

TEXTAINER GROUP HOLDINGS

**Moderator: Phil Brewer
May 5, 2009
10:00 am CT**

Operator: Hello and welcome to the Textainer Group Holdings Limited First Quarter 2009 earnings call.

Please note that today's call includes an accompanying PowerPoint presentation which can be found in the Investor Relations portion of the Web site at www.textainer.com. There will be an opportunity for you to ask questions at the end of today's presentation. For your information, the conference is being recorded.

I would now like to turn the conference over to Mr. Phil Brewer, Executive Vice President. Please go ahead, sir.

Phil Brewer: Thank you. Good morning. Joining us on this morning's call are John Maccarone, President and Chief Executive Officer and Ernie Furtado, Senior Vice President and Chief Financial Officer.

Moving to slide 2, before I turn the call over to John and Ernie, I would like to point out that this conference call contains forward-looking statements within the meaning of U.S. Securities Laws. These statements involve risks and uncertainties, are only predictions, and may differ materially from actual future events or results. It is possible that the company's future financial performance may differ from expectations due to a variety of factors.

Any forward-looking statements made during this call are based on certain current assumptions and analyses made by the company in light of its experience and current perception of historical trends, conditions, expected future developments, and other factors it currently believes are appropriate. Any such statements are not a guarantee of future performance and actual results or developments may differ from those projected.

Finally, the company's views, estimates, plans and outlook as described within this call may change subsequent to this discussion. The company is under no obligation to modify or update any or all of the statements that are made herein despite any subsequent changes the company may make in its views, estimates, plans, or outlook for the future. For a discussion of such risks and uncertainties, see the risk factors included in the company's annual report on Form 20F for the year ended December 31, 2008, filed with the Securities and Exchange Commission on March 16, 2009.

I would also like to point out that during this call we will discuss non-GAAP financial measures. These non-GAAP measures are not prepared in accordance with general accepted accounting principles. Reconciliation of the non-GAAP financial measures through the most directly (convertible) GAAP measures will be provided either on this conference call or can be found in the company's May 6, 2009, press release.

I would now like to turn the call over to John.

John Maccarone: Thank you. Please turn to slide 3, and welcome to our first quarter 2009 earnings conference call. I'll begin today's call by reviewing Textainer's first quarter 2009 highlights, the current market environment, and our growth strategy. I'll then turn the call over to Ernie to discuss our financials and quarterly dividend, and Phil will then give us a summary of our recent

transactions as well as information on the container resale market. We'll then open it up for questions.

Turning to slide 4, in a difficult time for the world economy and for the container shipping industry, Textainer reported solid results. In addition, there were some positive and notable developments in the first quarter of 2009 that we believe bode well for Textainer. Specifically, during the quarter, we generated net income of \$19.8 million excluding unrealized gains on interest rate swaps and net of non-controlling interest. We drew upon our sizable contracted revenue stream to declare a dividend of 23 cents a share during a time in which we have maintained a conservative payout ratio significant financial flexibility, and no CapEx commitments.

This is our seventh consecutive quarterly dividend since the October 2007 IPO and the fourth consecutive dividend of 23 cents a share. We achieved average utilization of 90.7% for the first quarter. We made an acquisition taking advantage of the current cyclical downturn adding 145,000 TEU to our fleet, a 7% increase in fleet size. We'll talk about this acquisition in more detail later in the call. And finally, we earned \$3.1 million in the first quarter and over \$16 million so far in the second quarter by repurchasing our bonds. We'll also discuss this in more detail later in the call.

Turning to slide 5, the first quarter was notable for three developments that occurred. First, we continued to experience a decline in utilization which began in the fourth quarter of 2008. However, I'd like to highlight that the rate of decline in utilization has begun to slow, which I'll discuss in more detail in a moment. In addition, there continues to be a shortage of storage space in some parts of the world, mainly in Asia. And finally, Textainer took advantage of several business opportunities during the quarter.

The quarter was also notable for two developments that never came to fruition. First, there were no significant shipping line bankruptcies in the first quarter of '09, a period which some industry

analysts feel might have been the worst part of the cyclical downturn. As I mentioned in our fourth quarter '08 earnings call, counterparty risk, especially involving a major shipping line was my main concern, and fortunately nothing happened during the first quarter, and through today now more than a third of the way through the second quarter. The second event was that no new containers were produced except for some refrigerated containers since that market is still quite strong.

Late last year, the container manufacturers announced they would remain closed until April. In March, Singamas, the second biggest manufacturer, announced that the earliest they might open is June. CIMC, the biggest manufacturer, has not announced any resumption of dry freight container production to my knowledge. Why is this good news? According to Andrew Foxcroft of Containerization International, an average of 3 million TEU of new production has been built in each of the last 6 years, 2003 through 2008 while an average of 1.2 million TEU has been retired resulting in net world fleet growth of about 1.8 million TEU a year. As far as we know, no new containers have been built since September of 2008. If new production is 0 in 2009, while retirements are increasing, the current surplus will be absorbed much sooner, which is a positive sign for us.

Turning to slide 6, according to AXS-Alphaliner, 10.6% of the world's container vessel fleet was idle as of April 27th. This is a decline from the peak of 11.3% reached at the end of March and the first decline since September 2008 occurred only in mid-April of '09. In January of 2009, the world's container fleet excluding reefers, tanks, and some other specials, was about 24 million TEU. If we take 10.6% of the fleet, that's about 2-1/2 million TEU. If the fleet growth in 2009 is negative, the surplus can be eliminated more quickly once the market improves which some analysts predict will start by the third quarter.

Another positive note, about 80% of the containers that had been redelivered to Textainer are in Asia where demand will occur first. Most shipping lines are starved for capital so there's a good

chance they will lease the containers we currently have available in Asia rather than buying new containers or asking to lease new containers. We can offer them a better deal on the containers we already own that are sitting off lease than on new containers.

In 2008, leasing companies supplied 40 to 45% of all new containers placed in service, up from only 35% in the previous 3 years. We also supplied large quantities of in-fleet containers which is why our utilization reached the amazingly high level of 97.5% at the end of the third quarter. I think a good case can be made that shipping lines will be even more dependent on the leasing industry in the next 2 to 3 years than they were in 2008.

Let's talk about utilization. It declined by 3-1/2% from 97.5% to 94% during the fourth quarter. In the first quarter, utilization averaged 90.7% and it declined to 89.3% by the end of the quarter. It's currently 88%. Three data points I'd like to highlight. One, the 5-year average, 2004 through 2008, of 93% utilization was the only period I can recall in my 32 years in this industry when utilization was in the 90s for so long. Two, current utilization while not in the 90s, is still very good by historical standards; and three, importantly, as I mentioned, the rate of utilization decline has slowed considerably in the 7 weeks since mid-March to about 0.2% per week on average.

I believe there are a couple of reasons for this. First, many shipping lines cut muscle as well as fat and may now be closer to needing containers than continuing to off hire leased containers and retiring their own older containers; and two, with our fleet being about 70% long-term lease, they have already picked the low-hanging fruit of short-term and expired long-term lease containers eligible for redelivery.

Macquarie Research in its latest Asian shipping outlook said global container volumes were likely to slip by only 1% this year based on stronger economic growth in the second half. If this forecast is accurate we may start to see an improvement in demand for leased containers soon. The stimulus program in China is starting to cause demand for containers among the Chinese

domestic shipping lines and the intra-Asia trade as well. With almost every country having its own stimulus program, we would expect to see an improvement in demand in others places at some point.

On May 1, 2009, "Lloyd's List" reported that a new index of freight forwarders' cargo volume suggests that a gradual recovery is in sight. A gradual recovery of volume in the second quarter was forecast by the 123 freight forwarders who make up the index. They saw this pickup as an indication that inventory destocking has come to an end and goods are now starting to move in line with end-user demand. Secondhand container prices have declined but sales volume is still good. The current run rate on an annualized basis is over 70% of our record volume of sales in 2008.

What about the opportunities that this down cycle has made available to Textainer? Turning to slide 7, during our fourth quarter '08 earnings call, we indicated that our capital allocation priority in 2009 would be first acquisitions, then purchase leasebacks, and third new production in that order. Acquisitions, as you may know through our press release issued on April 16, we acquired the management rights to the 145,000 TEU Amficon fleet effective May 1, 2009.

We were especially pleased to add their significant fleet of special containers, notably flat racks which are in demand and open tops, more than doubling our fleet size in this market segment. With the addition of the Amficon fleet, we went from about 8,600 units of open top and flat rack to over 23,000 units. We anticipate that the Amficon transaction will be accretive to earnings by about 4 to 5 cents per share in 2009. Amficon will enable us to increase our total fleet size by about 7% in the year with very little new production. With \$350 million in liquidity, we are still looking for additional acquisition opportunities that meet our strict valuation requirements.

Purchase leasebacks, during the quarter, we explored numerous possible purchase leaseback opportunities and passed on about \$70 million in potential deals for various reasons. We are still

looking for opportunities in this area. New production, year to date, we have purchased 500 refrigerated containers and committed 300 of them to long-term lease. We expect to buy more reefers this year.

In summary, we are very pleased with our accomplishments in the first quarter of 2009 during a challenging time for the global economy. My main goal is to be able to look our shareholders in the eye at the end of this year and say that we successfully managed the company through this cycle and emerged as a bigger, stronger, and more profitable company that was able to maintain its dividends, take advantage of some great opportunities such as acquisitions, bond buybacks, and purchase leasebacks at the same time, we maintained our low debt-to-equity ratio and strong balance sheet.

Now I'd like to turn it over to Ernie Furtado to take us through the first quarter numbers.

Ernie Furtado: Thank you. Turning to slide 8, I'd like to take this opportunity to review our financial performance for the first quarter. The fleet size at the end of the quarter consisted of 2 million TEU of which 42% were owned and the remainder were managed, subleased, or on finance lease. As discussed, utilization for the total fleet for the first quarter was 90.7%.

Revenues for the first quarter were \$59.6 million as compared to \$72.2 million for the prior year period.

Net income, excluding unrealized gains on interest rate swaps, net of non-controlling interest, was \$19.8 million which represents a 12% decrease over the \$22.5 million in the prior year quarter. We believe net income, excluding unrealized gains or losses on interest rate swaps net is a useful performance measure. These gains or losses are non-cash, non-operating items and Textainer intends to hold its interest rate swaps until maturity. Over the life of an interest rate swap held to maturity, the unrealized gains or losses will net to zero.

Lease rental income increased by \$1.6 million, or 3%, compared to the prior year quarter primarily due to an 8.1% increase in fleet size offset by a 2.7% decrease in utilization and a 2.8% decrease in rental rates. Management fee revenue decreased by \$1.6 million, or 22%, primarily due to lower net operating income on the managed fleet and a \$0.7 million decrease in sales commissions due to lower sales volume.

Net gain on trade containers sold decreased by \$3.4 million, or 93%, primarily due to an 84% decrease in the number of units sold as a result of shipping lines making fewer containers available for sale until recently. Gains from sales of containers decreased by \$1.2 million, or 33%, primarily due to lower sale prices. Direct container expense increased by \$1.8 million, or 29%, primarily due to increased storage expense.

Depreciation expense decreased by \$1.7 million, or 13%, due to an increase in estimated residual values used in the calculation of depreciation expense partially offset by an increase in the size of the owned container fleet. Bad debt expense increased by \$0.5 million due to an increase in the allowance for doubtful accounts. Interest expense decreased by \$3.6 million, or 53%, primarily due to a decrease in average interest rates of 2.9 percentage points partially offset by an increase in average debt balances which were \$117 million higher. Realized losses on interest rate swaps increased by \$3.2 million, or 470%, due to a decrease in interest rates between the periods. A gain on early extinguishment of debt of \$3.1 million was recorded in the quarter for the repurchase of \$6.2 million of our bonds at a discount. EDITDA was \$42.2 million; \$2 million lower than the prior year quarter.

Moving to slide 9, you will see that we have maintained a strong balance sheet during the first quarter of 2009. Of note, as of March 31, 2009, our cash position was \$67 million. Our total assets were \$1.3 billion, and leverage remains an attractive ratio of 1.3 to 1.

Turning to slide 10, Textainer's dividend for the first quarter will remain unchanged at 23 cents per share. This represents 55% of net income excluding unrealized gains on interest rate swaps net of minority interest for the quarter. Dividends have averaged 46% of net income excluding unrealized gains or losses since the IPO enabling the company to retain capital for growth. We have paid dividends for 19 consecutive years and it's an important part of the total return that Textainer provides.

As John mentioned, we continue to pay dividends during a time when we have maintained a conservative payout ratio, significant financial flexibility, and no CapEx commitments. Textainer's board of directors considers dividends on a quarterly basis. Historically, Textainer has paid about 50% of net income excluding unrealized gains or losses on interest rate swaps in dividends. The board takes a fresh view every quarter and sets the dividend subject to cash needs for opportunities that may be available to us. We're pleased with our first quarter results.

And now I'll turn it over to Phil.

Phil Brewer: Thank you. Turning to slide 11, I would like to take a moment to talk about some recent business opportunities we have taken advantage of as well as review the container resale market.

Purchase of Amficon management rights. Amficon and Textainer initially discussed the acquisition of the Amficon fleet in late 2008. Subsequently, the parties decided that acquiring the management rights instead would be in the best interest of each party's shareholders. Textainer assumed the management of the Amficon fleet on May 1, 2009.

We believe this acquisition further strengthens Textainer's leading industry position and earnings power. The acquisition will be immediately accretive and is consistent with our strategy of growing our fleet both organically and via acquisitions. Amficon's significant number of flat rack

and open top containers will more than double Textainer's fleet of specialized containers, a market segment in which we have made a decision to grow.

The composition of the Amficon fleet is as follows: approximately 145,000 TEU, 16% 20-foot standard containers, 67% 40-foot high tube containers, 10% 20-foot and 40-foot flat racks, 7% 20-foot and 40-foot open tops. They have an average age of approximately 6 years with 45% owned by Amficon and 55% managed for third party investors.

Purchase of 2005-1 TMCL notes. Earlier this year, we decided on an opportunistic basis to draw upon our strong liquidity position to repurchase TMCL's 2005-1 series notes. TMCL has repurchased notes with \$65 million original face value and \$39.9 million currently outstanding. TMCL paid approximately 50% of the currently outstanding amount for a total of \$20.2 million resulting in total profits of \$19.4 million for TMCL net of the write-off of \$0.3 million in related debt issuance costs. \$15.3 million of the profit is for the account of TGH. Including these repurchases and scheduled principal amortizations to date, \$313.3 million of the notes remain outstanding.

The container resale market. Container prices are down worldwide depending on location and type. The greatest price reductions are in Asia and Europe with significantly larger declines in Asia. These price reductions are due both to a significant drop in demand and to currency changes. Last year, we sold a higher percentage of our containers in Asia than in Europe or the Americas. As prices in the Americas have held up better than other parts of the world, this year we are expecting to sell relatively more of our containers in the Americas. We've also seen prices hold up better in newer growing markets like the Middle East.

We would now like to open the call for questions.

Operator: Thank you. At this time if you'd like to ask a question, please press star 1 on your touch-tone telephone. Please make sure that your mute function is turned off to allow your signal to reach our equipment. Again, that's star 1 for questions.

We'll go first to Justin Yagerman with Wachovia.

Justin Yagerman: Hey. Good morning, gentlemen.

Phil Brewer: Morning, Justin.

Justin Yagerman: Wanted to get a sense. You talked about the 70% of containers that are on long-term lease and obviously that was you know a nice buoy to utilization in the quarter for you guys. Where are you in terms of the average duration left on those leases, and so far, what's been your success rate with resigning those containers as they come off lease and where rates ended up as you – as you do that?

John Maccarone: That was a three-part question, Justin. The first one is ...

Justin Yagerman: The duration left on the containers.

John Maccarone: Yes. You know – do you remember that number?

Ernie Furtado: Thirty-five months.

John Maccarone: Thirty-five months. Yes, we're just updating our investor presentation so we just – we just calculated that. So that – the answer to that is 35 months. The second part of the question was?

Justin Yagerman: The success rate, as you're having expirations on those leases in terms of resigning.

John Maccarone: For the first quarter, we're mentally looking at our board presentation package for our board meeting in a couple of weeks and I believe that number was about 45%.

Justin Yagerman: Forty-five percent of leases that come up ...

John Maccarone: ((inaudible)) expired ...

Justin Yagerman: ... ((inaudible)) negotiation or for – or that come – that expire are being resigned currently?

John Maccarone: Oh, I'm sorry. That was over the prior 12-month period; that number, the 45%. Over the last 12 months, 45% of expired leases have been extended

Justin Yagerman: And what's the average duration as you renegotiate you know and what's the extension?

John Maccarone: Well, they vary all over the map and some of them are 1, 2, 3 years. Some of them we've been able to extend until the end of the useful life of the container after it's 12 years-old. So there isn't any hard and fast rule. We look at each lease and each customer differently and try to come up with a solution that works for both sides.

Justin Yagerman: OK, and then the last part was in terms of the rate that they're getting signed at. Is it – is it below or is it on par with – where are those rates coming in as you're resigning those leases?

John Maccarone: Typically, in the 5 to 10% reduction.

Justin Yagerman: Five to 10% discount. OK, that's helpful.

Phil, you touched on the container sales obviously as a big part of the story in the first half of last year and it's come off over last few quarters you talked about that in the release, but you know with the current environment – and you guys have talked about shipping lines looking to potentially shed assets here, especially as you've got vessels that are in lay-up, it would occur to me that maybe there's some more opportunities and that that's a trade that could potentially pick up, are there any signs of that? You know you talked about \$70 million of sale leasebacks that you turned down in the quarter. What stopped you from doing those and what kinds of opportunities are you looking for then in the market?

Phil Brewer: Well, Justin, there's a few things there that aren't entirely consistent, but the latter part of your question about the sale leasebacks, in many cases those were not older containers that we're looking to do a sale leaseback as a trading type deal. They were younger containers. The issue is – there were several issues, legal issues, structuring issues, liquidity issues, et cetera, that prevented us from being able to pursue those transactions but we're still looking for them. Again, most of those transactions involve containers that are relatively newer and wouldn't be containers that would be sold in the near term.

But touching on the first part of your question, the likelihood that we'll see increased flows of older containers into the resale market, we're seeing trends in both directions. On the one hand, we have seen renewed interest among some of the shipping lines to do purchase leasebacks for older containers. We are doing some of those transactions. There are others we're negotiating currently.

The point is though that those containers still won't be coming back to us in the next couple of months in most cases. It's generally say in a year or in 2 years time that we would see those containers and be able to sell those containers.

On the other hand, we have also heard that some of the major shipping lines have stopped for the moment selling containers for various reasons, among them being that they may have been recognizing book losses and wanted to stop sales for the time being. But overall, we do expect to see an increase of containers flowing into the sales market as we move into the year.

Justin Yagerman: Got it.

Ernie, the debt that you guys are retiring on the bonds, wanted to get a sense – you guys gave an update on what you've done thus far in Q2 and I think you gave a number for what's outstanding after the purchases that you've made. Can you talk about – you know I mean, what's the – first of all, what's the coupon on that debt, and basically your thoughts on where that ranks in terms of opportunities in terms of continuing to pay down that debt that you have outstanding?

Phil Brewer: Hey, Justin. This is Phil again. Well, the coupon on the debt is very low. It's floating rate debt. It's – we're paying a pretty small spread on that debt. It's not being retired because it's expensive debt. I think that's the first point to make. It's being retired simply because it was trading at such a significant discount to the face amount that it simply was a very – it was a – the return on those repurchases was very attractive relative to the other opportunities we have for using the company's resources. So that was the driver behind pursuing those opportunities. Whether we pursue them in the future will really depend on what happens to the – in the market pricing for that debt.

It was attractive earlier this year. I think the market's frankly received a bit more attention by investors, and as a result, pricing has changed somewhat more recently. If the pricing becomes unattractive, we simply won't pursue it any further. It's very hard to say what we'll do going forward because it really has been an opportunistic endeavor. When the pricing – when there

was debt available for sale and the pricing was attractive we would pursue the opportunity, but it's not something that we're aggressively looking to do no matter what the price.

Justin Yagerman: OK, and are you using cash on hand, or is that credit facility cash that you're using to pay down that debt?

Phil Brewer: Both.

Justin Yagerman: OK, you guys spoke a little bit about maybe seeing some signs of life in China. Are you seeing any renewed interest in terms of originating leases on behalf of anybody coming out of there, or is that just very early stage?

John Maccarone: It's a very early stage. Long-term lease originations in the first quarter were minuscule for new unit long-term leases.

Justin Yagerman: OK. All right. Thanks, guys. Appreciate the time. I'll turn it over to someone else.

Operator: We'll take our next question from Robert Napoli with Piper Jaffray.

Robert Napoli: Thank you. Good morning. The Obama tax plan, is there any affect on you and have you reviewed it? And you know I doubt that it's going to get passed personally, but you know the corporate tax plan that you know for foreign earnings?

Ernie Furtado: Yes, I – this is Ernie – I have read some of the articles on that. Again, just to reiterate, we're not a U.S. company. We're a Bermuda company, but we do have a U.S. subsidiary. The company's never been a U.S. company. But I know there's a lot of pushback by all sorts of companies, large and small, on that and I think that will be something just to keep an eye on, but there's nothing immediate that I'm aware of that's going to affect us.

Robert Napoli: OK, a question on your debt and interest expense. When you have floating rate debt but you have – you've also swapped the floating into fixed and I guess what I'm trying to understand is what is the – you know the \$3.3 million of interest expense you had this quarter you had a hedge loss which would – you know tied to the swaps you know what is the ongoing – what type of expense – assuming interest rates don't move from where they are today, what should be running through the income statement through the balance of the year with regards to interest expense and the hedge?

Ernie Furtado: If interest rates stay the same then the offset that you saw in the first quarter with lower interest expense and higher realized losses should be a consistent pattern. But as we do not have have current CapEx requirements we'll continue to pay down debt and that would reduce our overall interest expense.

Robert Napoli: Right. So the realized loss – the way the swap works you would – you would expect that realized loss at around that level for the balance of the swaps? I mean, how– over what timeframe?

Ernie Furtado: Well, we swap to match the duration of the long-term leases which we're swapping. So we have swaps going out for 5 years that match the debt associated with those longer-term leases and they're amortizing swaps so they would decline over time.

Phil, you want to add anything (to that)?

Phil Brewer: Yes. Bob, I'm not quite certain how to answer your question.

Robert Napoli: Well, you're ...

Phil Brewer: We've answered it, and if we haven't ...

Robert Napoli: Yes. No, I think we'll talk with you offline, but essentially, your interest expense – and I know you had swapped out the debt and I'm just trying to understand the net effect on – and the outlook you know to your P&L I hope in the next couple of years with rates where they are, but I'll talk with you offline.

Phil Brewer: Well, I mean, the point Ernie made is I think you may be driving at is that it is very difficult for us to project the gains or losses on the swaps because they have to with interest rate movements that we – I mean, I can't tell you where interest rates are going over the remainder of the year any more than you could tell me.

Robert Napoli: Right. OK, the second question on the utilization rate – the improvement in utilization rate, I mean, from what – are you seeing – and you don't have anything on lease, do you expect – what – at what point do you expect utilization to trough? I mean, do you have a feel? Like what is your best estimate at this point and at what level?

John Maccarrone: Well, that's a good question. A \$64 question. You know the rate of decline in the last 7 weeks, as I mentioned, has slowed to about 0.2% a week. During the first quarter it was about 0.36% a week. We do have the safety net of the 70% long-term lease. We're cautiously optimistic that we'll see a turnaround starting in the third quarter and we continue to work with some customers to extend leases as a general strategy. We've been pleased with that result.

So, I mean, I just gave you a lot of bullet points but I didn't answer your question because I just don't know the answer to that question, to be honest with you.

Robert Napoli: Now how can the utilization rate go and the company remain profitable, I guess? Is that – I know it's a long way from here, but ((inaudible)) ...

John Maccarone: We do that every quarter in our board book. It's very, very low. Do you remember.. .

Ernie Furtado: It's ...

John Maccarone: ... what that number is?

Ernie Furtado: ... probably – well, what we frequently mention on our calls is that for every one percentage point change in utilization it's about a \$4-million change to pretax income. So you could look at where we were last year and back into it by how low will utilization go until the net income got to zero.

Robert Napoli: Last question on the competitive environment, or – obviously you consolidated one competitor. Are you seeing competitors – essentially are you seeing the competitive environment improve? Are there other companies – are there other M&A events or smaller companies out there that are below the radar that we don't see?

John Maccarone: Well ...

Robert Napoli: Has anybody gone – (any of) your competitors shut the doors that – below the radar?

John Maccarone: You know obviously I can't comment on specifics but I think that it's fair to say that we do expect there will be other opportunities for us this year.

Robert Napoli: OK, thank you very much and ...

John Maccarone: Thanks, Bob.

Robert Napoli: ... a nice execution.

Operator: We take our next question from Greg Lewis of Credit Suisse.

Greg Lewis: Yes, thank you and good morning.

Male: Hi, Greg.

Male: Hi, Greg.

Greg Lewis: Yes, I just wanted to congratulate on the Amficon transaction, but in looking at that what's the average lease life of those 145,000 TEU?

John Maccarone: We don't have that with us right now, but they were – I think they were all primarily on long-term lease.

Greg Lewis: OK, and then I guess a quick follow-up to that is when boxes roll off of lease are you still getting paid a management fee on those boxes?

John Maccarone: Well, yes, we get a management – well, if there's no revenue on that particular box then obviously there's no management fee because it's a percentage of net operating income. But you get the management fee on the entire fleet so when we do our modeling for an acquisition -you know a cash flow model, we assume a certain percentage of utilization which means that we're factoring in at any given time a certain portion of the fleet will be off lease and not generating any revenue.

Greg Lewis: OK, great. And then the – you've typically done this I think in previous quarters but do you have a quarter end utilization rate for the fleet?

John Maccarone: Yes, I think I mentioned that in the ...

Phil Brewer: It was 88%.

John Maccarone: That was on the first of May and I gave a number, Greg, in the ...

Male: Ninety point seven.

John Maccarone: ... 90 ...

Male: Eighty-nine point three at the end of the first ...

John Maccarone: Yes.

Male: ... quarter.

John Maccarone: Thank you.

Greg Lewis: Eighty-nine point three at the end. OK, great. And then it looks like I guess you know container op ex was up you know 15% quarter over quarter. What was sort of – you know what sort of drove that increase?

Ernie Furtado: The largest part of that was due to storage expense so we're paying for those increased number of containers off hire, and there were a few other items. It's mainly storage.

Phil Brewer: And, Greg, it's Phil. Just to get back to a question you asked earlier – we had a chance to look into it, the – we believe the average age of the remaining leases on the Amficon fleet are between 2 and 3 years.

Greg Lewis: OK, great, and then – and (there's) really a real quick, you know, you know, I saw another bad debt expense for the quarter. Was that additional – new defaults or carryovers previous default on contract?

Phil Brewer: It's pretty much just the same customers.

Greg Lewis: OK, so in other words it's a carryover and you'll probably realize that over the next couple of quarters (sort of at) that level?

Phil Brewer: Well, unless there's another large customer ...

Male: ((inaudible)). Yes.

Greg Lewis: OK, great. Thank you, guys, very much for the time.

John Maccarone: Thank you.

Operator: We take our next question from Rick Shane with Jefferies.

Rick Shane: Yes, thanks for taking my questions this morning. You made the comment about you'd seen a little bit of pickup in terms of movement of raw materials in some of the, I would describe, early indicators. When you're talking with your customers what are hearing in terms of manufactured goods? Where are there indications of strength on that and just so we can sort of look – you know try to identify early signs here?

John Maccarone: Rick, I don't think that the manufactured goods that typically represent a large part of the cargo in the so-called East-West trades from Asia to the E.U. countries and Asia to North America. I don't think we've seen much in that.

What I was referring to is the stimulus program in China, which I think we're all aware of was – it was very large, they – unlike the United States when we talk about a shovel-ready project, they literally were building things a week after the money started flowing and the anecdotal evidence that we have is that there's a lot of cargo moving domestically in China and the Chinese domestic carriers – the (short sea) carriers have the exclusive rights to carry that cargo, the coastal China trade and the river trade.

So, we're seeing – we've been seeing an increase in demand from those smaller Chinese domestic carriers and some signs of life in the intra-Asia trade; i.e. moving components from different parts of Asia for final assembly. So we really have not seen a big uptick or even a significant uptick in the deep sea trades yet. I think that's a – I think that's a fair statement.

Rick Shane: OK, great, and presumably as we went into the slowdown you saw intra-Asia trade slow first as they – as manufacturing started to slow down, and then the deep sea trade followed that as sort of the manufacturing – they cleared what was at the manufacturers out of the system and ((inaudible)) Europe or the U.S.?

John Maccarone: I think it all kind of slowed simultaneously.

Rick Shane: Great. That's it. All of the other – all of our other questions have been answered. Thank you guys very much.

Male: Thanks.

Male: Thank you.

Operator: We take our next question from Mark Dishop with the Boston Company.

Mark Dishop: Hi. I just had a few questions. First of all, your – you talked about the gains on the swaps that you excluded. How come you don't exclude – just wondering – the gain on the – on the early extinguishment and the gain on the loss of military containers?

Ernie Furtado: Well, those are real cash items. The reason we exclude the unrealized gains or losses is because under our hedging policy we're swapping interest rate exposure on our long-term leases, and over time those unrealized amounts will net to zero if we hold the swap to maturity, which we will. So it's a non-cash, non-operating item, whereas these other items are real cash generating transactions and we believe they are just part of the operations of the business.

Mark Dishop: OK, so they may be one time but they're cash so you leave them in there?

Ernie Furtado: Right.

Mark Dishop: OK, and then the question that was asked first about the containers that were released, the question is like what percent of the ones coming off are being released. And you quoted a number for the 12 months. I was wondering if you have a ballpark guess for the last quarter or for you know recently of the containers coming off lease. What percent of them are going back on to new leases?

John Maccarone: Yes, I don't have a specific number, Mark, but I think it's a little bit lower than 45% 12-month rolling average.

Mark Dishop: Do you know what the 12-month average was say 12 months ago?

John Maccarone: I don't have that here in front of me but you know we can – we can give you a call and tell you that once we look it up.

Mark Dishop: OK, so you think it's only down a little bit or you think it's down a lot?

John Maccarone: I think it's down a little bit.

Mark Dishop: A little bit, OK. When you release containers recently what kind of length of lease are you generally putting on? Is it for the duration of the – of the life of the product?

John Maccarone: Yes, quite a few of the deals we've done this year for the duration of the life of the container although we have done some that are 1, 2 and 3-year extensions as well. So they're kind of all over the map.

Mark Dishop: So the remaining life is typically how long?

John Maccarone: It – you know some of them have six – oftentimes, what we're doing is putting a package of various expired leases together. Some of those leases might have already been subject to one or more extensions so we'll gather up a package with a customer that might have containers that are – that have expired last month and some that expired 6 months ago and some that are going to expire in June at various ages and roll them all into one new lease that extends until each container reaches the end of its twelfth year of marine service.

Mark Dishop: Is that what you typically have done like a year ago, or is this kind of a new concept?

John Maccarone: This is a concept that we believe we introduced as a new product about 2 years ago.

We've had quite a lot of success with it.

Mark Dishop: Did – are you having more success in the last 6 months with this, or is it – did you have a lot of success last year with that kind of thing too?

John Maccarone: We had a lot of success last year.

Mark Dishop: So is it kind of unchanged, do you think, or it's a substantially bigger percent of the releasing now?

John Maccarone: It's a smaller percentage of the releasing now.

Mark Dishop: A smaller percent, OK. So most of the releasing you're doing you're just kind of releasing for the remainder of the life?

John Maccarone: No, no. I think it's – we're doing it across the board and I don't have a breakdown here in front of me of how many are in each category.

Mark Dishop: OK, that's great. And then the price on the new leases you said was down, what, 5 or 10%?

John Maccarone: It's varying between about 5 to 10%.

Mark Dishop: Five to 10%, and is that because – you know do most people that you're leasing to do they have a need for that product right now, or do they – are they like swimming in extra containers and they're signing this release with you because they think they'll need it next year and they're

basically getting a year free or something and then paying a normal price for the rest of the 5 years?

John Maccarone: Well, they're not getting a year free. It varies. Again, a lot of the customers have been in surplus because of decline in cargo volumes and they will go out to the leasing companies and say, look, we go to get rid of a certain percentage of our fleet – our leased fleet, what can you do to induce me to keep your containers, and we'll look at that and if it makes sense to us we'll offer a proposal with a slight discount. And if they – if they take it that's great. If they are looking for more than we're prepared to give, then they can terminate the lease.

Mark Dishop: OK, so of the containers (left) – so I think you said 45% are being released or something like that and that's ...

John Maccarone: That was the last 12-month rolling average, it may be extended or renewed on the same lease. It doesn't mean that the other ones immediately came back to our facilities. Often times, it takes 1 to 2 years after the end of the lease for the containers to come back. Often times, if they're not renewed on a long-term lease they will just roll into our master lease with the same customer. So I don't want you to get the impression that the day a lease terminates if it's not renewed that all the trucks are waiting at the gate. That's not the way the business works.

Mark Dishop: So – let me just restate that – so the containers coming off lease, you said 45% or so over the last 12 months have been released to the same customers.

John Maccarone: As a long-term lease, yes.

Mark Dishop: OK, and the – of the remaining 55 some of these get released to other customers.

John Maccarone: Of the remaining 55 some of them stay on lease with the same customer but under their master lease. We have a master lease or a short-term lease facility with virtually every customer we deal with. So often times the customer says you know I don't want to extend this for another fixed term but let's just put them into the master lease and we'll see how it goes, which of course we're – you know we'd like to extend it for a long term because of the revenue visibility and the assuredness of it, but if that's not possible or practical, then we are willing to roll them into the customer's short-term lease.

Mark Dishop: ((inaudible)) is that like month to month?

John Maccarone: That's – typically a master lease is a 12-month contract which is renewed every 12 months, but there is no minimum on hire commitment for a particular container in that contract unlike a long-term lease.

Mark Dishop: (It's a) 12-month deal but the container may actually be in that group but not getting any revenue for you if it's – if they don't ...

John Maccarone: No.

Mark Dishop: ... need it at the moment.

John Maccarone: That's not true. You know, Mark, I think we're getting into too much detail. We have quite a few other people queued up. Can I – you know maybe we can – we can call you later on and discuss some of this, but I hate to tie up a whole bunch of people on some fairly ...

Mark Dishop: Yes, that's a good idea. Let me just ask you one more. On the – on the (percentages) that are not being released for revenue, a year ago did you use to sell those ...

John Maccarone: No.

Mark Dishop: ... or is there any change in that part of – the part that's not renewing, or is it pretty much the same as it was a year ago?

John Maccarone: No, we're not selling them. If they're not 12 years old we generally – they stay off lease until we find another lease and that's what – you know this is a different – from an airline seat– it's not a perishable commodity. If the container comes off lease there's nothing wrong with it, it'll go back on lease when the market improves, and that's exactly what we're waiting to see right now, is an improvement in the market so we can put some of these containers back on lease.

Mark Dishop: OK, thanks very much.

John Maccarone: Thanks, Mark.

Operator: We'll go next to John Kerns with Meridian Investment.

John Kerns: In your last conference call you described your practice of holding some containers at the manufacturer's site basically undelivered and not placed in service. Given that they weren't placed in service does that mean there was no depreciation taken and does that also mean that those containers were excluded from your utilization rate calculations?

Ernie Furtado: That's correct. We do not start depreciating containers until they go out on their first lease and, yes, we do not include containers at the factory or containers that have been designated for disposal as part of our utilization.

John Kerns: Can you give us an idea of size? Are they still there and what would the utilization rate be if those containers were included in the computation?

John Maccarone: There are approximately 21,000 TEU of brand new containers at the factories in China which represents about 1% of utilization if they were included in the fleet.

John Kerns: Thank you.

John Maccarone: Thank you.

Operator: Take a follow-up from Justin Yagerman with Wachovia.

Justin Yagerman: Hey, guys. Sorry. Don't want to delay the call too much longer. Just had a couple of quick questions. I – with the military talking about pulling out of Iraq within the next you know 12 to 24 month you hearing anything in terms of increased needs for containers in terms of bringing things back? And then I guess you know on the opposite end with escalation in Afghanistan are you seeing you know increased needs for bringing things there from your military contract?

John Maccarone: The military contract has been quite active but they made a change a couple of years ago in that a lot of the cargo that was going into Iraq and Afghanistan was being trucked from Germany through Turkey, and a couple of years ago, they changed that to move it by water around to Kuwait and bring it in through there. So that was a very large portion of the containers that we had supplied over the previous few years, and it was also a very large portion of the containers that they were writing off because once they got into the country they just couldn't figure out a way to get them out.

So that Iraq and Afghanistan business had pretty much disappeared a couple of years ago. What's very active now are some other ongoing programs that they do every year, which is moving ammunition to different parts of the world and we've enjoyed very good support from the military this year. It continues on those ammunition moves.

Justin Yagerman: Got it. OK, just housekeeping on Amficon, you guys didn't give a purchase price. I know that over the last several years as you've done management deals, you've generally paid an increasing amount on a per-TEU basis to participate in those kinds of situations. I was curious how what – you know I don't know if you can disclose the purchase price or if that'll come out in a later 8-K. If you can't maybe you can give us some color around how this transaction is compared to prior ones on a per-TEU basis.

John Maccarone: Yes. Well, the price is still subject to adjustments and for some competitive reasons we can't disclose it at this time. We will report it in our second quarter results, but I think that it's fair to say that the price per TEU is significantly lower than previous transactions.

Justin Yagerman: OK, that's helpful. And then you threw out an idle percentage in your prepared remarks and I missed it and I apologize. Do you guys have that? I don't remember if it was for your fleet or if it was for the world fleet, but maybe if you have both that would be helpful.

John Maccarone: We did give a utilization ...

Male: No, ((inaudible)) you talking about the idle shift capacity?

Justin Yagerman: Oh, is that – is that what that was? Maybe I missed that. Yes, that – whatever that percentage was, if you could repeat it I'd appreciate it.

John Maccarone: As of April 27, 10.6% the world's container fleet was idle.

John Maccarone: That was vessels.

John Maccarone: Yes, not container.

John Maccarone: Right. And what I did, Justin, is I just took a simple – I said if 10.6% of the – of the ships were idle then what would mean 10.6% of the containers would be idle and that number was about 2.5-million TEU.

Justin Yagerman: Got it. All right.

John Maccarone: And that's not leasing company. That's the world's fleet, which is the shipping line's own containers as well as the leasing company fleet.

Justin Yagerman: Right, understood. Thanks, John, I appreciate the clarification.

John Maccarone: Thank you.

Operator: We'll take our last question as a follow-up from Robert Napoli with Piper Jaffray.

Robert Napoli: Thank you. Container sales, how much are prices down in the various markets from a year ago?

Male: They're down between 10% to slightly over 20%.

Robert Napoli: OK, not terrible, and I guess you really don't know – I mean, what the – if you were buying a new container today what the price would be for a dry container. Do you have a feel for that at all, or ...

John Maccarone: Well you know we don't. I mean, maybe \$2100. That's just probably picking a number out of the air because they're not building any. So.. .

Robert Napoli: Right, and, I mean, at this point you don't have – you do not have any plans to order any additional dry containers in 2009?

John Maccarone: Well, two things. One, we still have 21,000 TEU at the factory that we've got to lease out, which you know typically in a good market that could be 2 months supply, but we've got to get those going first. But – and we also have to wait for the factories to reopen, and frankly, I would be the happiest guy in the world if they don't reopen this year because I think it would suck up the supply of the existing containers in the world much more quickly.

Robert Napoli: They're acting very rationally, actually ((inaudible)).

John Maccarone: Yes, isn't that surprising?

Robert Napoli: Have you already paid for the 21,000 containers that are on ...

John Maccarone: Yes, we have – we have. These were – these were ordered in the first 7 or 8 months of 2008. The last containers we bought were I believe in August of '08.

Robert Napoli: And just the last question. Do you expect to continue to sell containers at about the rate you did in the first quarter?

Phil Brewer: ... it's hard to say. I think the market will pick up later in the year. Like all of us, the crystal balls are pretty foggy at the moment.

Robert Napoli: Now the gain – (I mean) a nice job buying that debt back. You said 50% on the dollar – you were paying 50% ((inaudible))?

Phil Brewer: I said approximately.

Robert Napoli: Approximately 50%.

Phil Brewer: Yes.

Robert Napoli: That – just for reporting purposes because that is a realized cash gain essentially, if you will, that'll show up – when you report earnings in the second quarter it'll show up in EPS.

Phil Brewer: Yes.

Robert Napoli: But theoretically excluding that, I mean, the trends – you know some you know continue gradual degradation and the utilization rates put some pressure on lease rental income, but there's nothing unusual from the trends we see this quarter that should show up in next quarter continuation of the same trends plus the gain.

Phil Brewer: That seems a fair statement, yes.

Robert Napoli: OK, thank you.

John Maccarone: Thank you.

Operator: And at this time, I'd like to turn the conference back over to Mr. Brewer for any additional or closing remarks.

John Maccarone: No, we'd just like to thank all of you who participated and for the usual good questions and your continuing support. Thank you very much.

Operator: Thank you, ladies and gentlemen, for your participation. This will conclude today's conference call.

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