



Triton International Limited (TRTN)

Updated August 2nd, 2023 by Nikolaos Sismanis

Key Metrics

Current Price:	\$84	5 Year CAGR Estimate:	6.3%	Market Cap:	\$4.64 B
Fair Value Price:	\$84	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	09/07/2023
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	-0.1%	Dividend Payment Date:	09/22/2022
Dividend Yield:	3.3%	5 Year Price Target	\$97	Years Of Dividend Growth:	7
Dividend Risk Score:	C	Retirement Suitability Score:	C	Rating	Hold

Overview & Current Events

Triton International is the world's largest lessor of intermodal containers. The company was formed on July 12th, 2016, through an all-stock merger between Triton Container International Limited ("TCIL") and TAL International Group ("TAL"). The company's intermodal containers are large, standardized steel boxes used to transport freight by ship, rail, or truck. Due to the handling efficiencies they provide, intermodal containers are the primary means by which many goods and materials are shipped internationally. Per its latest filings, Triton's total fleet consisted of containers and chassis representing over 7 million twenty-foot equivalent units. The company generates around \$1.7 billion in annual revenues and is headquartered in Hamilton, Bermuda.

On April 12th, 2023, Triton International announced that it had reached an agreement to be acquired by Brookfield Infrastructure Partners (NYSE: BIP) for \$85/share, including \$68.50 in cash and \$16.50 in Brookfield (BIP) class A shares.

On August 1st, 2023, Triton reported its Q2 results for the period ending June 30th, 2023. Total leasing revenues during the quarter equaled \$386.5 million, down 8.3% compared to the prior-year period. This was due to slightly softer container utilization.

Still, with the majority of its containers employed under long-term leases, fleet utilization remained exceptionally high at 97.0%. EPS came in at \$2.38 compared to \$2.92 in Q2-2022 due to lower revenues and lower gains on the sale of leasing equipment, offset by a lower share count due to serial share repurchases. The share count was reduced by 13.5% over the past year. While contractually secured cash flows should continue generating robust operating cash flows in fiscal 2023, we expect EPS to decline due to lower proceeds from asset sales as container prices have declined. Our estimate still stands at \$10.25 per share.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	---	---	---	(\$0.24)	\$4.55	\$4.38	\$4.57	\$4.18	\$7.26	\$11.25	\$10.25	\$11.88
DPS	---	---	---	\$0.90	\$1.80	\$2.01	\$2.08	\$2.13	\$2.36	\$2.65	\$2.80	\$3.93
Shares¹	---	---	---	56.0	76.2	80.4	74.7	69.3	67.1	62.1	55.1	50.0

Despite Triton operating in arguably one of the most cyclical industries, with global shipping subject to multiple potential disruptions, the company has been able to post quite stable revenues, and consequently, earnings-per-share. With demand exceeding supply, the company's average remaining duration on the containers ordered in 2021 was 13 years. Currently, the remaining term lease on Triton's total portfolio is over 62 months. With the majority of its leases (80% of CEU) under long-term contracts, the company's financials are essentially guaranteed to remain resilient despite an expected challenging trading environment over the short to medium-term. Triton has been growing its dividend annually since its merger in 2016. The latest dividend increase was by 7.7%. However, as seen in the company's declining share count, management's preferable capital return method has been through stock buybacks. Triton has purchased approximately 31.5% of its common shares since the inception of the program in August 2018. We expect EPS of 3%

¹ Share count is in millions.

Disclosure: This analyst has a long position in the shares of Triton International.



Triton International Limited (TRTN)

Updated August 2nd, 2023 by Nikolaos Sismanis

going forward, led by Triton's multi-year leases and stock buybacks, offset by declining proceeds from asset sales relative to their record levels in fiscal 2022. We also expect the dividend to grow by 7% through 2028.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	---	---	---	---	7.9	7.5	7.4	9.6	7.6	5.2	8.2	8.2
Avg. Yld.	---	---	---	6.0%	5.0%	6.1%	6.2%	5.3%	4.2%	4.6%	3.3%	4.0%

Despite Triton's resilient cash flows, shares have often traded with a below-average earnings multiple. We believe that this is partially due to the company being valued in line with its industry peers, who, unlike Triton, face cyclical revenues. In addition, the company is headquartered in Bermuda, which is likely pushing away institutional ownership due to its non-U.S. registry. For these reasons, we have Triton's fair P/E at 8.2, in line with the current valuation. We don't foresee any valuation tailwinds/headwinds ahead due to the upcoming close of Triton's acquisition by BIP. The yield sits at 3.3%, and it's worth noting that Bermuda does not apply a withholding tax on dividends.

Safety, Quality, Competitive Advantage, & Recession Resiliency

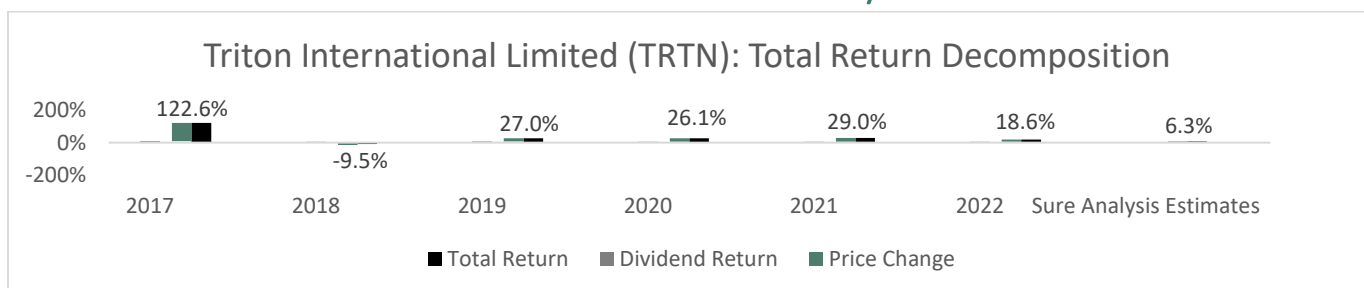
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	---	---	---	---	---	46%	46%	51%	33%	24%	27%	33%

Considering its growing capital returns, comfortable payout ratio, and long-term contractually secured cash flows, we believe that Triton's dividend is very safe. Besides, the company would likely suspend buybacks before messing with the dividend. While Triton was formed just a few years ago, a look at its pre-merger financials showcases a relatively resilient performance, with sales dropping by only -20% during the Great Financial Crisis, which is quite impressive considering its industry. The company's massively expanded booking amid the frenzy in demand for containers should shield future cash flows. Triton competes with at least six other major intermodal equipment leasing companies. However, the company believes that it can maintain its above-average pricing due to its high level of customer service and long-term relationships. Triton achieved roughly a 40% share of all new leasing transactions in 2021, reflecting the importance customers place on its deep container supply capability. It also further highlights Triton's position as the "go-to" supplier in the container leasing industry. While the company's balance sheet features a massive \$7.60 billion position of long-term debt, interest payments are covered by nine times its operating cash flows.

Final Thoughts & Recommendation

Triton International is an industry leader whose operations are critical for the transportation of goods worldwide. The company's results have been incredible over the past couple of years, and while lower utilization and proceeds from asset sales could be a headwind in the medium-term, we expect profitability to remain exceptional moving forward. Based on our projected earnings growth and current dividend yield, we would project an annualized return potential of 6.3%. That said, our projection is somewhat irrelevant, given the recently announced takeover.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has a long position in the shares of Triton International.



Triton International Limited (TRTN)

Updated August 2nd, 2023 by Nikolaos Sismanis

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	707	708	845	1,201	1,433	1,431	1,394	1,784	1,942
Gross Profit	649	653	745	1,105	1,321	1,283	1,229	800	908
Gross Margin	91.8%	92.3%	88.2%	92.0%	92.2%	89.6%	88.2%	44.8%	46.8%
SG&A Exp.	56	53	66	88	80	76	81	89	93
D&A Exp.	258	300	448	594	615	578	556	626	646
Operating Profit	334	302	264	513	696	670	604	713	818
Operating Margin	47.2%	42.6%	31.2%	42.7%	48.6%	46.8%	43.3%	40.0%	42.1%
Net Profit	149	111	(14)	345	350	353	330	530	747
Net Margin	21.1%	15.7%	-1.6%	28.7%	24.4%	24.6%	23.7%	29.7%	38.5%
Free Cash Flow	(377)	51	(145)	(695)	(609)	822	200	-2,029	942
Income Tax	6	4	(0)	(93)	71	28	38	50	71

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	---	4,659	8,714	9,578	10,270	9,643	9,713	12,640	12,110
Cash & Equivalents	---	57	113	132	49	62	62	106	83
Accounts Receivable	---	178	520	496	742	624	508	295	227
Goodwill & Int. Ass.	---	---	480	391	330	293	270	254	243
Total Liabilities	---	3,281	6,907	7,368	7,945	7,110	7,147	9,579	8,905
Accounts Payable	---	81	143	110	100	117	95	500	83
Long-Term Debt	---	3,153	6,257	6,808	7,454	6,605	6,386	8,547	8,075
Shareholder's Equity	---	1,217	1,663	2,076	2,204	2,127	2,011	2,335	2,474
LTD/E Ratio	---	2.59	3.76	3.28	3.38	2.61	2.49	2.80	2.52

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	---	---	-0.2%	3.8%	3.5%	3.5%	3.4%	4.7%	6.0%
Return on Equity	---	---	-0.9%	18.4%	16.3%	16.3%	15.9%	24.4%	31.1%
ROIC	---	---	-0.2%	4.0%	3.7%	3.7%	3.7%	5.2%	6.5%
Shares Out.	---	---	56	76.2	80.4	74.7	69.3	67	62.1
Revenue/Share	9.57	9.58	15.08	15.76	17.84	19.16	20.10	26.60	31.29
FCF/Share	(5.10)	0.68	(2.59)	(9.13)	(7.58)	11.00	2.88	-30.26	15.17

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.