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

FORM 10-Q

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

For The Quarterly Period Ended September 30, 2019

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 - 001-37827

Triton International Limited

(Exact name of registrant as specified in the charter)

Bermuda	**98-1276572**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda
(Address of principal executive office)

(441) 294-8033
(Registrant's telephone number including area code)

Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda
(Former name or former address, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, $0.01 par value per share	TRTN	New York Stock Exchange
8.50% Series A Cumulative Redeemable Perpetual Preference Shares	TRTNpA	New York Stock Exchange
8.00% Series B Cumulative Redeemable Perpetual Preference Shares	TRTNpB	New York Stock Exchange

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 ☒ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See 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	☒	Accelerated Filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of October 18, 2019, there were 72,236,507 common shares at $0.01 par value per share of the registrant outstanding.

Triton International Limited

Index

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that involve substantial risks and uncertainties. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the Securities and Exchange Commission, or SEC, or in connection with oral statements made to the press, potential investors or others. All statements, other than statements of historical facts, including statements regarding our strategy, future operations, future financial position, future revenues, future costs, prospects, plans and objectives of management are forward-looking statements. The words "expect," "estimate," "anticipate," "predict," "believe," "think," "plan," "will," "should," "intend," "seek," "potential" and similar expressions and variations are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements in this report are subject to a number of known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those described in the forward-looking statements, including, but not limited to, the risks and uncertainties described in the section entitled "Risk Factors" in our Annual Report on Form 10-K, filed with the SEC on February 19, 2019 (the "Form 10-K"), in this Report on Form 10-Q and in any other Form 10-Q filed or to be filed by us, as well as in the other documents we file with the SEC from time to time, and such risks and uncertainties are specifically incorporated herein by reference.

Forward-looking statements speak only as of the date the statements are made. Except as required under the federal securities laws and rules and regulations of the SEC, we undertake no obligation to update or revise forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. We caution you not to unduly rely on the forward-looking statements when evaluating the information presented in this report.

ITEM 1. FINANCIAL STATEMENTS

TRITON INTERNATIONAL LIMITED
Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS:		
Leasing equipment, net of accumulated depreciation of $2,836,132 and $2,533,446	$ 8,519,730	$ 8,923,451
Net investment in finance leases	431,619	478,065
Equipment held for sale	98,868	66,453
Revenue earning assets	9,050,217	9,467,969
Cash and cash equivalents	46,840	48,950
Restricted cash	111,276	110,589
Accounts receivable, net of allowances of $1,212 and $1,240	245,209	264,382
Goodwill	236,665	236,665
Lease intangibles, net of accumulated amortization of $234,966 and $205,532	63,491	92,925
Other assets	47,303	34,610
Fair value of derivative instruments	882	13,923
Total assets	$ 9,801,883	$ 10,270,013
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Equipment purchases payable	$ 34,922	$ 22,392
Fair value of derivative instruments	75,777	10,966
Accounts payable and other accrued expenses	106,332	99,885
Net deferred income tax liability	291,342	282,129
Debt, net of unamortized debt costs of $42,790 and $44,889	6,985,531	7,529,432
Total liabilities	7,493,904	7,944,804
Shareholders' equity:		
Series A Preferred shares, $0.01 par value, 3,450,000 authorized, 3,450,000 and 0 shares issued and outstanding, respectively; at liquidation preference	86,250	—
Series B Preferred shares, $0.01 par value, 5,750,000 authorized, 5,750,000 and 0 shares issued and outstanding, respectively; at liquidation preference	143,750	—
Common shares, $0.01 par value, 270,000,000 shares authorized, 80,973,339 and 80,843,472 shares issued, respectively	810	809
Undesignated shares, $0.01 par value, 20,800,000 and 30,000,000 shares authorized, respectively, no shares issued and outstanding	—	—
Treasury shares, at cost, 8,442,311 and 1,853,148 shares, respectively	(267,233)	(58,114)
Additional paid-in capital	907,022	896,811
Accumulated earnings	1,493,765	1,349,627
Accumulated other comprehensive income (loss)	(56,385)	14,563
Total shareholders' equity	2,307,979	2,203,696
Noncontrolling interests	—	121,513
Total equity	2,307,979	2,325,209
Total liabilities and equity	$ 9,801,883	$ 10,270,013

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

TRITON INTERNATIONAL LIMITED
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Leasing revenues:				
Operating leases	$ 326,800	$ 346,461	$ 985,592	$ 981,646
Finance leases	9,868	3,617	30,501	13,300
Total leasing revenues	336,668	350,078	1,016,093	994,946
Equipment trading revenues	25,796	25,292	66,833	56,766
Equipment trading expenses	(21,646)	(19,482)	(54,600)	(43,971)
Trading margin	4,150	5,810	12,233	12,795
Net gain on sale of leasing equipment	6,196	7,055	22,184	27,378
Net gain on sale of building	—	—	—	20,953
Operating expenses:				
Depreciation and amortization	133,367	141,337	403,324	405,664
Direct operating expenses	20,457	11,489	55,356	32,732
Administrative expenses	18,496	19,966	56,671	60,293
Provision (reversal) for doubtful accounts	126	677	505	551
Total operating expenses	172,446	173,469	515,856	499,240
Operating income (loss)	174,568	189,474	534,654	556,832
Other expenses:				
Interest and debt expense	77,401	82,502	243,181	236,627
Realized (gain) loss on derivative instruments, net	(539)	(608)	(1,912)	(1,348)
Unrealized (gain) loss on derivative instruments, net	504	322	2,757	(975)
Debt termination expense	1,870	1,348	2,428	1,851
Other (income) expense, net	(116)	492	(2,047)	(752)
Total other expenses	79,120	84,056	244,407	235,403
Income (loss) before income taxes	95,448	105,418	290,247	321,429
Income tax expense (benefit)	4,845	9,789	20,737	36,182
Net income	$ 90,603	$ 95,629	$ 269,510	$ 285,247
Less: income (loss) attributable to noncontrolling interest	—	1,393	592	5,249
Less: dividend on preferred shares	4,708	—	7,038	—
Net income (loss) attributable to common shareholders	$ 85,895	$ 94,236	$ 261,880	$ 279,998
Net income per common share—Basic	$ 1.18	$ 1.18	$ 3.49	$ 3.50
Net income per common share—Diluted	$ 1.17	$ 1.17	$ 3.47	$ 3.47
Cash dividends paid per common share	$ 0.52	$ 0.52	$ 1.56	$ 1.49
Weighted average number of common shares outstanding—Basic	72,689	80,064	74,984	80,026
Dilutive restricted shares	560	664	573	594
Weighted average number of common shares outstanding—Diluted	73,249	80,728	75,557	80,620

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

TRITON INTERNATIONAL LIMITED
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net income (loss)	$ 90,603	$ 95,629	$ 269,510	$ 285,247
Other comprehensive income (loss), net of tax:				
Change in derivative instruments designated as cash flow hedges	(20,784)	4,159	(66,624)	21,623
Reclassification of (gain) loss on derivative instruments designated as cash flow hedges	(1,020)	(1,686)	(4,485)	(4,619)
Cumulative effect for the adoption of ASU 2017-12, net of income tax effect	—	—	432	—
Foreign currency translation adjustment	(139)	(50)	(271)	(136)
Other comprehensive income (loss), net of tax	(21,943)	2,423	(70,948)	16,868
Comprehensive income	68,660	98,052	198,562	302,115
Less:				
Other comprehensive income attributable to noncontrolling interest	—	1,393	592	5,249
Dividend on preferred shares	4,708	—	7,038	—
Comprehensive income attributable to common shareholders	$ 63,952	$ 96,659	$ 190,932	$ 296,866
Tax (benefit) provision on change in derivative instruments designated as cash flow hedges	$ (2,146)	$ 1,087	$ (8,103)	$ 5,791
Tax (benefit) provision on reclassification of (gain) loss on derivative instruments designated as cash flow hedges	$ (510)	$ (471)	$ (1,707)	$ (1,216)
Tax (benefit) provision on cumulative effect for the adoption of ASU 2017-12	$ —	$ —	$ 277	$ —

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

TRITON INTERNATIONAL LIMITED
Consolidated Statements of Shareholders' Equity
(In thousands, except share amounts)
(Unaudited)

	Preferred Shares		Common Shares		Treasury Shares						
	Shares	Amount	Shares	Amount	Shares	Amount	Add'l Paid in Capital	Accumulated Earnings	Accumulated Other Comprehensive Income	Non controlling Interest	Total Equity
Balance as of December 31, 2018	**—**	**$ —**	**80,843,472**	**$ 809**	**1,853,148**	**$ (58,114)**	**$ 896,811**	**$ 1,349,627**	**$ 14,563**	**$ 121,513**	**$ 2,325,209**
Issuance of preferred shares, net of offering expenses	3,450,000	86,250	—	—	—	—	(3,192)	—	—	—	83,058
Share-based compensation	—	—	170,231	2	—	—	1,816	—	—	—	1,818
Treasury shares acquired	—	—	—	—	2,636,534	(83,293)	—	—	—	—	(83,293)
Share repurchase to settle shareholder tax obligations	—	—	(31,506)	—	—	—	(978)	—	—	—	(978)
Net income (loss)	—	—	—	—	—	—	—	92,219	—	592	92,811
Other comprehensive income (loss)	—	—	—	—	—	—	—	(432)	(15,597)	—	(16,029)
Purchase of noncontrolling interests	—	—	—	—	—	—	11,707	—	—	(82,707)	(71,000)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(2,078)	(2,078)
Common shares dividend declared	—	—	—	—	—	—	—	(40,923)	—	—	(40,923)
Balance as of March 31, 2019	**3,450,000**	**$ 86,250**	**80,982,197**	**$ 811**	**4,489,682**	**$ (141,407)**	**$ 906,164**	**$ 1,400,491**	**$ (1,034)**	**$ 37,320**	**$ 2,288,595**
Issuance of preferred shares, net of offering expenses	5,750,000	143,750	—	—	—	—	(5,018)	—	—	—	138,732
Share-based compensation	—	—	41,535	—	—	—	3,653	—	—	—	3,653
Treasury shares acquired	—	—	—	—	2,347,826	(73,942)	—	—	—	—	(73,942)
Net income (loss)	—	—	—	—	—	—	—	86,096	—	—	86,096
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(33,408)	—	(33,408)
Purchase of noncontrolling interests	—	—	—	—	—	—	5,143	—	—	(37,320)	(32,177)
Common shares dividend declared	—	—	—	—	—	—	—	(39,108)	—	—	(39,108)
Preferred shares dividend declared	—	—	—	—	—	—	—	(1,833)	—	—	(1,833)
Balance as of June 30, 2019	**9,200,000**	**$ 230,000**	**81,023,732**	**$ 811**	**6,837,508**	**$ (215,349)**	**$ 909,942**	**$ 1,445,646**	**$ (34,442)**	**$ —**	**$ 2,336,608**
Share-based compensation	—	—	92,997	1	—	—	1,766	—	—	—	1,767
Treasury shares acquired	—	—	—	—	1,604,803	(51,884)	—	—	—	—	(51,884)
Share repurchase to settle shareholder tax obligations	—	—	(143,390)	(2)	—	—	(4,686)	—	—	—	(4,688)
Net income (loss)	—	—	—	—	—	—	—	90,603	—	—	90,603
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(21,943)	—	(21,943)
Common shares dividend declared	—	—	—	—	—	—	—	(38,064)	—	—	(38,064)
Preferred shares dividend declared	—	—	—	—	—	—	—	(4,420)	—	—	(4,420)
Balance as of September 30, 2019	**9,200,000**	**$ 230,000**	**80,973,339**	**$ 810**	**8,442,311**	**$ (267,233)**	**$ 907,022**	**$ 1,493,765**	**$ (56,385)**	**$ —**	**$ 2,307,979**

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

TRITON INTERNATIONAL LIMITED
Consolidated Statements of Shareholders' Equity
(In thousands, except share amounts)
(Unaudited)

	Preferred Shares		Common Shares		Treasury Shares						
	Shares	Amount	Shares	Amount	Shares	Amount	Add'l Paid in Capital	Accumulated Earnings	Accumulated Other Comprehensive Income	Non controlling Interest	Total Equity
Balance as of December 31, 2017	**—**	**$ —**	**80,687,757**	**$ 807**	**—**	**$ —**	**$ 889,168**	**$ 1,159,367**	**$ 26,942**	**$ 133,542**	**$ 2,209,826**
Share-based compensation	—	—	156,833	1	—	—	2,511	—	—	—	2,512
Share repurchase to settle shareholder tax obligations	—	—	(28,838)	—	—	—	(822)	—	—	—	(822)
Net income (loss)	—	—	—	—	—	—	—	80,892	—	1,973	82,865
Tax reclassification to accumulated earnings for the adoption of ASU 2018-02	—	—	—	—	—	—	—	3,029	(3,029)	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	11,079	—	11,079
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(4,251)	(4,251)
Common shares dividend declared	—	—	—	—	—	—	—	(36,440)	—	—	(36,440)
Balance as of March 31, 2018	**—**	**$ —**	**80,815,752**	**$ 808**	**—**	**$ —**	**$ 890,857**	**$ 1,206,848**	**$ 34,992**	**$ 131,264**	**$ 2,264,769**
Share-based compensation	—	—	39,320	1	—	—	3,148	—	—	—	3,149
Net income (loss)	—	—	—	—	—	—	—	104,870	—	1,883	106,753
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	3,366	—	3,366
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(3,492)	(3,492)
Common shares dividend declared	—	—	—	—	—	—	—	(42,289)	—	—	(42,289)
Balance as of June 30, 2018	**—**	**$ —**	**80,855,072**	**$ 809**	**—**	**$ —**	**$ 894,005**	**$ 1,269,429**	**$ 38,358**	**$ 129,655**	**$ 2,332,256**
Share-based compensation	—	—	3,920	—	—	—	1,751	—	—	—	1,751
Treasury shares acquired	—	—	—	—	33,700	(1,115)	—	—	—	—	(1,115)
Share repurchase to settle shareholder tax obligations	—	—	(7,804)	—	—	—	(295)	—	—	—	(295)
Net income (loss)	—	—	—	—	—	—	—	94,236	—	1,393	95,629
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	2,423	—	2,423
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(4,381)	(4,381)
Common shares dividend declared	—	—	—	—	—	—	—	(42,118)	—	—	(42,118)
Balance as of September 30, 2018	**—**	**$ —**	**80,851,188**	**$ 809**	**33,700**	**$ (1,115)**	**$ 895,461**	**$ 1,321,547**	**$ 40,781**	**$ 126,667**	**$ 2,384,150**

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

TRITON INTERNATIONAL LIMITED
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	**2018**
Cash flows from operating activities:		
Net income (loss)	$ 269,510	$ 285,247
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	403,324	405,664
Amortization of deferred debt cost and other debt related amortization	9,718	10,070
Lease related amortization	32,317	54,965
Share-based compensation expense	7,238	7,412
Net (gain) loss on sale of leasing equipment	(22,184)	(27,378)
Net (gain) loss on sale of building	—	(20,953)
Unrealized (gain) loss on derivative instruments	2,757	(975)
Debt termination expense	2,428	1,851
Deferred income taxes	18,885	34,636
Changes in operating assets and liabilities:		
Accounts receivable	22,006	(21,440)
Accounts payable and other accrued expenses	(7,202)	(3,469)
Net equipment sold for resale activity	(1,798)	(6,031)
Cash collections on finance lease receivables, net of income earned	53,706	45,164
Other assets	(11,198)	(578)
Net cash provided by (used in) operating activities	779,507	764,185
Cash flows from investing activities:		
Purchases of leasing equipment and investments in finance leases	(160,518)	(1,347,202)
Proceeds from sale of equipment, net of selling costs	163,033	122,100
Proceeds from the sale of building	—	27,630
Other	(245)	(103)
Net cash provided by (used in) investing activities	2,270	(1,197,575)
Cash flows from financing activities:		
Issuance of preferred shares, net of underwriting discount and expenses	221,790	—
Purchases of treasury shares	(209,592)	—
Redemption of common shares for withholding taxes	(5,666)	(1,117)
Debt issuance costs	(8,709)	(12,492)
Borrowings under debt facilities	1,417,200	2,118,637
Payments under debt facilities and capital lease obligations	(1,970,334)	(1,563,947)
Dividends paid on preferred and common shares	(122,772)	(119,280)
Distributions to noncontrolling interests	(2,078)	(12,123)
Purchase of noncontrolling interests	(103,039)	—
Net cash provided by (used in) financing activities	(783,200)	409,678
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (1,423)	$ (23,712)
Cash, cash equivalents and restricted cash, beginning of period	159,539	226,171
Cash, cash equivalents and restricted cash, end of period	$ 158,116	$ 202,459
Supplemental disclosures:		
Interest paid	$ 224,033	$ 213,577
Income taxes paid (refunded)	$ 2,504	$ 1,837
Right-of-use asset for leased property	$ 7,206	$ —
Supplemental non-cash investing activities:		
Equipment purchases payable	$ 34,922	$ 127,755

The accompanying Notes to the Unaudited Consolidated Financial Statements are an integral part of these statements.

Note 1—Description of the Business and Significant Accounting Policies

Description of the Business

Triton International Limited ("Triton" or the "Company"), through its subsidiaries, leases intermodal transportation equipment, primarily maritime containers, and provides maritime container management services through a worldwide network of service subsidiaries, third-party depots and other facilities. The majority of the Company's business is derived from leasing its containers to shipping line customers through a variety of long-term and short-term contractual lease arrangements. The Company also sells containers from its equipment leasing fleet as well as containers specifically acquired for resale from third parties. The Company's registered office is located in Bermuda.

Basis of Presentation

The unaudited consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all information and footnotes required by GAAP for complete financial statements.

The interim consolidated balance sheet as of September 30, 2019; the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of shareholders' equity for the three and nine months ended September 30, 2019 and 2018, and the consolidated statements of cash flows for the nine months ended September 30, 2019 and 2018 are unaudited. The consolidated balance sheet as of December 31, 2018, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures required by GAAP. The unaudited interim financial statements have been prepared on a basis consistent with the Company’s annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments necessary to state fairly the Company’s financial position, results of operations, comprehensive income, shareholders' equity, and cash flows for the periods presented. The financial data and the other financial information disclosed in the notes to the financial statements related to these periods are also unaudited. The consolidated results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2019 or for any other future annual or interim period.

These financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2018 included in the Company’s Annual Report on Form 10-K which was filed with the SEC on February 19, 2019. The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain changes in presentation have been made to conform the prior period presentation to current period reporting.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities in the financial statements. Such estimates include, but are not limited to, the Company's estimates in connection with leasing equipment, including residual values and depreciable lives, values of assets held for sale and other long lived assets, provision for income tax, allowance for doubtful accounts, share-based compensation, goodwill and intangible assets. Actual results could differ from those estimates.

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 two largest customers, CMA CGM S.A. and Mediterranean Shipping Company S.A., accounted for 21% and 14%, respectively, of the Company's lease billings during the nine months ended September 30, 2019.

Accounting Policy Updates

The Company adopted Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) on January 1, 2019. The Company evaluates whether leases are classified as operating or financing based on certain assumptions that require judgment, such as the asset's fair value, the asset's estimated residual value, the interest rate implicit in the lease, and the asset's economic useful life.

For operating leases, the Company records a lease liability based on the present value of the remaining minimum rental payments and corresponding Right-of-Use ("ROU") asset. The Company uses its estimated incremental borrowing rate at the commencement date to determine the present value of lease payments. Lease incentives are recognized for periods of reduced rent or for larger than usual rent escalations over the term of the lease. The benefit of a rent-free period and the cost of future rent escalations are recognized on a straight-line basis over the term of the lease. The Company elected the short-term lease recognition exemption whereby a lease liability and corresponding ROU asset will not be recognized when leases, at the commencement date, have a lease term of 12 months or less.

Equipment under capital lease obligations are classified as revenue earning assets and the related depreciation is recorded on the assets. Debt related to capital lease obligations is included in the Company’s debt obligations.

New Accounting Pronouncements

Recently Adopted Accounting Standards Updates

<u>Leases</u>

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) and subsequently issued amendments that replaced existing lease accounting guidance. The accounting standard requires lessees to recognize a lease liability and corresponding right-of-use asset on their balance sheets. The accounting that will be applied by lessors under ASC 842 is largely unchanged from previous GAAP. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASC 606, Revenue from Contracts with Customers.

The Company adopted the standard on January 1, 2019, through a cumulative-effect adjustment. Additionally, the Company elected the “package of practical expedients,” which provides: (1) An entity need not reassess whether any expired or existing contracts are or contain leases; (2) An entity need not reassess the lease classification for any expired or existing leases; and (3) An entity need not reassess initial direct costs for any existing leases. Furthermore, the Company elected the optional transition method and continued to apply the guidance in ASC 840, including its disclosure requirements, in the comparative prior year periods.

At adoption, the Company recognized a lease liability of $10.5 million based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases and corresponding ROU asset of $8.9 million. The Company assessed the requirements from both a lessee and lessor perspective and concluded the adoption of this standard did not have a significant impact on the consolidated financial statements. As a result of this adoption, the Company reclassified $45.2 million of cash collections on finance lease receivables, net of income earned, from investing activities to operating activities on its consolidated statement of cash flows for the nine months ended September 30, 2018.

<u>*Targeted Improvements to Accounting for Hedging Activities.*</u>

In August 2017, FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815). ASU 2017-12 changes the recognition and presentation requirements of hedge accounting, including: eliminating the requirement to separately measure and report hedge ineffectiveness; and presenting all items that affect earnings in the same income statement line item as the hedged item. Subsequent amendments permit the use of the Overnight Index Swap ("OIS") rate based on the Secured Overnight Financing Rate ("SOFR") as a U.S. benchmark interest rate for hedge accounting purposes under ASC 815, in addition to the currently permissible benchmark interest rates. This will provide the Company the ability to utilize the OIS rate based on SOFR as the benchmark interest rate on certain hedges of interest rate risk.

The Company adopted the standard on January 1, 2019, and applied the modified retrospective approach. The Company has evaluated the impact of this ASU and concluded the adoption of this standard did not have a significant impact on the consolidated financial statements.

Recently Issued Accounting Standards Updates

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) and subsequently issued amendments. The guidance affects the Company's net investments in financing leases and 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 new guidance will be effective for fiscal years and interim periods beginning after December 15, 2019 and early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company plans to adopt this standard on January 1, 2020. Based on the composition of the Company's receivables, current market conditions and historical credit loss activity, the Company does not expect the adoption of this ASU to have a significant impact on the consolidated financial statements.

Note 2—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 the 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.

Fair Value of Debt

The Company does not measure debt, net of unamortized debt costs, at fair value in its consolidated balance sheets. The fair value was measured using Level 2 inputs and the carrying value and fair value are summarized in the following table (in thousands):

	September 30, 2019	December 31, 2018
Liabilities		
Total debt - carrying value (1)	$ 7,042,788	$ 7,595,922
Total debt - fair value	$ 7,127,787	$ 7,559,063

(1) Excludes unamortized debt costs of $42.8 million and $44.9 million, purchase price debt adjustments of $10.1 million and $16.3 million, and unamortized debt discounts of $4.4 million and $5.3 million as of September 30, 2019 and December 31, 2018, respectively.

Fair Value of Equipment Held for Sale

The Company’s fair value of equipment held for sale is measured using Level 2 inputs and is based on recent sales prices and other factors. Equipment held for sale is recorded at the lower of fair value or carrying value and an impairment charge is recorded when the carrying value of the asset exceeds its fair value. The following table summarizes the portion of the Company’s equipment held for sale measured at fair value and the cumulative impairment charges recorded to net gain on sale of leasing equipment through the periods summarized below (in thousands):

	September 30, 2019	December 31, 2018
Assets		
Equipment held for sale - assets at fair value (1)	$ 10,781	$ 5,750
Cumulative impairment charges (2)	$ (2,644)	$ (1,846)

(1) Represents the fair value of containers included in equipment held for sale in the consolidated balance sheets that have been impaired to write down the carrying value of the containers to their estimated fair value less costs to sell.
(2) Represents the cumulative impairment charges recognized on equipment held for sale from the date of designated held for sale status to the indicated period end date.

The Company recognized net impairment charges of $1.4 million and $4.1 million for the three and nine months ended September 30, 2019, respectively and net impairment charges of $1.3 million and $2.7 million for the three and nine months ended September 30, 2018, respectively.

Fair Value of Other Assets and Liabilities

Cash and cash equivalents, restricted cash, accounts receivable, equipment purchases payable and accounts payable carrying amounts approximate fair values because of the short-term nature of these instruments. The Company's other financial and non-financial assets, which include leasing equipment, net investment in finance leases, intangible assets and goodwill, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required, and the Company determines that these other financial and non-financial assets are impaired after completing an evaluation, these assets would be written down to their fair value.

For information on the fair value of derivative instruments, please refer to Note 8 - "Derivative Instruments" in the Notes to the Unaudited Consolidated Financial Statements.

Note 3—Intangible Assets

Intangible assets consist of above market lease intangibles. The following table summarizes the intangible assets amortization as of September 30, 2019 (in thousands):

Years ending December 31,	Total intangible assets
2019	$ 7,334
2020	22,491
2021	16,549
2022	10,497
2023	4,657
2024 and thereafter	1,963
Total	$ 63,491

Amortization expense related to intangible assets was $8.8 million and $15.5 million for the three months ended September 30, 2019 and 2018, respectively, and $30.2 million and $49.3 million for the nine months ended September 30, 2019, and 2018, respectively.

Note 4—Share-Based Compensation

The Company recognizes share-based compensation expense for share-based payment transactions based on the fair value as of the grant date. The expense is recognized over the employee's requisite service period, which is generally the vesting period of the equity award. The Company recognized share-based compensation expense in administrative expenses of $1.8 million and $7.2 million for the three and nine months ended September 30, 2019, respectively, and recognized $1.7 million and $7.4 million for the three and nine months ended September 30, 2018, respectively. Share-based compensation expense includes charges for performance-based shares that are deemed probable to vest.

As of September 30, 2019, the total unrecognized compensation expense related to non-vested restricted shares was approximately $8.9 million, which is expected to be recognized through 2021.

During the nine months ended September 30, 2019, the Company issued 261,728 time-based and performance-based restricted shares, and canceled 174,896 vested shares to settle payroll taxes on behalf of employees. Additional shares may be accrued and issued based upon the Company's performance measured against selected peers. The Company also issued 43,035 shares to non-employee directors at fair value that vested immediately.

Note 5—Other Equity Matters

Share Repurchase Program

On April 25, 2019, the Company's Board of Directors authorized a new $200.0 million repurchase program for its common shares, replacing the previous repurchase program authorized on August 1, 2018. Purchases under the repurchase program may be made in the open market or privately negotiated transactions, and may include transactions pursuant to a repurchase plan administered in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. Purchases may be made from time to time at the Company's discretion and the timing and amount of any share repurchases will be determined based on share price, market conditions, legal requirements, and other factors. The repurchase program does not obligate the Company to acquire any particular amount of common shares, and the Company may suspend or discontinue the repurchase program at any time.

During the nine months ended September 30, 2019, the Company repurchased a total of 6,589,163 common shares at an average price per share of $31.70 for a total of $209.1 million under both the current and previous authorizations. As of September 30, 2019, the Company has a total of $94.8 million remaining under the current authorization.

Preferred Shares

The Company used the net proceeds from preferred share offerings for general corporate purposes, including the purchase of containers, the repurchase of outstanding common shares, the payment of dividends, and the repayment or repurchase of outstanding indebtedness.

Series A

In March 2019, the Company completed a public offering of 8.50% Series A Cumulative Redeemable Perpetual Preference Shares ("Series A"), selling 3,450,000 shares and generating gross proceeds of $86.3 million. The estimated costs associated with the offering, inclusive of underwriting discount and other offering expenses, were $3.3 million. At any time on or after March 15, 2024, the Series A may be redeemed at the Company's option.

Series B

In June 2019, the Company completed a public offering of 8.00% Series B Cumulative Redeemable Perpetual Preference Shares ("Series B"), selling 5,750,000 shares and generating gross proceeds of $143.8 million. The estimated costs associated with the offering, inclusive of underwriting discount and other offering expenses, were $5.0 million. At any time on or after September 15, 2024, the Series B may be redeemed at the Company's option.

Dividends

Dividends on shares of each Series are cumulative from the date of original issue and will be payable quarterly in arrears on the 15th day of March, June, September and December of each year, when, as and if declared by the Company's Board of Directors. Dividends will be payable out of amounts legally available equal to the stated rate per annum of the $25.00 liquidation preference per share.

The Company paid the following quarterly dividends during the nine months ended September 30, 2019 on its issued and outstanding Series A and Series B shares:

		Series A		Series B	
Record Date	**Payment Date**	**Aggregate Payment**	**Per Share Payment**	**Aggregate Payment**	**Per Share Payment**
September 9, 2019	September 16, 2019	$1.8 Million	$0.53125	$2.6 Million	$0.45
June 10, 2019	June 17, 2019	$1.8 Million	$0.53125	n/a	n/a

As of September 30, 2019, the Company had cumulative unpaid preferred dividends of $0.8 million.

Redemption Provisions

Preferred shares may be redeemed at the Company's option, at any time on or after the redemption date for each Series, in whole or in part, out of funds legally available at a redemption price of $25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date of redemption, whether or not declared. The Company may also redeem each Series of preferred shares in the event of a Change of Control Triggering Event as defined in the applicable Certificate of Designations (the "Certificate of Designations"). In addition, upon the occurrence of a Change of Control Triggering Event, holders of preferred shares will have the right to convert their preferred shares into common shares in accordance with the applicable Certificate of Designations. Holders of preferred shares generally have no voting rights, except as provided in the following sentence or as provided by Bermuda law. If the Company fails to pay dividends for six or more quarterly periods (whether or not consecutive), holders will be entitled to elect two additional directors to the Board of Directors and the size of the Board of Directors will be increased to accommodate such election. Such right to elect two directors will continue until such time as there are no accumulated and unpaid dividends in arrears.

Common Share Dividends

The Company paid the following quarterly dividends during the nine months ended September 30, 2019 and 2018 on its issued and outstanding common shares:

Record Date	Payment Date	Aggregate Payment	Per Share Payment
September 5, 2019	September 26, 2019	$37.6 Million	$0.52
June 6, 2019	June 27, 2019	$38.6 Million	$0.52
March 12, 2019	March 28, 2019	$40.4 Million	$0.52
September 4, 2018	September 25, 2018	$41.6 Million	$0.52
June 1, 2018	June 22, 2018	$41.6 Million	$0.52
March 12, 2018	March 28, 2018	$36.0 Million	$0.45

Accumulated Other Comprehensive Income

The following table summarizes the components of accumulated other comprehensive income, net of tax, for the nine months ended September 30, 2019 and 2018 (in thousands):

	Cash Flow Hedges	Foreign Currency Translation	Total
Balance as of December 31, 2018	$ 19,043	$ (4,480)	$ 14,563
Change in derivative instruments designated as cash flow hedges, net of income tax effect of ($2,144)[(1)]	(14,323)	—	(14,323)
Reclassification of realized (gain) loss on derivative instruments designated as cash flow hedges, net of income tax effect of ($606)[(1)]	(1,749)	—	(1,749)
Cumulative effect for the adoption of ASU 2017-12, net of income tax effect of $277	432	—	432
Foreign currency translation adjustment	—	43	43
Balance as of March 31, 2019	3,403	(4,437)	(1,034)
Change in derivative instruments designated as cash flow hedges, net of income tax effect of ($3,813)[(1)]	(31,517)	—	(31,517)
Reclassification of realized (gain) loss on derivative instruments designated as cash flow hedges, net of income tax effect of ($591)[(1)]	(1,716)	—	(1,716)
Foreign currency translation adjustment	—	(175)	(175)
Balance as of June 30, 2019	(29,830)	(4,612)	(34,442)
Change in derivative instruments designated as cash flow hedges, net of income tax effect of ($2,146)[(1)]	(20,784)	—	(20,784)
Reclassification of realized (gain) loss on derivative instruments designated as cash flow hedges, net of income tax effect of ($510)[(1)]	(1,020)	—	(1,020)
Foreign currency translation adjustment	—	(139)	(139)
Balance as of September 30, 2019	$ (51,634)	$ (4,751)	(56,385)

	Cash Flow Hedges	Foreign Currency Translation	Total
Balance as of December 31, 2017	$ 31,215	$ (4,273)	$ 26,942
Change in derivative instruments designated as cash flow hedges, net of income tax effect of $3,354[1]	12,459	—	12,459
Reclassification of realized (gain) loss on derivative instruments designated as cash flow hedges, net of income tax effect of ($352)[1]	(1,472)	—	(1,472)
Foreign currency translation adjustment	—	92	92
Tax reclassification to accumulated earnings for the adoption of ASU 2018-02	(3,029)	—	(3,029)
Balance as of March 31, 2018	39,173	(4,181)	34,992
Change in derivative instruments designated as cash flow hedges, net of income tax effect of $1,350[1]	5,005	—	5,005
Reclassification of realized (gain) loss on derivative instruments designated as cash flow hedges, net of income tax effect of ($393)[1]	(1,461)	—	(1,461)
Foreign currency translation adjustment	—	(178)	(178)
Balance as of June 30, 2018	42,717	(4,359)	38,358
Change in derivative instruments designated as cash flow hedges, net of income tax effect of $1,087[1]	4,159	—	4,159
Reclassification of (gain) loss on derivative instruments designated as cash flow hedges, net of income tax effect of ($471)[1]	(1,686)	—	(1,686)
Foreign currency translation adjustment	—	(50)	(50)
Balance as of September 30, 2018	$ 45,190	$ (4,409)	$ 40,781

(1) Refer to Note 8 - "Derivative Instruments" for reclassification impact on the Consolidated Statement of Income

Note 6—Leases

Lessee

The Company leases multiple office facilities which are contracted under various cancelable and non-cancelable operating leases, most of which provide extension or early termination options. The Company's lease agreements do not contain any residual value guarantees or material restrictive covenants.

As of September 30, 2019, the weighted average implicit rate was 4.17% and the weighted average remaining lease term was 3.5 years.

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

	Financial statement caption		September 30, 2019
Balance Sheet			
Right-of-use asset - operating	Other assets		$ 7,206
Lease liability - operating	Accounts payable and other accrued expenses		$ 8,600
		Three Months Ended September 30, 2019	**Nine Months Ended September 30, 2019**
Income Statement			
Operating lease cost[1]	Administrative expenses	$ 764	$ 2,265

(1) Includes short-term leases that are immaterial.

Cash paid for amounts included in the measurement of lease liabilities under operating cash flows was $0.8 million and $2.4 million for the three and nine months ended September 30, 2019, respectively.

The following represents our future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities as of September 30, 2019 (in thousands):

Years ending December 31,		
2019	$	759
2020		2,908
2021		2,320
2022		1,974
2023		1,306
2024 and thereafter		—
Total undiscounted future cash flows related to lease payments	$	9,267
Less: imputed interest		667
Total present value of lease liabilities	$	8,600

Lessor

The following table summarizes the components of the net investment in finance leases (in thousands):

	September 30, 2019		December 31, 2018	
Future minimum lease payment receivable[1]	$	501,320	$	574,422
Estimated residual receivable[2]		105,112		107,598
Gross finance lease receivables		606,432		682,020
Unearned income[3]		(174,813)		(203,955)
Net investment in finance leases[4]	$	431,619	$	478,065

(1) At the inception of the lease, the Company records the total minimum lease payments net of executory costs, if any. The gross finance lease receivable is reduced as billed to the customer and reclassified to accounts receivable until paid. There were no executory costs included in gross finance lease receivables as of September 30, 2019 and December 31, 2018.
(2) The Company's leases generally include a bargain purchase option and therefore, the Company has immaterial residual value risk for assets that are subject to direct finance leases.
(3) The difference between the gross finance lease receivable and the fair value of the equipment 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 September 30, 2019 and December 31, 2018.
(4) As of September 30, 2019, three major customers represented 53%, 24% and 11% of the Company's finance lease portfolio. As of December 31, 2018, three major customers represented 50%, 24% and 13% of the Company's finance lease portfolio. 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 September 30, 2019 are as follows (in thousands):

Years ending December 31,		
2019	$	28,705
2020		120,707
2021		85,912
2022		79,170
2023		60,873
2024 and thereafter		231,065
Total	$	606,432

The Company considers an account past due when a payment has not been received in accordance with the terms of the related lease agreement and maintains allowances, if necessary, for doubtful accounts and estimated losses resulting from the inability of its lessees to make required payments under finance leases. These allowances are based on, but not limited to, each lessee’s payment history, management’s current assessment of each lessee’s financial condition and the recoverability of the equipment. As of September 30, 2019, the Company does not have an allowance on its gross finance lease receivables.

The Company evaluates potential losses in its finance lease portfolio by regularly reviewing the specific receivables in the portfolio and analyzing loss experience.

Note 7—Debt

The table below summarizes the Company's key terms and carrying value of debt (in thousands):

	Contractual Weighted Avg Interest Rate(1)	Maturity Range(1) From	Maturity Range(1) To	September 30, 2019	December 31, 2018
Institutional notes	4.65%	Apr 2020	Jun 2029	$ 1,965,414	$ 2,198,200
Asset-backed securitization term notes	3.76%	May 2022	Jun 2028	2,815,523	3,063,821
Term loan facilities	3.58%	Apr 2022	Nov 2023	1,227,875	1,543,375
Asset-backed securitization warehouse	3.79%	Dec 2025	Dec 2025	410,000	340,000
Revolving credit facilities	3.61%	Sep 2023	Jul 2024	573,000	375,000
Capital lease obligations	4.74%	Jan 2024	Feb 2024	50,976	75,526
Total debt outstanding				7,042,788	7,595,922
Unamortized debt costs				(42,790)	(44,889)
Unamortized purchase price adjustments				(10,111)	(16,308)
Unamortized debt premiums & discounts				(4,356)	(5,293)
Debt, net of unamortized debt costs				$ 6,985,531	$ 7,529,432

(1) Data as of September 30, 2019.

The Company is subject to certain financial covenants under its debt agreements. The agreements remain the obligations of the respective subsidiaries, and all related debt covenants are calculated at the subsidiary level. As of September 30, 2019 and December 31, 2018, the Company was in compliance with all financial covenants in accordance with the terms of its debt agreements.

The Company hedges the risks associated with fluctuations in interest rates on a portion of its floating rate borrowings by entering into interest rate swap agreements that convert a portion of its floating rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. The following table summarizes the Company's outstanding fixed and floating rate debt as of September 30, 2019 (in thousands):

	Balance Outstanding	Contractual Weighted Avg Interest Rate	Maturity Range From	Maturity Range To	Weighted Avg Remaining Term
Excluding impact of derivative instruments:					
Fixed-rate debt	$4,097,881	4.23%	Apr 2020	Jun 2029	3.6 years
Floating-rate debt	$2,944,907	3.63%	Apr 2022	Dec 2025	3.9 years
Including impact of derivative instruments:					
Fixed-rate debt	$4,097,881	4.23%			
Hedged floating-rate debt	1,863,565	3.78%			
Total fixed and hedged debt	5,961,446	4.09%			
Unhedged floating-rate debt	1,081,342	3.63%			
Total	$7,042,788	4.01%			

The Company recorded debt termination expense of $1.9 million and $2.4 million for the three and nine months ended September 30, 2019, respectively, and $1.3 million and $1.9 million for the three and nine months ended September 30, 2018, respectively.

On February 8, 2019, the Company increased its borrowing capacity on an Asset-Backed Securitization Warehouse facility by $300.0 million to $800.0 million.

On May 16, 2019, the Company amended an existing $1,125.0 million revolving credit facility which reduced interest rates to LIBOR plus 1.50% and extended the maturity date to May 16, 2024.

On May 31, 2019, the Company extinguished a term loan and paid the outstanding balance of $210.3 million.

On July 8, 2019, the Company entered into a new $325.0 million revolving credit facility with an interest rate of one-month LIBOR plus 1.75%. The facility is available on a revolving basis through July 8, 2021, after which it will convert to a term loan with a maturity date of July 8, 2024.

On August 2, 2019, the Company extinguished an asset-backed warehouse facility which had no outstanding balance. The Company also amended a term loan agreement which increased its borrowings by $39.2 million to $500.0 million, decreased its interest rate to one-month LIBOR plus 1.65%, and extended the maturity date to August 20, 2024.

Institutional Notes

In accordance with the institutional note agreements, interest payments on the Company's institutional notes are due semi-annually. Institutional note maturities typically range from 7 - 12 years, with level principal payments due annually following an interest-only period. The Company's institutional notes are pre-payable (in whole or in part) at the Company's option at any time, subject to certain provisions in the note agreements, including the payment of a make-whole premium in respect to such prepayment. These facilities provide for an advance rate against the net book values of designated eligible equipment.

Asset-Backed Securitization Term Notes

Under the Company’s Asset-Backed Securitization (“ABS”) facilities, indirect wholly-owned subsidiaries of the Company issue asset-backed notes. The ABS facilities are intended to be bankruptcy remote so that such assets are not available to creditors of the Company or its affiliates until and unless the related secured borrowings have been fully discharged. These transactions do not meet accounting requirements for sales treatment and are recorded as secured borrowings.

The Company’s borrowings under the ABS facilities amortize in monthly installments, typically in level payments over five or more years. These facilities provide for an advance rate against the net book values of designated eligible equipment. The net book values for purposes of calculating eligible equipment is determined according to the related debt agreement and may be different than those calculated per U.S. GAAP. The Company is required to maintain restricted cash balances on deposit in designated bank accounts equal to three to nine months of interest expense depending on the terms of each facility.

Term Loan Facilities

The term loan facilities amortize in monthly or quarterly installments. These facilities provide for an advance rate against the net book values of designated eligible equipment.

Asset-Backed Securitization Warehouse Facility

Under the Company’s asset-backed warehouse facility, indirect wholly-owned subsidiaries of the Company issue asset-backed notes. The asset-backed warehouse facility is intended to be bankruptcy remote so that such assets are not available to creditors of the Company or its affiliates until and unless the related secured borrowings have been fully discharged. These transactions do not meet accounting requirements for sales treatment and are recorded as secured borrowings.

The Company's asset-backed warehouse facility has a borrowing capacity of $800.0 million that is available on a revolving basis until December 13, 2021, paying interest at LIBOR plus 1.75%, after which any borrowings will convert to term notes with a maturity date of December 15, 2025, paying interest at LIBOR plus 2.85%.

During the revolving period, the borrowing capacity under this facility is determined by applying an advance rate against the net book values of designated eligible equipment. The net book values for purposes of calculating eligible equipment are determined according to the related debt agreement and may be different than those calculated per U.S. GAAP. The Company is required to maintain restricted cash balances on deposit in designated bank accounts equal to three months of interest expense.

Revolving Credit Facilities

The revolving credit facilities have a maximum borrowing capacity of $1,560.0 million. These facilities provide for an advance rate against the net book values of designated eligible equipment.

Capital Lease Obligations

The Company has entered into a series of direct finance lease transactions with various financial institutions to finance chassis and containers. Each lease is accounted for as a capital lease, with interest expense recognized on a level yield basis over the period preceding early purchase options, if any, which is generally three to ten years from the transaction date.

Note 8—Derivative Instruments

Interest Rate Hedging

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 a 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 Company also utilizes interest rate cap agreements to manage interest rate risk exposure. Interest rate cap agreements place a ceiling on the borrower's exposure to rising interest rates.

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. Substantially all of the assets of certain indirect, wholly-owned subsidiaries of the Company have been pledged as collateral for the underlying indebtedness and the amounts payable under the agreements for each of these entities. In addition, certain assets of the Company's subsidiaries, are pledged as collateral for various credit facilities and the amounts payable under certain agreements.

As of September 30, 2019, the Company had interest rate cap and swap agreements in place to fix interest rates on a portion of its borrowings under debt facilities with floating interest rates as summarized below:

Derivatives	Notional Amount	Weighted Average Fixed Leg (Pay) Interest Rate	Cap Rate	Weighted Average Remaining Term
Interest Rate Swap[(1)]	$1,863.6 million	2.21%	n/a	4.1 years
Interest Rate Cap	$200.0 million	n/a	5.5%	2.3 years

(1) The impact of forward starting swaps with total notional amount of $200.0 million will increase the weighted average remaining term to 4.8 years.

The following table summarizes the impact of derivative instruments on the consolidated statements of operations and the consolidated statements of comprehensive income on a pretax basis (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivative Instrument	Financial statement caption	2019	2018	2019	2018
Non-designated interest rate swaps	Realized (gain) loss on derivative instruments, net	$ (539)	$ (608)	$ (1,912)	$ (1,348)
Non-designated interest rate swaps	Unrealized (gain) loss on derivative instruments, net	$ 504	$ 322	$ 2,757	$ (975)
Designated interest rate hedges	Other comprehensive (income) loss	$ 22,930	$ (5,246)	$ 74,727	$ (27,414)
Designated interest rate hedges	Interest and debt (income) expense	$ (1,530)	$ (2,157)	$ (6,192)	$ (5,835)

Fair Value of Derivative Instruments

The Company has elected to use the income approach to value its interest rate swap and cap agreements, using Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present amount (discounted). The Level 2 inputs for the interest rate swap and cap valuations are inputs other than quoted prices that are observable for the asset or liability (specifically LIBOR and swap rates, basis swap adjustments and credit risk at commonly quoted intervals).

The Company presents the gross assets and liabilities of its derivative financial instruments on the consolidated balance sheet. Any amounts of cash collateral received or posted related to derivative instruments are included in Other Assets on the consolidated balance sheet and are presented in operating activities of the consolidated statements of cash flows. As of September 30, 2019, there was cash collateral of $18.7 million related to interest rate swap contracts.

The fair value of derivative instruments on the Company's consolidated balance sheets as of September 30, 2019 and December 31, 2018 was as follows (in thousands):

	Asset Derivatives		Liability Derivatives	
Derivative Instrument	**September 30, 2019**	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Interest rate hedges, designated	$ 246	$ 10,531	$ 75,777	$ 10,966
Interest rate hedges, non-designated	636	3,392	—	—
Total derivatives	$ 882	$ 13,923	$ 75,777	$ 10,966

Note 9—Segment and Geographic Information

Segment Information

The Company operates its business in one industry, intermodal transportation equipment, and has two operating segments which also represent its reporting segments:

- Equipment leasing—the Company owns, leases and ultimately disposes of containers and chassis from its lease fleet.
- Equipment trading—the Company purchases containers from shipping line customers, and other sellers of containers, and resells these containers to container retailers and users of containers for storage or one-way shipment. Included in the equipment trading segment revenues are leasing revenues from equipment purchased for resale that is currently on lease until the containers are dropped off.

These operating segments were determined based on the chief operating decision maker's review and resource allocation of the products and service offered.

The following tables summarize segment information and the consolidated totals reported (in thousands):

	Three Months Ended September 30,					
	2019			2018		
	Equipment Leasing	Equipment Trading	Totals	Equipment Leasing	Equipment Trading	Totals
Total leasing revenues	$ 336,088	$ 580	$ 336,668	$ 349,022	$ 1,056	$ 350,078
Trading margin	—	4,150	4,150	—	5,810	5,810
Net gain on sale of leasing equipment	6,196	—	6,196	7,055	—	7,055
Depreciation and amortization expense	133,194	173	133,367	141,263	74	141,337
Interest and debt expense	77,058	343	77,401	82,116	386	82,502
Realized (gain) loss on derivative instruments, net	(536)	(3)	(539)	(606)	(2)	(608)
Income before income taxes[1]	94,394	3,428	97,822	104,226	2,862	107,088
Purchases of leasing equipment and investments in finance leases[2]	$ 10,532	$ —	$ 10,532	$ 463,195	$ —	$ 463,195

	Nine Months Ended September 30,					
	2019			2018		
	Equipment Leasing	Equipment Trading	Totals	Equipment Leasing	Equipment Trading	Totals
Total leasing revenues	$ 1,014,055	$ 2,038	$ 1,016,093	$ 991,639	$ 3,307	$ 994,946
Trading margin	—	12,233	12,233	—	12,795	12,795
Net gain on sale of leasing equipment	22,184	—	22,184	27,378	—	27,378
Depreciation and amortization expense	402,797	527	403,324	404,927	737	405,664
Interest and debt expense	242,115	1,066	243,181	235,531	1,096	236,627
Realized (gain) loss on derivative instruments, net	(1,905)	(7)	(1,912)	(1,345)	(3)	(1,348)
Income before income taxes(1)(3)	285,154	10,278	295,432	310,623	11,682	322,305
Purchases of leasing equipment and investments in finance leases(2)	$ 160,518	$ —	$ 160,518	1,347,202	$ —	$ 1,347,202

(1) Segment income before income taxes excludes unrealized gains or losses on derivative instruments and debt termination expense. The Company recorded unrealized losses on derivative instruments of $0.5 million and $2.8 million for the three and nine months ended September 30, 2019, respectively, an unrealized loss on derivative instruments of $0.3 million for the three months ended September 30, 2018, and an unrealized gain of $1.0 million for the nine months ended September 30, 2018. The Company recorded debt termination expense of $1.9 million and $2.4 million for the three and nine months ended September 30, 2019, respectively, and $1.3 million and $1.9 million for the three and nine months ended September 30, 2018, respectively.

(2) Represents cash disbursements for purchases of leasing equipment and investments in finance leases as reflected in the consolidated statements of cash flows for the periods indicated, but excludes cash flows associated with the purchase of equipment held for resale.

(3) Equipment leasing segment includes gain on sale of an office building of $21.0 million for the nine months ended September 30, 2018.

	September 30, 2019			December 31, 2018		
	Equipment Leasing	Equipment Trading	Totals	Equipment Leasing	Equipment Trading	Totals
Equipment held for sale	$ 75,234	$ 23,634	$ 98,868	$ 46,968	$ 19,485	$ 66,453
Goodwill	220,864	15,801	236,665	220,864	15,801	236,665
Total assets	$ 9,755,414	$ 46,469	$ 9,801,883	$ 10,224,421	$ 45,592	$ 10,270,013

There are no intercompany revenues or expenses between segments. Certain administrative expenses have been allocated between segments based on an estimate of services provided to each segment. A portion of the Company's equipment purchased for resale may be leased for a period of time and is reflected as leasing equipment as opposed to equipment held for sale and the cash flows associated with these transactions are reflected as purchases of leasing equipment and proceeds from the sale of equipment in investing activities in the Company's consolidated statements of cash flows.

Geographic Segment Information

The Company generates the majority of its leasing revenues from international containers which are deployed by its customers in a wide variety of global trade routes. The majority of the Company's leasing related revenue is denominated in U.S. dollars.

The following table summarizes the geographic allocation of equipment leasing revenues for the three and nine months ended September 30, 2019 and 2018 based on the Company's customers' primary domicile (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total equipment leasing revenues:				
Asia	$ 133,787	$ 142,978	$ 405,592	$ 407,919
Europe	164,197	164,812	490,190	462,943
Americas	28,701	31,796	90,391	92,949
Bermuda	515	778	1,732	2,112
Other International	9,468	9,714	28,188	29,023
Total	$ 336,668	$ 350,078	$ 1,016,093	$ 994,946

Since the majority of the Company's containers are used internationally, where no one container is domiciled in one particular place for a prolonged period of time, all of the Company's long-lived assets are considered to be international.

The following table summarizes the geographic allocation of equipment trading revenues for the three and nine months ended September 30, 2019 and 2018 based on the location of the sale (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total equipment trading revenues:				
Asia	$ 4,814	$ 5,824	$ 11,799	$ 11,539
Europe	9,756	6,475	22,187	15,829
Americas	8,827	10,407	24,880	23,164
Bermuda	—	—	—	—
Other International	2,399	2,586	7,967	6,234
Total	$ 25,796	$ 25,292	$ 66,833	$ 56,766

Note 10—Commitments and Contingencies

Contingencies

The Company is party to various pending or threatened legal or regulatory proceedings arising in the ordinary course of its business. Based upon information presently available, the Company does not expect any liabilities arising from these matters to have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

Container Equipment Purchase Commitments

At September 30, 2019, the Company had commitments to purchase equipment in the amount of $68.6 million payable in 2019.

Note 11—Income Taxes

The Company's effective tax rates were 5.1% and 9.3% for the three months ended September 30, 2019 and 2018, respectively, and 7.1% and 11.3% for the nine months ended September 30, 2019 and 2018, respectively. The Company has computed the provision for income taxes based on the estimated annual effective tax rate and the application of discrete items, if any, in the applicable period. The decrease in effective tax rates in 2019 was primarily the result of an increased proportion of the Company's income generated in lower tax jurisdictions. In addition, there was a further tax rate benefit realized in 2019 as the result of the vesting of restricted shares where the vest date price exceeded the grant date price.

Note 12—Related Party Transactions

The Company holds a 50% interest in TriStar Container Services (Asia) Private Limited ("TriStar"), which is primarily engaged in the selling and leasing of container equipment in the domestic and short sea markets in India. The Company's equity investment in TriStar is included in Other assets on the consolidated balance sheet. The Company received payments on direct finance leases with TriStar of $0.5 million and $1.4 million for the three and nine months ended September 30, 2019, respectively, and $0.4 million and $1.4 million for the three and nine months ended September 30, 2018, respectively. The Company has a direct finance lease balance with TriStar of $11.0 million and $10.7 million as of September 30, 2019 and December 31, 2018.

Note 13—Noncontrolling Interest

During 2019, the Company acquired all of the remaining third-party partnership interests in Triton Container Investments LLC for an aggregate of $103.0 million in cash.

Note 14—Subsequent Events

The Company's Board of Directors has approved and declared a cash dividend of $0.53125 per share and $0.50 per share on its issued and outstanding 8.5% Series A Preference shares and 8.00% Series B Preference shares, respectively, payable on December 16, 2019 to holders of record at the close of business on December 9, 2019.

The Company's Board of Directors also approved and declared a quarterly cash dividend of $0.52 per share on its issued and outstanding common shares, payable on December 20, 2019 to holders of record at the close of business on December 3, 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" as discussed in our Annual Report on Form 10-K filed for the fiscal year ended December 31, 2018 with the SEC on February 19, 2019 (the "Form 10-K"), in this Report on Form 10-Q and in any other Form 10-Q filed or to be filed by us, and in other documents we file with the SEC from time to time. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Our Company

Triton International Limited ("Triton", "we", "our", and the "Company") is the world's largest lessor of intermodal containers. Intermodal containers are large, standardized steel boxes used to transport freight by ship, rail or truck. Because of the handling efficiencies they provide, intermodal containers are the primary means by which many goods and materials are shipped internationally. We also lease chassis, which are used for the transportation of containers.

We operate our business in one industry, intermodal transportation equipment, and have two business segments, which also represent our reporting segments:

- Equipment leasing - we own, lease and ultimately dispose of containers and chassis from our lease fleet.
- Equipment trading - we purchase containers from shipping line customers, and other sellers of containers, and resell containers to container retailers and users of containers for storage or one-way shipment.

Operations

Our consolidated operations include the acquisition, leasing, re-leasing and subsequent sale of multiple types of intermodal containers and chassis. As of September 30, 2019, our total fleet consisted of 3.7 million containers and chassis, representing 6.1 million twenty-foot equivalent units ("TEU") or 7.5 million cost equivalent units ("CEU"). We have an extensive global presence, offering leasing services through 23 offices in 16 countries and approximately 400 third-party container depot facilities in 46 countries as of September 30, 2019. Our primary customers include the world's largest container shipping lines. For the nine months ended September 30, 2019, our twenty largest customers accounted for 85% of our lease billings, our five largest customers accounted for 53% of our lease billings, and our two largest customers, CMA CGM S.A. and Mediterranean Shipping Company S.A., accounted for 21% and 14% of our lease billings, respectively.

The most important driver of profitability in our business is the extent to which leasing revenues, which are driven by our owned equipment fleet size, utilization and average rental rates, exceed our ownership and operating costs. Our profitability is also driven by the gains or losses we realize on the sale of used containers in the ordinary course of our business.

We lease five types of equipment: (1) dry containers, which are used for general cargo such as manufactured component parts, consumer staples, electronics and apparel, (2) refrigerated containers, which are used for perishable items such as fresh and frozen foods, (3) special containers, which are used for heavy and over-sized cargo such as marble slabs, building products and machinery, (4) tank containers, which are used to transport bulk liquid products such as chemicals, and (5) chassis, which are used for the transportation of containers. Our in-house equipment sales group manages the sale process for our used containers and chassis from our equipment leasing fleet and buys and sells used and new containers and chassis acquired from third parties.

The following tables summarize our equipment fleet as of September 30, 2019, December 31, 2018 and September 30, 2018 indicated in units, TEU and CEU.

	Equipment Fleet in Units			Equipment Fleet in TEU		
	September 30, 2019	December 31, 2018	September 30, 2018	September 30, 2019	December 31, 2018	September 30, 2018
Dry	3,287,025	3,340,946	3,336,793	5,393,705	5,476,406	5,464,515
Refrigerated	226,114	228,778	228,559	436,129	440,781	440,164
Special	94,678	93,900	94,038	171,579	169,614	169,870
Tank	12,539	12,509	12,284	12,539	12,509	12,284
Chassis	24,704	24,832	23,396	45,498	45,787	42,911
Equipment leasing fleet	3,645,060	3,700,965	3,695,070	6,059,450	6,145,097	6,129,744
Equipment trading fleet	17,054	13,138	14,513	25,764	21,361	23,182
Total	3,662,114	3,714,103	3,709,583	6,085,214	6,166,458	6,152,926

	Equipment Fleet in CEU (1)		
	September 30, 2019	December 31, 2018	September 30, 2018
Operating leases(2)	6,929,682	7,009,605	7,208,106
Finance leases	526,553	538,867	318,607
Equipment trading fleet(2)	42,739	47,476	53,730
Total	7,498,974	7,595,948	7,580,443

(1) In the equipment fleet tables above, we have included total fleet count information based on CEU. CEU is a ratio used to convert the actual number of containers in our fleet to a figure based on the relative purchase prices of our various equipment types to that of a 20-foot dry container. For example, the CEU ratio for a 40-foot high cube dry container is 1.68, and a 40-foot high cube refrigerated container is 10.0. The CEU ratios used in this calculation are from our debt agreements and may differ slightly from CEU ratios used by others in the industry.

(2) Includes off-hires.

The following table summarizes the percentage of our equipment fleet in terms of units and CEU as of September 30, 2019:

Equipment Type	Percentage of total fleet in units	Percentage of total fleet in CEU
Dry	89.7%	62.6%
Refrigerated	6.2	29.7
Special	2.6	3.0
Tank	0.3	2.7
Chassis	0.7	1.4
Equipment leasing fleet	99.5	99.4
Equipment trading fleet	0.5	0.6
Total	100.0%	100.0%

We generally lease our equipment on a per diem basis to our customers under three types of leases:

- Long-term leases typically have initial contractual terms ranging from three to eight years and provide us with stable cash flow and low transaction costs by requiring customers to maintain specific units on-hire for the duration of the lease.
- Finance leases are typically structured as full payout leases and provide for a predictable recurring revenue stream with the lowest cost to the customer as customers are generally required to retain the equipment for the duration of its useful life.
- Service leases command a premium per diem rate in exchange for providing customers with greater operational flexibility by allowing non-scheduled pick-up and drop-off of units during the lease term.

We also have expired long-term leases whose fixed terms have ended but for which the related units remain on-hire and for which we continue to receive rental payments pursuant to the terms of the initial contract. Some leases have contractual terms that have features reflective of both long-term and service leases and we classify such leases as either long-term or service leases, depending upon which features we believe are predominant.

The following table summarizes our lease portfolio by lease type, based on CEU on-hire as of September 30, 2019, December 31, 2018 and September 30, 2018:

Lease Portfolio	September 30, 2019	December 31, 2018	September 30, 2018
Long-term leases	68.7%	66.6%	70.9%
Finance leases	7.6	7.5	4.4
Service leases	8.1	11.3	11.7
Expired long-term leases (units on-hire)	15.6	14.6	13.0
Total	100.0%	100.0%	100.0%

As of September 30, 2019, December 31, 2018 and September 30, 2018, our long-term and finance leases combined had an average remaining contractual term of approximately 48 months, 47 months, and 44 months, respectively, assuming no leases are renewed.

Operating Performance

Triton's performance remained solid during the third quarter of 2019, though market conditions were unseasonably soft. While container supply and demand were generally well balanced due to reduced production of new containers, lease transaction and container pick-up activity remained slow despite the third quarter being the traditional summer peak season for dry containers. Global economic conditions have softened this year, and the ongoing trade dispute between the United States and China continues to create uncertainty and impact shipping activity. The start of the fourth quarter typically marks the end of the peak shipping season for dry containers, and we expect lease transaction activity to remain slow.

Fleet size. As of September 30, 2019, our revenue earning assets had a net book value of $9.1 billion and our fleet size on a CEU basis was 7.5 million CEUs, which represent decreases of 4.9% and 1.1%, respectively, compared to September 30, 2018. The decrease in our fleet size was due to lower procurement in 2019 as a result of the limited leasing demand and low new lease transaction activity. Through October 18, 2019, we have invested $247.7 million in new containers for delivery in 2019.

Utilization. Our utilization averaged 96.7% during the third quarter of 2019, down 2.0% from the third quarter of 2018. Container supply and demand were generally well balanced in the third quarter of 2019 due to reduced production of new containers, but normal drop-off activity coupled with decreased levels of container pick-ups caused our utilization to decrease moderately. We expect our utilization to decrease further in the fourth quarter due to the end of the peak shipping season. As of October 18, 2019, our utilization was 96.1%.

The following table summarizes the equipment fleet utilization[(1)] for the periods indicated below:

	Quarter Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Average Utilization [(1)]	96.7%	97.2%	97.6%	98.2%	98.7%
Ending Utilization [(1)]	96.3%	97.0%	97.4%	97.8%	98.6%

(1) Utilization is computed by dividing our total units on lease (in CEU) by the total units in our fleet (in CEU) excluding new units not yet leased and off-hire units designated for sale.

Average lease rates. Average lease rates for our dry container product line decreased by 2.6% in the third quarter of 2019 compared to the third quarter of 2018, primarily reflecting the impact of several large lease extensions completed during 2019 at rates below our portfolio average. Market lease rates have decreased in 2019 due to a decrease in new container prices, a decrease in interest rates and aggressive competition for available lease transactions, and market lease rates are currently well below our average portfolio lease rates. Our average dry container lease rates will continue to trend down if new container prices remain at their current low level.

Average lease rates for our refrigerated container product line decreased by 4.8% in the third quarter of 2019 compared to the third quarter of 2018. The cost of refrigerated containers has trended down over the last few years, which has led to lower market lease rates. Market lease rates for refrigerated containers have also been pressured for several years by new leasing company entrants. Market lease rates for refrigerated containers remain below the average lease rates of our refrigerated container lease portfolio, and we expect our average lease rates for refrigerated containers to continue to gradually trend down.

The average lease rates for special containers remained flat in the third quarter of 2019 compared to the third quarter of 2018, mainly due to limited lease renewal and new lease transaction activity.

Equipment disposals. Disposal volumes of our used dry containers increased 98.8% in the third quarter of 2019 from the third quarter of 2018 mainly as a result of increased container redeliveries. Average used dry container disposal prices decreased by 12.4% in the third quarter of 2019 compared to the third quarter of 2018, reflecting an increase in inventories of containers held for sale and lower new container prices. We continue to generate substantial gains on used container disposals as our average used container selling prices currently are above our accounting residual values.

Credit Risk. We had minimal credit losses in the third quarter of 2019. However, our credit risk remains elevated due to the ongoing financial pressure faced by our shipping line customers. The container shipping industry has faced several years of weak freight rates and poor financial results due to excess vessel capacity resulting from aggressive ordering of mega container vessels, compounded this year by lower than expected trade growth. A number of our customers have recently generated financial losses and many are burdened with high levels of debt. In addition, we anticipate the high volume of new vessels entering service over the next several years will complicate our customers' efforts to increase freight rates. Furthermore, new environmental regulations expected to become effective in January 2020 will increase the cost of fuel and have caused our shipping line customers to make large capital outlays. As a result, we expect our customers' financial performance will remain under pressure for some time. The increased tariffs imposed on certain goods traded between the United States and China and the threat of additional tariffs could lead to reduced trade and lower freight rates and further increase the financial pressure on our customers.

Results of Operations

The following table summarizes our results of operations for the three and nine months ended September 30, 2019 and 2018 (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Leasing revenues:				
Operating leases	$ 326,800	$ 346,461	$ 985,592	$ 981,646
Finance leases	9,868	3,617	30,501	13,300
Total leasing revenues	336,668	350,078	1,016,093	994,946
Equipment trading revenues	25,796	25,292	66,833	56,766
Equipment trading expenses	(21,646)	(19,482)	(54,600)	(43,971)
Trading margin	4,150	5,810	12,233	12,795
Net gain on sale of leasing equipment	6,196	7,055	22,184	27,378
Net gain on sale of building	—	—	—	20,953
Operating expenses:				
Depreciation and amortization	133,367	141,337	403,324	405,664
Direct operating expenses	20,457	11,489	55,356	32,732
Administrative expenses	18,496	19,966	56,671	60,293
Provision (reversal) for doubtful accounts	126	677	505	551
Total operating expenses	172,446	173,469	515,856	499,240
Operating income (loss)	174,568	189,474	534,654	556,832
Other expenses:				
Interest and debt expense	77,401	82,502	243,181	236,627
Realized (gain) loss on derivative instruments, net	(539)	(608)	(1,912)	(1,348)
Unrealized (gain) loss on derivative instruments, net	504	322	2,757	(975)
Debt termination expense	1,870	1,348	2,428	1,851
Other (income) expense, net	(116)	492	(2,047)	(752)
Total other expenses	79,120	84,056	244,407	235,403
Income (loss) before income taxes	95,448	105,418	290,247	321,429
Income tax expense (benefit)	4,845	9,789	20,737	36,182
Net income	$ 90,603	$ 95,629	$ 269,510	$ 285,247
Less: income (loss) attributable to noncontrolling interest	—	1,393	592	5,249
Less: dividend on preferred shares	4,708	—	7,038	—
Net income (loss) attributable to common shareholders	$ 85,895	$ 94,236	$ 261,880	$ 279,998

The following table summarizes our comparative results of operations for the three months ended September 30, 2019 and 2018 (in thousands).

	Three Months Ended September 30,		
	2019	2018	Variance
Leasing revenues:			
Operating leases	$ 326,800	$ 346,461	$ (19,661)
Finance leases	9,868	3,617	6,251
Total leasing revenues	336,668	350,078	(13,410)
Equipment trading revenues	25,796	25,292	504
Equipment trading expenses	(21,646)	(19,482)	(2,164)
Trading margin	4,150	5,810	(1,660)
Net gain on sale of leasing equipment	6,196	7,055	(859)
Operating expenses:			
Depreciation and amortization	133,367	141,337	(7,970)
Direct operating expenses	20,457	11,489	8,968
Administrative expenses	18,496	19,966	(1,470)
Provision (reversal) for doubtful accounts	126	677	(551)
Total operating expenses	172,446	173,469	(1,023)
Operating income (loss)	174,568	189,474	(14,906)
Other expenses:			
Interest and debt expense	77,401	82,502	(5,101)
Realized (gain) loss on derivative instruments, net	(539)	(608)	69
Unrealized (gain) loss on derivative instruments, net	504	322	182
Debt termination expense	1,870	1,348	522
Other (income) expense, net	(116)	492	(608)
Total other expenses	79,120	84,056	(4,936)
Income (loss) before income taxes	95,448	105,418	(9,970)
Income tax expense (benefit)	4,845	9,789	(4,944)
Net income	$ 90,603	$ 95,629	$ (5,026)
Less: income (loss) attributable to noncontrolling interest	—	1,393	(1,393)
Less: dividend on preferred shares	4,708	—	4,708
Net income (loss) attributable to common shareholders	$ 85,895	$ 94,236	$ (8,341)

Comparison of the three months ended September 30, 2019 and 2018

Leasing revenues. Per diem revenue represents revenue earned under operating lease contracts. Fee and ancillary lease revenue represents fees billed for the pick-up and drop-off of containers in certain geographic locations and billings of certain reimbursable operating costs such as repair and handling expenses. Finance lease revenue represents interest income earned under finance lease contracts. The following table summarizes our leasing revenue for the periods indicated below (in thousands):

	Three Months Ended September 30,		
	2019	2018	Variance
Leasing revenues:			
Operating leases			
Per diem revenues	$ 311,199	$ 333,118	$ (21,919)
Fee and ancillary revenues	15,601	13,343	2,258
Total operating lease revenues	326,800	346,461	(19,661)
Finance leases	9,868	3,617	6,251
Total leasing revenues	$ 336,668	$ 350,078	$ (13,410)

Total leasing revenues were $336.7 million, net of lease intangible amortization of $8.7 million, for the three months ended September 30, 2019, compared to $350.1 million, net of lease intangible amortization of $15.1 million, in the same period in 2018, a decrease of $13.4 million.

Per diem revenues were $311.2 million for the three months ended September 30, 2019 compared to $333.1 million in the same period in 2018, a decrease of $21.9 million. The primary reasons for this decrease are as follows:

- $10.2 million decrease due to a decrease in average fleet size as well as a decrease in utilization;
- $9.9 million decrease due to the reclassification of certain contracts from operating leases to finance leases in the fourth quarter of 2018 as a result of the renegotiation and extension of the contracts; and
- $8.1 million decrease due to a decrease in average CEU per diem rates; partially offset by
- $6.3 million increase due to a decrease in lease intangible amortization.

Fee and ancillary lease revenues were $15.6 million for the three months ended September 30, 2019 compared to $13.3 million in the same period in 2018, an increase of $2.3 million. The increase was primarily due to an increase in redelivery fees as a result of a higher volume of redeliveries.

Finance lease revenues were $9.9 million for the three months ended September 30, 2019 compared to $3.6 million in the same period in 2018, an increase of $6.3 million. The increase was due to the addition of several finance leases, primarily in the fourth quarter of 2018, as a result of the renegotiation and extension of certain contracts that were reclassified from operating leases to finance leases. This increase was partially offset by the runoff of the existing portfolio.

Trading margin. Trading margin was $4.2 million for the three months ended September 30, 2019 compared to $5.8 million in the same period in 2018, a decrease of $1.6 million. The decrease was primarily due to a decrease in per unit margins as a result of a decrease in selling prices.

Net gain on sale of leasing equipment. Gain on sale of equipment was $6.2 million for the three months ended September 30, 2019 compared to $7.1 million in the same period in 2018, a decrease of $0.9 million. The decrease is primarily due to a 12.4% decrease in average dry container selling prices. This decrease was partially offset by a 98.8% increase in selling volumes.

Depreciation and amortization. Depreciation and amortization was $133.4 million for the three months ended September 30, 2019 compared to $141.3 million in the same period in 2018, a decrease of $7.9 million. The primary reasons for the decrease are as follows:

- $5.2 million decrease due to the reclassification of certain contracts from operating leases to finance leases in the fourth quarter of 2018 as a result of the renegotiation and extension of the contracts; and
- $5.0 million decrease due to an increase in the number of containers that are fully depreciated; partially offset by
- $2.3 million increase due to new equipment placed into service since the third quarter of 2018.

Direct operating expenses. Direct operating expenses primarily consist of our costs to repair equipment returned off lease, to store the equipment when it is not on lease and to reposition equipment from locations with weak leasing demand. Direct operating expenses were $20.5 million for the three months ended September 30, 2019 compared to $11.5 million in the same period in 2018, an increase of $9.0 million. The primary reasons for the increase are as follows:

- $5.5 million increase in storage expense due to an increase in idle units; and
- $2.0 million increase in repair costs due to an increase in the volume of container redeliveries.

Administrative expenses. Administrative expenses were $18.5 million for the three months ended September 30, 2019 compared to $20.0 million in the same period in 2018, a decrease of $1.5 million. The decrease is primarily due to a decrease in employee incentive compensation costs.

Interest and debt expense. Interest and debt expense was $77.4 million for the three months ended September 30, 2019, compared to $82.5 million in the same period in 2018, a decrease of $5.1 million. The primary reasons for the decrease are as follows:

- $2.7 million decrease due to a decrease in the average debt balance of $244.4 million for the three months ended September 30, 2019 compared to the same period in 2018; and
- $2.4 million decrease due to a decrease in the average effective interest rate to 4.22% for the three months ended September 30, 2019 compared to 4.35% in the same period in 2018.

Realized (gain) loss on derivative instruments, net. Realized gain on derivative instruments, net was relatively flat at $0.5 million and $0.6 million for the three months ended September 30, 2019 and 2018, respectively.

Unrealized (gain) loss on derivative instruments. Unrealized loss on derivative instruments, net was $0.5 million for the three months ended September 30, 2019 compared to $0.3 million in the same period in 2018. The increase in unrealized loss is primarily due to a larger decrease in long-term interest rates during the third quarter of 2019 compared to the third quarter of 2018.

Income taxes. Income tax expense was $4.8 million for the three months ended September 30, 2019 compared to $9.8 million in the same period in 2018, a decrease in income tax expense of $5.0 million. The decrease in income tax expense was primarily the result of a decrease in pre-tax income and an increase in the portion of income generated in lower tax jurisdictions in the three months ended September 30, 2019. In addition, there was a further tax benefit realized in the third quarter of 2019 as a result of the vesting of restricted shares where the vest date price exceeded the grant date price.

Income attributable to noncontrolling interests. There was no income attributable to noncontrolling interests for the three months ended September 30, 2019 compared to $1.4 million in the same period in 2018. All third-party partnership interests in Triton Container Investments LLC were acquired during the first half of 2019.

Results of Operations

The following table summarizes our comparative results of operations for the nine months ended September 30, 2019 and 2018 (in thousands).

	Nine Months Ended September 30,		
	2019	2018	Variance
Leasing revenues:			
Operating leases	$ 985,592	$ 981,646	$ 3,946
Finance leases	30,501	13,300	17,201
Total leasing revenues	1,016,093	994,946	21,147
Equipment trading revenues	66,833	56,766	10,067
Equipment trading expenses	(54,600)	(43,971)	(10,629)
Trading margin	12,233	12,795	(562)
Net gain on sale of leasing equipment	22,184	27,378	(5,194)
Net gain on sale of building	—	20,953	(20,953)
Operating expenses:			
Depreciation and amortization	403,324	405,664	(2,340)
Direct operating expenses	55,356	32,732	22,624
Administrative expenses	56,671	60,293	(3,622)
Provision (reversal) for doubtful accounts	505	551	(46)
Total operating expenses	515,856	499,240	16,616
Operating income (loss)	534,654	556,832	(22,178)
Other expenses:			
Interest and debt expense	243,181	236,627	6,554
Realized (gain) loss on derivative instruments, net	(1,912)	(1,348)	(564)
Unrealized (gain) loss on derivative instruments, net	2,757	(975)	3,732
Debt termination expense	2,428	1,851	577
Other (income) expense, net	(2,047)	(752)	(1,295)
Total other expenses	244,407	235,403	9,004
Income (loss) before income taxes	290,247	321,429	(31,182)
Income tax expense (benefit)	20,737	36,182	(15,445)
Net income	$ 269,510	$ 285,247	$ (15,737)
Less: income (loss) attributable to noncontrolling interest	592	5,249	(4,657)
Less: dividend on preferred shares	7,038	—	7,038
Net income (loss) attributable to common shareholders	$ 261,880	$ 279,998	$ (18,118)

Comparison of the nine months ended September 30, 2019 and 2018

Leasing revenues. Per diem revenue represents revenue earned under operating lease contracts. Fee and ancillary lease revenue represents fees billed for the pick-up and drop-off of containers in certain geographic locations and billings of certain reimbursable operating costs such as repair and handling expenses. Finance lease revenue represents interest income earned under finance lease contracts. The following table summarizes our leasing revenue for the periods indicated below (in thousands):

	Nine Months Ended September 30,		
	2019	2018	Variance
Leasing revenues:			
Operating leases			
Per diem revenues	$ 938,593	$ 947,933	$ (9,340)
Fee and ancillary revenues	46,999	33,713	13,286
Total operating lease revenues	985,592	981,646	3,946
Finance leases	30,501	13,300	17,201
Total leasing revenues	$ 1,016,093	$ 994,946	$ 21,147

Total leasing revenues were $1,016.1 million, net of lease intangible amortization of $29.4 million, for the nine months ended September 30, 2019, compared to $994.9 million, net of lease intangible amortization of $48.2 million, in the same period in 2018, an increase of $21.2 million.

Per diem revenues were $938.6 million for the nine months ended September 30, 2019 compared to $947.9 million in the same period in 2018, a decrease of $9.3 million. The primary reasons for this decrease are as follows:

- $29.4 million decrease due to the reclassification of certain contracts from operating leases to finance leases in the fourth quarter of 2018 as a result of the renegotiation and extension of the contracts; and
- $11.8 million decrease due to a decrease in average CEU per diem rates; partially offset by
- $18.4 million increase due to a decrease in lease intangible amortization; and
- $13.5 million increase due to an increase in average fleet size partially offset by a decrease in utilization.

Fee and ancillary lease revenues were $47.0 million for the nine months ended September 30, 2019 compared to $33.7 million in the same period in 2018, an increase of $13.3 million. The increase was primarily due to an increase in redelivery fees as a result of higher volume of redeliveries.

Finance lease revenues were $30.5 million for the nine months ended September 30, 2019 compared to $13.3 million in the same period in 2018, an increase of $17.2 million. The increase was due to the addition of several finance leases, primarily in the fourth quarter of 2018, as a result of the renegotiation and extension of certain contracts that were reclassified from operating leases to finance leases. This increase was partially offset by the runoff of the existing portfolio.

Trading margin. Trading margin was $12.2 million for the nine months ended September 30, 2019 compared to $12.8 million in the same period in 2018, a decrease of $0.6 million. The decrease was primarily due to a decrease in per unit margins, partially offset by an increase in trading volume.

Net gain (loss) on sale of leasing equipment. Gain on sale of equipment was $22.2 million for the nine months ended September 30, 2019 compared to $27.4 million in the same period in 2018, a decrease of $5.2 million. The decrease was primarily due to a 9.8% decrease in average used dry container selling prices. These decreases were partially offset by a 65.2% increase in selling volumes.

Net gain on sale of building. On April 20, 2018, we completed the sale of an office building for net proceeds of $27.6 million and recognized a gain of $21.0 million.

Depreciation and amortization. Depreciation and amortization was $403.3 million for the nine months ended September 30, 2019 compared to $405.7 million in the same period in 2018, a decrease of $2.4 million. The primary reasons for the decrease are as follows:

- $15.9 million decrease due to the reclassification of certain contracts from operating leases to finance leases in the fourth quarter of 2018 as a result of the renegotiation and extension of the contracts; and

- $13.1 million decrease due to an increase in the number of containers that are fully depreciated; partially offset by
- $26.6 million increase due to a net increase in the size of our depreciable fleet.

Direct operating expenses. Direct operating expenses primarily consist of our costs to repair equipment returned off lease, to store the equipment when it is not on lease and to reposition equipment from locations with weak leasing demand. Direct operating expenses were $55.4 million for the nine months ended September 30, 2019 compared to $32.7 million in the same period in 2018, an increase of $22.7 million. The primary reasons for the increase are as follows:

- $13.8 million increase in storage expense due to an increase in idle units; and
- $7.6 million increase in repair and handling expense due to an increase in the volume of redeliveries.

Administrative expenses. Administrative expenses were $56.7 million for the nine months ended September 30, 2019 compared to $60.3 million in the same period in 2018, a decrease of $3.6 million. The primary reasons for this decrease are as follows:

- $2.6 million decrease due to a decrease in employee incentive compensation; and
- $1.5 million decrease due to a decrease in professional fees.

Interest and debt expense. Interest and debt expense was $243.2 million for the nine months ended September 30, 2019, compared to $236.6 million in the same period in 2018, an increase of $6.6 million. The increase was primarily due to a higher average debt balance in 2019 resulting from borrowings to support significant investments in new containers during the latter half of 2018. These borrowings increased the average debt balance by $208.8 million for the nine months ended September 30, 2019, which increased expenses by $6.9 million. The effective interest rate remained comparable at 4.35% for the nine months ended September 30, 2019 compared to 4.36% in the same period in 2018.

Realized (gain) loss on derivative instruments, net. Realized gain on derivative instruments, net was $1.9 million for the nine months ended September 30, 2019, compared to $1.3 million in the same period in 2018, an increase of $0.6 million. This increase is primarily due to an increase in the average one-month LIBOR rate, partially offset by the reduction of the underlying derivative notional amounts due to amortization, terminations, and expirations in the nine months ended September 30, 2019 compared to the same period in 2018.

Unrealized loss (gain) on derivative instruments. Unrealized loss on derivative instruments, net was $2.8 million for the nine months ended September 30, 2019 compared to a gain of $1.0 million in the same period in 2018. The unrealized loss in 2019 was primarily due to a decrease in long-term interest rates during the nine months ended September 30, 2019 compared with an increase in long-term interest rates during the same period of 2018.

Income taxes. Income tax expense was $20.7 million for the nine months ended September 30, 2019 compared to $36.2 million in the same period in 2018, a decrease in income tax expense of $15.5 million. The decrease in income tax expense was primarily the result of a decrease in pre-tax income and an increase in the portion of income generated in lower tax jurisdictions in the nine months ended September 30, 2019. In addition, there was a further tax benefit realized in the third quarter of 2019 as a result of the vesting of restricted shares where the vest date price exceeded the grant date price.

Income attributable to noncontrolling interests. Income attributable to noncontrolling interests was $0.6 million for the nine months ended September 30, 2019 compared to $5.2 million in the same period in 2018. All third-party partnership interests in Triton Container Investments LLC were acquired during the first half of 2019.

Liquidity and Capital Resources

Our principal sources of liquidity are cash flows provided by operating activities, proceeds from the sale of our leasing equipment, and borrowings under our credit facilities. Our principal uses of cash include capital expenditures, debt service requirements, paying dividends, and repurchasing our common shares.

For the trailing twelve months ending September 30, 2019, cash provided by operating activities, together with the proceeds from the sale of our leasing equipment, was $1,213.7 million. In addition, as of September 30, 2019, we had $46.8 million of cash and cash equivalents and $1,377.0 million of additional borrowing capacity under our current credit facilities.

As of September 30, 2019, our cash commitments in the next twelve months include $772.8 million of scheduled principal payments on our existing debt facilities and $103.5 million of committed but unpaid capital expenditures.

We believe that cash provided by operating activities, existing cash, proceeds from the sale of our leasing equipment, and availability under our borrowing facilities will be sufficient to meet our obligations over the next twelve months.

Debt Agreements

At September 30, 2019, our outstanding indebtedness was comprised of the following (in millions):

	Amount Outstanding	Maximum Borrowing Level
Institutional notes	$ 1,965.4	$ 1,965.4
Asset-backed securitization term notes	2,815.5	2,815.5
Term loan facilities	1,227.9	1,227.9
Asset-backed warehouse facility	410.0	800.0
Revolving credit facilities	573.0	1,560.0
Capital lease obligations	51.0	51.0
Total debt outstanding	7,042.8	8,419.8
Debt costs	(42.8)	—
Unamortized debt premiums & discounts	(4.4)	—
Unamortized fair value debt adjustment	(10.1)	—
Debt, net of unamortized debt costs	$ 6,985.5	$ 8,419.8

The maximum borrowing levels depicted in the table above may not reflect the actual availability under all of the credit facilities. Certain of these facilities are governed by borrowing bases that limit borrowing capacity to an established percentage of relevant assets. As of September 30, 2019, the actual availability under all of our credit facilities was approximately $703.3 million.

As of September 30, 2019, we had a combined $5,961.4 million of total debt on facilities with fixed interest rates or floating interest rates that have been synthetically fixed through interest rate swap contracts. This accounts for 84.7% of total debt.

Pursuant to the terms of certain debt agreements, we are required to maintain certain restricted cash accounts. As of September 30, 2019, we had restricted cash of $111.3 million.

For additional information on our debt obligations, please refer to Note 7 "Debt" in the Notes to the Unaudited Consolidated Financial Statements.

Debt Covenants

We are subject to certain financial covenants under our debt agreements. The debt agreements are the obligations of our subsidiaries and all related debt covenants are calculated at the subsidiary level. Failure to comply with these covenants could result in a default under the related credit agreements and the acceleration of our outstanding debt if we were unable to obtain a waiver from the creditors. As of September 30, 2019, we were in compliance with all such covenants.

Share Repurchase Program

On April 25, 2019, the Company's Board of Directors authorized a new $200.0 million repurchase program of its common shares, replacing the previous authorization. During the nine months ended September 30, 2019, the Company repurchased a total of 6,589,163 common shares at an average price per share of $31.70 for a total of $209.1 million under both the current and previous authorization. As of October 18, 2019, the Company has a total of $84.9 million remaining under the current authorization.

Preferred Share Offering

In March 2019, the Company completed a public offering of Series A preferred shares, selling 3,450,000 shares and generating $86.3 million of gross proceeds. The estimated costs associated with the offering, inclusive of underwriting discount and other offering expenses, were $3.3 million.

In June 2019, the Company completed a public offering of Series B preferred shares, selling 5,750,000 shares and generating $143.8 million of gross proceeds. The estimated costs associated with the offering, inclusive of underwriting discount and other offering expenses, were $5.0 million.

The Company used the net proceeds from these offerings for general corporate purposes, including the purchase of containers, the repurchase of outstanding common shares, the payment of dividends, and the repayment or repurchase of outstanding indebtedness.

For additional information, please refer to Note 5 - "Other Equity Matters" in the Notes to the Unaudited Consolidated Financial Statements.

Cash Flow

The following table sets forth certain cash flow information for the nine months ended September 30, 2019 and 2018 (in thousands):

	Nine Months Ended September 30,	
	2019	2018
Net cash provided by (used in) operating activities	$ 779,507	$ 764,185
Net cash provided by (used in) investing activities	$ 2,270	$ (1,197,575)
Net cash provided by (used in) financing activities	$ (783,200)	$ 409,678

Operating Activities

Net cash provided by operating activities increased by $15.3 million to $779.5 million in the nine months ended September 30, 2019 compared to $764.2 million in the same period in 2018. The increase was primarily due to timing of collections on accounts receivable, partially offset by reduced profitability and increased collateral requirements related to derivative instruments.

Investing Activities

Net cash provided by investing activities was $2.3 million in the nine months ended September 30, 2019 compared to net cash used of $1,197.6 million in the same period in 2018. The change was primarily due to a $1,186.7 million decrease in leasing equipment purchases.

Financing Activities

Net cash used in financing activities increased by $1,192.9 million to $783.2 million in the nine months ended September 30, 2019, compared to cash provided by financing activities of $409.7 million in the same period in 2018. The change was primarily due to increased debt payments and decreased debt borrowings as a result of limited procurement in 2019. Additionally, in 2019 we repurchased common shares for $209.6 million and acquired all outstanding third party partnership interests in Triton Container Investments LLC for $103.0 million. These uses of cash in 2019 were partially offset by net proceeds of $221.8 million from preferred share offerings.

Contractual Obligations

We are party to various operating and capital leases and are obligated to make payments related to our borrowings. We are also obligated under various commercial commitments, including obligations to our equipment manufacturers. Our equipment manufacturer obligations are in the form of conventional accounts payable, and are satisfied by cash flows from operations and financing activities.

The following table summarizes our contractual obligations and commercial commitments as of September 30, 2019 (in millions):

Contractual Obligations:	Contractual Obligations by Period						
	Total	Remaining 2019	2020	2021	2022	2023	Thereafter
Principal debt obligations	$ 6,991.8	$ 129.7	$ 822.5	$ 825.6	$ 1,051.9	$ 1,574.1	$ 2,588.0
Interest on debt obligations(1)	1,083.1	72.0	267.5	232.4	194.7	153.1	163.4
Capital lease obligations(2)	57.7	2.0	7.9	7.9	7.9	7.9	24.1
Operating leases (mainly facilities)	10.5	0.8	3.3	2.7	2.3	1.4	—
Purchase obligations:							
Equipment purchases payable	34.9	34.9	—	—	—	—	—
Equipment purchase commitments	68.6	68.6	—	—	—	—	—
Total contractual obligations	$ 8,246.6	$ 308.0	$ 1,101.2	$ 1,068.6	$ 1,256.8	$ 1,736.5	$ 2,775.5

(1) Amounts include actual interest for fixed debt, estimated interest for floating rate debt and interest rate swaps which are in a payable position based on September 30, 2019 rates.
(2) Amounts include interest.

Off-Balance Sheet Arrangements

As of September 30, 2019, we did not have any relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with GAAP, which requires us to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies are discussed in our Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss to future earnings, values or cash flows that may result from changes in the price of a financial instrument. The fair value of a financial instrument, derivative or non-derivative, might change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. We have operations internationally and we are exposed to market risks in the ordinary course of our business. These risks include interest rate and foreign currency exchange rate risks.

Interest Rate Risk

We enter into derivative agreements to fix the interest rates on a portion of our floating rate debt. We assess and manage the external and internal risk associated with these derivative instruments in accordance with our overall operating goals. External risk is defined as those risks outside of our direct control, including counterparty credit risk, liquidity risk, systemic risk and legal risk. Internal risk relates to those operational risks within the management oversight structure and includes actions taken in contravention of our policies.

The primary external risk of our derivative agreements is counterparty credit exposure, which is defined as the ability of a counterparty to perform its financial obligations under the agreement. All of our derivative agreements are with highly-rated financial institutions. Credit exposures are measured based on the market value of outstanding derivative instruments. Both current and potential exposures are calculated for each derivative agreement to monitor counterparty credit exposure.

As of September 30, 2019, we had derivative agreements in place to fix interest rates on a portion of our borrowings under debt facilities with floating interest rates as summarized below:

Derivatives	Notional Amount	Weighted Average Fixed Leg (Pay) Interest Rate	Cap Rate	Weighted Average Remaining Term
Interest Rate Swap(1)	$1,863.6 Million	2.21%	n/a	4.1 years
Interest Rate Cap	$200.0 Million	n/a	5.5%	2.3 years

(1) The impact of forward starting swaps with total notional amount of $200.0 million will increase the weighted average remaining term to 4.8 years.

Certain of our derivative agreements are designated as cash flow hedges for accounting purposes, and any unrealized gains or losses related to the changes in fair value are recognized in accumulated comprehensive income and reclassified to interest and debt expense as they are realized. A portion of our swap portfolio is not designated and changes in the fair value of non-designated interest rate swap agreements are recognized in the consolidated statements of operations as unrealized (gain) loss on derivative instruments, net and reclassified to realized (gain) loss on derivative instruments, net as they are realized.

Approximately 63% of our floating rate debt is hedged using derivative instruments which helps mitigate the impact of changes in short-term interest rates. However, a 100 basis point increase in the interest rates on our floating rate debt (primarily LIBOR) would result in an increase of approximately $11.3 million in interest expense, net of realized gains on our derivative instruments, over the next 12 months.

Foreign currency exchange rate risk

Although we have significant foreign-based operations, the majority of our revenues and our operating expenses are denominated in U.S. dollars. However, we pay our non-U.S. employees in local currencies and certain operating expenses are denominated in foreign currencies. Net foreign currency exchange gains and losses were immaterial for the three and nine months ended September 30, 2019 and 2018.

ITEM 4. CONTROLS AND PROCEDURES.

Our senior management has evaluated the effectiveness and design of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e)), as of September 30, 2019. Based upon their evaluation of these disclosure controls and procedures, our Chief Executive Officer and our Senior Vice President and Chief Financial Officer concluded, as of September 30, 2019, that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2019, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we are a party to litigation matters arising in connection with the normal course of our business. While we cannot predict the outcome of these matters, in the opinion of our management, based on information presently available to us, we believe that we have adequate legal defenses, reserves or insurance coverage and any liability arising from these matters will not have a material adverse effect on our business. 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.

ITEM 1A. RISK FACTORS.

For a detailed discussion of our risk factors, refer to our Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Share Repurchase Program

The following table provides certain information with respect to the Company's purchases of its common shares during the three months ended September 30, 2019:

	Issuer Purchases of Common Shares(1)			
Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan	Approximate dollar value of shares that may yet be purchased under the plan (in thousands)
July 1, 2019 through July 31, 2019	472,839	$ 32.73	472,839	$ 131,247
August 1, 2019 through August 31, 2019	713,349	$ 31.25	713,349	$ 108,938
September 1, 2019 through September 30, 2019	418,615	$ 33.64	418,615	$ 94,847
Total	1,604,803		1,604,803	$ 94,847

(1) On April 25, 2019, the Company's Board of Directors authorized a new $200.0 million repurchase program replacing the previous authorization. The share repurchase authorization will terminate upon completing repurchases of $200 million of common shares unless terminated earlier by the Board.

ITEM 6. EXHIBITS.

Exhibit Number	Exhibit Description
31.1*	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended
31.2*	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended
32.1**	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2**	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document - the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Instance Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Inline XBRL Data (contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURE

Pursuant to the requirements 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.

		TRITON INTERNATIONAL LIMITED
October 24, 2019	By:	/s/ JOHN BURNS
		John Burns
		Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Brian M. Sondey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triton International Limited;

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. The registrant's other certifying officer and I are 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 Rule 13a-15(f) and 15(d)-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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our 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: October 24, 2019

/s/ BRIAN M. SONDEY

Brian M. Sondey
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, John Burns, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triton International Limited;

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. The registrant's other certifying officer and I are 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 Rule 13a-15(f) and 15(d)-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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our 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: October 24, 2019

/s/ JOHN BURNS

John Burns
Chief Financial Officer

Exhibit 32.1

CERTIFICATION BY CHIEF EXECUTIVE 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 Quarterly Report of Triton International Limited (the “Company”) on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian M. Sondey, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 24, 2019

/s/ BRIAN M. SONDEY

Brian M. Sondey
Chairman and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION BY CHIEF 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 Quarterly Report of Triton International Limited (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Burns, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 24, 2019

/s/ JOHN BURNS

John Burns
Chief Financial Officer