

TEXTAINER GROUP HOLDINGS LTD

Form 6-K

February 11, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO**

**RULE 13a-16 OR 15d-16 UNDER**

**THE SECURITIES EXCHANGE ACT OF 1934**

**February 11, 2014**

**Commission File Number 001-33725**

**Textainer Group Holdings Limited**

**(Translation of Registrant's name into English)**

**Century House**

**16 Par-La-Ville Road**

**Hamilton HM 08**

**Bermuda**

**(441) 296-2500**

**(Address of principal executive office)**

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

Form 20-F  Form 40-F

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

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

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

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

This report contains a copy of the press release entitled Textainer Group Holdings Limited Reports Fourth-Quarter and Full-Year 2013 Results and Declares Quarterly Dividend, dated February 11, 2014.

**Exhibit**

1. Press Release dated February 11, 2014

**Textainer Group Holdings Limited**  
**Reports Fourth-Quarter and Full-Year 2013 Results**  
**and Declares Quarterly Dividend**

Total revenues of \$137.5 million for the quarter, an increase of 8.0 percent from the prior year quarter, and \$529.0 million for the full year, an increase of 8.6 percent from the prior year;

Lease rental income of \$122.5 million for the quarter, an increase of 14.7 percent from the prior year quarter, and \$468.7 million for the full year, an increase of 22.1 percent from the prior year;

Adjusted net income<sup>(1)</sup> of \$43.4 million for the quarter and \$175.0 million for the full year;

Adjusted EBITDA<sup>(1)</sup> of \$108.6 million for the quarter and \$429.7 million for the full year;

Declared a quarterly dividend of \$0.47 per share;

Increased total fleet size by 9.6 percent and the percentage of the total fleet that is owned by 4.0 percent over last year; and

Achieved a total fleet size of over 3 million TEU, a milestone for Textainer and the industry.

HAMILTON, Bermuda (BUSINESS WIRE) February 11, 2014 Textainer Group Holdings Limited (NYSE: TGH) (Textainer, the Company, we and our), the world's largest lessor of intermodal containers based on fleet size, reports fourth-quarter 2013 results.

The fourth quarter marked the close of a solid year for Textainer. Total revenues for 2013 increased by 9 percent to \$529 million. Even more impressively, lease rental income grew 15 percent quarter-to-quarter and 22 percent year-to-year. EBITDA increased 9 percent for the year, in line with our revenue growth, commented Philip K. Brewer, President and Chief Executive Officer of Textainer. Adjusted net income<sup>(1)</sup> for the quarter declined to \$43.4 million primarily due to declines in both utilization and gains on container sales and an increase in depreciation. Adjusted net income<sup>(1)</sup> for the year was \$175 million providing a return on equity of 17.3 percent.

We invested \$950 million in containers for delivery in 2013. Our fleet size grew by 10 percent over the past year, marking an industry milestone as we are the first lessor with a 3 million TEU fleet, continued Mr. Brewer.

**Business Highlights:**

Continued our strong pace of expansion with \$950 million of capex, including \$752 million invested in new and used containers in 2013 following \$198 million invested in new containers in the fourth quarter of 2012 for lease out in 2013;

Invested \$165 million in new and used containers already in 2014;

Entered into a new contract with the US Department of Defense for the program management, leasing, transportation and repair of intermodal equipment; and

Acquired 30,000 TEU of standard dry freight containers from our managed fleet in January 2014 for \$35 million, increasing the owned percentage of the total fleet to approximately 77 percent, the highest percentage in Company history.

**Key Financial Information (in thousands except for per share and TEU amounts):**

|  | Q4 QTD     |            |          | Full-year  |            |          |
|--|------------|------------|----------|------------|------------|----------|
|  | 2013       | 2012       | % Change | 2013       | 2012       | % Change |
| Total revenues   | \$ 137,479 | \$ 127,284 | 8.0%     | \$ 528,973 | \$ 487,094 | 8.6%     |
| Income from operations   | \$ 68,607  | \$ 71,357  | -3.9%    | \$ 281,055 | \$ 278,447 | 0.9%     |
| Net income attributable to Textainer Group Holdings Limited common shareholders                          | \$ 45,545  | \$ 60,573  | -24.8%   | \$ 182,809 | \$ 206,950 | -11.7%   |
| Net income attributable to Textainer Group Holdings Limited common shareholders per diluted common share | \$ 0.80    | \$ 1.07    | -25.2%   | \$ 3.21    | \$ 3.96    | -18.9%   |
| Adjusted net income <sup>(1)</sup>   | \$ 43,381  | \$ 58,219  | -25.5%   | \$ 175,029 | \$ 201,199 | -13.0%   |
| Adjusted net income per diluted common share <sup>(1)</sup>  | \$ 0.76    | \$ 1.03    | -26.2%   | \$ 3.08    | \$ 3.85    | -20.0%   |
| Adjusted EBITDA <sup>(1)</sup>   | \$ 108,566 | \$ 114,908 | -5.5%    | \$ 429,749 | \$ 395,330 | 8.7%     |
| Average fleet utilization  | 93.9%      | 96.7%      | -2.9%    | 94.5%      | 97.2%      | -2.8%    |
| Total fleet size at end of period (TEU)  |            |            |          | 3,040,454  | 2,775,034  | 9.6%     |
| Owned percentage of total fleet at end of period   |            |            |          | 75.6%      | 72.7%      | 4.0%     |

Adjusted net income and adjusted EBITDA are Non-GAAP Measures that are reconciled to GAAP measures in footnote 1. Adjusted net income is defined as net income attributable to Textainer Group Holdings Limited common shareholders before unrealized gains on interest rate swaps and caps, net and related impact of reconciling item on net income (loss) attributable to the noncontrolling interest ( NCI ). Adjusted EBITDA is defined as net income attributable to Textainer Group Holdings Limited common shareholders before interest income and interest expense, realized and unrealized losses (gains) on interest rate swaps and caps, net, income tax (benefit) expense, net income attributable to the NCI, depreciation expense and container impairment, amortization expense and related impact of reconciling items on net income (loss) attributable to the NCI. Footnote 1 provides certain qualifications and limitations on the use of Non-GAAP Measures.

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

Textainer's fourth-quarter and full-year financial results benefited from higher revenue due to an increase in the average size of the owned container fleet. The Company's higher revenue for the fourth quarter and full year was offset by an increase in depreciation expense due to the larger owned fleet, higher direct container expense due to lower utilization and an increase in interest expense due to an increase in debt required to fund the expansion of our owned fleet which was partially offset by a decrease in our effective interest rate. The prior year fourth-quarter and full-year financial results included a one-time \$9.4 million non-cash bargain purchase gain from Textainer's acquisition of a majority interest in TAP Funding Ltd. Excluding this bargain purchase gain, adjusted net income<sup>(1)</sup> decreased 11.1 percent from the prior year quarter and 8.7 percent from the prior year.

### **Outlook**

We saw a pick-up in utilization and an improvement in lease terms prior to the Chinese New Year and have been aggressively investing in containers at attractive prices since the start of the year. However, we continue to operate in a very competitive environment and we expect yields on new container lease-outs to remain under pressure in 2014. Used container prices are at the lowest levels of the last three years, resulting in lower gains on sale of trading and in-fleet containers. New container prices have increased by about 10 percent over the past few months, but it remains to be seen if prices will continue at this level, continued Mr. Brewer.

We believe we are well positioned for 2014 with a conservative 2.3 times leverage ratio and access to additional financing, if needed, to provide us operational flexibility. With 84 percent of our fleet subject to long-term and finance leases and less than 4 percent of our total fleet subject to long-term leases that will expire this year, we predict utilization will remain at or near the current level. We also expect to continue to see attractive purchase leaseback opportunities. Overall, we believe our performance in 2014 will be similar to that of last year.

### **Dividend**

On January 31, 2014, Textainer's board of directors approved and declared a quarterly cash dividend of \$0.47 per share on Textainer's issued and outstanding common shares, payable on March 4, 2014 to shareholders of record as of February 21, 2014.

Our dividend represents 62 percent of this quarter's adjusted net income per diluted common share, stated Mr. Brewer. Although above our historical run rate, our current dividend level reflects our comfort with the stability of our business and in our strong cash flow, enabling us to invest for growth and provide an attractive return to shareholders.

### **Investors Webcast**

Textainer will hold a conference call and a Webcast at 11:00 am EST on Tuesday, February 11, 2014 to discuss Textainer's fourth quarter 2013 results. An archive of the Webcast will be available one hour after the live call through February 12, 2015. For callers in the U.S. the dial-in number for the conference call is 1-888-895-5271; for callers outside the U.S. the dial-in number for the conference call is 1-847-619-6547. The participant passcode for both dial-in numbers is 36415433. To access the live Webcast or archive, please visit Textainer's investor website at <http://investor.textainer.com>.

## **About Textainer Group Holdings Limited**

Textainer Group Holdings Limited and its subsidiaries ( Textainer ) is the world's largest lessor of intermodal containers based on fleet size. Textainer has more than 2 million containers, representing more than 3 million TEU, in its owned and managed fleet. Textainer leases dry freight, dry freight specialized, and refrigerated containers. Textainer is one of the largest purchasers of new containers as well as one of the largest sellers of used containers. Textainer leases containers to approximately 400 shipping lines and other lessees, sells containers to more than 1,100 customers and provides services worldwide via a network of regional and area offices, as well as independent depots.

## **Important Cautionary Information Regarding Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of U.S. securities laws. Forward-looking statements include statements that are not statements of historical facts and include, without limitation, statements regarding: (i) Textainer's expectation that yields on new container lease-outs will remain under pressure in 2014; (ii) Textainer's belief that it is well positioned for 2014; (iii) Textainer's belief that its conservative 2.3 times leverage ratio and access to additional financing if needed provides it operational flexibility; (iv) Textainer's prediction that utilization will remain at or near its current level; (iv) Textainer's expectation that it will continue to see attractive purchase leaseback opportunities; and (v) Textainer's belief that its performance in 2014 will be similar to that of last year. Readers are cautioned that these forward-looking statements involve risks and uncertainties, are only predictions and may differ materially from actual future events or results. These risks and uncertainties include, without limitation, the following items that could materially and negatively impact our business, results of operations, cash flows, financial condition and future prospects: any deceleration or reversal of the current domestic and global economic recoveries; lease rates may decrease and lessees may default, which could decrease revenue and increasing storage, repositioning, collection and recovery expenses; we own a large and growing number of containers in our fleet and are subject to significant ownership risk; further consolidation of container manufacturers or the disruption of manufacturing for the major manufacturers could result in higher new container prices and/or decreased supply of new containers and any increase in the cost or reduction in the supply of new containers; the demand for leased containers depends on many political and economic factors beyond Textainer's control; the demand for leased containers is partially tied to international trade and if this demand were to decrease due to increased barriers to trade, or for any other reason, it could reduce demand for intermodal container leasing; as we increase the number of containers in our owned fleet, we will have significant capital at risk and may need to incur more debt, which could result in financial instability; Textainer faces extensive competition in the container leasing industry; the international nature of the container shipping industry exposes Textainer to numerous risks; gains and losses associated with the disposition of used equipment may fluctuate; our indebtedness reduces our financial flexibility and could impede our ability to operate; and other



risks and uncertainties, including those set forth in Textainer's filings with the Securities and Exchange Commission. For a discussion of some of these risks and uncertainties, see Item 3 Key Information Risk Factors in Textainer's Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 15, 2013.

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

**Contact:**

Textainer Group Holdings Limited

Hilliard C. Terry, III

Executive Vice President and Chief Financial Officer

Phone: +1 (415) 658-8214

ir@textainer.com

###

**TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

## Condensed Consolidated Statements of Comprehensive Income

Three Months and Years Ended December 31, 2013 and 2012

(Unaudited)

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

|   | <b>Three Months Ended December 31,</b> |                | <b>Years Ended December 31,</b> |                |
|---|--|----------------|---------------------------------|----------------|
|   | <b>2013</b>                            | <b>2012</b>    | <b>2013</b>                     | <b>2012</b>    |
| <b>Revenues:</b>                              |  |                |                                 |                |
| Lease rental income                           | \$ 122,501                             | \$ 106,816     | \$ 468,732                      | \$ 383,989     |
| Management fees                               | 4,729                                  | 5,880          | 19,921                          | 26,169         |
| Trading container sales proceeds              | 4,548                                  | 6,760          | 12,980                          | 42,099         |
| Gains on sale of containers, net              | 5,701                                  | 7,828          | 27,340                          | 34,837         |
| <b>Total revenues</b>                         | <b>137,479</b>                         | <b>127,284</b> | <b>528,973</b>                  | <b>487,094</b> |
| <b>Operating expenses:</b>                    |  |                |                                 |                |
| Direct container expense                      | 13,125                                 | 7,584          | 43,062                          | 25,173         |
| Cost of trading containers sold               | 4,421                                  | 5,767          | 11,910                          | 36,810         |
| Depreciation expense and container impairment | 40,006                                 | 33,522         | 148,974                         | 104,844        |
| Amortization expense                          | 954                                    | 1,140          | 4,226                           | 5,020          |
| General and administrative expense            | 6,777                                  | 5,974          | 24,922                          | 23,015         |
| Short-term incentive compensation expense     | 660                                    | 1,837          | 1,779                           | 5,310          |
| Long-term incentive compensation expense      | 1,583                                  | 1,721          | 4,961                           | 6,950          |
| Bad debt expense (recovery), net              | 1,346                                  | (1,618)        | 8,084                           | 1,525          |
| <b>Total operating expenses</b>               | <b>68,872</b>                          | <b>55,927</b>  | <b>247,918</b>                  | <b>208,647</b> |

Edgar Filing: TEXTAINER GROUP HOLDINGS LTD - Form 6-K

|  |           |           |            |            |
|--|-----------|-----------|------------|------------|
| Income from operations   | 68,607    | 71,357    | 281,055    | 278,447    |
| Other income (expense):  |           |           |            |            |
| Interest expense   | (22,560)  | (20,195)  | (85,174)   | (72,886)   |
| Interest income  | 22        | 43        | 122        | 146        |
| Realized losses on interest rate swaps and caps, net                                       | (1,967)   | (2,541)   | (8,409)    | (10,163)   |
| Unrealized gains on interest rate swaps and caps, net                                      | 2,376     | 2,343     | 8,656      | 5,527      |
| Bargain purchase gain  |           | 9,441     |            | 9,441      |
| Other, net   | (12)      | 43        | (45)       | 44         |
| Net other expense  | (22,141)  | (10,866)  | (84,850)   | (67,891)   |
| Income before income tax and noncontrolling interest                                       | 46,466    | 60,491    | 196,205    | 210,556    |
| Income tax benefit (expense)   | 938       | (372)     | (6,831)    | (5,493)    |
| Net income   | 47,404    | 60,119    | 189,374    | 205,063    |
| Less: Net (income) loss attributable to the noncontrolling interest                        | (1,859)   | 454       | (6,565)    | 1,887      |
| Net income attributable to Textainer Group Holdings Limited common shareholders            | \$ 45,545 | \$ 60,573 | \$ 182,809 | \$ 206,950 |
| Net income attributable to Textainer Group Holdings Limited common shareholders per share: |           |           |            |            |
| Basic  | \$ 0.81   | \$ 1.09   | \$ 3.25    | \$ 4.04    |
| Diluted  | \$ 0.80   | \$ 1.07   | \$ 3.21    | \$ 3.96    |
| Weighted average shares outstanding (in thousands):  |           |           |            |            |

Edgar Filing: TEXTAINER GROUP HOLDINGS LTD - Form 6-K

|   |           |           |            |            |
|---|-----------|-----------|------------|------------|
| Basic   | 56,400    | 55,753    | 56,317     | 51,277     |
| Diluted   | 56,980    | 56,585    | 56,862     | 52,231     |
| Other comprehensive income:   |           |           |            |            |
| Foreign currency translation adjustments  | 91        | 69        | (45)       | 142        |
| Comprehensive income  | 47,495    | 60,188    | 189,329    | 205,205    |
| Comprehensive (income) loss attributable to the noncontrolling interest                   | (1,859)   | 454       | (6,565)    | 1,887      |
| Comprehensive income attributable to Textainer Group Holdings Limited common shareholders | \$ 45,636 | \$ 60,642 | \$ 182,764 | \$ 207,092 |

**TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

## Condensed Consolidated Balance Sheets

December 31, 2013 and 2012

(Unaudited)

(All currency expressed in United States dollars in thousands)

|  | <b>2013</b>         | <b>2012</b>         |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash and cash equivalents  | \$ 120,223          | \$ 100,127          |
| Accounts receivable, net of allowance for doubtful accounts of \$14,891 and \$8,025 in 2013 and 2012, respectively | 91,967              | 94,102              |
| Net investment in direct financing and sales-type leases   | 64,811              | 43,253              |
| Trading containers   | 13,009              | 7,296               |
| Containers held for sale   | 31,968              | 15,717              |
| Prepaid expenses   | 19,063              | 14,006              |
| Deferred taxes   | 1,491               | 2,332               |
| Due from affiliates, net   |                     | 4,377               |
| <b>Total current assets</b>  | <b>342,532</b>      | <b>281,210</b>      |
| Restricted cash  | 63,160              | 54,945              |
| Containers, net of accumulated depreciation of \$562,456 and \$490,930 at 2013 and 2012, respectively              | 3,233,131           | 2,916,673           |
| Net investment in direct financing and sales-type leases   | 217,310             | 173,634             |
| Fixed assets, net of accumulated depreciation of \$8,286 and \$9,189 at 2013 and 2012, respectively                | 1,635               | 1,621               |
| Intangible assets, net of accumulated amortization of \$31,188 and \$26,963 at 2013 and 2012, respectively         | 29,157              | 33,383              |
| Interest rate swaps and caps   | 1,831               |                     |
| Other assets   | 20,227              | 14,614              |
| <b>Total assets</b>  | <b>\$ 3,908,983</b> | <b>\$ 3,476,080</b> |
| <b>Liabilities and Equity</b>  |                     |                     |
| Current liabilities:   |                     |                     |
| Accounts payable   | \$ 8,086            | \$ 4,451            |
| Accrued expenses   | 9,838               | 14,329              |
| Container contracts payable  | 22,819              | 87,708              |
| Deferred revenue and other liabilities   | 345                 | 1,681               |
| Due to owners, net   | 12,775              | 13,218              |
| Bonds payable  | 161,307             | 131,500             |
| <b>Total current liabilities</b>   | <b>215,170</b>      | <b>252,887</b>      |
| Revolving credit facilities  | 860,476             | 549,911             |

Edgar Filing: TEXTAINER GROUP HOLDINGS LTD - Form 6-K

|   |              |              |
|---|--------------|--------------|
| Secured debt facilities   | 808,600      | 874,000      |
| Bonds payable   | 836,901      | 706,291      |
| Interest rate swaps and caps  | 3,994        | 10,819       |
| Income tax payable  | 16,050       | 27,580       |
| Deferred taxes  | 19,166       | 5,249        |
| Other liabilities   | 3,132        | 3,210        |
| <br>  |              |              |
| Total liabilities   | 2,763,489    | 2,429,947    |
| <br>  |              |              |
| Equity:   |              |              |
| Textainer Group Holdings Limited shareholders' equity:  |              |              |
| Common shares, \$0.01 par value. Authorized 140,000,000 shares; issued and outstanding 56,450,580 and 55,754,529 at 2013 and 2012, respectively | 564          | 558          |
| Additional paid-in capital  | 366,197      | 354,448      |
| Accumulated other comprehensive income  | 69           | 114          |
| Retained earnings   | 730,993      | 652,383      |
| <br>  |              |              |
| Total Textainer Group Holdings Limited shareholders' equity   | 1,097,823    | 1,007,503    |
| Noncontrolling interest   | 47,671       | 38,630       |
| <br>  |              |              |
| Total equity  | 1,145,494    | 1,046,133    |
| <br>  |              |              |
| Total liabilities and equity  | \$ 3,908,983 | \$ 3,476,080 |

**TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

## Condensed Consolidated Statements of Cash Flows

Years Ended December 31, 2013 and 2012

(Unaudited)

(All currency expressed in United States dollars in thousands)

|  | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
| <b>Cash flows from operating activities:</b>   |             |             |
| Net income   | \$ 189,374  | \$ 205,063  |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |             |             |
| Depreciation expense and container impairment  | 148,974     | 104,844     |
| Bad debt expense, net  | 8,084       | 1,525       |
| Unrealized gains on interest rate swaps and caps, net                                    | (8,656)     | (5,527)     |
| Amortization of debt issuance costs and accretion of bond discount                       | 11,587      | 11,700      |
| Amortization of intangible assets  | 4,226       | 5,020       |
| Amortization of acquired net below-market leases   |             | (33)        |
| Amortization of deferred revenue   | (1,001)     | (6,026)     |
| Amortization of unearned income on direct financing and sales-type leases                | (21,618)    | (11,828)    |
| Gains on sale of containers, net   | (27,340)    | (34,837)    |
| Bargain purchase gain  |             | (9,441)     |
| Share-based compensation expense   | 5,694       | 7,968       |
| Changes in operating assets and liabilities  | (14,313)    | (1,901)     |
| Total adjustments  | 105,637     | 61,464      |
| Net cash provided by operating activities  | 295,011     | 266,527     |
| <b>Cash flows from investing activities:</b>   |             |             |
| Purchase of containers and fixed assets  | (765,418)   | (1,087,489) |
| Payment for TAP Funding Ltd.   |             | (20,532)    |
| Proceeds from sale of containers and fixed assets  | 123,738     | 91,324      |
| Receipt of principal payments on direct financing and sales-type leases                  | 78,818      | 42,410      |
| Net cash used in investing activities  | (562,862)   | (974,287)   |
| <b>Cash flows from financing activities:</b>   |             |             |
| Proceeds from revolving credit facilities  | 447,138     | 435,720     |
| Principal payments on revolving credit facilities  | (136,573)   | (127,327)   |
| Proceeds from secured debt facilities  | 249,600     | 907,000     |
| Principal payments on secured debt facilities  | (315,000)   | (853,697)   |
| Proceeds from bonds payable  | 299,359     | 400,000     |
| Principal payments on bonds payable  | (139,022)   | (118,168)   |
| Increase in restricted cash  | (8,215)     | (7,173)     |
| Debt issuance costs  | (13,633)    | (24,048)    |
| Issuance of common shares in public offering, net of offering costs                      |             | 184,839     |

Edgar Filing: TEXTAINER GROUP HOLDINGS LTD - Form 6-K

|  |            |            |
|--|------------|------------|
| Issuance of common shares upon exercise of share options | 3,617      | 4,669      |
| Excess tax benefit from share-based compensation awards  | 2,444      | 2,580      |
| Capital contributions from noncontrolling interest       | 2,476      | 12,007     |
| Dividends paid   | (104,199)  | (83,473)   |
| Net cash provided by financing activities                | 287,992    | 732,929    |
| Effect of exchange rate changes                          | (45)       | 142        |
| Net increase in cash and cash equivalents                | 20,096     | 25,311     |
| Cash and cash equivalents, beginning of the year         | 100,127    | 74,816     |
| Cash and cash equivalents, end of year                   | \$ 120,223 | \$ 100,127 |



---

**TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES**

Reconciliation of GAAP financial measures to non-GAAP financial measures

Three Months and Years Ended December 31, 2013 and 2012

(Unaudited)

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

- (1) The following is a reconciliation of certain GAAP measures to non-GAAP financial measures (such items listed in (a) to (d) below and defined as Non-GAAP Measures ) for the three months and years ended December 31, 2013 and 2012, including:
- (a) net income attributable to Textainer Group Holdings Limited common shareholders to adjusted EBITDA (Adjusted EBITDA defined as net income attributable to Textainer Group Holdings Limited common shareholders before interest income and interest expense, realized and unrealized losses (gains) on interest rate swaps and caps, net, income tax (benefit) expense, net income (loss) attributable to the noncontrolling interest ( NCI ), depreciation expense and container impairment, amortization expense and the related impact of reconciling items on net income (loss) attributable to the NCI);
  - (b) net cash provided by operating activities to Adjusted EBITDA;
  - (c) net income attributable to Textainer Group Holdings Limited common shareholders to adjusted net income (defined as net income attributable to Textainer Group Holdings Limited common shareholders before unrealized gains on interest rate swaps and caps, net and the related impact of reconciling item on net income (loss) attributable to the NCI); and
  - (d) net income attributable to Textainer Group Holdings Limited common shareholders per diluted common share to adjusted net income per diluted common share (defined as net income attributable to Textainer Group Holdings Limited common shareholders per diluted common share before unrealized gains on interest rate swaps and caps, net and the related impact of reconciling item on net income (loss) attributable to the NCI).

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



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

They do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

They do not reflect changes in, or cash requirements for, our working capital needs;

Adjusted EBITDA does not reflect interest expense or cash requirements necessary to service interest or principal payments on our debt;

Although depreciation expense and impairment of containers is a noncash charge, the assets being depreciated may be replaced in the future, and neither adjusted EBITDA, adjusted net income or adjusted net income per diluted common share reflects any cash requirements for such replacements;

They are not adjusted for all noncash income or expense items that are reflected in our statements of cash flows; and

Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

|  | Three Months<br>Ended<br>December 31, |                  | Years Ended<br>December 31,              |                   |
|--|---------------------------------------|------------------|--|-------------------|
|  | 2013                                  | 2012             | 2013                                     | 2012              |
|  | (Dollars in thousands)<br>(Unaudited) |                  | (Dollars in<br>thousands)<br>(Unaudited) |                   |
| <b>Reconciliation of adjusted net income:</b>  |                                       |                  |  |                   |
| Net income attributable to Textainer Group Holdings Limited common shareholders                          | \$ 45,545                             | \$ 60,573        | \$ 182,809                               | \$ 206,950        |
| Adjustments:   |                                       |                  |  |                   |
| Unrealized gains on interest rate swaps and caps, net  | (2,376)                               | (2,343)          | (8,656)                                  | (5,527)           |
| Impact of reconciling item on net income (loss) attributable to the noncontrolling interest              | 212                                   | (11)             | 876                                      | (224)             |
| <b>Adjusted net income</b>   | <b>\$ 43,381</b>                      | <b>\$ 58,219</b> | <b>\$ 175,029</b>                        | <b>\$ 201,199</b> |
| <b>Reconciliation of adjusted net income per diluted common share:</b>                                   |                                       |                  |  |                   |
| Net income attributable to Textainer Group Holdings Limited common shareholders per diluted common share | \$ 0.80                               | \$ 1.07          | \$ 3.21                                  | \$ 3.96           |
| Adjustments:   |                                       |                  |  |                   |
| Unrealized gains on interest rate swaps and caps, net  | (0.04)                                | (0.04)           | (0.15)                                   | (0.11)            |
| Impact of reconciling item on net income (loss) attributable to the noncontrolling interest              |                                       |                  | 0.02                                     |                   |
| <b>Adjusted net income per diluted common share</b>  | <b>\$ 0.76</b>                        | <b>\$ 1.03</b>   | <b>\$ 3.08</b>                           | <b>\$ 3.85</b>    |

|  | Three Months Ended        |                      | Years Ended               |                      |
|--|---------------------------|----------------------|---------------------------|----------------------|
|  | December 31,<br>2013      | December 31,<br>2012 | December 31,<br>2013      | December 31,<br>2012 |
|  | (Dollars in<br>thousands) |                      | (Dollars in<br>thousands) |                      |
|  | (Unaudited)               |                      | (Unaudited)               |                      |
| <b>Reconciliation of adjusted EBITDA:</b>  |                           |                      |                           |                      |
| Net income attributable to Textainer Group Holdings Limited common shareholders              | \$ 45,545                 | \$ 60,573            | \$ 182,809                | \$ 206,950           |
| Adjustments:   |                           |                      |                           |                      |
| Interest income  | (22)                      | (43)                 | (122)                     | (146)                |
| Interest expense   | 22,560                    | 20,195               | 85,174                    | 72,886               |
| Realized losses on interest rate swaps and caps, net   | 1,967                     | 2,541                | 8,409                     | 10,163               |
| Unrealized gains on interest rate swaps and caps, net  | (2,376)                   | (2,343)              | (8,656)                   | (5,527)              |
| Income tax (benefit) expense   | (938)                     | 372                  | 6,831                     | 5,493                |
| Net income (loss) attributable to the noncontrolling interest                                | 1,859                     | (454)                | 6,565                     | (1,887)              |
| Depreciation expense and container impairment  | 40,006                    | 33,522               | 148,974                   | 104,844              |
| Amortization expense   | 954                       | 1,140                | 4,226                     | 5,020                |
| Impact of reconciling items on net income (loss) attributable to the noncontrolling interest | (989)                     | (595)                | (4,461)                   | (2,466)              |
| Adjusted EBITDA  | \$ 108,566                | \$ 114,908           | \$ 429,749                | \$ 395,330           |
| Net cash provided by operating activities  |                           |                      | \$ 295,011                | \$ 266,527           |
| Adjustments:   |                           |                      |                           |                      |
| Bad debt expense, net  |                           |                      | (8,084)                   | (1,525)              |
| Amortization of debt issuance costs  |                           |                      | (11,587)                  | (11,700)             |
| Amortization of acquired net below market leases   |                           |                      |                           | 33                   |
| Amortization of deferred revenue   |                           |                      | 1,001                     | 6,026                |
| Amortization of unearned income on direct financing and sales-type leases                    |                           |                      | 21,618                    | 11,828               |
| Gains on sale of containers, net   |                           |                      | 27,340                    | 34,837               |
| Bargain purchase gain  |                           |                      |                           | 9,441                |
| Share-based compensation expense   |                           |                      | (5,694)                   | (7,968)              |
| Interest income  |                           |                      | (122)                     | (146)                |
| Interest expense   |                           |                      | 85,174                    | 72,886               |
| Realized losses on interest rate swaps and caps, net   |                           |                      | 8,409                     | 10,163               |
| Income tax expense   |                           |                      | 6,831                     | 5,493                |
| Changes in operating assets and liabilities  |                           |                      | 14,313                    | 1,901                |
| Impact of reconciling items on net income (loss) attributable to the noncontrolling interest |                           |                      | (4,461)                   | (2,466)              |
| Adjusted EBITDA  |                           |                      | \$ 429,749                | \$ 395,330           |

**SIGNATURE**

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

Date: February 11, 2014

**Textainer Group Holdings Limited**

/s/ Philip K. Brewer

Philip K. Brewer  
President and Chief Executive Officer