Textainer Group Holdings Limited Reports Third Quarter 2008 Results and Declares Quarterly Dividend

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Business Wire

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Textainer Group Holdings Limited (NYSE:TGH) ("Textainer"), the world's largest lessor of intermodal containers based on fleet size, today reported results for the third quarter ended September 30, 2008.

Total revenues for the quarter increased by $4.4 million, or 7%, to $69.7 million compared to $65.3 million in the prior year quarter primarily due to a $2.3 million, or 5%, increase in lease rental income to $50.9 million compared to $48.6 million in the prior year quarter. EBITDA(1) for the quarter increased by $2.7 million, or 6%, to $45.4 million compared to $42.7 million in the prior year quarter.

Net income excluding unrealized (gains) losses on interest rate swaps, net(1) for the quarter was $24.0 million, an 11% increase over the $21.5 million earned in the prior year quarter. Net income per diluted common share excluding unrealized (gains) losses on interest rate swaps, net(1) for the quarter was $0.50 per share, an 11% decrease from the $0.56 per share in the prior year quarter. Textainer's higher number of weighted average shares outstanding for the third quarter of 2008 compared to the prior year quarter, which did not reflect the additional shares issued in Textainer's initial public offering completed in the fourth quarter of 2007, contributed to a decrease in Textainer's net income per diluted common share excluding unrealized (gains) losses on interest rate swaps, net. Net income for the quarter was $24.6 million, a 27% increase over the prior year quarter. Textainer's net income per diluted common share increased by $0.01 per share, or 2%, to $0.51 per share for the third quarter of 2008 from $0.50 per share in the prior year quarter.

There were three significant items that impacted income before income tax and minority interest expense during the third quarter of 2008. First, Textainer has experienced a significant increase in container resale prices over the last few years as a result of (i) a lower number of containers available for sale due to higher utilization and (ii) the increased cost of new containers. Based on this extended period of higher realized container resale prices and Textainer's expectation that new equipment prices will remain near current levels, Textainer increased the estimated future residual values of its containers used in the calculation of depreciation expense during the third quarter of 2008. The effect of this change for the third quarter of 2008 was a reduction in depreciation expense of $3.6 million. Second, Textainer's gain on lost military containers, net decreased by $4.2 million to $0.5 million compared to $4.6 million in the prior year quarter due to the U.S. military reporting fewer lost containers during the third quarter of 2008. Finally, bad debt expense, net increased $2.2 million to $2.5 million compared to $0.3 million in the prior year quarter primarily due to an increase in Textainer's allowance for doubtful accounts resulting from the bankruptcies of two of its customers.

"I am very pleased with our third quarter 2008 results. Overall demand for our containers through September remained strong. Textainer's utilization increased by almost 3% to 97% from the second quarter of 2008 to the third quarter of 2008," commented John A. Maccarone, President and CEO of Textainer.

As previously announced, in July, Textainer Marine Containers Limited ("TMCL"), Textainer's primary asset owning subsidiary, extended and increased the size of its secured debt facility. The secured debt facility was extended over an initial two-year revolving period, and the total commitment under the secured debt facility was increased from $300 million to $475 million.

Mr. Maccarone added, "We are extremely pleased to have been able to extend and increase the size of TMCL's securitization facility. Given the current challenging conditions in the credit markets in general, and the asset-backed market in particular, we believe that the success of this transaction demonstrates the participating banks' strong confidence and commitment to Textainer."

"The successful completion of this transaction strengthens our liquidity position. We believe that this facility, as well as Textainer Limited's previously-announced $205 million, five-year revolving credit agreement, will help to ensure that we have access to the financing necessary to position Textainer for future growth."

Outlook

The current downturn in the world's major economies and the constraints in the credit markets are expected to cause containerized cargo volume growth to slow or become negative on some trade routes. Typically slow or negative growth in containerized cargo volume leads to surplus containers, lower utilization, higher direct costs (mainly storage costs) and weaker shipping lines going out of business.

Although Textainer's utilization is currently at 97%, Textainer has been advised by some of its customers that they currently plan to reduce the size of their container fleets because of lower cargo volumes. At the same time, we anticipate that available container ship capacity worldwide will expand by 10-12% in 2009, which would typically contribute to lower freight rates. We have already noticed that some of our customers have concluded that it would be more cost-effective to lease in-fleet containers than to either buy containers at higher prices or lease new containers. As a result, we expect that the extension of leases on in-fleet containers will become a more important area of focus for Textainer in 2009. We expect that leasing of in-fleet containers will continue to be attractive to shipping lines seeking to reduce operating costs because of declining freight rates.

Our long-term strategy is to grow both organically and through acquisitions. We believe the factors noted above would likely result in several potential acquisition opportunities. As a result of renewing, amending and expanding our credit facilities earlier this year, Textainer had over $400 million of liquidity with its credit facilities and available cash and low leverage relative to past levels. Despite the great difficulty in projecting future results in our current economic environment, we intend to actively seek acquisition opportunities that we believe would be accretive in the months ahead.

Another possible area for growth is the sale and leaseback of customer-owned containers. We expect that these sale and leaseback transactions would help free up cash for our customers to use for their other needs, such as vessel financing. We also expect that these sale and leaseback transactions would allow Textainer to buy attractively priced older containers and place them on leases for the remainder of their marine service lives. We intend to pursue several such opportunities.

We intend to focus on keeping utilization as high as possible during the current economic downturn by promoting the extension of leases for in-fleet containers. We believe that we are very well positioned to capitalize on attractive opportunities in acquisitions, sale-leasebacks and long-term lease transactions.

Dividend

On November 4, 2008, Textainer's board of directors approved and declared a quarterly cash dividend of $0.23 per share on Textainer's issued and outstanding common shares, payable on November 26, 2008 to shareholders of record as of November 17, 2008. This dividend is unchanged from the second quarter 2008 as Textainer takes a cautious approach until it can gauge the effect of uncertain global economic conditions.

Investors' Webcast

Textainer will hold a conference call and a Webcast at 2:00 p.m. EST on Thursday November 6, 2008 to discuss Textainer's third quarter 2008 results. An archive of the Webcast will be available one hour after the live call through November 6, 2009. For callers in the U.S. the dial-in number for the conference call is 1-800-762-8908; for callers outside the U.S. the dial-in number for the conference call is 1-480-629-9572. To access the live Webcast or archive, please visit Textainer's website at http://www.textainer.com.

About Textainer Group Holdings Limited

Textainer has operated since 1979 and is the world's largest lessor of intermodal containers based on fleet size. We have a total of more than 1.3 million containers, representing over 2,000,000 TEU, in our owned and managed fleet. We lease containers to more than 400 shipping lines and other lessees. We principally lease dry freight containers, which are by far the most common of the three principal types of intermodal containers, although we also lease specialized and refrigerated containers. We have also been one of the largest purchasers of new containers among container lessors over the last 10 years. We believe we are also one of the largest sellers of used containers, having sold an average of more than 53,000 containers per year for the last five years. We provide our services worldwide via a network of 14 regional and area offices and over 350 independent depots in more than 130 locations.

Important Cautionary Information Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of U.S. securities laws. Forward-looking statements include statements that are not statements of historical facts and include, without limitation, statements regarding (i) Textainer's expectation that container resale prices and new equipment prices will remain near current levels; (ii) Textainer's expectation that the pending global recession will cause commercialized cargo volume growth to slow, or even become negative on some trade routes; (iii) Textainer's expectation that available container ship capacity worldwide will expand by 10-12% in 2009; (iv) Textainer's expectations and intentions regarding the extension of leases on in-fleet containers; (v) Textainer's expectation that the leasing of in-fleet containers will continue to be attractive to shipping lines seeking to reduce operating costs because of lower declining freight rates; (vi) Textainer's intentions regarding acquisition opportunities; (vii) Textainer's expectations and intentions regarding sale and lease back transactions; and (viii) Textainer's belief that it is very well positioned to capitalize on attractive opportunities in acquisitions, sale-leaseback and long-term lease transactions. Readers are cautioned that these forward-looking statements involve risks and uncertainties, are only predictions and may differ materially from actual future events or results. These risks and uncertainties include, without limitation, the risk that the current global credit crisis and pending global recession may adversely affect our business, financial condition and results of operations, including the risk that the current global credit crisis may delay or prevent Textainer's customers from making payment; the risk that gains and losses associated with the disposition of equipment may fluctuate; Textainer's ability to finance continued purchase of containers; the demand for leased containers depends on many political and economic factors beyond Textainer's control; lease and freight rates may decline; the demand for leased containers is partially tied to international trade; Textainer faces extensive competition in the container leasing industry; the international nature of the container shipping industry exposes Textainer to numerous risks; and other risks and uncertainties, including those set forth in Textainer's filings with the Securities and Exchange Commission. For a discussion of some of these risks and uncertainties, see Item 4 "Risk Factors" in Textainer's Quarterly Report on Form 6-K for the three months ended March 31, 2008, filed with the Securities and Exchange Commission on May 14, 2008.

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