

CAI International, Inc.
Form S-3
July 23, 2008
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As filed with the Securities and Exchange Commission on July 23, 2008

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT

Under

The Securities Act of 1933

CAI International, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

7359
(Primary Standard Industrial Classification
Code Number)

94-3298884
(I.R.S. Employer
Identification No.)

One Embarcadero Center

Suite 2101

San Francisco, California 94111

(415) 788-0100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Masaaki (John) Nishibori

President and Chief Executive Officer

CAI International, Inc.

One Embarcadero Center

Suite 2101

San Francisco, California 94111

(415) 788-0100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this Registration Statement. If the only securities on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. "

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes or securities pursuant to Rule 413(b) under the Securities Act, check the following box. "

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee
Common Stock, \$0.0001 par value per share	4,600,000	\$18.11	\$83,306,000	\$3,274

(1) Includes 600,000 shares that the underwriters have the option to purchase to cover over-allotments.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, and based on the average high and low sales prices on July 22, 2008 as reported on the NYSE.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholder may sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated July 23, 2008

4,000,000 Shares

CAI INTERNATIONAL, INC.

Common Stock

\$ per share

CAI International, Inc. is offering 1,333,000 shares and the selling stockholder named in this prospectus is offering 2,667,000 shares of our common stock. We will not receive any proceeds from the sale of any shares of our common stock by the selling stockholder. Our common stock is listed on the New York Stock Exchange under the symbol CAP. The last reported sale price of our common stock on July 22, 2008 was \$18.38 per share.

This investment involves risk. See Risk Factors beginning on page 11 of this prospectus.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to CAI International, Inc.	\$	\$

Proceeds, before expenses, to selling stockholder

\$

\$

The underwriters have a 30-day option to purchase up to 199,950 additional shares of common stock from us and to purchase up to 400,050 additional shares of common stock from the selling stockholder to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Piper Jaffray

Banc of America Securities LLC

Jefferies & Company

William Blair & Company

The date of this prospectus is _____, 2008.

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You should rely only on the information contained or incorporated by reference in this prospectus and in any free writing prospectus. We and the selling stockholder have not, and the underwriters have not, authorized anyone to provide you with information that is different. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information contained or incorporated by reference in this prospectus is complete and accurate only as of the date on the front cover of this prospectus, regardless of when this prospectus is delivered or any sale of our common stock occurs.

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SUMMARY

The items in the following summary are described in more detail later in this prospectus. This summary provides an overview of selected information and does not contain all the information you should consider. Therefore, you should also read the more detailed information set out in this prospectus, including the financial statements, the notes thereto and the matters set forth under Risk Factors.

In this prospectus, unless indicated otherwise, references to: (1) CAI, the company, we, us and our refer to CAI International, Inc., formerly known as Container Applications International, Inc., the issuer of the common stock and its subsidiaries; (2) Interpool refers to Interpool, Inc., which owned 50.0% of our common stock until we repurchased such common stock on October 1, 2006; (3) TEU refers to a 20 equivalent unit, which is a measurement used in the container shipping industry to compare shipping containers of various sizes and configurations to a standard 20 dry van container; (4) our owned fleet means the containers we own, plus the containers we lease from other companies under operating and finance leases; (5) our managed fleet means the containers we manage that are owned by container investors; (6) our fleet and our total fleet mean our owned fleet plus our managed fleet; and (7) container investors means investment entities that purchase portfolios of containers from us. Unless otherwise indicated herein, all share and per share information has been adjusted for the 420-for-one stock split that was effected as of April 23, 2007.

CAI International, Inc.

We are one of the world's leading container leasing and management companies. We believe that our share of the worldwide leased container fleet, as measured in TEUs, increased from approximately 4.3% as of mid-1998 to 6.5% as of mid-2008, representing the seventh largest fleet of leased containers in the world. We operate our business through two segments: container leasing and container management. We purchase new containers, lease them to container shipping lines and either retain them as part of our owned fleet or sell them to container investors for whom we then provide management services. In operating our fleet, we lease, re-lease and dispose of containers and contract for the repair, repositioning and storage of containers. As of March 31, 2008, our fleet comprised over 773,000 TEUs, 68.0% of which represented our managed fleet and 32.0% of which represented our owned fleet. Our strategic focus on both owning and managing containers for container investors has enabled us to grow a larger total fleet, incur less debt and realize a higher return on assets and equity than we believe would have been possible if our fleet had consisted entirely of containers owned by us.

We were founded in 1989 by our Executive Chairman, Hiromitsu Ogawa, as a traditional container leasing company that leased containers owned by us to container shipping lines. In 1998, we shifted our strategic focus from leasing containers owned by us to both leasing containers owned by us and managing containers for container investors. Our managed fleet, as measured in TEUs, increased at a compounded annual growth rate of 18.2% from December 31, 1998 to December 31, 2007 as compared to a compounded annual growth rate of 11.5% for our total fleet, as measured in TEUs, during the same period.

We lease our containers to lessees under long-term leases, short-term leases and finance leases. Long-term leases cover a specified number of containers that will be on lease for a fixed period of time. Short-term leases provide lessees with the ability to lease containers either for a fixed term of less than one year or without a fixed term on an as-needed basis, with flexible pick-up and drop-off of containers at depots worldwide. Finance leases are long-term lease contracts that grant the lessee the right to purchase the container at the end of the term for a nominal amount. For the three months ended March 31, 2008, 95.7% of our fleet, as measured in TEUs, was on lease. As of March 31, 2008, 71.3% of our on-lease fleet was on long-term leases, 26.4% on short-term leases and 2.3% on finance leases.

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We manage containers under management agreements that cover portfolios of containers. Our management agreements typically have terms of eight to 12 years and provide that we receive a management fee based upon the actual rental revenue for each container less the actual operating expenses directly attributable to that container. We also receive fees for selling used containers on behalf of container investors. For the three months ended March 31, 2008, our container management segment generated revenues of \$5.8 million and income before income taxes of \$2.6 million. For the year ended December 31, 2007, and the combined year ended December 31, 2006, our container management segment generated revenues of \$25.5 million and \$25.9 million, respectively, and income before income taxes of \$14.3 million and \$16.8 million, respectively.

In operating our business, we emphasize the quality of our fleet, supply reliability and high level of customer service to our container lessees. We focus on ensuring adequate container availability in high-demand locations, dedicate large portions of our organization to building relationships with lessees, maintain close day-to-day coordination with lessees and have developed a proprietary information technology system that allows our lessees to access real-time information about their containers.

Our container leasing segment revenue comprises container rental revenue and finance lease income from our owned fleet, and our container management segment revenue comprises gain on sale of container portfolios and management fee revenue for managing containers for container investors. For the three months ended March 31, 2008, our container leasing segment generated revenues of \$11.8 million and income before income taxes of \$5.1 million. For the year ended December 31, 2007, and the combined year ended December 31, 2006, our container leasing segment generated revenues of \$39.4 million and \$34.8 million, respectively, and income before income taxes of \$15.9 million and \$7.8 million, respectively.

For the three months ended March 31, 2008, we generated total revenues of \$17.7 million, EBITDA of \$13.1 million, and net income of \$5.3 million, as compared to total revenues of \$14.5 million, EBITDA of \$11.1 million, and net income of \$3.6 million for the three months ended March 31, 2007. For the year ended December 31, 2007, and the combined year ended December 31, 2006, we generated total revenues of \$64.9 million and \$60.7 million, respectively, EBITDA of \$50.1 million and \$44.8 million, respectively, and net income of \$19.2 million and \$15.6 million, respectively.

On April 30, 2008 we acquired Consent Equipment AB of Sweden (CEAB) for \$15.6 million in cash and assumed CEAB's indebtedness. In connection with this acquisition we acquired 4,400 palletwide containers, 1,200 roll trailers and 2,400 German swapbodies. We intend to continue to pursue additional acquisitions in container related areas, particularly where it may allow us to add additional customers or gain additional expertise.

Industry Overview

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

Containerisation International, *Market Analysis: World Container Census 2008*, estimates that as of mid-2007 transportation companies, including container shipping lines and freight forwarders, owned approximately 58.6% of the total worldwide container fleet and container leasing companies owned approximately 41.4% of the total worldwide container fleet. Given the uncertainty and variability of

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export volumes and the fact that container shipping lines have difficulty in accurately forecasting their container requirements at different ports, the availability of containers for lease significantly reduces a container shipping line's need to purchase and maintain excess container inventory.

According to Drewry Shipping Consultants Limited *The Drewry Annual Container Market Review and Forecast 2007/2008*, worldwide containerized cargo volume grew each year from 1980 through 2007, attaining an estimated compounded annual growth rate of 9.9% during that period. Drewry estimates that 2007 container cargo volume grew 11.7% over the prior year. Drewry forecasts that cargo volume will continue to grow at approximately 9.5% annually through 2012. We believe that this projected growth is due to several factors, including the continuing shift in global manufacturing capacity to lower labor cost regions such as China and India, the continuing integration of developing high-growth economies into global trade patterns, the continuing conversion of cargo from bulk shipping into container shipping and the growing liberalization and integration of world trade.

Our Strengths

We believe our strengths include the following:

Multiple Sources of Revenue. Our business is structured to generate a diversified stream of revenue from multiple sources. We actively manage the mix of owned and managed containers in our fleet to provide us with diversified revenues over long periods of time. We supplement container rental revenue and management fee revenue with gains on the sale of container portfolios that generate significant incremental revenue and facilitate the growth in our management fee revenue as we convert containers owned by us to containers managed by us for our container investors. We are also able to diversify our revenue base by managing the mix of containers under long-term, short-term and finance leases. Maintaining a range of lease types and durations allows us to provide services customized to our clients' needs. By having multiple sources of revenue, we believe that we have been able to realize a higher return on assets and equity than would have been possible if our fleet had consisted entirely of containers owned by us.

High-quality Asset Management Services. We sell portfolios of leased containers to a number of container investors in Europe and Asia through various intermediaries. Following the sale, we manage these portfolios on behalf of the container investors. We believe that container investors view us as one of the highest quality companies providing container management services due to the quality of the container portfolios that we sell and the asset management services that we provide. From January 1, 2005 to March 31, 2008, we sold to European and Asian container investors containers representing approximately 190,000 TEUs for \$354.8 million of gross proceeds.

Exposure to International Trade. Our global reach positions us to participate in long-term global growth trends in international trade. With agreements with multiple container depots in more than 40 countries, we are positioned to serve our global customer base and benefit from trade centered around high growth in developing economies in Asia, Europe and the Mediterranean. According to Drewry Shipping Consultants Limited *The Drewry Annual Container Market Review and Forecast 2007/2008*, worldwide containerized global cargo volumes are expected to grow at a 9.5% compounded annual growth rate from 2008 to 2012. We expect this growth to contribute to the demand for our containers.

Capital-efficient Third-party Fleet Management Operation. Our container management operation provides us with revenue at the time of sale, long-term contractual management fees and a sales fee earned when we sell used containers for container investors, all with

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limited long-term investment from us. We have grown our managed fleet by selling portfolios of containers to container investors, most of which are subject to lease at the time of sale. By selling these portfolios to container investors, we are able to free up capital more quickly than if we kept the containers as part of our owned fleet. This enables us to deploy the capital for other uses, such as additional container purchases and repayment of debt.

Long-standing Container Lessee Relationships with Attractive Credit Characteristics. As of March 31, 2008, we leased containers to 245 container lessees, including many of the largest international container shipping lines, and had conducted business with the top 20 lessees of our total fleet, as measured in TEUs, for an average of over 13 years. These top 20 lessees had, as of March 31, 2008, a weighted-average Dynamar credit rating of 2.3 on a rating scale of one through ten, with a one representing the strongest credit rating. Dynamar B.V. provides credit ratings to the container leasing industry.

Flexibility to Satisfy Changing Market Demands. Our operating expertise and financial flexibility enable us to meet the evolving requirements of lessees and container investors. We have significant experience in structuring and selling to container investors portfolios of containers that have attractive investment returns. By selling these portfolios to container investors, we have been able to purchase a substantial number of new containers while at the same time maintaining significant borrowing capacity under our senior secured credit facility. This has enabled us to choose when to purchase new containers based upon our expectations of near-term market conditions and quickly respond to the changing demands of lessees for short- and long-term leases. In order to increase the amount of credit available to us for these and other purposes, we have increased our revolving line of credit under our senior secured credit facility from \$200 million as of September 25, 2007 to \$290 million as of May 31, 2008.

Experienced Management Team. We have significant experience in the container leasing industry. Our four key officers have an average of approximately 20 years of experience in the container leasing industry. In addition, our marketing, operations and underwriting personnel have developed long-term relationships with lessees that improve our access to continued opportunities with leading container shipping lines. Due to the significant stock ownership by management, stockholder and management interests are closely aligned.

Proprietary, Real-time Information Technology System. We have developed a proprietary, real-time information technology system to assist us in managing our container fleet. Our information technology system allows us to monitor lease status, repair billings and contract terms of every individual container in our fleet. By actively maintaining and reviewing this information, we are able to more efficiently manage the logistics and billings of our business. Our proprietary IT system has been essential to providing a high level of customer service, and we believe it is scalable to satisfy our future growth without significant capital expenditures.

Risks Affecting Us

In operating our business we have faced and will continue to face significant challenges. Our ability to successfully operate our business is subject to numerous risks as discussed more fully in the section entitled Risk Factors. For example:

world trade volume and economic growth could decline and other macroeconomic market conditions affecting the container leasing industry could worsen;

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demand from container investors to purchase portfolios of leased containers at prices that are attractive to us could decline;

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container shipping lines could decide to buy rather than lease a larger percentage of the containers they use;

demand for leased containers by container shipping lines could decrease due to consolidation of container shipping lines or other factors;

per diem rates for leases could decline;

new container prices could change unexpectedly;

shipping may be disrupted by a number of causes, including terrorist attacks and regional economic instability;

we may lose key members of our senior management; and

we face extensive competition in the container leasing industry.

Any of the above risks could cause our per diem or utilization rates to decline or could otherwise materially and adversely affect our business, financial position and results of operations. An investment in our common stock involves risks. You should read and consider the information set forth in Risk Factors and all other information set forth in this prospectus before investing in our common stock.

Corporate Information

We were incorporated under the name Container Applications International, Inc. as a Nevada corporation in 1989 and reincorporated under the name CAI International, Inc. in Delaware in 2007. Our principal executive offices are located at One Embarcadero Center, Suite 2101, San Francisco, California 94111. Our telephone number is (415) 788-0100 and our Web site is located at <http://www.caiintl.com>. We expect to make our periodic reports and other information filed with or furnished to the SEC available free of charge through our Web site as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information contained on our Web site or any other Web site is not incorporated by reference into this prospectus, and you should not consider information contained on our Web site or any other Web site to be a part of this prospectus.

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The Offering

Common stock offered:	
By CAI International, Inc.	1,333,000 shares
By the selling stockholder	2,667,000 shares
Total	4,000,000 shares
Common stock outstanding after this offering	18,474,896 shares
Offering price	\$ per share
Use of proceeds	We expect to use all of our net proceeds from this offering to repay a portion of the amount outstanding under the revolving line of credit under our senior secured credit facility. Over the longer term, we expect to use the incremental borrowing availability to expand our fleet. We will not receive any of the proceeds from the sale of common stock by the selling stockholder. See Use of Proceeds.
New York Stock Exchange symbol	CAP

The number of shares outstanding after this offering is based on 17,141,896 shares of common stock outstanding as of June 30, 2008 and, unless otherwise indicated:

includes 32,976 shares of common stock subject to restricted stock grants under our 2007 Equity Incentive Plan;

excludes 479,790 shares of common stock issuable upon exercise of options at a weighted average exercise price of \$15.01 per share; and

excludes 209,214 shares of common stock reserved for future issuance under our 2007 Equity Incentive Plan.

Unless otherwise indicated, this prospectus assumes no exercise of the underwriters' over-allotment option.

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Summary Historical Consolidated Financial and Operating Data

The summary consolidated financial data presented below under the heading *Consolidated Statement of Income Data* for the year ended December 31, 2005, the nine months ended September 30, 2006, the three months ended December 31, 2006 and the year ended December 31, 2007 have been derived from our audited consolidated financial statements included in our Report on Form 10-K for the year ended December 31, 2007. The summary consolidated financial data presented below under the heading *Consolidated Statement of Income Data* for the three months ended March 31, 2007 and 2008 and under the heading *Consolidated Balance Sheet Data* as of March 31, 2008, have been derived from our unaudited consolidated financial statements that are included in our Report on Form 10-Q for the three months ended March 31, 2008 and have been prepared on the same basis as our audited consolidated financial statements. In the opinion of management, the unaudited consolidated summary financial data presented below under the headings *Consolidated Statement of Income Data* and *Consolidated Balance Sheet Data* reflect all normal and recurring adjustments necessary to fairly present our financial condition and results of operations as of and for the periods presented.

Prior to October 1, 2006, we had two principal stockholders, each of whom beneficially owned 50.0% of our outstanding common stock. These stockholders were our founder and Executive Chairman, Hiromitsu Ogawa, and Interpool. On October 1, 2006, we repurchased all 10,584,000 shares held by Interpool, or 50.0% of our then-outstanding common stock. The repurchase resulted in an increase in the percentage of our common stock held by Mr. Ogawa from 50.0% to 100.0%. In connection with this transaction we have applied pushdown accounting in accordance with Staff Accounting Bulletin No. 54 (*SAB No. 54*) and accounted for the purchase as a step acquisition in accordance with Statement of Financial Accounting Standards (*SFAS*) No. 141, *Business Combinations* (*SFAS No. 141*). Due to the application of pushdown accounting and step acquisition accounting in our financial statements, our financial condition and results of operations after September 30, 2006 will not be comparable in some respects to our financial condition and results of operations reflected in our historical financial statements as of dates or for periods prior to October 1, 2006.

The consolidated balance sheet and statement of income data in this prospectus prior to October 1, 2006 refer to the Predecessor company, while the consolidated balance sheet and statement of income data on and subsequent to October 1, 2006 refer to the Successor company. A line has been drawn between the accompanying financial statements to distinguish between the predecessor period and the successor period.

We adopted the Financial Accounting Standards Board (*FASB*) Staff Position *Accounting for Planned Major Maintenance Activities* (*FSP AUG AIR-1*) effective January 1, 2007. As a result we have retroactively adjusted our consolidated financial statements to reflect the direct expense method of accounting for maintenance, a method permitted under this Staff Position. The impact of the application of *FSP AUG AIR-1* to our storage and handling expense was an increase of \$47,000 in the three months ended December 31, 2006, an increase of \$179,000 for the nine months ended September 30, 2006 and an increase of \$421,000 for the year ended December 31, 2005.

The operating data presented below under *Selected Operating Data* are not audited. Historical results are not necessarily indicative of the results to be expected for future periods. You should read the summary historical consolidated financial and operating data presented below in conjunction with our consolidated financial statements and related notes included in our Report on Form 10-K for the year ended December 31, 2007 and in our Report on Form 10-Q for the three months ended March 31, 2008.

All common share and per share data have been adjusted to retroactively reflect the 420-to-1 stock split that occurred on April 23, 2007.

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	Three Months Ended March 31,		Successor	Three Months Ended	Predecessor	Year Ended
	2008	2007	Year Ended December 31, 2007	December 31, 2006	Nine Months Ended September 30, 2006	Year Ended December 31, 2005
	(Unaudited)					
(Dollars in thousands, except per share data)						
Consolidated Statement of Income Data						
Revenue:						
Container rental revenue	\$ 11,446	\$ 7,880	\$ 38,148	\$ 9,383	\$ 24,228	\$ 39,614
Management fee revenue	2,910	3,419	12,663	3,569	8,530	11,230
Gain on sale of container portfolios	2,922	2,895	12,855	5,392	8,365	9,913
Finance lease income	373	319	1,206	267	927	829
Total revenue	17,651	14,513	64,872	18,611	42,050	61,586
Operating expenses:						
Depreciation of container rental equipment	3,012	1,690	8,805	2,360	9,653	14,764
Amortization of intangible assets	312	308	1,241	307		
Impairment of container rental equipment	95	119	365	81	270	572
Gain on disposition of used container equipment	(822)	(1,005)	(4,400)	(747)	(804)	(1,166)
Gain on settlement of lease obligation			(780)			
Equipment rental expense	20	395	961	395	1,187	6,875
Storage, handling and other expenses	874	671	3,077	779	2,411	3,853
Marketing, general and administrative expenses	4,404	3,302	15,668	3,389	8,967	12,551
Total operating expenses	7,895	5,480	24,937	6,564	21,684	37,449
Operating income	9,756	9,033	39,935	12,047	20,366	24,137
Interest expense	2,023					