

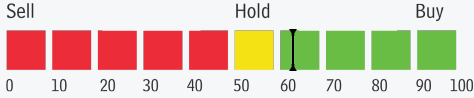
# Textainer Group Holdings Limited



NYSE: TGH - Finance/Rental/Leasing



**Grade**  
**63.0**



Rated 'BUY' since Dec 16th, 2010, when it was upgraded from 'HOLD'

Earnings	
Last Earnings Release	08/06/2013
Last Qtr. Actual vs. Est.	\$0.80 / \$0.95
Next Release	11/07/2013 \$1.00
Year Ending 12/31/2013	\$3.83
Year Ending 12/31/2014	\$4.27

Quick Facts	
Dividend Yield	5.07%
52 Wk High	\$43.06
52 Wk Low	\$27.45
Short Interest	10% of float
Market Cap	\$2.0B

**\$34.93**  
08/09/2013

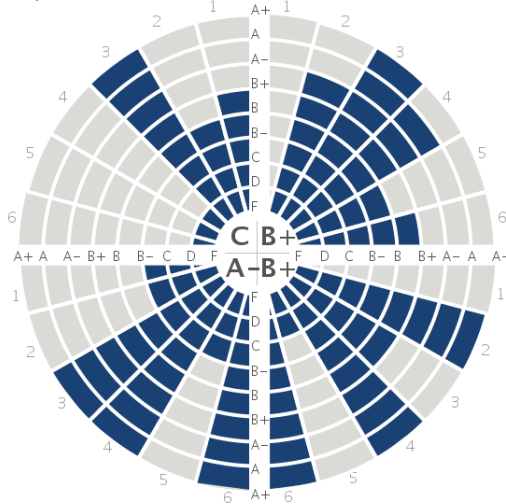
## Overview

### Company Performs Well In Fundamental Analysis

MarketGrader currently has a BUY rating on Textainer Group Holdings Limited (TGH), based on a final overall grade of 63.0 scored by the company's fundamental analysis. Textainer Group Holdings Limited scores at the 89th percentile among all 5911 North American equities currently followed by MarketGrader. Our present rating dates to December 16, 2010, when it was upgraded from a HOLD. Relative to the Finance/Rental/Leasing sub-industry, which is comprised of 87 companies, Textainer Group Holdings Limited's grade of 63.0 ranks 19th. The industry grade leader is MasterCard Incorporated (MA) with an overall grade of 79.2. The stock has performed poorly in the last six months in relative terms, down 16.4% compared with the Finance/Rental/Leasing sub-industry, up 12.16% and the S&P 500 Index, up 11.18%. Please go to pages two and three of this report for a complete breakdown of TGH's fundamental analysis.

### Fundamental Quadrant

- Growth**
  - Market Growth LT (1)
  - Market Growth ST (2)
  - EPS Growth (3)
  - Growth Potential (4)
  - Earnings Imp. (5)
  - Earnings Surprise (6)
- Profitability**
  - Asset Utilization (1)
  - Capital Utilization (2)
  - Operating Margins (3)
  - Relative Margins (4)
  - Return on Equity (5)
  - Quality of Revenues (6)



### Value

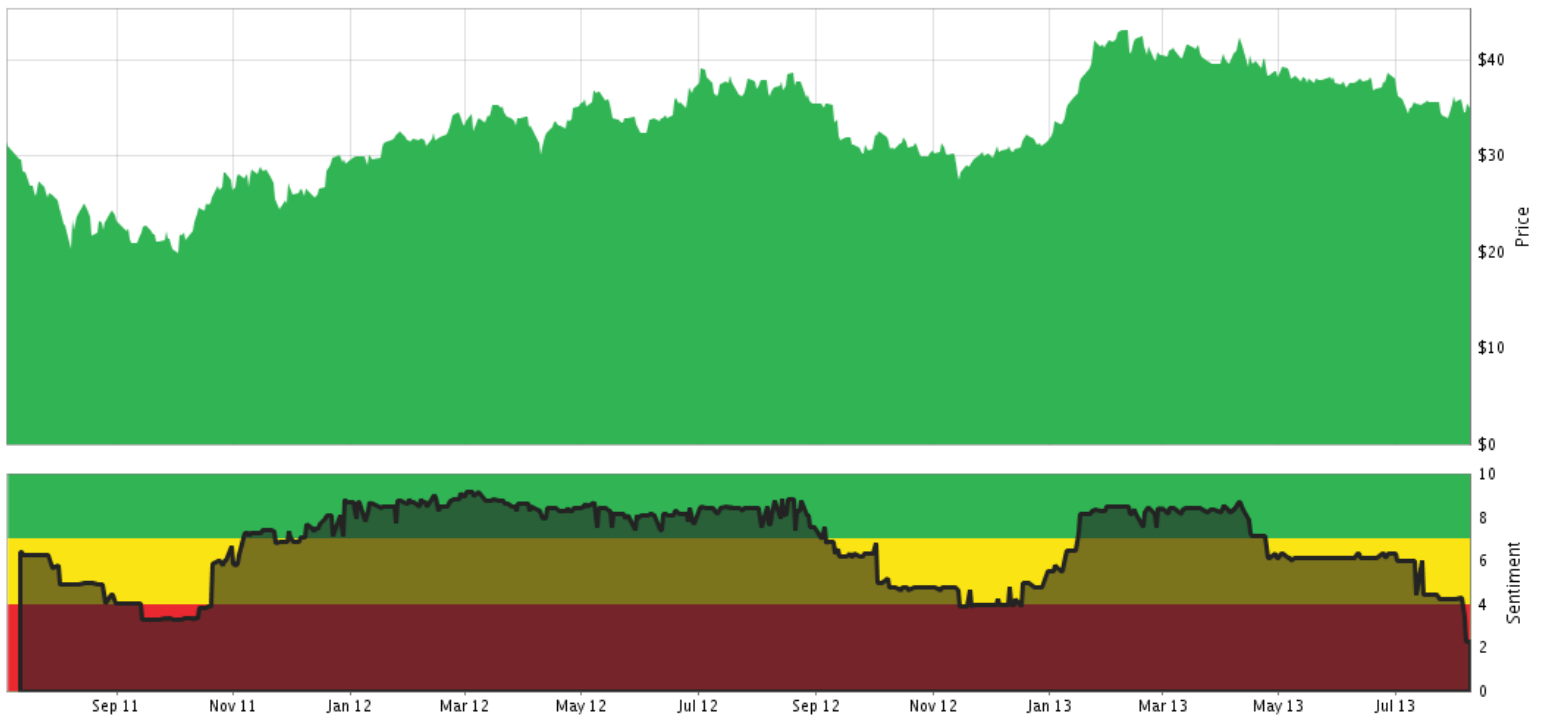
- (1) Capital Structure
- (2) P/E Analysis
- (3) P/Book Ratio
- (4) P/Cash Flow Ratio
- (5) P/Sales Ratio
- (6) Market Value

### Cash Flow

- (1) Cash Flow Growth
- (2) EBITDA Margin
- (3) Debt/CF Ratio
- (4) Interest Coverage
- (5) Economic Value
- (6) Retention Rate

## Price, Rating and Sentiment History - 2 Years

■ Buy ■ Hold ■ Sell



■ Postive ■ Neutral ■ Negative

# Textainer Group Holdings Limited



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## Growth C

### Investors Betting on a Turnaround Must Be Cautious as Company's Growth Record is Still Very Weak

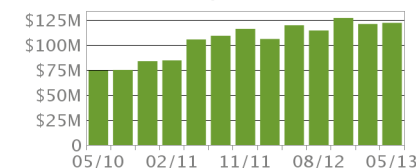
Textainer Group Holdings Limited, which reported \$485.76 million in total revenues for the 12 months ended last quarter, has seen its sales growth rate deteriorate recently. Relative to its \$263.07 million in sales for the 12 months ended three years ago, the latest figure represents a very healthy 84.65% growth rate. However, when comparing its latest quarterly revenue of \$122.42 million to the \$119.99 million from the same quarter a year ago, for a 2.03% year-over-year growth rate, it becomes clear that Textainer Group Holdings Limited's top line growth has decelerated significantly. If this yearly drag on growth continues for a couple more quarters, the company's long term growth grades will fall, affecting our overall rating. If the stock price reflects this decline, it is likely Textainer

Market Growth LT	B+
Market Growth ST	B
EPS Growth	A+
Growth Potential	D
Earnings Momentum	D
Earnings Surprise	D

Group Holdings Limited's rating will improve from the Value perspective, which will actually have a positive impact on its overall rating. It also reported strong profit gains from a year earlier and an excellent long term growth record when measuring full year results over a three year period. Its net income rose 6.56% to \$48.82 million in its most recent quarter from \$45.81 million (excluding extraordinary items) in the year earlier period, while full year profit for the 12 months ended on June 30, 2013 of \$208.38 million was 136.36% higher than full year net of \$88.16 million reported three years earlier. The company's margin growth improved a little during its latest quarter, with a year-to-year average increase of 0.52% in cash flow, operating and net margins, reversing a contraction reported in the previous quarter.

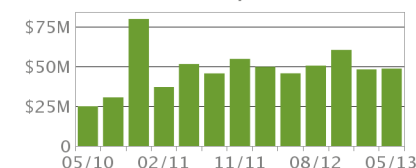
The company disappointed investors with a very negative earnings surprise on August 06, 2013, missing analysts' estimates by 15.79%, causing the stock to fall 3.66% in reaction to the news. Such a reaction is not unexpected as this latest report extended a trend of missing earnings estimates, a pattern that usually has an adverse effect on the performance of the stock; the company has now reported earnings that have fallen short of analysts' estimates by an average of 4.79% over the last six quarters.

### Revenue - Quarterly



Revenue Qtrly. 06/30/2013	\$122M
Revenue Qtrly. Year Ago	\$120M
Revenue 1 Yr. Chg.	2.03%
Revenue 12 Mo. Tr. Latest	\$486M
Revenue 12 Mo. Tr. 3Y Ago	\$263M
Revenue 12 Mo. Tr. 3Y Chg.	84.65%

### Net Income - Quarterly



Net Income Qtrly. 06/30/2013	\$49M
Net Income Qtrly. Year Ago	\$46M
Net Income 1 Yr. Chg.	6.56%
Net Income 12 Mo. Tr. Latest	\$208M
Net Income 12 Mo. Tr. 3Y Ago	\$88M
Net Income 12 Mo. Tr. 3Y Chg.	136.36%

## Value B+

### Assuming the Company's Fundamentals Don't Deteriorate in Coming Quarters, the Stock's Valuation is Acceptable at this Level

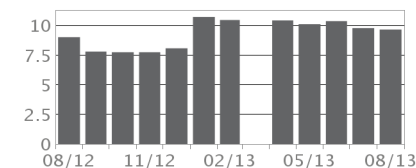
Textainer Group Holdings Limited's stock, currently priced at 9.17 times 12-month trailing earnings per share, trades at a 38.80% discount to our "optimum" P/E ratio of 16.02. This is calculated by MarketGrader based on the company's EPS growth rate in the last two years, using reported quarterly figures. By this measure, Textainer Group Holdings Limited's earnings per share have increased at an annualized rate of 9.65% in the last two years. The company's small margin growth, together with its positive overall Profitability grade and its EPS growth rate could stem from small market share gains, a favorable indicator of future gains for the stock. Currently the stock also has a forward P/E of 9.80, which interestingly enough is higher than its trailing P/E but lower than the S&P

Capital Structure	F
P/E Analysis	A-
Price/Book Ratio	A+
Price/Cash Flow Ratio	A
Price/Sales Ratio	B
Market Value	B+

500's forward P/E of 15.20. Investors therefore see more value in the company's future earnings but not as much as they see in the market in general; coupled with the company's strong fundamentals, this situation could represent an interesting but risky opportunity, meaning short term volatility with the possibility of handsome returns in the long term.

At the stock's current price investors are valuing Textainer Group Holdings Limited at just 1.87 times its tangible book value, which excludes intangible assets such as goodwill. Considering the company's intangible assets account for only 0.00% of its total reported stockholders' equity, investors are currently getting the company's future earnings virtually for free. This, of course, won't be the case if TGH is forced to write down significantly the value of its assets soon. Based on the \$5.19 in cash flow per share generated by the company in the last twelve months, at the current price of \$34.93 the stock trades at 6.73 times cash flow, an attractive valuation considering the strength of its overall fundamentals. Its shares also trade at 4.05 times its trailing 12-month sales, a small 7.20% discount to the Finance/Rental/Leasing industry average price to sales ratio of 4.36. Our final value indicator looks at the relationship between the company's current market capitalization and its operating profits after deducting taxes. Based on this measure Textainer Group Holdings Limited's \$1.97 billion market cap is an acceptable valuation, representing a modest multiple of 23.49 times its latest quarterly net income plus depreciation.

### P/E Ratio - Monthly

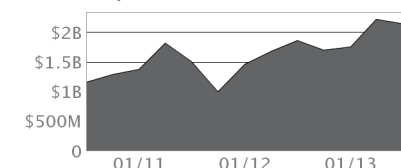


P/E Ratio 12 Mo. Tr. 06/30/2013	9.68
Optimum P/E Ratio	16.02
Forward P/E Ratio	9.8
S&P 500 Forward P/E Ratio	15.20
Price to (Tangible) Book Ratio	1.87
Price-to-Cash Flow Ratio	6.73
Price/Sales Ratio	4.05

### Capital Structure



### Market Cap - 3 Years



# Textainer Group Holdings Limited



63.0



NYSE: TGH - Finance/Rental/Leasing

## Profitability A-

### Company's Operations Are Very Profitable and Indicate a Solid Business Environment

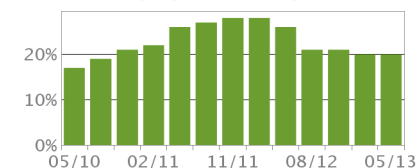
Textainer Group Holdings Limited has a strong 12-month trailing profitability record based on solid returns on shareholder equity, operating margins that exceed its peer group average and a remarkable net profit margin. The \$208.38 million net profit earned by the company in the last four quarters was equivalent to 42.90% of total sales. The average operating margin for the Finance/Rental/Leasing industry was 27.81% during the same period, 70.17% below the company's 55.06%. While Textainer Group Holdings Limited's 19.66% return on equity is solid-based on 12-month trailing earnings--it represents a slowdown from the year-earlier period's return on equity of 26.12%. Our system looks at this ratio in an attempt to measure management's efficiency in rewarding

investors in the company's common stock.

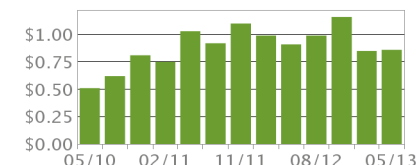
Even though the company's returns continue to be excellent, its high leverage, with total debt 2.30 times larger than total equity, should be reassessed in light of a possible business downturn. Its long term debt accounts for 68.52% of total capital. Textainer Group Holdings Limited's core earnings in the last twelve months grew moderately from the twelve months ended a year earlier. The company's EBITDA for the most recent period was \$411.53 million, or 15.82% above the \$355.32 million earned from its core operations in the prior period. EBITDA is used by MarketGrader to measure the company's true earnings power since it includes interest expenses, income taxes, depreciation and amortization, all non-operating expenses, which are nevertheless accounted for in other parts of our analysis that look at EPS gains and net income.

Asset Utilization	B-
Capital Utilization	B-
Operating Margins	A+
Relative Margins	A+
Return on Equity	B-
Quality of Revenues	A+

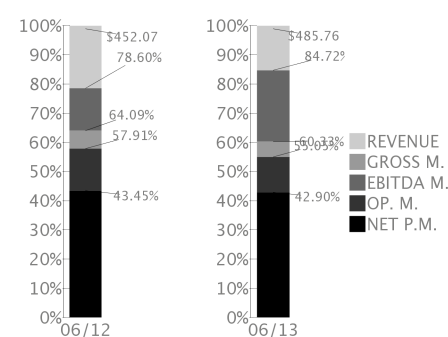
### Return on Equity - Quarterly



### Earnings per Share - Quarterly



### Margins - 12 Mo. Trailing



## Cash Flow B+

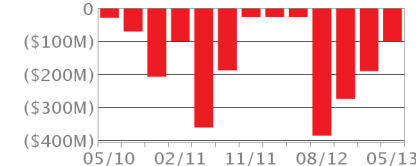
### Company's Management of its Cash Flow Appears Very Sound but Could Improve in a Few Areas

Textainer Group Holdings Limited's cash flow declined significantly last quarter to \$71.91 million, 22.96% lower than the year earlier quarterly cash flow of \$93.34 million. What's more important and worth highlighting is the fact that up to the most recent quarter the company's twelve month trailing cash flow was growing very healthily, up 1.65% compared to the same period ended a year before. This marks a sharp slowdown in the company's business environment and is likely to put considerable pressure on its margins. The company's net debt, which MarketGrader defines as total debt minus cash on hand, was \$2.29 billion last quarter, 21.81 times its EBITDA of \$104.91 million. Not only did this ratio increase from 17.53 in the equivalent quarter a year ago, but it is now fairly large,

suggesting the company's flexibility in paying down its debt or raising new capital to pursue new opportunities is limited. In the last twelve months its total debt as a percentage of total capital also increased, in this case by 0.45% from 69.39% a year ago to 69.70% in the company's latest quarter. However, Textainer Group Holdings Limited's cash on hand is now 34.49% more than it was a year before, suggesting its increased leverage is well within its means to service it and might contribute to future growth.

Our Economic Value indicator shows that based on its operating income in the last twelve months, Textainer Group Holdings Limited generated a 7.94% return on \$3.37 billion in total invested capital. This includes all forms of equity plus long term debt. The total after tax cost of that capital to the company was 4.25% in the last twelve months, divided pretty evenly between the weighted costs of debt and equity, at 2.25% and 2.00% respectively. By subtracting this total cost from its return on capital, we arrive at Textainer Group Holdings Limited's poor economic value added (EVA) of 3.69%. This could be considered the true economic profit generated by the company over the period since it accounts not only for the cost of running the business (operating) but also the cost of the capital it employs. As such, the 3.69% EVA should be seen by investors as the return they're getting in exchange for tying up their capital with this company. The company hiked its quarterly common dividend in its latest quarter, reported on March 31, 2013, to 47.00 cents a share from 46.00 cents, a 2.17% increase. It has now been paying dividends regularly since September 30, 2008 and the stock's current yield is 5.07%. Textainer Group Holdings Limited, which recently increased its payout ratio, has spent \$102.46 million in common dividend payments during the last 12 months. This represents 34.73% of total cash flow and 49.19% of after-tax earnings, a modest increase from the 48.48% of earnings it paid out in the year ended a quarter earlier. The increasing trend of an already elevated payout is worth monitoring for signs to liquidity problems even though the company's fundamentals are generally healthy.

### Free Cash Flow - Quarterly

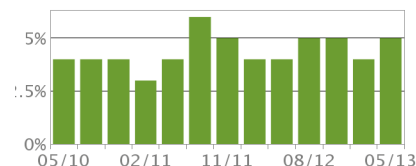


Cash Flow Qtrly. 06/30/2013	\$72M
Cash Flow Qtrly Year Ago	\$93M
Cash Flow 1 Yr. Chg.	(22.96%)
Cash Flow 12 Mo. Tr. Latest	\$295M
Cash Flow 12 Mo. Tr. 3Y Ago	\$110M
Cash Flow 12 Mo. Tr. 3Y Chg.	168.31%
Free Cash Flow Last Qtr.	(\$101M)

### Economic Value

Total Invested Capital	\$3.5B
Return on Inv. Capital	7.94%
Weighted Cost of Equity	2.00%
Weighted Cost of Debt	2.25%
Total Cost of Capital	4.25%
Economic Value Added	3.69%

### Dividend Yield Quarterly



# Textainer Group Holdings Limited



NYSE: TGH - Finance/Rental/Leasing

## Profile

Textainer Group Holdings Ltd. provides management consulting services. It leases standard, special dry freight, and refrigerated marine containers to international shipping lines. The company purchases older containers from shipping line customers and sells these containers along with containers being disposed from its own fleet. It offers long term lease, lease/purchase, master lease, special lease, sale/leaseback and container fleet management services. The company also offers container ownership, container management, container resale, and military management services. Textainer Group Holdings was founded in 1979 and is headquartered in Hamilton, Bermuda.

### Key Facts:

Century House16 Par-La-Ville Road  
Hamilton , HM 08  
Phone:  
www.textainer.com

### Biggest Company in Sub-Industry

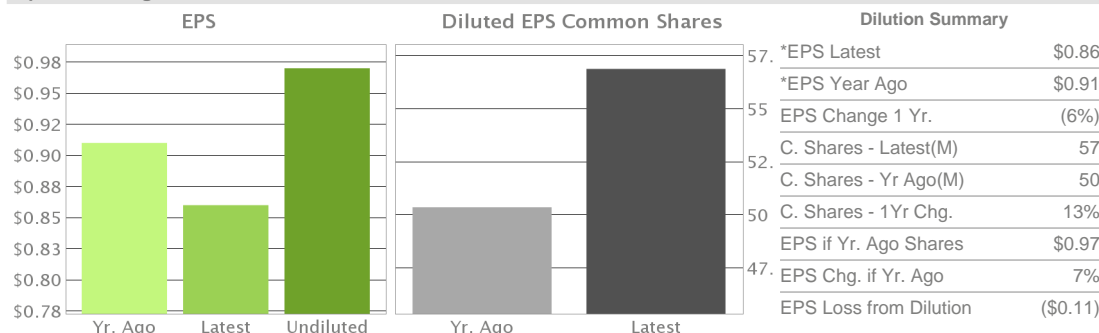
Visa Inc. (V)  
Grade ● 63.9  
Market Cap:\$141.60 billion

### Smallest Company in Sub-Industry

Mint Technology Corp.  
Grade ● 9.5  
Market Cap:\$4.02 million

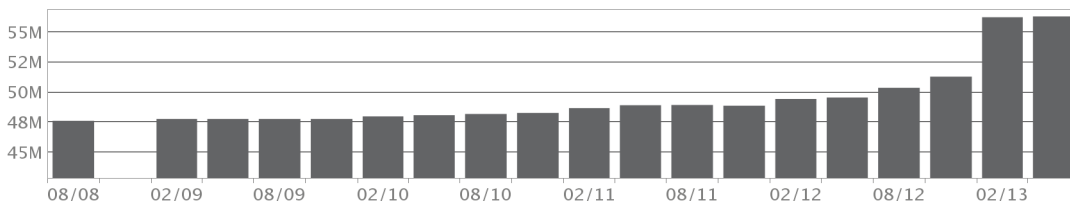
## MarketGrader Dilution Analysis

Impact of Change in Shares on EPS - Q3 2013

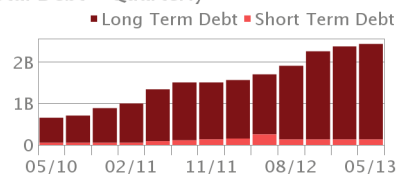


\*Earnings per share are based on fully diluted net income per share excluding extraordinary items. This number may not match the headline number reported by the company.

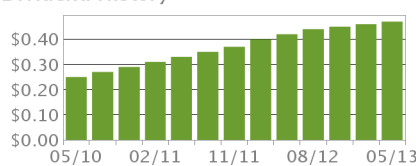
Common Shares Used for Diluted EPS - 5 Yrs. Quarterly (in Millions)



### Total Debt - Quarterly



### Dividend History



Total Assets	\$3.6B
Intangible Assets	0
Long Term Debt	\$2.3B
Total Debt	\$2.4B
Book Value	\$1.1B
Enterprise Value	\$2.3B

	'08	'09	'10	'11	'12	'13
Qtr 1	0.23	0.23	0.24	0.31	0.40	0.46
Qtr 2	0.23	0.25	0.33	0.42	0.47	
Qtr 3	0.23	0.27	0.35	0.44		
Qtr 4	0.23	0.29	0.37	0.45		

### Income Statement

	Last Qtr (06/2013)	12 Mo. Trailing
Revenue	\$122M	\$486M
Op. Income	\$64M	\$267M
Net Income	\$49M	\$208M
*EPS	\$0.86	0

\*Earnings per share are based on fully diluted net income per share excluding extraordinary items. This number may not match the headline number reported by the company.

### Balance Sheet

	Latest
Total Assets	\$3.6B
Total Debt	\$2.4B
Stockholders Eq.	\$1.1B

All numbers in millions except EPS

### Ratios

Price/Earnings (12 mo. trailing)	9.68
Price/Tangible Book	1.87
Price/Cash Flow	6.73
Price/Sales	4.05
Debt/Cash Flow	826.70
Return on Equity	19.66%
Gross Margin (12 mo. trailing)	60.29%
Operating Margin (12 mo. trailing)	55.05%
Net Profit Margin (12 mo. trailing)	42.90%

# Textainer Group Holdings Limited



NYSE: TGH - Finance/Rental/Leasing

## Top Down Analysis

Sector

### Financials

Stocks in Sector: 1166  
 Buys: 223 (19.13%)  
 Holds: 205 (17.58%)  
 Sells: 738 (63.29%)

No. of stocks at:  
 52-Wk. High: 55  
 52-Wk. Low: 11  
 Above 50 & 200-day MA: 716  
 Below 50 & 200-day MA: 212

#	Ticker	Grade	Sentiment	Name	Price	Next EPS
1	AI	90.46	N	Arlington Asset Investment Corp.	\$24.14	10/28/2013
2	MITT	89.17	N	AG Mortgage Investment Trust, Inc.	\$16.94	11/06/2013
3	CWT.UT.	86.11	N	Calloway REIT	\$25.06	11/06/2013
4	TPL	85.37	N	Texas Pacific Land Trust	\$83.69	N/A
5	RMM.UT.	85.00	N	Retrocom Real Estate Investment Trust	\$4.90	11/07/2013
6	HCI	83.84	P	HCI Group, Inc.	\$35.22	11/12/2013
7	APSA	83.21	N	Alto Palermo SA	\$19.00	N/A
8	APO	82.66	P	Apollo Global Management, LLC	\$27.98	11/08/2013
9	MRC.CA	81.35	N	Morguard Corporation	\$104.00	05/14/2013
10	PROV	81.17	P	Provident Financial Holdings, Inc.	\$17.98	10/24/2013
166	TGH	62.97	N	Textainer Group Holdings Limited	\$34.93	11/07/2013

Price Trend  
Positive

Sub-Industry

### Finance/Rental/Leasing

Stocks in Sub-Industry: 87  
 Buys: 26 (29.89%)  
 Holds: 22 (25.29%)  
 Sells: 39 (44.83%)

No. of stocks at:  
 52-Wk. High: 9  
 52-Wk. Low: 2  
 Above 50 & 200-day MA: 49  
 Below 50 & 200-day MA: 19

#	Ticker	Grade	Sentiment	Name	Price	Next EPS
1	MA	79.17	P	MasterCard Incorporated	\$637.96	10/30/2013
2	FN.CA	75.78	N	First National Financial Corporation	\$17.95	11/05/2013
3	CACC	75.07	P	Credit Acceptance Corporation	\$113.16	10/31/2013
4	ASPS	74.65	P	Altisource Portfolio Solutions S.A.	\$130.07	10/31/2013
5	CAP	72.23	N	CAI International, Inc.	\$20.10	10/31/2013
6	DFS	71.09	P	Discover Financial Services	\$50.18	09/26/2013
7	RFC.CA	70.95	N	RIFCO Inc.	\$4.65	08/21/2013
8	WRLD	69.96	N	World Acceptance Corporation	\$84.70	10/22/2013
9	FCFS	69.45	N	First Cash Financial Services, Inc.	\$54.47	10/16/2013
10	GPRC	69.28	N	Guanwei Recycling Corp.	\$1.77	03/29/2013
19	TGH	62.97	N	Textainer Group Holdings Limited	\$34.93	11/07/2013

Price Trend  
Neutral

Sentiment

1. Price Trend.	C	2. Price Momentum.	F
3. Earnings Guidance.	F	4. Short Interest.	B-

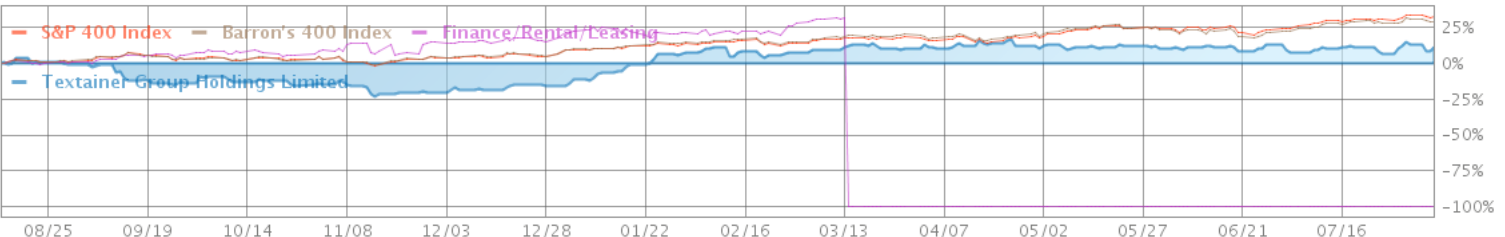


Sentiment  
Negative

TGH - 1 Years



TGH - 1 Year Comparison



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