

TAL International Group, Inc.
Form 10-Q
May 10, 2007

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 March 31, 2007
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- 001-32638

TAL International Group, Inc.

(Exact name of registrant as specified in the charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
100 Manhattanville Road,
Purchase, New York
(Address of principal executive office)

20-1796526
(I.R.S. Employer
Identification Number)

10577-2135
(Zip Code)

(914) 251-9000

(Registrant's telephone number including area code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of May 3, 2007, there were 33,257,723 shares of the Registrant's common stock, \$.001 par value outstanding.

TAL INTERNATIONAL GROUP, INC.
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CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q contains certain forward-looking statements, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy and service development efforts. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. When used in this Quarterly Report on Form 10-Q, the words "may", "might", "should", "estimate", "project", "anticipate", "expect", "intend", "outlook", "believe" and other similar expressions are intended to identify forward-looking statements and information. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on estimates and assumptions by our

management that, although we believe to be reasonable, are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those identified under “Risk Factors” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”), on March 13, 2007, and all of our other filings filed with the SEC from October 11, 2005 through the current date pursuant to the Securities Exchange Act of 1934.

We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. Reference is also made to such risks and uncertainties detailed from time to time in our filings with the SEC.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The consolidated financial statements of TAL International Group, Inc. (“TAL” or the “Company,”) as of March 31, 2007 (unaudited) and December 31, 2006 and for the three months ended March 31, 2007 (unaudited) and March 31, 2006 (unaudited) included herein have been prepared by the Company, without audit, pursuant to U.S. generally accepted accounting principles and the rules and regulations of the SEC. However, certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements reflect, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results for the interim periods. The results of operations for such interim periods are not necessarily indicative of the results for the full year. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K filed with the SEC, on March 13, 2007, from which the accompanying December 31, 2006 Balance Sheet information was derived, and all of our other filings filed with the SEC from October 11, 2005 through the current date pursuant to the Securities Exchange Act of 1934.

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TAL INTERNATIONAL GROUP, INC.

Consolidated Balance Sheets

(Dollars in thousands, except share data)

	March 31, 2007 (Unaudited)	December 31, 2006
Assets:		
Cash and cash equivalents (including restricted cash of \$14,516 and \$14,526)	\$ 49,082	\$ 58,167
Accounts receivable, net of allowances of \$385 and \$266	37,874	39,318
Net investment in finance leases	158,537	152,586
	1,116,454	1,080,523

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Leasing equipment, net of accumulated depreciation and allowances of \$227,488 and \$208,756		
Leasehold improvements and other fixed assets, net of accumulated depreciation and amortization of \$2,334 and \$2,132	2,794	2,855
Equipment held for sale	26,665	20,768
Goodwill	71,898	71,898
Deferred financing costs	6,767	6,957
Other assets (including fair value of derivative instruments)	19,581	22,591
Total assets	\$ 1,489,652	\$ 1,455,663
Liabilities and stockholders' equity:		
Accounts payable	\$ 62,565	\$ 13,273
Accrued expenses (including fair value of derivative instruments)	39,712	50,453
Income taxes payable	280	219
Deferred income tax liability	40,537	34,651
Debt	936,987	958,317
Total liabilities	1,080,081	1,056,913
Stockholders' equity:		
Preferred stock, \$.001 par value, 500,000 shares authorized, none issued	—	—
Common stock, \$.001 par value, 100,000,000 shares authorized, 33,393,973 and 33,303,031 shares issued, respectively	33	33
Treasury stock, at cost, 136,250 shares	(2,862)	(2,862)
Additional paid-in capital	394,544	394,440
Retained earnings	14,576	3,476
Accumulated other comprehensive income	3,280	3,663
Total stockholders' equity	409,571	398,750
Total liabilities and stockholders' equity	\$ 1,489,652	\$ 1,455,663

The accompanying notes to the unaudited consolidated financial statements are an integral part of these statements.

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TAL INTERNATIONAL GROUP, INC.

Consolidated Statements of Operations

(Dollars and shares in thousands, except earnings per share)

	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Revenues:		
Leasing revenues, including income recognized on finance leases of \$4,201 and \$2,286, respectively	\$ 68,181	\$ 67,541
Equipment trading revenue	9,238	5,019

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Management fee income	1,589	1,576
Other revenues	564	477
Total revenues	79,572	74,613
Expenses:		
Equipment trading expenses	7,399	4,225
Direct operating expenses	7,372	6,723
Administrative expenses	10,254	9,539
Depreciation and amortization	24,496	25,489
Provision for doubtful accounts	117	471
Net (gain) loss on sale of leasing equipment	(2,420)	108
Interest and debt expense	11,911	12,456
Unrealized loss on interest rate swaps	3,191	854
Total expenses	62,320	59,865
Income before income taxes	17,252	14,748
Income tax expense	6,166	5,243
Net income	\$ 11,086	\$ 9,505
Net income per common share — Basic	\$ 0.33	\$ 0.29
Net income per common share — Diluted	\$ 0.33	\$ 0.28
Weighted average number of common shares outstanding — Basic	33,184	32,882
Weighted average number of common shares outstanding — Diluted	33,378	33,459
Cash dividends paid per common share	\$ 0.30	—

The accompanying notes to the unaudited consolidated financial statements are an integral part of these statements.

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TAL INTERNATIONAL GROUP, INC.

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Three months ended March 31, 2007 2006 (Unaudited)	
Cash flows from operating activities:		
Net income	\$ 11,086	\$ 9,505
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,496	25,489
Amortization of deferred financing costs	230	110
Net (gain) loss on sale of leasing equipment	(2,420)	108
Unrealized loss on interest rate swaps	3,191	854
Deferred income taxes	5,886	7,953
Stock compensation charge	105	—

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Equipment purchased for resale	(4,823)	2,923
Changes in operating assets and liabilities	(1,868)	(3,668)
Net cash provided by operating activities	35,883	43,274
Cash flows from investing activities:		
Payments for leasing equipment	(24,719)	(13,185)
Investment in finance leases	(8,663)	(1,839)
Proceeds from sale of equipment, net of selling costs	14,433	12,269
Cash collections on financing leases, net of unearned income	5,131	2,986
Other	22	6
Net cash (used in) provided by investing activities	(13,796)	237
Cash flows from financing activities:		
Dividends paid	(9,959)	—
Borrowings under debt facilities	29,788	—
Payments under debt facilities	(51,001)	(40,000)
Decrease (increase) in restricted cash	10	—
Net cash used in financing activities	(31,162)	(40,000)
Net (decrease) increase in cash and cash equivalents	(9,075)	3,511
Unrestricted cash and cash equivalents, beginning of period	43,641	27,259
Unrestricted cash and cash equivalents, end of period	\$ 34,566	\$ 30,770
Supplemental non-cash investing activities:		
Accrued and unpaid purchases of leasing equipment	\$ 53,212	\$ 16,605

The accompanying notes to the unaudited consolidated financial statements are an integral part of these statements.

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TAL INTERNATIONAL GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business, Basis of Presentation, Recently Issued Accounting Pronouncements

A. Description of the Business

TAL International Group, Inc. (“TAL,” or the “Company”) was formed on October 26, 2004 and commenced operations on November 4, 2004. TAL consists of the consolidated accounts of TAL International Container Corporation (“TALI”), formerly known as Transamerica Leasing Inc., Trans Ocean Ltd. (“TOL”) and their subsidiaries. Effective October 31, 2004, TAL acquired all of the outstanding capital stock of TALI and TOL for approximately \$1.2 billion in cash (“the Acquisition”).

The Company provides long-term leases, service leases and finance leases of maritime containers and related equipment, along with maritime container management services, through a worldwide network of offices, third party depots and other facilities. The Company operates in both international and domestic markets. 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 provides container sales and positioning services, enters into management agreements with third party container owners under which the Company manages the leasing

and selling of containers on behalf of the third party owners, and leases chassis used for the transportation of containers domestically.

B. Basis of Presentation

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses during the reporting period and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to the accompanying prior period financial statements and notes to conform with the current year's presentation.

C. Recently Issued Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS No. 159") which permits companies to choose to measure many financial instruments and certain other items at fair value. The Statement's objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company is required to adopt the provisions of SFAS No. 159 during the first fiscal year beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 159 on its consolidated results of operations and financial position.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS No. 157") which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles (GAAP). Under SFAS No. 157, there is now a common definition of fair value to be used throughout GAAP. The new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. The Company is required to adopt the provisions of SFAS No. 157 during the first fiscal year beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 157 on its consolidated results of operations and financial position.

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In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109, ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. See Note 8 for additional discussion of the Company's adoption of FIN 48 on January 1, 2007.

Note 2 — Treasury Stock and Dividends Paid

Treasury Stock

On March 13, 2006, the Company's Board of Directors authorized a stock buyback program for the repurchase of up to 1.5 million shares of its common stock. The Company repurchased 136,250 shares of its outstanding common stock in the open market during the year ended December 31, 2006 at a total cost of approximately \$2.9 million.

Dividends Paid

On March 9, 2007, the Company paid a quarterly dividend of \$0.30 per share or an aggregate of approximately \$10.0 million on its issued and outstanding common stock. The dividend was paid to shareholders of record at the close of business on February 23, 2007.

Note 3 — Stock-Based Compensation Plans

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS No.123R) requiring that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award).

There was approximately six thousand dollars of compensation cost reflected in administrative expense in the Company's statement of operations for the three months ended March 31, 2007 related to the Company's stock-based compensation plans as a result of 21,000 new options granted during the year ended December 31, 2006. Total unrecognized compensation cost of approximately seventy-eight thousand dollars as of March 31, 2007 related to the new options granted during the year ended December 31, 2006 will be recognized over the remaining vesting period of approximately 3.25 years.

In addition, approximately ninety-eight thousand dollars of compensation cost is reflected in administrative expense related to the Company's stock-based compensation plans as a result of the issuance of 60,000 shares of restricted stock on January 26, 2007. On that date, the Company's closing stock price was \$26.30, which resulted in a total fair value of the restricted shares of approximately \$1.6 million. The restricted stock will become fully vested on January 1, 2010. Total unrecognized compensation cost of approximately \$1.5 million as of March 31, 2007 related to the new restricted stock will be recognized over the remaining vesting period of approximately 2.75 years.

Cash received from employee exercises of stock options for the three months ended March 31, 2007 was approximately three hundred dollars. TAL did not recognize any tax benefits associated with these exercises.

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Stock option activity under the Plans from January 1, 2007 to March 31, 2007 was as follows:

Options	Weighted Average Exercise	Weighted Average Remaining	Aggregate Intrinsic Value
---------	---------------------------------	----------------------------------	---------------------------------

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		Price	Life (Yrs)	\$ in 000's
Outstanding January 1, 2007	665,477	\$ 17.24	8.8	
Granted	—			
Exercised	(30,942)	\$ 0.01		\$ 787
Canceled	—			
Outstanding March 31, 2007	634,535	\$ 18.08	8.6	\$ 3,756
Exercisable:				
March 31, 2007	613,535	\$ 17.90	8.5	\$ 3,743

Note 4 — Debt

Debt consisted of the following (amounts in thousands):

	March 31, 2007	December 31, 2006
Asset backed securitization (ABS)		
Term notes	\$ 617,667	\$ 634,667
Warehouse facility	158,500	132,500
Revolving credit facilities	92,500	126,500
Finance lease facility	12,500	12,500
Port equipment facility	15,229	12,868
Other debt	2,268	842
Capital lease obligations	38,323	38,440
Total	\$ 936,987	\$ 958,317

Interest Rate Swaps

During the quarter ended March 31, 2007, the Company entered into interest rate swap contracts which are included in the summary table below to fix the floating interest rates on a portion of the borrowings under its debt facilities:

Swap Date	Notional Amount at March 31, 2007	Fixed Leg Interest Rate	Term
February 5, 2007	\$ 2.6 million*	4.16%	8 years – amortizing
February 7, 2007	\$ 75.0 million	5.05%	5 years – non-amortizing
March 2, 2007	\$ 100.0 million	4.88%	6 years – non-amortizing
March 19, 2007	\$ 50.0 million	4.88%	5 years – non-amortizing

*Interest rate swap is Euro denominated and is based on one-month EURIBOR, and has been converted to U.S. Dollars using the exchange rate at March 31, 2007.

As of March 31, 2007, the Company had in place interest rate swap contracts to fix the floating interest rates on a portion of the borrowings under its debt facilities as summarized below:

Total Notional Amount at March 31, 2007 \$906.1 million	Weighted Average Fixed Leg Interest Rate 4.39%	Weighted Average Remaining Term 4.9 years
--	---	--

As of April 12, 2006, in conjunction with the ABS program described above, the Company de-designated all of its existing interest rate swap contracts. Previously, the Company had designated all existing interest rate swap contracts as cash flow hedges, in accordance with Statement of Financial

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Accounting Standards No.133, “Accounting for Derivative Instruments and Hedging Activities”. Therefore, during the designation period beginning November 1, 2005 through April 12, 2006, substantially all changes in the fair value of the interest rate swap contracts were reflected in accumulated other comprehensive income. Changes in the fair value of these interest rate swap contracts in periods before and after designation have been recognized in the consolidated statements of operations as unrealized losses or gains on interest rate swaps.

At the time of de-designation, the change in fair value reflected in accumulated other comprehensive income was \$7.5 million. This amount is being recognized in income as unrealized (gain) loss on interest rate swaps using the interest method over the remaining life of the contracts. As of March 31, 2007, the unamortized pre-tax balance of the change in fair value reflected in accumulated other comprehensive income was \$4.6 million. The amount of other comprehensive income which will be amortized to income over the next 12 months is approximately \$1.6 million. Amounts recorded in accumulated other comprehensive income would be reclassified into earnings upon termination of these interest rate swap contracts and related debt instruments prior to their contractual maturity.

The net fair value of the interest rate swap contracts was \$8.1 million at March 31, 2007, and \$11.9 million at December 31, 2006. Fair value of \$11.0 million as of March 31, 2007 and \$13.9 million at December 31, 2006 are included in other assets in the consolidated balance sheets. Fair value of \$2.9 million at March 31, 2007 and \$2.0 million at December 31, 2006 are included in accrued expenses in the consolidated balance sheets. In its consolidated statements of operations, the Company recognized a net unrealized loss of \$3.2 million for the three months ended March 31, 2007 and a net unrealized loss of \$0.9 million for the three months ended March 31, 2006, which predominantly represents the change in fair value of the interest rate swap contracts, as well as amortization of other comprehensive income amounts previously recorded during the designation period of the interest rate swaps.

Note 5 — Earnings Per Share

The following table sets forth the calculation of basic and diluted earnings per share for the three months ended March 31, 2007 and 2006 (in thousands, except earnings per share):

	Three Months Ended March 31,	
	2007	2006
Numerator:	\$ 11,086	\$ 9,505

Net income applicable to common stockholders for basic and diluted earnings per share

Denominator:

Weighted average shares outstanding for basic earnings per share	33,184	32,882
Dilutive stock options	194	577
Weighted average shares for diluted earnings per share	33,378	33,459
Earnings per share:		
Basic	\$ 0.33	\$ 0.29
Diluted	\$ 0.33	\$ 0.28

Note 6 — Segment and Geographic Information

Industry Segment Information

The Company operates in one industry segment, intermodal equipment leasing.

Geographic Segment Information

The Company's customers use the containers for their global trade utilizing many worldwide trade routes. The following table represents the allocation of domestic (U.S.) and international revenues for

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the periods indicated based on the customers' primary domicile (in thousands):

	Three Months Ended March 31,	
	2007	2006
Total revenues:		
Domestic	\$ 8,014	\$ 7,294
Asia	37,691	34,072
Europe	27,767	28,545
Other International	6,100	4,702
Total	\$ 79,572	\$ 74,613

As substantially all 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 containers are considered to be international.

Note 7 — Commitments and Contingencies

At March 31, 2007, commitments for capital expenditures totaled approximately \$133.8 million, principally through the remainder of 2007.

Note 8 — Income Taxes

The consolidated income tax expense for the three month periods ended March 31, 2007 and 2006 was determined based upon estimates of the Company's consolidated effective income tax rates for the years ending December 31, 2007 and 2006, respectively. The difference between the consolidated effective income tax rate and the U.S. federal statutory rate is primarily attributable to state income taxes, foreign income taxes and the effect of certain permanent differences.

The Company has adopted the provisions of FIN 48 effective January 1, 2007. In accordance with the requirements of FIN 48, the Company has evaluated all of its tax positions, and has determined the cumulative effect of all uncertain tax positions and resulting unrecognized tax benefits did not have a material effect on the Company's consolidated results of operations and financial position. The Company's current and deferred income tax liability after adoption of FIN 48 are the same as they were prior to adoption. We do not believe there will be any material changes in unrecognized tax positions over the next 12 months.

As a result of the Acquisition on October 31, 2004, as well as the IRC section 338(h)(10) election made in 2004, the Company has filed U.S. Federal and State income tax returns only for tax years since the Acquisition. The tax returns for these years are subject to examination by the tax authorities. Non-U.S. income tax filings are not considered material.

Our policy is to record interest and penalties associated with unrecognized tax benefits as part of income tax expense. At the date of adoption, as well as for the current quarter, we did not have any accrued interest or penalties for uncertain tax positions.

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Note 9 — Comprehensive Income

The following table provides a reconciliation of the Company's net income to comprehensive income (in thousands):

	Three Months Ended March 31,	
	2007	2006
Net income	\$ 11,086	\$ 9,505
Other comprehensive income:		
Foreign currency translation adjustments	22	6
Unrealized (loss) gain on derivative instruments designated as cash flow hedges (net of tax (benefit) expense of \$(225) and \$2,782, respectively)	(405)	5,022
Total	\$ 10,703	\$ 14,533

The balance included in comprehensive income for cumulative translation adjustments as of March 31, 2007 and December 31, 2006 was \$325 and \$303, respectively.

Note 10 — Subsequent Events

Quarterly Dividend

The Company's Board of Directors approved and declared a \$0.375 per share quarterly cash dividend on its issued and outstanding common stock, payable on May 30, 2007 to shareholders of record at the close of business on May 17, 2007.

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

The following discussion and analysis of the consolidated financial condition and results of operations of TAL International Group, Inc. and its subsidiaries should be read in conjunction with related consolidated financial data and our annual audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2007. 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 "Forward-Looking Statements" in our Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Our Company

We are one of the world's largest and oldest lessors of intermodal containers and chassis. 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. Chassis are used for the transportation of containers domestically.

Our operations include the acquisition, leasing, re-leasing and subsequent sale of multiple types of intermodal containers and chassis. As of March 31, 2007, our fleet consisted of 649,025 containers and chassis, including 69,156 containers under management for third parties, representing approximately 1,053,000 twenty-foot equivalent units (TEU). We have an extensive global presence, offering leasing services through 19 offices in 11 countries and approximately 181 third party container depot facilities in 37 countries as of March 31, 2007. Our customers are among the world's largest shipping lines.

We primarily lease four principal types of equipment: (1) dry freight 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 oversized cargo such as marble slabs, building products and machinery, and (4) chassis which are used for the transportation of containers domestically. We also manage our own container disposals, act as the disposal agent for a number of our shipping line customers, and buy and sell used containers through our Trader group. As of March 31, 2007, dry, refrigerated, special containers and Trader represented approximately 85%, 5%, 7% and 2% of our fleet on a unit basis, respectively. Our chassis equipment, which was first purchased in the fourth quarter of 2005, represented 1% of our fleet on a unit basis as of March 31, 2007. In addition, in December 2006 we entered into our first port equipment finance transaction in which we financed several container cranes, reach stackers, tractors, trailers and related equipment.

The following tables provide the composition of our equipment fleet as of the dates indicated below (in both units and TEU's):

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	Equipment Fleet in Units								
	March 31, 2007			December 31, 2006			March 31, 2006		
	Owned	Managed	Total	Owned	Managed	Total	Owned	Managed	Total
Dry	497,180	53,667	550,847	492,497	54,675	547,172	466,503	58,355	524,858
Refrigerated	34,648	1,024	35,672	33,990	1,048	35,038	33,371	1,534	34,905
Special	29,084	14,465	43,549	27,418	14,765	42,183	26,555	15,618	42,173
Chassis	7,078	—	7,078	6,579	—	6,579	2,790	—	2,790
Subtotal	567,990	69,156	637,146	560,484	70,488	630,972	529,219	75,507	604,726
Trader	11,879	—	11,879	8,815	—	8,815	7,459	—	7,459
Total	579,869	69,156	649,025	569,299	70,488	639,787	536,678	75,507	612,185

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	Equipment Fleet in TEU's								
	March 31, 2007			December 31, 2006			March 31, 2006		
	Owned	Managed	Total	Owned	Managed	Total	Owned	Managed	Total
Dry	796,049	91,968	888,017	787,687	93,525	881,212	742,377	99,455	841,832
Refrigerated	62,820	1,617	64,437	61,208	1,652	62,860	59,714	2,217	61,931
Special	46,927	24,099	71,026	43,449	24,495	67,944	41,050	25,644	66,694
Chassis	12,406	—	12,406	11,508	—	11,508			