

TEXTAINER GROUP HOLDINGS LTD  
Form 20-F  
March 25, 2019  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE  
ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-33725

Textainer Group Holdings Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Bermuda

(Jurisdiction of incorporation or organization)

Century House

16 Par-La-Ville Road

Hamilton HM 08

Bermuda

(Address of principal executive offices)

Michael J. Harvey

Textainer Group Holdings Limited

Century House

16 Par-La-Ville Road

Hamilton HM 08

Bermuda

(441) 296-2500

mjh@textainer.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
Common Shares, \$0.01 par value	New York Stock Exchange

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

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

57,402,164 Common Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

Edgar Filing: TEXTAINER GROUP HOLDINGS LTD - Form 20-F

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See definitions of “accelerated filer”, “large accelerated filer” and “emerging growth company” in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

## TABLE OF CONTENTS

	Page
<u>Information Regarding Forward-Looking Statements: Cautionary Language</u>	1
Part I	
Item 1. <u>Identity of Directors, Senior Management and Advisers</u>	2
Item 2. <u>Offer Statistics and Expected Timetable</u>	2
Item 3. <u>Key Information</u>	2
Item 4. <u>Information on the Company</u>	33
Item 4A. <u>Unresolved Staff Comments</u>	51
Item 5. <u>Operating and Financial Review and Prospects</u>	51
Item 6. <u>Directors, Senior Management and Employees</u>	73
Item 7. <u>Major Shareholders and Related Party Transactions</u>	78
Item 8. <u>Financial Information</u>	82
Item 9. <u>The Offer and Listing</u>	84
Item 10. <u>Additional Information</u>	85
Item 11. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	94
Item 12. <u>Description of Securities Other than Equity Securities</u>	95
PART II	
Item 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	96
	Page
Item 14. <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	96
Item 15. <u>Controls and Procedures</u>	96
Item 16. <u>[Reserved]</u>	98
Item 16A. <u>Audit Committee Financial Expert</u>	98
Item 16B. <u>Code of Ethics</u>	98
Item 16C. <u>Principal Accountant Fees and Services</u>	99
Item 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	99
Item 16E. <u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	99
Item 16F. <u>Change in Registrant's Certifying Accountant</u>	99
Item 16G. <u>Corporate Governance</u>	100
PART III	
Item 17. <u>Financial Statements</u>	102
Item 18. <u>Financial Statements</u>	102
Item 19. <u>Exhibits</u>	102
<u>Signatures</u>	114

In this Annual Report on Form 20-F, unless indicated otherwise, references to: (1) “Textainer,” “TGH,” “the Company,” “we,” “us” and “our” refer, as the context requires, to Textainer Group Holdings Limited, which is the registrant and the issuer of the class of common shares that has been registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended, or Textainer Group Holdings Limited 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; 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” mean our owned fleet plus our managed fleet plus any containers we lease from other lessors; (7) “container investors” means the owners of the containers in our managed fleet; and (8) “Trencor” refers to Trencor Ltd., a public South African investment holding company, listed on the JSE Limited in Johannesburg, South Africa, which, directly owns approximately 47.5% of our common shares. See Item 4, “Information on the Company” for an explanation of the relationship between Trencor and us.

Dollar amounts in this Annual Report on Form 20-F are expressed in thousands, unless otherwise indicated.

---

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS; CAUTIONARY LANGUAGE

This Annual Report on Form 20-F, including the sections entitled Item 3, “Key Information -- Risk Factors,” and Item 5, “Operating and Financial Review and Prospects,” 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, introduction of new products, 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,” “estimate,” “predict,” “intend,” “potential,” “continue” or the negative of these terms or other similar terminology.

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 risks we face that are described in the section entitled Item 3, “Key Information -- Risk Factors” and elsewhere in this Annual Report on Form 20-F.

We believe that it is important to communicate our future expectations 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,” as well as any cautionary language in this Annual Report on Form 20-F, 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” and elsewhere in this Annual Report on Form 20-F could negatively impact our business, cash flows, results of operations, financial condition and share price. Potential investors, shareholders and other readers should not place undue reliance on our forward-looking statements.

Forward-looking statements regarding our present plans or expectations involve risks and uncertainties relative to return expectations and related allocation of resources and changing economic or competitive conditions 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 and other factors discussed under Item 3, “Key Information -- Risk Factors” or elsewhere in this Annual Report on Form 20-F, 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. We assume no obligation to, and do not plan to, update any forward-looking statements after the date of this Annual Report on Form 20-F as a result of new information, future events or developments, except as required by federal securities laws. You should read this Annual Report on Form 20-F and the documents that we reference and have filed 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.

Industry data and other statistical information used in this Annual Report on Form 20-F are based on independent publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, derived from our review of internal surveys and the independent sources listed above.

Although we believe these sources are reliable, we have not independently verified the information.

In this Annual Report on Form 20-F, 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" in this Annual Report on Form 20-F.

1

---

## PART I

## ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

## ITEM 3. KEY INFORMATION

## A. Selected Financial Data

The selected financial data presented below under the heading “Statement of Income Data” for the years ended December 31, 2018, 2017 and 2016 and under the heading “Balance Sheet Data” as of December 31, 2018 and 2017 have been derived from our audited consolidated financial statements included in Item 18, “Financial Statements” in this Annual Report on Form 20-F. The selected financial data presented below under the heading “Statement of Income Data” for the years ended December 31, 2015 and 2014 and under the heading “Balance Sheet Data” as of December 31, 2016, 2015 and 2014 are audited and have been derived from our audited consolidated financial statements not included in this Annual Report on Form 20-F. The data presented below under the heading “Other Financial and Operating Data” have not been audited. Historical results are not necessarily indicative of the results of operations to be expected in future periods. You should read the selected consolidated financial data and operating data presented below in conjunction with Item 5, “Operating and Financial Review and Prospects” and with Item 18, “Financial Statements” in this Annual Report on Form 20-F.

	Fiscal Years Ended December 31,				
	2018	2017	2016	2015	2014
	(Dollars in thousands, except per share data)				
<b>Statement of Income Data:</b>					
<b>Revenues:</b>					
Lease rental income - owned fleet	\$501,362	\$444,888	\$460,427	\$512,544	\$506,538
Lease rental income - managed fleet (1)	111,342	104,566	105,511	133,961	149,703
Lease rental income	612,704	549,454	565,938	646,505	656,241
Management fees - non-leasing (1)	8,529	7,146	5,937	5,612	6,125
Trading container sales proceeds (2)	19,568	4,758	15,628	12,670	27,989
Cost of trading containers sold (2)	(16,118 )	(3,302 )	(15,904 )	(12,475 )	(27,465 )
Trading container margin	3,450	1,456	(276 )	195	524
Gain on sale of owned fleet containers, net (2)	36,071	26,210	6,761	3,454	13,070
<b>Operating expenses:</b>					
Direct container expense - owned fleet	58,813	60,321	62,596	47,342	47,446
Distribution to managed fleet owners (1)	102,992	96,718	98,028	123,963	138,420
Depreciation expense	235,705	231,043	236,144	191,930	164,209
Container impairment	26,775	8,072	94,623	35,345	13,108
Amortization expense	3,721	4,092	5,053	4,741	4,010
General and administrative expense (3)	44,317	39,677	34,540	35,598	36,492
Bad debt expense (recovery), net	2,697	477	21,166	5,028	(474 )



Edgar Filing: TEXTAINER GROUP HOLDINGS LTD - Form 20-F

Gain on insurance recovery	(8,692 )	—	—	—	—
Total operating expenses	466,328	440,400	552,150	443,947	403,211
Income from operations	194,426	143,866	26,210	211,819	272,749

2

---

Edgar Filing: TEXTAINER GROUP HOLDINGS LTD - Form 20-F

	Fiscal Years Ended December 31,				
	2018	2017	2016	2015	2014
	(Dollars in thousands, except per share data)				
Other (expense) income:					
Interest expense	(138,427 )	(117,475 )	(85,215 )	(76,063 )	(79,117 )
Write-off of unamortized deferred debt					
costs and bond discounts	(881 )	(7,550 )	—	(458 )	(6,814 )
Interest income	1,709	613	408	125	119
Realized gain (loss) on interest rate swaps,					
collars and caps, net	5,238	(1,191 )	(8,928 )	(12,823 )	(10,293 )
Unrealized (loss) gain on interest rate					
swaps, collars and caps, net	(5,790 )	4,094	6,210	(1,947 )	1,512
Other, net	—	3	(8 )	26	23
Net other expense	(138,151 )	(121,506 )	(87,533 )	(91,140 )	(94,570 )
Income (loss) before income tax and					
noncontrolling interest	56,275	22,360	(61,323 )	120,679	178,179
Income tax (expense) benefit	(2,025 )	(1,618 )	3,447	(6,695 )	18,068
Net income (loss)	54,250	20,742	(57,876 )	113,984	196,247
Less: Net (income) loss attributable to the					
noncontrolling interests	(3,872 )	(1,377 )	5,393	(5,576 )	(5,692 )
Net income (loss) attributable to Textainer Group Holdings Limited common					
shareholders	\$50,378	\$19,365	\$(52,483 )	\$108,408	\$190,555
Net income (loss) attributable to Textainer Group Holdings Limited common					
shareholders per share:					
Basic	\$0.88	\$0.34	\$(0.93 )	\$1.90	\$3.36
Diluted	\$0.88	\$0.34	\$(0.93 )	\$1.90	\$3.34
Weighted average shares outstanding					
(in thousands):					
Basic	57,200	56,845	56,608	56,953	56,719
Diluted	57,487	57,159	56,608	57,093	57,079
Other Financial and Operating Data					
(unaudited):					
Cash dividends declared per common share	\$—	\$—	\$0.51	\$1.65	\$1.88
Purchase of containers and fixed assets	\$854,383	\$300,125	\$505,528	\$533,306	\$818,451
Utilization rate (4)	98.10 %	96.40 %	94.70 %	96.80 %	96.10 %
Total fleet in TEU (as of the end of the	3,354,724	3,279,892	3,142,556	3,147,690	3,233,364

period)  
Balance Sheet Data (as of the end of the  
period):