 1.0 in 2018
- Optimized inventory supply to meet the immediate needs of our customers

*We manage our inventory to maximize supply opportunities to our customers*



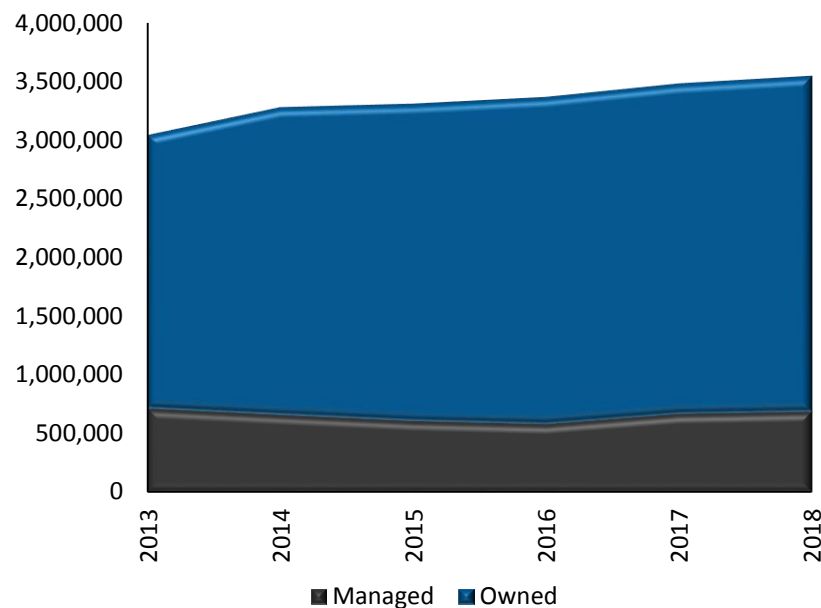
# Container Operating Fleet in CEU

Operating Fleet by Manufacture Year<sup>1</sup>



Fully Depreciated % = 15%  
Average Age = 7.0 years  
5yr CAGR (CEU) = 3%

Fleet Growth



# Fleet Data 2008 – 2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
New Containers Purchased (CEU)	130,330	33,418	219,922	295,684	377,382	229,046	327,026	231,036	248,452	258,123	302,443
Used containers Purchased (CEU)	405	425,655	33,978	157,357	137,165	552	39,434	-	66,593	25,629	22,143
Retired <sup>1</sup> (CEU)	84,940	125,238	98,328	61,167	77,776	113,734	148,621	188,623	249,620	182,638	169,218
New Container Average Capitalized Costs per CEU	\$2,400	\$1,900	\$2,470	\$2,688	\$2,354	\$2,109	\$2,027	\$1,945	\$1,532	\$2,185	\$2,140
Average Disposal Proceeds per CEU <sup>2</sup>	\$1,151	\$817	\$1,112	\$1,697	\$1,444	\$1,209	\$961	\$764	\$582	\$934	\$1,011
Average Disposal Proceeds / Average Capitalized Costs per CEU	48%	43%	45%	63%	61%	57%	47%	39%	38%	40%	47%
Bad Debt Expense as % of Lease rental Income of the owned fleet	1.8%	1.7%	0.1%	0.9%	0.4%	1.7%	-0.1%	1.0%	4.6%	0.1%	0.5%

(1) In depot retirements only (excludes lost on lease)

(2) Includes cash proceeds and repair bills

# Balance Sheet Summary

(\$ in millions)

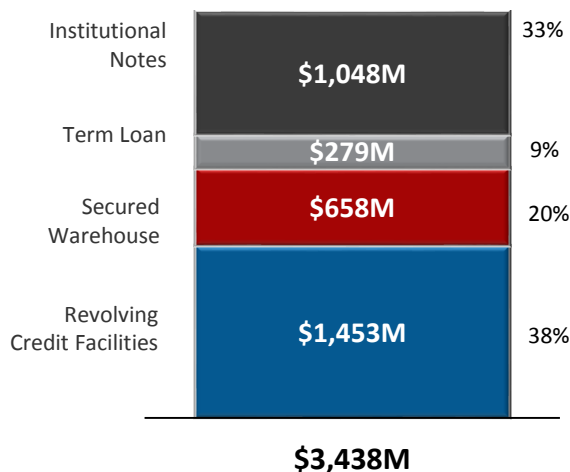
	December 31	December 31,			
	2018	2017	2016	2015	2014
Cash And Cash Equivalents	\$137	\$138	\$84	\$116	\$107
Containers, Net	\$4,134	\$3,791	\$3,718	\$3,696	\$3,630
<b>Total Assets</b>	<b>\$4,744</b>	<b>\$4,380</b>	<b>\$4,294</b>	<b>\$4,365</b>	<b>\$4,359</b>
<i>Growth</i>	8%	3%	-2%	0%	12%
Long-Term Debt (Incl. Current Portion) <sup>1</sup>	\$3,410	\$2,990	\$3,038	\$3,024	\$2,996
<b>Total Liabilities</b>	<b>\$3,504</b>	<b>\$3,170</b>	<b>\$3,109</b>	<b>\$3,099</b>	<b>\$3,107</b>
Non-controlling Interest	\$29	\$58	\$59	\$64	\$60
<b>Total Shareholders' Equity</b>	<b>\$1,211</b>	<b>\$1,153</b>	<b>\$1,126</b>	<b>\$1,202</b>	<b>\$1,193</b>
<b>Total Equity &amp; Liabilities</b>	<b>\$4,744</b>	<b>\$4,380</b>	<b>\$4,294</b>	<b>\$4,365</b>	<b>\$4,359</b>
<b>Debt / Equity plus Non-controlling Interest</b>	<b>2.7x</b>	<b>2.5x</b>	<b>2.6x</b>	<b>2.4x</b>	<b>2.4x</b>

*Strong balance sheet driving momentum with asset growth*

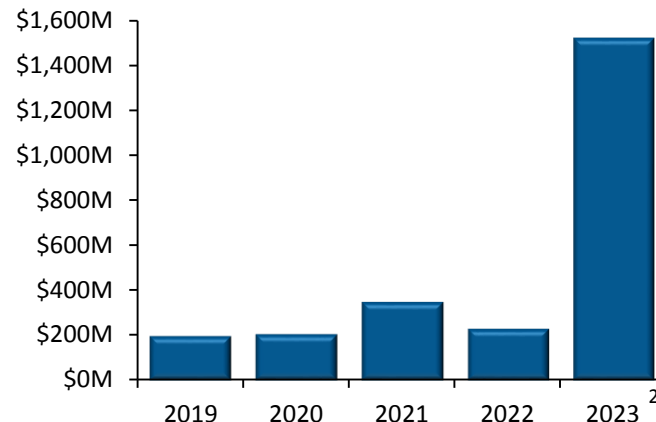
(1) Net of debt issuance costs for periods ended December 31, 2015, December 31, 2016, December 31, 2017, and June 30, 2018

# Textainer Capital Structure

## Diversified funding sources



## Debt principal repayments



	Dec 31, 2018	Percentage of Total Debt	Avg. Remaining Term (Mos)	Interest Rate at Dec 31, 2018
Fixed Rate Debt	\$ 1,327	39%	51	3.97%
Hedged Floating Rate Debt	\$ 1,228	36%	22	3.71%
<b>Total Fixed/Hedged</b>	<b>\$ 2,555</b>	<b>74%</b>	<b>37</b>	3.85%
Unhedged Floating Rate Debt	\$ 883	26%		4.04%
Impact of Fees and Other Charges				0.27%
<b>Total Debt and Effective Interest Rate</b>	<b>\$ 3,438</b>	<b>100%</b>		<b>4.17%</b>
<b>Long-term and finance leases as % of total financed container fleet<sup>1</sup></b>		<b>78%</b>		
<b>Remaining Lease Term</b>			<b>46</b>	

Hedging provides protection during a rising rate environment, limiting the impact of rate increases

*Properly hedged debt from diversified sources and with staggered maturities*

Debt figures represent outstanding borrowings, gross of debt issuance costs

1) Includes all containers in our owned fleet, including off-hire depot inventory and held for resale

2) Includes Revolving Credit outstanding draws of \$1,280M maturing September 2023 that will be refinanced prior to maturity

# Reclassification in the Consolidated Statements of Comprehensive Income

- We revised the presentation of the lease rental activity of our third-party owned managed fleet
- Upon a re-evaluation of the management agreements of the third-party fleet we manage, we and our auditors concluded these agreements convey to us the right to control the managed fleet, therefore meeting the definition of a lease based on the guidance of ASC 840 Leases
- As a result, lease management fee income, previously presented on a net basis, was reclassified and presented on a gross basis for the entire managed fleet
- The following table highlights the resulting changes in the Consolidated Statement of Comprehensive Income, noting no impact to net income

	<u>1Q17</u>	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>
Management fees (as previously reported)	\$ 3,222	\$ 3,534	\$ 4,193	\$ 4,045	\$ 3,988	\$ 4,559	\$ 4,031
Management fees (after reclassification) <sup>1</sup>	1,514	1,788	2,031	1,813	1,815	2,470	1,994
Net decrease in management fee income	\$ 1,708	\$ 1,746	\$ 2,162	\$ 2,232	\$ 2,173	\$ 2,089	\$ 2,037
Lease rental income - managed fleet <sup>2</sup>	\$ 23,408	\$ 23,164	\$ 28,361	\$ 29,633	\$ 28,404	\$ 27,620	\$ 27,926
Distribution to managed fleet owners <sup>2</sup>	21,700	21,418	26,199	27,401	26,231	25,531	25,889
Net increase in managed fleet income	\$ 1,708	\$ 1,746	\$ 2,162	\$ 2,232	\$ 2,173	\$ 2,089	\$ 2,037
Impact to net income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

***Reclassification is only a gross-up on the Statement of Comprehensive Income***

1) After the reclassification, management fees include only sales commission and acquisition fees earned on the managed fleet. Management fees on the lease rental income is grossed-up in the two new line items below

2) Two new line items added to the Consolidated Statement of Comprehensive Income. The net of these two items agree to the management fee earned on the lease rental income of our managed fleet

# Conclusion

- Positive trends in market conditions continue: utilization, lease rates, and used container prices holding at high levels
- Forecasted global trade growth and increased vessel capacity expected to stimulate container demand
- New dry freight lease terms enjoying strong returns, long terms, and tight Asia return provisions
- \$830 million of containers received in 2018 provides earning momentum into the upcoming quarters
- Over 500,000 TEU leased during 2018



*Texainer has significant upside*

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# Appendix

(this section contains information for the company's combined owned and managed fleet)



# Reconciliation of GAAP to Non-GAAP Items

Amounts in millions

## Reconciliation of Adjusted EBITDA

	Three months Ended Dec-18	Twelve months Ended Dec-18	2017	2016	2015	2014
<b>Net income (loss)</b>	\$12	\$50	\$19	(\$51)	\$107	\$189
Interest income	(1)	(2)	(1)	—	—	—
Interest expense	37	138	117	85	77	86
Write-off of unamortized deferred debt issuance costs and discounts	—	1	7	—	—	—
Realized (gains) losses on interest rate swaps and caps, net	(1)	(5)	2	9	13	10
Unrealized (gains) losses on interest rate swaps, net	8	6	(4)	(6)	2	(2)
Income tax (benefit) expense	1	2	2	(3)	7	(18)
Net income (loss) attributable to noncontrolling interest	1	4	2	(5)	6	6
Depreciation expense and container impairment	69	263	239	330	227	177
Amortization expense	(1)	4	4	5	5	4
Gain on insurance recovery	(8)	(8)	—	—	—	—
Costs associated with departing senior executives	—	2	—	—	—	—
Impact of reconciling items on net income (loss) attributable to noncontrolling interest	(2)	(12)	(12)	(17)	(12)	(10)
<b>Adjusted EBITDA</b>	<b>\$115</b>	<b>\$443</b>	<b>\$375</b>	<b>\$347</b>	<b>\$430</b>	<b>\$442</b>

## Reconciliation of Adjusted Net Income (Loss):

<b>Net income (loss)</b>	\$12	\$50	\$19	(\$51)	\$107	\$189
Unrealized (gains) losses on interest rate swaps, net	8	6	(4)	(6)	2	(1)
Write off of unamortized debt issuance costs	—	1	8	—	—	7
Gain on insurance recovery	(8)	(8)	—	—	—	—
Costs associated with departing senior executives	—	2	—	—	—	—
Impact of reconciling items on income tax expense	—	(1)	—	—	—	—
Impact of reconciling items on net income (loss) attributable to noncontrolling interest	—	1	—	1	—	(1)
<b>Adjusted Net Income (Loss)</b>	<b>\$12</b>	<b>\$51</b>	<b>\$23</b>	<b>(\$56)</b>	<b>\$109</b>	<b>\$194</b>



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