TEXTAINER GROUP HOLDINGS LTD
Form 6-K
November 02, 2018

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

November 2, 2018

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 Third-Quarter Results," dated November 2, 2018.

Exhibit

1. Press Release dated November 2, 2018

Textainer Group Holdings Limited

Reports Third-Quarter Results

HAMILTON, Bermuda – (BUSINESS WIRE) – November 2, 2018 – Textainer Group Holdings Limited (NYSE: TGH) (“Textainer”, “the Company”, “we” and “our”), one of the world’s largest lessors of intermodal containers, today reported financial results for the third quarter ended September 30,2018.

Key Financial and Business Highlights

- Total revenues of $149.4 million for the quarter, a $23.8 million increase (or 19.0%) from the third quarter of 2017, driven by strong lease-out and resale activity;
- Lease rental income of $129.8 million for the quarter, an increase of $17.6 million (or 15.7%) from the third quarter of 2017 and $8.3 million (or 6.8%) from the second quarter of 2018;
- Adjusted EBITDA[(1)] of $111.3 million for the quarter, an improvement of $10.7 million (or 10.7%) from the third quarter of 2017 and $2.2 million (or 2.0%) from the second quarter of 2018;
- Recorded container impairments totaling $16.8 million resulting mostly from two defaulted lessees and additionally the move to disposal of economically unleasable containers. The two defaulted lessees also caused additional container recovery costs of $2.5 million recorded in Direct container expense;
- Net income of $1.9 million for the quarter, or $0.03 per diluted common share, a decrease of $16.6 million from the third quarter of 2017 and $15.6 million from the second quarter of 2018;
- Adjusted net income[(1)] of $4.8 million for the quarter, or $0.08 per diluted common share, a decrease of $13.8 million from the third quarter of 2017 and $12.9 million from the second quarter of 2018. Excluding the impact of impairment and recovery costs for the two defaulted lessees, as well as the write-down of the economically unleasable containers described above, adjusted net income for the quarter would have totaled $22.1 million, or $0.39 per diluted common share;
- Utilization averaged 98.0% for the quarter and is currently at 98.6%, an improvement of 130 basis points from the average in the third quarter of 2017;
- Continued growth with container investments of $820 million delivered year-to-date, including over $290 million of new production received during the third quarter; and
- Effective September 26, 2018, we amended our revolving credit facility to increase its size to $1.5 billion, lower its pricing by 50 basis points, and extend the term to five years.

“Our third quarter performance reflects the continued positive results of our fleet growth and high utilization rate. Lease rental income increased $8.3 million from the previous quarter, marking the eighth-consecutive quarter of lease rental income growth. The average yield of our fleet continued to improve as we locked-in more long-term leases at rates higher than our current fleet average,” stated Olivier Ghesquiere, President and Chief Executive Officer of Textainer Group Holdings Limited.

“However, our net income was negatively affected by impairment charges and recovery costs for two defaulting regional shipping lines in Asia. We have now recovered the majority of containers worth recovering and believe the impact of these defaults are mostly behind us. In addition, we decided to dispose of economically unleasable containers which resulted in an impairment write-down during the quarter. Their disposal will help save on storage cost while taking advantage of the current positive resale market to monetize their remaining value.

"We saw strong demand ahead of the Golden Week with 165,000 TEU picked up during the quarter, which included 137,000 TEU of new production. These new containers went on operating leases with an average minimum contractual term in excess of six years and favorable return schedules. Drop-off activity was limited, resulting in a quarterly lease-out to turn-in ratio of 2.5 to 1. Given the strong demand environment, industry-wide factory inventory was further reduced to 600,000 TEU."

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

	QTD		YTD	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017
Lease rental income	$129,834	$112,195	$371,639	$328,591
Total revenues	$149,438	$125,600	$423,378	$361,534
Income from operations	$37,156	$45,005	$138,092	$98,556
Net income attributable to Textainer Group Holdings Limited common shareholders	$1,913	$18,481	$38,137	$2,154
Net income attributable to Textainer Group Holdings Limited common shareholders per diluted common share	$0.03	$0.32	$0.66	$0.04
Adjusted net income [(1)]	$4,815	$18,635	$39,554	$8,373
Adjusted net income per diluted common share [(1)]	$0.08	$0.33	$0.69	$0.15
Adjusted EBITDA [(1)]	$111,329	$100,606	$325,722	$273,928
Average fleet utilization	98.0 %	96.7 %	97.9 %	96.0 %
Total fleet size at end of period (TEU)	3,451,293	3,202,140		
Owned percentage of total fleet at end of period	80.9 %	77.2 %		

(1) "Adjusted net income" and "adjusted EBITDA" are Non-GAAP Measures that are reconciled to GAAP measures in section "Reconciliation of GAAP financial measures to non-GAAP financial measures" below. "Adjusted net income" is defined as net income attributable to Textainer Group Holdings Limited common shareholders before charges to write-off of unamortized deferred debt issuance costs and bond discounts, unrealized gains on interest rate swaps, collars and caps, net, costs associated with departing senior executives and the related impact of reconciling items on income tax expense and net income attributable to the non-controlling interests ("NCI"). "Adjusted EBITDA" is defined as net income attributable to Textainer Group Holdings Limited common shareholders before interest income and expense, write-off of unamortized deferred debt issuance costs and bond discounts, realized (gains) losses on interest rate swaps, collars and caps, net, unrealized gains on interest rate swaps, collars and caps, net, costs associated with departing senior executives, income tax expense, net income attributable to the NCI, depreciation expense, container impairment, amortization expense and the related impact of reconciling items on net income attributable to the NCI. Section "Reconciliation of GAAP financial measures to non-GAAP financial measures" provides certain qualifications and limitations on the use of Non-GAAP Measures.

Third-Quarter Results

Lease rental income increased $17.6 million from the third quarter of 2017 and $8.3 million from the second quarter of 2018. These increases were due to higher utilization, larger fleet size and increases in the average rental rates of the fleet.

Direct container expense increased $5.5 million, compared to the third quarter of 2017, mostly due to $2.5 million in container recovery cost incurred for two lessees that became insolvent in 2018 and higher repositioning expense, partially offset by lower storage costs.

Container impairment was $16.8 million for the quarter, consisting primarily of a $8.1 million write-off for the estimated unrecoverable containers held by two defaulted lessees and $6.9 million in impairments to write down the value of unleasable containers moved to disposal. These unleasable containers are primarily reefer units, many of them recovered from Hanjin, for which there are no near-term lease opportunities due to various technical and commercial factors.

Depreciation expense increased $5.1 million from the third quarter of 2017 and $2.7 million from the second quarter of 2018, primarily due to fleet growth.

In line with our policy of assessing residual values of our containers, we increased the estimated future residual value of our 40'high cube dry containers from $1,350 to $1,400 and decreased the estimated future residual value of our 40' high cube refrigerated containers from $4,500 to $4,000, effective July 1, 2018. These changes decreased depreciation expense by $0.1 million during this current quarter and are not expected to have a significant impact in upcoming quarters. The revised residual values better reflect our long-term view of used container prices for these container types.

Long-term incentive compensation expense was $3.2 million for the quarter and includes expenses of $1.9 million associated with the acceleration of stock compensation from departing senior executive personnel.

Interest expense increased $5.6 million, compared to the third quarter of 2017, mostly due to higher borrowing costs resulting from a higher ratio of fixed rate debt, a higher average debt balance, and higher interest rates. Realized gains on interest rate swaps, collars and caps, net, increased $1.1 million, compared to the third quarter 2017 due to the increase in interest rates.

Outlook

"Following the very strong lease out activity of the third quarter, we now expect to see restrained demand until the traditional year-end ramp-up leading into Lunar New Year. Given strong competition by manufacturers and a depreciating renminbi, new container prices have recently decreased to about $1,900 per CEU. Other indicators remain positive, including low depot inventory, low turn-in bookings, and stable resale prices supported by the limited supply of containers available for sale," continued Mr. Ghesquiere.

"Looking ahead at 2019, the IMF recently revised their 2019 global growth forecast slightly from 3.9% to 3.7% on concerns of unresolved trade disputes. We continue to monitor these developments closely but have not yet seen any material negative impact on container demand.

"We are concentrating on optimizing the profitability of the Company with a particular focus on our yields and transaction terms. In this respect, we intend to continue to strengthen our business operations and financing capacity to meet our customer needs and position ourselves to seize profitable market opportunities as they may arise," concluded Mr. Ghesquiere.

Conference Call and Webcast

A conference call to discuss the financial results for the third quarter of 2018 will be held at 11:00 am EDT on Friday, November 2, 2018. The dial-in number for the conference call is 1-888-771-4371 (U.S.) and 1-847-585-4405 (outside the U.S.). The participant passcode for both dial-in numbers is 47731452. The call may also be accessed via webcast on Textainer's Investor Relations website at http://investor.textainer.com. A webcast replay will be available one hour after the live call through November 1, 2019.

About Textainer Group Holdings Limited

Textainer has operated since 1979 and is one of the world's largest lessors of intermodal containers with approximately 3.5 million TEU in our owned and managed fleet. We lease containers to approximately 250 customers, including all of the world's leading international shipping lines, and other lessees. Our fleet consists of standard dry freight, dry freight specials, and refrigerated intermodal containers. We also lease tank containers through our relationship with Trifleet Leasing and are the primary supplier of containers to the U.S. Military. Textainer is one of the largest and most reliable suppliers of new and used containers. In addition to

selling older containers from our lease fleet, we buy older containers from our shipping line customers for trading and resale. We sold an average of more than 130,000 containers per year for the last five years to more than 1,400 customers making us one of the largest sellers of used containers. Textainer operates via a network of 14 offices and more than 500 independent depots worldwide.

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) the impact of the two defaulted lessees are mostly behind us; (ii) the disposal of economically unleasable equipment in the third quarter will reduce future storage; (iii) we expect to see slower demand until the traditional year-end ramp-up leading into Lunar New Year; (iv) our revised residual values better reflect long-term views of used container prices for these container types. 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 conditions; lease rates may decrease and lessees may default, which could decrease revenue and increase storage, repositioning, collection and recovery expenses; the demand for leased containers depends on many political and economic factors and is tied to international trade and if demand decreases due to increased barriers to trade or political or economic factors, or for other reasons, it reduces demand for intermodal container leasing; as we increase the number of containers in our owned fleet, we increase our 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 which tends to depress returns; 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 14, 2018.

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

Michael K. Chan

Executive Vice President and Chief Financial Officer

Phone: +1 (415) 658-8261

ir@textainer.com

###

TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

Three and Nine Months Ended September 30, 2018 and 2017