

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

CAI International (CAP)



MASAAKI (JOHN) NISHIBORI has been CAI International's President and Chief Executive Officer since November 2006 and has served as a member of its Board of Directors since 1998. Mr. Nishibori was the company's Senior Vice President and Chief Financial Officer from 1993 to November 2006. From 1973 to 1993, Mr. Nishibori was a commercial banker for The First National Bank of Boston. While with the First National Bank of Boston, Mr. Nishibori served as Chief Executive Officer of Bank of Boston, Italy, Boston Finanziaria, S.p.A and Boston Leasing Italia, S.p.A and later as Senior Credit Officer of the Specialized Finance Department. From 1970 to 1973, Mr. Nishibori was a management consultant at Arthur D. Little, Inc. Mr. Nishibori is a graduate of Hitotsubashi University and holds an MBA from Columbia University.

TWST: What is CAI International?

Mr. Nishibori: CAI International is a container leasing company. Containers are standardized steel boxes that you see on ships, trucks and trains that carry cargo. What we do is we lease these boxes to over 200 shipping companies around the world. In total, there are about 30 million TEUs of containers worldwide, approximately 60% of which is owned by the shipping companies and 40% by container leasing companies. "TEU" stands for 20-foot equivalent units, so a 20-foot container counts as one and a 40-foot container as two. The leasing companies lease the containers to the shipping companies either on a long-term basis which is typically five years, or on a short-term basis for less than one year.

Our company was established in 1989. Last year we completed a management buyout of the shares then held by Interpool, Inc, followed by an IPO this year in May. The proceeds from the IPO were used to repay the debt incurred in the MBO. We have a total container fleet of approximately 700,000 TEUs, which places us at about sixth in the industry. The industry now is going through a consolidation process, a shakeout period. I believe we completed the IPO at the right time. The increase in additional debt capacity created by the IPO allows us to play a proactive role in the consolidation process in the industry.

TWST: Why the downturn or the lag in the industry?

Mr. Nishibori: There's no downturn or lag in the industry. On the contrary, the industry, I believe, is growing at over 10% annually. CAI's fleet grew at a rate of 11% per year during the past 10 years. This is reflective of the underlying macro factors, the most important of which is the growth in world trade volume. As I said, because of the economic globalization that is taking place, the world trade volume is increasing at a rate of approximately 10% per annum. Compared to other industries, it is a fairly fast clip and our industry benefits directly from this growth rate.

TWST: You mentioned that was an appropriate and perhaps a good time to have shares as equity for consolidation or acquisitions. I would assume that when pricing was favorable that usually means there are some corrections or other dynamics within the competitive landscape that facilitate the acquisitions.

Mr. Nishibori: The demand for container leasing has been very strong for many years and we expect it to continue. But with new entrants during the last several years, the competition has become very strong and I think that is the reason for this recent shakeout or consolidation process.

TWST: Is it a pricing battle or is it a lack of capital?

Mr. Nishibori: It is the abundance of capital that made it easy for new entrants in our industry and this has now put pressure on pricing, leading to the consolidation process.

TWST: If we were speaking a year or so ago, what were the goals? What was on the to-do list? How have you performed in meeting those items and checking them off?

Mr. Nishibori: A year ago, our main objective was to accomplish the MBO and go public. We have successfully accomplished both of our objectives.

TWST: Introduce us to your top-level management team, two or three of your key individuals?

Mr. Nishibori: We first have the Executive Chairman, Hiro Ogawa, who is the founder of this company. He is still very much involved in the strategic direction of CAI International. We also have a Chief Financial Officer, Victor Garcia, who just joined us before the IPO back in November from the Bank of America where he was the Managing Director in charge of our account as well as other clients in the transportation and container business for about 15 years.

“We are in a very attractive industry in that all the macro factors are very favorable; in other words, the rapid growth of world trade and its pattern. Economic globalization is pushing world trade growth, because as more products are manufactured in Asia more containers are required to transport the products to the ultimate consumers in North America and Europe. Thus, we believe that container trade will continue to grow for quite a long time at around 10% per annum.”

TWST: As you look ahead, what are the goals at this point? What are the priorities for the next 12 to 24 months?

Mr. Nishibori: What we are doing right now is proactively seeking opportunities in the consolidation process that the industry is going through. We are looking at possible container portfolio purchases or acquisition of other leasing companies. What we'd like to do is increase the present fleet of 700,000 TEUs to about 1 million TEUs in the next two to three years.

TWST: Give us the financial snapshot, balance sheet, and P&L. What items have strength? What items are you focused on, if any, for improvement?

Mr. Nishibori: Strategically speaking, thanks to the IPO, the balance sheet is exactly where we'd like it to be, with dry powder facing a consolidating industry. As of June 30 this year, the total assets of our company were approximately \$294 million, of which container equipment for lease was \$181 million, funded by total liabilities of \$174 million, resulting in a net worth of \$119 million. If I remember correctly, before the IPO, the leverage in terms of debt to EBITDA was somewhere between 3 and 4 times. Now, it's down to less than 2 and this represents a lot of additional debt capacity going forward that could propel growth. This is exactly where we want to be.

In my case, I joined the company about 15 years ago. Prior to that, I was also with Bank of Boston, which is now Bank of America. In terms of the top seven executives, the average CAI experience of the top seven is 13 years. As for industry experience, the top seven have an average of 19 years in the industry. We have a very well established and experienced executive team.

TWST: Coming out of the May IPO, have you a sense of the shareholder base? Have there been any changes to that base?

Mr. Nishibori: The shareholder base is primarily institutional. The management has a little over 50%, plus we have a major shareholder, The Development Bank of Japan, with about 10%. The Development Bank of Japan is a government bank that along with the EXIM Bank of Japan is one of the most respected banks in Japan because they were instrumental in the reconstruction of post-war Japan. We see a lot of possible synergy areas between the two institutions because DBJ is involved in various marine- and transportation-related projects.

TWST: In your discussions with the investment community are there any recurring questions or misperceptions? Is the CAI story understood?

Mr. Nishibori: Yes, they've all liked our story very much, because we do have a uniqueness compared to the other leasing com-

panies. Of the 700,000 TEUs that we have, we only own 25%, while 75% of the 700,000 TEUs is owned by third-party investors. These are individual investors, mainly in Germany and some in Japan as well. Under the third party investor program, we first purchase the containers, lease them to shipping companies and create a portfolio of containers earning lease revenue. We then sell the portfolio to various individual investors through container funds arranged by investment bankers in Europe and Japan. We then manage these containers as part of the company's fleet under a 10-year management contract. From this business segment we earn a significant amount of fee income and as this activity does not use our capital it has a very favorable impact on the company's return on assets and equity. The investor community really likes this model that produces excellent profitability.

With the increased debt capacity as a result of the IPO, our plan is to slowly increase the 25% ownership to approximately 30% of the total fleet.

TWST: As investors track and assess your performance then, what are the key metrics or events they should be focusing on? What should matter to the investor? What matters to you?

Mr. Nishibori: Obviously, the most important is the growth in net income and cash flow. However, in our case, we would like them to also focus on the return on assets and equity and compared that to our competition. We feel we are superior in the latter profitability department because of the fee income.

TWST: As you look at your global geographic footprint today, are there areas of concentration geographically that could cause concerns? Are there new territories that you should add to your footprint?

Mr. Nishibori: As far as new territories to add, there really is nothing left. We cover the entire world and all major economies. In terms of concentration, we look at it in terms of trade routes and the connecting economies. The most important and the largest concentration is the Pacific trade; in other words, the Asia/North America trade. The second is the Asia/Europe trade. The third is intra-Asia trade. Those are the three market concentrations that we are susceptible to and therefore, the health of the economies that are related to these trade routes has a very big impact on us. When all three of these major economies are doing well, our utilization is extremely high,

say north of 94%. Whereas if one of those areas has a recession, let's say, for example, if Europe has a recession, then you could see our utilization come down to the low 90s or high 80s. If two out of those three areas are in recession, it could be as low as in the mid-80s.

TWST: What compels investors to include CAI as part of their current portfolios and long-term investment strategies?

Mr. Nishibori: First, we are in a very attractive industry in that all the macro factors are very favorable; in other words, the rapid growth of world trade and its pattern. Economic globalization is pushing world trade growth, because as more products are manufactured in Asia more containers are required to transport the products to the ultimate consumers in North America and Europe. Thus, we believe that container trade will continue to grow for quite a long time at around 10% per annum.

Secondly, within this industry, compared to our competition, we get the best bang for the shareholder's dollar because of the high level of fee income generated by the managed assets we have.

Thirdly, compared to many of our competitors, we are now a public company with a significant amount of additional debt capacity. This would allow us to proactively seek opportunities in the presently consolidating industry. If the investors could recognize these three points, I'll be very happy.

TWST: Thank you.

MAASAKI (JOHN) NISHIBORI

President & CEO

CAI International

One Embarcadero Center

Suite 2101

San Francisco, CA 94111

(415) 788-0100

(415) 788-3430 – FAX

www.capps.com