UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2020
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to
Commission file number: 001-33388

CAI International, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

94-3109229
(I.R.S. Employer Identification Number)

Steuart Tower, 1 Market Plaza, Suite 2400
San Francisco, California
(Address of principal executive office)

94105
(Zip Code)

(415) 788-0100
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	CAI	New York Stock Exchange
8.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Stock, par value $0.0001 per share	CAI-PA	New York Stock Exchange
8.50% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Stock, par value $0.0001 per share	CAI-PB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No x

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

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

Large accelerated filer ☐
Non-accelerated filer ☐

Accelerated filer x
Smaller reporting company ☐
Emerging growth company ☐

If 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 whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. x

Indicate by check mark whether the registrant is a shell company (as defined in the Rule 12b-2 of the Act). Yes ☐ No x

As of June 30, 2020, the last trading day of the registrant's most recently completed second fiscal quarter, the aggregate market value of common stock held by non-affiliates of the registrant (based upon the closing sale price of such shares on the New York Stock Exchange on June 30, 2020) was approximately $259.6 million. Shares of registrant's common stock held by each executive officer, director and beneficial holders of 10% or more of the registrant's common stock have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	February 25, 2021
Common Stock, $0.0001 par value per share	17,284,656 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to the registrant's 2021 Annual Meeting of Stockholders, which will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2020, are incorporated by reference into Part III hereof.

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Annual Report on Form 10-K for the year ended December 31, 2020

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain forward-looking statements, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business, operations, and growth strategy and service development efforts. The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for certain forward-looking statements so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. When used in this Annual Report on Form 10-K, the words “may,” “might,” “should,” “estimate,” “project,” “plan,” “anticipate,” “expect,” “intend,” “outlook,” “believe” and other similar expressions are intended to identify forward-looking statements and information. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those identified under the caption Item 1A. “Risk Factors” in this Annual Report on Form 10-K and our other reports filed with the Securities and Exchange Commission (SEC). We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. Reference is also made to such risks and uncertainties detailed from time to time in our filings with the SEC.

Unless the context requires otherwise, references to “CAI,” the “Company,” “we,” “us” or “our” in this Annual Report on Form 10-K refer to CAI International, Inc. and its subsidiaries.

PART I

ITEM 1: BUSINESS

Our Company

We are one of the world's leading transportation finance companies. We lease equipment, primarily intermodal shipping containers, to our customers. We also manage equipment for third-party investors. In operating our fleet, we lease, re-lease and dispose of equipment and contract for the repair, repositioning and storage of equipment.

The following tables show the composition of our fleet as of December 31, 2020 and 2019, and our average utilization for the years ended December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
Owned container fleet in TEUs	1,688,351	1,611,527
Managed container fleet in TEUs	56,298	69,650
Total container fleet in TEUs	1,744,649	1,681,177
Owned container fleet in CEUs	1,727,202	1,642,118
Managed container fleet in CEUs	71,318	85,698
Total container fleet in CEUs	1,798,520	1,727,816

	Year Ended December 31,	
	2020	2019
Average container fleet utilization in CEUs	98.5%	98.6%
Average owned container fleet utilization in CEUs	98.5%	98.7%

The intermodal marine container industry-standard measurement unit is the 20-foot equivalent unit (TEU), which compares the size of a container to a standard 20-foot container. For example, a 20-foot container is equivalent to one TEU and a 40-foot container is equivalent to two TEUs. Containers can also be measured in cost equivalent units (CEUs), whereby the cost of each type of container is expressed as a ratio relative to the cost of a standard 20-foot dry van container. For example, the CEU ratio for a standard 40-foot dry van container is 1.6, and a 40-foot high cube container is 1.7.

Utilization of containers is computed by dividing the average total units on lease during the period in CEUs, by the average total CEUs in our container fleet during the period. The total fleet excludes new units not yet leased and off-hire units designated for sale. If new units not yet leased are included in the total fleet, utilization would be 97.1% for both total and owned container fleet for the year ended December 31, 2020.

Our revenue from continuing operations consists of container lease revenue from our owned container fleet and management fee revenue for managing containers for third-party investors. Substantially all of our revenue is denominated in U.S. dollars. For the year ended December 31, 2020, we recorded revenue from continuing operations of $294.0 million and net income attributable to CAI common stockholders of $18.9 million. A comparison of our 2020 financial results with those of the prior year can be found in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

We earn container lease revenue from intermodal containers, which are deployed by our customers in a wide variety of global trade routes. Virtually all of our containers are used internationally, and no container is domiciled in one particular place for a prolonged period of time. As such, substantially all of our container assets are considered to be international with no single country of use.

Disposal of Logistics and Rail Businesses

On August 14, 2020, we sold substantially all of the assets and liabilities of our logistics business to NFI, a North American logistics provider, for cash proceeds of $6.2 million. On December 29, 2020, we sold our remaining railcar fleet to affiliates of Infinity Transportation for cash proceeds of $228.1 million. As a result, the operating results of the logistics and rail leasing businesses have been classified as discontinued operations in the accompanying consolidated statements of income and cash flows. All prior periods presented in the consolidated financial statements in this Annual Report on Form 10-K have been restated to reflect the classification of the logistics and rail leasing businesses as discontinued operations and certain assets and liabilities as held for sale. See Note 3 – *Discontinued Operations* in Item 8. "Financial Statements and Supplementary Data" for more information.

History

We were founded in 1989, as a traditional container leasing company that leased containers owned by us to container shipping lines. We were originally incorporated under the name Container Applications International, Inc. in the State of Nevada in August 1989. In February 2007, we were reincorporated under our present name in the State of Delaware.

Corporate Information

Our corporate headquarters and principal executive offices are located at Steuart Tower, 1 Market Plaza, Suite 2400, San Francisco, California 94105. Our telephone number is (415) 788-0100 and our website address is www.capps.com. The information found on, or otherwise accessible through, our website is not incorporated by reference into, nor does it form a part of, this Annual Report on Form 10-K, or any other document that we file with the SEC.

Segment Information

We operate under one reportable segment, container leasing, which is aggregated with equipment management and derives its revenue from the ownership and leasing of containers and fees earned for managing container portfolios on behalf of third-party investors.

We sold substantially all of the assets and liabilities of our logistics business and our remaining railcar fleet during the year ended December 31, 2020. The operations of the logistics and rail leasing businesses have been reclassified as discontinued operations in the accompanying consolidated statements of income. As a result, we no longer report Logistics or Rail Leasing as segments.

Industry Overview

Container Leasing

We operate in the worldwide intermodal freight container leasing industry. Intermodal freight containers, or containers, are large, standardized steel boxes used to transport cargo by a number of means, including ship, truck and rail. Container shipping lines use containers as the primary means for packaging and transporting freight internationally, principally from export-oriented economies in Asia to other Asian countries, North America and Western Europe.

Containers are built in accordance with standard dimensions and weight specifications established by the International Standards Organization (ISO). Standard dry van containers are eight feet wide, either 20 or 40 feet long and are either 8 feet 6 inches or 9 feet 6 inches tall.

The three principal categories of containers are as follows:

- ***Dry van containers.*** A dry van container is constructed of steel sides, roof and end panel with a set of doors on the other end, a wooden floor and a steel undercarriage. Dry van containers are the least expensive and most commonly used type of container. They are used to carry general cargo, such as manufactured component parts, consumer staples, electronics and apparel.
- ***Refrigerated containers.*** A refrigerated container has an integrated refrigeration unit on one end, which plugs into a generator set or other outside power source and is used to transport perishable goods.
- ***Specialized equipment.*** Specialized equipment includes open-top, flat-rack, palletwide and swapbody containers, roll trailers, and generator sets. An open-top container is similar in construction to a dry van container except that the roof is replaced with a tarpaulin supported by removable roof bows. A flat-rack container is a heavily reinforced steel platform with a wood deck and steel end panels. Open-top and flat-rack containers are generally used to move heavy or oversized cargo, such as marble slabs, building products or machinery. Palletwide containers are a type of dry-van container externally similar to ISO standard containers, but internally about two inches wider so as to accommodate two European-sized pallets side-by-side. Swapbody containers are a type of dry van container designed to be easily transferred between rail, truck, and barge and are equipped with legs under their frames. Roll trailers are a type of flat-bed trailer equipped with rubber wheels underneath for terminal haulage and stowage on board roll-on/roll-off vessels. Generator sets are units that are attached to refrigerated containers to provide the container with cooling.

Containers provide a secure and cost-effective method of transportation because they can be used in multiple modes of transportation, making it possible to move cargo from a point of origin to a final destination without repeated unpacking and repacking. As a result, containers reduce transit time and freight and labor costs as they permit faster loading and unloading of shipping vessels and more efficient utilization of transportation containers than traditional bulk shipping methods. The protection provided by containers also reduces damage, loss and theft of cargo during shipment. While the life of containers varies based upon the damage and normal wear and tear suffered by a container, we estimate that the average useful life of a dry van container used in our fleet is 13.0 years, and 12.0 years for a refrigerated container.

Container shipping lines own and lease containers for their use. The *Container Census & Leasing, Survey and Forecast of Global Container Units (2020/2021 Annual Report)*, published by Drewry Maritime Research, estimates that as of the end of 2019, transportation companies (including container shipping lines and freight forwarders) and container leasing companies owned approximately 49% and 51%, respectively, of the total worldwide container fleet, measured in TEUs. Given the uncertainty and variability of export volumes and the fact that container shipping lines have difficulty in accurately forecasting their container requirements at different ports, the availability of containers for lease significantly reduces a container shipping line's need to purchase and maintain excess container inventory. In addition, container leases allow the container shipping lines to adjust their container fleets both seasonally and over time and help to balance trade flows. The flexibility offered by container leasing helps container shipping lines improve their overall fleet management and provides the container shipping lines with an alternative source of financing.

Fleet Overview. The table below summarizes the composition of our container fleet as of December 31, 2020 by type of equipment:

	Dry Van Containers	Percent of Total Fleet	Refrigerated Containers	Percent of Total Fleet	Specialized Equipment	Percent of Total Fleet	Total	Percent of Total Fleet
Owned container fleet in TEUs	1,539,801	88%	61,801	4%	86,749	5%	1,688,351	97%
Managed container fleet in TEUs	50,521	3%	328	-	5,449	-	56,298	3%
Total container fleet in TEUs	1,590,322	91%	62,129	4%	92,198	5%	1,744,649	100%

	Dry Van Containers	Percent of Total Fleet	Refrigerated Containers	Percent of Total Fleet	Specialized Equipment	Percent of Total Fleet	Total	Percent of Total Fleet
Owned container fleet in CEUs	1,363,327	76%	222,607	12%	141,268	8%	1,727,202	96%
Managed container fleet in CEUs	44,839	2%	1,148	-	25,331	2%	71,318	4%
Total container fleet in CEUs	1,408,166	78%	223,755	12%	166,599	10%	1,798,520	100%

Marketing and Operations Overview. Our marketing and operations personnel are responsible for developing and maintaining relationships with our lessees, facilitating lease contracts and maintaining the day-to-day coordination of operational issues. This coordination allows us to negotiate lease contracts that satisfy both our financial return requirements and our lessees' operating needs. It also facilitates our awareness of lessees' potential equipment shortages and their awareness of our available equipment inventories. We have marketing and operations employees in ten countries, supported by independent agents in a further seven countries.

Leases Overview. To meet the needs of our lessees and achieve a favorable utilization rate, we lease containers under three main types of leases:

- ***Long-Term Leases***. Our long-term leases have terms of one year or more and specify the number of containers to be leased, the pick-up and drop-off locations, the applicable per diem rate and the contract term. We typically enter into long-term leases for a fixed term ranging from three to eight years, with five-year leases being most common, although recently we have seen a trend towards longer term leases. Our long-term leases generally require our lessees to maintain all units on lease for the duration of the lease, which provides us with scheduled lease payments and predictable, recurring revenue. A small percentage of our long-term leases contain early termination options and afford the lessee interchangeability of containers, and the ability to redeliver containers if the lessee's fleet requirements change. Generally, leases with an early termination provision impose various economic penalties on the customer if the customer elects to exercise the early termination provision.

- ***Short-Term Leases***. Short-term leases include both master interchange leases and customized short-term leases. Master interchange leases provide a master framework pursuant to which lessees can lease containers on an as-needed basis, and thus command a higher per diem rate than long-term leases. The terms of master interchange leases are typically negotiated on an annual basis. Under our master interchange leases, lessees know in advance their per diem rates and drop-off locations, subject to monthly port limits. We also enter into other short-term leases that typically have a term of less than one year and are generally used for one-way leasing, typically for small quantities of containers. The terms of short-term leases are customized for the specific requirements of the lessee. Short-term leases are sometimes used to reposition containers to high-demand locations and accordingly may contain terms that provide incentives to lessees.

- ***Finance Leases.*** Finance leases provide our lessees with an alternative method to finance their container acquisitions. Finance leases are long-term in nature and require relatively little customer service attention. They ordinarily require fixed payments over a defined period and generally provide lessees with a right to purchase the leased containers for a nominal amount at the end of the lease term. Per diem rates under finance leases include an element of repayment of capital and, therefore, typically are higher than per diem rates charged under long-term leases. Finance leases require the container lessee to keep the container on lease for the entire term of the lease.

The following table provides a summary of our container fleet by lease type as of December 31, 2020:

	As of December 31, 2020	
	TEUs	CEUs
Long-term leases	68%	68%
Short-term leases	8%	8%
Finance leases	24%	24%
Total	100%	100%

Our lease agreements contain general terms and conditions detailing standard rights and obligations, including requirements that lessees pay a per diem rate, depot charges, taxes and other charges when due, maintain equipment in good condition, return equipment in good condition in accordance with return conditions set forth in the lease agreement, use equipment in compliance with all applicable laws, and pay us for the value of the equipment as determined by the lease agreement if the equipment is lost or destroyed. A default clause in our lease agreements gives us certain legal remedies in the event that an equipment lessee is in breach of lease terms.

Our lease agreements contain an exclusion of warranties clause and require lessees to defend and indemnify us in most instances from third-party claims arising out of the lessee's use, operation, possession or lease of the equipment. Lessees are required to maintain physical damage and comprehensive general liability insurance, or be adequately self-insured, and to indemnify us against loss with respect to the equipment. We also maintain our own contingent physical damage and third-party liability insurance that covers our equipment during both on-lease and off-lease periods. All of our insurance coverage is subject to annual deductible provisions and per occurrence and aggregate limits.

Management Services Overview. We manage containers for third-party investors under management agreements that cover portfolios of containers. We lease, re-lease and dispose of the containers and contract for their repair, repositioning and storage. Our management agreements have multiple year terms and provide that we receive a management fee based upon the net operating income for each container, which is equal to the rental revenue for a container less the operating expenses directly attributable to that container. Management fees are collected monthly or quarterly, depending upon the agreement, and generally are not paid if net operating revenue is zero dollars or less for a particular period. If operating expenses exceed revenue, third-party investors are required to pay the excess, or we may deduct the excess, including our management fee, from future net operating revenue. Under these agreements, we also receive a commission for selling or otherwise disposing of containers for the third-party investor. Sales of containers typically have to be approved by the third-party investor.

Our management agreements generally require us to indemnify the third-party investor for liabilities or losses arising out of a breach of our obligations. In return, the third-party investor typically indemnifies us in our capacity as the manager of the container against a breach by the third-party investor, sales taxes on commencement of the arrangement, withholding taxes on payments to the third-party investor under the management agreement and any other taxes, other than our income taxes, incurred with respect to the containers that are not otherwise included as operating expenses deductible from revenue.

Re-leasing, Logistics Management and Depot Management. We believe that managing the period after lease termination, in particular after our containers' first lease, is one of the most important aspects of our business. Successful management of this period requires disciplined re-leasing capabilities, logistics management and depot management.

- ***Re-leasing.*** Since our leases generally allow our lessees to return their containers, we typically lease a container several times during its useful life. New containers can usually be leased with a limited marketing and customer service infrastructure because initial leases for new containers typically cover large volumes of units and are fairly standardized transactions. Used containers, on the other hand, are typically leased in smaller transactions that are structured to accommodate pick-ups and returns in a variety of locations. Our utilization rates depend on our re-leasing abilities. Factors that affect our ability to re-lease used containers include the size of our lessee base, ability to anticipate lessee needs, our presence in relevant geographic locations and the level of service we provide our lessees. We believe that our global presence and long-standing relationships with approximately 360 container lessees as of December 31, 2020 provide us an advantage over our smaller competitors in re-leasing our used containers.
- ***Logistics Management.*** The shipping industry is characterized by large regional trade imbalances, with loaded containers generally flowing from export-oriented economies in Asia to other Asian countries, North America and Western Europe. Because of these trade imbalances, container shipping lines have an incentive to return leased containers in relatively low export areas to reduce the cost of shipping empty containers. We have managed this structural imbalance of inventories with the following approach:
  - *Limiting or prohibiting container returns to low-demand areas.* In order to minimize our repositioning costs, our leases typically include a list of the specific locations to which containers may be returned, limitations on the number of containers that may be returned to low-demand locations, high drop-off charges for returning containers to low-demand locations or a combination of these provisions;

- *Taking advantage of the secondary resale market.* In order to maintain a younger fleet age profile, we have aggressively sold older containers when they are returned to low demand areas;
- *Developing country-specific leasing markets to utilize older containers in the portable storage market*. In North America and Western Europe, we lease older containers on a limited basis for use as portable storage;
- *Seeking one-way lease opportunities to move containers from lower demand locations to higher demand locations*. One-way leases may include incentives, such as free days, credits and damage waivers. The cost of offering these incentives is considerably less than the cost we would incur if we paid to reposition the empty containers; and
- *Paying to reposition our containers to higher demand locations*. At locations where our inventories remain high, despite the efforts described above, we will selectively choose to ship excess containers to locations with higher demand.

- ***Depot Management***. As of December 31, 2020, we managed our equipment fleet through approximately 180 independent equipment depot facilities located in 39 countries. Depot facilities are generally responsible for repairing containers when they are returned by lessees and for storing the containers while they are off-hire. Our operations group is responsible for managing our depot contracts and periodically visiting depot facilities to conduct inventory and repair audits. We also supplement our internal operations group with the use of independent inspection agents. As of December 31, 2020, a majority of our off-lease inventory was located at depots that are able to report notices of container activity and damage detail via electronic data interchange.

  Most of our depot agency agreements follow a standard form and generally provide that the depot will be liable for loss or damage of containers and, in the event of loss or damage, will pay us the previously agreed loss value of the applicable containers. The agreements require the depots to maintain insurance against container loss or damage and we carry insurance to cover the risk that a depot's insurance proves insufficient.

  Our container repair standards and processes are generally managed in accordance with standards and procedures specified by the Institute of International Container Lessors, or the IICL. The IICL establishes and documents the acceptable interchange condition for containers and the repair procedures required to return damaged containers to acceptable interchange condition. When containers are returned by lessees, the depot arranges an inspection of the containers to assess the repairs required to return the containers to acceptable IICL condition. As part of the inspection process, damages are categorized either as lessee damage or normal wear and tear. Items typically designated as lessee damage include dents in the container, while items such as rust are typically designated as normal wear and tear. In general, lessees are responsible for the lessee damage portion of repair costs and we are responsible for normal wear and tear.

Customer Concentration. Billings from our ten largest container lessees represented 62.5% of total billings for the year ended December 31, 2020, with billings from our two largest lessees, MSC Mediterranean Shipping Company S.A. and CMA CGM, accounting for 17.1% and 10.2%, respectively, of total billings, or $69.8 million and $41.6 million, respectively.

Proprietary Real-time Information Technology System. Our proprietary real-time information technology system tracks all of our containers individually by container number, provides design specifications for the containers, tracks on-lease and off-lease transactions, matches each on-lease unit to a lease contract and each off-lease unit to a depot contract, maintains the major terms for each lease contract, tracks accumulated depreciation, calculates the monthly bill for each container lessee and tracks and bills for container repairs. Most of our depot activity is reported electronically, which enables us to prepare container lessee bills and calculate financial reporting information more efficiently.

In addition, our system allows our lessees to conduct business with us through the Internet. This allows our lessees to review our container inventories, monitor their on-lease information, view design specifications and receive information on maintenance and repair. Many of our lessees receive billing and on- and off-lease information from us electronically.

Our Suppliers. We purchase most of our containers in China from manufacturers that have met our qualification requirements. We are currently not dependent on any single manufacturer. We have long-standing relationships with all of our major container suppliers. Our technical services personnel review the designs for our containers and periodically audit the production facilities of our suppliers. In addition, we contract with independent third-party inspectors to monitor production at factories while our containers are being produced. This provides an additional layer of quality control and helps ensure that our containers are produced in accordance with our specifications.

Our Competition. We compete primarily with other global container leasing companies, including both larger and smaller lessors. We also compete with bank leasing companies who offer long-term operating leases and finance leases, and container shipping lines, which sometimes lease their excess container inventory. Other participants in the shipping industry, such as container manufacturers, may also decide to enter the container leasing business. It is common for container shipping lines to utilize several leasing companies to meet their container needs and to minimize reliance on any one individual leasing company.

Our competitors compete with us in many ways, including pricing, lease flexibility, supply reliability, customer service and the quality and location of containers. Some of our competitors have greater financial resources, better access to capital, lower cost of capital, better credit ratings, more containers, broader market presence, longer standing relationships with lessees, longer operating histories, stronger brand recognition and greater marketing resources than us, or are affiliates of larger companies. We emphasize the quality of our fleet, supply reliability and high level of customer service to our container lessees. We focus on ensuring adequate container availability in high-demand locations, dedicate large portions of our organization to building relationships with lessees, maintain close day-to-day coordination with lessees and have developed a proprietary information technology system that allows our lessees to access real-time information about their containers.

Seasonality. We have historically experienced increased seasonal demand for containers in the second and third quarters of the year. However, equipment rental revenue may fluctuate significantly in future periods based upon the level of demand by container shipping lines for leased containers, our ability to maintain a high utilization rate of containers in our total fleet, and changes in per diem rates for leases.

Credit Control

We provide services for container shipping lines, freight forwarders, and other companies that meet our credit criteria. Our credit policy sets different maximum exposure limits depending on our relationship and previous experience with each customer. Credit criteria may include, but are not limited to, trade route, country, business climate, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports (including those produced specifically for the maritime sector by Dynamar), operational history and financial strength. We monitor our customers' performance on an ongoing basis. Our credit control processes are aided by the long payment experience we have with most of our customers, our broad network of relationships that provide current information about our customers' market reputations and our focus on collections.

Environmental Matters

We are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and third-party claims for property or natural resource damage and personal injury, as a result of violations of environmental laws and regulations in connection with our or our lessees' current or historical operations. Under some environmental laws in the United States and certain other countries, the owner or operator of equipment may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from the equipment without regard to the fault of the owner or operator. While we typically maintain liability insurance coverage and typically require our lessees to provide us with indemnity against certain losses, the insurance coverage is subject to large deductibles, limits on maximum coverage and significant exclusions and may not be sufficient or available to protect against any or all liabilities and such indemnities may not cover or be sufficient to protect us against losses arising from environmental damage.

Regulation

Our container operations are subject to regulations promulgated in various countries, including the United States, seeking to protect the integrity of international commerce and prevent the use of equipment for international terrorism or other illicit activities. For example, the Container Security Initiative, the Customs-Trade Partnership Against Terrorism and Operation Safe Commerce are among the programs administered by the U.S. Department of Homeland Security (DHS) that are designed to enhance security for cargo moving throughout the international transportation system by identifying existing vulnerabilities in the supply chain and developing improved methods for ensuring the security of containerized cargo entering and leaving the United States. Moreover, the International Convention for Safe Containers, 1972, as amended (CSC), adopted by the International Maritime Organization, applies to new and existing containers and seeks to maintain a high-level of safety of human life in the transport and handling of containers by providing uniform international safety regulations. As these regulations develop and change, we may incur increased compliance costs due to the acquisition of new, compliant equipment and/or the adaptation of existing equipment to meet new requirements imposed by such regulations. In addition, violations of these rules and regulations can result in substantial fines and penalties, including potential limitations on operations or forfeitures of assets.

Human Capital Management

We seek to attract, retain, and develop the best talent available in order to drive our continued success and achieve our business goals. Our container leasing workforce as of December 31, 2020 was comprised of 99 employees worldwide, 48% of which are located outside the U.S. We are not a party to any collective bargaining agreements. Our workforce decreased 51% in 2020 compared to 2019, mainly due to the sale of the logistics business. Excluding Logistics and Rail employees, voluntary workforce turnover for the year was 3%.

The success of our employees drives the success of the business, and supports our goal of long-term value creation for our stockholders. We strive for an inclusive and respectful work environment where employees are empowered at all levels to implement new ideas to better serve our global customer base and continuously improve our processes and operations. We believe that we offer competitive benefits and training programs to develop employees' expertise and skillsets, use training, communication, appropriate investments and clear corporate policies to strive to provide a safe, harassment-free work environment guided by principles of fair and equal treatment, and prioritize employee engagement. As a result, we believe our employees are committed to building strong, innovative and long-term relationships with each other and with our local communities and customer base.

We are committed to diversity and inclusion across our Company, and one of our goals is to increase diverse talent across our leadership. As of December 31, 2020, our global workforce self-identified as 31% male and 69% female. In the U.S., 48% of our workforce was comprised of racial and ethnic minorities. As of February 28, 2021, our board of directors consisted of 33% directors identifying as either female or a minority. Our commitment to diversity recruiting includes partnering with external organizations to develop a diverse talent pipeline, applying a diverse slate approach to increase diversity within our executive management team and developing policies and initiatives aimed at further promoting diversity and inclusion in our organization. To attract diversity in our applicant pools, we post our openings to a wide variety of job boards and deploy appropriate language in our postings.

In 2020, the COVID-19 pandemic had a significant impact on our human capital management. A majority of our workforce worked remotely beginning in the first quarter of 2020 and continuing into 2021 without significant impacts to productivity, and we instituted reduced office capacity, upgraded cleaning practices, social distancing requirements and other safety measures and procedures for those employees who worked at our office locations during this time. We have put into place other health and safety measures globally to enable our operations to continue without significant impact. We did not furlough or conduct any employee layoffs due to the pandemic during the year.

Available Information

Our Internet website address is www.capps.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are available free of charge through the SEC's website at www.sec.gov and on our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Also, copies of our filings with the SEC will be made available, free of charge, upon written request to the Company. The information found on, or otherwise accessible through, our website is not incorporated by reference into, nor does it form a part of, this Annual Report on Form 10-K, or any other document that we file with the SEC.

ITEM 1A: RISK FACTORS

In addition to the other information contained in this Annual Report on Form 10-K, we have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, results of operations and cash flows. Investors should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently believe are immaterial may also impair our business operations. Our business could be harmed by any of these risks. The trading price of our securities could decline due to any of these risks and investors may lose all or part of their investment. This section should be read in conjunction with our audited consolidated financial statements and related notes thereto, and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Annual Report on Form 10-K.

Business Risks

Container leasing demand can be negatively affected by numerous market factors as well as external political and economic events that are beyond our control. Decreasing leasing demand could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Demand for containers depends largely on the rate of world trade and economic growth. Demand for leased containers is also driven by our customers' "lease vs. buy" decisions. Cyclical recessions can negatively affect the operating results of container lessors, such as us, because during economic downturns or periods of reduced trade, shipping lines tend to lease fewer containers, or lease containers only at reduced rates, and tend to rely more on their own fleets to satisfy a greater percentage of their requirements. As a result, during periods of weak global economic activity, container lessors like ourselves typically experience decreased leasing demand, decreased equipment utilization, lower average rental rates, decreased leasing revenue, decreased used container resale prices and significantly decreased profitability. These effects can be severe.

For example, our key operating metrics and profitability in 2019 and the first half of 2020 were negatively impacted by reduced trade and economic growth, both of which were affected by increased trade tariffs due to trade dispute between the U.S. and China and the onset of the COVID-19 pandemic and related lockdowns. As a result, our utilization, average leasing rates and used container prices decreased steadily throughout 2019 and the first half of 2020, and our profitability decreased as well. We have also experienced a number of other periods of weak performance due to adverse global economic conditions, including in 2009 due to the global financial crisis, and during 2015 and 2016 due to a global manufacturing recession. During both of these periods, our profitability and growth rate were significantly impacted by weak container demand.

Other general factors affecting demand for leased containers, container utilization and per diem rental rates include:

- available supply and prices of new and used containers;
- changes in the operating efficiency of our customers;
- economic conditions and competitive pressures in the shipping industry;
- shifting trends and patterns of cargo traffic, including a reduction in exports from Asian nations or increased trade imbalances;
- the availability and terms of container financing;
- fluctuations in interest rates and foreign currency values;
- overcapacity or undercapacity of the container manufacturers;
- the lead times required to purchase containers;
- the number of containers purchased by competitors and container lessees;
- container ship fleet overcapacity or undercapacity;
- increased repositioning by container shipping lines of their own empty containers to higher-demand locations in lieu of leasing containers from us;
- consolidation or withdrawal of individual container lessees in the container shipping industry;
- import/export tariffs and restrictions;
- customs procedures, foreign exchange controls and other governmental regulations;
- natural disasters that are severe enough to affect local and global economies, including pandemics such as COVID-19;
- political and economic factors, including any changes in international trade agreements; and
- future regulations which could restrict our current business practices and increase our cost of doing business.

All of these factors are inherently unpredictable and beyond our control. These factors will vary over time, often quickly and unpredictably, and any change in one or more of these factors may have a material adverse effect on our business, financial condition, results of operations and cash flows. Many of these factors also influence decisions by our customers to lease or buy containers. Should one or more of these factors influence our customers to buy a larger percentage of the containers they operate, our utilization rate would decrease, resulting in decreased revenue and increased storage and repositioning costs.

The demand for leased containers is particularly tied to international trade. If international trade were to decrease, as a result of increased tariffs or other actions impeding trade, it could reduce demand for container leasing, which would materially adversely affect our business, financial condition and results of operations.

A substantial portion of our containers are used in trade involving goods being shipped from exporting countries (e.g., China and other export-oriented Asian countries) to importing countries (e.g., other Asian countries, North America and Western Europe). The willingness and ability of international consumers to purchase foreign goods is dependent upon political support for an absence of government-imposed barriers to international trade in goods and services. For example, international consumer demand for foreign goods is related to price. Therefore, if the price differential between foreign goods and domestically-produced goods were to decrease due to increased tariffs on the import of foreign goods, strengthening in the applicable foreign currencies relative to domestic currencies, rising foreign wages, increasing input or energy costs or other factors, then demand for foreign goods could decrease. This in turn could result in reduced demand for container leasing. A similar reduction in demand for container leasing could result from an increased use of quotas or other technical barriers to restrict trade. The current regime of relatively free trade may not continue, which would materially adversely affect our business, financial condition and results of operations.

The international nature of the container industry exposes us to risks relating to the imposition of import and export duties, quotas, domestic and foreign customs and tariffs, and other impediments to trade. These risks increased in recent years due to trade actions taken by the United States and China that led to increased tariffs on goods traded between these two countries. Given the importance of the United States and China in the global economy, these increased tariffs could significantly reduce the volume of goods traded internationally and reduce the rate of global economic growth, leading to decreased demand for leased containers, lower new container prices (which would indirectly reduce the value of the Company's inventory of containers held for lease) and decreased market leasing rates. These impacts could have a material adverse effect on our business, financial condition and results of operations.

Lessee defaults may adversely affect our business, results of operations and financial condition by decreasing revenue and increasing storage, repositioning, collection and recovery expenses.

Our rental equipment is leased to numerous lessees. Lessees are required to pay rent and indemnify us for damage to or loss of equipment. Lessees may default in paying rent and performing other obligations under their leases. A delay or diminution in amounts received under the leases, or a default in the performance of maintenance or other lessee obligations under the leases could adversely affect our business, financial condition, results of operations and cash flows and our ability to make payments on our debt.

Our cash flows from rental equipment, principally rental revenue, are affected significantly by the ability to collect payments under leases and the ability to replace cash flows from terminating leases by re-leasing or selling equipment on favorable terms. All of these factors are subject to external economic conditions and the performance by lessees and service providers that are not within our control.

In addition, when lessees default, we may fail to recover all of our equipment, and the equipment we do recover may be returned in damaged condition or to locations where we will not be able to efficiently re-lease or sell the equipment. As a result, we may have to repair and reposition the equipment to other places where we can re-lease or sell it, and we may lose revenue and incur additional operating expenses in repossessing, repositioning and storing the equipment.

We also often incur extra costs when repossessing containers from a defaulting lessee. These costs typically arise when our lessee has also defaulted on payments owed to container terminals or depot facilities where the repossessed containers are located. In such cases, the terminal or depot facility will sometimes seek to have us repay a portion of the unpaid bills as a condition before releasing the containers back to us.

Although the container shipping industry is currently enjoying strong demand and significant increases in freight rates, it has been suffering for several years from excess vessel capacity and low freight rates. A number of our customers generated financial losses over the last several years and many are burdened by high levels of debt. In addition, the implementation in 2020 of the IMO 2020 global sulfur cap regulations is likely to increase the financial pressures on shipping lines. These regulations require our customers to either purchase more expensive, low sulfur fuel or invest large amounts to install sulfur scrubbers for their existing ships.

We maintain insurance to reimburse us and third-party investors for customer defaults. The insurance agreements are subject to deductibles of $3.5 million per occurrence, depending on the customer's credit rating, and have significant exclusions. Our level of insurance coverage in 2021 is limited to $27.0 million per occurrence and in aggregate, depending on the customer's credit rating, and may not be sufficient to prevent us from suffering material losses. Additional insurance claims made by the Company may result in such insurance not being available to us in the future on commercially reasonable terms, or at all.

The continued spread of the COVID-19 pandemic may have a material adverse impact on our business, financial condition and results of operations.

The ongoing COVID-19 pandemic has resulted in a significant impact to businesses and supply chains globally. The imposition of work and travel restrictions, as well as other actions by government authorities to contain the outbreak, led to a significant decline in the global economy in the first half of 2020, including extended shutdowns of certain businesses, lower factory production, reduced volumes of global imports and exports and disruptions in global shipping. This led to reduced container demand, which pressured container lease rates in the first half of 2020, and increased the credit risk profile of our shipping line customers. Following the easing of measures to contain the spread of the pandemic and the initial reopening of businesses, trade volumes and container demand recovered strongly in the third quarter of 2020. However, many countries are seeing a resurgence in COVID-19 cases, including our main demand locations in China, and there continues to be a high degree of risk and uncertainty with respect to the outlook for global economic conditions, global trade and container demand. Further, in response to the pandemic, many businesses, including ourselves, have implemented remote working arrangements for their employees that may continue, in whole or in part, for an extended period. Risks associated with the COVID-19 pandemic on our business include, but are not limited to:

- increased credit concerns relating to our shipping line customers as they face operational disruptions and increased costs relating to the pandemic, including the risk of bankruptcy or significant payment defaults or delays;
- reduced demand for rental equipment and increased pressure on lease rates;
- reduced demand for sale of rental equipment and increased pressure on sale rates;
- operational issues that could prevent our rental equipment from being discharged or picked up in affected areas or in other locations after having visited affected areas for a prolonged period of time;
- business community risks associated with the transition to remote working arrangements, including increased cybersecurity risks, internet capacity constraints or other systems problems, and unanticipated difficulties or delays in our financial reporting processes;
- liquidity risks, including that disruptions in financial markets as a result of the pandemic may increase the cost and availability of capital, and the risk of non-compliance with financial covenants in debt agreements;
- potential impacts on key management, including health impacts and distractions caused by the pandemic response; and
- potential impacts on business relationships due to restrictions on travel.

Although the impact on our business of the COVID-19 pandemic has not been significant to date, if the pandemic continues to cause business disruption and negatively impact the global economy, then its impact could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Fluctuations in global trade cause our business to experience cyclicality.

Market conditions in our industry have historically experienced high level of cyclicality, with periods of strong growth in global trade and high demand for containers followed by periods of weak conditions. Market conditions were exceptionally strong during the second half of 2020 after being weak for much of 2019 and the first half of 2020, but the current outlook for the global economy, global trade and the container leasing market are highly uncertain due to the ongoing COVID-19 pandemic.

New container prices have also experienced a high level of volatility and are currently at record highs. A decrease in new container prices typically negatively impacts our profitability by reducing lease rates and the sale prices we receive for our equipment. These impacts can be severe when new container prices are low for an extended period of time.

Lease rates may decrease due to a decrease in new container prices, weak leasing demand, increased competition or other factors, resulting in reduced revenues, lower margins, and reduced profitability and cash flows.

Market lease rates are typically a function of, among other things, new equipment prices (which are heavily influenced by steel prices), interest rates, the type and length of the lease, the equipment supply and demand balance at a particular time and location, and other factors more fully described below. A decrease in lease rates can have a materially adverse effect on our leasing revenues, profitability and cash flow.

A decrease in market lease rates negatively impacts the lease rates on both new container investments and existing containers in our fleet. Most of our existing containers are on operating leases, which means that the lease term is shorter than the expected life of the container, so the lease rate we receive for the container is subject to change at the expiration of the current lease. A decrease in new container prices from their current record highs, widespread availability of attractively priced financing, and aggressive competition for new leasing transactions could put pressure on market lease rates. As a result, during periods of low market lease rates, the average lease rate received for our containers is negatively impacted by both the addition of new containers at low lease rates as well as, and more significantly, by the turnover of existing containers from leases with higher lease rates to leases with lower lease rates.

We may incur significant costs to reposition containers.

When lessees return containers to locations where supply exceeds demand, we may make a decision to reposition containers to higher demand areas rather than sell the container and realize a loss on sale. Repositioning expenses vary depending on geographic location, distance, freight rates and other factors. We seek to limit the number of units that can be returned and in some cases, impose surcharges on containers returned to areas where demand for such containers is not expected to be strong. However, market conditions may not enable us to continue such practices. In addition, we may not accurately anticipate which port locations will be characterized by high or low demand in the future, and our current contracts will not protect us from repositioning costs if ports that we expect to be high-demand ports turn out to be low-demand ports at the time leases expire.

We may incur asset impairment charges and additional depreciation expense.

Asset impairment charges may result from the occurrence of unexpected adverse events or management decisions that impact our estimates of expected cash flows generated from our long-lived assets. We review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We may be required to recognize asset impairment charges in the future as a result of prolonged reductions in demand for specific container types, an extended weak economic environment, persistent challenging market conditions, events related to particular customers or asset type, or as a result of asset or portfolio sale decisions by management. If an asset, or group of assets, is considered to be impaired, it may also indicate that the residual value of the associated equipment type needs to be reduced. For example, we reduced the residual value for 40-foot high cube dry van containers from $1,650 to $1,400 per container, effective July 1, 2016. If residual values of our rental equipment are lowered further, then our depreciation expense will increase, which would have an adverse impact on our business, financial condition and results of operations.

Consolidation and concentration in the container shipping industry could decrease the demand for leased containers.

We primarily lease containers to container shipping lines. The container shipping lines have historically relied on a large number of leased containers to satisfy their needs. Consolidation of major container shipping lines, such as between Maersk and Hamburg Süd in 2017, or the creation of operating alliances between shipping lines, such as the formation of ONE, a joint venture between NYK, Mitsui OSK and K Line, in 2018, could create efficiencies for the shipping lines and decrease demand for leased containers, because they may be able to fulfill a larger portion of their needs through their owned container fleets. It would also create increased concentration of credit risk if the number of our container lessees decreases due to consolidation. Additionally, large container shipping lines with significant resources could choose to purchase their own containers directly, which would decrease their demand for leased containers and could have an adverse impact on our business, financial condition, results of operations and cash flows. Finally, decreased demand from shipping companies for leased containers could also occur due to consolidation caused by the financial failure of container shipping companies, such as the bankruptcy of Hanjin during 2016.

We derive a substantial portion of our revenue from a limited number of container lessees. The loss of, or reduction in business by, any of these container lessees, or a default from any large container lessee, could result in a significant loss of revenue and cash flow.

We have derived, and believe that we will continue to derive, a significant portion of our revenue and cash flow from a limited number of container lessees. Billings from our ten largest container lessees represented 62.5% of total billings for the year ended December 31, 2020, with billings from our two largest container lessees accounting for 17.1% and 10.2%, respectively, of total billing, or $69.8 million and $41.6 million, respectively. As our business grows, and as consolidation continues among our shipping line customers, we expect the proportion of revenue generated by our larger customers to continue to increase. The loss of a recently-consolidated customer such as those noted above would have a material adverse impact on our business, financial condition, results of operations and cash flows. In addition, a default by any of our largest lessees would result in a major reduction in our leasing revenue, large repossession expenses, potentially large lost equipment charges and a material adverse impact on our performance and financial condition. Although we maintain insurance against customer defaults, our insurance is limited and may not be sufficient to cover such a default.

Changes in market price or availability of containers in China could adversely affect our ability to maintain our supply of containers.

The vast majority of intermodal containers are currently manufactured in China, and we currently purchase almost all of our containers from manufacturers based there. In addition, the container manufacturing industry in China is highly concentrated. In 2019, Dong Fang International Container purchased several of the manufacturing facilities of Singamas Container Holdings Limited, further consolidating the container manufacturing industry. If it became more expensive for us to procure containers in China because of further consolidation among container suppliers, a dispute with one of our manufacturers, increased tariffs imposed by the United States or other governments or for any other reason, we may have to seek alternative sources of supply. We may not be able to make alternative arrangements quickly enough to meet our equipment needs, and the alternative arrangements may increase our costs.

It may become more expensive for us to store our off-hire containers.

We are dependent on third-party depot operators to repair and store our equipment in port areas throughout the world. In many of these locations the land occupied by these depots is increasingly being considered as prime real estate. Accordingly, local communities are considering increasing restrictions on depot operations which may increase their costs of operation and in some cases force depots to relocate to sites further from port areas. Additionally, depots in prime locations may become filled to capacity based on market conditions and may refuse additional containers due to space constraints. This could require us to enter into higher-cost storage agreements with third-party depot operators in order to accommodate our customers' turn-in requirements and could result in increased costs and expenses for us. If these changes affect a large number of our depots, it could significantly increase the cost of maintaining and storing our off-hire containers.

Fluctuations in the price of new containers could harm our business, results of operations and financial condition.

New container prices, which dropped to record lows in the first quarter of 2016, have recently increased to record highs. It is uncertain for how long the current container prices will continue. If new container prices decrease, the per diem lease rates for new leases of older, off-lease containers would also be expected to decrease and the prices obtained for containers sold at the end of their useful life would also be expected to decrease. Although new and used container prices are currently at record highs, if the price of new containers declines such that market per diem lease rates or resale values for containers are reduced, our revenue and income could decline. A continuation of these factors could harm our business, financial condition, results of operations and cash flows, even if a sustained reduction in price would allow us to purchase new containers at a lower cost.

Used container sale prices may decrease, leading to losses on the sale of used rental equipment.

Although our revenues primarily depend upon equipment leasing, our profitability is also affected by the gains or losses we realize on the sale of used containers because, in the ordinary course of our business, we sell certain containers when they are returned to us. The volatility of the selling prices and gains or losses from the disposal of such equipment may be significant. Used container selling prices, which can vary substantially, depend upon, among other factors, the cost of new containers, the global supply and demand balance for containers, the location of the containers, the supply and demand balance for used containers at a particular location, the repair condition of the container, refurbishment needs, materials and labor costs and equipment obsolescence. Most of these factors are outside of our control.

Containers are typically sold if it is in our best interest to do so, after taking into consideration earnings prospects, book value, remaining useful life, condition and repair costs, storage costs, suitability for leasing or other uses, and the prevailing local sales price for containers. Gains or losses on the disposition of used containers will fluctuate and may be significant if we sell large quantities of used containers.

Used container selling prices and the gains or losses that we have recognized from selling used containers have varied widely over recent years. During 2015 and 2016, disposal prices were close to, and in many cases below, our residual values which resulted in losses being incurred on the sales of used equipment. As a result of consistent losses being recorded on the sale of 40-foot high cube dry van containers, we reduced the residual value for these containers from $1,650 to $1,400 per container, effective July 1, 2016. Sales prices for used containers recovered from the lows of 2016, resulting in gains being recognized on the sale of used equipment. If used container prices decline, we may incur losses on the sale of used containers, our residual values may need to be reduced, resulting in increased depreciation expense, and we may incur impairment charges on such equipment. A decline in these factors could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We face extensive competition in the container leasing industry.

We may be unable to compete favorably in the highly competitive container leasing business. We compete with a number of major leasing companies, many smaller lessors, companies and financial institutions offering finance leases, promoters of equipment ownership and leasing as a tax-efficient investment, container shipping lines (which sometimes lease their excess container stocks), and suppliers of alternative types of containers for freight transport. Some of these competitors have greater financial resources, better access to capital, lower cost of capital, better credit ratings, more containers, broader market presence, longer standing relationships with lessees, longer operating histories, stronger brand recognition and greater marketing resources than us, or are affiliates of larger companies. Additionally, some of these competitors may have large, underutilized inventories of equipment, which could lead to significant downward pressure on per diem rates, margins and prices of equipment.

Our business requires large amounts of working capital to fund our operations. We are aware that some of our competitors have had ownership changes and there has been consolidation in the industry in recent years. As a consequence, these competitors may have greater resources available to aggressively seek to expand their market share. This could include offering lease rates with which we may not be able to effectively compete. We may not be able to compete successfully against these competitors.

Competition among container leasing companies depends upon many factors, including, among others, per diem rates; lease terms, including lease duration, drop-off restrictions and repair provisions; customer service; and the location, availability, quality and individual characteristics of equipment units. The highly competitive nature of our industry may reduce lease rates and margins and undermine our ability to maintain our current level of container utilization or achieve our growth plans.

The international nature of our business exposes us to numerous risks.

Our ability to enforce lessees' obligations will be subject to applicable law in the jurisdiction in which enforcement is sought. As containers are predominantly located on international waterways, it is not possible to predict, with any degree of certainty, the jurisdictions in which enforcement proceedings may be commenced. For example, repossession from defaulting lessees may be difficult and more expensive in jurisdictions in which laws do not confer the same security interests and rights to creditors and lessors as those in the United States and in other jurisdictions where recovery of containers from defaulting lessees is more cumbersome. As a result, the relative success and expedience of enforcement proceedings with respect to containers in various jurisdictions cannot be predicted.

We are also subject to risks inherent in conducting business across national boundaries, any one of which could adversely impact our business. These risks include:

- regional or local economic downturns;
- changes in governmental policy or regulation;
- restrictions on the transfer of funds into or out of the countries in which we operate;
- consequences from changes in tax laws, including tax laws pertaining to container investors;
- value-added tax and other sales-type taxes which could result in additional costs to us if they are not properly collected or paid;
- domestic and foreign customs and tariffs;
- international incidents, including epidemics and pandemics;
- public health issues;
- war, hostilities, terrorist attacks, piracy, or the threat of any of these events;
- government instability;
- nationalization of foreign assets;
- government protectionism;
- compliance with export controls, including those of the U.S. Department of Commerce;
- compliance with import procedures and controls, including those of the DHS;
- potential liabilities relating to foreign withholding taxes;
- labor or other disruptions at key ports;
- difficulty in staffing and managing widespread operations;
- restrictive local employment laws; and
- restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in these jurisdictions.

One or more of these factors could impair our current or future international operations and, as a result, harm our overall business, financial condition, results of operations and cash flows.

We may incur costs associated with new security regulations, which may adversely affect our business, financial condition and results of operations.

We may be subject to regulations promulgated in various countries, including the United States, seeking to protect the integrity of international commerce and prevent the use of equipment for international terrorism or other illicit activities. For example, the Container Security Initiative, the Customs-Trade Partnership Against Terrorism and Operation Safe Commerce are among the programs administered by the DHS that are designed to enhance security for cargo moving throughout the international transportation system by identifying existing vulnerabilities in the supply chain and developing improved methods for ensuring the security of containerized cargo entering and leaving the United States. Moreover, the CSC applies to new and existing containers and seeks to maintain a high level of safety of human life in the transport and handling of containers by providing uniform international safety regulations. As these regulations develop and change, we may incur compliance costs due to the acquisition of new, compliant equipment and/or the adaptation of existing equipment to meet new requirements imposed by such regulations. Additionally, certain companies are currently developing or may in the future develop products designed to enhance the security of equipment transported in international commerce. Regardless of the existence of current or future government regulations mandating the safety standards of intermodal shipping equipment, industry participants may adopt such products or our equipment lessees may insist that we adopt such products. In responding to such market pressures, we may incur increased costs, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Environmental regulations may result in equipment obsolescence or require substantial investments to retrofit existing equipment. Additionally, environmental concerns are leading to significant design changes for new containers that have not been extensively tested, which increases the likelihood that we could face technical problems.

Many countries, including the United States, restrict, prohibit or otherwise regulate the use of chemical refrigerants due to their ozone depleting and global warming effects. Our refrigerated containers currently use various refrigerants. Manufacturers of cooling machines for refrigerated containers are testing units that utilize alternative refrigerants, as well as natural refrigerants such as carbon dioxide, that may have less global warming potential than current refrigerants. If future regulations prohibit the use or servicing of containers of current refrigerants, we could be forced to incur large retrofitting expenses. In addition, refrigerated containers that are not retrofitted may become difficult to lease, command lower rental rates and disposal prices, or may have to be scrapped.

Historically, the foam insulation in the walls of intermodal refrigerated containers required the use of a blowing agent that contains chlorofluorocarbons (CFCs). The manufacturers producing our refrigerated containers have eliminated the use of this blowing agent in the manufacturing process, but a large number of our refrigerated containers manufactured prior to 2014 contain these CFCs. The EU prohibits the import and the placing on the market in the EU of intermodal containers with insulation made with such process. However, we believe international conventions governing free movement of intermodal containers allow the use of such intermodal refrigerated containers in the EU if they have been admitted into the EU countries on temporary customs admission. We have procedures in place that we believe comply with the relevant EU and country regulations. If future international conventions or regulations prohibit the use or servicing of containers with foam insulation that utilized this blowing agent change, we could be forced to incur large retrofitting expenses and those containers that are not retrofitted may become more difficult to lease and command lower rental rates and disposal prices.

An additional environmental concern affecting our operations relates to the materials and processes used to construct our dry containers. The floors of dry containers are plywood, usually made from tropical hardwoods. Due to concerns regarding de-forestation of tropical rain forests and climate change, many countries which have been the source of these hardwoods have implemented severe restrictions on the cutting and export of these woods. Accordingly, container manufacturers have switched a significant portion of production to more readily available alternatives such as birch, bamboo, and other farm-grown wood species. Container users are also evaluating alternative designs that would limit the amount of plywood required and are also considering possible synthetic materials to replace the plywood. These new woods or other alternatives have not proven their durability over the typical 13-15 year life of a dry container, and if they cannot perform as well as the hardwoods have historically, the future repair and operating costs for these containers could be significantly higher and the useful life of the containers may be decreased.

For environmental reasons, container manufacturers have replaced solvent-based paint systems with water-based paint systems for dry container production. Water-based paint systems require more time and care for proper application, and there is an increased risk that the paint will not adhere properly to the steel for the expected useful life of the containers. In addition, some of our refrigerated container manufacturers have recently announced planned changes to the panel treatment and painting processes for refrigerated containers, and we are concerned these changes may lead to decreased protection from the paint system. Poor paint coverage and adherence leads to premature rusting, increased maintenance cost over the life of the container and could result in a shorter useful life.

China has implemented regulations restricting the impact of solid wastes, and these regulations are limiting the import into China of old refrigerated containers destined for material recycling. These regulations may limit the disposal demand for non-working refrigerated containers and could result in a decrease in refrigerated container disposal prices which could have a significant negative impact on our profitability and cash flows.

Our senior executives are critical to the success of our business and our inability to retain them or recruit new personnel could adversely affect our business.

Most of our senior executives and other management-level employees have over 15 years of industry experience. We rely on this knowledge and experience in our strategic planning and in our day-to-day business operations. Our success depends in large part upon our ability to retain our senior management, the loss of one or more of whom could have a material adverse effect on our business, financial condition, results of operations and cash flows. Our success also depends on our ability to retain our experienced sales force and technical personnel as well as recruiting new skilled sales, marketing and technical personnel. Competition for these individuals in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel. In addition, uncertainty regarding our exploration of strategic alternatives may harm our ability to retain and recruit our key personnel. If we fail to retain and recruit the necessary personnel, our business and our ability to obtain new equipment lessees and provide acceptable levels of customer service could suffer.

Security breaches and other disruptions could compromise our information technology systems and expose us to a liability, which could have a material adverse effect on our business, results of operations and our reputation.

In the ordinary course of business, we collect and store sensitive data on our systems and networks, including our proprietary business information and that of our customers and suppliers, and personally identifiable information of our customers and employees. The secure storage, processing, maintenance and transmission of this information is critical to our operations. Despite security measures we employ, our information technology systems and networks may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks. Any breach of our network may result in the loss of valuable business data, misappropriation of our consumers' or employees' personal information, cause us to breach our legal, regulatory or contractual obligations, create an inability to access or rely upon critical business records or cause other disruptions of our business. Despite our existing security procedures and controls, if our network becomes compromised, it could give rise to unwanted media attention, materially damage our customer relationships, harm our business, our reputation, and our financial results, which could result in fines or lawsuits, and may increase the costs we incur to protect against such information security breaches, such as increased investment in technology, the costs of compliance with consumer protection laws, and costs resulting from consumer fraud. These breaches may result from human error, equipment failure, or fraud or malice on the part of employees or third parties.

We expend significant financial resources to protect against such threats and may be required to further expend financial resources to alleviate problems caused by physical, electronic, and cyber security breaches. As techniques used to breach security are growing in frequency and sophistication and are generally not recognized until launched against a target, regardless of our expenditures and protection efforts, we may not be able to implement security measures in a timely manner or, if and when implemented, these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, loss of existing or potential future customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial performance and operating results.

In the event of a breach resulting in loss of data, such as personally identifiable information or other such data protected by data privacy or other laws, we may be liable for damages, fines and penalties for such losses under applicable regulatory frameworks despite not handling the data. Further, the regulatory framework around data custody, data privacy and breaches varies by jurisdiction and is an evolving area of law. We may not be able to limit our liability or damages in the event of such a loss.

We rely on our information technology systems to conduct our business. If these systems fail to adequately perform their functions, or if we experience an interruption in their operation, our business, results of operations and financial prospects could be adversely affected.

The efficient operation of our business is highly dependent on our information technology systems. We rely on our systems to track transactions, such as repair and depot charges and changes to book value, and movements associated with each of our owned or managed equipment units. We use the information provided by our systems in our day-to-day business decisions in order to effectively manage our lease portfolio and improve customer service. We also rely on them for the accurate tracking of the performance of our managed fleet for each third-party investor, and the tracking and billing of logistics moves. The failure of our systems to perform as we expect could disrupt our business, adversely affect our financial condition, results of operations and cash flows and cause our relationships with lessees and third-party investors to suffer. In addition, our information technology systems are vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power loss and computer systems failures, unauthorized breach and viruses. Any such interruption could have a material adverse effect on our business, reputation, results of operations and financial prospects.

Fluctuations in foreign exchange rates could reduce our profitability.

Most of our revenues and costs are billed in U.S. dollars. Our operations and used equipment sales in locations outside of the U.S. have some exposure to foreign currency fluctuations, and trade growth and the direction of trade flows can be influenced by large changes in relative currency values. In addition, most of our container equipment fleet is manufactured in China. Although the purchase price is in U.S. dollars, our manufacturers pay labor and other costs in the local currency, the Chinese yuan. To the extent that our manufacturers' costs increase due to changes in the valuation of the Chinese yuan, the dollar price we pay for equipment could be affected. Adverse or large exchange rate fluctuations may negatively affect our financial condition, results of operations and cash flows.

Actual or threatened terrorist attacks, efforts to combat terrorism, or the outbreak of war and hostilities could negatively impact our operations and profitability and may expose us to liability.

Terrorist attacks and the threat of such attacks have contributed to economic instability in the United States and elsewhere, and further acts or threats of terrorism, violence, war or hostilities could similarly affect world trade and the industries in which we and our customers operate. In addition, terrorist attacks or hostilities may directly impact ports, depots, our facilities or those of our suppliers or customers, and could impact our sales and our supply chain. A severe disruption to the worldwide ports system and flow of goods could result in a reduction in the level of international trade and lower demand for our equipment or services. Any of these events could also negatively affect the economy and consumer confidence, which could cause a downturn in the transportation industry. The consequence of any terrorist attacks or hostilities are unpredictable, and we may not be able to foresee events that could have an adverse effect on our operations

It is also possible that our equipment could be involved in a terrorist attack. Although our lease agreements require our lessees to indemnify us against all damages arising out of the use of our containers, and we carry insurance to potentially offset any costs in the event that our customer indemnifications prove to be insufficient, our insurance does not cover certain types of terrorist attacks, and we may not be fully protected from liability of the reputational damage that could arise from a terrorist attack which utilizes one of our containers.

Our operations could be affected by natural or man-made events in the locations in which we or our customers or suppliers operate.

We have operations in locations subject to severe weather conditions, natural disasters, the outbreak of contagious disease, or man-made incidents such as chemical explosions, any of which could disrupt our operations. In addition, our suppliers and customers also have operations in such locations. For example, in 2015, a chemical explosion and fire in the port of Tianjin, China damaged or destroyed a small number of our containers and disrupted operations in the port. Similarly, outbreaks of pandemic or contagious diseases, such as the COVID-19 virus, H1N1 (swine) flu and the Ebola virus, could significantly reduce the demand for international shipping or could prevent our containers from being discharged in the affected areas or in other locations after having visited the affected areas. Any future natural or man-made disasters or health concerns in the world where we have business operations could lead to disruption of the regional and global economies, which could result in a decrease in demand for leased containers.

Certain liens may arise on our equipment.

Depot operators, repairmen and transporters may come into possession of our equipment from time to time and have sums due to them from lessees or sub-lessees of equipment. In the event of nonpayment of those charges by lessees or sub-lessees, we may be delayed in, or entirely barred from, repossessing equipment, or be required to make payments or incur expenses to discharge liens on our equipment.

The lack of an international title registry for containers increases the risk of ownership disputes.

There is no internationally recognized system of recordation or filing to evidence our title to containers nor is there an internationally recognized system for filing security interests in containers. Although we have not incurred material problems with respect to this lack of an internationally recognized system, the lack of an international title recordation system for containers could result in disputes with lessees, end-users, or third parties who may improperly claim ownership of the containers.

Indebtedness and Finance Risks

Our level of indebtedness reduces our financial flexibility and could impede our ability to operate.

We have a significant amount of indebtedness and we intend to borrow additional amounts under our credit facilities to purchase equipment and make acquisitions and other investments. We expect that we will maintain a significant amount of indebtedness on an ongoing basis. As of December 31, 2020, our total outstanding debt was $1,758.5 million. Interest expense on such debt will be $9.3 million per quarter for 2021, assuming floating interest rates remain consistent with those as of December 31, 2020. There is no assurance that we will be able to generate sufficient cash flow from operations to service and repay our debt, or to refinance our outstanding indebtedness when it becomes due, or, if refinancing is available, that it can be obtained on terms that we can afford.

Some of our credit facilities require us to pay a variable rate of interest, which will increase or decrease based on variations in certain financial indices, and increases in interest rates can significantly decrease our profits. In 2020, we entered into a five-year interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on $500.0 million of our variable-rate borrowings.

The amount of our indebtedness could have important consequences for us, including the following:

- requiring us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, thereby reducing funds available for operations, future business opportunities and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- making it more difficult for us to satisfy our debt obligations, and any failure to comply with such obligations, including financial and other restrictive covenants, could result in an event of default under the agreements governing such indebtedness, which could lead to, among other things, an acceleration of our indebtedness or foreclosure on the assets securing our indebtedness, which could have a material adverse effect on our business, financial condition, results of operations and cash flows;
- making it difficult for us to pay dividends on, or repurchase, our common stock, our Series A Preferred Stock or our Series B Preferred Stock;
- placing us at a competitive disadvantage compared to our competitors having less debt;
- limiting our ability to borrow additional funds, or to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes; and
- increasing our vulnerability to general adverse economic and industry conditions, including changes in interest rates.

We may not generate sufficient cash flow from operations to service and repay our debt and related obligations and have sufficient funds left over to achieve or sustain profitability in our operations, meet our working capital and capital expenditure needs or compete successfully in our industry.

Our credit facilities impose, and the terms of any future indebtedness may impose, significant operating, financial and other restrictions on us and our subsidiaries.

Restrictions imposed by our credit facilities or other indebtedness will limit or prohibit, among other things, our ability to:

- incur additional indebtedness;
- pay dividends on or redeem or repurchase our stock;
- enter into new lines of business;
- issue capital stock of our subsidiaries (except to the Company);
- make loans and certain types of investments;
- create liens;
- sell certain assets or merge with or into other companies;
- enter into certain transactions with stockholders and affiliates; and
- restrict dividends, distributions or other payments from our subsidiaries.

These restrictions could adversely affect our ability to finance our future operations or capital needs and pursue available business opportunities. A breach of any of these restrictions, including a breach of financial covenants, could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and fees, to be immediately due and payable and proceed against any collateral securing that indebtedness, which would constitute substantially all of our equipment assets.

The expected replacement of the LIBOR benchmark interest rate may have an impact on our business and the trading price of our Series A Preferred Stock and our Series B Preferred Stock.

On July 27, 2017, the U.K. Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021. As a result, the continuation of LIBOR on the current basis cannot be guaranteed after 2021 and it is likely that LIBOR will be phased out or modified by 2023. The FCA and the submitting LIBOR banks have indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate. Financial services regulators and industry groups are evaluating the phase-out of LIBOR and the development of alternate reference rate indices or reference rates. In the United States, the Alternative Reference Rates Committee (“ARRC”) was tasked with identifying alternative reference rates to replace LIBOR. The Secured Overnight Financing Rate (“SOFR”) has emerged as the ARRC’s preferred alternative rate for LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by the Treasury securities in the repurchase agreement market. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates. In addition, it is uncertain what methods of calculating a replacement rate will be adopted generally or whether different industry bodies, such as the loan market and the derivative market, will adopt the same methodologies.

As of December 31, 2020, we had $797.5 million of debt outstanding on facilities with interest rates based on LIBOR. Our credit facilities include fallback language that seeks to facilitate an agreement with our lenders on a replacement rate for LIBOR in the event of its discontinuance. We cannot predict what reference rate would be agreed upon or what the impact of any such replacement rate would be to our interest expense. Potential changes to the underlying floating-rate indices and reference rates may have an adverse impact on our liabilities indexed to LIBOR and could have a negative impact on our profitability and cash flows. Furthermore, we cannot predict or quantify the time, effort and cost required to transition to the use of new benchmark rates, including with respect to negotiating and implementing any necessary changes to existing contractual agreements, and implementing changes to our systems and processes. We continue to evaluate the operational and other effects of such changes.

In addition, on and after April 15, 2023, with respect to our Series A Preferred Stock, and August 15, 2023, with respect to our Series B Preferred Stock, such series preferred stock will each have a floating dividend rate set each dividend period at an annual rate based in part on LIBOR. At this time, it is not possible to predict the effect of any changes as a result of the discontinuation of LIBOR, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the UK or elsewhere. Furthermore, if we or the calculation agent for the applicable series of preferred stock determine that Three-Month LIBOR (as defined in the applicable certificate of designations) has been permanently discontinued, the calculation agent will use an alternative rate, as further detailed in the applicable certificate of designations. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based securities, including our Series A Preferred Stock and our Series B Preferred Stock.

Tax and Regulatory Risks

We are subject to legislative, regulatory, and legal developments involving taxes.

Taxes are a significant part of our expenses. We exercise significant judgement in calculating our worldwide tax provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may limit their accuracy. We are currently under examination in Barbados for the 2019 tax year, and may be subject to examinations in the future in this, and other, jurisdictions. Relevant tax authorities may disagree with our tax treatment of certain material items and thereby increase our tax liability. We are subject to U.S. federal, state, and foreign income, payroll, property, sales and use, and other types of taxes. Changes in tax rates, enactment of new tax laws, revisions of tax regulations, and claims or litigation with taxing authorities could result in a material effect to our results of operations, financial condition, and liquidity. Higher tax rates could have a material adverse effect on our results of operations, financial condition, and liquidity.

We operate in numerous tax jurisdictions and are subject to not only the phase-in of current tax regulations or changes in the applicable tax regulations in those jurisdictions, but may also be subject to tax authorities within any of these jurisdictions challenging our operating structure or revising the interpretation of tax laws and regulations. Should any of these events occur it could result in additional taxes, interest and penalties that could materially impact our financial conditions and our future financial results.

We are headquartered in the United States as a Delaware corporation, and also operate through a number of international subsidiaries. We are subject to the tax regulations of each jurisdiction in which we operate in addition to United States tax regulations. We have structured our Company and its domestic and international subsidiaries to minimize our income tax obligations, however, under certain circumstances our tax structure could result in additional U.S. or foreign taxes. There can be no assurance that our current effective tax rate will not change in the future or that our tax structure and the amount of taxes we pay in any of these countries will not be challenged by the relevant taxing authorities. If the tax authorities challenge our tax positions or the amount of taxes paid for the purchase, lease or sale of equipment in each jurisdiction in which we operate, we could incur substantial expenses associated with defending our tax position as well as expenses associated with the payment of any additional taxes, penalties and interest that may be imposed on us. The payment of these amounts could have an adverse material effect on our business, financial condition, results of operations and cash flows.

Legislation recently enacted in Bermuda and Barbados requiring registered entities within those jurisdictions to establish domestic economic substance could have a material adverse impact on our future financial results.

We seek to minimize our overall tax liability through the use of a tax efficient corporate structure of our international subsidiaries. As part of that effort, we have established an asset owning subsidiary registered in Barbados and multiple special purpose vehicles registered in Bermuda. While this structure has effectively reduced our overall tax liability, there can be no assurance that this will continue to be the case, particularly if the structure is challenged by one or more governmental agencies within those jurisdictions or the structure otherwise becomes non-compliant with applicable law. The failure to be able to maintain the above tax efficient corporate structure, and any fines or penalties that could be imposed as a result of challenges to the structure, could have a material adverse impact on our business operations, and future financial and operational results.

Barbados and Bermuda have both enacted legislation that could have a material impact upon our subsidiaries located in those jurisdictions. In 2019 Barbados enacted the *Companies (Economic Substance) Act, 2019* and in 2018 Bermuda enacted the *Economic Substance Act 2018.* Both sets of legislation require affected Barbados and Bermuda registered companies to maintain a substantial economic presence in their respective countries. It is anticipated that the guidelines which assist in the interpretation and application of the legislation, will be revised periodically within those jurisdictions, but this legislation could require us to incur additional costs to achieve compliance, and/or result in the imposition of significant penalties, and possibly require us to re-domicile our registered subsidiaries to a jurisdiction with higher tax rates. As noted, because the details surrounding implementation of this legislation are still developing, we cannot predict the impact of the economic substance requirements on our Company. However, the results of our business operations and future financial performance could be materially adversely affected depending on whether, and to the extent, we become subject to this legislation and/or other unanticipated tax liabilities.

We may be affected by market or regulatory responses to climate change.

Changes in laws, rules, and regulations, or actions by authorities under existing laws, rules, or regulations, to address greenhouse gas emissions and climate change could negatively impact our customers and business. For example, restrictions on emissions could significantly increase costs for our customers whose production processes require significant amounts of energy. Customers' increased costs could reduce their demand to lease our assets. Potential consequences of laws, rules, or regulations addressing climate change could have an adverse effect on our financial position, results of operations, and cash flows.

As a U.S. corporation, we are subject to the Foreign Corrupt Practices Act, and a determination that we violated this act may affect our business and operations adversely.

As a U.S. corporation, we are subject to the regulations imposed by the Foreign Corrupt Practices Act (FCPA), which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business. Violations of the FCPA could result in fines and penalties; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries; and a materially negative effect on our company and our operating results. Although we have implemented policies and procedures designed to ensure compliance with the FCPA, there can be no assurance that our employees, business partners, or agents will not violate our policies. Any perception or determination that we have violated the FCPA could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we fail to comply with applicable regulations that impact our international operations, our business, results of operations or financial condition could be adversely affected.

Due to the international scope of our operations, we are subject to numerous laws and regulations, including economic sanctions, anti-corruption, anti-money laundering, import and export and similar laws. In recent years, we have seen a substantial increase in the enforcement of many of these laws in the United States and other countries. Any failure or perceived failure to comply with existing or new laws and regulations may subject us to significant fines, penalties, criminal and civil lawsuits, forfeiture of significant assets, and other enforcement actions in one or more jurisdictions, result in significant additional compliance requirements and costs, increase regulatory scrutiny of our business, result in the loss of customers, restrict our operations and limit our ability to grow our business, adversely affect our results of operations, and harm our reputation.

Risks Related to our Stock

Our common stock price has been volatile and may remain volatile.

The trading price of our common stock may be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, new products or services by us or our competitors, general conditions in the shipping industry and the intermodal equipment sales and leasing markets, changes in earnings estimates by analysts, or other events or factors which may or may not be under our control. Broad market fluctuations may adversely affect the market price of our common stock. Since the initial public offering of our common stock at $15.00 per share on May 16, 2007, the market price of our common stock has fluctuated significantly. Since the trading volume of our common stock is modest on a daily basis, shareholders may experience difficulties in liquidating our common stock at an acceptable price. Factors affecting the trading price of our common stock may include, among others:

- variations in our financial results;
- changes in financial estimates or investment recommendations by any securities analysts following our business;
- the public's response to our press releases, our other public announcements and our filings with the SEC;
- our ability to successfully execute our business plan;
- changes in accounting standards, policies, guidance, interpretations or principles;
- future sales of common stock by us or our directors, officers or significant stockholders or the perception such sales may occur;
- our ability to achieve operating results consistent with securities analysts' projections;

- the operating and stock price performance of other companies that investors may deem comparable to us;
- recruitment or departure of key personnel;
- our ability to timely address changing equipment lessee and third-party investor preferences;
- equipment market and industry factors;
- the size of our public float;
- general stock market conditions; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to such events.

In addition, if the market for companies deemed similar to us or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business or financial results. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us.

Future new sales of our common stock or preferred stock by us or outstanding shares by existing stockholders, or the perception that there will be future sales of new shares from us or existing stockholders, may cause our common stock or preferred stock price, as applicable, to decline and impair our ability to obtain capital through future stock offerings.

In the future, we may sell additional shares of our common stock or preferred stock to raise additional capital. The issuance of additional shares of our common stock, preferred stock or convertible securities, will dilute the ownership interest of our common and preferred stockholders. In addition, our greater than 5% stockholders may sell a substantial number of their shares in the public market, which could also affect the market price for our common and preferred stock. We cannot predict the size of future sales or issuances of our common or preferred stock or the effect, if any, that they may have on the market price for our common and preferred stock. The issuance and/or sale of substantial amounts of common or preferred stock, or the perception that such issuances and/or sales may occur, could adversely affect the market price of our common or preferred stock and impair our ability to raise capital through the sale of additional equity or debts securities.

Dividends now paid to holders of our common stock may need to be reduced or eliminated.

Although our board of directors has approved a dividend policy under which we pay cash dividends on our common stock, any determinations by us to pay cash dividends on our common stock will be based upon our financial condition, results of operations, business requirements, investment in rental equipment, tax considerations and our board of directors' continuing quarterly determination that the declaration of dividends under the dividend policy is in the best interests of our stockholders and is in compliance with all laws and agreements. In addition, the terms of our credit agreements contain provisions restricting the amount of cash dividends subject to certain exceptions. Consequently, investors may be forced to rely more so or completely on sales of their common stock to realize returns on investment.

Our certificate of incorporation and bylaws and Delaware law contain provisions that could discourage a third party from acquiring us and consequently decrease the market value of an investment in our stock.

Our certificate of incorporation and bylaws and Delaware corporate law each contain provisions that could delay, defer or prevent a change in control of our company or changes in our management. Among other things, these provisions:

- authorize us to issue preferred stock that can be created and issued by the board of directors without prior stockholder approval, with rights senior to those of our common stock;
- permit removal of directors only for cause by the holders of a majority of the shares entitled to vote at the election of directors and allow only the directors to fill a vacancy on the board of directors;
- prohibit stockholders from calling special meetings of stockholders;
- prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- require the affirmative vote of 66 2/3% of the shares entitled to vote to amend our bylaws and certain articles of our certificate of incorporation, including articles relating to the classified board, the size of the board, removal of directors, stockholder meetings and actions by written consent;
- allow the authorized number of directors to be changed only by resolution of the board of directors;
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;
- classify our board of directors into three classes so that only a portion of our directors are elected each year; and
- allow our directors to amend our bylaws.

These provisions could discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions, which may prevent a change of control or changes in our management that a stockholder might consider favorable. In addition, Section 203 of the Delaware General Corporation Law, which makes unfriendly takeover more difficult, may discourage, delay or prevent a change in control of us, which shareholders not affiliated with the takeover group might favor. Any delay or prevention of a change in control or change in management that stockholders might otherwise consider to be favorable could cause the market price of our common stock to decline.

The change of control conversion right in our preferred stock may make it more difficult for a party to acquire us or discourage a party from acquiring us.

Upon the occurrence of a change of control, each holder of shares of our outstanding preferred stock will have the right (subject to certain conditions) to convert some or all of the shares of preferred stock held by such holder (the "Change of Control Conversion Right"). The Change of Control Conversion Right may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing certain of our change of control transactions under circumstances that otherwise could provide the holders of our preferred stock with the opportunity to realize a premium over the then-current market price of such equity securities or that stockholders may otherwise believe is in their best interests.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

Office Locations. As of December 31, 2020, we operated our business in 13 offices in 12 different countries including the U.S. We have 2 offices in the U.S. including our headquarters in San Francisco, California. We have 11 offices outside the U.S., including offices operated by third-party corporate service providers in Bermuda and Luxembourg. In addition, we have agents in Asia, Europe, Africa, and South America. All of our offices, except those operated by third party corporate service providers, are leased.

The following table summarizes our office locations as of December 31, 2020:

Office Locations – U.S.	
San Francisco, CA (Headquarters)	Charleston, SC
Office Locations - International	
Brentwood, United Kingdom	St. Michael, Barbados
Antwerp, Belgium	Singapore
Hamburg, Germany	Taipei, Taiwan
Kuala Lumpur, Malaysia	Hamilton, Bermuda
Luxembourg City, Luxembourg	Sydney, Australia
Seoul, South Korea	

ITEM 3: LEGAL PROCEEDINGS

From time to time we may become a party to litigation matters arising in connection with the normal course of our business, including in connection with enforcing our rights under our leases. While we cannot predict the outcome of these matters, in the opinion of our management, any liability arising from these matters will not have a material adverse effect on our business, financial condition, results of operations or cash flows. Nevertheless, unexpected adverse future events, such as an unforeseen development in our existing proceedings, a significant increase in the number of new cases or changes in our current insurance arrangements could result in liabilities that have a material adverse impact on our business, financial condition, results of operations or cash flows. We are currently not party to any material legal proceedings which are material to our business, financial condition, results of operations or cash flows.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the NYSE under the symbol "CAI."

In addition, our Series A Preferred Stock and our Series B Preferred Stock are traded on the NYSE under the symbols "CAI-PA" and "CAI-PB," respectively.

Holders

As of February 18, 2021, there were 26 registered holders of record of the common stock and 4,488 beneficial holders, based on information obtained from our transfer agent.

Dividend Policy

Our board of directors approved the initiation of a regular cash dividend on our common stock at a rate of $0.25 per share per quarter, equivalent to $1.00 per share annually, effective during the third quarter of 2020. The dividend was increased to $0.30 per share effective the first quarter of 2021. We are required to pay dividends of 8.5% per annum on our outstanding shares of each series of our preferred stock. Any determinations by us to pay cash dividends on our common stock in the future will be based primarily upon our financial condition, results of operations, business requirements, tax considerations and our board of directors' continuing determination that the declaration of dividends under the dividend policy are in the best interests of our stockholders and are in compliance with all laws and agreements, including the agreements governing our indebtedness, applicable to the dividend program. In the absence of such a policy, other than to pay dividends on our preferred stock, we intend to retain future earnings to finance the operation and expansion of our business, and to repurchase our common stock.

Purchases of Equity Securities by the Issuer

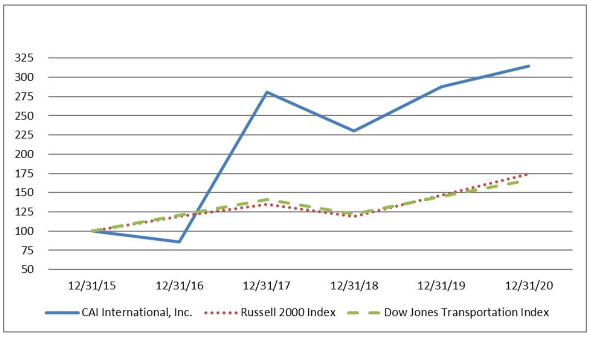
Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit) (1)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2020 – October 31, 2020	-	$ -	-	1,000,000
November 1, 2020 – November 30, 2020	-	-	-	1,000,000
December 1, 2020 – December 31, 2020(2)	249,034	31.95	248,569	751,431
Total	249,034	$ 31.95	248,569	751,431

(1) On October 8, 2018, we announced that our Board of Directors had approved the repurchase of up to 3.0 million shares of outstanding common stock. The repurchase plan does not have an expiration date and does not oblige us to acquire any particular amount of our common stock. As of December 31, 2020, 0.8 million shares remained available for repurchase under our share repurchase plan. On February 11, 2021, the Board of Directors increased the share repurchase plan by an additional 2.0 million shares.

(2) Includes 465 shares withheld by the Company to satisfy the tax obligations of certain of our employees upon the vesting of restricted stock awards.

Performance Graph

The graph below compares cumulative shareholder returns on our common stock as compared with the Russell 2000 Stock Index and the Dow Jones Transportation Stock Index for the period from December 31, 2015 to December 31, 2020. The graph assumes an investment of $100 as of December 31, 2015, and that all dividends were reinvested without the payment of any commissions. The stock performance shown on the performance graph below is not necessarily indicative of future performance.



Company/Index	Dec. 31, 2015	Returns as of December 31, 2016	2017	2018	2019	2020
CAI International, Inc.	$ 100	$ 86	$ 281	$ 230	$ 288	$ 315
Russell 2000 Index	100	119	135	119	147	174
Dow Jones Transportation Index	100	120	141	122	145	167

ITEM 6: SELECTED FINANCIAL DATA

Not applicable. Financial information related to the fiscal years ended December 31, 2017 and 2016 may be found in Part II, Item 6. Selected Financial Data in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on March 5, 2020. Please refer to the consolidated financial statements included herein in Part III, Item 8. Financial Statements and Supplementary Data for information with respect to the fiscal years ended December 31, 2020, 2019 and 2018.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto, included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those contained in or implied by any forward-looking statements. See "Special Note Regarding Forward-Looking Statements." Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Item 1A. "Risk Factors."

Overview

We are one of the world's leading transportation finance companies. We lease equipment, primarily intermodal shipping containers, to our customers. We also manage equipment for third-party investors. In operating our fleet, we lease, re-lease and dispose of equipment and contract for the repair, repositioning and storage of equipment. As of December 31, 2020, our container fleet comprised 1,798,520 CEUs, 96% of which represented our owned fleet and 4% of which represented our managed fleet.

Our revenue comprises container lease revenue from our owned container fleet and management fee revenue for managing containers for third-party investors.

Our revenue from our owned container fleet depends primarily upon a combination of: (1) the number of units in our owned fleet; (2) the utilization level of equipment in our owned fleet; and (3) the per diem rates charged under each equipment lease. The same factors in our managed fleet affect the amount of our management fee income. The number of CEUs in our container fleet varies over time as we purchase new equipment based on prevailing market conditions during the year and sell used equipment to parties in the secondary resale market.

COVID-19 Pandemic

The COVID-19 pandemic continues to have a meaningful impact on global trade and our business. The pandemic and related work, travel, and social restrictions resulted in a sharp decrease in global economic and trade activity during the first half of 2020, resulting in weak container leasing demand. However, we saw a significant increase in leasing demand during the second half of the year, but it is too early to tell whether this rebound in leasing demand will be sustained into 2021 and beyond.

We were initially concerned that the sharp decrease in global container volumes early in 2020 would increase the financial challenges facing our customers and lead to increased credit risk. While we are not yet through the pandemic, container freight rates and the financial performance of our customers have generally held up better than anticipated, with freight rates reaching record levels. As the impact of the pandemic grew, all the major shipping lines have taken aggressive actions to reduce their deployed vessel capacity, decreasing their network expenses and mitigating rate pressure from reduced freight volumes. The large decrease in bunker fuel prices has also been very helpful to their financial performance. We continue to closely monitor our customers' payment performance and expect the potential for elevated credit risk as long as economic and trade disruptions persist.

For additional information regarding the risk and uncertainties that we could encounter as a result of the COVID-19 pandemic and related global conditions, see "Business Risk - The continued spread of the COVID-19 pandemic may have a material adverse impact on our business, financial condition and results of operations" in Item 1A. "Risk Factors" in this Annual Report on Form 10-K.

Disposal of Logistics and Rail Businesses

On August 14, 2020, we sold substantially all the assets of our logistics business to NFI, a North American logistics provider, for cash proceeds of $6.2 million. On December 29, 2020, we sold all our remaining railcar fleet to affiliates of Infinity Transportation for cash proceeds of $228.1 million. As a result, the operating results of the logistics and rail leasing businesses have been classified as discontinued operations in the accompanying consolidated statements of income and cash flows. All prior periods presented in the consolidated financial statements in this Annual Report on Form 10-K have been restated to reflect the classification of the logistics and rail leasing businesses as discontinued operations and certain assets and liabilities as held for sale.

Key Operating Metrics

Utilization. We measure container utilization on the basis of the average number of CEUs on lease expressed as a percentage of our total container fleet available for lease. We calculate the total fleet available for lease by excluding new units that have been manufactured for us but either remain at the manufacturer or have not yet entered their first lease, and off-hire units that are likely to be sold. Our utilization is primarily driven by the overall level of equipment demand, the location of our available equipment and the quality of our relationships with equipment lessees. The location of available equipment is critical because equipment available in high-demand locations is more readily leased and is typically leased on more favorable terms than equipment available in low-demand locations.

The equipment leasing market is highly competitive. As such, our relationships with our customers are important to ensure that they continue to select us as one of their providers of leased equipment. Our average container fleet utilization rate in CEUs for the year ended December 31, 2020 was 98.5% compared to 98.6% for the year ended December 31, 2019. Our average container fleet utilization remained relatively consistent between the two periods due to limited supply of new equipment despite strong leasing demand. Our utilization rate may increase or decrease depending on future global economic conditions and the additional supply of new equipment.

Per Diem Rates. The per diem rate for a lease is set at the time we enter into a lease agreement. Our long-term per diem rates have historically been strongly influenced by new equipment pricing, interest rates, the balance of supply and demand for equipment at a particular time and location, our estimate of the residual value of the equipment at the end of the lease, the type and age of the equipment being leased, and, for container per diem rates, the purchase of equipment and efficiencies in container utilization by container shipping lines. The overall average per diem rates for equipment in our owned fleet and in the portfolios of equipment comprising our managed fleet do not change significantly in response to changes in new equipment prices because existing lease agreements can only be re-priced upon the expiration of the lease.

Continuing operations

Container Lease Revenue. We generate container lease revenue by leasing our owned containers primarily to container shipping lines. Approximately 80% of our container lease revenue is derived from the rental of containers. Container lease revenue is comprised of monthly lease payments due under the lease agreements together with payments for other charges set forth in the leases, such as handling fees, drop-off charges and repair charges. Approximately 24% of our owned container fleet is subject to finance leases. Under a finance lease, the lessee's payments consist of principal and interest components. The interest component is included within container lease revenue. Lessees under our finance leases have the substantive risks and rewards of equipment ownership and typically have the option to purchase the equipment at the end of the lease term for a nominal amount.

Container lease revenue also includes management fee revenue generated by our management services, which include the leasing, re-leasing, repair, repositioning, storage and disposition of equipment. We provide these management services pursuant to management agreements with third-party investors. Under these agreements, which have multiple year terms, we earn fees for the management of the equipment and a commission, or a managed units' sales fee, upon disposition of equipment under management.

Operating Expenses. Our operating expenses include depreciation of rental equipment, storage, handling and other expenses applicable to our owned equipment, and administrative expenses.

We depreciate our containers on a straight-line basis over a period ranging from 12 to 15 years to a fixed estimated residual value depending on the type of container (see Note 2(d) to our consolidated financial statements included in this Annual Report on Form 10-K). We regularly assess both the estimated useful life of our containers and their expected residual values, and, when warranted, adjust our depreciation estimate accordingly. Depreciation expense for rental equipment will vary over time based upon the size of our owned rental equipment fleet and the purchase price of new equipment. If our rental equipment is impaired, the equipment is written-down to its fair value and the amount of the write-down is recorded in depreciation expense.

Storage, handling and other expenses are operating costs of our owned rental equipment fleet. Storage and handling expenses occur when lessees drop off equipment at depots at the end of a lease. Storage and handling expenses vary significantly by location. Other expenses include repair expenses, which are the result of normal wear and tear on the equipment, and repositioning expenses, which are incurred when we contract to move equipment from locations where our inventories exceed actual or expected demand to locations with higher demand. Storage, handling and other expenses are directly related to the number of units in our owned fleet and inversely related to our utilization rate for those units: as utilization increases, we typically have lower storage, handling and repositioning expenses.

Our administrative expenses are primarily employee-related costs such as salary, bonus and commission expenses, and employee benefits, as well as rent, bad debt and travel and entertainment costs, and expenses incurred for outside services such as legal, consulting and audit-related fees.

Our operating expenses include the gain or loss on sale of rental equipment. This gain or loss is typically the result of our sale of used equipment in the secondary resale market and is the difference between: (1) the cash we receive for these units, less selling expenses; and (2) the net book value of the units.

Discontinued operations

Rail Lease Revenue. Lease revenue was generated by leasing our railcars primarily for the transport of industrial goods, materials and other products on railroad tracks throughout North America. Rail lease revenue was comprised of monthly lease payments due under the lease agreements. Lease revenue was based on a fixed monthly rate or was recognized on an hourly or mileage basis. A small number of our railcars were subject to finance leases.

Logistics Revenue. Logistics revenue was generated by arranging for the movement of our customers' freight through our network of non-affiliated transportation carriers and equipment providers. Revenue represented the gross price charged to our customers.

Discontinued operations expenses. Operating expenses for discontinued operations include depreciation of rental equipment, storage, handling and other expenses, logistics transportation costs, loss on sale of rental equipment and administrative expenses.

Logistics transportation costs represent the expenses we incur for providing logistics services to our customers. Such costs include shipping, pick-up and delivery charges, primarily from railroads and drayage companies we contract with to fulfill the movement of our customers' freight.

Results of Operations

The following table summarizes our results of operations for the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,	
	2020	**2019**
Revenue		
Container lease revenue	$ 294,013	$ 298,853
Operating expenses		
Depreciation of rental equipment	109,856	111,917
Storage, handling and other expenses	17,758	17,533
Gain on sale of rental equipment	(10,204)	(4,402)
Administrative expenses	27,312	34,188
Total operating expenses	144,722	159,236
Operating income	149,291	139,617
Other expenses		
Net interest expense	61,565	79,174
Write-off of debt issuance costs	6,135	-
Other (income) expense	(651)	313
Total other expenses	67,049	79,487
Income before income taxes	82,242	60,130
Income tax expense	1,800	4,783
Income from continuing operations	80,442	55,347
Loss from discontinued operations, net of taxes	(52,709)	(24,336)
Net income	27,733	31,011
Preferred stock dividends	8,829	8,829
Net income attributable to CAI common stockholders	$ 18,904	$ 22,182

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss the results of our operations and certain cash flow information for the year ended December 31, 2020 compared to the year ended December 31, 2019. A discussion of the year ended December 31, 2019 compared to the year ended December 31, 2018 has been omitted from this Annual Report on Form 10-K, but may be found in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 5, 2020, which is available free of charge on the SEC's website at www.sec.gov and our corporate website (www.capps.com).

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Container lease revenue

	Year Ended December 31,		Change	
	2020	**2019**	**Amount**	**Percent**
($ in thousand)				
Container lease revenue	$ 294,013	$ 298,853	$ (4,840)	-2%

The decrease in container lease revenue between 2020 and 2019 was mainly attributable to a $7.2 million decrease in rental revenue resulting from a 3% reduction in average owned container per diem rental rates, a $4.4 million decrease in rental revenue arising from a change to cash-based revenue recognition for a certain customer due to collectability issues, a $2.2 million decrease in lease revenue due to a lease modification resulting in a change in lease classification from operating to finance for a specific lease, and a $0.8 million decrease in repair fee revenue resulting from an increase in utilization rate during 2020, partially offset by a $9.8 million increase in rental revenue, primarily due to a 4% increase in the average number of CEUs of on-lease owned containers. The reduction in average container per diem rental rates was caused primarily by competitive market pressure.

Depreciation of rental equipment

	Year Ended December 31,		Change	
	2020	**2019**	**Amount**	**Percent**
($ in thousand)				
Depreciation of rental equipment	$ 109,856	$ 111,917	$ (2,061)	-2%

The decrease in depreciation expense between 2020 and 2019 was mainly attributable to a 3% decrease in the average size of our owned container fleet subject to depreciation over the last twelve months.

Storage, handling and other expenses

	Year Ended December 31,		Change	
	2020	**2019**	**Amount**	**Percent**
($ in thousand)				
Storage, handling and other expenses	$ 17,758	$ 17,533	$ 225	1%

Storage, handling and other expenses remained relatively consistent between 2020 and 2019.

Gain on sale of rental equipment

	Year Ended December 31,		Change	
	2020	**2019**	**Amount**	**Percent**
($ in thousand)				
Gain on sale of rental equipment	$ 10,204	$ 4,402	$ 5,802	132%

While there was a slight decrease of 5% in the average sale price per CEU, we sold approximately 28% more CEUs of containers in 2020 compared to 2019 due to increased demand, resulting in an increase in gain on sale of rental equipment. We also recognized a net selling loss of $2.6 million at the commencement of a finance lease during 2019.

Administrative expenses

	Year Ended December 31,		Change	
	2020	**2019**	**Amount**	**Percent**
($ in thousand)				
Administrative expenses	$ 27,312	$ 34,188	$ (6,876)	-20%

The decrease in administrative expenses between 2020 and 2019 was primarily attributable to an $11.9 million decrease in bad debt expense, mainly due to cash receipts from a previously reserved customer and improved collection efforts, partially offset by a $2.1 million increase in legal and professional fees due to the strategic review process, a $1.7 million increase in severance costs mainly associated with the change in our Chief Executive Officer, and a $1.1 million increase in payroll-related costs.

Other expenses

($ in thousand)	Year Ended December 31, 2020	2019	Change Amount	Percent
Net interest expense	$ 61,565	$ 79,174	$ (17,609)	-22%
Write-off of debt issuance costs	6,135	-	6,135	-
Other (income) expense	(651)	313	(964)	-308%
	$ 67,049	$ 79,487	$ (12,438)	-16%

Net interest expense

The decrease in net interest expense between 2020 and 2019 was due primarily to a decrease in the average interest rate on our outstanding debt from approximately 3.6% at December 31, 2019 to 2.3% at December 31, 2020, caused primarily by a decrease in LIBOR, as well as a decrease in our average loan principal balance between the two periods, as we decreased acquisition activity for rental equipment during the first half of 2020.

Write-off of debt issuance costs

The $6.1 million write-off of debt issuance costs during 2020 is due to the early repayment of debt associated with our Series 2017-1, 2018-1 and 2018-2 asset-backed notes.

Other (income) expense

Other income, representing a gain on foreign exchange of $0.7 million for the year ended December 31, 2020, increased from a loss of $0.3 million for the year ended December 31, 2019, primarily as a result of movements in the U.S. Dollar exchange rate against the Euro.

Income tax expense

($ in thousand)	Year Ended December 31, 2020	2019	Change Amount	Percent
Income tax expense	$ 1,800	$ 4,783	$ (2,983)	-62%

While income before tax increased between the two periods, the effective tax rate decreased from 8.0% for the year ended December 31, 2019 to 2.2% for the year ended December 31, 2020. The decrease in the effective tax rate was primarily caused by a $3.2 million tax benefit in 2020 as a result of revaluing our state deferred tax liability due to the sale of the logistics and rail businesses, an increase in the proportion of pretax income generated in lower tax jurisdictions, and a decrease in the proportion of interest income generated by foreign finance leases subject to both foreign and U.S. income tax.

Note 9 to our consolidated financial statements included in this Annual Report on Form 10-K includes a reconciliation between the tax expense calculated at the statutory U.S. income tax rate and the actual tax expense for the years ended December 31, 2020 and 2019.

Preferred stock dividends

($ in thousand)	Year Ended December 31, 2020	2019	Change Amount	Percent
Preferred stock dividends	$ 8,829	$ 8,829	$ -	0%

Preferred stock dividends for 2020 remained consistent with 2019.

Loss from discontinued operations

The following table summarizes our results of discontinued operations for the years ended December 31, 2020 and 2019:

	Year Ended December 31,		Change	
	2020	2019	Amount	Percent
($ in thousand)				
Total revenue	$ 89,253	$ 143,817	$ (54,564)	-38%
Operating expenses	145,680	161,795	(16,115)	-10%
Interest expense	7,070	13,327	(6,257)	-47%
Income tax benefit	10,788	6,969	3,819	55%
Net loss from discontinued operations	52,709	24,336	28,373	117%

The decrease in revenue from discontinued operations between 2020 and 2019 was the result of a $51.4 million decrease in logistics revenue, primarily attributable to the sale of the logistics business during the quarter ended September 30, 2020, and a $3.2 million decrease in rail lease revenue, primarily attributable to a decrease in the size of the on-lease railcar fleet between the two periods due to the sale of railcars.

The decrease in operating expenses from discontinued operations between 2020 and 2019 was mainly the result of a $45.7 million decrease in logistics transportation costs primarily attributable to the sale of the logistics business during the quarter ended September 30, 2020, a $13.2 million decrease in impairment of rental equipment due to changes in the fair value of railcar assets held for sale, and a $4.8 million decrease in administrative expenses primarily attributable to a decrease in payroll-related costs which is partially offset by an increase in severance costs related to the sale of the businesses. These decreases were partially offset by a $29.1 million increase in loss on sale of rental equipment due to the sale of the remaining railcar fleet and an $18.5 million loss on classification as held for sale of the logistics business, primarily due to the write down of goodwill and intangible assets, and certain sale related costs.

The decrease in interest expense from discontinued operations between 2020 and 2019 was mainly attributable to a decrease in the average interest rate on the outstanding debt of the rail business and a decrease in the average loan principal balance between the two periods. The increase in income tax benefit from discontinued operations between 2020 and 2019 was attributable to the increase in loss before tax. The decrease in revenue, partially offset by the decrease in operating expenses and interest expense, and the increase in income tax benefit, resulted in an increase in net loss from discontinued operations for the year ended December 31, 2020 compared to the year ended December 31, 2019, of $28.4 million.

Liquidity and Capital Resources

As of December 31, 2020, we had cash and cash equivalents of $53.5 million, including $26.9 million of cash held by variable interest entities (VIEs). Our principal sources of liquidity are cash in-flows provided by operating activities, proceeds from the sale of rental equipment, borrowings under our debt agreements, and equity and debt offerings. Our cash in-flows are used to finance capital expenditures and meet debt service requirements.

As of December 31, 2020, our outstanding indebtedness and the related maximum borrowing level was as follows (in thousands):

	Current Amount Outstanding	Current Maximum Borrowing Level
Revolving credit facilities	$ 703,550	$ 1,205,664
Term loans	180,500	180,500
Senior secured notes	46,665	46,665
Asset-backed notes	726,918	726,918
Collateralized financing obligations	69,629	69,629
Term loans held by VIE	31,234	31,234
	1,758,496	2,260,610
Debt discount and debt issuance costs	(12,765)	-
Total	$ 1,745,731	$ 2,260,610

As of December 31, 2020, we had $502.0 million in availability under our revolving credit facilities (net of $0.1 million in letters of credit), subject to our ability to meet the collateral requirements under the agreements governing the facilities. Based on the borrowing base and collateral requirements as of December 31, 2020, the borrowing availability under our revolving credit facilities was $253.3 million, assuming no additional contributions of assets.

As of December 31, 2020, we had $1,460.9 million of debt in facilities with fixed interest rates or floating interest rates that have been synthetically fixed through interest rate swap agreements. This accounts for 83% of our total outstanding debt. These fixed rate facilities are scheduled to mature between 2021 and 2045 and had a weighted average interest rate of 2.3% as of December 31, 2020.

As of December 31, 2020, we had $297.5 million of debt in facilities with interest rates based on floating rate indices (primarily LIBOR). These floating rate facilities are schedule to mature between 2021 and 2023 and had a weighted average interest rate of 1.8% as of December 31, 2020.

We have typically funded a significant portion of the purchase price for new equipment through borrowings under our credit facilities. However, from time to time we have funded new equipment acquisitions through the use of working capital.

The revolving credit facility and term loans associated with our rail business were repaid in full upon the sale of our remaining railcars in December 2020.

Revolving Credit Facilities

We have two revolving credit facilities, which have a maximum borrowing capacity of $1,175.0 million and €25.0 million, respectively, and maturity dates of June 2023 and September 2023, respectively. The entire amount of the facilities drawn at any time plus accrued interest and fees is callable on demand in the event of certain specified events of default.

We use the revolving credit facilities primarily to fund the purchase of rental equipment. As of December 31, 2020, in addition to a rental equipment payable of $100.5 million, we had commitments to purchase $140.9 million of containers in the twelve months ending December 31, 2021.

Term Loans

We utilize our term loans as an important funding source for the purchase of rental equipment. Our term loans amortize in monthly or quarterly installments and mature between June 2021 and October 2023.

Senior Secured Notes

We used the proceeds from the senior secured notes primarily to fund the purchase of rental equipment, as discussed in Note 7 to our consolidated financial statements included in this Annual Report on Form 10-K. The notes amortize in semi-annual installments and mature in September 2022.

Asset-Backed Notes

Our asset-backed notes were issued by our indirect wholly-owned subsidiary, which was established to facilitate asset-backed note financings. We used the proceeds from the issuance of the asset-backed notes primarily to repay our outstanding balance under previously issued asset-backed notes.

Our borrowings under the asset-backed facilities amortize in monthly installments and mature in September 2045. We are required to maintain a restricted cash account to cover payments of the obligations. As of December 31, 2020, the restricted cash account had a balance of $12.4 million.

Other Debt Obligations

We have entered into a series of collateralized financing obligations with Japanese investor funds that are consolidated by us as VIEs (see Note 4 to our consolidated financial statements included in this Annual Report on Form 10-K). The obligations have maturity dates between March 2021 and February 2026.

One of our Japanese investor funds that is consolidated by us as a VIE entered into a term loan agreement with a bank. The VIE term loan matures in February 2026.

Our term loans, senior secured notes, asset-backed notes, collateralized financing obligations and term loans held by VIEs are secured by specific pools of rental equipment and other assets owned by the Company, the underlying leases thereon and the Company's interest in any money received under such contracts.

We continue to monitor the COVID-19 outbreak and its impact on our overall liquidity position and outlook. The ultimate impact that COVID-19 may have on our operations and financial performance over the next twelve months is currently uncertain and will depend on certain developments, including, among others, the impact of COVID-19 on our customers and the magnitude and duration of the pandemic. Assuming that our customers meet their contractual commitments, we currently believe that cash provided by operating activities and existing cash, proceeds from the sale of rental equipment, and borrowing availability under out debt facilities are sufficient to meet our liquidity needs for at least the next twelve months.

In addition to customary events of default, our revolving credit facilities and term loans contain restrictive covenants, including limitations on certain liens, indebtedness and investments and restrictions on dividends, distributions or other payments from our subsidiaries. In addition, all of our debt facilities contain various restrictive financial and other covenants. The financial covenants in our debt facilities require us to maintain (1) a consolidated funded debt to consolidated tangible net worth ratio of no more than 3.75:1.00, and in the case of our asset-backed notes, of no more than 4.50:1:00; and (2) a fixed charge coverage ratio of at least 1.20:1.00, and in the case of our asset-backed notes, an interest coverage ratio of at least 2.50:1.00. As of December 31, 2020, we were in compliance with all of our debt covenants.

Under certain conditions, as defined in our credit agreements with our banks and/or note holders, we are subject to certain cross default provisions that may result in an acceleration of principal repayment under these credit facilities if an uncured default condition were to exist. Our asset-backed notes are not subject to any such cross-default provisions.

Cash Flow

The following table sets forth certain cash flow information for the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,	
	2020	**2019**
Net income	$ 27,733	$ 31,011
Net income from continuing operations adjusted for non-cash items	186,420	179,412
Changes in working capital	83,470	73,324
Net cash provided by operating activities of continuing operations	269,890	252,736
Net cash used in investing activities of continuing operations	(142,631)	(271,538)
Net cash (used in) provided by financing activities of continuing operations	(193,947)	30,669
Net cash provided by (used in) discontinued operations	59,854	(14,794)
Effect on cash of foreign currency translation	97	183
Net decrease in cash	(6,737)	(2,744)
Cash and restricted cash at beginning of period	73,239	75,983
Cash and restricted cash at end of period	$ 66,502	$ 73,239

Cash Flows from Continuing Operations

Operating Activities

Net cash provided by operating activities of continuing operations was $269.9 million for the year ended December 31, 2020, an increase of $17.2 million compared to $252.7 million for the year ended December 31, 2019. The increase was due to a $10.1 million increase in our net working capital adjustments and a $7.0 million increase in income from continuing operations as adjusted for depreciation, amortization and other non-cash items. The increase of $7.0 million in net income as adjusted for non-cash items was primarily due to a $25.1 million increase in income from continuing operations and a $5.5 million increase in amortization and write-off of unamortized debt issuance costs, partially offset by a decrease of $11.9 million in bad debt expense due to receipt of payments from a previously reserved customer, an increase of $5.8 million in the gain on sale of rental equipment, a decrease of $2.8 million in deferred income taxes, and a decrease of $1.5 million in depreciation expense.

Net working capital provided by operating activities of $83.5 million for the year ended December 31, 2020 was mainly attributable to a $74.4 million decrease in net investment in finance leases, representing the receipt of principal payments, an $11.0 million decrease in accounts receivable, primarily caused by the timing of cash receipts from customers, and a $0.3 million increase in accounts payable, accrued expenses and other liabilities, primarily caused by the timing of payments, partially offset by a $1.8 million increase in prepaid expenses and other assets. Net working capital provided by operating activities of $73.3 million for the year ended December 31, 2019 was due to a $65.7 million decrease in net investment in finance leases, representing the receipt of principal payments, a $3.1 million decrease in accounts receivable, primarily caused by the timing of cash receipts from customers, and a $6.6 million increase in accounts payable, accrued expenses and other liabilities, primarily caused by the timing of payments, partially offset by a $2.1 million increase in prepaid expenses and other assets.

Investing Activities

Net cash used in investing activities of continuing operations decreased $128.9 million to $142.6 million for the year ended December 31, 2020 from $271.5 million for the year ended December 31, 2019. The decrease in cash usage was primarily attributable to a $97.9 million decrease in the purchase of rental equipment, a $19.6 million increase in proceeds from sale of rental equipment, a $6.3 million decrease in the purchase of financing receivables, and a $3.6 million increase in the receipt of principal payments from financing receivables.

Financing Activities

Net cash used in financing activities of continuing operations was $193.9 million for the year ended December 31, 2020, an increase of $224.6 million compared to net cash provided by financing activities of continuing operations of $30.7 million for the year ended December 31, 2019. During the year ended December 31, 2020, our net cash outflow for borrowings was $163.4 million compared to net cash inflow from borrowings of $73.2 million for the year ended December 31, 2019, reflecting a decrease in investment in rental equipment during 2020 compared to 2019. The increase in net cash outflow for borrowings, an $8.9 million increase in dividends paid to common stockholders, and an $8.2 million increase in payments made for debt issuance costs were partially offset by a $26.2 million decrease in the repurchase of common stock and a $2.7 million increase in proceeds from employee stock option exercises.

Cash Flows from Discontinued Operations

Net cash provided by discontinued operations was $59.9 million for the year ended December 31, 2020, an increase of $74.6 million compared to net cash used in discontinued operations of $14.8 million for the year ended December 31, 2019. The increase in cash provided by discontinued operations was primarily attributable to an $83.2 million decrease in net cash used in financing activities of discontinued operations due to a decrease in net cash outflow to repay borrowings for rail operations, and a $5.9 million increase in net cash provided by operating activities of discontinued operations, partially offset by a decrease of $14.4 million in net cash provided by investing activities of discontinued operations, mainly as a result of a decrease in proceeds received from the sale of railcar assets.

Equity Transactions

Stock Repurchase Plan

In October 2018, we announced that our Board of Directors had approved the repurchase of up to 3.0 million shares of our outstanding common stock. The number, price, structure and timing of the repurchases, if any, will be at our sole discretion and will be evaluated by us depending on market conditions, corporate needs and other factors. Stock repurchases may be made in the open market, block trades or privately negotiated transactions. This stock repurchase program replaced any available prior share repurchase authorization and may be discontinued at any time. During the year ended December 31, 2020, we repurchased 0.2 million shares of our common stock under this repurchase plan, at a cost of approximately $7.9 million. As of December 31, 2020, approximately 0.8 million shares remained available for repurchase under our share repurchase program. In February 2021, our Board of Directors increased the share repurchase plan by an additional 2.0 million shares.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments by due date as of December 31, 2020 (in thousands):

	Payments Due by Period						
	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Total debt obligations:							
Revolving credit facilities	$ 703,550	$ -	$ -	$ 703,550	$ -	$ -	$ -
Term loans	180,500	76,300	7,800	96,400	-	-	-
Senior secured notes	46,665	6,110	40,555	-	-	-	-
Asset-backed notes	726,918	63,130	63,130	63,130	63,594	64,985	408,949
Collateralized financing obligations	69,629	35,862	16,282	-	-	-	17,485
Term loans held by VIE	31,234	5,482	5,719	5,969	6,223	6,494	1,347
Interest on debt obligations (1)	139,454	37,316	34,143	22,938	12,027	10,296	22,734
Rental equipment payable	100,509	100,509	-	-	-	-	-
Rent, office facilities and equipment	4,310	2,423	1,452	274	146	15	-
Equipment purchase commitments - Containers	140,873	140,873	-	-	-	-	-
Total contractual obligations	$ 2,143,642	$ 468,005	$ 169,081	$ 892,261	$ 81,990	$ 81,790	$ 450,515

(1) Our estimate of interest expense commitment includes $9.0 million relating to our revolving credit facilities subject to variable interest rates, $22.2 million relating to our revolving credit facilities subject to fixed interest rates, $12.1 million relating to our term loans, $4.1 million relating to our senior secured notes, $82.0 million relating to our asset-backed notes, $6.2 million relating to our collateralized financing obligations, and $3.7 million related to our term loans held by VIEs. The calculation of interest commitment related to our debt assumes the following weighted average interest rates as of December 31, 2020: variable-rate revolving credit facilities, 1.7%; fixed-rate revolving credit facilities, 1.8%; term loans, 3.2%; senior secured notes, 4.9%; asset-backed notes, 2.3%; collateralized financing obligations, 1.7%; and term loans held by VIEs, 4.2%. These calculations assume that interest rates will remain at the same level over the next five years. We expect that interest rates will vary over time based upon fluctuations in the underlying indexes upon which these interest rates are based, including the potential discontinuation of LIBOR after 2021.

See Note 7 to our consolidated financial statements included in this Annual Report on Form 10-K for a description of the terms of our revolving credit facilities, term loans, senior secured notes, asset-based notes, collateralized financing obligations, and term loans held by VIEs.

Off-Balance Sheet Arrangements

As of December 31, 2020, we had no material off-balance sheet arrangements or obligations that have or are reasonably likely to have a current or future effect on our financial condition, change in financial condition, revenue or expenses, results of operations, liquidity capital expenditure, or capital resources that are material to investors. An off-balance sheet arrangement includes any contractual obligation, agreement or transaction arrangement involving an unconsolidated entity under which we would have: (1) retained a contingent interest in transferred assets; (2) an obligation under derivative instruments classified as equity; (3) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging or research and development services with us; or (4) made guarantees.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to use judgment in making estimates and assumptions that affect reported amounts of assets and liabilities, the reported amounts of income and expenses during the reporting period and the disclosure of contingent assets and liabilities as of the date of the financial statements. We have identified the policies and estimates below as among those critical to our business operations and the understanding of our results of operations. These policies and estimates are considered critical due to the existence of uncertainty at the time the estimate is made, the likelihood of changes in estimates from period to period and the potential impact that these estimates can have on our financial statements. The following accounting policies and estimates include inherent risks and uncertainties related to judgments and assumptions made by us. Our estimates are based on the relevant information available at the end of each period. Actual results could differ from those estimates.

Rental Equipment

We purchase new container equipment from manufacturers to lease to our customers. We also purchase used container equipment through sale-leaseback transactions with our customers, or equipment that was previously owned by one of our third party investors. Used equipment is typically purchased with an existing lease in place.

Container rental equipment is recorded at original cost and depreciated to an estimated residual value on a straight-line basis over its estimated useful life. The estimated useful lives and residual values of our container equipment are based on historical disposal experience and our expectations for future used container sale prices. Depreciation estimates are reviewed on a regular basis to determine whether sustained changes have taken place in the useful lives of our equipment or assigned residual values, which would suggest that a change in depreciation estimates is warranted. We completed our annual depreciation policy review during the fourth quarter of 2020 and concluded no change was necessary.

The estimated useful lives and residual values for each major equipment type purchased new from the factory are as follows:

	Residual Value	Depreciable Life in Years
20-ft. standard dry van container	$ 1,050	13.0
40-ft. standard dry van container	$ 1,300	13.0
40-ft. high cube dry van container	$ 1,400	13.0
20-ft. refrigerated container	$ 2,750	12.0
40-ft. high cube refrigerated container	$ 3,500	12.0

Other specialized equipment is depreciated to its estimated residual value, which ranges from $1,000 to $3,500, over its estimated useful life of between 12.5 years and 15 years.

For used container equipment acquired through sale-leaseback transactions, we often adjust our estimates for remaining useful life and residual values based on current conditions in the sale market for older containers and our expectations for how long the equipment will remain on-hire to the current lessee.

Impairment of Long-Lived Assets

On at least an annual basis, we evaluate our rental equipment fleet to determine whether there have been any events or changes in circumstances indicating that the carrying amount of all, or part, of our fleet may not be recoverable. Events which would trigger an impairment review include, among others, a significant decrease in the long-term average market value of rental equipment, a significant decrease in the utilization rate of rental equipment resulting in an inability to generate income from operations and positive cash flow in future periods, or a change in market conditions resulting in a significant decrease in lease rates.

When testing for impairment, equipment is generally grouped by equipment type, and is tested separately from other groups of assets and liabilities. Potential impairment exists when the estimated future undiscounted cash flows generated by an asset group, comprised of lease proceeds and residual values, less related operating expenses, are less than the carrying value of that asset group. If potential impairment exists, the equipment is written down to its fair value. In determining the fair value of an asset group, we consider market trends, published value for similar assets, recent transactions of similar assets and in certain cases, quotes from third party appraisers. No impairment charges were recorded as a result of our annual review completed during the fourth quarter of 2020.

Recent Accounting Pronouncements.

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2020-04 (ASU 2020-04), which adds ASC Topic 848, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provided temporary optional expedients and exceptions to ease financial reporting burdens related to applying current GAAP to modifications of contracts, hedging relationships and other transactions in connection with the transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. In January 2021, the FASB issued ASU 2021-04 to clarify that certain optional expedients and exceptions apply to modifications of derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, computing variation margin settlements, and for calculating price alignment interest. ASU 2020-04 is effective beginning on March 12, 2020 and may be applied prospectively to such transactions through December 31, 2022 and ASU 2021-01 is effective beginning on January 7, 2021 and may be applied retrospectively or prospectively to such transactions through December 31, 2022. We will apply ASU 2020-04 and ASU 2021-01 prospectively as and when we enter into transactions to which these updates apply.

The most recently adopted accounting pronouncements are described in Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of changes in value of a financial instrument, derivative or non-derivative, caused by fluctuations in foreign exchange rates and interest rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the market risks described below.

Interest Rate Risk. The nature of our business exposes us to market risk arising from changes in interest rates to which our variable-rate debt is linked. In July 2020, we entered into a five-year interest rate swap agreement to hedge against changes in future cash flows resulting from changes in interest rates on $500.0 million of variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and pay to the counterparty a fixed rate of 0.29%. Any changes in the fair value of the derivative instrument are recognized in accumulated other comprehensive loss and reclassified to net interest expense as they are realized.

Approximately 83% of our debt is either fixed or hedged using derivative instruments, which helps mitigate the impact of changes in short-term interest rates. However, a 1.0% increase or decrease in the interest rates on our unhedged debt would result in an increase or decrease of approximately $3.0 million in interest expense over the next 12 months, based on December 31, 2020 levels.

This analysis does not consider the effect of any change in overall economic activity that could impact interest rates. Further, in the event of an increase in interest rates of significant magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in our financial structure.

Foreign Exchange Rate Risk. Although we have significant foreign-based operations, the U.S. dollar is our primary operating currency. Thus, most of our revenue and expenses are denominated in U.S. Dollars. We have equipment sales in British Pound Sterling, Euros and Japanese Yen and incur overhead costs in foreign currencies, primarily in British Pound Sterling and Euros. During the year ended December 31, 2020, the U.S. Dollar decreased in value in relation to other major foreign currencies (such as the Euro and British Pound Sterling). The decrease in the relative value of the U.S. Dollar has increased our revenues and expenses denominated in foreign currencies. The associated increase in the value of certain foreign currencies as compared to the U.S. Dollar has also caused assets held at some of our foreign subsidiaries to increase in value when translated to U.S. Dollars. For the year ended December 31, 2020, we recognized a gain on foreign exchange of $0.7 million. A 10% change in foreign exchange rates would not have a material impact on our business, financial position, results of operations or cash flows.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and financial statement schedule are contained in Item 15 of this Annual Report on Form 10-K, and are incorporated herein by reference. See Part IV, Item 15(a) for an index to the consolidated financial statements and supplementary data.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Executive Vice President, Interim President and Chief Executive Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K.

These disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that this information is accumulated and communicated to management, including our Executive Vice President, Interim President and Chief Executive Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Based upon the evaluation of these disclosure controls and procedures, our Executive Vice President, Interim President and Chief Executive Officer concluded that our disclosure controls and procedures were effective as of December 31, 2020.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed with the participation of our principal executive officer and principal financial officer or persons performing similar functions to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our management, including our Executive Vice President, Interim President and Chief Executive Officer, under the supervision of our Board of Directors, conducted an assessment of the effectiveness of its internal control over financial reporting as of December 31, 2020 based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

Inherent Limitations in the Effectiveness of Controls

Because of its inherent limitations, our internal controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Remediation of Previously Reported Material Weakness

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, we identified a material weakness in our internal control over financial reporting resulting from the ineffective design and operation of process level controls over the completeness and accuracy of key assumptions and financial data utilized in estimating the fair value of certain assets. The material weakness arose because management's risk assessment process did not appropriately identify risks, and design and implement responsive control activities associated with changes in business operations.

We have taken several steps to remediate the material weakness identified above, including the following:

- We have implemented continuous risk assessment processes that are designed to identify and assess changes that could significantly impact our internal control over financial reporting, including existing and new risks of material misstatement related to the measurement and review of fair value.
- We have enhanced the design of existing control activities and implemented additional control activities to ensure controls related to fair value estimates (including controls that validate the completeness and accuracy of information, data and assumptions), are properly designed, implemented and documented.

We completed our remediation activities by testing the operating effectiveness of the newly implemented and enhanced controls and found them to be effective. Based on the implementation work and results of testing performed, we have concluded that the previously identified material weakness has been remediated as of December 31, 2020.

Changes in Internal Control Over Financial Reporting

Except for the remediation described above, there were no changes to our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
CAI International, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited CAI International, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and financial statement schedule II (collectively, the consolidated financial statements), and our report dated March 1, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

San Francisco, California

March 1, 2021

ITEM 9B: OTHER INFORMATION

None.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2021 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2020.

Code of Ethics

We have a written Code of Business Conduct and Ethics in place that applies to all our employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, and persons performing similar functions. A copy of our Code of Business Conduct and Ethics is available on our website at www.capps.com. We intend to use our website as a method of disseminating any change to, or waiver from, our Code of Business Conduct and Ethics as permitted by the applicable SEC rules.

ITEM 11: EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2021 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2020.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2021 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2020.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2021 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2020.

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference from our definitive proxy statement for our 2021 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2020.

PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) *Financial Statements*.

The following financial statements are included in Item 8 of this report:

(a)(2) *Financial Statement Schedules.*

The following financial statement schedule for the Company is filed as part of this report:

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the accompanying Consolidated Financial Statements or notes thereto.

(a)(3) *List of Exhibits*.

The exhibits set forth on the accompanying Exhibit Index immediately following the financial statement schedule are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.	77

ITEM 16: FORM 10-K SUMMARY

None.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
CAI International, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CAI International, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification Topic 842, Leases.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Residual values of container rental equipment

As discussed in Note 5 to the consolidated financial statements, the net book value of container rental equipment as of December 31, 2020 was $1,781 million. Container rental equipment is recorded at cost and depreciated to an estimated residual value on a straight-line basis over its estimated useful lives. To determine the residual values of container rental equipment, the Company evaluates historical disposal experience and expectations for future used container sale prices.

We identified the assessment of residual values of container rental equipment as a critical audit matter. Subjective auditor judgment was required given the significant measurement uncertainty of the residual values of container rental equipment. Specifically, subjective auditor judgment was required to evaluate the identification and evidence of trends affecting future used container sales prices.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's residual value estimation process. This included controls over the methodology, which included the identification and assessment of trends affecting future used container sales prices. We tested historical and current year used container sales of the Company by examining a sample of sales invoices. We evaluated the Company's methodology by comparing (1) trends identified in published industry reports to those identified by the Company within its historical data and (2) the estimated residual values of major equipment types to publicly available peer data. We assessed the mathematical accuracy of the Company's model. We evaluated the residual values by comparing them to average selling prices of major equipment types of used containers for various historical periods.

/s/ KPMG LLP

We have served as the Company's auditor since 1989.

San Francisco, California
March 1, 2021

CAI INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)

	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash	$ 26,691	$ 19,870
Cash held by variable interest entities	26,856	26,594
Current portion of restricted cash	600	-
Accounts receivable, net of allowance for doubtful accounts of $393 and $7,671 at December 31, 2020 and 2019, respectively	65,310	72,984
Current portion of net investment in finance leases	78,992	71,228
Prepaid expenses and other current assets	16,213	7,849
Assets held for sale	-	322,294
Total current assets	214,662	520,819
Restricted cash	12,355	26,775
Rental equipment, net of accumulated depreciation of $669,360 and $588,815 at December 31, 2020 and 2019, respectively	1,781,321	1,820,735
Net investment in finance leases	550,573	495,488
Financing receivable	48,888	30,693
Other non-current assets	4,833	7,255
Total assets (1)	$ 2,612,632	$ 2,901,765
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 3,666	$ 4,534
Accrued expenses and other current liabilities	29,598	25,206
Unearned revenue	3,029	6,405
Current portion of debt	183,448	218,094
Rental equipment payable	100,509	25,137
Liabilities held for sale	-	8,752
Total current liabilities	320,250	288,128
Debt	1,562,283	1,880,122
Derivative instruments	80	-
Net deferred income tax liability	24,442	35,376
Other non-current liabilities	3,337	4,899
Total liabilities (2)	1,910,392	2,208,525
Stockholders' equity		
Preferred stock, par value $.0001 per share; authorized 10,000,000		
8.50% Series A fixed-to-floating rate cumulative redeemable perpetual preferred stock, issued and outstanding 2,199,610 shares, at liquidation preference	54,990	54,990
8.50% Series B fixed-to-floating rate cumulative redeemable perpetual preferred stock, issued and outstanding 1,955,000 shares, at liquidation preference	48,875	48,875
Common stock: par value $.0001 per share; authorized 84,000,000 shares; issued and outstanding 17,562,779 and 17,479,127 shares at December 31, 2020 and 2019, respectively	2	2
Additional paid-in capital	100,795	102,709
Accumulated other comprehensive loss	(5,743)	(6,630)
Retained earnings	503,321	493,294
Total stockholders' equity	702,240	693,240
Total liabilities and stockholders' equity	$ 2,612,632	$ 2,901,765

(1) Total assets at December 31, 2020 and December 31, 2019 include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash, $26,856 and $26,594; Net investment in finance leases, $2,683 and $4,790; and Rental equipment net of accumulated depreciation, $77,907 and $101,907, respectively.

(2) Total liabilities at December 31, 2020 and December 31, 2019 include the following VIE liabilities for which the VIE creditors do not have recourse to CAI International, Inc.: Current portion of debt, $41,344 and $26,931; Debt, $59,519 and $100,849, respectively.

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended December 31, 2020	2019	2018
Revenue			
Container lease revenue	$ 294,013	$ 298,853	$ 284,924
Operating expenses			
Depreciation of rental equipment	109,856	111,917	107,109
Storage, handling and other expenses	17,758	17,533	8,853
Gain on sale of rental equipment	(10,204)	(4,402)	(9,886)
Administrative expenses	27,312	34,188	28,792
Total operating expenses	144,722	159,236	134,868
Operating income	149,291	139,617	150,056
Other expenses			
Net interest expense	61,565	79,174	62,573
Write-off of debt issuance costs	6,135	-	-
Other (income) expense	(651)	313	677
Total other expenses	67,049	79,487	63,250
Income before income taxes	82,242	60,130	86,806
Income tax expense	1,800	4,783	5,089
Income from continuing operations	80,442	55,347	81,717
Loss from discontinued operations, net of taxes	(52,709)	(24,336)	(3,121)
Net income	27,733	31,011	78,596
Preferred stock dividends	8,829	8,829	5,124
Net income attributable to CAI common stockholders	$ 18,904	$ 22,182	$ 73,472
Amounts attributable to CAI common stockholders			
Net income from continuing operations	$ 71,613	$ 46,518	$ 76,593
Net loss from discontinued operations	(52,709)	(24,336)	(3,121)
Net income attributable to CAI common stockholders	$ 18,904	$ 22,182	$ 73,472
Net income (loss) per share attributable to CAI common stockholders			
Basic			
Continuing operations	$ 4.08	$ 2.62	$ 3.92
Discontinued operations	(3.00)	(1.37)	(0.16)
Total basic	$ 1.08	$ 1.25	$ 3.76
Diluted			
Continuing operations	$ 4.03	$ 2.58	$ 3.86
Discontinued operations	(2.97)	(1.35)	(0.15)
Total diluted	$ 1.06	$ 1.23	$ 3.71
Weighted average shares of common stock outstanding			
Basic	17,546	17,731	19,562
Diluted	17,763	18,011	19,822

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31, 2020	2019	2018
Net income	$ 27,733	$ 31,011	$ 78,596
Other comprehensive income (loss), before tax:			
Change in fair value of derivative instruments designated as cash flow hedges	(374)	-	-
Reclassification of realized loss on derivative instruments designated as cash flow hedges	294	-	-
Foreign currency translation adjustments	949	(117)	(391)
Comprehensive income before tax	28,602	30,894	78,205
Income tax benefit related to items of other comprehensive income	18	-	-
Comprehensive income before preferred stock dividends, net of tax	28,620	30,894	78,205
Dividends on preferred stock	(8,829)	(8,829)	(5,124)
Comprehensive income available to CAI common stockholders	$ 19,791	$ 22,065	$ 73,081

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Total
	Shares	Amount	Shares	Amount	Capital	Loss	Earnings	Equity
Balances as of December 31, 2017	-	-	20,391	2	172,325	(6,122)	397,640	563,845
Net income	-	-	-	-	-	-	78,596	78,596
Preferred stock dividends, $2.125/share	-	-	-	-	-	-	(5,124)	(5,124)
Foreign currency translation adjustment	-	-	-	-	-	(391)	-	(391)
Issuance of common stock, net of offering costs	4,155	103,865	100	-	(1,552)	-	-	102,313
Repurchase of common stock	-	-	(1,767)	-	(40,869)	-	-	(40,869)
Exercise of stock options	-	-	5	-	24	-	-	24
Stock-based compensation, net of taxes	-	-	35	-	2,738	-	-	2,738
Balances as of December 31, 2018	4,155	103,865	18,764	2	132,666	(6,513)	471,112	701,132
Net income	-	-	-	-	-	-	31,011	31,011
Preferred stock dividends, $2.125/share	-	-	-	-	-	-	(8,829)	(8,829)
Foreign currency translation adjustment	-	-	-	-	-	(117)	-	(117)
Repurchase of common stock	-	-	(1,458)	-	(34,118)	-	-	(34,118)
Exercise of stock options	-	-	130	-	1,285	-	-	1,285
Stock-based compensation, net of taxes	-	-	43	-	2,876	-	-	2,876
Balances as of December 31, 2019	4,155	103,865	17,479	2	102,709	(6,630)	493,294	693,240
Net income	-	-	-	-	-	-	27,733	27,733
Common stock dividend declared, $0.25/share	-	-	-	-	-	-	(8,877)	(8,877)
Preferred stock dividends, $2.125/share	-	-	-	-	-	-	(8,829)	(8,829)
Change in fair value of derivative instruments designated as cash flow hedges	-	-	-	-	-	(374)	-	(374)
Reclassification of realized loss on derivative instruments designated as cash flow hedges	-	-	-	-	-	294	-	294
Foreign currency translation adjustment	-	-	-	-	-	949	-	949
Income tax benefit related to items of other comprehensive income	-	-	-	-	-	18	-	18
Repurchase of common stock	-	-	(249)	-	(7,946)	-	-	(7,946)
Exercise of stock options	-	-	247	-	4,000	-	-	4,000
Stock-based compensation, net of taxes	-	-	86	-	2,032	-	-	2,032
Balances as of December 31, 2020	4,155	$ 103,865	17,563	$ 2	$ 100,795	$ (5,743)	$ 503,321	$ 702,240

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities			
Net income	$ 27,733	$ 31,011	$ 78,596
Loss from discontinued operations, net of income taxes	(52,709)	(24,336)	(3,121)
Income from continuing operations	80,442	55,347	81,717
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation	110,650	112,127	107,168
Amortization and write-off of debt issuance costs	9,440	3,921	3,650
Stock-based compensation expense	1,775	2,582	2,426
Unrealized (gain) loss on foreign exchange	(790)	16	436
Gain on sale of rental equipment	(10,204)	(4,402)	(9,886)
Deferred income taxes	1,369	4,208	4,499
Bad debt (recovery) expense	(6,262)	5,613	244
Changes in other operating assets and liabilities:			
Accounts receivable	10,999	3,065	(11,708)
Prepaid expenses and other assets	(1,781)	(2,067)	(944)
Net investment in finance leases	74,444	65,688	-
Accounts payable, accrued expenses and other liabilities	348	6,633	(2,089)
Unearned revenue	(540)	5	(174)
Net cash provided by operating activities of continuing operations	269,890	252,736	175,339
Net cash provided by operating activities of discontinued operations	7,126	1,261	4,431
Net cash provided by operating activities	277,016	253,997	179,770
Cash flows from investing activities			
Purchase of rental equipment	(218,985)	(316,857)	(739,944)
Purchase of financing receivable	(30,846)	(37,139)	-
Proceeds from sale of rental equipment	101,297	81,692	65,602
Receipt of principal payments from financing receivable	6,368	2,720	-
Purchase of furniture, fixtures and equipment	(465)	(1,954)	(60)
Receipt of principal payments from finance leases	-	-	43,352
Net cash used in investing activities of continuing operations	(142,631)	(271,538)	(631,050)
Net cash provided by (used in) investing activities of discontinued operations	108,663	123,093	(32,293)
Net cash used in investing activities	(33,968)	(148,445)	(663,343)
Cash flows from financing activities			
Proceeds from debt	1,186,537	705,045	1,605,564
Principal payments on debt	(1,349,918)	(631,875)	(1,143,908)
Debt issuance costs	(9,077)	(839)	(3,861)
Proceeds from issuance of common and preferred stock	163	-	103,433
Repurchase of common stock	(7,946)	(34,118)	(40,869)
Dividends paid to common stockholders	(8,877)	-	-
Dividends paid to preferred stockholders	(8,829)	(8,829)	(3,260)
Exercise of stock options	4,000	1,285	24
Net cash (used in) provided by financing activities of continuing operations	(193,947)	30,669	517,123
Net cash used in financing activities of discontinued operations	(55,935)	(139,148)	(4,773)
Net cash (used in) provided by financing activities	(249,882)	(108,479)	512,350
Effect on cash of foreign currency translation	97	183	(3)
Net (decrease) increase in cash and restricted cash	(6,737)	(2,744)	28,774
Cash and restricted cash at beginning of the period **(1)**	73,239	75,983	47,209
Cash and restricted cash at end of the period (2)	$ 66,502	$ 73,239	$ 75,983

	Year Ended December 31, 2020	2019	2018
Supplemental disclosure of cash flow information			
Cash paid during the period for:			
Income taxes	$ 461	$ 871	$ 651
Interest	62,298	84,767	71,286
Lease liabilities arising from obtaining right-of-use assets	140	5,306	-
Supplemental disclosure of non-cash investing and financing activity			
Transfer of rental equipment to finance lease	$ 138,243	$ 110,766	$ 316,697
Transfer of finance lease to rental equipment	1,770	21,179	-
Repayment of debt from proceeds of railcar sale made directly by the purchaser	137,500	-	-
Rental equipment payable	100,509	25,137	74,139

(1) Includes cash of $19,870, $20,104, and $14,735, cash held by variable interest entities of $26,594, $25,211, and $20,685, and restricted cash of $26,775, $30,668, and $11,789 at December 31, 2019, 2018, and 2017, respectively.

(2) Includes cash of $26,691, $19,870, and $20,104, cash held by variable interest entities of $26,856, $26,594, and $25,211, and restricted cash of $12,955, $26,775, and $30,668 at December 31, 2020, 2019, and 2018, respectively.

See accompanying notes to consolidated financial statements.

CAI INTERNATIONAL, INC.
Notes to Consolidated Financial Statements

(1) The Company and Nature of Operations

CAI International, Inc., together with its subsidiaries (collectively, CAI or the Company), is a transportation finance company. The Company purchases equipment, primarily intermodal shipping containers, which it leases to its customers. The Company also manages equipment for third-party investors. In operating its fleet, the Company leases, re-leases and disposes of equipment and contracts for the repair, repositioning and storage of equipment.

The Company's common stock, 8.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Stock and 8.50% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Stock are each traded on the New York Stock Exchange under the symbols "CAI," "CAI-PA" and "CAI-PB," respectively. The Company's corporate headquarters are located in San Francisco, California.

During the year ended December 31, 2020, the Company sold substantially all of the assets and liabilities of its logistics business to NFI, a North American logistics provider, for cash proceeds of $6.2 million, and its remaining railcar fleet to affiliates of Infinity Transportation for cash proceeds of $228.1 million. See Note 3 – *Discontinued Operations* for further details.

(2) Summary of Significant Accounting Policies and Accounting Pronouncements

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* (ASU 2016-13), and subsequently issued amendments. The guidance affects the Company's net investment in finance leases, financing receivable and accounts receivable for sales of rental equipment. Topic 326 requires the measurement of expected credit losses to be based on relevant information from past events, including historical experiences, current conditions and reasonable and supportable forecasts that affect collectability. The Company adopted ASU 2016-13 effective January 1, 2020, using the modified retrospective method, which did not have a significant impact on the consolidated financial statements as credit losses are not expected to be significant based on historical loss trends, the financial conditions of customers, and expected external market factors.

The allowance for credit losses on net investment in finance leases and financing receivable is estimated on a collective basis by internal customer rating (see Note 6 – *Leases* for descriptions of ratings). Expected credit losses for these financial assets are estimated using a loss-rate methodology which considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Previously Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), and subsequently issued amendments thereto, that replaced existing lease accounting guidance. The new standard requires lessors to classify leases as a sales-type, direct financing, or operating lease. The new standard also established a right-of-use model (ROU) that requires lessees to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than twelve months. The Company adopted ASU 2016-02, as amended, effective January 1, 2019, using the modified retrospective approach and the effective date as the date of initial application. Consequently, financial information has not been updated, and the disclosures required under the new standard have not been provided for dates and periods before January 1, 2019.

Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of CAI International, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company regularly performs a review of its container fund arrangements with investors to determine whether or not it has a variable interest in the fund and if the fund is a variable interest entity (VIE). If it is determined that the Company does not have a variable interest in the fund, further analysis is not required and the Company does not consolidate the fund. If it is determined that the Company does have a variable interest in the fund and the fund is a VIE, further analysis is performed to determine if the Company is a primary beneficiary of the VIE and meets both of the following criteria under FASB Accounting Standards Codification (ASC) Topic 810, *Consolidation*:

- it has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and
- it has the obligation to absorb losses of the VIE that could be potentially significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

If in the Company's judgment both of the above criteria are met, the VIE's financial statements are included in the Company's consolidated financial statements as required under FASB ASC Topic 810, *Consolidation* (see Note 4).

(b) Discontinued Operations

On August 14, 2020, the Company sold substantially all of the assets and liabilities of its logistics business to NFI, a North American logistics provider, for cash proceeds of $6.2 million. On December 29, 2020, the Company sold its remaining railcar fleet to affiliates of Infinity Transportation for cash proceeds of $228.1 million. As a result, the operating results of the logistics and rail leasing businesses have been classified as discontinued operations in the accompanying consolidated statements of income and cash flows. All prior periods presented in these consolidated financial statements have been restated to reflect the classification of the logistics and rail leasing businesses as discontinued operations and certain assets and liabilities as held for sale. See Note 3 – *Discontinued Operations* for more information.

(c) Use of Estimates

Certain estimates and assumptions were made by the Company’s management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include revenue recognition, allowances for receivables, the carrying amount of rental equipment, the residual values and lives of rental equipment, and income tax uncertainties. Actual results could differ from those estimates.

(d) Rental equipment

The Company purchases new container equipment from manufacturers to lease to its customers. The Company also purchases used container equipment through sale-leaseback transactions with its customers, or equipment that was previously owned by one of the Company's third-party investors. Used equipment is typically purchased with an existing lease in place.

Container rental equipment is recorded at original cost and depreciated to an estimated residual value on a straight-line basis over its estimated useful life. The estimated useful lives and residual values of the Company’s container equipment are based on historical disposal experience and the Company’s expectations for future used container sale prices. Depreciation estimates are reviewed on a regular basis to determine whether sustained changes have taken place in the useful lives of equipment or the assigned residual values, which would suggest that a change in depreciation estimates is warranted.

The estimated useful lives and residual values for the majority of the Company's container equipment purchased new from the factory are as follows:

	Residual Value	Depreciable Life in Years
20-ft. standard dry van container	$ 1,050	13.0
40-ft. standard dry van container	$ 1,300	13.0
40-ft. high cube dry van container	$ 1,400	13.0
20-ft. refrigerated container	$ 2,750	12.0
40-ft. high cube refrigerated container	$ 3,500	12.0

Other specialized equipment is depreciated to its estimated residual value, which ranges from $1,000 to $3,500, over its estimated useful life of between 12.5 years and 15 years.

For used container equipment acquired through sale-leaseback transactions, the Company often adjusts its estimates for remaining useful life and residual values based on current conditions in the sale market for older containers and its expectations for how long the equipment will remain on-hire to the current lessee.

(e) Impairment of Long-Lived Assets

On at least an annual basis, the Company evaluates its rental equipment fleet to determine whether there have been any events or changes in circumstances indicating that the carrying amount of all, or part, of its fleet may not be recoverable. Events which would trigger an impairment review include, among others, a significant decrease in the long-term average market value of rental equipment, a significant decrease in the utilization rate of rental equipment resulting in an inability to generate income from operations and positive cash flow in future periods, or a change in market conditions resulting in a significant decrease in lease rates.

When testing for impairment, equipment is generally grouped by equipment type, and is tested separately from other groups of assets and liabilities. Potential impairment exists when the estimated future undiscounted cash flows generated by an asset group, comprised of lease proceeds and residual values, less related operating expenses, are less than the carrying value of that asset group. If potential impairment exists, the equipment is written down to its fair value. In determining the fair value of an asset group, the Company considers market trends, published value for similar assets, recent transactions of similar assets and in certain cases, quotes from third party appraisers.

(f) Finance Leases and Financing Receivable

Finance lease income, and interest earned on financing receivables are recognized using the effective interest method, which generates a constant rate of interest over the term of the arrangements.

(g) Debt Issuance Costs

To the extent that the Company is required to pay issuance fees or direct costs relating to its debt and credit facilities, such fees are amortized over the lives of the related debt using the effective interest method and reflected in interest expense. Unamortized debt issuance costs of $12.6 million and $14.8 million are presented as a reduction of debt on the Company’s consolidated balance sheets as of December 31, 2020 and 2019, respectively.

(h) Derivative Instruments

The Company enters into derivative agreements to manage interest rate risk exposure. Interest rate swap agreements are utilized to limit the Company’s exposure to interest rate risk by converting a portion of its floating-rate debt to fixed-rate basis, thus reducing the impact of interest rate changes on future interest expense. Interest rate swaps involve the receipt of floating-rate amounts in exchange for fixed rate interest payments over the lives of the agreements without an exchange of the underlying principal amounts.

The counterparties to these agreements are highly rated financial institutions. In the unlikely event that the counterparties fail to meet the terms of these agreements, the Company’s exposure is limited to the interest rate differential on the notional amount at each monthly settlement period over the life of the agreements. The Company does not anticipate any non-performance by the counterparties.

The Company records derivative instruments on its balance sheet at fair value and establishes criteria for both the designation and effectiveness of hedging activities. The fair value of the derivative instruments is measured at each balance sheet date and is reflected on a gross basis on the consolidated balance sheets. The change in fair value of the derivative instruments designated as cash flow hedges is recorded on the consolidated balance sheets in ‘Accumulated other comprehensive loss’ and are reclassified to ‘Net interest expense’ when realized.

(i) Foreign Currency Translation

The accounts of the Company’s foreign subsidiaries have been converted at rates of exchange in effect at year-end for balance sheet accounts and average exchange rates for the year for income statement accounts. The effects of changes in exchange rates in translating foreign subsidiaries’ financial statements are included in stockholders’ equity as accumulated other comprehensive income.

(j) Accounts Receivable

Amounts billed under leases for equipment owned by the Company are recorded in accounts receivable. The Company estimates an allowance for doubtful accounts for accounts receivable it does not consider fully collectible. The allowance for doubtful accounts is developed based on two components: (1) specific reserves for receivables for which management believes full collection is doubtful; and (2) a general reserve for estimated losses inherent in the receivables. The general reserve is estimated by applying certain percentages to receivables that have not been specifically reserved, ranging from 1.0% on accounts that are one to thirty days overdue, to 100% on accounts that are one year or more overdue. The allowance for doubtful accounts is reviewed regularly by management and is based on the risk profile of the receivables, credit quality indicators such as the level of past due amounts and non-performing accounts and economic conditions. Changes in economic conditions or other events may necessitate additions or deductions to the allowance for doubtful accounts. The allowance is intended to provide for losses inherent in the company’s accounts receivable, and requires the application of estimates and judgments as to the outcome of collection efforts and the realization of collateral, among other things.

(k) Leases

The Company leases office space under operating leases with expiration dates through 2025. The Company determines whether an arrangement constitutes a lease and records lease liabilities and ROU assets on its consolidated balance sheet at lease commencement. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease pre-payments made and exclude lease incentives. Certain of the Company’s leases include one or more options to renew, which are included in the lease term only when it is reasonably certain that the Company will exercise that option. The Company’s office space leases often include lease and non-lease components, which are combined and accounted for as a single lease component.

For short-term leases, the Company records rent expense in its consolidated statements of income on a straight-line basis over the lease term and records variable lease payments as incurred.

(l) Income Taxes

Income taxes are accounted for using the asset-and-liability method. Under this method, deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when it is more likely than not that deferred tax assets will not be recovered.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records penalties and interest related to unrecognized tax benefits within income tax expense (see Note 9).

(m) Revenue Recognition

The Company provides a range of services to its customers incorporating the rental, sale and management of equipment. Revenue for all forms of service is recognized when earned following the guidelines under FASB ASC Topic 606, *Revenue Recognition,* FASB ASC Topic 840, *Leases* and FASB ASC Topic 842, *Leases*. Revenue is reported net of any related sales tax.

Container Lease Revenue

The Company recognizes revenue from operating leases of its owned equipment as earned over the term of the lease. Where minimum lease payments vary over the lease term, revenue is recognized on a straight-line basis over the term of the lease. Early termination of the rental contracts subjects the lessee to a penalty, which is included in lease revenue upon such termination. Finance lease income, and interest earned on financing receivables are recognized using the effective interest method, which generates a constant rate of interest over the term of the arrangement.

Certain leases include one or more options to renew or purchase the leased rental equipment. The exercise of lease renewal or equipment purchase options is at the sole discretion of the customer.

Included in lease revenue is revenue consisting primarily of fees charged to the lessee for handling, delivery, and repairs. These activities are considered non-lease components of the contract, which are generally accounted for separately from the lease component, and revenue is recognized as earned in accordance with ASC Topic 606, *Revenue Recognition*.

Also included in lease revenue is revenue from management fees earned under equipment management agreements. Management fees are generally calculated as a percentage of the monthly net operating income for an investor’s portfolio and recognized as revenue in the month of service.

Unearned Revenue

The Company records unearned revenue when cash payments are received in advance of the Company satisfying its performance obligations.

Payment terms vary by customer and type of service. The time between invoicing and when payment is due is not significant. For certain customers or services, the Company may require payment before the services are delivered or performed for the customer.

Practical Expedients

The Company expenses sales commissions when incurred because the period of amortization would have been one year or less. These costs are recorded within administrative expenses.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts with variable consideration for a distinct good or service that forms part of a single performance obligation.

(n) Stock-Based Compensation

The Company has granted stock options, restricted stock awards, time-based restricted stock units and performance-based restricted stock units to certain directors and employees under its equity incentive plans. In addition, the Company operates an Employee Stock Purchase Plan (ESPP). The Company accounts for stock-based compensation in accordance with FASB ASC Topic 718, *Compensation – Stock Compensation*, which requires that compensation cost related to stock-based compensation be recognized in the financial statements. The cost is measured at the date the award is granted based on the fair value of the award. The fair value of stock options and shares purchased under the ESPP are calculated using the Black-Scholes-Merton option pricing model. The stock-based compensation expense is recognized over the vesting period of the grant on a straight-line basis (see Note 8). The Company accounts for forfeitures as they occur.

(o) Repairs and Maintenance

The Company's leases generally require the lessee to pay for any damage to the equipment beyond normal wear and tear at the end of the lease term. The Company accounts for repairs and maintenance expense on an accrual basis when an obligation to pay has been incurred.

(3) Discontinued Operations

As discussed in Note 2, the Company sold substantially all of the assets and liabilities of its logistics business for proceeds of $6.2 million and its remaining railcar assets for proceeds of $228.1 million during the year-ended December 31, 2020. The cash proceeds from the disposals are recorded as net cash provided by investing activities of discontinued operations in the accompanying statement of cash flows for the year ended December 31, 2020. The logistics and rail leasing businesses have been classified as discontinued operations in the accompanying consolidated statements of income and cash flows, and certain assets and liabilities as of December 31, 2019 as held for sale.

The carrying amount of the assets and liabilities of the logistics and rail businesses that were classified as held for sale were as follows (in thousands):

	December 31, 2020	December 31, 2019
Assets		
Rail		
Rental equipment	$ -	$ 282,104
Other assets	-	2,409
		284,513
Logistics		
Accounts receivable, net of allowance for doubtful accounts	-	15,601
Prepaid expenses and other assets	-	2,263
Goodwill	-	15,794
Intangible assets	-	4,123
	-	37,781
Total assets held for sale	$ -	$ 322,294
Liabilities		
Logistics		
Accounts payable	$ -	$ 2,757
Accrued expenses and other current liabilities		5,995
Total liabilities held for sale	$ -	$ 8,752
Net assets held for sale	$ -	$ 313,542

Other assets and liabilities of the rail business, including accounts receivable, accrued expenses and other liabilities, deferred tax liabilities and debt, have not been classified as held for sale in the consolidated balance sheet as of December 31, 2019 as they were not sold by the Company.

The Company recognized impairment charges of $19.7 million and $33.0 million during the years ended December 31, 2020 and 2019, respectively, to reduce the book value of its railcar portfolio, on an individual basis, to its estimated fair value, or to its net book value had the assets not been classified as held for sale. To assist in the Company's assessment of fair value, a third-party appraisal was carried out on the railcar fleet using a combination of cost and market approaches. The cost approach utilized the current replacement cost for a particular car type and calculated an estimated depreciation based on a railcar having a 40-year life and residual value being 10% of the estimated purchase price. The market approach estimated value based on recent market transactions involving similar railcars. The railcars were classified within Level 3 of the fair value hierarchy.

The following tables summarize the components of net loss from discontinued operations in the accompanying consolidated statements of income for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Year Ended December 31, 2020		
	Rail	Logistics	Total
Revenue			
Rail lease revenue	$ 22,949	$ -	$ 22,949
Logistics revenue	-	66,304	66,304
Total revenue	22,949	66,304	89,253
Operating expenses			
Depreciation of rental equipment	6,319	-	6,319
Impairment of rental equipment	19,724	-	19,724
Storage, handling and other expenses	5,732	-	5,732
Logistics transportation costs	-	58,440	58,440
Loss on sale of rental equipment	19,608	-	19,608
Administrative expenses	5,678	11,702	17,380
Loss on classification as held for sale	-	18,477	18,477
Total operating expenses	57,061	88,619	145,680
Operating loss	(34,112)	(22,315)	(56,427)
Interest expense (income)	7,077	(7)	7,070
Loss before income taxes	(41,189)	(22,308)	(63,497)
Income tax benefit	(7,562)	(3,226)	(10,788)
Net loss from discontinued operations	$ (33,627)	$ (19,082)	$ (52,709)

	Year Ended December 31, 2019		
	Rail	Logistics	Total
Revenue			
Rail lease revenue	$ 26,130	$ -	$ 26,130
Logistics revenue	-	117,687	117,687
Total revenue	26,130	117,687	143,817
Operating expenses			
Depreciation of rental equipment	5,248	-	5,248
Impairment of rental equipment	32,955	-	32,955
Storage, handling and other expenses	6,782	-	6,782
Logistics transportation costs	-	104,109	104,109
Gain on sale of rental equipment	(9,490)	-	(9,490)
Administrative expenses	3,680	18,511	22,191
Total operating expenses	39,175	122,620	161,795
Operating loss	(13,045)	(4,933)	(17,978)
Interest expense (income)	13,343	(16)	13,327
Loss before income taxes	(26,388)	(4,917)	(31,305)
Income tax benefit	(6,378)	(591)	(6,969)
Net loss from discontinued operations	$ (20,010)	$ (4,326)	$ (24,336)

	Year Ended December 31, 2018		
	Rail	Logistics	Total
Revenue			
Rail lease revenue	$ 35,703	$ -	$ 35,703
Logistics revenue	-	111,471	111,471
Total revenue	35,703	111,471	147,174
Operating expenses			
Depreciation of rental equipment	14,189	-	14,189
Storage, handling and other expenses	5,692	-	5,692
Logistics transportation costs	-	97,170	97,170
Gain on sale of rental equipment	(1,839)	-	(1,839)
Administrative expenses	4,065	17,448	21,513
Total operating expenses	22,107	114,618	136,725
Operating income (loss)	13,596	(3,147)	10,449
Interest expense	15,772	-	15,772
Loss from discontinued operations before income taxes	(2,176)	(3,147)	(5,323)
Income tax benefit	(1,667)	(535)	(2,202)
Net loss from discontinued operations	$ (509)	$ (2,612)	$ (3,121)

(4) Consolidation of Variable Interest Entities

The Company regularly performs a review of its container fund arrangements with investors to determine whether or not it has a variable interest in the fund and if the fund is a VIE. If it is determined that the Company does not have a variable interest in the fund, further analysis is not required and the Company does not consolidate the fund. If it is determined that the Company does have a variable interest in the fund and the fund is a VIE, further analysis is performed to determine if the Company is a primary beneficiary of the VIE and meets both of the following criteria under FASB ASC Topic 810, *Consolidation*:

- it has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance; and
- it has the obligation to absorb losses of the VIE that could be potentially significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

If in the Company’s judgment both of the above criteria are met, the VIE’s financial statements are included in the Company’s consolidated financial statements as required under FASB ASC Topic 810, *Consolidation*.

The Company currently enters into two types of container fund arrangements with investors which are reviewed under FASB ASC Topic 810, *Consolidation*. These arrangements include container funds that the Company manages for investors and container funds that have entered into financing arrangements with investors. All of the funds under financing arrangements are Japanese container funds that were established under separate investment agreements allowed under Japanese commercial laws. Each of the funds is financed by unrelated Japanese third-party investors.

Managed Container Funds

The fees earned by the Company for arranging, managing and establishing container funds are commensurate with the level of effort required to provide those services, and the arrangements include only terms and conditions that are customarily present in arrangements for similar services. As such, the Company does not have a variable interest in the managed container funds, and does not consolidate those funds. No container portfolios were sold to the funds during the years ended December 31, 2020, 2019 and 2018.

Collateralized Financing Obligations

The Company has transferred containers to Japanese investor funds while concurrently entering into lease agreements for the same containers, under which the Company leases the containers back from the Japanese investors. The Company concluded these were financing transactions under which sale-leaseback accounting was not applicable.

The terms of the transactions with container funds under financing arrangements include options for the Company to purchase the containers from the funds at a fixed price. As a result of the residual interest resulting from the fixed price call option, the Company concluded that it may absorb a significant amount of the variability associated with the funds' anticipated economic performance and, as a result, the Company has a variable interest in the funds. The funds are considered VIEs under FASB ASC Topic 810, *Consolidation*, because, as lessee of the funds, the Company has the power to direct the activities that most significantly impact each entity's economic performance, including the leasing and managing of containers owned by the funds. As the Company has the power to direct the activities that most significantly impact the economic performance of the VIEs and the variable interest provides the Company with the right to receive benefits from the entity that could potentially be significant to the funds, the Company determined that it is the primary beneficiary of these VIEs and included the VIEs' assets and liabilities as of December 31, 2020 and 2019, and the results of the VIEs' operations and cash flows for the years ended December 31, 2020, 2019 and 2018 in the Company's consolidated financial statements.

The containers that were transferred to the Japanese investor funds had a net book value of $80.6 million as of December 31, 2020. The container equipment, together with $26.9 million of cash held by the investor funds that can only be used to settle the liabilities of the VIEs, has been included on the Company's consolidated balance sheet with the related liability presented in the debt section of the Company's consolidated balance sheet as collateralized financing obligations of $69.6 million and term loans held by VIE of $31.2 million. See Note 7(e) and Note 7(f) for additional information. No gain or loss was recognized by the Company on the initial consolidation of the VIEs. No containers were sold to the Japanese investor funds during the year ended December 31, 2020. Containers sold to the Japanese investor funds during the years ended December 31, 2019 and 2018, had a net book value of $65.0 million and $40.6 million, respectively.

(5) Rental Equipment

The following table provides a summary of the Company's rental equipment (in thousands):

	December 31, 2020	December 31, 2019
Dry containers	$ 1,940,572	$ 1,902,471
Refrigerated containers	315,641	282,155
Other specialized equipment	194,468	224,924
	2,450,681	2,409,550
Accumulated depreciation	(669,360)	(588,815)
Rental equipment, net of accumulated depreciation	$ 1,781,321	$ 1,820,735

(6) Leases

Lessor

The Company leases its rental equipment on either short-term operating leases through master lease agreements, long-term non-cancelable leases, or finance leases. The following table summarizes the components of lease revenue (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Lease revenue - operating leases	$ 231,198	$ 238,971
Interest income on finance leases	46,031	45,568
Other revenue	13,031	12,338
Interest income on financing receivable	3,753	1,976
Total lease revenue	$ 294,013	$ 298,853

For finance leases, the net selling loss recognized at lease commencement, representing the difference between the estimated fair value of rental equipment placed on lease and net book value, in the amount of $0.2 million and $2.6 million for the years ended December 31, 2020 and 2019, respectively, is included in 'gain on sale of rental equipment' in the consolidated statements of income.

The following represents future minimum rents receivable under long-term non-cancelable operating leases of continuing operations as of December 31, 2020 (in thousands):

2021	$ 175,205
2022	149,004
2023	110,298
2024	76,629
2025	57,727
2026 and thereafter	101,222
Total	$ 670,085

See below for contractual maturities of the Company's gross finance lease receivables.

Net investment in finance leases

The following table represents the components of the Company's net investment in finance leases (in thousands):

	December 31, 2020	December 31, 2019
Gross finance lease receivables (1)	$ 909,727	$ 804,880
Unearned income (2)	(280,116)	(238,164)
Net investment in finance leases	629,611	566,716
Allowance for credit losses	(46)	-
Net investment in finance leases, net of allowance for credit losses	$ 629,565	$ 566,716

(1) At the inception of the lease, the Company records the total minimum lease payments, executory costs, if any, and unguaranteed residual value as gross finance lease receivables. The gross finance lease receivables are reduced as customer payments are received. There was $98.2 million and $74.3 million unguaranteed residual value at December 31, 2020 and 2019, respectively, included in gross finance lease receivables. There were no executory costs included in gross finance lease receivables as of December 31, 2020 and 2019.

(2) The difference between the gross finance lease receivables and the cost of the equipment or carrying amount at the lease inception is recorded as unearned income. Unearned income, together with initial direct costs, are amortized to income over the lease term so as to produce a constant periodic rate of return. There were no unamortized initial direct costs as of December 31, 2020 and 2019.

(3) One major customer represented 75% and 65% of the Company's finance lease portfolio as of December 31, 2020 and 2019, respectively. No other customer represented more than 10% of the Company's finance lease portfolio in each of those periods.

Contractual maturities of the Company's gross finance lease receivables subsequent to December 31, 2020 for the years ending December 31 are as follows (in thousands):

2021	$ 125,821
2022	123,704
2023	105,486
2024	78,563
2025	65,755
2026 and thereafter	410,398
	$ 909,727

Financing Receivable

The Company has purchased containers and leased back the containers to the seller-lessee through finance leaseback arrangements. As control of the equipment was retained by the customers, the Company concluded that sale-leaseback accounting was not applicable and treated the arrangements as financing transactions. The Company recorded a financing receivable in the amount paid for the containers. Payments made by the seller-lessee are recorded as a reduction to the financing receivable and as interest income, calculated using the effective interest method.

The following table summarizes the components of the Company's financing receivable (in thousands):

	December 31, 2020	December 31, 2019
Gross financing receivable	$ 71,761	$ 45,530
Unearned income	(13,320)	(11,111)
	58,441	34,419
Allowance for credit losses	(3)	-
Total financing receivable	$ 58,438	$ 34,419
Amounts due within one year (1)	9,550	3,726
Amounts due beyond one year (2)	48,888	30,693
Total financing receivable	$ 58,438	$ 34,419

(1) Included in prepaid expenses and other current assets in the consolidated balance sheets.

(2) Included in financing receivable in the consolidated balance sheets.

Credit quality information

In order to estimate the allowance for losses contained in net investment in finance leases and financing receivable, the Company reviews the credit worthiness of its customers on an ongoing basis. The review includes monitoring credit quality indicators, historical credit loss activity, current market and economic conditions, and reasonable and supportable forecasts.

The Company uses the following definitions for risk ratings:

Tier 1— These customers are typically large international shipping lines that have been in business for many years and have world-class operating capabilities and significant financial resources. In most cases, the Company has had a long commercial relationship with these customers and currently maintains regular communication with them at several levels of management, which provides the Company with insight into the customer's current operating and financial performance. In the Company's view, these customers have the greatest ability to withstand cyclical down turns and would likely have greater access to needed capital than lower-rated customers. The Company views the risk of default for Tier 1 customers to range from minimal to moderate.

Tier 2— These customers are typically either smaller shipping lines or freight forwarders with less operating scale or with a high degree of financial leverage, and accordingly the Company views these customers as subject to higher volatility in financial performance over the business cycle. The Company generally expects these customers to have less access to capital markets or other sources of financing during cyclical down turns. The Company views the risk of default for Tier 2 customers as moderate.

Tier 3— Customers in this category exhibit volatility in payments on a regular basis.

As of December 31, 2020 and 2019, based on the most recent analysis performed, the risk category of the Company's net investment in finance leases and financing receivable, based on year of origination is as follows (in thousands):

December 31, 2020	2020	2019	2018	2017	2016	Prior	Total
Net investment in finance leases							
Tier 1	$ 127,215	$ 49,986	$ 228,802	$ 160,197	$ 5,945	$ 875	$ 573,020
Tier 2	8,425	25,726	12,576	4,272	1,136	4,456	56,591
Tier 3	-	-	-	-	-	-	-
Total net investment in finance leases	$ 135,640	$ 75,712	$ 241,378	$ 164,469	$ 7,081	$ 5,331	$ 629,611
Financing receivable							
Tier 1	$ 27,762	$ 30,083	$ -	$ -	$ -	$ -	$ 57,845
Tier 2	-	596	-	-	-	-	596
Tier 3	-	-	-	-	-	-	-
Total financing receivable	$ 27,762	$ 30,679	$ -	$ -	$ -	$ -	$ 58,441

December 31, 2019	Net investment in finance leases	Financing receivable
Tier 1	$ 502,265	$ 33,694
Tier 2	64,451	725
Tier 3	-	-
	$ 566,716	$ 34,419

Lessee

The Company has entered into various non-cancelable office space leases with original lease periods expiring between 2021 and 2025. As of December 31, 2020 and 2019, the Company's operating lease right-of-use assets of $3.2 million and $5.3 million, respectively, were reported in other non-current assets in the consolidated balance sheets. As of December 31, 2020 and 2019, the Company's operating lease liability amounts due within one year of $2.2 million and $2.1 million, respectively, were recorded in accrued expenses and other current liabilities, and amounts due beyond one year of $1.8 million and $4.0 million, respectively, were recorded in other non-current liabilities in the consolidated balance sheets.

Lease expense for lease payments is recognized on a straight-line basis over the lease term and is reported in administrative expenses in the consolidated statements of income.

The following table summarizes the components of lease expense (in thousands):

	Year Ended December 31,	
	2020	2019
Operating lease cost	$ 2,140	$ 2,141
Short-term lease cost	114	73
Variable lease cost	274	216
Total lease cost	$ 2,528	$ 2,430

Maturities of the Company's operating lease liabilities, which do not include short-term leases, as of December 31, 2020 were as follows (in thousands):

2021	$ 2,316
2022	1,467
2023	280
2024	150
2025	15
Total lease payments	4,228
Less imputed interest	(189)
Total operating lease liabilities	$ 4,039

The weighted-average remaining term of the Company's operating leases was 2.0 years and the weighted-average discount rate used to measure the present value of the Company's operating lease liabilities was 3.6% as of December 31, 2020.

Cash paid for operating leases was $2.2 million and $2.1 million during the year ended December 31, 2020 and 2019, respectively.

(7) Debt and Derivative Instruments

Debt

Details of the Company's debt as of December 31, 2020 and 2019 were as follows (dollars in thousands):

		December 31, 2020			December 31, 2019			
		Outstanding		Average	Outstanding		Average	
Reference		Current	Long-term	Interest	Current	Long-term	Interest	Maturity
(a)(i)	Revolving credit facility	$ -	$ 680,000	1.6%	$ -	$ 624,000	3.3%	June 2023
(a)(ii)	Revolving credit facility - Rail	-	-	-	-	137,500	3.3%	-
(a)(iii)	Revolving credit facility - Euro	-	23,550	2.5%	21,537	-	2.0%	September 2023
(b)(i)	Term loan	1,800	23,700	2.2%	1,800	25,500	3.9%	April 2023
(b)(ii)	Term loan	68,500	-	1.9%	7,000	68,500	3.5%	June 2021
(b)(iii)	Term loan	-	-	-	15,284	-	3.4%	-
(b)(iv)	Term loan	-	-	-	3,016	37,635	3.6%	-
(b)(v)	Term loan	6,000	80,500	4.6%	6,000	86,500	4.6%	October 2023
(c)	Senior secured notes	6,110	40,555	4.9%	6,110	46,665	4.9%	September 2022
(d)(i)	Asset-backed notes 2012-1	-	-	-	17,100	31,350	3.5%	-
(d)(ii)	Asset-backed notes 2013-1	-	-	-	22,900	51,525	3.4%	-
(d)(iii)	Asset-backed notes 2017-1	-	-	-	25,307	164,496	3.7%	-
(d)(iv)	Asset-backed notes 2018-1	-	-	-	34,890	250,045	4.0%	-
(d)(v)	Asset-backed notes 2018-2	-	-	-	34,350	266,213	4.4%	-
(d)(vi)	Asset-backed notes 2020-1	63,130	663,788	2.3%	-	-	-	September 2045
(e)	Collateralized financing obligations	35,862	33,767	1.7%	21,681	69,615	1.5%	February 2026
(f)	Term loans held by VIE	5,482	25,752	4.2%	5,250	31,234	4.2%	February 2026
		186,884	1,571,612		222,225	1,890,778		
	Debt discount and debt issuance costs	(3,436)	(9,329)		(4,131)	(10,656)		
	Total Debt	$ 183,448	$ 1,562,283		$ 218,094	$ 1,880,122		

(a) Revolving Credit Facilities

Revolving credit facilities consist of the following:

(i) On March 15, 2013, the Company entered into a Third Amended and Restated Revolving Credit Agreement, as amended, with a consortium of banks to finance the acquisition of container rental equipment and for general working capital purposes. On June 27, 2018, the Company entered into an amendment to the Third Amended and Restated Revolving Credit Agreement, pursuant to which the revolving credit facility was amended to, among other things, increase the commitment level from $960.0 million to $1,100.0 million, with the ability to increase the revolving credit facility by an additional $250.0 million without lender approval, subject to certain conditions. The amendment also extended the maturity date of the revolving credit facility to June 26, 2023 and revised certain covenants, restrictions and events of default to provide the Company with additional flexibility, including an increase in the maximum total leverage ratio from 3.75:1.00 to 4.00:1.00, subject to certain conditions. On November 30, 2020, the maximum commitment level was increased to $1,175.0 million.

As of December 31, 2020, the maximum commitment under the revolving credit facility was $1,175.0 million. There is a commitment fee on the unused amount of the total commitment, payable quarterly in arrears. The revolving credit facility provides that swing line loans (short-term borrowings of up to $25.0 million in the aggregate that are payable within 10 business days or at maturity date, whichever comes earlier) and standby letters of credit (up to $30.0 million in the aggregate) will be available to the Company. These credit commitments are part of, and not in addition to, the total commitment provided under the revolving credit facility. The interest rates vary depending upon whether the loans are characterized as Base Rate loans or Eurodollar rate loans, as defined in the revolving credit agreement. Interest rates are based on LIBOR for Eurodollar loans and Base Rate for Base Rate loans. In addition to various financial and other covenants, the Company's revolving credit facility also includes certain restrictions on the Company's ability to incur other indebtedness or pay dividends to stockholders. As of December 31, 2020, the Company was in compliance with the terms of the revolving credit facility.

As of December 31, 2020, the Company had $494.9 million in availability under the revolving credit facility (net of $0.1 million in letters of credit) subject to its ability to meet the collateral requirements under the agreement governing the facility. Based on the borrowing base and collateral requirements at December 31, 2020, the borrowing availability under the revolving credit facility was $252.0 million, assuming no additional contribution of assets. The entire amount of the facility drawn at any time plus accrued interest and fees is callable on demand in the event of certain specified events of default.

The Company's revolving credit facility, including any amounts drawn on the facility, is secured by substantially all of the assets of the Company (not otherwise used as security for its other credit facilities), including containers owned by the Company, which had a net book value of $1,119.6 million as of December 31, 2020, the underlying leases and the Company's interest in any money received under such contracts.

As of December 31, 2010, $500 million of the outstanding debt due under the revolving credit facility was subject to an interest rate swap at a cost of 0.29% as described below in *Derivative Instruments*.

(ii) On October 22, 2018, the Company and CAI Rail Inc. (CAI Rail), a wholly-owned subsidiary of the Company, entered into the Third Amended and Restated Revolving Credit Agreement with a consortium of banks. On December 29, 2020, the Company repaid in full the outstanding debt associated with the revolving line of credit in connection with the sale of the remaining railcar assets.

(iii) On September 23, 2016, the Company and CAI International GmbH (CAI GmbH), a wholly-owned subsidiary of the Company, entered into a Revolving Credit Agreement with a financial institution to finance the acquisition of rental equipment. As of December 31, 2020, the maximum credit commitment under the revolving credit facility was €25.0 million. Borrowings under this revolving credit facility bear interest at a variable rate. Interest rates are based on EURIBOR.

As of December 31, 2020, CAI GmbH had €5.8 million in availability under the revolving credit facility, subject to its ability to meet the collateral requirements under the agreement governing the facility. Based on the borrowing base and collateral requirements at December 31, 2020, the borrowing availability under the revolving credit facility was €1.0 million, assuming no additional contribution of assets. The entire amount of the facility drawn at any time plus accrued interest and fees is callable on demand in the event of certain specified events of default.

The agreement governing CAI GmbH's revolving credit facility containers various financial and other covenants. As of December 31, 2020, CAI GmbH was in compliance with the terms of the revolving credit facility. CAI GmbH's revolving credit facility, including any amounts drawn on the facility, is secured by all of the assets of CAI GmbH, which had a net book value of €27.0 million as of December 31, 2020, and is guaranteed by the Company.

(b) Term Loans

Term loans consist of the following:

(i) On April 19, 2018, the Company entered into a $30.0 million five-year term loan agreement with a bank. The loan is payable in 19 quarterly installments of $0.5 million starting July 31, 2018 and a final payment of $21.5 million on April 30, 2023. The loan bears interest at a variable rate based on LIBOR. As of December 31, 2020, the loan had a balance of $25.5 million.

The following are the estimated future principal and interest payments under this loan as of December 31, 2020 (in thousands). The payments were calculated assuming the interest rate remains 2.2% through maturity of the loan.

2021	$	2,350
2022		2,310
2023		22,140
		26,800
Less: Amount representing interest		(1,300)
Term loan	$	25,500

(ii) On April 11, 2012, the Company entered into a term loan agreement with a consortium of banks. The agreement, as amended, provided for a five-year term loan of up to $142.0 million, subject to certain borrowing conditions, which amount is secured by certain assets of the Company.

On June 30, 2016, the Company entered into an amended and restated term loan agreement, pursuant to which the prior loan agreement was refinanced. The amended and restated term loan agreement, which contains similar terms to the prior loan agreement, was amended to, among other things: (a) provide the Company with the ability to increase the commitments under the facility to a maximum of $100.0 million, subject to certain conditions, (2) extend the maturity date to June 30, 2021, and (c) revise certain of the covenants and restrictions under the prior agreement to provide the Company with additional flexibility. The term loan's outstanding principal is amortized quarterly, with quarterly payments equal to 1.75% multiplied by the original outstanding principal. The amended and restated term loan agreement bears a variable interest rate based on LIBOR for Eurodollar loans, and Base Rate for base rate loans. As of December 31, 2020, the loan had a balance of $68.5 million.

The following are the estimated future principal and interest payments under this loan as of December 31, 2020 (in thousands). The payments were calculated assuming the interest rate remains 1.9% through maturity of the loan.

2021	$	69,145
Less: Amount representing interest		(645)
Term loan	$	68,500

(iii) On December 22, 2015, the Company entered into a $20.0 million five-year term loan agreement for CAI Rail with a financial institution. On December 17, 2020, the Company repaid in full the outstanding debt associated with the term loan.

(iv) On August 30, 2016, CAI Rail entered into a term loan agreement of up to $100.0 million with a consortium of banks for the acquisition of railcars, subject to certain borrowing conditions. At closing of the loan agreement, CAI Rail made a draw of $50.0 million on the facility at a fixed interest rate of 3.6% per annum. On December 17, 2020, the Company repaid in full the outstanding debt associated with the term loan.

(v) On October 18, 2018, the Company entered into a $100.0 million five-year term loan agreement with a bank. The loan is payable in 20 quarterly installments of $1.5 million starting December 20, 2018 and a final payment of $70.0 million on October 18, 2023. The outstanding principal amounts under the loan bear interest at a fixed rate per annum of 4.6%. As of December 31, 2020, the loan had a balance of $86.5 million.

The following are the estimated future principal and interest payments under this loan as of December 31, 2020 (in thousands). The payments were calculated based on the fixed interest rate of 4.6%.

2021	$	9,848
2022		9,574
2023		77,266
		96,688
Less: Amount representing interest		(10,188)
Term loan	$	86,500

The Company's term loans are secured by rental equipment owned by the Company, which had a net book value of $227.6 million as of December 31, 2020.

(c) Senior Secured Notes

On September 13, 2012, Container Applications Limited (CAL), a wholly-owned subsidiary of the Company, entered into a Note Purchase Agreement with certain institutional investors, pursuant to which CAL issued $103.0 million of its 4.90% Senior Secured Notes due September 13, 2022 (the Notes) to the investors. The Notes are guaranteed by the Company and secured by certain assets of CAL and the Company.

The Notes bear interest at 4.9% per annum, due and payable semiannually on March 13 and September 13 of each year. In addition, CAL is required to make certain principal payments on March 13 and September 13 of each year. Any unpaid principal and interest is due and payable on September 13, 2022. The Note Purchase Agreement provides that CAL may prepay at any time all or any part of the Notes in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding. As of December 31, 2020, the Notes had a balance of $46.7 million.

The following are the estimated future principal and interest payments under the Notes as of December 31, 2020 (in thousands). The payments were calculated based on the fixed interest rate of 4.9%.

2021	$ 8,322
2022	42,467
	50,789
Less: Amount representing interest	(4,124)
Senior secured notes	$ 46,665

The Company's senior secured notes are secured by rental equipment owned by the Company, which had a net book value of $56.9 million as of December 31, 2020.

(d) Asset-Backed Notes

Asset-backed notes consist of the following:

(i) On October 18, 2012, CAL II issued $171.0 million of 3.47% fixed rate asset-backed notes (Series 2012-1 Asset-Backed Notes). On April 27, 2020, the Company repaid in full the outstanding debt associated with the Series 2012-1 Asset-Backed Notes.

(ii) On March 28, 2013, CAL II issued $229.0 million of 3.35% fixed rate asset-backed notes (Series 2013-1 Asset-Backed Notes). On April 27, 2020, the Company repaid in full the outstanding debt associated with the Series 2013-1 Asset-Backed Notes.

(iii) On July 6, 2017, CAL Funding III Limited (CAL III), a wholly-owned indirect subsidiary of CAI, issued $240.9 million of 3.6% Class A fixed rate asset-backed notes and $12.2 million of 4.6% Class B fixed rate asset-backed notes (collectively, the Series 2017-1 Asset-Backed Notes). On September 25, 2020, the Company repaid in full the outstanding debt associated with the Series 2017-1 Asset-Backed Notes.

(iv) On February 28, 2018, CAL III issued $332.0 million of 4.0% Class A fixed rate asset-backed notes and $16.9 million of 4.8% Class B fixed rate asset-backed notes (collectively, the Series 2018-1 Asset-Backed Notes). On September 25, 2020, the Company repaid in full the outstanding debt associated with the Series 2018-1 Asset-Backed Notes.

(v) On September 19, 2018, CAL III issued $331.5 million of 4.3% Class A fixed rate asset-backed notes and $12.0 million of 5.2% Class B fixed rate asset-backed notes (collectively, the Series 2018-2 Asset-Backed Notes). On October 26, 2020, the Company repaid in full the outstanding debt associated with the Series 2018-2 Asset-Backed Notes.

(vi) On September 9, 2020, CAL Funding IV Limited (CAL Funding IV), a wholly-owned indirect subsidiary of CAI, issued $715.9 million of 2.2% Class A fixed-rate asset-backed notes and $26.8 million of 3.5% Class B fixed-rate asset-backed notes (collectively, the series 2020-1 Asset-Backed Notes). Principal and interest on the Series 2020-1 Asset-Backed Notes is payable monthly commencing on October 26, 2020, with a scheduled maturity date of March 27, 2028. The net proceeds from the issuance of the 2020-1 Asset-Backed Notes were used to repay in full the outstanding debt associated with the Series 2017-1 and 2018-1 Asset-Backed Notes on September 25, 2020 and the Series 2018-2 Asset-Backed Notes on October 26, 2020. As of December 31, 2020, the Series 2020-1 Asset-Backed Notes had a balance of $726.9 million.

The following are the estimated future principal and interest payments under the Series 2020-1 Asset-Backed Notes as of December 31, 2020 (in thousands). The payments were calculated based on the fixed interest rate of 2.3%.

2021	$ 78,947
2022	77,516
2023	76,086
2024	75,119
2025	75,052
2026 and thereafter	426,211
	808,931
Less: Amount representing interest	(82,013)
Asset-backed notes	$ 726,918

The Company’s asset-backed notes are secured by rental equipment owned by the Company, which had a net book value of $855.5 million as of December 31, 2020.

The agreements under the asset-backed notes described above require the Company to maintain a restricted cash account to cover payment of the obligations. As of December 31, 2020, the restricted cash account had a balance of $12.4 million.

(e) Collateralized Financing Obligations

As of December 31, 2020, the Company had collateralized financing obligations of $69.6 million (see Note 4). The obligations had an average interest rate of 1.7% as of December 31, 2020 with maturity dates between March 2021 and February 2026. The debt is secured by a pool of containers covered under the financing arrangements.

The following are the estimated future principal and interest payments under the Company's collateralized financing obligations as of December 31, 2020 (in thousands). The payments were calculated assuming an average interest rate of 1.7% through maturity of the obligations.

2021	$	36,358
2022		16,531
2023		-
2024		-
2025		-
2026 and thereafter		22,948
		75,837
Less: Amount representing interest		(6,208)
Collateralized financing obligations	$	69,629

(f) Term Loans Held by VIE

On March 29, 2019, one of the Japanese investor funds that is consolidated by the Company as a VIE (see Note 4) entered into a term loan agreement with a bank. Under the terms of the term loan agreement, the Japanese investor fund entered into a seven-year, amortizing term loan of $40.8 million at a fixed interest rate of 4.2%. The term loan is secured by assets of the Japanese investor fund and is subject to certain borrowing conditions set out in the term loan agreement. As of December 31, 2020, the term loans held by the Japanese investor fund totaled $31.2 million and had an average interest rate of 4.2%.

The following are the estimated future principal and interest payments under this loan as of December 31, 2020 (in thousands). The payments were calculated assuming the interest rate remains 4.2% through maturity of the loan.

2021	$	6,725
2022		6,725
2023		6,725
2024		6,725
2025		6,725
2026 and thereafter		1,355
		34,980
Less: Amount representing interest		(3,746)
Term loans held by VIE	$	31,234

The Company's term loans held by VIE are secured by rental equipment owned by the Japanese investor fund, which had a net book value of $53.2 million as of December 31, 2020.

The agreements relating to all of the Company's debt contain various financial and other covenants. As of December 31, 2020, the Company was in compliance with all of its debt covenants.

Derivative Instruments

During the year ended December 31, 2020, the Company entered into an interest rate swap agreement with an effective date of July 31, 2020 and scheduled maturity date of June 20, 2025. This contract is indexed to 1-month LIBOR, has a fixed leg interest rate of 0.29%, and a notional amount of $500.0 million.

As of December 31, 2020, the Company has designated interest rate swap agreements for a total notional amount of $500.0 million as cash flow hedges for accounting purposes. The change in fair value of cash flow hedging instruments during the year ended December 31, 2020 was recorded on the consolidated balance sheets in 'Accumulated other comprehensive loss' and reclassified to 'Net interest expense' when realized. The Company had no derivative instruments as of December 31, 2019.

Over the next twelve months, the Company expects to reclassify an estimated net loss of $0.7 million related to the designated interest rate swap agreements from 'Accumulated other comprehensive loss' in the consolidated statements of comprehensive income to 'Net interest expense' in the consolidated statements of income.

The following table summarizes the impact of derivative instruments designated in cash flow hedging relationships on the consolidated statements of income and the consolidated statements of comprehensive income (loss) on a pretax basis (in thousands):

		Year Ended December 31,	
Derivative Instrument	**Financial Statement Caption**	**2020**	**2019**
Interest rate swap	Comprehensive loss	$ 374	$ -
Interest rate swap	Net interest expense	$ 294	$ -

The table below presents the Company's derivative instruments measured at fair value on a recurring basis as of December 31, 2020 (in thousands):

	Total Fair Value	Level 2
December 31, 2020		
Derivative liabilities - interest rate swaps	$ 80	$ 80

As of December 31, 2019, the Company did not have any interest rate swap agreements.

(8) Stock–Based Compensation Plan

2019 Incentive Plan

In June 2019, the Company's stockholders approved the CAI International, Inc. 2019 Incentive Plan (2019 Plan), which replaced the CAI International, Inc. Amended and Restated 2007 Equity Incentive Plan (2007 Plan). No further awards will be made under the 2007 Plan. Under the 2019 Plan, a maximum of 2,577,075 share awards may be granted. Under the 2019 Plan, the Company may grant incentive and nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards and other stock or cash-based awards.

Stock Options

Stock options granted to employees have a vesting period of four years from grant date, with 25% vesting after one year, and 1/48th vesting each month thereafter until fully vested. Stock options granted to independent directors vest in one year. All of the stock options have a contractual term of 10 years.

The following table summarizes the Company's stock option activities for the three years ended December 31, 2020:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding, December 31, 2017	859,560	$ 16.44		
Options exercised	(9,393)	$ 14.76		
Options outstanding, December 31, 2018	850,167	$ 16.46		
Options exercised	(185,221)	$ 14.06		
Options forfeited	(3,000)	$ 12.88		
Options expired	(15,000)	$ 25.53		
Options outstanding, December 31, 2019	646,946	$ 16.96		
Options exercised	(253,646)	$ 15.68		
Options forfeited	(11,814)	$ 15.64		
Options expired	(80,310)	$ 23.31		
Options outstanding, December 31, 2020	301,176	$ 16.39	3.1	$ 4,473
Options exercisable at December 31, 2020	297,840	$ 16.40	3.1	$ 4,421
Expected to vest after December 31, 2020	3,336	$ 15.89	6.1	$ 52

The aggregate intrinsic value represents the value by which the Company's closing stock price of $31.24 per share on the last trading day of the year ended December 31, 2020 exceeds the exercise price of the stock, multiplied by the number of options outstanding or exercisable, excluding options that have a zero or negative intrinsic value. Based on the closing share price on the date each option was exercised, the aggregate intrinsic value was $2.0 million for stock options exercised during 2020 and 2019, and $0.1 million for stock options exercised during 2018.

The Company recognized stock-based compensation expense relating to stock options in continuing operations of $0.3 million, $0.5 million and $1.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, the remaining unamortized stock-based compensation cost relating to stock options granted to the Company's employees and independent directors was less than $0.1 million, which is to be recognized over the remaining weighted average vesting period of approximately 0.1 years.

The Company did not grant any stock options during the years ended December 31, 2020, 2019 and 2018.

Restricted Stock Awards, Time-Based Restricted Stock Units and Performance-Based Restricted Stock Units

The Company grants time-based restricted stock units to certain employees and restricted stock awards to independent directors from time to time pursuant to the 2019 Plan. Time-based restricted stock units granted to employees have a vesting period of four years; 25% vesting on each anniversary of the grant date. Restricted stock awards granted to independent directors vest in one year. The Company recognizes the compensation cost associated with restricted stock awards and time-based restricted stock units over the vesting period based on the closing price of the Company's common stock on the date of grant.

The Company grants performance-based restricted stock to certain executives and other key employees. The performance-based restricted stock units vest at the end of a 3-year performance cycle if certain financial performance targets are met. The Company recognizes compensation cost associated with the performance-based restricted stock ratably over the 3-year term when it is considered probable that performance targets will be met. Compensation cost is based on the closing price of the Company's common stock on the date of grant.

The following table summarizes the activity of restricted stock and performance stock under the 2019 Plan:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	78,542	$ 14.92
Granted	156,165	$ 22.48
Vested	(29,977)	$ 16.52
Outstanding at December 31, 2018	204,730	$ 20.45
Granted	166,939	$ 25.37
Vested	(81,259)	$ 20.89
Forfeited	(8,674)	$ 22.42
Outstanding at December 31, 2019	281,736	$ 23.18
Granted	143,957	$ 25.60
Vested	(124,135)	$ 22.95
Forfeited	(115,087)	$ 25.28
Outstanding at December 31, 2020	186,471	$ 23.91

The Company recognized stock-based compensation expense relating to restricted stock and performance stock in continuing operations of $1.5 million, $2.0 million and $1.4 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, unamortized stock-based compensation expense relating to restricted stock and performance stock was $2.2 million, which will be recognized over the remaining average vesting period of 1.6 years.

Stock-based compensation expense is recorded as a component of administrative expenses in the Company's consolidated statements of income with a corresponding credit to additional paid-in capital in the Company's consolidated balance sheets.

Employee Stock Purchase Plan

In June 2019, the Company's stockholders approved the CAI International, Inc. 2019 Employee Stock Purchase Plan (ESPP). The ESPP provides a means by which eligible employees may be given an opportunity to purchase shares of the Company's common stock at a discount using payroll deductions. The ESPP authorizes the issuance of up to 250,000 shares of the Company's common stock. The first offering period under the ESPP commenced in December 2019. The Company issued 10,222 shares of the Company's common stock under the ESPP during the year ended December 31, 2020 and recognized stock-based compensation expense relating to the ESPP of less than $0.1 million for the year ended December 31, 2020. No shares were issued under the ESPP during the year ended December 31, 2019.

(9) Income Taxes

For the years ended December 31, 2020, 2019 and 2018, income before income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2020	2019	2018
U.S. operations	$ (6,996)	$ (1,286)	$ (68)
Foreign operations	89,238	61,416	86,874
	$ 82,242	$ 60,130	$ 86,806

Income tax expense attributable to income from continuing operations consisted of (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Current			
Federal	$ (600)	$ 122	$ 210
State	447	89	98
Foreign	584	364	282
	431	575	590
Deferred			
Federal	3,380	2,960	2,186
State	(2,686)	396	734
Foreign	675	852	1,579
	1,369	4,208	4,499
Income tax expense	$ 1,800	$ 4,783	$ 5,089

The reconciliations between the Company's income tax expense and the amounts computed by applying the U.S. federal income tax rate of 21.0% for the years ended December 31, 2020, 2019 and 2018 are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Computed expected tax expense	$ 17,271	$ 12,627	$ 18,229
Increase (decrease) in income taxes resulting from:			
Foreign tax differential	(17,383)	(11,648)	(16,384)
State rate changes	(3,136)	-	-
State income tax expense, net of federal income tax benefit	(234)	433	534
Subpart F income	4,630	3,592	2,202
Change in valuation allowance	675	-	-
IRC Section 162(m) excess officer's compensation	63	215	172
Non-deductible stock-based compensation	63	94	133
Excess tax benefit related to stock-based compensation	(176)	(155)	(34)
Increase in uncertain tax positions	39	1	1
Adjustment for prior years	(57)	(13)	304
Other	45	(363)	(68)
	$ 1,800	$ 4,783	$ 5,089

As of December 31, 2020, the Company had less than $0.1 million and $17.1 million of net operating loss (NOL) carry forwards available to offset future federal and state taxable income, respectively. The NOL carry forwards will not expire for federal income tax purposes and will begin to expire in 2029 for state income tax purposes.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2020 and 2019 are presented below (in thousands):

	Year Ended December 31,	
	2020	2019
Deferred tax assets:		
Accounts receivable	$ 4	$ 357
Accrued expenses and other current liabilities	791	422
Stock-based compensation	997	1,026
Other	133	86
Net operating loss carry forwards	2,503	21,087
Gross deferred tax assets	4,428	22,978
Valuation allowance	(1,363)	-
Net deferred tax assets	3,065	22,978
Deferred tax liabilities:		
Depreciation and amortization	11,740	46,180
Foreign deferred tax liabilities	1,015	953
Intangible assets	-	1,167
Deferred subpart F income	14,752	10,054
Gross deferred tax liabilities	27,507	58,354
Net deferred tax liability	$ 24,442	$ 35,376

The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's management considers the projected future taxable income for making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company's management believes it is more likely than not the Company will not realize the benefits of the net state deductible differences included in the above, and has thus recorded a valuation allowance against the state deferred tax assets.

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries. As of December 31, 2020, the amount of such earnings totaled approximately $8.0 million. These earnings have been permanently reinvested and the Company does not plan to initiate any action that would precipitate the payment of income taxes thereon. The amount of income taxes that would have resulted had such earnings been repatriated is not practically determinable.

The following table summarizes the activity related to the Company's unrecognized tax benefits (in thousands):

Balance at December 31, 2018	$ 291
Increases related to current year tax positions	12
Balance at December 31, 2019	303
Increases related to current year tax positions	176
Decrease related to lapsing of statute	(118)
Decrease related to prior year tax positions	(3)
Balance at December 31, 2020	$ 358

The unrecognized tax benefits of $0.4 million at December 31, 2020, if recognized, would reduce the Company's effective tax rate. The Company accrued potential interest and penalties of less than $0.1 million related to unrecognized tax benefits for each of the years ended December 31, 2020 and 2019.

The Company's tax returns, including the United States, California, New Jersey and South Carolina, are subject to examination by the tax authorities. On January 12, 2021, the Company received notification dated January 11, 2021 that the Barbados Revenue Authority would be examining CAL's 2019 tax return. The Company accrues for unrecognized tax benefits based upon its best estimate of the additional taxes, interest and penalties expected to be paid. These estimates are updated over time as more definitive information becomes available from taxing authorities, completion of tax audits, expiration of statute of limitations, or upon occurrence of other events.

The Company does not believe the total amount of unrecognized tax benefit as of December 31, 2020 will increase or decrease significantly in the next twelve months. As of December 31, 2020, the statute of limitations for tax examinations in the United States has not expired for the years ended December 31, 2016 through 2019. California, New Jersey and South Carolina have not expired for tax returns filed for the years ended December 31, 2016 through 2019. The Company was notified on May 1, 2017 that its 2015 U.S. federal income tax return was selected for examination. The examination was concluded on June 20, 2018 with no impact to tax expense.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in the U.S. on March 27, 2020. The CARES Act includes several U.S. income tax provisions related to, among other things, net operating l

(10) Fair Value of Financial Instruments

Fair value represents the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the following fair value hierarchy when selecting inputs for its valuation techniques, with highest priority given to Level 1:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and
- Level 3 – unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The carrying amounts of cash, restricted cash, accounts receivable and accounts payable reflected in the balance sheets as of December 31, 2020 and 2019, approximate their fair value due to the short-term nature of these financial assets and liabilities. The carrying value of variable-rate debt in the balance sheets as of December 31, 2020 and 2019 approximates fair value as the changes in their associated interest rates reflect the current market and credit risk is similar to when the loans were originally obtained.

The principal balance of the Company's fixed-rate term loans, asset-backed notes and collateralized financing obligations was $86.5 million, $726.9 million, and $69.6 million as of December 31, 2020, with a fair value of approximately $91.1 million, $725.8 million, and $71.6 million, respectively, based on the fair value of estimated future payments calculated using prevailing interest rates. The fair value of these financial instruments would be categorized as Level 2 in the fair value hierarchy. The principal balance of the Company's fixed-rate term loans, asset-backed notes and collateralized financing obligations was $148.4 million, $898.2 million and $91.3 million as of December 31, 2019, with a fair value of approximately $151.0 million, $911.0 million and $93.0 million,
respectively. Management believes that the balances of the Company's senior secured notes of $46.7 million and $52.8 million, term loans held by VIE of $31.2 million and $36.5 million, and financing receivable of $58.4 million and $34.4 million as of December 31, 2020 and 2019, respectively, approximate their values. The fair value of these financial instruments would be categorized as Level 2 in the fair value hierarchy.

(11) Commitments and Contingencies

As of December 31, 2020 and 2019, the Company had one outstanding letter of credit of $0.1 million. The letter of credit guarantees the Company's obligations under certain operating lease agreements.

In addition to the rental equipment payable of $100.5 million, the Company had commitments to purchase approximately $140.9 million of containers as of December 31, 2020, all in the twelve months ended December 31, 2021.

In the ordinary course of business, the Company executes contracts involving indemnifications standard in the industry and indemnifications specific to a transaction such as an assignment and assumption agreement. These indemnifications might include claims related to tax matters, governmental regulations, and contractual relationships. Performance under these indemnities would generally be triggered by a breach of terms of a contract or by a third-party claim. The Company regularly evaluates the probability of having to incur costs associated with these indemnifications and as of December 31, 2020 there were no claims outstanding under such indemnifications and the Company believes that no claims are probable of occurring in the future.

(12) Related Party Transactions

In May 2018, the Company purchased, and subsequently cancelled, 1,225,214 shares of its common stock, from an affiliate of Andrew S. Ogawa in a privately-negotiated transaction. Mr. Ogawa is a member of the Company's Board of Directors. The stock was purchased at a price of $22.81 per share, which represented a 2% discount to the closing price on the date of purchase.

The Company is responsible for settling income tax liabilities of certain employees related to stock-based compensation. The Company is then reimbursed for those amounts by the employees. At December 31, 2020 and 2019, the Company had a liability of $1.2 million representing tax due to the UK tax authorities in respect of an officer of the Company. The Company also included in its balance sheet at December 31, 2020 and 2019 a current asset of $1.2 million, representing the amount that will be reimbursed to the Company by that officer.

(13) Stockholders' Equity

Stock Repurchase Plan

In October 2018, the Company announced that the Board of Directors approved the repurchase of up to 3.0 million shares of its outstanding common stock. The number, price, structure and timing of the repurchases, if any, will be at the Company's sole discretion and will be evaluated by the Company depending on prevailing market conditions, corporate needs, and other factors. The stock repurchases may be made in the open market, block trades or privately negotiated transactions. This stock repurchase program replaces any available prior share repurchase authorization and may be discontinued at any time. During the year ended December 31, 2020, the Company repurchased 0.2 million shares of its common stock under this repurchase plan, at a cost of approximately $7.9 million. As of December 31, 2020, approximately 0.8 million shares remained available for repurchase under this share repurchase program. In February 2021, the Board of Directors increased the share repurchase plan by an additional 2.0 million shares.

Series A Preferred Stock

In 2018, the Company issued 1,790,000 shares of its 8.5% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Stock, par value $0.0001 per share and liquidation preference $25.00 per share (Series A Preferred Stock). Dividends on the Series A Preferred Stock accrue daily and are cumulative from and including the date of original issuance and are payable quarterly in arrears. Dividends accrue at an annual rate of 8.5% of the $25.00 liquidation preference per annum. The Series A Preferred Stock ranks senior to the Company's common stock with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding up.

The Series A Preferred Stock becomes redeemable by the Company beginning April 15, 2023 for cash at a redemption price of $25.00 per share of Series A Preferred Stock, plus accrued but unpaid dividends. The Company may also redeem the Series A Preferred Stock upon a Change of Control (as defined in the Series A Certificate of Designations), subject to certain restrictions, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends. There is no mandatory redemption of the Series A Preferred Stock or redemption at the option of the holders. Holders of the Series A Preferred Stock do not have general voting rights.

Series B Preferred Stock

In 2018, the Company issued 1,955,000 shares of its 8.5% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Stock, par value $0.0001 per share and liquidation preference $25.00 per share (Series B Preferred Stock). Dividends on the Series B Preferred Stock accrue daily and are cumulative from and including the date of original issuance and are payable quarterly in arrears. Dividends accrue at an annual rate of 8.5% of the $25.00 liquidation preference per annum. The Series B Preferred Stock ranks senior to the Company's common stock with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding up.

The Series B Preferred Stock becomes redeemable by the Company beginning August 15, 2023 for cash at a redemption price of $25.00 per share of Series B Preferred Stock, plus accrued but unpaid dividends. The Company may also redeem the Series B Preferred Stock upon a Change of Control (as defined in the Series B Certificate of Designations), subject to certain restrictions, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends. There is no mandatory redemption of the Series A Preferred Stock or redemption at the option of the holders. Holders of the Series B Preferred Stock do not have general voting rights.

(14) Segment and Geographic Information

The Company operates under one reportable segment, container leasing, which is aggregated with equipment management and derives its revenue from the ownership and leasing of containers and fees earned for managing container portfolios on behalf of third-party investors.

As disclosed in Note 3, the Company sold substantially all the assets of its logistics business and all its railcar assets during the year ended December 31, 2020, and the operations of the logistics and rail businesses have been reclassified as discontinued operations in the accompanying consolidated statements of income. As a result, the Company no longer reports Logistics or Rail Leasing as segments.

Geographic Data

The Company earns its revenue primarily from intermodal containers which are deployed by its customers in a wide variety of global trade routes. Virtually all of the Company's containers are used internationally and typically no container is domiciled in one particular place for a prolonged period of time. As such, substantially all of the Company's long-lived assets are considered to be international, with no single country of use.

The following table represents the geographic allocation of revenue for the periods indicated based on customers' primary domicile (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Switzerland	$ 54,023	$ 50,118	$ 50,805
Korea	42,011	42,257	31,877
Singapore	41,748	41,626	26,854
France	31,972	34,947	37,565
United States	4,756	6,648	7,253
Other Asia	58,283	58,349	67,695
Other Europe	57,893	63,141	54,677
Other International	3,327	1,767	8,198
Total revenue	$ 294,013	$ 298,853	$ 284,924

(15) Concentration of Credit Risk

The Company's equipment leases and trade receivables subject it to potential credit risk. The Company extends credit to its customers based upon an evaluation of each customer's financial condition and credit history. Evaluations of the financial condition and associated credit risk of customers are performed on an ongoing basis.

The Company's single largest customer accounted for 17.1%, or $69.8 million, 18.6%, or $65.9 million, and 18.2% or $58.0 million, of total billings for the years ended December 31, 2020, 2019 and 2018, respectively, and accounted for 12% and 7% of its accounts receivable as of December 31, 2020 and 2019, respectively. The Company's second largest customer accounted for 10.2%, or $41.6 million, 11.7%, or $41.4 million, and 13.0%, or $41.3 million, of total billings for the years ended December 31, 2020, 2019 and 2018, respectively, and accounted for 11% and 13% of its accounts receivable as of December 31, 2020 and 2019, respectively.

(16) Earnings per Share

Basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. However, potential common equivalent shares are excluded if their effect is anti-dilutive.

The following table sets forth the reconciliation of basic and diluted net income (loss) per share for the years ended December 31, 2020, 2019 and 2018 (in thousands, except per share data):

	Year Ended December 31,		
	2020	2019	2018
Numerator			
Net income from continuing operations	$ 71,613	$ 46,518	$ 76,593
Net loss from discontinued operations	(52,709)	(24,336)	(3,121)
Net income attributable to CAI common stockholders	$ 18,904	$ 22,182	$ 73,472
Denominator			
Weighted-average shares used in per share computation - basic	17,546	17,731	19,562
Effect of dilutive securities:			
Stock options and restricted stock	217	280	260
Weighted-average shares used in per share computation - diluted	17,763	18,011	19,822
Net income (loss) per share attributable to CAI common stockholders:			
Basic			
Continuing operations	$ 4.08	$ 2.62	$ 3.92
Discontinued operations	$ (3.00)	$ (1.37)	$ (0.16)
Total basic	$ 1.08	$ 1.25	$ 3.76
Diluted			
Continuing operations	$ 4.03	$ 2.58	$ 3.86
Discontinued operations	$ (2.97)	$ (1.35)	$ (0.15)
Total diluted	$ 1.06	$ 1.23	$ 3.71

Certain options, restricted stock awards and time- and performance-based restricted stock units issued under employee benefit plans are excluded from the computation of diluted earnings per share because they were anti-dilutive. For the years ended December 31, 2020, 2019 and 2018, 99,854 shares, 57,411 shares and 160,163 shares, respectively, of stock options, restricted stock awards and time- and performance-based restricted stock units were excluded.

(17) Selected Quarterly Financial Data (Unaudited)

The following table sets forth key interim financial information for the years ended December 31, 2020 and 2019 (in thousands, except per share amount):

	2020 Quarters Ended				2019 Quarters Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue	$ 81,567	$ 73,890	$ 69,443	$ 69,113	$ 73,521	$ 75,535	$ 74,286	$ 75,511
Operating expenses	34,876	36,171	36,950	36,725	41,547	38,949	40,026	38,714
Operating income	46,691	37,719	32,493	32,388	31,974	36,586	34,260	36,797
Net income from continuing operations	32,511	15,297	13,342	10,463	10,589	12,451	9,708	13,770
Net income per share attributable to CAI common stockholders - continuing operations:								
Basic	$ 1.84	$ 0.87	$ 0.76	$ 0.60	$ 0.61	$ 0.72	$ 0.55	$ 0.74
Diluted	$ 1.81	$ 0.86	$ 0.76	$ 0.59	$ 0.60	$ 0.71	$ 0.54	$ 0.73

Schedule II
Valuation Accounts
(In thousands)

	Balance at Beginning of Period	Net Additions (Reductions) to Expense (1)	(Deductions)/ Recoveries*	Balance at End of Period
December 31, 2018				
Accounts receivable, allowance for doubtful accounts	$ 1,196	$ 348	$ 194	$ 1,738
December 31, 2019				
Accounts receivable, allowance for doubtful accounts	$ 1,738	$ 5,953 (2)	$ (20)	$ 7,671
December 31, 2020				
Accounts receivable, allowance for doubtful accounts	$ 7,671	$ (6,310)(2)	$ (968)	$ 393

* Primarily consists of write-offs, net of recoveries and other adjustments.

(1) Includes bad debt recovery of $166 for the year ended December 31, 2020 and bad debt expense of $339 and $104 for the years ended December 31, 2019 and 2018, respectively, related to discontinued operations of the Rail business.

(2) Includes a $5.2 million reserve against a customer receivable for the year ended December 31, 2019 and subsequent reduction due to cash collection during the year ended December 31, 2020.

EXHIBIT INDEX

Exhibit No.	Description
2.1**	Purchase and Sale Agreement, dated November 25, 2020, among CAI Rail Inc., CAI International, Inc., Infinity Transportation 2020-1, LLC and Atlanta Asset Holdings, LLC (incorporated by reference to Exhibit 2.1 of our Current Report on Form 8-K filed on November 30, 2020).
3.1	Amended and Restated Certificate of Incorporation of CAI International, Inc. (incorporated by reference to Exhibit 3.1 of our Registration Statement on Form S-1, as amended, File No. 333-140496, filed on April 24, 2007).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of CAI International, Inc., dated June 4, 2018 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on June 5, 2018).
3.3	Certificate of Designations of Rights and Preferences of 8.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Stock, dated March 28, 2018 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on March 28, 2018).
3.4	Certificate of Designations of Rights and Preferences of 8.50% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Stock, dated August 10, 2018 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on August 10, 2018).
3.5	Amended and Restated Bylaws of CAI International, Inc. (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed on March 10, 2009).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of our Registration Statement on Form S-1, as amended, File No. 333-140496, filed on April 24, 2007).
4.2**	Indenture, dated September 9, 2020, between CAL Funding IV Limited and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on September 14, 2020).
4.3**	Series 2020-1 Supplement, dated September 9, 2020, to Indenture dated September 9, 2020, between CAL Funding IV Limited and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on September 14, 2020).
4.4	Description of Registrant's Securities (incorporated by reference to Exhibit 4.9 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed on March 5, 2020).
10.1*	Form of Indemnification Agreement between CAI International, Inc. and each of its current executive officers and directors (incorporated by reference to Exhibit 10.8 of our Registration Statement on Form S-1, as amended, File No. 333-140496, filed on April 24, 2007).
10.2*	CAI International, Inc. 2007 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on June 7, 2017).
10.3*	CAI International, Inc. 2019 Incentive Plan (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on June 13, 2019).
10.4*	CAI International, Inc. 2019 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K, filed on June 13, 2019).

10.5	Third Amended and Restated Revolving Credit Agreement, dated March 15, 2013, by and among CAI International, Inc., Container Applications Limited, the lending institutions listed on Schedule I thereto, Bank of America, N.A., as administrative agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Union Bank, N.A. and Wells Fargo Bank, N.A., as syndication agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Union Bank, N.A. and Wells Fargo Securities, LLC, as joint lead arrangers and book managers, and Bank of Montreal (Chicago Branch), JPMorgan Chase Bank, N.A. and Sovereign Bank, N.A., as co-agents (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on March 21, 2013).
10.6	Amendment No. 1 to Third Amended and Restated Revolving Credit Agreement, dated October 1, 2013, by and among CAI International, Inc., Container Applications Limited, Bank of America, N.A. and other lending institutions from time to time party to the Third Amended and Restated Revolving Credit Agreement, Bank of America, N.A., as administrative agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Union Bank, N.A. and Wells Fargo Bank, N.A., as syndication agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Union Bank, N.A. and Wells Fargo Securities, LLC, as joint lead arrangers and book managers, and Bank of Montreal (Chicago Branch), JP Morgan Chase Bank, N.A. and Sovereign Bank, N.A., as co-agents (incorporated by reference to Exhibit 10.6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on February 27, 2015).
10.7	Amendment No. 2 to Third Amended and Restated Revolving Credit Agreement, dated August 15, 2014, by and among CAI International, Inc., Container Applications Limited, Bank of America, N.A. and other lending institutions from time to time party to the Third Amended and Restated Revolving Credit Agreement, Bank of America, N.A., as administrative agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Union Bank, N.A. and Wells Fargo Bank, N.A., as syndication agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Union Bank, N.A. and Wells Fargo Securities, LLC, as joint lead arrangers and book managers, and Bank of Montreal (Chicago Branch), JP Morgan Chase Bank, N.A. and Santander Bank, N.A., as co-agents (incorporated by reference to Exhibit 10.7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on February 27, 2015).
10.8	Amendment No. 3 to Third Amended and Restated Revolving Credit Agreement, dated January 30, 2015, by and among CAI International, Inc., Container Applications Limited, Bank of America, N.A. and other lending institutions from time to time party to the Third Amended and Restated Revolving Credit Agreement, Bank of America, N.A., as administrative agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, MUFG Union Bank, N.A. and Wells Fargo Bank, N.A., as syndication agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, MUFG Union Bank, N.A. and Wells Fargo Securities, LLC, as joint lead arrangers and book managers, and Bank of Montreal (Chicago Branch), JP Morgan Chase Bank, N.A. and Santander Bank, N.A., as co-agents (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on February 5, 2015).
10.9	Commitment Increase, Amendment No. 5 and Joinder, dated June 16, 2017, by and among CAI International, Inc., Container Applications Limited, the guarantors named therein, Bank of America, N.A., as a lender and administrative agent of the lenders, the other lending institutions party thereto, Merrill Lynch, Pierce, Fenner & Smith Incorporated, MUFG Union Bank, N.A. and Wells Fargo Bank, N.A., as syndication agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, MUFG Union Bank, N.A. and Wells Fargo Securities, LLC, as joint lad arrangers and book managers, and Bank of Montreal (Chicago branch), JPMorgan Chase Bank, N.A. and Santander Bank N.A. as co-agents (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on June 22, 2017).
10.10	Amendment No. 6 to Third Amended and Restated Revolving Credit Agreement, dated June 26, 2018, by and among CAI International, Inc., Container Applications Limited, the guarantors named therein, Bank of America, N.A., as a lender and administrative agent, the other lending institutions party thereto, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), MUFG Union Bank, N.A. and Wells Fargo Bank, N.A., as syndication agents, Merrill Lynch, as lead arranger and book runner, and ABN AMRO Capital USA, LLC, Compass Bank, Bank of Montreal, Royal Bank of Canada and PNC Bank, National Association, as documentation agents (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on June 28, 2018).
10.11	Amended and Restated Term Loan Agreement, dated October 1, 2014, among Container Applications Limited, CAI International, Inc., the lending institutions from time to time listed on Schedule I thereto, ING Bank N.V. and ING Bank, branch of ING-DIBA AG (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on October 7, 2014).
10.12	Amended and Restated Term Loan Agreement, dated June 30, 2016, among Container Applications Limited, CAI International, Inc., the Lenders listed on Schedule I thereto, SunTrust Bank and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on July 7, 2016).

10.13	Contribution and Sale Agreement, dated October 18, 2012, between Container Applications Limited and CAL Funding II Limited (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on October 23, 2012).
10.14	Performance Guaranty, dated October 18, 2012, made by CAI International, Inc. for the benefit of Wells Fargo Bank, National Association (incorporated by reference to Exhibit 99.3 of our Current Report on Form 8-K, filed on October 23, 2012).
10.15	Term Loan Agreement, dated October 18, 2018, among Container Applications Limited, CAI International, Inc., the lending institutions from time to time listed on Schedule 1 thereto, and Wells Fargo Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on October 23, 2018).
10.21*	Amended and Restated Employment Agreement, effective June 12, 2020, between CAI International, Inc. and Timothy B. Page (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on November 6, 2020).
10.22*	Service Agreement, dated August 20, 2013, between Container Applications International (UK) Limited and Daniel Hallahan (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on August 23, 2013).
10.23*	Amendment No. 1 to Service Agreement, dated March 7, 2017, between Container Applications International (UK) Limited and Daniel Hallahan (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed on May 4, 2017).
10.24*	Employment Agreement, dated October 2, 2019, between CAI International, Inc. and Camille G. Cutino (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on October 7, 2019).
21.1#	Subsidiaries of CAI International, Inc.
23.1#	Consent of KPMG LLP.
31.1#	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a).
32.1†	Certification of Principal Executive Officer and Principal Financial Officer Furnished Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements, formatted in XBRL: (i) Consolidated Balance Sheets as of December 31, 2020 and 2019, (ii) Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018; and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

Filed herewith.
† Furnished hereto.
* Management contract or compensatory plan.
** Certain schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended. The Company hereby undertakes to supplementally furnish copies of any omitted schedules to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 1, 2021

CAI INTERNATIONAL, INC.

By: /s/ TIMOTHY B. PAGE
Timothy B. Page
Executive Vice President, Interim President and Chief Executive Officer
(Principal Executive and Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant, in the capacities indicated, on the 1st day of March, 2021.

Signature	Title(s)
/s/ TIMOTHY B. PAGE **Timothy B. Page**	Executive Vice President, Interim President and Chief Executive Officer (Principal Executive and Financial Officer)
/s/ DAVID B. MORRIS **David B. Morris**	Vice President, Chief Accounting Officer (Principal Accounting Officer)
/s/ DAVID REMINGTON **David Remington**	Chairman of the Board of Directors
/s/ KATHRYN G. JACKSON **Kathryn G. Jackson**	Director
/s/ GARY M. SAWKA **Gary M. Sawka**	Director
/s/ ANDREW OGAWA **Andrew Ogawa**	Director
/s/ JOHN WILLIFORD **John Williford**	Director

Exhibit 21.1

CAI INTERNATIONAL, INC.

LIST OF SUBSIDIARIES

Subsidiary	Jurisdiction
CAI Chile S.p.A	Chile
CAI Consent Sweden AB	Sweden
CAI Intermodal LLC	Washington (U.S.A.)
CAI International GmbH	Germany
CAI Korea Yuhan Hoesa	South Korea
CAI Logistics Inc.	Delaware (U.S.A.)
CAI Luxembourg S.a r.l.	Luxembourg
CAI Management SPC I	Delaware (U.S.A.)
CAI Rail Inc.	Delaware (U.S.A.)
CAI South Africa (Pty) Ltd.	South Africa
CAL Funding III Limited	Bermuda
CAL Funding IV Limited	Bermuda
Challenger Overseas LLC	New Jersey
Container Applications (Malaysia) SDN BHD	Malaysia
Container Applications (Singapore) Pte. Ltd.	Singapore
Container Applications International (Australia) Pty Ltd	Australia
Container Applications International (U.K.) Limited	United Kingdom
Container Applications International Ltd.	Japan
Container Applications Limited	Barbados
General Transportation Services, Inc.	Oregon
Hybrid Logistics, Inc.	Nevada
Sky Container Trading, Ltd.	United Kingdom

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CAI International, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-143000, 333-159870, 333-176369, 333-187058, 333-206102, 333-212135, 333-219615 and 333-232257) on Form S-8 of CAI International, Inc. of our reports dated March 1, 2021, with respect to the consolidated balance sheets of CAI International, Inc. as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and financial statement schedule II (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2020, which reports appear in the December 31, 2020 annual report on Form 10-K of CAI international, Inc.

Our report dated March 1, 2021, on the consolidated financial statements, refers to CAI International, Inc.'s adoption of Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2019.

/s/ KPMG LLP

San Francisco, California

March 1, 2021

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPCAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy B. Page, certify that:

1. I have reviewed this Annual Report on Form 10-K of CAI International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

By: /s/ TIMOTHY B. PAGE

Timothy B. Page

Executive Vice President, Interim President and Chief Executive Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CAI International, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy B. Page, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2021

By: /s/ TIMOTHY B. PAGE
Timothy B. Page
Executive Vice President, Interim President and Chief Executive Officer