
**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 March 31, 2023

Commission File Number 001-33725

Textainer Group Holdings Limited
(Translation of Registrant's name into English)

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Shares, \$0.01 par value	TGH	New York Stock Exchange
7.00% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preference Shares, \$0.01 par value	TGH PRA	New York Stock Exchange
6.25% Series B Fixed Rate Cumulative Redeemable Perpetual Preference Shares, \$0.01 par value	TGH PRB	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 Months Ended March 31, 2023
Table of Contents

	<u>Page</u>
<u>Information Regarding Forward-Looking Statements; Cautionary Language</u>	3
<u>Item 1. Condensed Consolidated Financial Statements (Unaudited):</u>	4
<u>Condensed Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022</u>	4
<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2023 and 2022</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2023 and 2022</u>	6
<u>Condensed Consolidated Statements of Shareholders' Equity for the Three Months Ended March 31, 2023 and 2022</u>	7
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2023 and 2022</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	9
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Item 3. Quantitative and Qualitative Disclosures About Market and Credit Risk</u>	33
<u>Item 4. Risk Factors</u>	34
<u>Signature</u>	36

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, 2022 filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 14, 2023 (our “2022 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 2022 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 2022 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 anticipated trends and effects in respect of the COVID-19 pandemic and post-pandemic, and other factors discussed under Item 3, “*Key Information -- Risk Factors*” included in our 2022 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 2022 Form 20-F.

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

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

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 142,598	\$ 164,818
Marketable securities	755	1,411
Accounts receivable, net of allowance of \$1,716 and \$1,582, respectively	116,960	114,805
Net investment in finance leases, net of allowance of \$190 and \$252, respectively	130,381	130,913
Container leaseback financing receivable, net of allowance of \$47 and \$62, respectively	54,710	53,652
Trading containers	6,115	4,848
Containers held for sale	37,368	31,637
Prepaid expenses and other current assets	18,028	16,703
Due from affiliates, net	2,867	2,758
Total current assets	509,782	521,545
Restricted cash	102,011	102,591
Containers, net of accumulated depreciation of \$2,062,674 and \$2,029,667, respectively	4,256,456	4,365,124
Net investment in finance leases, net of allowance of \$735 and \$1,027, respectively	1,657,127	1,689,123
Container leaseback financing receivable, net of allowance of \$27 and \$52, respectively	757,003	770,980
Derivative instruments	124,151	149,244
Deferred taxes	1,163	1,135
Other assets	12,644	13,492
Total assets	<u>\$ 7,420,337</u>	<u>\$ 7,613,234</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 20,235	\$ 24,160
Container contracts payable	1,817	6,648
Other liabilities	5,203	5,060
Due to container investors, net	15,518	16,132
Debt, net of unamortized costs of \$7,781 and \$7,938, respectively	394,186	377,898
Total current liabilities	436,959	429,898
Debt, net of unamortized costs of \$24,762 and \$26,946, respectively	4,950,036	5,127,021
Derivative instruments	4,885	—
Income tax payable	13,483	13,196
Deferred taxes	14,276	13,105
Other liabilities	32,322	33,725
Total liabilities	5,451,961	5,616,945
Shareholders' Equity:		
Cumulative redeemable perpetual preferred shares, \$0.01 par value, \$25,000 liquidation preference per share. Authorized 10,000,000 shares; 12,000 shares issued and outstanding (equivalent to 12,000,000 depository shares at \$25.00 liquidation preference per depository share)	300,000	300,000
Common shares, \$0.01 par value. Authorized 140,000,000 shares; 59,970,152 shares issued and 42,395,343 shares outstanding at 2023; 59,943,282 shares issued and 43,634,655 shares outstanding at 2022	600	599
Treasury shares, at cost, 17,574,809 and 16,308,627 shares, respectively	(379,210)	(337,551)
Additional paid-in capital	444,751	442,154
Accumulated other comprehensive income	117,737	147,350
Retained earnings	1,484,498	1,443,737
Total shareholders' equity	1,968,376	1,996,289
Total liabilities and shareholders' equity	<u>\$ 7,420,337</u>	<u>\$ 7,613,234</u>

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(All currency expressed in United States dollars in thousands, except per share amounts)

	Three Months Ended March 31,	
	2023	2022
Revenues:		
Operating leases - owned fleet (1)	\$ 145,324	\$ 151,492
Operating leases - managed fleet (1)	11,110	12,641
Finance leases and container leaseback financing receivable - owned fleet (1)	38,467	34,585
Total lease rental income	194,901	198,718
Management fees - non-leasing	744	532
Trading container sales proceeds	3,966	7,618
Cost of trading containers sold	(4,121)	(6,756)
Trading container margin	(155)	862
Gain on sale of owned fleet containers, net	9,548	15,913
Operating expenses:		
Direct container expense - owned fleet	10,043	5,519
Distribution expense to managed fleet container investors	9,925	11,173
Depreciation and amortization (1)	71,838	72,493
General and administrative expense	13,119	11,527
Bad debt (recovery) expense, net	(305)	477
Container lessee default expense, net	39	120
Total operating expenses	104,659	101,309
Income from operations	100,379	114,716
Other (expense) income:		
Interest expense	(42,130)	(35,309)
Other, net (1)	1,822	(94)
Net other expense	(40,308)	(35,403)
Income before income taxes	60,071	79,313
Income tax expense	(1,476)	(1,639)
Net income	58,595	77,674
Less: Dividends on preferred shares	4,969	4,969
Net income attributable to common shareholders	\$ 53,626	\$ 72,705
Net income attributable to common shareholders per share:		
Basic	\$ 1.24	\$ 1.50
Diluted	\$ 1.22	\$ 1.47
Weighted average shares outstanding (in thousands):		
Basic	43,115	48,403
Diluted	43,850	49,303

(1) Amounts for the period ended March 31, 2022 have been reclassified to conform with the 2023 presentation (see Note 2 (f) "Reclassifications and Changes in Presentation").

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(All currency expressed in United States dollars in thousands)

	Three Months Ended March 31,	
	2023	2022
Net income	\$ 58,595	\$ 77,674
Other comprehensive income (loss), before tax:		
Change in derivative instruments designated as cash flow hedges	(13,584)	59,380
Reclassification of realized (gain) loss on derivative instruments designated as cash flow hedges	(16,394)	3,291
Foreign currency translation adjustments	66	(56)
Comprehensive income, before tax	28,683	140,289
Income tax benefit (expense) related to items of other comprehensive income	299	(567)
Comprehensive income, after tax	28,982	139,722
Less: Dividends on preferred shares	4,969	4,969
Comprehensive income attributable to common shareholders	<u>\$ 24,013</u>	<u>\$ 134,753</u>

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Shareholders' Equity

(Unaudited)

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

	Preferred shares		Common shares		Treasury shares		Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances, December 31, 2021	12,000	\$ 300,000	59,503,710	\$ 595	(10,671,855)	\$ (158,459)	\$ 428,945	\$ 9,750	\$ 1,200,423	\$ 1,781,254
Exercise of share options	—	—	143,975	1	—	—	3,905	—	—	3,906
Purchase of treasury shares	—	—	—	—	(957,689)	(36,409)	—	—	—	(36,409)
Share-based compensation expense	—	—	—	—	—	—	1,727	—	—	1,727
Preferred shares dividends declared	—	—	—	—	—	—	—	—	(4,969)	(4,969)
Dividends declared to common shareholders	—	—	—	—	—	—	—	—	(12,054)	(12,054)
Net income	—	—	—	—	—	—	—	—	77,674	77,674
Comprehensive income (loss):										
Change in derivative instruments designated as cash flow hedges	—	—	—	—	—	—	—	59,380	—	59,380
Reclassification of realized loss on derivative instruments designated as cash flow hedges	—	—	—	—	—	—	—	3,291	—	3,291
Foreign currency translation adjustments	—	—	—	—	—	—	—	(56)	—	(56)
Income tax expense related to items of other comprehensive income	—	—	—	—	—	—	—	(567)	—	(567)
Total comprehensive income	—	—	—	—	—	—	—	—	—	62,048
Balances, March 31, 2022	12,000	\$ 300,000	59,647,685	\$ 596	(11,629,544)	\$ (194,868)	\$ 434,577	\$ 71,798	\$ 1,261,074	\$ 1,873,177
Balances, December 31, 2022	12,000	\$ 300,000	59,943,282	\$ 599	(16,308,627)	\$ (337,551)	\$ 442,154	\$ 147,350	\$ 1,443,737	\$ 1,996,289
Exercise of share options	—	—	26,870	1	—	—	336	—	—	337
Purchase of treasury shares	—	—	—	—	(1,266,182)	(41,659)	—	—	—	(41,659)
Share-based compensation expense	—	—	—	—	—	—	2,261	—	—	2,261
Preferred shares dividends declared	—	—	—	—	—	—	—	—	(4,969)	(4,969)
Dividends declared to common shareholders	—	—	—	—	—	—	—	—	(12,865)	(12,865)
Net income	—	—	—	—	—	—	—	—	58,595	58,595
Comprehensive income (loss):										
Change in derivative instruments designated as cash flow hedges	—	—	—	—	—	—	—	(13,584)	—	(13,584)
Reclassification of realized gain on derivative instruments designated as cash flow hedges	—	—	—	—	—	—	—	(16,394)	—	(16,394)
Foreign currency translation adjustments	—	—	—	—	—	—	—	66	—	66
Income tax benefit related to items of other comprehensive income	—	—	—	—	—	—	—	299	—	299
Total comprehensive loss	—	—	—	—	—	—	—	—	—	(29,613)
Balances, March 31, 2023	12,000	\$ 300,000	59,970,152	\$ 600	(17,574,809)	\$ (379,210)	\$ 444,751	\$ 117,737	\$ 1,484,498	\$ 1,968,376

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(All currency expressed in United States dollars in thousands)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 58,595	\$ 77,674
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (1)	71,838	72,493
Bad debt (recovery) expense, net	(305)	477
Amortization of unamortized debt issuance costs and accretion of bond discounts	2,344	2,615
Gain on sale of owned fleet containers, net	(9,548)	(15,913)
Share-based compensation expense	2,261	1,727
Changes in operating assets and liabilities (1)	27,056	48,886
Total adjustments	93,646	110,285
Net cash provided by operating activities	152,241	187,959
Cash flows from investing activities:		
Purchase of containers	(7,775)	(204,445)
Payments on container leaseback financing receivable	—	(303,894)
Proceeds from sale of containers	41,908	29,656
Receipt of principal payments on container leaseback financing receivable	13,156	7,444
Other (1)	5	(2,031)
Net cash provided by (used in) investing activities	47,294	(473,270)
Cash flows from financing activities:		
Proceeds from debt	—	482,100
Payments on debt	(163,041)	(149,262)
Principal repayments on container leaseback financing liability, net	(204)	(200)
Purchase of treasury shares	(41,659)	(36,409)
Issuance of common shares upon exercise of share options	337	3,906
Dividends paid on common shares	(12,865)	(12,054)
Dividends paid on preferred shares	(4,969)	(4,969)
Net cash (used in) provided by financing activities	(222,401)	283,112
Effect of exchange rate changes	66	(56)
Net change in cash, cash equivalents and restricted cash	(22,800)	(2,255)
Cash, cash equivalents and restricted cash, beginning of the year	267,409	282,572
Cash, cash equivalents and restricted cash, end of the period	\$ 244,609	\$ 280,317
Supplemental disclosures of cash flow information:		
Interest paid	\$ 39,475	\$ 32,266
Income taxes paid	\$ 3	\$ 140
Receipt of payments on finance leases, net of income earned	\$ 33,142	\$ 53,132
Supplemental disclosures of noncash investing activities:		
Decrease in accrued container purchases	\$ 4,831	\$ 10,913
Containers placed in finance leases	\$ 736	\$ 57,361

(1) Amounts for the period ended March 31, 2022 have been reclassified to conform with the 2023 presentation (see Note 2 (f) "Reclassifications and Changes in Presentation").

The accompanying notes to condensed consolidated financial statements are an integral part of these 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 also manages and provides administrative support to the third-party owners’ (the “Container Investors”) container fleets.

The Company conducts its business activities in three main segments: Container Ownership, Container Management and Container Resale (see Note 9 “Segment Information”).

(2) Basis of Presentation and Accounting Policies**(a) Basis of Presentation and Consolidation**

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, 2022 (“2022 Form 20-F”) filed with the Securities and Exchange Commission on February 14, 2023.

The condensed consolidated financial statements of the Company include TGH and all of its wholly-owned subsidiaries. All significant intercompany accounts and balances have been eliminated in consolidation.

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 condensed financial statements. The Company’s management evaluates its estimates on an ongoing basis, including those related to container leasing equipment such as residual values and depreciable lives, 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 March 31, 2023, the Company’s condensed consolidated statements of operations, comprehensive income, shareholders’ equity and cash flows for the three month periods ended March 31, 2023 and 2022. 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, 2023.

(b) Concentration of Credit Risk

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 geographic concentration lies with the creditworthiness of the lessees rather than the location of the containers or the domicile of the lessees.

Total lease rental income, as reported in the condensed consolidated statements of operations, 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 tables below, no other single lessee accounted for more than 10% of the Company’s total lease rental income for the three months ended March 31, 2023 and 2022:

Total Lease Rental Income	Three Months Ended March 31	
	2023	2022
Customer A	25.4%	23.3%
Customer B	11.7%	14.7%
Customer C	10.8%	11.2%

Other financial instruments that are exposed to concentrations of credit risk are cash and cash equivalents, restricted cash balances, and derivatives (see Note 8 “Debt and Derivative Instruments” for further discussions). The Company maintains cash and

cash equivalents and restricted cash accounts with various financial institutions, which often exceed Federal Deposit Insurance Corporation (FDIC) or foreign equivalents insurance limits. The Company has not experienced any losses in such accounts with these financial institutions. The Company does not anticipate any non-performance by the financial institutions or derivative counterparties as they are highly rated financial institutions.

(c) Container Leasing Equipment

Capitalized costs for container leasing equipment include the container cost payable to the manufacturer, inspection, delivery, and the associated transportation costs incurred in moving the Company's containers from the manufacturer to the containers' first destined location. Container leasing equipment are depreciated using the straight-line method over their estimated useful lives to an estimated residual value. Used containers are depreciated based upon their remaining useful lives at the date of acquisition to an estimated residual value. Repair and maintenance costs that do not extend the useful lives of the container leasing equipment are recognized in "direct container expense - owned fleet" in the condensed consolidated statements of operations at the time the costs are incurred.

Impairment of Container Leasing Equipment

The Company reviews its container leasing equipment 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 container leasing equipment 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 container leasing equipment for the three months ended March 31, 2023 and 2022.

Write-Off (Recoveries) of Container Leasing Equipment due to Lessees in Default

The Company evaluates the recoverability of the recorded amounts of container leasing equipment that are unlikely to be recovered from lessees in default. For the three months ended March 31, 2023 and 2022, there were no impairment charges to write-off containers that were unlikely to be recovered from lessees in default and no gains associated with recoveries on containers previously estimated as lost with lessees in default.

(d) Containers Held for Sale

Containers identified as held 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 is estimated based on recent gross sales proceeds for sales of similar types of containers in the locations in which the containers are stored. When containers are sold or otherwise retired, the cost and related accumulated depreciation are removed, and any resulting gain or loss is recognized.

Subsequent additions or reductions to the fair values of these written down assets are recorded as adjustments to the carrying value of the containers held for sale. The carrying value of containers held for sale that have been impaired and written down to their estimated fair value less cost to sell was \$6,556 and \$3,556 as of March 31, 2023 and December 31, 2022, respectively. 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. During the three months ended March 31, 2023 and 2022, the Company recorded container impairment charges of \$1,745 and \$350, 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. The impairment charges are included in "depreciation and amortization" in the condensed consolidated statements of operations.

(e) Fair Value Measurements

As of March 31, 2023 and December 31, 2022, the carrying amounts of cash and cash equivalents, restricted cash, accounts receivable and payable, due from affiliates, net, container contracts payable and due to container investors, net, approximate their fair values due to the short-term nature of these financial instruments. See Note 2 (d) “Containers Held for Sale”, Note 5 “Leases” and Note 8 “Debt and Derivative Instruments” for further discussions on fair value of containers held for sale, fair value of net investment in finance leases and container leaseback financing receivable, and fair value of derivative instruments, respectively.

As of March 31, 2023 and December 31, 2022, the Company held investments in marketable equity securities with readily determinable fair values of \$755 and \$1,411, respectively. The fair value of investments in marketable equity securities is measured at each balance sheet date based on quoted market prices (Level 1), with changes in fair value recorded in earnings as “other, net” in the condensed consolidated statements of operations.

(f) Reclassifications and Changes in Presentation

Certain prior period amounts for the three months ended March 31, 2022 have been reclassified to conform to the current period presentation. The reclassifications as discussed below have no effect on previously reported net income and net change in cash, cash equivalents, and restricted cash.

- The Company reclassified the total lease rental income out of the previously reported line items “lease rental income - owned fleet” and “lease rental income - managed fleet” to the line items “operating leases – owned fleet”, “operating leases – managed fleet” and “finance leases and container leaseback financing receivable – owned fleet” to additionally present the breakdown of total lease rental income by lease type in the condensed consolidated statements of operations.
- The Company reclassified the amounts out of the separate line item “amortization expense” to be included within the line item “depreciation and amortization” in the condensed consolidated statements of operations and in the condensed consolidated statements of cash flows.
- The Company reclassified the amounts out of the separate line items “realized gain (loss) on financial instruments, net” and “unrealized gain (loss) on financial instruments, net” to be included within the line item “other, net” and “changes in operating assets and liabilities” in the condensed consolidated statements of operations and in the condensed consolidated statements of cash flows, respectively.
- The Company reclassified the fixed asset purchase amounts out of the previously reported line item “purchase of containers and fixed assets” to be included to the separate line item “other” in the consolidated statements of cash flows.

(g) Recently Issued Accounting Standards

In March 2022, the FASB issued Accounting Standards Update No. 2022-02, *Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures* (“ASU 2022-02”). The amendment eliminates the accounting guidance for troubled debt restructurings by creditors in *Topic 310 - Receivables* and amends the disclosure requirements for restructurings involving borrowers that are experiencing financial difficulty under ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which was adopted by the Company on the effective date of January 1, 2020. ASU 2022-02 requires disclosure of current period gross write-offs by year of origination for financing receivables and net investment in finance leases and must be included in the vintage disclosure of the amortized cost basis of financing receivables and net investment in finance leases by credit quality indicator and by year of origination as required by ASU 2016-13. The Company adopted ASU 2022-02 effective January 1, 2023 on a prospective basis and the adoption of this guidance did not have an impact on the Company’s condensed consolidated financial statements.

There were no changes to the Company’s significant accounting policies during the three months ended March 31, 2023. For further discussion on the Company’s accounting policies, please refer to Note 1 “Nature of Business and Summary of Significant Accounting Policies” in Item 18, “Financial Statements” in our 2022 Form 20-F.

(3) Managed Container Fleet

Under the Company's management agreements for managed container fleet, the Company is responsible for providing the leasing services to the customers and responsible for directing and integrating third-party vendors to fulfill its performance obligations. Therefore, it was determined that 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 a lease.

Lease rental income and expenses from the managed fleet owned by Container Investors are reported on a gross basis. Lease rental income from managed fleet represents rental charges billed to the ultimate lessees 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.

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.

The Company is deemed to own certain of the managed containers purchased by the Company 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 "containers, net" in the Company's condensed consolidated balance sheets as of March 31, 2023 and December 31, 2022. The purchase consideration paid by the Container Investors for such containers is reported as a deemed financial liability of the Company. As of March 31, 2023 and December 31, 2022, the Company's container leaseback financial liability to the Container Investors amounted to \$14,637, and \$14,841, respectively, which were reported as "other liabilities" in the condensed consolidated balance sheets.

The Company's container leasing equipment includes such managed containers in the condensed consolidated balance sheets as of March 31, 2023 and December 31, 2022, which consisted of the following:

	March 31, 2023			December 31, 2022		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Containers - owned fleet	\$ 6,302,713	\$ (2,060,508)	\$ 4,242,205	\$ 6,378,374	\$ (2,027,743)	\$ 4,350,631
Containers - managed fleet	16,417	(2,166)	14,251	16,417	(1,924)	14,493
Total containers	<u>\$ 6,319,130</u>	<u>\$ (2,062,674)</u>	<u>\$ 4,256,456</u>	<u>\$ 6,394,791</u>	<u>\$ (2,029,667)</u>	<u>\$ 4,365,124</u>

Income from the managed fleet, including management fees earned from acquisition fees and sales commissions during the three months ended March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31,	
	2023	2022
Lease rental income - managed fleet	\$ 11,110	\$ 12,641
Less: distribution expense to managed fleet container investors	(9,925)	(11,173)
Less: depreciation and interest expense on managed containers purchased on or after January 1, 2019	(443)	(453)
	742	1,015
Management fees from non-leasing services	744	532
Total	<u>\$ 1,486</u>	<u>\$ 1,547</u>

The following table provides a reconciliation of the balance sheet accounts from the managed fleet to the total amount as of March 31, 2023 and December 31, 2022 in the condensed consolidated balance sheets (also, see Note 4 “Transactions with Affiliates and Container Investors”):

	March 31, 2023	December 31, 2022
Accounts receivable, net - owned fleet	\$ 109,259	\$ 107,457
Accounts receivable, net - managed fleet	7,701	7,348
Total accounts receivable, net	<u>\$ 116,960</u>	<u>\$ 114,805</u>
Prepaid expenses and other current assets - owned fleet	\$ 17,936	\$ 16,614
Prepaid expenses and other current assets - managed fleet	92	89
Total prepaid expenses and other current assets	<u>\$ 18,028</u>	<u>\$ 16,703</u>
Accounts payable and accrued expenses - owned fleet	\$ 19,057	\$ 22,868
Accounts payable and accrued expenses - managed fleet	1,178	1,292
Total accounts payable and accrued expenses	<u>\$ 20,235</u>	<u>\$ 24,160</u>
Container contracts payable - owned fleet	\$ 1,817	\$ 6,648
Total container contracts payable	<u>\$ 1,817</u>	<u>\$ 6,648</u>

For further discussion on the Company’s managed container fleet, please refer to Item 18, “Financial Statements – Note 2” in our 2022 Form 20-F.

(4) Transactions with Affiliates and Container Investors

Due from affiliates, net of \$2,867 and \$2,758, as of March 31, 2023 and December 31, 2022, 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. See Note 3 “Managed Fleet” for further detail on management fees earned from the Company’s managed fleet.

There were no due to affiliated Container Investors as of March 31, 2023 and December 31, 2022. The following table provides a summary of due to container investors, net at March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Accounts receivable, net - managed fleet	\$ 7,701	\$ 7,348
Prepaid expenses and other current assets - managed fleet	92	89
Accounts payable and accrued expenses - managed fleet	(1,178)	(1,292)
	6,615	6,145
Distributions due to container investors on lease rentals collected, net of container expenses paid and management fees	8,903	9,987
Due to container investors, net	<u>\$ 15,518</u>	<u>\$ 16,132</u>

(5) **Leases**

(a) **Lessor**

The Company's lease rental income for the three months ended March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31,					
	2023			2022		
	Owned	Managed	Total	Owned	Managed	Total
Lease rental income - operating leases	\$ 141,078	\$ 10,374	\$ 151,452	\$ 148,831	\$ 12,356	\$ 161,187
Interest income on net investment in finance leases	26,487	—	26,487	27,458	—	27,458
Interest income on container leaseback financing receivable	11,838	—	11,838	7,019	—	7,019
Variable lease revenue	4,388	736	5,124	2,769	285	3,054
Total lease rental income	<u>\$ 183,791</u>	<u>\$ 11,110</u>	<u>\$ 194,901</u>	<u>\$ 186,077</u>	<u>\$ 12,641</u>	<u>\$ 198,718</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 \$(145) and \$0 for the three months ended March 31, 2023 and 2022, respectively, were included in "gain on sale of owned fleet containers, net" in the condensed consolidated statements of operations.

Net Investment in Finance Leases

The following table represents the components of the net investment in finance leases as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Future minimum lease payments receivable	\$ 2,428,809	\$ 2,487,365
Residual value of containers	47,076	47,686
Less: unearned income	(687,452)	(713,736)
Net investment in finance leases (1)	1,788,433	1,821,315
Less: Allowance for credit losses	(925)	(1,279)
Net investment in finance leases, net (2)	<u>\$ 1,787,508</u>	<u>\$ 1,820,036</u>
Amounts due within one year	130,381	130,913
Amounts due beyond one year	1,657,127	1,689,123
Net investment in finance leases, net	<u>\$ 1,787,508</u>	<u>\$ 1,820,036</u>

- (1) One major customer represented 81.1% and 80.8% of the Company's finance leases portfolio as of March 31, 2023 and December 31, 2022, respectively. No other customer represented more than 10% of the Company's finance leases portfolio in each of those periods.
- (2) As of March 31, 2023 and December 31, 2022, the fair value of net investment in finance leases (including the short-term balance) was approximately \$1,599,226 and \$1,659,155, respectively, and was measured using Level 2 inputs.

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 that are accounted for as financing transactions.

The following table represents the components of the container leaseback financing receivable as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Future minimum payments receivable	\$ 1,154,658	\$ 1,179,515
Less: unearned income	(342,871)	(354,769)
Container leaseback financing receivable (1)	811,787	824,746
Less: Allowance for credit losses	(74)	(114)
Container leaseback financing receivable, net (2)	\$ 811,713	\$ 824,632
Amounts due within one year	54,710	53,652
Amounts due beyond one year	757,003	770,980
Container leaseback financing receivable, net	\$ 811,713	\$ 824,632

- (1) One major customer represented 97.7% and 97.4% of the Company's container leaseback financing receivable portfolio as of March 31, 2023 and December 31, 2022, respectively.
- (2) As of March 31, 2023 and December 31, 2022, the fair value of container leaseback financing receivable (including the short-term balance) was approximately \$705,128 and \$732,951, respectively, and was measured using Level 2 inputs.

(b) Lessee

Right-of-use ("ROU") lease assets and lease liabilities 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 March 31, 2023 and December 31, 2022, ROU operating lease assets amounted to \$6,879 and \$7,299, respectively, which were reported in "other assets" in the condensed consolidated balance sheets. As of March 31, 2023 and December 31, 2022, total lease liabilities amounted to \$8,611 and \$9,112, respectively, which were reported in "other liabilities" in the condensed consolidated balance sheets. Operating lease expense amounted to \$586 and \$572 for the three months ended March 31, 2023 and 2022, respectively.

(6) Allowance for Credit Losses

The Company's allowance for credit losses is estimated based on historical losses from lessee defaults, current economic conditions, reasonable and supportable forecasts 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.

Accounts Receivable

The allowance for credit losses included in accounts receivable, net, amounted to \$1,716 and \$1,582 as of March 31, 2023 and December 31, 2022, respectively. As of March 31, 2023 and December 31, 2022, the allowance for credit losses related to the billed amounts under the container leaseback financing receivable and finance leases were included in accounts receivable, net, amounted to \$545 and \$586, respectively.

Net Investment in Finance Leases and Container Leaseback 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 \$925 and \$1,279 as of March 31, 2023 and December 31, 2022, respectively. The allowance for credit losses related to unbilled amounts under the financing arrangements and included in container leaseback financing receivable, net, amounted to \$74 and \$114 as of March 31, 2023 and December 31, 2022, respectively.

As of March 31, 2023, the Company's net investment in finance leases and container leaseback financing receivable are primarily comprised of the largest shipping lines under "Tier 1" risk rating which represented 88.6% and 97.7%, respectively, of the Company's portfolio (For further discussion on the description of the Company's internal risk ratings, please refer to Item 18, "Financial Statements – Note 1" in our 2022 Form 20-F).

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 March 31, 2023:

	Three Months Ended March 31, 2023	2022	2021	2020	2019	Prior	Total
Tier 1	\$ —	\$ 83,945	\$ 808,876	\$ 558,314	\$ 96,202	\$ 36,787	\$ 1,584,124
Tier 2	89	30,506	74,414	31,800	28,055	16,268	181,132
Tier 3	565	9,003	6,095	1,692	5,547	275	23,177
Net investment in finance leases	\$ 654	\$ 123,454	\$ 889,385	\$ 591,806	\$ 129,804	\$ 53,330	\$ 1,788,433
Tier 1	\$ —	\$ 499,495	\$ 11,291	\$ 99,202	\$ 182,949	\$ —	\$ 792,937
Tier 2	—	—	3,719	—	15,131	—	18,850
Container leaseback financing receivable	\$ —	\$ 499,495	\$ 15,010	\$ 99,202	\$ 198,080	\$ —	\$ 811,787

(7) Income Taxes

The Company's effective income tax rates were 2.5% and 2.1% for the three months ended March 31, 2023 and 2022, 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 increase in the effective income tax rate in 2023 compared to the same period in 2022 was primarily due to an increase in non-deductible expense and a decrease in the portion of the Company's income generated in lower tax jurisdictions.

(8) Debt and Derivative Instruments

Debt

The following represents the Company's debt obligations as of March 31, 2023 and December 31, 2022:

Secured Debt Facilities, Revolving Credit Facilities, Term Loan and Bonds Payable

	March 31, 2023		December 31, 2022		Final Maturity
	Outstanding	Average Interest	Outstanding	Average Interest	
TL Revolving Credit Facility	\$ 1,287,858	6.28 %	\$ 1,367,858	5.78 %	August 2027
TL 2019 Term Loan	124,410	3.50 %	127,293	3.50 %	December 2026
TL 2021-1 Term loan	58,920	2.65 %	60,314	2.65 %	February 2028
TL 2021-2 Term Loan	188,526	2.90 %	192,202	2.90 %	October 2028
TMCL II Secured Debt Facility (1)	1,233,441	6.50 %	1,239,440	6.00 %	November 2028
TMCL VII 2020-1 Bonds	319,131	3.06 %	332,413	3.06 %	August 2045
TMCL VII 2020-2 Bonds	461,494	2.26 %	476,279	2.26 %	September 2045
TMCL VII 2020-3 Bonds	170,722	2.15 %	175,750	2.15 %	September 2045
TMCL VII 2021-1 Bonds	456,914	1.72 %	467,881	1.72 %	February 2046
TMCL VII 2021-2 Bonds	551,349	2.27 %	564,373	2.27 %	April 2046
TMCL VII 2021-3 Bonds	524,000	1.98 %	536,000	1.98 %	August 2046
Total debt obligations (2)	\$ 5,376,765		\$ 5,539,803		
Unamortized debt premiums and discounts	\$ (32,543)		\$ (34,884)		
Debt, net of unamortized costs	\$ 5,344,222		\$ 5,504,919		
Debt, net of unamortized costs - current	\$ 394,186		\$ 377,898		
Debt, net of unamortized costs - non-current	\$ 4,950,036		\$ 5,127,021		

- (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.
- (2) The fair value of total debt based on the borrowing rates available to the Company was approximately \$4,977,958 and \$5,107,874 at March 31, 2023 and December 31, 2022, respectively, and was measured using Level 2 inputs.

The Company hedges the risks associated with fluctuations in interest rates on a portion of its floating-rate debt by entering into interest rate swap agreements that convert a portion of its floating-rate debt to a fixed rate basis, thereby reducing the impact of interest rate changes on future interest expense. The following table summarizes the Company's outstanding fixed-rate and floating-rate debt as of March 31, 2023:

	Balance Outstanding	Contractual Weighted Average Interest Rate
Excluding impact of derivative instruments:		
Fixed-rate debt	\$ 2,855,466	2.32%
Floating-rate debt	2,521,299	6.39%
Including impact of derivative instruments:		
Fixed-rate debt	2,855,466	2.32%
Hedged floating-rate debt	2,028,869	2.95%
Total fixed and hedged debt	4,884,335	2.58%
Unhedged floating-rate debt	492,430	6.38%
Total	\$ 5,376,765	2.93%

The Company's debt facilities are secured by specific pools of containers and related assets owned by the Company. The Company's debt agreements contain various restrictive financial and other covenants related to leverage, interest coverage, fixed charge coverage, container sales proceeds ratio, net income and debt levels and consolidated tangible net worth, including limitations on certain liens, indebtedness and investments. TL's revolving credit facility and term loans also contain limitation on loan and dividend payment to TGH. The Company was in full compliance with these restrictive covenants at March 31, 2023.

As of March 31, 2023, the Company's total commitment and outstanding borrowing, excluding unamortized debt costs, for the debt facilities amounted to \$6,255,466 and \$5,376,765, respectively. The Company's debt facilities also contain borrowing base minimums that limit borrowing capacity. As of March 31, 2023, the amount in excess of the current borrowing base minimums was \$339,623.

For further discussion on the Company's debt instruments, please refer to Item 18, "Financial Statements – Note 7" in our 2022 Form 20-F.

Derivative Instruments and Hedging Activities

The Company has entered into several derivative agreements with several banks to reduce the impact of changes in interest rates associated with its variable rate debt. Interest rate swap agreements involve payments by the Company to counterparties at fixed rate interest payments in return for receipts based on floating-rate amounts. The Company has also utilized forward starting interest rate swap agreements to reduce the impact of interest rate changes on anticipated future debt issuances. The Company has also utilized interest rate cap agreements, which place a ceiling on the Company's exposure to rising interest rates, to manage interest rate risk exposure.

The Company has utilized the income approach to measure at each balance sheet date the fair value of its derivative instruments on a recurring basis using observable (Level 2) market inputs. The Company presents the fair value of derivative instruments, which are inclusive of counterparty risk, on a gross basis as separate line items on the condensed consolidated balance sheets. The Company monitors its counterparties' credit ratings on an on-going basis and does not anticipate any non-performance by the counterparties as they are highly rated financial institutions. As of March 31, 2023 and December 31, 2022, all of the Company's interest rate swap agreements were designated for hedge accounting purposes. The change in fair value of derivative instruments that are designated as cash flow hedge for accounting purposes are initially reported in the condensed consolidated balance sheets as a component of "accumulated other comprehensive income" and reclassified to earnings in "interest expense, net" when realized.

The following table summarizes the Company's derivative instruments as of March 31, 2023:

Derivative instruments	Notional amount
Interest rate swap contracts with several banks that were indexed to daily SOFR, with fixed rates between -0.02% and 3.84% per annum, amortizing notional amounts, with termination dates through December 31, 2033 (1)	\$ 2,028,869
Total notional amount as of March 31, 2023	\$ 2,028,869

- (1) Excludes the Company's interest rate swap contract with an effective date in a future period ("forward starting interest rate swap"). In February 2022, the Company entered into a forward starting interest rate swap with a bank that was indexed to daily SOFR and with an initial notional amount of \$100,000. The Company pays a fixed rate at 1.96% and with an effective date of February 28, 2024 and termination date of January 30, 2034.

The following table summarizes the fair value of derivative instruments on the consolidated balance sheet as of March 31, 2023:

	Fair Values of Derivative Instruments	
	Assets (liabilities), net	
Balance at December 31, 2022	\$	149,244
Change in derivative instruments designated as cash flow hedges		(13,584)
Reclassification of realized gain on derivative instruments designated as cash flow hedges		(16,394)
Balance at March 31, 2023	\$	119,266

Over the next twelve months, the Company expects to reclassify an estimated net gain of \$64,884 related to the designated interest rate swap agreements from "accumulated other comprehensive income (loss)" in the condensed consolidated statements of shareholders' equity to "interest expense" in the condensed consolidated statements of operations.

The following table summarizes the pre-tax impact of derivative instruments on the condensed consolidated statements of operations during the three months ended March 31, 2023 and 2022:

Derivative instruments	Financial Statement Line Item	Three Months Ended March 31,	
		2023	2022
Designated	Other comprehensive (loss) income	\$ (13,584)	\$ 59,380
Designated	Interest income (expense)	\$ 16,394	\$ 3,291

For further discussion on the Company's derivative instruments, please refer to Item 18, "Financial Statements – Note 8" in our 2022 Form 20-F.

(9) 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 months ended March 31, 2023 and 2022:

Three Months Ended March 31, 2023	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Total lease rental income	\$ 182,857	\$ 11,317	\$ —	\$ —	\$ 727	\$ 194,901
Management fees - non-leasing from external customers	\$ —	\$ 49	\$ 695	\$ —	\$ —	\$ 744
Inter-segment management fees	\$ —	\$ 14,764	\$ 3,736	\$ —	\$ (18,500)	\$ —
Trading container margin	\$ —	\$ —	\$ (155)	\$ —	\$ —	\$ (155)
Gain on sale of owned fleet containers, net	\$ 9,548	\$ —	\$ —	\$ —	\$ —	\$ 9,548
Depreciation	\$ 73,309	\$ 394	\$ —	\$ —	\$ (1,865)	\$ 71,838
Container lessee default expense, net	\$ 39	\$ —	\$ —	\$ —	\$ —	\$ 39
Interest expense	\$ 41,929	\$ 201	\$ —	\$ —	\$ —	\$ 42,130
Segment income (loss) before income taxes	\$ 50,320	\$ 5,653	\$ 3,405	\$ (1,899)	\$ 2,592	\$ 60,071
Income tax (expense) benefit	\$ (1,758)	\$ 282	\$ —	\$ —	\$ —	\$ (1,476)
Total assets	\$ 7,376,341	\$ 179,745	\$ 7,718	\$ 4,748	\$ (148,215)	\$ 7,420,337
Purchase of containers and fixed assets	\$ 2,944	\$ —	\$ —	\$ —	\$ —	\$ 2,944

Three Months Ended March 31, 2022	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Total lease rental income	\$ 185,353	\$ 12,765	\$ —	\$ —	\$ 600	\$ 198,718
Management fees - non-leasing from external customers	\$ —	\$ 57	\$ 475	\$ —	\$ —	\$ 532
Inter-segment management fees	\$ —	\$ 22,707	\$ 2,584	\$ —	\$ (25,291)	\$ —
Trading container margin	\$ —	\$ —	\$ 862	\$ —	\$ —	\$ 862
Gain on sale of owned fleet containers, net	\$ 15,913	\$ —	\$ —	\$ —	\$ —	\$ 15,913
Depreciation and amortization	\$ 74,033	\$ 373	\$ —	\$ —	\$ (1,913)	\$ 72,493
Container lessee default expense, net	\$ 120	\$ —	\$ —	\$ —	\$ —	\$ 120
Interest expense	\$ 35,098	\$ 211	\$ —	\$ —	\$ —	\$ 35,309
Segment income (loss) before income tax	\$ 67,213	\$ 13,793	\$ 3,007	\$ (1,023)	\$ (3,677)	\$ 79,313
Income tax expense	\$ 1,332	\$ 307	\$ —	\$ —	\$ —	\$ 1,639
Total assets	\$ 7,709,553	\$ 224,256	\$ 10,850	\$ 7,695	\$ (172,636)	\$ 7,779,718
Purchase of containers and fixed assets	\$ 100,931	\$ 2,031	\$ —	\$ —	\$ —	\$ 102,962
Payments on container leaseback financing receivable	\$ 396,495	\$ —	\$ —	\$ —	\$ —	\$ 396,495

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.

The following table represents the geographic allocation of total fleet lease rental income and management fees from non-leasing services during the three months ended March 31, 2023 and 2022 based on customers' and Container Investors' primary domicile, respectively:

	Three Months Ended March 31,	
	2023	2022
Total lease rental income:		
Europe	\$ 93,693	\$ 92,936
Asia	92,411	97,265
North / South America	8,576	8,326
Bermuda	—	—
All other international	221	191
	<u>\$ 194,901</u>	<u>\$ 198,718</u>
Management fees, non-leasing:		
Europe	\$ 430	\$ 275
Bermuda	286	240
North / South America	20	8
Asia	—	—
All other international	8	9
	<u>\$ 744</u>	<u>\$ 532</u>

The following table represents the geographic allocation of trading container sales proceeds and gain on sale of owned fleet containers, net during the three months ended March 31, 2023 and 2022 based on the location of sale:

	Three Months Ended March 31,	
	2023	2021
Trading container sales proceeds:		
North / South America	\$ 2,378	\$ 2,980
Asia	1,274	3,857
Europe	314	781
Bermuda	—	—
All other international	—	—
	<u>\$ 3,966</u>	<u>\$ 7,618</u>
Gain on sale of owned fleet containers, net:		
Asia	\$ 5,743	\$ 9,991
North / South America	3,037	2,695
Europe	768	3,227
Bermuda	—	—
All other international	—	—
	<u>\$ 9,548</u>	<u>\$ 15,913</u>

(10) 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 \$102,011 and \$102,591 as of March 31, 2023 and December 31, 2022, respectively.

(b) Container Commitments

At March 31, 2023, the Company had commitments to purchase containers to be delivered subsequent to March 31, 2023 in the total amount of \$12,140.

(c) **Legal Proceedings**

The Company is the subject of, or party to, pending or threatened legal proceedings arising in the ordinary course of its business. Based upon information presently available, the Company does not expect any liability arising from these matters to have a material effect on the Company's consolidated financial condition, results of operations or cash flows.

(d) **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 3 "Managed Container Fleet"). There are no future minimum lease payment obligations under the Company's management agreements.

(11) **Shareholders' Equity**

Share Repurchase Program

In 2019, the Company's board of directors approved a share repurchase program to repurchase up to \$25,000 of the Company's common shares, in 2020 the board of directors approved an increase of another \$75,000 to this program, in 2021 the program was further increased by \$100,000, and in 2022 the program was further increased by \$250,000. 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 the Company 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.

During the three months ended March 31, 2023, the Company repurchased 1,266,182 shares at an average price of \$32.90 for a total amount of \$41,659, including commissions paid. During the three months ended March 31, 2022, the Company repurchased 957,689 shares at an average price of \$38.02 for a total amount of \$36,409, including commissions paid. As of March 31, 2023, approximately \$80,929 remained available for repurchase under the share repurchase program.

Preferred Shares

The following table summarizes the Company's preferred share issuances (the "Series"):

Preferred Share Offering	Date of Issuance	Number of Depositary Shares Issued and Outstanding (1)	Liquidation Preference	Underwriting Discounts	Net Proceeds
7.00% Series A fixed-to-floating rate cumulative redeemable perpetual preferred shares ("Series A") (2)	April 2021	6,000,000	\$ 150,000	\$ 5,292	\$ 144,708
6.25% Series B fixed rate cumulative redeemable perpetual preferred shares ("Series B") (3)	August 2021	6,000,000	150,000	5,128	144,872
Total		12,000,000	\$ 300,000	\$ 10,420	\$ 289,580

- (1) Each depositary share representing a 1/1,000th interest in a preferred share, \$25,000 liquidation preference per share (equivalent to \$25.00 per depositary share).
- (2) Series A have no maturity date and are redeemable from June 15, 2026 by the Company.
- (3) Series B have no maturity date and are redeemable from December 15, 2026 by the Company.

Each Series of preferred shares may be redeemed at the Company's option, at any time after approximately five years from original issuance, for cash at a redemption price of \$25.00 per depositary share plus an amount equal to all accumulated and unpaid dividends, whether or not declared. The Company may also redeem each Series of preferred shares in the event of a Change of Control (as defined in the Certificate of Designations). If the Company does not elect to redeem the preferred shares in a Change of Control triggering event, holders of each Series of preferred shares may have the right to convert their preferred shares into common shares.

There is no mandatory redemption of each Series of preferred shares or redemption at the option of the holders. Holders of the preferred shares do not have general voting rights.

Preferred Share Dividends

Dividends on each Series of preferred shares accrue daily and are cumulative from and including the date of original issuance and are payable quarterly in arrears on the 15th day of March, June, September and December of each year, when declared by the Company's board of directors. Dividends accrue at the stated annual rate of the \$25,000 liquidation preference. Each Series of preferred shares rank senior to the Company's common shares with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding up.

The Company's board of directors approved and declared the following quarterly preferred cash dividends during the three months ended March 31, 2023 and 2022 on its issued and outstanding preferred shares:

Preferred Share Offering	Three Months Ended March 31,			
	2023		2022	
	Aggregate Payment	Per Depositary Share Payment (1)	Aggregate Payment	Per Depositary Share Payment (1)
Series A	\$ 2,625	\$ 0.44	\$ 2,625	\$ 0.44
Series B	\$ 2,344	\$ 0.39	\$ 2,344	\$ 0.39
Total	\$ 4,969		\$ 4,969	

(1) Rounded to the nearest whole cent.

As of March 31, 2023, the Company had cumulative undeclared and unpaid preferred dividends of \$854.

Common Share Dividends

The Company's board of directors approved and declared the following cash dividends during the three months ended March 31, 2023 and 2022 on its issued and outstanding common shares:

	Three Months Ended March 31,			
	2023		2022	
	Aggregate Payment	Per Share Payment	Aggregate Payment	Per Share Payment
Common share dividends	\$ 12,865	\$ 0.30	\$ 12,054	\$ 0.25

(12) Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income attributable to 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 (“RSU”) and performance restricted share units (“PSU”) were converted into, common shares. A reconciliation of the numerator and denominator of basic EPS with that of diluted EPS is reported as follows:

<i>Share amounts in thousands</i>	Three Months Ended March 31,	
	2023	2022
<i>Numerator:</i>		
Net income attributable to common shareholders	\$ 53,626	\$ 72,705
<i>Denominator:</i>		
Weighted average common shares outstanding - basic	43,115	48,403
Dilutive share options, RSU and PSU	735	900
Weighted average common shares outstanding - diluted	43,850	49,303
Net income attributable to common shareholders per common share:		
Basic	\$ 1.24	\$ 1.50
Diluted	\$ 1.22	\$ 1.47
 Share options, RSU and PSU excluded from the computation of diluted EPS because they were anti-dilutive		
	441	330

(13) Subsequent Events

In April 2023, the Company’s board of directors approved and declared a quarterly preferred cash dividend on its issued and outstanding preferred shares, payable on June 15, 2023 to holders of record as of June 2, 2023. The dividend declared on Series A Preferred Shares and Series B Preferred Shares were \$0.44 and \$0.39 per depositary share (rounded to the nearest whole cent), respectively, for a total aggregate amount of \$2,625 and \$2,344, respectively.

In April 2023, the Company’s board of directors approved and declared a cash dividend of \$0.30 per share on its issued and outstanding common shares, payable on June 15, 2023 to holders of record as of June 2, 2023.

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, 2022 filed with the U.S. Securities and Exchange Commission (the "SEC") on February 14, 2023 (our "2022 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 2022 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 2.7 million containers, representing 4.4 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 200 shipping lines and other lessees, including all of the world's leading international shipping lines. 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 on average been our customer for 30 years.

We provide our services worldwide via an international network of 14 regional and area offices and approximately 400 independent depots.

We operate our business in three core segments:

- **Container Ownership.** As of March 31, 2023, we owned containers accounting for approximately 94%, as measured in TEUs, of our fleet.
- **Container Management.** As of March 31, 2023, we managed containers on behalf of 10 unaffiliated container investors, providing acquisition, management and disposal services. As of March 31, 2023, total managed containers accounted for approximately 6%, as measured in TEUs, 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.

Key Operating Metrics

Our total revenues primarily consist of leasing revenues derived from the lease of owned and managed containers. The most important driver of our profitability is the extent to which our leasing revenues exceed our operating costs. The key drivers of our leasing revenues are fleet size, lease rates, and utilization. Our operating costs primarily consist of depreciation, direct costs related to the operations of our owned and managed fleet, and interest expense. 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. Our profitability is also driven by the gains or losses we realize on the sale of our containers.

Fleet Size. Our total fleet consists of containers that we own, and containers owned by other container investors that we manage. As of March 31, 2023 and December 31, 2022, our total fleet in TEU was 4,375,474 and 4,425,300, respectively. We have currently limited our investment in new containers due to subdued container demand in 2022 and early 2023 following the prior historic container production in 2021. During the three months ended March 31, 2023, we purchased approximately \$2.9 million of containers for our fleet. The table below summarizes the composition of our owned and managed fleets, in TEU and CEU, by type of containers, as of March 31, 2023:

	Total Fleet in TEU			Total Fleet in CEU		
	Owned	Managed	Total	Owned	Managed	Total
Standard dry freight	3,859,142	263,820	4,122,962	3,407,797	234,085	3,641,882
Refrigerated	192,399	6,608	199,007	772,933	26,618	799,551
Other specialized	48,111	5,394	53,505	73,870	7,720	81,590
Total fleet	4,099,652	275,822	4,375,474	4,254,600	268,423	4,523,023
Percent of total fleet	93.7%	6.3%	100.0%	94.1%	5.9%	100.0%

Lease Rates and Composition. We generate lease rental income by leasing our owned container fleet and managed container fleet to container shipping lines and other customers. Average lease rates of our containers on operating leases slightly increased by 0.3% for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, as new container prices and market leasing rates returned to normal levels reflecting the moderated market environment. Our finance lease income increased for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to growth of our fleet on finance leases by approximately 3.3% (as a percentage of our total fleet in TEU on hire during the period) which was driven by the strong demand of containers. Our total fleet as of March 31, 2023, by lease type, as a percentage of total TEU and CEU on hire was as follows:

	Percent of Total On-Hire Fleet	
	TEU	CEU
Term leases (included units on-hire under expired term leases)	70.1%	70.7%
Finance leases	27.7%	26.9%
Master leases	1.4%	1.7%
Spot leases	0.8%	0.7%
Total	100.0%	100.0%

Utilization. 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 average utilization during the three months ended March 31, 2023 decreased compared to the three months ended March 31, 2022 due to increased drop-off volumes and decreased pick-up volumes as trade activity slowed. The following table summarizes our average total fleet utilization (CEU basis) for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Average Utilization	98.8%	99.7%

Market Overview

The container shipping market and hence the demand for leased containers, is mainly driven by the rate of growth of global trade and changes in per capita income as these influences worldwide consumption. The COVID-19 pandemic increased global container trade volumes and leasing demand due to high demand for consumer goods and prolonged supply chain congestions. We have strongly benefited from the increased global containerized trade disruptions that have emerged since the second half of 2020 and throughout 2022 and had invested heavily in new containers in response to strong container demand, which has been subdued starting in the second half of 2022 following the prior historic container production in 2021. The container leasing market is beginning to normalize during 2023 as the pandemic and supply chain disruptions have stabilized, resulting in moderated container prices and decreased container utilization, which remain elevated compared to historic levels. Container drop-offs, comprising of primarily sales-age containers and which had been subdued, started to increase in line with the reduced global shipping congestion.

While our liquidity and financial performance remained strong, current market conditions during the first quarter of 2023 resulted in a lower container demand environment. Global geopolitical stress from factors including the ongoing Russia-Ukraine war, as well as inflation due to higher energy prices and increased consumer demand and monetary policy during the pandemic, have led to fears of recession. Additionally, the market volatility from recent bank failures, increased U.S. interest rates and the resulting stronger U.S. Dollar have contributed to global economic stress, which has at least partially contributed to risk of slowdown in market trade volumes. While uncertainty and global macroeconomic concerns remain, the market growth outlook appears to be improving with greater than expected resilience in Europe and North America, easing of inflationary pressure and the anticipated recovery in China now that pandemic restrictions have been lifted. As we look out to the coming months, we see a continuation of this uncertainty with a likely reduction from our extremely high gain on container sales of our owned fleet during the past two years, but we remain optimistic for 2023 as we enter the year with recession fears easing away and we expect stabilizing financial performance due to our long-term lease contracts and fixed rate financing policy. For additional information regarding the risk and uncertainties that we could encounter as a result of the COVID-19 pandemic, the Russia-Ukraine war and related global conditions, see Item 4, “*Risk Factors*” and Item 3, “*Key Information - Risk Factors*” included in our 2022 Form 20-F.

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;
- steel prices and the price and availability of other container components;
- interest rates and availability of debt financing at acceptable terms;
- our ability to lease our new containers shortly after we purchase them;
- access to container production capacity;
- prices 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;
- 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;
- 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, such as the impact of the Russian invasion of Ukraine.

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 2022 Form 20-F.

Results of Operations

Comparison of the Three Months Ended March 31, 2023 and 2022

The following table summarizes our total revenues for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Variance
	2023	2022	
	(Dollars in thousands)		
Operating leases - owned fleet	\$ 145,324	\$ 151,492	\$ (6,168)
Operating leases - managed fleet	11,110	12,641	(1,531)
Finance leases and container leaseback financing receivable - owned fleet	38,467	34,585	3,882
Total lease rental income	<u>\$ 194,901</u>	<u>\$ 198,718</u>	<u>\$ (3,817)</u>
Management fees - non-leasing	<u>\$ 744</u>	<u>\$ 532</u>	<u>\$ 212</u>
Trading container sales proceeds	\$ 3,966	7,618	\$ (3,652)
Cost of trading containers sold	(4,121)	(6,756)	2,635
Trading container margin	<u>\$ (155)</u>	<u>\$ 862</u>	<u>\$ (1,017)</u>
Gain on sale of owned fleet containers, net	<u>\$ 9,548</u>	<u>\$ 15,913</u>	<u>\$ (6,365)</u>

Total lease rental income for the three months ended March 31, 2023 decreased \$3,817 compared to the three months ended March 31, 2022, primarily due to \$7,847 decrease arising from a reduction in our total operating fleet that was available for lease and \$1,867 decrease due to lower utilization, partially offset by \$3,886 increase due to the growth of our fleet on finance leases and a \$1,919 increase on ancillary lease revenues due to higher drop-off activity on lower utilization.

Trading container margin for the three months ended March 31, 2023 decreased \$1,017 compared to the three months ended March 31, 2022, primarily due to \$1,033 decrease resulting from a reduction in per unit margin.

Gain on sale of owned fleet containers, net for the three months ended March 31, 2023 decreased \$6,365 compared to the three months ended March 31, 2022, primarily due to \$27,348 decrease resulting from a reduction in average gain per container sold due to a decrease in container selling prices, partially offset by a \$21,129 increase resulting from an increase in the number of containers being sold.

The following table summarizes our total operating expenses for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Variance
	2023	2022	
	(Dollars in thousands)		
Direct container expense - owned fleet	\$ 10,043	\$ 5,519	\$ 4,524
Distribution expense to managed fleet container investors	9,925	11,173	(1,248)
Depreciation and amortization	71,838	72,493	(655)
General and administrative expense	13,119	11,527	1,592
Bad debt (recovery) expense, net	(305)	477	(782)
Container lessee default expense, net	39	120	(81)
Total operating expenses	<u>\$ 104,659</u>	<u>\$ 101,309</u>	<u>\$ 3,350</u>

Direct container expense – owned fleet for the three months ended March 31, 2023 increased \$4,524 compared to the three months ended March 31, 2022, primarily due to a \$2,585 increase in storage expense and a \$1,302 increase in maintenance and handling expense, which resulted from increased turn-in of containers.

Distribution expense to managed fleet container investors for the three months ended March 31, 2023 decreased \$1,248 compared to the three months ended March 31, 2022, primarily due to a decrease in lease rental income of the managed fleet resulting from a reduction in the managed fleet size.

Depreciation and amortization for the three months ended March 31, 2023 decreased \$655 compared to the three months ended March 31, 2022, primarily due to \$2,001 decrease due to a net reduction in the size of our owned depreciable fleet, partially offset by a \$1,395 net increase in writing down the value of containers held for sale to their estimated fair value less cost to sell.

General and administrative expense for the three months ended March 31, 2023 increased \$1,592 compared to the three months ended March 31, 2022, primarily due to a \$1,238 increase in compensation and benefit costs.

Bad debt (recovery) expense, net for the three months ended March 31, 2023 amounted to a recovery of \$305 compared to an expense of \$477 for the three months ended March 31, 2022. The changes were primarily due to an update in the estimates for credit loss reserve on our net investment in finance leases and container leaseback financing receivable.

The following table summarizes other (expense) income and income tax expense for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Variance
	2023	2022	
	(Dollars in thousands)		
Interest expense	\$ (42,130)	\$ (35,309)	\$ (6,821)
Other, net	1,822	(94)	1,916
Net other expense	<u>\$ (40,308)</u>	<u>\$ (35,403)</u>	<u>\$ (4,905)</u>
Income tax expense	<u>\$ (1,476)</u>	<u>\$ (1,639)</u>	<u>163</u>

Interest expense for the three months ended March 31, 2023 increased \$6,821 compared to the three months ended March 31, 2022, \$7,523 of the increase resulted from an increase in average interest rates of 0.56 percentage points, partially offset by a \$702 decrease resulting from a decrease in the average debt balance of \$110,611.

Other, net for the three months ended March 31, 2023 increased \$1,916 compared to the three months ended March 31, 2022, primarily due to \$2,046 increase resulting from an increase in interest income predominantly due to an increase in average interest rates, partially offset by a \$351 decrease related to the remeasurement at each period end of the cash balances that are denominated in currencies other than our functional currency.

Segment Information

The following table summarizes our income before taxes attributable to each of our business segments for the three months ended March 31, 2023 and 2022 (before inter-segment eliminations):

	Three Months Ended March 31,		Variance
	2023	2022	
	(Dollars in thousands)		
Container ownership	\$ 50,320	\$ 67,213	\$ (16,893)
Container management	5,653	13,793	(8,140)
Container resale	3,405	3,007	398
Other	(1,899)	(1,023)	(876)
Eliminations	2,592	(3,677)	6,269
Income before income taxes	<u>\$ 60,071</u>	<u>\$ 79,313</u>	<u>\$ (19,242)</u>

Income before income taxes attributable to the Container Ownership segment for the three months ended March 31, 2023 decreased \$16,893 compared to the three months ended March 31, 2022. The following table summarizes the variances included within this decrease:

Increase in interest income	\$	1,315
Decrease in depreciation expense		724
Change from bad debt expense, net to bad debt recovery, net		586
Increase in interest expense		(6,831)
Decrease in gain on sale of owned fleet containers, net		(6,365)
Increase in direct container expense		(3,809)
Decrease in lease rental income - owned fleet		(2,496)
Other		(17)
	\$	<u>(16,893)</u>

Income before income taxes attributable to the Container Management segment for the three months ended March 31, 2023 decreased \$8,140 compared to the three months ended March 31, 2022. The following table summarizes the variances included within this decrease:

Decrease in distribution expense to managed fleet container investors	\$	1,248
Increase in interest income		724
Decrease in management fees		(7,950)
Decrease in lease rental income - managed fleet		(1,531)
Increase in general and administrative expense		(884)
Other		253
	\$	<u>(8,140)</u>

Income before income taxes attributable to the Container Resale segment for the three months ended March 31, 2023 increased \$398 compared to the three months ended March 31, 2022, primarily due to an increase in management fees, partially offset by a decrease in trading container margin.

Loss before income taxes attributable to Other activities unrelated to our reportable business segments for the three months ended March 31, 2023 increased \$876 compared to the three months ended March 31, 2022, primarily due to increases in general and administrative expense and foreign currency exchange loss.

Segment eliminations changed from a net loss of \$3,677 for the three months ended March 31, 2022 to a net income of \$2,592 for the three months ended March 31, 2023. This change consisted of a \$6,190 decrease in acquisition fees received by our Container Management segment from our Container Ownership segment and a \$79 increase in amortization 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 lease rental income and depreciation expense to amortize the acquisition fees over the lease terms and useful lives of the containers, respectively, which are eliminated in consolidation.

Currency

Almost all of our revenues are denominated in U.S. dollars, and our direct container expenses and operating expenses were substantially 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 2022 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. Foreign exchange fluctuations did not materially impact our financial results for the three months ended March 31, 2023. We do not engage in currency hedging.

Liquidity and Capital Resources

As of March 31, 2023, we had cash and cash equivalents (including restricted cash) of \$244,609. For the three months ended March 31, 2023, cash provided by operating activities, together with the proceeds from container leaseback financing receivable and proceeds from sale of containers, was \$207,305. In addition, we had \$878,701 of maximum borrowing capacity remaining under our debt facilities as of March 31, 2023. Our principal sources of liquidity have been our cash flows from operations including the sale of containers and borrowings under debt facilities. Our cash inflows from operations are affected by the utilization rate of our fleet and the per diem rates of our leases, whereas the cash inflows from proceeds for the sale of containers are affected by market demand for used containers and our available inventory of containers for sale. Our cash outflows are affected by payments and expenses primarily related to our purchasing of containers, required principal and interest payments on our debt obligations, and any dividends and common share repurchases.

The global banking market has recently experienced increased volatility as a result of several highly publicized distressed or closed banks, the most significant of these being Silicon Valley Bank and First Republic Bank. The Company has no cash and cash equivalents and restricted cash deposited with these banks and we have not realized any losses as a result of this increased market volatility. Although we do not hold accounts in these banks, any future adverse developments with respect to specific financial institutions or the broader financial services industry may cause liquidity shortages, impair the ability of companies to access near-term working capital needs, and create market and economic uncertainty. 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.

Capital Expenditures and Commitments

As of March 31, 2023, we had container contracts payable to manufacturers of \$1,817. During the three months ended March 31, 2023, we paid \$7,775 for containers, including for containers under leaseback financing receivable, and we have \$12,140 of total purchase commitments for future container investments for delivery subsequent to March 31, 2023.

As of March 31, 2023, we had \$9,361 of future payment obligations related to our office operating leases, of which \$2,350 is due within the next twelve months.

As of March 31, 2023, 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 is material to investors.

Dividends

During the three months ended March 31, 2023, we paid \$4,969 of cash dividends to our preferred shareholders. As of March 31, 2023, we have cumulative undeclared and unpaid preferred dividends of \$854.

During the three months ended March 31, 2023, our board of directors declared a \$0.30 cash dividend per common share for a total aggregate amount of \$12,865 to our common shareholders.

Share Repurchase Program

Since the inception of the program in 2019, we repurchased an aggregate total of \$370,061 under our share repurchase program, of which \$41,659 were repurchased during the three months ended March 31, 2023.

Description of Indebtedness

As of March 31, 2023, the total outstanding principal balance on our debt facilities was \$5,376,765, of which \$401,968 is due within the next twelve months. Final maturities on these debt facilities occur between December 2026 and August 2046.

As of March 31, 2023, our estimated future aggregate interest payments on debt obligations amounted to \$986,488 (including amounts due within the next twelve months of \$225,595), and our estimated future aggregate interest receivable on interest rate swaps amounted to \$133,853 (including amounts receivable within the next twelve months of \$64,884).

As of March 31, 2023, we had the following outstanding borrowings and borrowing capacities per debt facility (in thousands):

Facility:	Current Borrowing	Additional Borrowing Commitment	Total Commitment	Current Borrowing	Available Borrowing, as Limited by the Borrowing Base	Current and Available Borrowing
TL Revolving Credit Facility	\$ 1,287,858	\$ 612,142	\$ 1,900,000	\$ 1,287,858	\$ 326,939	\$ 1,614,797
TL 2019 Term Loan	124,410	—	124,410	124,410	—	124,410
TL 2021-1 Term loan	58,920	—	58,920	58,920	—	58,920
TL 2021-2 Term Loan	188,526	—	188,526	188,526	—	188,526
TMCL II Secured Debt Facility (1)	1,233,441	266,559	1,500,000	1,233,441	12,683	1,246,124
TMCL VII 2020-1 Bonds	319,131	—	319,131	319,131	—	319,131
TMCL VII 2020-2 Bonds	461,494	—	461,494	461,494	—	461,494
TMCL VII 2020-3 Bonds	170,722	—	170,722	170,722	—	170,722
TMCL VII 2021-1 Bonds	456,914	—	456,914	456,914	—	456,914
TMCL VII 2021-2 Bonds	551,349	—	551,349	551,349	—	551,349
TMCL VII 2021-3 Bonds	524,000	—	524,000	524,000	—	524,000
Total (2)	<u>\$ 5,376,765</u>	<u>\$ 878,701</u>	<u>\$ 6,255,466</u>	<u>\$ 5,376,765</u>	<u>\$ 339,623</u>	<u>\$ 5,716,388</u>

- (1) Amounts on all the bonds payable exclude an unamortized discount in an aggregate amount of \$457.
- (2) Current borrowing for all debts excludes unamortized debt issuance costs in an aggregate amount of \$32,086.

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 March 31, 2023, we were in compliance with all of the applicable debt covenants.

Cash Flow

The following table summarizes cash flow information for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Variance
	2023	2022	
	(Dollars in thousands)		
Net income	\$ 58,595	\$ 77,674	\$ (19,079)
Adjustments to reconcile net income to net cash provided by operating activities	93,646	110,285	(16,639)
Net cash provided by operating activities	152,241	187,959	(35,718)
Net cash provided by (used in) investing activities	47,294	(473,270)	520,564
Net cash (used in) provided by financing activities	(222,401)	283,112	(505,513)
Effect of exchange rate changes	66	(56)	122
Net change in cash, cash equivalents and restricted cash	(22,800)	(2,255)	(20,545)
Cash, cash equivalents and restricted cash, beginning of period	267,409	282,572	(15,163)
Cash, cash equivalents and restricted cash, end of the period	<u>\$ 244,609</u>	<u>\$ 280,317</u>	<u>\$ (35,708)</u>

Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2023 decreased by \$35,718 compared to the three months ended March 31, 2022. The decrease in net cash provided by operating activities was due to a \$20,525 decrease in net income adjusted for depreciation and other non-cash items and a \$15,193 decrease in net working capital adjustments. The decrease in net working capital adjustment provided by operating activities was primarily due to a decrease of \$19,990 in receipt of payments on finance leases, net of income earned, due to lower prepayments on finance leases, partially offset by a \$6,365 decrease in gain on sale of owned fleet containers, net.

Investing Activities

Net cash provided by investing activities was \$47,294 for the three months ended March 31, 2023, compared to net cash used in investing activities of \$473,270 for the three months ended March 31, 2022. The change was primarily due to a \$500,564 decrease in payments for container purchases, including containers under leaseback financing receivable.

Financing Activities

Net cash used in financing activities was \$222,401 for the three months ended March 31, 2023, compared to net cash provided by financing activities of \$283,112 for the three months ended March 31, 2022. The change was primarily due to a \$495,879 decrease in net borrowings resulting from the decrease in container purchases, and a \$5,250 increase in purchases of treasury shares under the Company's share repurchase program.

Critical Accounting Estimates

We have identified the policies and estimates in Item 5, "*Operating and Financial Review and Prospects*" included in our 2022 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 2022 Form 20-F. Please refer to Item 5, "*Operating and Financial Review and Prospects*" included in our 2022 Form 20-F.

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 three months ended March 31, 2023, 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 2022 Form 20-F.

Interest Rate Risk

We have entered into various interest rate swap 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 Secured Overnight Financing Rate (“SOFR”). We also utilized forward starting interest rate swap agreements to reduce the impact of interest rate changes on anticipated future debt issuances. We also utilized interest rate cap agreements, which place a ceiling on the Company’s exposure to rising interest rates, to manage interest rate risk exposure. All of our derivative agreements are with highly rated financial institutions. Credit exposures are measured based on the market value of outstanding derivative instruments. As of March 31, 2023, all 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 income (loss) and re-classed to interest expense as they are realized.

The notional amount of the interest rate swap agreements was \$2,028,869 as of March 31, 2023, with expiration dates between April 2023 and December 2033. We pay fixed rates between -0.02% and 3.84% under the interest rate swap agreements. The notional amount of the forward starting interest rate swap agreement is \$100,000 with an effective date of February 28, 2024 with a fixed pay rate of 1.96% a and an expiration date of January 30, 2034. The net fair value of these agreements was an asset of \$119,266 as of March 31, 2023.

As of March 31, 2023, approximately 91% of our debt is either fixed or hedged using derivative instruments which helps mitigate the impact of changes in short-term interest rates. It is estimated that a 1% increase in interest rates on our unhedged debt would result in an increase of \$4,924 in interest expense over the next twelve months.

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 2022 Form 20-F that was filed with the Securities and Exchange Commission on February 14, 2023. 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 collapse of certain U.S. banks and potentially other financial institutions which could cause our future results to be materially adversely affected.

The collapse or non-performance of certain U.S. banks and potentially other financial institutions may have adverse impacts on certain of our customers’ ability to pay money owed to the Company or could impact our access to our cash which could adversely affect our financial condition.

On March 10, 2023, Silicon Valley Bank was shut down, followed on March 11, 2023, by Signature Bank and on May 1, 2023, by First Republic Bank. We do not have a banking relationship with these banks. Since that time, there have been reports of instability at other banks across the globe and the recent rapid rise in short term interest rates may continue to pressure banks and financial institutions if a material amount of their fixed rate assets yield less than the cost of their deposits. If any of our lenders, counterparties or depository institutions enter receivership or become insolvent in the future due to financial conditions affecting the banking system and financial markets, our ability to access our cash and financing sources, including transferring funds, making payments or receiving funds, may be threatened and could have a material adverse effect on our business, liquidity and financial condition, including the loss of any uninsured deposits of ours. Furthermore, our customers face the same risks with their financial institutions, which may impact our customers’ ability to pay their current or future debts owed to the Company.

Despite the steps taken to date by U.S. agencies to protect depositors, the follow-on effects of the events surrounding recent bank failures and pressure on other banks are unknown, could include failures of other financial institutions to which we or our customers face direct or more significant exposure, and may lead to significant disruptions to our results of operations and financial position. While we are taking steps to identify any potential impact and manage risks, we cannot be certain that we will be able to avoid negative consequences directly or indirectly from the foregoing events or other impacts on financial institutions.

ITEM 5. EXHIBITS

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

Exhibit Number	Description of Document
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.

Textainer Group Holdings Limited

/s/ Olivier Ghesquiere

Olivier Ghesquiere
President and Chief Executive Officer

/s/ Michael K. Chan

Michael K. Chan
Executive Vice President and Chief Financial Officer

Date: May 2, 2023

