

General Finance CORP
Form 10-Q
May 09, 2018
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U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2018

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 001-32845

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

32-0163571
I.R.S. Employer
Identification No.)

39 East Union Street

Pasadena, CA 91103

(Address of Principal Executive Offices)

(626) 584-9722

(Registrant's Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 requirements for the past 90 days:

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Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
26,757,054 shares outstanding as of May 4, 2018.

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GENERAL FINANCE CORPORATION

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Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****GENERAL FINANCE CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data)****(Unaudited)**

	June 30, 2017	March 31, 2018
Assets		
Cash and cash equivalents	\$ 7,792	\$ 10,827
Trade and other receivables, net of allowance for doubtful accounts of \$6,387 and \$5,501 at June 30, 2017 and March 31, 2018, respectively	44,390	53,169
Inventories	29,648	29,208
Prepaid expenses and other	8,923	10,413
Property, plant and equipment, net	23,388	22,731
Lease fleet, net	427,275	436,712
Goodwill	105,129	110,699
Other intangible assets, net	28,769	26,088
Total assets	\$ 675,314	\$ 699,847
Liabilities		
Trade payables and accrued liabilities	\$ 42,774	\$ 47,001
Unearned revenue and advance payments	15,548	19,394
Senior and other debt, net	355,638	439,423
Fair value of bifurcated derivative in Convertible Note		4,085
Deferred tax liabilities	38,106	36,771
Total liabilities	452,066	546,674
Equity		
Cumulative preferred stock, \$.0001 par value: 1,000,000 shares authorized; 400,100 shares issued and outstanding (in series) and liquidation value of \$40,722 and \$40,702 at	40,100	40,100

Commitments and contingencies (Note 9)

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June 30, 2017 and March 31, 2018, respectively

Common stock, \$.0001 par value: 100,000,000 shares
authorized; 26,611,688 shares issued and outstanding at
June 30, 2017 and 26,753,254 at March 31, 2018

	3	3
Additional paid-in capital	120,370	138,778
Accumulated other comprehensive loss	(12,355)	(15,608)
Accumulated deficit	(12,972)	(10,604)
Total General Finance Corporation stockholders' equity	135,146	152,669
Equity of noncontrolling interests	88,102	504
Total equity	223,248	153,173
Total liabilities and equity	\$ 675,314	\$ 699,847

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

(Unaudited)

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2017	2018	2017	2018
Revenues				
Sales:				
Lease inventories and fleet	\$ 23,557	\$ 27,251	\$ 69,316	\$ 88,698
Manufactured units	1,032	2,349	3,789	6,332
	24,589	29,600	73,105	95,030
Leasing	43,875	54,821	130,484	158,438
	68,464	84,421	203,589	253,468
Costs and expenses				
Cost of sales:				
Lease inventories and fleet (exclusive of the items shown separately below)	17,017	19,729	48,989	64,039
Manufactured units	1,389	2,126	4,916	6,266
Direct costs of leasing operations	19,303	22,684	55,821	65,690
Selling and general expenses	17,299	18,996	50,256	56,224
Depreciation and amortization	9,846	10,014	29,237	29,671
Operating income	3,610	10,872	14,370	31,578
Interest income	18	43	54	81
Interest expense	(5,249)	(9,398)	(15,096)	(24,667)
Foreign exchange and other	(164)	(1,852)	(70)	(4,906)
	(5,395)	(11,207)	(15,112)	(29,492)
Income before provision (benefit) for income taxes	(1,785)	(335)	(742)	2,086
	(714)	228	(297)	519

Provision (benefit) for income taxes

Net income (loss)	(1,071)	(563)	(445)	1,567
Preferred stock dividends	(922)	(922)	(2,766)	(2,766)
Noncontrolling interests	(86)		(1,644)	801

Net loss attributable to common stockholders	\$ (2,079)	\$ (1,485)	\$ (4,855)	\$ (398)
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Net loss per common share:

Basic	\$ (0.08)	\$ (0.06)	\$ (0.18)	\$ (0.02)
Diluted	(0.08)	(0.06)	(0.18)	(0.02)

Weighted average shares outstanding:

Basic	26,404,450	26,301,706	26,307,066	26,210,697
Diluted	26,404,450	26,301,706	26,307,066	26,210,697

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/LOSS****(In thousands, except share and per share data)****(Unaudited)**

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2017	2018	2017	2018
Net income (loss)	\$ (1,071)	\$ (563)	\$ (445)	\$ 1,567
Other comprehensive income (loss):				
Change in fair value of interest rate swap, net of income tax effect of \$67 and \$60 and \$(78) and \$(34) in the quarter and nine months ended March 31, 2017 and 2018, respectively	174	(184)	452	(100)
Cumulative translation adjustment	5,808	(138)	2,164	3,491
Total comprehensive income (loss)	4,911	(885)	2,171	4,958
Allocated to noncontrolling interests	(3,037)		(3,026)	(1,095)
Comprehensive income (loss) allocable to General Finance Corporation stockholders	\$ 1,874	\$ (885)	\$ (855)	\$ 3,863

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY****(In thousands, except share and share data)****(Unaudited)**

Cumulative Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated		Accumulated Deficit	Total	
			Other Comprehensive Income (Loss)			General Finance Corporation Stockholders Equity	Equity of Noncontrolling Interests
\$ 40,100	\$ 3	\$ 120,370	\$ (12,355)		\$ (12,972)	\$ 135,146	\$ 88,102
		2,395				2,395	591
		(2,766)				(2,766)	
							(1,038)
		161				161	
		338				338	

							2,368	2,368	(801)
t						(161)		(161)	61
						1,656		1,656	1,835
e								3,863	1,095
f g									
						18,280	(4,748)	13,532	(88,246)
18 \$	\$ 40,100	\$ 3	\$ 138,778	\$ (15,608)	\$ (10,604)	\$ 152,669	\$ 504		

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended March 31,	
	2017	2018
Net cash provided by operating activities (Note 10)	\$ 20,100	\$ 32,856
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(4,993)	(14,397)
Acquisition of the noncontrolling interest in Royal Wolf		(73,251)
Proceeds from sales of property, plant and equipment	191	72
Purchases of property, plant and equipment	(2,644)	(3,068)
Proceeds from sales of lease fleet	16,321	19,505
Purchases of lease fleet	(34,892)	(37,979)
Other intangible assets	(449)	(126)
Net cash used in investing activities	(26,466)	(109,244)
Cash flows from financing activities:		
Repayments of equipment financing activities	(382)	(384)
Repayment of Credit Suisse Term Loan		(10,000)
Repayment of ANZ/CBA Credit Facility		(81,521)
Proceeds from issuance of Bison Capital Notes		80,000
Proceeds from senior and other debt borrowings, net	11,339	100,228
Deferred financing costs	(2,291)	(3,836)
Proceeds from issuances of common stock	54	161
Dividends and distributions by subsidiaries	(939)	(1,038)
Refund from terminated Royal Wolf LTI Plan trust		338
Preferred stock dividends	(2,766)	(2,766)
Net cash provided by financing activities	5,015	81,182
Net increase (decrease) in cash	(1,351)	4,794
Cash and equivalents at beginning of period	9,342	7,792

The effect of foreign currency translation on cash	231	(1,759)
Cash and equivalents at end of period	\$ 8,222	\$ 10,827

Non-cash investing and financing activities:

The Company included non-cash holdback and other adjustment amounts totaling \$376 and \$919 as part of the consideration for business acquisitions during the nine months ended March 31, 2017 and 2018, respectively (see Note 4).

On February 7, 2017, the Board of Directors of Royal Wolf declared a dividend of AUS \$0.025 per RWH share payable on April 4, 2017 to shareholders of record on March 16, 2017, respectively. The condensed consolidated financial statements accrued the amount of the dividend pertaining to the noncontrolling interest, which totaled \$940 (AUS \$1,230), as a charge directly to the equity of noncontrolling interests at March 31, 2017 (see Note 3).

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1. Organization and Business Operations

General Finance Corporation (GFN) was incorporated in Delaware in October 2005. References to the Company in these Notes are to GFN and its consolidated subsidiaries. These subsidiaries include GFN U.S. Australasia Holdings, Inc., a Delaware corporation (GFN U.S.); GFN Insurance Corporation, an Arizona corporation (GFNI); GFN North America Leasing Corporation, a Delaware corporation (GFNNA Leasing); GFN North America Corp., a Delaware corporation (GFNNA); GFN Realty Company, LLC, a Delaware limited liability company (GFNRC); GFN Manufacturing Corporation, a Delaware corporation (GFNMC), and its subsidiary, Southern Frac, LLC, a Texas limited liability company (collectively Southern Frac); Pac-Van, Inc., an Indiana corporation, and its Canadian subsidiary, PV Acquisition Corp., an Alberta corporation (collectively Pac-Van); and Lone Star Tank Rental Inc., a Delaware corporation (Lone Star); GFN Asia Pacific Holdings Pty Ltd, an Australian corporation (GFNAPH), and its subsidiaries, GFN Asia Pacific Finance Pty Ltd, an Australian corporation (GFNAPF), Royal Wolf Holdings Limited, an Australian corporation (RWH), and its Australian and New Zealand subsidiaries (collectively, Royal Wolf).

The Company does business in three distinct, but related industries, mobile storage, modular space and liquid containment (which are collectively referred to as the portable services industry), in two geographic areas; the Asia-Pacific (or Pan-Pacific) area, consisting of Royal Wolf (which leases and sells storage containers, portable container buildings and freight containers in Australia and New Zealand) and North America, consisting of Pac-Van (which leases and sells storage, office and portable liquid storage tank containers, modular buildings and mobile offices) and Lone Star (which leases portable liquid storage tank containers and containment products, as well as provides certain fluid management services, to the oil and gas industry in the Permian and Eagle Ford basins of Texas), which are combined to form our North American leasing operations, and Southern Frac (which manufactures portable liquid storage tank containers and other steel-related products).

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (U.S. GAAP) applicable to interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements, although the Condensed Consolidated Balance Sheet at June 30, 2017 was derived from the audited Consolidated Balance Sheet at that date. In the opinion of management, all adjustments (which include all significant normal and recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The accompanying results of operations are not necessarily indicative of the operating results that may be expected for the entire fiscal year ending June 30, 2018. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes thereto of the Company, which are included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 filed with the Securities and Exchange Commission (SEC).

Unless otherwise indicated, references to FY 2017 and FY 2018 are to the nine months ended March 31, 2017 and 2018, respectively.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes include assumptions used in assigning value to identifiable intangible assets at the acquisition date, the assessment for impairment of goodwill, the assessment for impairment of other intangible assets, the allowance for doubtful accounts, share-based compensation expense, residual value of the lease fleet and deferred tax assets and liabilities. Assumptions and factors used in the estimates are evaluated on an annual basis or whenever events or changes in circumstances indicate that the previous assumptions and factors have changed. The results of the analysis could result in adjustments to estimates.

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Inventories are comprised of the following (in thousands):

	June 30,	March 31,
	2017	2018
Finished goods	\$ 25,564	\$ 25,574
Work in progress	1,844	1,334
Raw materials	2,240	2,300
	\$ 29,648	\$ 29,208

Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands):

	Estimated	June 30,	March 31,
	Useful Life	2017	2018
Land		\$ 2,168	\$ 2,168
Building and improvements	10 40 years	4,890	4,893
Transportation and plant equipment (including capital lease assets)	3 20 years	39,899	43,220
Furniture, fixtures and office equipment	3 10 years	10,683	11,608
		57,640	61,889
Less accumulated depreciation and amortization		(34,252)	(39,158)
		\$ 23,388	\$ 22,731

Lease Fleet

The Company has a fleet of storage, portable building, office and portable liquid storage tank containers, mobile offices, modular buildings and steps that it primarily leases to customers under operating lease agreements with varying terms. Units in the lease fleet are also available for sale. The cost of sales of a unit in the lease fleet is recognized at the carrying amount at the date of sale. At June 30, 2017 and March 31, 2018, the gross costs of the lease fleet were \$534,197,000 and \$559,851,000, respectively.

Goodwill and Other Intangible Assets

The purchase consideration of acquired businesses have been allocated to the assets and liabilities acquired based on the estimated fair values on the respective acquisition dates (see Note 4). Based on these values, the excess purchase consideration over the fair value of the net assets acquired was allocated to goodwill. The Company accounts for goodwill in accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*. FASB ASC Topic 350 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires these assets be reviewed for impairment. The Company operates two reportable geographic areas and the vast majority of goodwill recorded was in the acquisitions of Royal Wolf, Pac-Van, Southern Frac and Lone Star. The Company assesses the potential impairment of goodwill on an annual basis or if a determination is made based on a qualitative assessment that it is more likely than not (i.e., greater than 50%) that the fair value of the reporting unit is less than its carrying amount. The Company's annual impairment assessment at June 30, 2017 concluded that the fair value of the goodwill of each of its reporting units was greater than their respective carrying amounts. Determining the fair value of a reporting unit requires judgment and involves the use of significant estimates and assumptions. The Company based its fair value estimates on assumptions that it believes are reasonable but are uncertain and subject to changes in market conditions.

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Other intangible assets include those with indefinite (trademark and trade name) and finite (primarily customer base and lists, non-compete agreements and deferred financing costs), as follows (in thousands):

	June 30, 2017			March 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark and trade name	\$ 5,486	\$ (453)	\$ 5,033	\$ 5,486	\$ (453)	\$ 5,033
Customer base and lists	47,647	(31,223)	16,424	49,452	(33,865)	15,587
Non-compete agreements	9,622	(6,678)	2,944	9,862	(7,661)	2,201
Deferred financing costs	4,855	(2,250)	2,605	3,522	(1,796)	1,726
Other	4,006	(2,243)	1,763	4,379	(2,838)	1,541
	\$ 71,616	\$ (42,847)	\$ 28,769	\$ 72,701	\$ (46,613)	\$ 26,088

Net Income per Common Share

Basic net income per common share is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the periods. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, vested or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The potential dilutive securities (common stock equivalents) the Company had outstanding related to stock options, non-vested equity shares, restricted stock units and convertible debt. The following is a reconciliation of weighted average shares outstanding used in calculating earnings per common share:

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2017	2018	2017	2018
Basic	26,404,450	26,301,706	26,307,066	26,210,697
Dilutive effect of common stock equivalents				
Diluted	26,404,450	26,301,706	26,307,066	26,210,697

Potential common stock equivalents totaling 1,734,952 for both the quarter ended March 31, 2017 and FY 2017 and 5,681,959 for both the quarter ended March 31, 2018 and FY 2018, respectively, have been excluded from the computation of diluted earnings per share because the effect is anti-dilutive.

Recently Enacted U.S. Federal Tax Legislation

Introduced initially as the Tax Cuts and Jobs Act, the Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (the Act) was enacted on December 22, 2017. The Act applies to corporations generally beginning with taxable years starting after December 31, 2017, or the fiscal year ending June 30, 2019 for the Company, and reduces the corporate tax rate from a graduated set of rates with a maximum 35% tax rate to a flat 21% tax rate. Additionally, the Act introduces other changes that impact corporations, including a net operating loss (NOL) deduction annual limitation, an interest expense deduction annual limitation, elimination of the alternative minimum tax, and immediate expensing of the full cost of qualified property. The Act also introduces an international tax reform that moves the U.S. toward a territorial system, in which income earned in other countries will generally not be subject to U.S. taxation. However, the accumulated foreign earnings of certain foreign corporations will be subject to a one-time transition tax, which can be elected to be paid over an eight-year tax transition period, using specified percentages, or in one lump sum. NOL and foreign tax credit (FTC) carryforwards can be used to offset the transition tax liability. Any transition tax to be paid on accumulated foreign earnings is not expected to be significant since the Company has available NOL and FTC carryforwards to offset any transitional taxes that would be otherwise payable.

In accordance with ASC Topic 740, *Income Taxes*, the Company re-measured its deferred income tax assets and liabilities for, among other things, temporary differences and NOL and FTC carryforwards reasonably estimated to be existing at December 22, 2017, from the current statutory rate of 35% to the new corporate rate of either 28% (if the temporary timing differences are expected to roll off in FY 2018) or 21 percent (if the temporary timing differences and NOL carryforwards are expected to remain as of June 30, 2018).

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

This re-measurement resulted in an estimated benefit of approximately \$6,500,000, which was recognized through the provision (benefit) for income taxes in the accompanying consolidated statements of operations as a discrete item in the quarter ended December 31, 2017. This estimated tax benefit was offset by approximately \$5,200,000 for both the estimated transition tax and a valuation allowance that was established to offset previously recognized FTC carryforward deferred tax assets that the Company believes will not be realized, and other adjustments totaling approximately \$550,000. Both the estimated transition tax and valuation allowance are considered provisional amounts that require further analysis. These provisional amounts are subject to adjustment during a measurement period which should not extend beyond one year from the enactment date of the Act as in accordance with Staff Accounting Bulletin No. 118.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 completes the joint effort by the FASB and IASB to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU 2014-09 revenue recognition model virtually replaces all existing revenue recognition guidance and applies to all companies that enter into contracts with customers to transfer goods or services. ASU 2014-09 (as updated by ASU 2015-14 in August 2015, ASU No. 2016-08 in March 2016, ASU No. 10 in April 2016 and ASU No. 12 in May 2016) is effective for public entities for interim and annual reporting periods beginning after December 15, 2017. Public and nonpublic entities have the choice to apply ASU 2014-09 either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying ASU 2014-09 at the date of initial application and not adjusting comparative information. While the Company continues to evaluate the requirements of ASU-204.09, it believes the majority of its revenues, as it relates to contractual rental revenue, is excluded from the scope of this ASU and the accounting for the remaining revenue streams will not be materially affected. Accordingly, the Company does not expect the adoption of ASU 2014-09 will have a material impact on its consolidated financial statements. Additionally, the Company intends to utilize the modified retrospective adoption and recognize the cumulative effect of initially applying ASU 2014-09, if significant, as an adjustment to the opening balance of accumulated deficit at the date of initial application.

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*. This new guidance was initiated as a joint project with the International Accounting Standards Board to simplify lease accounting and improve the quality of and comparability of financial information for users. This new guidance would eliminate the concept of off-balance sheet treatment for operating leases for lessees for the vast majority of lease contracts. Under ASU No. 2016-02, at inception, a lessee must classify all leases with a term of over one year as either finance or operating, with both classifications resulting in the recognition of a defined right-of-use asset and a lease liability on the balance sheet. However, recognition in the income statement will differ depending on the lease classification, with finance leases recognizing the amortization of the right-of-use asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU No. 2016-02 would be substantially unchanged from the previous lease requirements under U.S. GAAP. ASU No. 2016-02 will take effect for public companies in fiscal years beginning after December 15, 2018, including

interim periods within those fiscal years. Early adoption is permitted and for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. During FY 2017, the Company evaluated this new accounting standard and engaged professionals in the new lease accounting implementation and related real estate consulting industry to assist in determining the effect of the new standard as of July 1, 2017. The Company currently has over 100 real estate leases worldwide and evaluated each of these leases in accordance with the new lease accounting standard under ASC Topic 842. As of July 1, 2017, the Company estimates that the right of use asset to be recorded on its consolidated balance sheet would be approximately \$34.0 million to \$37.0 million and that the related liability would be approximately \$35.0 million to \$39.0 million related to operating leases. The difference between the right of use asset and related lease liability is predominantly deferred rent and other related lease expenses under the new lease accounting standard. The difference in the ranges is due to the presumed renewal of leases whereby the exercise of the renewal option is twelve months or less from July 1, 2017. The Company will continue to evaluate existing renewal options in excess of one year as to the probability of exercising renewal options and is currently evaluating its equipment and other finance leases and its lessor accounting under the new standard. The Company will continue this effort in a manner to be appropriately prepared for its implementation on or before July 1, 2019.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718)*. Under ASU No. 2016-09, all excess tax benefits and tax deficiencies related to equity compensation will be recognized in the income statement as they occur. This will replace the current guidance, which requires tax benefits that exceed compensation cost (windfalls) to be recognized in equity, and tax deficiencies (shortfalls) to be recognized in equity to the extent of previously recognized windfalls.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

It will also eliminate the need to maintain a windfall pool, and will remove the requirement to delay recognizing a windfall until it reduces current taxes payable. ASU No. 2016-09 will also change the cash flow presentation of excess tax benefits, classifying them as operating inflows, consistent with other cash flows related to income taxes. In addition, this ASU allows a policy election to either continue to reduce share-based compensation expense for forfeitures in future periods, or to recognize forfeitures as they occur. The Company implemented ASU No. 2016-09 in FY 2018, elected to recognize forfeitures as they occur and, because it was not significant, recorded the \$99,000 tax charge for the cumulative-effect adjustment for previously unrecognized excess tax benefits and the tax-effect of the difference between the fair value estimate of awards historically expected to be forfeited and the fair value estimate of awards actually forfeited in the accompanying consolidated statement of operations. The tax effect for excess tax benefits and forfeitures in FY 2018 was a tax charge of \$205,000.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities*. ASU No. 2017-12 expands hedge accounting for both non-financial and financial risk components and refines the measurement of hedge results in an attempt to better reflect an entity's hedging strategies. The ASU also amends the presentation and disclosure requirements and changes how entities assess hedge effectiveness. The effective date of ASU No. 2017-12 for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, though early adoption is permitted. The new standard must be adopted using a modified retrospective transition with a cumulative effect adjustment recorded to opening retained earnings as of the initial adoption date. The Company is evaluating the effect that ASU No. 2017-12 will have on the consolidated financial statements and related disclosures, but does not currently believe it will be significant.

Note 3. Equity Transactions

Preferred Stock

Upon issuance of shares of preferred stock, the Company records the liquidation value as the preferred equity in the consolidated balance sheet, with any underwriting discount and issuance or offering costs recorded as a reduction in additional paid-in capital.

Series B Preferred Stock

The Company has outstanding privately-placed 8.00% Series B Cumulative Preferred Stock, par value of \$0.0001 per share and liquidation value of \$1,000 per share (Series B Preferred Stock). The Series B Preferred Stock is offered primarily in connection with business combinations. At June 30, 2017 and March 31, 2018, the Company had outstanding 100 shares of Series B Preferred Stock with an aggregate liquidation preference totaling \$102,000. The Series B Preferred Stock is not convertible into GFN common stock, has no voting rights, except as required by Delaware law, and is redeemable after February 1, 2014; at which time it may be redeemed at any time, in whole or in part, at the Company's option. Holders of the Series B Preferred Stock are entitled to receive, when declared by the Company's Board of Directors, annual dividends payable quarterly in arrears on the 31 day of January, July and

October and on the 30th day of April of each year. In the event of any liquidation or winding up of the Company, the holders of the Series B Preferred Stock will have preference to holders of common stock.

Series C Preferred Stock

The Company has outstanding publicly-traded 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$100.00 per share (the Series C Preferred Stock). At June 30, 2017 and March 31, 2018, the Company had outstanding 400,000 shares of Series C Preferred Stock with an aggregate liquidation preference totaling \$40,620,000 and \$40,600,000, respectively. Dividends on the Series C Preferred Stock are cumulative from the date of original issue and will be payable on the 31st day of each January, July and October and on the 30th day of April when, as and if declared by the Company's Board of Directors. Commencing on May 17, 2018, the Company may redeem, at its option, the Series C Preferred Stock, in whole or in part, at a cash redemption price of \$100.00 per share, plus any accrued and unpaid dividends to, but not including, the redemption date. Among other things, the Series C Preferred Stock has no stated maturity, is not subject to any sinking fund or other mandatory redemption, and is not convertible into or exchangeable for any of the Company's other securities. Holders of the Series C Preferred Stock generally will have no voting rights, except for limited voting rights if dividends payable on the outstanding Series C Preferred Stock are in arrears for six or more consecutive or non-consecutive quarters, and under certain other circumstances.

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If the Company fails to maintain the listing of the Series C Preferred Stock on the NASDAQ Stock Market (NASDAQ) for 30 days or more, the per annum dividend rate will increase by an additional 2.00% per \$100.00 stated liquidation value (\$2.00 per annum per share) so long as the listing failure continues. In addition, in the event of any liquidation or winding up of the Company, the holders of the Series C Preferred Stock will have preference to holders of common stock and are pair passu with the Series B Preferred Stock. The Series C Preferred Stock is listed on NASDAQ under the symbol GFNCP.

Dividends

As of March 31, 2018, since issuance, dividends paid or payable totaled \$91,000 for the Series B Preferred Stock and dividends paid totaled \$17,200,000 for the Series C Preferred Stock. The characterization of dividends to the recipients for Federal income tax purposes is made based upon the earnings and profits of the Company, as defined by the Internal Revenue Code.

Royal Wolf Dividends

On August 10, 2016, the Board of Directors of Royal Wolf declared a dividend of AUS\$0.025 per RWH share payable on October 4, 2016 to shareholders of record on September 16, 2016 and on February 7, 2017, the Board of Directors of Royal Wolf declared a dividend of AUS\$0.025 per RWH share payable on April 4, 2017 to shareholders of record on March 16, 2017. On August 2, 2017, Royal Wolf paid a special dividend of AUS\$0.0265 per RWH share to shareholders of record on July 18, 2017 (see Note 4). The consolidated financial statements reflect the amount of the dividend pertaining to the noncontrolling interest.

Note 4. Acquisitions

Acquisition of Noncontrolling Interest of Royal Wolf

On July 12, 2017, the Company announced that it commenced, through GFNAPH, an off-market takeover offer and entered into a binding takeover bid implementation agreement with the independent directors of RWH to acquire the approximately 49.2 million ordinary (common) shares of RWH not owned by the Company. The takeover offer was for AUS\$1.83 per share in cash, less a special dividend declared by RWH of AUS\$0.0265 per share (see Note 3), for total purchase consideration to be paid by the Company of AUS\$88,712,000 (\$70,401,000), or AUS\$1.8035 per share. For the takeover offer, the Company used AUS\$2,516,000 (\$1,997,000) borrowed under its North America senior secured revolving credit facility (see Note 5) and received financing totaling \$80,000,000 from Bison Capital Equity Partners V, L.P. (Bison Capital) and its affiliates, of which \$10,000,000 was used for the repayment of the term loan due to Credit Suisse AG, Singapore Branch (Credit Suisse) (See Note 5). At September 8, 2017, the closing of the takeover bid offer period, the Company received valid acceptances for approximately 48.1 million shares, which in combination with the 51.2 million RWH shares previously owned by the Company represented approximately 99% of the total shares outstanding. The Company deposited in escrow the entire amount of the purchase consideration required to acquire all 49.2 million of the RWH shares owned by the noncontrolling interest shareholders, with owners

of the 48.1 million shares accepting the takeover bid offer paid on or before September 29, 2017, and the remaining 1.1 million shares paid on or around October 31, 2017.

The accounting for the purchase consideration and total transaction-related costs of \$70,402,000 and \$2,299,000 (net of income tax effect of \$550,000), respectively, as well as the adjustment to the accumulated other comprehensive income (loss) and reclassification of the noncontrolling interest of Royal Wolf to the Company's equity accounts, have been recorded as equity transactions in the accompanying consolidated balance sheet in FY 2018.

FY 2018 Acquisitions

The Company can enhance its business and market share by entering into new markets in various ways, including starting up a new location or acquiring a business consisting of container, modular unit or mobile office assets of another entity. An acquisition generally provides the Company with operations that enables it to at least cover existing overhead costs and is preferable to a start-up or greenfield location. The acquisition(s) discussed below were completed primarily to expand the Company's container lease fleet. The accompanying consolidated financial statements include the operations of the acquired business(es) from the dates of acquisition.

On September 1, 2017, the Company, through Pac-Van, purchased the container businesses of Advantage Storage Trailer, LLC and Big Star Container, LLC (collectively Advantage) for approximately \$1,576,000, which included a general indemnity holdback of \$155,000. Advantage is located in Austin and San Antonio, Texas.

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On December 1, 2017, the Company, through Pac-Van, purchased the container and mobile office business of Gauthier Homes, Inc. (Gauthier) for approximately \$10,371,000, which included a general indemnity holdback of \$457,000. Gauthier is located in Carencro (Lafayette) and Houma, Louisiana.

On January 26, 2018, the Company, through Pac-Van, purchased the container and storage trailer business of Lucky's Lease, Inc. (Lucky's) for approximately \$3,369,000, which included a general indemnity and other holdbacks of \$307,000. Lucky's is located in South Royalton, Vermont.

The preliminary allocation for the acquisition in FY 2018 to tangible and intangible assets acquired and liabilities assumed based on their estimated fair market values was as follows (in thousands):

	Advantage	Gauthier	Lucky's Lease
	September 1, 2017	December 1, 2017	January 26, 2018
Fair value of the net tangible assets acquired and liabilities assumed:			
Trade and other receivables	\$	\$ 390	\$
Inventories	234	444	203
Property, plant and equipment	55	339	135
Lease fleet	558	4,216	1092
Unearned revenue and advance payments	(25)	(237)	(36)
Total net tangible assets acquired and liabilities assumed	822	5,152	1,394
Fair value of intangible assets acquired:			
Non-compete agreement	56	143	44
Customer lists/relationships	97	1,085	676
Other		250	
Goodwill	601	3,741	1,255
Total intangible assets acquired	754	5,219	1,975
Total purchase consideration	\$ 1,576	\$ 10,371	\$ 3,369

The FY 2018 operating results prior to and since the respective date of acquisition were not considered significant.

Goodwill recognized is attributable primarily to expected corporate synergies, the assembled workforce and other factors. The goodwill recognized in the FY 2018 acquisitions is deductible for U.S. income tax purposes.

The Company incurred approximately \$1,000 and \$38,000 during the quarter ended March 31, 2017 and FY 2017, respectively, and \$20,000 and \$84,000 during the quarter ended March 31, 2018 and FY 2018, respectively, of incremental transaction costs associated with acquisition-related activity that were expensed as incurred and are included in selling and general expenses in the accompanying consolidated statements of operations.

Note 5. Senior and Other Debt

Asia-Pacific Leasing Senior Credit Facility

The Company's operations in the Asia-Pacific area had an AUS\$150,000,000 secured senior credit facility, as amended, under a common terms deed arrangement with the Australia and New Zealand Banking Group Limited (ANZ) and Commonwealth Bank of Australia (CBA) (the ANZ/CBA Credit Facility). On October 26, 2017, RWH and its subsidiaries, Deutsche Bank AG, Sydney Branch (Deutsche Bank), CSL Fund (PB) Lux Sarl II, Aiguilles Rouges Lux Sarl II, Perpetual Corporate Trust Limited and P.T. Limited entered into a Syndicated Facility Agreement (the Syndicated Facility Agreement). Pursuant to the Syndicated Facility Agreement, the parties entered into a three-year, \$96,072,500 (AUS\$125,000,000) senior secured credit facility (the Deutsche Bank Credit Facility) and repaid the ANZ/CBA Credit Facility on November 3, 2017. The Deutsche Bank Credit Facility consists of a \$15,371,600 (AUS\$20,000,000) Facility A that will amortize semi-annually; a \$65,329,300 (AUS\$85,000,000) Facility B that has no scheduled amortization; and a \$15,371,600 (AUS\$20,000,000) revolving Facility C that is used for working capital, capital expenditures and general corporate purposes.

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The amounts borrowed bear interest at the rate of 5.0% per annum until delivery of the first compliance certificate and thereafter at the bank bill swap interest rate in Australia (BBSY), plus a margin of 4.25% to 5.50% per annum, as determined by net leverage. The Deutsche Bank Credit Facility is secured by substantially all of the assets and by the pledge of all capital stock of RWH and its subsidiaries and matures on November 3, 2020, at which time an exit fee of up to \$865,000 (A\$1,125,000) is owed depending on the final amounts borrowed. In addition, the Deutsche Bank Credit Facility is subject to certain financial and other customary covenants, including, among other things, compliance with specified net leverage and debt requirement or fixed charge ratios based on earnings before interest, income taxes, impairment, depreciation and amortization and other non-operating costs and income (EBITDA), as defined. At March 31, 2018, the Deutsche Bank Credit Facility totaled \$81,206,000 (A\$105,658,000), net of deferred financing costs of \$2,195,000, and availability under the revolving Facility C totaled \$18,052,000 (AUS\$23,487,000).

The above amounts were translated based upon the exchange rate of one Australian dollar to \$0.76858 U.S. dollar at March 31, 2018.

Bison Capital Notes

General

On September 19, 2017, Bison Capital, GFN, GFN U.S., GFNAPH and GFNAPF, entered into that certain Amended and Restated Securities Purchase Agreement dated September 19, 2017 (the Amended Securities Purchase Agreement). On September 25, 2017, pursuant to the Amended Securities Purchase Agreement, GFNAPH and GFNAPF issued and sold to Bison an 11.9% secured senior convertible promissory note dated September 25, 2017 in the original principal amount of \$26,000,000 (the Convertible Note) and an 11.9% secured senior promissory note dated September 25, 2017 in the original principal amount of \$54,000,000 (the Senior Term Note and collectively with the Convertible Note, the Bison Capital Notes). Net proceeds from the sale of the Bison Capital Notes were used to repay in full all principal, interest and other amounts due under the term loan to Credit Suisse (see below), to acquire the 49,188,526 publicly-traded shares of RWH not owned by the Company and to pay all related fees and expenses.

The Bison Capital Notes have a maturity of five years and bear interest from the date of issuance, payable quarterly in arrears beginning on January 2, 2018. The Bison Capital Notes may be prepaid at 102% of the original principal amount, plus accrued interest, after the first anniversary and prior to the second anniversary of issuance, at 101% of the original principal amount, plus accrued interest, after the second anniversary and prior to the third anniversary of issuance and with no prepayment premium after the third anniversary of issuance. The Company may elect to defer interest under the Bison Capital Notes until the second anniversary of issuance. Interest on the Bison Capital Notes are payable in Australian dollars, but the principal must be repaid in U.S. dollars. The Bison Capital Notes are secured by a first priority security interest over all of the assets of GFN U.S., GFNAPH and GFNAPF, by the pledge by GFN U.S. of the capital stock of GFNAPH and GFNAPF and by of all of the capital stock of RWH. The Bison Capital Notes are subject to all terms, conditions and covenants set forth in the Amended Securities Purchase Agreement. The Amended Securities Purchase Agreement contains certain financial and other customary and restrictive covenants,

including, among other things, a minimum EBITDA requirement to equal or exceed AUS\$30,000,000 per trailing 12-month period. In addition, the Bison Capital Notes must be repaid upon a change of control, as defined. At March 31, 2018, the principal balance of the Senior Term Note was \$55,669,000, which includes interest the Company has elected to defer.

Convertible Note

At any time prior to maturity, Bison Capital may convert unpaid principal and interest under the Convertible Note into shares of GFN common stock based upon a price of \$8.50 per share, subject to adjustment as described in the Convertible Note. If GFN common stock trades above 150% of the conversion price over 30 consecutive trading days and the aggregate dollar value of all GFN common stock traded on NASDAQ exceed \$600,000 over a period of 20 consecutive days, GFN may force Bison Capital to convert all or a portion of the Convertible Note. The Convertible Note also provides that Bison Capital shall not be entitled, and GFN shall not be obligated, to convert the Convertible Note into shares of GFN common stock if such conversion would result in holders of the Convertible Note beneficially owning in excess of 5,200,000 shares of GFN common stock, or approximately 19.5% of the number of shares of GFN common stock outstanding immediately prior to issuance of the Convertible Note. The Convertible Note grants Bison Capital and holders of the Convertible Note a preemptive right to invest in any issuance GFN equity securities, options or warrants to maintain its proportionate interest in GFN common stock, after giving effect to the conversion of the entire Convertible Note. In addition, the Convertible Note includes a provision which requires GFNAPH and GFNAPF to pay Bison Capital, via the payment of principal, interest and the value of GFN common stock received upon conversion of all or a portion of the Convertible Note, a minimum return of 1.75 times the original \$26,000,000 principal amount. This minimum rate of return will be recorded at \$806,000

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per year, or \$201,500 per quarter, as an accretion in the accompanying consolidated statements of operations. The Convertible Note must also be repaid upon a change of control, as defined. In the event that Bison Capital or holders of the Convertible Note receive aggregate proceeds in excess of \$48,900,000 from the sale of GFN common stock received from conversion of the Convertible Note, then 50% of the interest accrued and actually paid to Bison Capital (such amount, the Price Increase) shall be repaid by Bison Capital or holders of the Convertible Note by either (i) paying such Price Increase to GFNAPH or GFNAPF in the form of cash, (ii) returning to GFN shares of GFN Common Stock with a value equal to the Price Increase or (iii) any combination of (i) or (ii) above that if the aggregate equals the Price Increase. The value of the GFN common stock for purposes of the return of shares to GFN shall be deemed to be the average price per share of GFN common stock realized by the Convertible Note holder in the sale of such shares. The Convertible Note holder may satisfy such obligations by returning to GFN shares of GFN common stock with an aggregate value equivalent to the Price Increase.

The Company evaluated the Convertible Note and determined that certain conversion rights were an embedded derivative that required bifurcation because they were not deemed to be clearly and closely related to the Convertible Note. As a result, the Company separately accounts for these conversion rights as a standalone derivative. As of the date of issuance on September 25, 2017, the fair value of this bifurcated derivative was determined to be \$1,864,000, resulting in a principal balance of \$24,136,000 for the Convertible Note. The Company determines the fair value of the bifurcated derivative using a valuation model and market prices and reassesses its fair value at the end of each reporting period or more frequently as deemed necessary, with any changes in value reported in the accompanying consolidated statements of operations. At March 31, 2018, the fair value of this bifurcated derivative was \$4,085,000 and the principal balance of the Convertible Note was \$24,539,000, which includes accretion for the minimum rate of return.

At March 31, 2018, the Bison Capital Notes totaled \$79,147,000, net of deferred financing costs of \$1,061,000.

North America Senior Credit Facility

The North America leasing (Pac-Van and Lone Star) and manufacturing operations (Southern Frac) have a combined \$237,000,000 senior secured revolving credit facility, as amended, with a syndicate led by Wells Fargo Bank, National Association (Wells Fargo) that also includes East West Bank, CIT Bank, N.A., the Canadian Imperial Bank of Commerce (CIBC), KeyBank, National Association, Bank Hapoalim B.M. and Associated Bank, N.A. (the Wells Fargo Credit Facility). The Wells Fargo Credit Facility matures on March 24, 2022, assuming the Company's publicly-traded senior notes due July 31, 2021(see below) are extended at least 90 days past this scheduled maturity date; otherwise the Wells Fargo Credit Facility would mature on March 24, 2021. There is also a separate loan agreement with Great American Capital Partners (GACP), where GACP provided a First In Last Out Term Loan (FILO Term Loan) within the Wells Fargo Credit Facility in the amount of \$20,000,000, and inclusive in the \$237,000,000 total amount. The FILO Term Loan has the same maturity date and commences principal amortization on October 1, 2018 at \$500,000 per quarter. The FILO Term Loan has a prepayment fee of 3.00% of the prepaid amount if prepaid prior to the first anniversary, 2.00% of the prepaid amount if prepaid prior to the second anniversary and 1.00% of the prepaid amount if prepaid prior to the third anniversary.

The Wells Fargo Credit Facility is secured by substantially all of the rental fleet, inventory and other assets of the Company's North American leasing and manufacturing operations. The FILO Term Loan also contains a first priority lien on the same collateral, but on a last out basis, after all of the outstanding obligations to the primary lenders in the Wells Fargo Credit Facility have been satisfied. The Wells Fargo Credit Facility effectively not only finances the North American operations, but also the funding requirements for the Series C Preferred Stock (see Note 3) and the publicly-traded unsecured senior notes. The maximum amount of intercompany dividends that Pac-Van and Lone Star are allowed to pay in each fiscal year to GFN for the funding requirements of GFN's senior and other debt and the Series C Preferred Stock are (a) the lesser of \$5,000,000 for the Series C Preferred Stock or the amount equal to the dividend rate of the Series C Preferred Stock and its aggregate liquidation preference and the actual amount of dividends required to be paid to the Series C Preferred Stock; and (b) \$6,300,000 for the public offering of unsecured senior notes or the actual amount of annual interest required to be paid; provided that (i) the payment of such dividends does not cause a default or event of default; (ii) each of Pac-Van and Lone Star is solvent; (iii) excess availability, as defined, is \$5,000,000 or more under the Wells Fargo Credit Facility; (iv) the fixed charge coverage ratio, as defined, will be greater than 1.25 to 1.00; and (v) the dividends are paid no earlier than ten business days prior to the date they are due.

Borrowings under the Wells Fargo Credit Facility accrue interest, at the Company's option, either at the base rate, plus 0.5% and a range of 1.00% to 1.50%, or the LIBOR rate, plus 1.0% and a range of 2.50% to 3.00%. The FILO Term Loan within the Wells Fargo Credit Facility bears interest at 11.00% above the LIBOR rate, with a LIBOR rate floor of 1.00%. The Wells Fargo Credit Facility contains, among other things, certain financial covenants, including fixed charge coverage ratios, and other covenants,

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representations, warranties, indemnification provisions, and events of default that are customary for senior secured credit facilities; including a covenant that would require repayment upon a change in control, as defined. At March 31, 2018, borrowings and availability under the Wells Fargo Credit Facility totaled \$195,631,000 and \$35,431,000, respectively.

Credit Suisse Term Loan

On March 31, 2014, the Company entered into a \$25,000,000 facility agreement, as amended, with Credit Suisse (Credit Suisse Term Loan) as part of the financing for the acquisition of Lone Star and, on April 3, 2014, the Company borrowed the \$25,000,000 available to it. The Credit Suisse Term Loan provided that the amount borrowed would bear interest at LIBOR plus 7.50% per year, would be payable quarterly and that all principal and interest would mature on July 1, 2018. In addition, the Credit Suisse Term Loan was secured by a first ranking pledge over substantially all shares of RWH owned by GFN U.S., required a certain coverage maintenance ratio in U.S. dollars based on the value of the RWH shares and, among other things, that an amount equal to six-months interest be deposited in an interest reserve account pledged to secure repayment of all amounts borrowed. The Company had repaid, prior to maturity, \$15,000,000 of the outstanding borrowings of the Credit Suisse Term Loan and, as of June 30, 2017, \$9,920,000 remained outstanding, net of unamortized debt issuance costs of \$80,000. On September 25, 2017, in connection with the acquisition of the noncontrolling interest of Royal Wolf (see Note 4), the Credit Suisse Term Loan was fully repaid.

Senior Notes

On June 18, 2014, the Company completed the sale of unsecured senior notes (the Senior Notes) in a public offering for an aggregate principal amount of \$72,000,000. On April 24, 2017, the Company completed the sale of a tack-on offering of its publicly-traded Senior Notes for an aggregate principal amount of \$5,390,000 that was priced at \$24.95 per denomination. Net proceeds were \$5,190,947, after deducting an aggregate original issue discount (OID) of \$10,780 and underwriting discount of \$188,273. In both offerings, the Company used at least 80% of the gross proceeds to reduce indebtedness at Pac-Van and Lone Star under the Wells Fargo Credit Facility in order to permit the payment of intercompany dividends by Pac-Van and Lone Star to GFN to fund the interest requirements of the Senior Notes. For the tack-on offering, this amounted to \$4,303,376 of the net proceeds. The Company has total outstanding publicly-traded Senior Notes in an aggregate principal amount of \$77,390,000 (\$75,319,000 and \$75,697,000, net of unamortized debt issuance costs of \$2,071,000 and \$1,693,000, at June 30, 2017 and March 31, 2018, respectively).

The Senior Notes were issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof and pursuant to the First Supplemental Indenture (the First Supplemental Indenture) dated as of June 18, 2014 by and between the Company and Wells Fargo, as trustee (the Trustee). The First Supplemental Indenture supplements the Indenture entered into by and between the Company and the Trustee dated as of June 18, 2014 (the Base Indenture and, together with the First Supplemental Indenture, the Indenture). The Senior Notes bear interest at the rate of 8.125% per annum, mature on July 31, 2021 and are not subject to any sinking fund. Interest on the Senior Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31, commencing on July 31, 2014. The

Senior Notes rank equally in right of payment with all of the Company's existing and future unsecured senior debt and senior in right of payment to all of its existing and future subordinated debt. The Senior Notes are effectively subordinated to any of the Company's existing and future secured debt, to the extent of the value of the assets securing such debt. The Senior Notes are structurally subordinated to all existing and future liabilities of the Company's subsidiaries and are not guaranteed by any of the Company's subsidiaries.

The Company had an option, prior to July 31, 2017, to redeem the Senior Notes in whole or in part upon the payment of 100% of the principal amount of the Senior Notes being redeemed, plus any additional amount required by the Indenture. In addition, the Company may have redeemed up to 35% of the aggregate outstanding principal amount of the Senior Notes before July 31, 2017 with the net cash proceeds from certain equity offerings at a redemption price of 108.125% of the principal amount plus accrued and unpaid interest. The Company has not redeemed any of its Senior Notes as July 31, 2017.

If the Company sells certain of its assets or experiences specific kinds of changes in control, as defined, it must offer to redeem the Senior Notes. The Company may, at its option, at any time and from time to time, on or after July 31, 2017, redeem the Senior Notes in whole or in part. The Senior Notes will be redeemable at a redemption price initially equal to 106.094% of the principal amount of the Senior Notes (and which declines each year on July 31) plus accrued and unpaid interest to the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Senior Notes.

The Indenture contains covenants which, among other things, limit the Company's ability to make certain payments, to pay dividends and to incur additional indebtedness if the incurrence of such indebtedness would cause the company's consolidated fixed charge coverage ratio, as defined in the Indenture, to be below 2.0 to 1.0. The Senior Notes are listed on NASDAQ under the symbol GFNSL.

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Other

At March 31, 2018, other debt totaled \$7,742,000.

The Company was in compliance with the financial covenants under all its credit facilities as of March 31, 2018.

The weighted-average interest rate in the Asia-Pacific area was 4.9% and 10.4% and 4.9% and 10.0% in the quarter ended March 31, 2017 and 2018 and in FY 2017 and FY 2018, respectively; which does not include the effect of translation, derivative valuation, amortization of deferred financing costs and accretion. The weighted-average interest rate in North America was 5.2% and 6.2% and 5.0% and 6.0% in the quarter ended March 31, 2017 and 2018 and in FY 2017 and FY 2018, respectively, which does not include the effect of amortization of deferred financing costs and accretion.

Note 6. Financial Instruments

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 - Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company's derivative instruments are not traded on a market exchange; therefore, the fair values are determined using valuation models that include assumptions about yield curve at the reporting dates as well as counter-party credit risk. The assumptions are generally derived from market-observable data. The Company has consistently applied these calculation techniques to all periods presented, which are considered Level 2. Derivative instruments measured at fair value and their classification in the consolidated balances sheets and statements of operations are as follows (in thousands):

Derivative Fair Value (Level 2)**Type of Derivative**

Contract	Balance Sheet Classification	June 30, 2017	March 31, 2018
Swap Contracts	Trade payables and accrued liabilities	\$ 96	\$ 255
Forward-Exchange Contracts	Trade and other receivables		20
Forward-Exchange Contracts	Trade payables and accrued liabilities	299	7

Type of Derivative	Statement of Operations	Quarter Ended March 31,		Nine Months Ended March 31,	
Contract	Classification	2017	2018	2017	2018
Swap Contracts	Unrealized gain (loss) included in interest expense	\$	\$ 9	\$	\$ 9
Forward Exchange Contracts	Unrealized foreign currency exchange gain (loss) and other	\$ (156)	\$ 10	\$ 279	\$ 402

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)**Interest Rate Swap Contracts

The Company's exposure to market risk for changes in interest rates relates primarily to its senior and other debt obligations. The Company's policy is to manage its interest expense by using a mix of fixed and variable rate debt.

To manage its exposure to variable interest rates in a cost-efficient manner, the Company has entered into interest rate swaps and interest rate options, in which the Company agreed to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps and options were designated to hedge changes in the interest rate of a portion of the outstanding borrowings in the Asia-Pacific area. In FY 2017, the Company entered into two interest rate swaps that were designated as cash flow hedges. The Company expected these derivatives to remain effective during their remaining terms, but recorded any changes in the portion of the hedges considered ineffective in interest expense in the consolidated statement of operations. There was no ineffective portion recorded in FY 2017 and, in FY 2018, these two interest rate swap contracts were closed, with the Company incurring break costs of \$148,000. In January 2018, the Company entered into another interest rate swap contract that was also designated as a cash flow hedge. The Company expects this derivative to remain highly effective during its term; however, any changes in the portion of the hedge considered ineffective would also be recorded in interest expense in the consolidated statement of operations. In the quarter ended March 31, 2018, the Company recorded in interest expense an unrealized gain of \$9,000 for the portion considered ineffective.

The Company's interest rate derivative instruments were not traded on a market exchange; therefore, the fair values were determined using valuation models which include assumptions about the interest rate yield curve at the reporting dates (Level 2 fair value measurement). As of June 30, 2017 and March 31, 2018, the open interest rate swap contracts were as follows (dollars in thousands):

	June 30,	March 31,
	2017	2018
Notional amounts	\$ 30,748	\$ 38,529
Fixed/Strike Rates	2.0025% - 2.2900%	7.41%
Floating Rates	1.6650%	7.08%
Fair Value of Combined Contracts	\$ (96)	\$ (255)

Foreign Currency Risk

The Company has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the functional currency. The currency giving rise to this risk is primarily U.S. dollars. Royal Wolf has a bank account denominated in U.S. dollars into which a small number of customers pay their debts. This is a natural hedge against fluctuations in the exchange rate. The funds are then used to pay suppliers, avoiding the need to convert to Australian dollars. Royal Wolf uses forward currency and participating forward contracts to eliminate the currency exposures on the majority of its transactions denominated in foreign currencies, either by transaction if the amount is significant, or on a general cash flow hedge basis. The forward currency and participating forward contracts are always in the same currency as the hedged item. The Company believes that financial instruments designated as foreign currency hedges are highly effective. However documentation of such as required by ASC Topic 815 does not exist. Therefore, all movements in the fair values of these hedges are reported in the statement of operations in the period in which fair values change. As of June 30, 2017, there were 16 open forward exchange contracts that mature between July 2017 and December 2017; and as of March 31, 2018, there were 12 open forward exchange that mature between April 2018 and July 2018, as follows (dollars in thousands):

	June 30,		March 31,	
	2017		2018	
Notional amounts	\$	7,687	\$	2,377
Exchange/Strike Rates (AUD to USD)	0.69304	0.75650	0.69785	0.79980
Fair Value of Combined Contracts	\$	(299)	\$	13

For the quarter ended March 31, 2017 and 2018, net unrealized and realized foreign exchange gains (losses) totaled \$39,000 and \$(33,000) and \$(1,390,000) and \$37,000, respectively. In FY 2017 and FY 2018, net unrealized and realized foreign exchange gains (losses) totaled \$(506,000) and \$84,000, and \$(2,722,000) and \$(369,000), respectively.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Fair Value of Other Financial Instruments

The fair value of the Company's borrowings under the Senior Notes was determined based on a Level 1 input and for borrowings under its senior credit facilities and Credit Suisse Term Loan determined based on Level 3 inputs; including a comparison to a group of comparable industry debt issuances (Industry Comparable Debt Issuances) and a study of credit (Credit Spread Analysis). Under the Industry Comparable Debt Issuance method, the Company compared the debt facilities to several industry comparable debt issuances. This method consisted of an analysis of the offering yields compared to the current yields on publicly traded debt securities. Under the Credit Spread Analysis, the Company first examined the implied credit spreads of the United States Federal Reserve. Based on this analysis the Company was able to assess the credit market. The fair value of the Company's senior credit facilities as of June 30, 2017 was determined to be approximately \$347,236,000. The Company also determined that the fair value of its other debt of \$8,402,000 at June 30, 2017 approximated or would not vary significantly from their carrying values. The Company believes that market conditions at March 31, 2018 have not changed significantly from June 30, 2017. Therefore, the proportion of the fair value to the carrying value of the Company's senior credit facilities and other debt at March 31, 2018 would not vary significantly from the proportion determined at June 30, 2017.

Under the provisions of FASB ASC Topic 825, *Financial Instruments*, the carrying value of the Company's other financial instruments (consisting primarily of cash and cash equivalents, net receivables, trade payables and accrued liabilities) approximate fair value.

Note 7. Related-Party Transactions

Effective January 31, 2008, the Company entered into a lease with an affiliate of the Company's then Chief Executive Officer (now Executive Chairman of the Board of Directors) for its corporate headquarters in Pasadena, California. The rent is \$7,393 per month, effective March 1, 2009, plus allocated charges for common area maintenance, real property taxes and insurance, for approximately 3,000 square feet of office space. The term of the lease is five years, with two five-year renewal options, and the rent is adjusted yearly based on the consumer price index. On October 11, 2012, the Company exercised the first option to renew the lease for an additional five-year term commencing February 1, 2013 and on August 7, 2017, it exercised its second option for an additional five-year term commencing on February 1, 2018. Rental payments were \$28,000 during both the quarters ended March 31, 2017 and 2018, and \$84,000 during both FY 2017 and FY 2018.

The premises of Pac-Van's Las Vegas branch are owned by and were leased from the acting branch manager through December 31, 2016. From January 1, 2017 through May 12, 2017, the use of the premises was rented from the acting branch manager on a month-to-month basis. Effective May 12, 2017, the Company entered into a lease agreement through December 31, 2020 for rental of \$10,876 per month and the right to extend the term of the lease for three two-year options, with the monthly rental increasing at each option period from \$11,420 to \$12,590 per month. Rental payments on these premises totaled \$33,000 during both the quarters ended March 31, 2017 and 2018 and \$92,000 and \$98,000 during FY 2017 and FY 2018, respectively.

Note 8. Equity Plans

On September 11, 2014, the Board of Directors of the Company adopted the 2014 Stock Incentive Plan (the "2014 Plan"), which was approved by the stockholders at the Company's annual meeting on December 4, 2014 and amended and restated by the stockholders at the annual meeting on December 3, 2015. The 2014 Plan is an omnibus incentive plan permitting a variety of equity programs designed to provide flexibility in implementing equity and cash awards, including incentive stock options, nonqualified stock options, restricted stock grants (non-vested equity shares), restricted stock units, stock appreciation rights, performance stock, performance units and other stock-based awards. Participants in the 2014 Plan may be granted any one of the equity awards or any combination of them, as determined by the Board of Directors or the Compensation Committee. Upon the approval of the 2014 Plan by the stockholders, the Company suspended further grants under its previous equity plans, the General Finance Corporation 2006 Stock Option Plan (the "2006 Plan") and the 2009 Stock Incentive Plan (the "2009 Plan") (collectively the "Predecessor Plans"), which had a total of 2,500,000 shares reserved for grant. Any stock options which are forfeited under the Predecessor Plans will become available for grant under the 2014 Plan, but the total number of shares available under the 2014 Plan will not exceed the 1,500,000 shares reserved for grant under the 2014 Plan, plus any options which were forfeited or are available for grant under the Predecessor Plans. If not sooner terminated by the Board of Directors, the 2014 Plan will expire on December 4, 2024, which is the tenth anniversary of the date it was approved by the Company's stockholders.

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)**

The 2006 Plan expired on June 30, 2016 and the 2009 Plan will expire on December 10, 2019. On December 7, 2017, the stockholders approved an amendment unanimously approved by the Board of Directors of the Company that increased the number of shares reserved for issuance under the 2014 Plan by 1,000,000 shares, from 1,500,000 to 2,500,000 shares of common stock, plus any options which were forfeited or are available for grant under the 2009 Plan. The Predecessor Plans and the 2014 Plan are referred to collectively as the Stock Incentive Plan.

There have been no grants or awards of stock appreciation rights, performance stock or performance units under the Stock Incentive Plan. All grants to-date consist of incentive and non-qualified stock options that vest over a period of up to five years (time-based), non-qualified stock options that vest over varying periods that are dependent on the attainment of certain defined EBITDA and other targets (performance-based), non-vested equity shares (restricted stock) and restricted stock units (RSU). At March 31, 2018, 960,948 shares remained available for grant.

On December 15, 2017 (the December 2017 Grant), the Company granted time-based options to an officer of GFN to purchase 225,000 shares of common stock at an exercise price equal to the closing market price of the Company's common stock as of that date, or \$6.25 per share. The options under the December 2017 Grant vest over 36 months from the date of grant. The fair value of the stock options in the December 2017 Grant was \$3.45, determined using the Black-Scholes option-pricing model using the following assumptions: a risk-free interest rate of 2.26%, an expected life of 7.5 years, an expected volatility of 50.5% and no expected dividend.

On February 6, 2018 (the February 2018 Grant), the Company granted time-based options to a key employee of Royal Wolf to purchase 81,280 shares of common stock at an exercise price equal to the closing market price of the Company's common stock as of that date, or \$7.15 per share. The options under the February 2018 Grant vest over 28.8 months from the date of grant. The fair value of the stock options in the February 2018 Grant was \$4.00, determined using the Black-Scholes option-pricing model using the following assumptions: a risk-free interest rate of 2.66%, an expected life of 7.5 years, an expected volatility of 50.5% and no expected dividend.

Since inception, the range of the fair value of the stock options granted (other than to non-employee consultants) and the assumptions used are as follows:

Fair value of stock options	\$0.81 - \$6.35
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Assumptions used:

Risk-free interest rate	1.19% - 4.8%
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Expected life (in years)	7.5
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Expected volatility	26.5% - 84.6%
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Expected dividends	
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At March 31, 2018, there were no significant outstanding stock options held by non-employee consultants that were not fully vested. A summary of the Company's stock option activity and related information for FY 2018 follows:

	Number of Options (Shares)	Weighted- Weighted- Average Average Remaining Exercise Contractual Price Term (Years)	
Outstanding at June 30, 2017	2,061,057	\$ 4.92	
Granted	306,280	6.49	
Exercised	(63,363)	2.54	
Forfeited or expired	(304,500)	8.97	
Outstanding at March 31, 2018	1,999,474	\$ 4.62	5.7
Vested and expected to vest at March 31, 2018	1,999,474	\$ 4.62	5.7
Exercisable at March 31, 2018	1,396,115	\$ 4.14	4.3

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)**

At March 31, 2018, outstanding time-based options and performance-based options totaled 1,344,594 and 654,880, respectively. Also at that date, the Company's market price for its common stock was \$7.25 per share, which was at or below the exercise prices of 3.7% of the outstanding stock options. The intrinsic value of the outstanding stock options at that date was \$5,606,000. Share-based compensation of \$7,945,000 related to stock options has been recognized in the consolidated statements of operations, with a corresponding benefit to equity, from inception through March 31, 2018. At that date, there remains \$1,654,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining weighted-average vesting period of 1.5 years.

A deduction is not allowed for U.S. income tax purposes with respect to non-qualified options granted in the United States until the stock options are exercised or, with respect to incentive stock options issued in the United States, unless the optionee makes a disqualifying disposition of the underlying shares. The amount of any deduction will be the difference between the fair value of the Company's common stock and the exercise price at the date of exercise. Accordingly, there is a deferred tax asset recorded for the U.S. tax effect of the financial statement expense recorded related to stock option grants in the United States. Effective July 1, 2017, the tax effect of the U.S. income tax deduction in excess of the financial statement expense, if any, will be recorded as a benefit in the consolidated statement of operations.

A summary of the Company's restricted stock and RSU activity follows:

	Restricted Stock		RSU	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Nonvested at June 30, 2017	480,310	\$ 4.54		\$
Granted	35,430	6.35	211,763	7.15
Vested	(103,842)	3.11		
Forfeited				
Nonvested at March 31, 2018	411,898	\$ 4.73	211,763	\$ 7.15

Share-based compensation of \$2,909,000 and \$94,000 related to restricted stock and RSU, respectively, has been recognized in the consolidated statements of operations, with a corresponding benefit to equity, from inception through March 31, 2018. At that date, there remains \$1,484,000 and \$1,420,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining vesting period of over approximately 0.54 year 2.25 years and 2.25 years, respectively, for the restricted stock and RSU.

On January 2, 2018, the Company granted a total of 42,773 equity shares to an officer of GFN at a value equal to the closing market price of the Company's common stock as of that date, or \$6.80 per share. The fair value of this equity share grant of \$291,000 has been recognized as share-based compensation in the consolidated statements of operations, with a corresponding benefit to equity.

Royal Wolf Long Term Incentive Plan

Royal Wolf established the Royal Wolf Long Term Incentive Plan (the "LTI Plan") in conjunction with its initial public offering in May 2011. Under the LTI Plan, the RWH Board of Directors may have granted, at its discretion, options, performance rights and/or restricted shares of RWH capital stock to Royal Wolf employees and executive directors. Vesting terms and conditions were up to four years and, generally, were subject to performance criteria based primarily on enhancing shareholder returns using a number of key financial benchmarks, including EBITDA. In addition, unless the RWH Board determined otherwise, if an option, performance right or restricted share had not lapsed or been forfeited earlier, it would have terminated at the seventh anniversary from the date of grant. It was intended that up to one percent of RWH's outstanding capital stock would be reserved for grant under the LTI Plan and a trust was established to hold RWH shares for this purpose. However, since the Company held more than 50% of the outstanding shares of RWH capital stock, RWH shares reserved for grant under the LTI Plan were purchased in the open market. The LTI Plan, among other provisions, did not permit the transfer, sale, mortgage or encumbering of options, performance rights and restricted shares without the prior approval of the RWH Board. In the event of a change of control, the RWH Board, at its discretion, would have determined whether, and how many, unvested options, performance rights and restricted shares would have vested. In addition, if, in the RWH Board's opinion, a participant acted fraudulently or dishonestly or was in breach of his obligations to Royal Wolf, the RWH Board may have deemed any options, performance rights and restricted shares held by or reserved for the participant to have lapsed or been forfeited.

With the Company's acquisition of the noncontrolling interest of Royal Wolf (see Note 4), the LTI Plan was terminated in September 2017 and the RWH Board determined that 582,370 performance rights were deemed vested, resulting in payments totaling A\$1,066,000 (\$835,000) to participants. At the date of its termination, Royal Wolf had granted, net of forfeitures, 2,582,723

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

performance rights to key management personnel under the LTI Plan. Also, through the date of termination, 677,953 of the performance rights had been converted into RWH capital stock through purchases in the open market. In FY 2017 and FY 2018, share-based compensation of \$(522,000) and \$1,207,000, respectively, related to the LTI Plan had been recognized in the consolidated statements of operations, with a corresponding benefit to equity. In addition, in FY 2018, \$338,000 (A\$458,000) was refunded back to Royal Wolf by the trust established to make the open market purchases of RWH shares reserved for grant under the LTI Plan. This refund was recorded as a benefit to equity.

Note 9. Commitments and Contingencies

Self-Insurance

The Company has insurance policies to cover auto liability, general liability, directors and officers liability and workers compensation-related claims. Effective on February 1, 2017, the Company became self-insured for auto liability and general liability through GFNI, a wholly-owned captive insurance company, up to a maximum of \$1,200,000 per policy period. Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2017 and March 31, 2018, reported liability totaled \$129,000 and \$289,000, respectively, and has been recorded in the caption Trade payables and accrued liabilities in the accompanying consolidated balance sheets.

Other Matters

The Company is not involved in any material lawsuits or claims arising out of the normal course of business. The nature of its business is such that disputes can occasionally arise with employees, vendors (including suppliers and subcontractors) and customers over warranties, contract specifications and contract interpretations among other things. The Company assesses these matters on a case-by-case basis as they arise. Reserves are established, as required, based on its assessment of its exposure. The Company has insurance policies to cover general liability and workers compensation related claims. In the opinion of management, the ultimate amount of liability not covered by insurance under pending litigation and claims, if any, will not have a material adverse effect on our financial position, operating results or cash flows.

Note 10. Cash Flows from Operating Activities and Other Financial Information

The following table provides a detail of cash flows from operating activities (in thousands):

Nine Months Ended March 31,
2017 2018

Cash flows from operating activities			
Net income (loss)	\$	(445)	\$ 1,567
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
Gain on sales and disposals of property, plant and equipment		(137)	(11)
Gain on sales of lease fleet		(1,611)	(5,407)
Unrealized foreign exchange loss		506	2,722
Unrealized gain on forward exchange contracts		(279)	(402)
Unrealized gain on interest rate swap			(9)
Change in valuation of bifurcated derivative in Convertible Note			2,221
Depreciation and amortization		29,831	30,123
Amortization of deferred financing costs		1,183	1,822
Accretion of interest		224	596
Share-based compensation expense		842	2,986
Deferred income taxes		(1,627)	(1,386)
Changes in operating assets and liabilities (excluding assets and liabilities from acquisitions):			
Trade and other receivables, net		(3,022)	(9,129)
Inventories		5,087	851
Prepaid expenses and other		(913)	(1,195)
Trade payables, accrued liabilities and unearned revenues		(8,824)	6,668
Income taxes		(715)	839
Net cash provided by operating activities	\$	20,100	\$ 32,856

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****Note 11. Segment Reporting**

We have two geographic areas that include four operating segments; the Asia-Pacific area, consisting of the leasing operations of Royal Wolf, and North America, consisting of the combined leasing operations of Pac-Van and Lone Star, and the manufacturing operations of Southern Frac. Discrete financial data on each of the Company's products is not available and it would be impractical to collect and maintain financial data in such a manner. In managing the Company's business, senior management focuses on primarily growing its leasing revenues and operating cash flow (EBITDA), and investing in its lease fleet through capital purchases and acquisitions.

Transactions between reportable segments included in the tables below are recorded on an arms-length basis at market in conformity with U.S. GAAP and the Company's significant accounting policies (see Note 2). The tables below represent the Company's revenues from external customers, share-based compensation expense, depreciation and amortization, operating income, interest income and expense, expenditures for additions to long-lived assets (consisting of lease fleet and property, plant and equipment), long-lived assets and goodwill; as attributed to its geographic and operating segments (in thousands):

Quarter Ended March 31, 2018									
North America									
Leasing									
	Pac-Van	Lone Star	Combined	Manufacturing	Corporate and Intercompany Adjustments	To	From	Other	Total
Revenues:									
Sales	\$ 13,667	\$ 20	\$ 13,687	\$ 3,272	\$ (923)	\$	\$	\$	\$
Leasing	28,068	10,366	38,434	-	(304)				
	\$ 41,735	\$ 10,386	\$ 52,121	\$ 3,272	\$ (1,227)	\$	\$	\$	\$
Share-based compensation									
	\$ 69	\$ 11	\$ 80	\$ 11	\$ 684	\$	\$	\$	\$

Depreciation and amortization	\$	3,546	\$	2,309	\$	5,855	\$	117	\$	(183)	\$
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Operating income	\$	6,611	\$	2,688	\$	9,299	\$	(17)	\$	(1,588)	\$
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Interest income	\$	-	\$	-	\$	-	\$	-	\$	2	\$
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Interest expense	\$	2,380	\$	452	\$	2,832	\$	94	\$	1,699	\$
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Nine Months Ended March 31, 2018

North America

Leasing

	Pac-Van	Lone Star	Combined	Manufacturing	Corporate and Intercompany Adjustments	Total
Revenues:						
Sales	\$ 39,005	\$ 20	\$ 39,025	\$ 9,856	\$ (3,524)	\$ 44,377
Leasing	82,415	28,274	110,689	-	(797)	139,902
	\$ 121,420	\$ 28,294	\$ 149,714	\$ 9,856	\$ (4,321)	\$ 183,269
Share-based compensation						
	\$ 242	\$ 31	\$ 273	\$ 37	\$ 1,355	\$ 1,938

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)**

Depreciation and amortization	\$	10,542	\$	6,840	\$	17,382	\$	452	\$	(548)	\$	1
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Operating income	\$	20,627	\$	5,328	\$	25,955	\$	(680)	\$	(3,929)	\$	2
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Interest income	\$	-	\$	-	\$	-	\$	-	\$	8	\$	1
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Interest expense	\$	6,631	\$	1,372	\$	8,003	\$	294	\$	5,592	\$	1
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Additions to long-lived assets	\$	25,355	\$	2,973	\$	28,328	\$	5	\$	(252)	\$	2
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At March 31, 2018

Long-lived assets	\$	261,562	\$	50,730	\$	312,292	\$	2,079	\$	(10,207)	\$	30
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Goodwill	\$	61,487	\$	20,782	\$	82,269	\$	-	\$	-	\$	8
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At June 30, 2017

Long-lived assets	\$	244,973	\$	52,158	\$	297,131	\$	2,526	\$	(10,521)	\$	28
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Goodwill	\$	55,882	\$	20,782	\$	76,664	\$	-	\$	-	\$	7
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Quarter Ended March 31, 2017

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North America

Leasing

Corporate

and
Intercompany
Adjustments

To

Revenues:

	Pac-Van	Lone Star	Combined	Manufacturing	Corporate and Intercompany Adjustments	Total
Sales	\$ 11,721	\$ -	\$ 11,721	\$ 1,677	\$ (645)	\$ 12,753
Leasing	24,411	4,624	29,035	-	(50)	29,415
	\$ 36,132	\$ 4,624	\$ 40,756	\$ 1,677	\$ (695)	\$ 42,762
Share-based compensation	\$ 87	\$ 11	\$ 98	\$ 4	\$ 235	\$ 336
Depreciation and amortization	\$ 3,347	\$ 2,411	\$ 5,758	\$ 198	\$ (180)	\$ 8,486
Operating income	\$ 4,165	\$ (1,086)	\$ 3,079	\$ (496)	\$ (1,085)	\$ 1,512
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 7
Interest expense	\$ 1,870	\$ 349	\$ 2,219	\$ 99	\$ 1,815	\$ 4,352

Share-based
compensation

Depreciation
and
amortization

Operating
income

Interest
income

Interest
expense

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****Nine Months Ended March 31, 2017**

North America

Leasing

	Pac-Van	Lone Star	Combined	Manufacturing	Corporate and Intercompany Adjustments	Total
Revenues:						
Sales	\$ 33,932	\$ -	\$ 33,932	\$ 5,261	\$ (1,472)	\$ 37,721
Leasing	72,517	12,620	85,137	-	(146)	97,621
	\$ 106,449	\$ 12,620	\$ 119,069	\$ 5,261	\$ (1,618)	\$ 135,342
Share-based compensation	\$ 234	\$ 31	\$ 265	\$ 48	\$ 737	\$ 1,325
Depreciation and amortization	\$ 10,232	\$ 7,258	\$ 17,490	\$ 594	\$ (547)	\$ 25,027
Operating income	\$ 14,412	\$ (3,763)	\$ 10,649	\$ (1,847)	\$ (3,363)	\$ 9,700
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 16	\$ 16
Interest expense	\$ 5,240	\$ 924	\$ 6,164	\$ 274	\$ 5,443	\$ 12,805

Additions to
long-lived
assets

\$	19,327	\$	47	\$	19,374	\$	-	\$	(180)	\$
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Intersegment net revenues from Southern Frac to the North American leasing operations totaled \$645,000 and \$1,472,000 during the quarter ended March 31, 2017 and FY 2017, respectively, and \$923,000 and \$3,524,000 during the quarter ended March 31, 2018 and FY 2018, respectively.

Note 12. Subsequent Events

On April 17, 2018, the Company announced that its Board of Directors declared a cash dividend of \$2.225 per share on the Series C Preferred Stock (see Note 3). The dividend is for the period commencing on January 31, 2018 through April 29, 2018, and is payable on April 30, 2018 to holders of record as of April 27, 2018.

On April 6, 2018, the Company, through Pac-Van, purchased the container and storage trailer business of Acorn Storage Trailers, Inc. (Acorn) for approximately \$804,000, which included a general indemnity and other holdbacks of \$117,000. Acorn is located in Bowling Green, Kentucky.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion of our financial condition and results of operations should be read together with the consolidated financial statements and the accompanying notes thereto, which are included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 (the "Annual Report") filed with the Securities and Exchange Commission (SEC), as well as the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, should, could, would, expect, plan, anticipate, believe, estimate, continue or the negative of such terms or other similar expressions. Risk factors that might cause or contribute to such discrepancies include, but are not limited to, those described in our Annual Report and other SEC filings. We maintain a web site at www.generalfinance.com that makes available, through a link to the SEC's EDGAR system website, our SEC filings.

References to we, us, our or the Company refer to General Finance Corporation, a Delaware corporation (GFN), its consolidated subsidiaries. These subsidiaries include GFN U.S. Australasia Holdings, Inc., a Delaware corporation (GFN U.S.); GFN Insurance Corporation, an Arizona corporation (GFNI); GFN North America Leasing Corporation, a Delaware corporation (GFNNA Leasing); GFN North America Corp., a Delaware corporation (GFNNA); GFN Realty Company, LLC, a Delaware limited liability company (GFNRC); GFN Manufacturing Corporation, a Delaware corporation (GFNMC), and its subsidiary, Southern Frac, LLC, a Texas limited liability company (collectively Southern Frac); Pac-Van, Inc., an Indiana corporation, and its Canadian subsidiary, PV Acquisition Corp., an Alberta corporation (collectively Pac-Van); and Lone Star Tank Rental Inc., a Delaware corporation (Lone Star); GFN Asia Pacific Holdings Pty Ltd, an Australian corporation (GFNAPH), and its subsidiaries, GFN Asia Pacific Finance Pty Ltd, an Australian corporation (GFNAPF), Royal Wolf Holdings Limited, an Australian corporation (RWH), and its Australian and New Zealand subsidiaries (collectively, Royal Wolf).

Overview

Founded in October 2005, we are a leading specialty rental services company offering portable (or mobile) storage, modular space and liquid containment solutions in these three distinct, but related industries, which we collectively refer to as the portable services industry.

We have two geographic areas that include four operating segments; the Asia-Pacific (or Pan-Pacific) area, consisting of Royal Wolf (which leases and sells storage containers, portable container buildings and freight containers in Australia and New Zealand) and North America, consisting of Pac-Van (which leases and sells storage, office and portable liquid storage tank containers, modular buildings and mobile offices), and Lone Star (see above), which are combined to form our North American Leasing operations, and Southern Frac (which manufactures portable liquid storage tank containers and other steel-related products). As of March 31, 2018, our two geographic leasing operations lease and sell their products through 23 customer service centers (CSCs) in Australia, 12 CSCs in New Zealand, 57 branch locations in the United States and three branch locations in Canada. At that date, we had 252 and 596 employees and 42,791 and 42,950 lease fleet units in the Asia-Pacific area and North America, respectively.

Our lease fleet is comprised of three distinct specialty rental equipment categories that possess attractive asset characteristics and serve our customers' on-site temporary needs and applications. These categories match the sectors

comprising the portable services industry.

Our portable storage category is segmented into two products: (1) storage containers, which primarily consist of new and used steel shipping containers under International Organization for Standardization (ISO) standards, that provide a flexible, low cost alternative to warehousing, while offering greater security, convenience and immediate accessibility; and (2) freight containers, which are either designed for transport of products by road and rail and are only offered in our Asia-Pacific territory.

Our modular space category is segmented into three products: (1) office containers, which are referred to as portable container buildings in the Asia-Pacific, are either modified or specifically manufactured containers that provide self-contained office space with maximum design flexibility. Office containers in the United States are oftentimes referred to as ground level offices (GLOs); (2) modular buildings, which provide customers with flexible space solutions and are often modified to customer specifications and (3) mobile offices, which are re-locatable units with aluminum or wood exteriors and wood (or steel) frames on a steel carriage fitted with axles, and which allow for an assortment of add-ons to provide convenient temporary space solutions.

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Our liquid containment category includes portable liquid storage tanks that are manufactured 500-barrel capacity steel containers with fixed axles for transport. These units are regularly utilized for a variety of applications across a wide range of industries, including refinery, petrochemical and industrial plant maintenance, oil and gas services, environmental remediation and field services, infrastructure building construction, marine services, pipeline construction and maintenance, tank terminal services, waste management, wastewater treatment and landfill services.

Results of Operations**Quarter Ended March 31, 2018 (QE FY 2018) Compared to Quarter Ended March 31, 2017 (QE FY 2017)**

Revenues. Revenues increased by \$15.9 million, or 23%, to \$84.4 million in QE FY 2018 from \$68.5 million in QE FY 2017. This consisted of increases of \$11.0 million, or 27%, in revenues in our North American leasing operations, \$3.6 million increase, or 13%, in revenues in the Asia-Pacific area and \$1.3 million, or 130%, in manufacturing revenues from Southern Frac. The effect of the average currency exchange rate of the stronger Australian dollar relative to the U.S. dollar in QE FY 2018 versus QE FY 2017 enhanced the translation of revenues from the Asia-Pacific area. The average currency exchange rate of one Australian dollar during QE FY 2018 was \$0.7862 U.S. dollar compared to \$0.7578 U.S. dollar during QE FY 2017. In Australian dollars, total revenues in the Asia-Pacific area increased by 9% in QE FY 2018 from QE FY 2017.

Excluding Lone Star (doing business solely in the oil and gas sector), total revenues of our North American leasing operations increased by \$5.2 million, or 14%, in QE FY 2018 from QE FY 2017, primarily in the commercial, construction, industrial, mining and oil and gas sectors, which increased by an aggregate \$4.9 million between the periods. At Lone Star, revenues significantly increased by \$5.8 million, or 126%, from \$4.6 million in QE FY 2017 to \$10.4 million in QE FY 2018. The revenue increase in the Asia-Pacific area occurred primarily in the utilities, construction, industrial, mining and special events sectors, which increased between the periods by \$4.2 million, and was partially offset by a decrease of \$0.9 million in the transportation sector.

Sales and leasing revenues represented 33% and 67% of total non-manufacturing revenues, respectively, in QE FY 2018, compared to 35% and 65% of total non-manufacturing revenues, respectively in QE FY 2017.

Non-manufacturing sales during QE FY 2018 amounted to \$27.3 million, compared to \$23.6 million during QE FY 2017; representing an increase of \$3.7 million, or 16%. This consisted of increases of \$1.8 million, or approximately 15%, in sales in the Asia-Pacific area and \$1.9 million, or 16%, in our North American leasing operations. The increase in the Asia-Pacific area was comprised of increases of \$2.5 million (\$2.0 million decrease due to lower unit sales, \$4.1 million increase due to higher average prices and a \$0.4 million increase due to foreign exchange movements) in the CSC operations and \$(0.7) million (\$1.0 million decrease due to lower unit sales and \$0.3 million increase due to higher average prices) in the national accounts group, and occurred primarily in the utilities, industrial and special events sectors, which increased between the periods by \$2.3 million and was partially offset by a decrease of \$0.8 million in the transportation sector. QE FY 2018 included one large sale in the utilities sector totaling approximately \$1.8 million (approximately AUS\$2.3 million) and QE FY 2017 had one large sale of \$0.9 million (AUS\$1.1 million) in the transportation sector. In Australian dollars, total sales in the Asia-Pacific area increased by 11% in QE FY 2018 from QE FY 2017. In our North American leasing operations, the sales increase in QE FY 2018 from QE FY 2017 was primarily in the oil and gas, mining, construction and services sectors, which increased by a total of \$1.8 million between the periods. The increase at Southern Frac was due primarily from sales of portable liquid containment tanks and other steel-based products in QE FY 2018 from QE FY 2017. Sales of portable liquid containment tanks and other steel-based products increased by 113% and 72%, respectively, in QE FY 2018 from QE FY 2017.

Leasing revenues totaled \$54.8 million in QE FY 2018, an increase of \$10.9 million, or 25%, from \$43.9 million in QE FY 2017. This consisted of increases of \$9.1 million, or approximately 31%, in our North American leasing operations and \$1.8 million, or 12%, in the Asia-Pacific area. In Australian dollars, leasing revenues increased by 8% percent in the Asia-Pacific area in QE FY 2018 from QE FY 2017.

In the Asia-Pacific area, average utilization in the retail and the national accounts group operations was 85% and 80%, respectively, during QE FY 2018, as compared to 85% and 73%, respectively, in QE FY 2017. The overall average utilization increased to 84% in QE FY 2018 from 82% in QE FY 2017; and the average monthly lease rate of containers was AUS\$162 in QE FY 2018 versus AUS\$156 in QE FY 2017. The composite average monthly number of units on lease was over 500 higher in QE FY 2018, as compared to QE FY 2017. Leasing revenues increased in most sectors, but primarily in the construction, mining and special events sectors, which increased in total by \$1.4 million between the periods.

In our North American leasing operations, average utilization rates were 74%, 81%, 82%, 80% and 84% and average monthly lease rates were \$118, \$336, \$805, \$292 and \$766 for storage containers, office containers, frac tank containers, mobile offices and modular units, respectively, during QE FY 2018; as compared to 73%, 76%, 49%, 77% and 81% and average monthly lease rates were \$117, \$325, \$541, \$282 and \$775 for storage containers, office containers, frac tank containers, mobile offices and modular units in QE FY 2017, respectively. The average composite

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utilization rate was 76% QE FY 2018 and 73% in QE FY 2017, and the composite average monthly number of units on lease was over 4,700 higher in QE FY 2018 as compared to QE FY 2017. The increase in leasing revenues was primarily in the oil and gas, commercial, construction and industrial sectors, which increased by an aggregate \$9.0 million between the periods. Excluding Lone Star, total leasing revenues of our North American leasing operations increased by \$3.3 million, or 14%, in QE FY 2018 from QE FY 2017.

Cost of Sales. Cost of sales from our lease inventories and fleet (which is the cost related to our sales revenues only and exclusive of the line items discussed below) increased by \$2.7 million from \$17.0 million during QE FY 2017 to \$19.7 million during QE FY 2018, and our gross profit percentage from these non-manufacturing sales was 28% in both QE FY 2018 and QE FY 2017. Cost of sales from our manufactured products totaled \$2.1 million in QE FY 2018, as compared to \$1.4 million in QE FY 2017, resulting in a gross margin of \$0.2 million during QE FY 2018 and a gross loss of \$0.4 million in QE FY 2017. Southern Frac's profit in QE FY 2018 versus a loss during QE FY 2017 was due primarily to the lack of production in QE FY 2017 from our portable liquid containment tanks and other steel-based products and sales mix. A greater amount of portable liquid containment tanks were sold out of inventory in QE FY 2018, and because these units had been written down to net realizable value, the gross profit effect was minimal. However, production levels on all steel-based products increased by 186% in QE FY 2018 from QE FY 2017 and included an increase in production and ultimate sale of higher margin specialty portable liquid containment tanks.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations and selling and general expenses increased in the aggregate by \$5.1 million, from \$36.6 million during QE FY 2017 to \$41.7 million during QE FY 2018. As a percentage of revenues, however, these costs decreased to 49% during QE FY 2018 from 53% in QE FY 2017 due primarily to the higher revenues being primarily driven by increases in average units on lease and rates between the periods in both North America and the Asia-Pacific area, without a proportionate increase in infrastructure costs.

Depreciation and Amortization. Depreciation and amortization of \$10.0 million in QE FY 2018 increased by \$0.2 million from \$9.8 million in QE FY 2017, substantially all in North America due primarily to our increased investment in the lease fleet and business acquisitions.

Interest Expense. Interest expense of \$9.4 million in QE FY 2018 increased by \$4.2 million from \$5.2 million in QE FY 2017. In the Asia-Pacific area, the higher interest expense between the periods of \$3.7 million was due primarily to a higher weighted-average interest rate of 10.4% (which does not include the effect of translation, interest rate swap contracts and options, the accretion of interest and the amortization of deferred financing costs) in QE FY 2018 from the 4.9% in QE FY 2017, higher average borrowings and by a stronger Australian dollar between the periods. In North America, the higher interest expense of \$0.5 million between the periods was due primarily to the weighted-average interest rate of 6.2% (which does not include the effect of the accretion of interest and amortization of deferred financing costs) in QE FY 2018 being higher than the 5.2% in QE FY 2017.

Foreign Currency Exchange and Other. The currency exchange rate of one Australian dollar to one U.S. dollar was \$0.72068 at December 31, 2016, \$0.76448 at March 31, 2017, \$0.78068 at December 31, 2017 and \$0.76858 at March 31, 2018. In QE FY 2017 and QE FY 2018, net unrealized and realized foreign exchange gains (losses) totaled \$39,000 and \$(33,000) and \$(1,390,000) and \$37,000, respectively. In addition, in QE FY 2017 and QE FY 2018, net unrealized exchange gains on forward exchange contracts totaled \$(156,000) and \$10,000, respectively. QE FY 2018 also includes a non-cash charge of \$504,000 for the change in the valuation of the stand-alone bifurcated derivative in the Bison Capital Convertible Note (see Note 5 of Notes to Condensed Consolidated Financial Statements).

Income Taxes. Our income tax provision for QE FY 2018, which derived an effective tax rate of 68.1%, was comprised of:

- (i) A net charge of \$37,000 to derive a year-to-date interim effective income tax rate of 46.6%; and
- (iii) A net tax charge of \$191,000 for the net of excess tax benefits and forfeitures on equity compensation awards (see Note 2 of Notes to Condensed Consolidated Financial Statements).

In addition to the above, the effective income tax rates in both periods (40.0% in QE FY 2017) differ from the U.S. federal tax rate of 28% in QE FY 2018 and 35% in QE FY 2017 primarily because of state income taxes from the filing of tax returns in multiple U.S. states and the effect of doing business and filing income tax returns in foreign jurisdictions; including some large nondeductible permanent differences in the Asia Pacific area, primarily the valuation of the embedded derivative.

Preferred Stock Dividends. In both QE FY 2018 and QE FY 2017, we paid \$0.9 million primarily on our 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock.

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Net Loss Attributable to Common Stockholders. Net loss attributable to common stockholders was \$1.5 million in QE FY 2018 versus a net loss of \$2.1 million in QE FY 2017, an improvement of approximately \$0.6 million, primarily as a result of higher operating profit in both North America and the Asia-Pacific area; offset somewhat by higher interest expense, the charge for the change in the valuation of a stand-alone embedded derivative and an income tax charge versus an income tax benefit on the net loss in QE FY 2018.

Nine Months Ended March 31, 2018 (FY 2018) Compared to Nine Months March 31, 2017 (FY 2017)

The following compares our FY 2018 results of operations with our FY 2017 results of operations.

Revenues. Revenues increased by \$49.8 million, or 24%, to \$253.4 million in FY 2018 from \$203.6 million in FY 2017. This consisted of increases of \$30.0 million, or 25%, in revenues in our North American leasing operations, \$17.3 million increase, or 21%, in revenues in the Asia-Pacific area and \$2.5 million, or 66%, in manufacturing revenues from Southern Frac. The effect of the average currency exchange rate of the stronger Australian dollar relative to the U.S. dollar in FY 2018 versus FY 2017 enhanced the translation of revenues from the Asia-Pacific area. The average currency exchange rate of one Australian dollar during FY 2018 was \$0.7816 U.S. dollar compared to \$0.7551 U.S. dollar during FY 2017. In Australian dollars, total revenues in the Asia-Pacific area increased by 17% in FY 2018 from FY 2017.

Excluding Lone Star (doing business solely in the oil and gas sector), total revenues of our North American leasing operations increased by \$14.3 million, or 13%, in FY 2018 from FY 2017, primarily in the commercial, construction, industrial, oil and gas, services and mining sectors, which increased by an aggregate \$14.0 million between the periods, offset somewhat by reductions in primarily the education and retail sectors of \$1.6 million. At Lone Star, revenues significantly increased by \$15.7 million, or 125%, from \$12.6 million in FY 2017 to \$28.3 million in FY 2018. The revenue increase in the Asia-Pacific area occurred primarily in the utilities, transportation, construction, mining, wholesale and retail sectors, which increased between the periods by \$20.2 million, and were partially offset by an aggregate decrease of \$4.8 million in the oil and gas sector.

Sales and leasing revenues represented 36% and 64% of total non-manufacturing revenues, respectively, in FY 2018, compared to 35% and 65% of total non-manufacturing revenues, respectively in FY 2017.

Non-manufacturing sales during FY 2018 amounted to \$88.7 million, compared to \$69.3 million during FY 2017; representing an increase of \$19.4 million, or 28%. This consisted of increases of \$14.3 million, or 40%, in sales in the Asia-Pacific area and \$5.1 million, or 15%, in our North American leasing operations. The increase in the Asia-Pacific area was comprised of increases of \$13.0 million (\$2.9 million decrease due to lower unit sales, \$14.6 million increase due to higher average prices and a \$1.3 million increase due to foreign exchange movements) in the CSC operations and \$1.3 million (\$1.9 million decrease due to higher unit sales, \$3.0 million increase due to higher average prices and a \$0.2 million increase due to foreign exchange movements) in the national accounts group, and occurred primarily in the utilities, transportation, construction and mining sectors, which increased between the periods by \$14.9 million and was partially offset by a decrease of \$2.0 million in the oil and gas sector. FY 2018 included three large sales, one in the transportation sector and two in the utilities sector, totaling approximately \$12.3 million (approximately AUS\$16.0 million); whereas FY 2017 had two large sales, one each in the energy and transportation sectors, totaling \$2.7 million (AUS\$3.5 million). In Australian dollars, total sales in the Asia-Pacific area increased by 36% in FY 2018 from FY 2017. In our North American leasing operations, the sales increase in FY 2018 from FY 2017 was primarily in the commercial, construction, services and oil and gas sectors, which increased by a total of \$4.9 million between the periods; offset somewhat by a decrease of \$1.2 million in the education sector. The increase at Southern Frac was due primarily from sales of portable liquid containment tanks, which increased by 462% in FY 2018 from FY 2017, as sales on all other steel-based products decreased by 30% in FY 2018 from FY 2017.

Leasing revenues totaled \$158.4 million in FY 2018, an increase of \$27.9 million, or 21%, from \$130.5 million in FY 2017. This consisted of increases of \$24.9 million, or 29%, in North America and \$3.0 million, or 7%, in the Asia-Pacific area. In Australian dollars, leasing revenues increased by 3% percent in the Asia-Pacific area in FY 2018 from FY 2017.

In the Asia-Pacific area, average utilization in the retail and the national accounts group operations was 85% and 72%, respectively, during FY 2018, as compared to 84% and 69%, respectively, in FY 2017. The overall average utilization increased to 83% in FY 2018 from 80% in FY 2017; and the average monthly lease rate of containers was AUSD\$160 in FY 2018 and AUSD\$158 in FY 2017. The composite average monthly number of units on lease was over 1,000 higher in FY 2018, as compared to FY 2017. The leasing revenue increase in the Asia-Pacific area occurred primarily in the construction, industrial, transportation and mining sectors, which increased between the periods by \$4.5 million, and was partially offset by a decrease of \$2.8 million in the oil and gas sector. FY 2017 included a recovery of \$2.2 million (AUSD\$2.8) million from a lease settlement payment made by a former oil and gas customer.

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In our North American leasing operations, average utilization rates were 77%, 82%, 77%, 81% and 83% and average monthly lease rates were \$122, \$339, \$747, \$291 and \$767 for storage containers, office containers, frac tank containers, mobile offices and modular units, respectively, during FY 2018; as compared to 75%, 78%, 44%, 77% and 81% and average monthly lease rates were \$123, \$321, \$505, \$285 and \$778 for storage containers, office containers, frac tank containers, mobile offices and modular units in FY 2017, respectively. The average composite utilization rate was 77% FY 2018 and 72% in FY 2017, and the composite average monthly number of units on lease was over 4,100 higher in FY 2018 as compared to FY 2017. The increase in leasing revenues between the periods was across the board, but primarily in the oil and gas, mining, commercial, construction and industrial sectors, which increased by \$24.6 in FY 2018 from FY 2017. Excluding Lone Star, total leasing revenues of our North American leasing operations increased by \$9.2 million, or 13%, in FY 2018 from FY 2017.

Cost of Sales. Cost of sales from our lease inventories and fleet (which is the cost related to our sales revenues only and exclusive of the line items discussed below) increased by \$15.0 million from \$49.0 million during FY 2017 to \$64.0 million during FY 2018, and our gross profit percentage from these non-manufacturing sales deteriorated slightly to approximately 28% in FY 2018 from 29% in FY 2017. Cost of sales from our manufactured products totaled \$6.3 million in FY 2018, as compared to \$4.9 million in FY 2017, resulting in a slight gross profit in FY 2018 and a gross loss of \$1.1 million during FY 2017. The low profitability or loss during both periods was due primarily to the lack of production from our portable liquid containment tanks and other steel-based products. A greater amount of portable liquid containment tanks were sold out of inventory in FY 2018, as compared to FY 2017, and because these units had been written down to net realizable value, the gross profit effect was minimal despite the increase in sales between the periods. In addition, production levels on all other steel-based products decreased by 34% in FY 2018 from FY 2017.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations and selling and general expenses increased in the aggregate by \$15.8 million from \$106.1 million during FY 2017 to \$121.9 million during FY 2018. As a percentage of revenues, however, these costs decreased to 48% during FY 2018 from 52% in FY 2017 due to the higher revenues being primarily driven by increases in average units on lease and rates between the periods in both North America and the Asia-Pacific area, without a proportionate increase in infrastructure costs.

Depreciation and Amortization. Depreciation and amortization increased by \$0.5 million to \$29.7 million in FY 2018 from \$29.2 million in FY 2017, substantially all in the Asia-Pacific, which included the translation effect of a stronger Australian dollar to the U.S. dollar in FY 2018 versus FY 2017.

Interest Expense. Interest expense of \$24.7 million in FY 2018 increased by \$9.6 million from \$15.1 million in FY 2017. In the Asia-Pacific area, the higher interest expense between the periods of \$7.6 million was due primarily to a higher weighted-average interest rate of 10.0% (which does not include the effect of translation, interest rate swap contracts and options, the accretion of interest and the amortization of deferred financing costs) in FY 2018 from the 4.9% in FY 2017, higher average borrowings and by a stronger Australian dollar between the periods. In North America, the higher interest expense of \$2.0 million between the periods was due primarily to the weighted-average interest rate of 6.0% (which does not include the effect of the accretion of interest and amortization of deferred financing costs) in FY 2018 being higher than the 5.0% in FY 2017.

Foreign Currency Exchange and Other. The currency exchange rate of one Australian dollar to one U.S. dollar was \$0.74425 at June 30, 2016, \$0.76448 at March 31, 2017, \$0.76869 at June 30, 2017 and \$0.76858 at March 31, 2018. In FY 2017 and FY 2018, net unrealized and realized foreign exchange gains (losses) totaled \$(506,000) and \$84,000, and \$(2,722,000) and \$(369,000), respectively. In addition, in FY 2017 and FY 2018, net unrealized exchange gains on forward exchange contracts totaled \$279,000 and \$402,000, respectively. FY 2018 also includes a non-cash charge

of \$2.2 million for the change in the valuation of the stand-alone bifurcated derivative in the Bison Capital Convertible Note (see Note 5 of Notes to Condensed Consolidated Financial Statements).

Income Taxes. Our income tax provision for FY 2018, which derived an effective tax rate of 24.9%, was comprised of:

(i) A provision of \$0.9 million for an interim effective income tax rate of 38.6%;

(ii) As a result of the enactment on December 22, 2017 of the Act, a tax benefit of \$0.7 million for, among other things, the re-measurement of approximately \$6.5 million for our estimated deferred tax assets and liabilities for temporary differences and NOL and FTC carryforwards reasonably estimated to be existing at December 22, 2017, and from the current statutory rate of 35% to the new corporate rate of either 28% (if the temporary timing differences are expected to roll off in FY 2018) or 21 percent (if the temporary timing differences and NOL carryforwards are expected to remain as of June 30, 2018). This estimated tax benefit was offset by approximately \$5.2 million for both the estimated transition tax on accumulated foreign earnings and a valuation allowance that was established to offset previously recognized FTC carryforward deferred tax assets that we believe will not be realized, and other adjustments totaling approximately \$0.6 million (see Note 2 of Notes to Condensed Consolidated Financial Statements); and

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(iii) A net tax charge of \$0.3 million for the net of excess tax benefits and forfeitures on equity compensation awards (see Note 2 of Notes to Condensed Consolidated Financial Statements).

The effective income tax rate in FY 2017 was 40.0% and in both periods, the effective tax rate differs from the U.S. federal tax rate of 28% in FY 2018 and 35% in FY 2017 primarily because of state income taxes from the filing of tax returns in multiple U.S. states and the effect of doing business and filing income tax returns in foreign jurisdictions; including some large nondeductible permanent differences in the Asia Pacific area, primarily the valuation of the embedded derivative.

Preferred Stock Dividends. In both FY 2018 and FY 2017, we paid \$2.8 million primarily on our 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock.

Noncontrolling Interests. Noncontrolling interests in the Royal Wolf and, in FY 2017, Southern Frac results of operations were an increase of \$0.8 million to net income in FY 2018 and an increase to the net loss of \$1.6 million in FY 2017.

Net Loss Attributable to Common Stockholders. Net loss attributable to common stockholders was \$0.4 million in FY 2018 versus a net loss of \$4.9 million in FY 2017, an improvement of approximately \$4.5 million, primarily as a result of higher operating profit in both North America and the Asia-Pacific area; offset somewhat by higher interest expense and the charge for the change in the valuation of a stand-alone embedded derivative.

Measures not in Accordance with Generally Accepted Accounting Principles in the United States (U.S. GAAP)

Earnings before interest, income taxes, impairment, depreciation and amortization and other non-operating costs and income (EBITDA) and adjusted EBITDA are supplemental measures of our performance that are not required by, or presented in accordance with, U.S. GAAP. These measures are not measurements of our financial performance under U.S. GAAP and should not be considered as alternatives to net income, income from operations or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flow from operating, investing or financing activities as a measure of liquidity. Adjusted EBITDA is a non-U.S. GAAP measure. We calculate adjusted EBITDA to eliminate the impact of certain items we do not consider to be indicative of the performance of our ongoing operations. You are encouraged to evaluate each adjustment and whether you consider each to be appropriate. In addition, in evaluating adjusted EBITDA, you should be aware that in the future, we may incur expenses similar to the expenses excluded from our presentation of adjusted EBITDA. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. We present adjusted EBITDA because we consider it to be an important supplemental measure of our performance and because we believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, many of which present EBITDA and a form of adjusted EBITDA when reporting their results. Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or to reduce our indebtedness. We compensate for these limitations by relying primarily on our U.S. GAAP results and using adjusted EBITDA only supplementally. The following table shows our adjusted EBITDA and the reconciliation from net income (in thousands):

Quarter Ended March 31,

Nine Months Ended March 31,

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	2017	2018	2017	2018
Net income (loss)	\$ (1,071)	\$ (563)	\$ (445)	\$ 1,567
Add (deduct)				
Provision (benefit) for income taxes	(714)	228	(297)	519
Foreign currency exchange and other loss	164	1,852	70	4,906
Interest expense	5,249	9,398	15,096	24,667
Interest income	(18)	(43)	(54)	(81)
Depreciation and amortization	10,044	10,131	29,831	30,123
Share-based compensation expense	651	889	842	2,986
Refinancing costs not capitalized	437		437	
Adjusted EBITDA	\$ 14,742	\$ 21,892	\$ 45,480	\$ 64,687

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Our business is capital intensive, so from an operating level we focus primarily on EBITDA and adjusted EBITDA to measure our results. These measures provide us with a means to track internally generated cash from which we can fund our interest expense and fleet growth objectives. In managing our business, we regularly compare our adjusted EBITDA margins on a monthly basis. As capital is invested in our established branch (or CSC) locations, we achieve higher adjusted EBITDA margins on that capital than we achieve on capital invested to establish a new branch, because our fixed costs are already in place in connection with the established branches. The fixed costs are those associated with yard and delivery equipment, as well as advertising, sales, marketing and office expenses. With a new market or branch, we must first fund and absorb the start-up costs for setting up the new branch facility, hiring and developing the management and sales team and developing our marketing and advertising programs. A new branch will have low adjusted EBITDA margins in its early years until the number of units on rent increases. Because of our higher operating margins on incremental lease revenue, which we realize on a branch-by-branch basis, when the branch achieves leasing revenues sufficient to cover the branch's fixed costs, leasing revenues in excess of the break-even amount produce large increases in profitability and adjusted EBITDA margins. Conversely, absent significant growth in leasing revenues, the adjusted EBITDA margin at a branch will remain relatively flat on a period by period comparative basis.

Liquidity and Financial Condition

Though we have raised capital at the corporate level to primarily assist in the funding of acquisitions and lease fleet expenditures, as well as for general purposes, our operating units substantially fund their operations through secured senior credit facilities that require compliance with various covenants. These covenants require our operating units to, among other things; maintain certain levels of interest or fixed charge coverage, EBITDA (as defined), utilization rate and overall leverage.

Asia-Pacific Leasing Senior Credit Facility

Our operations in the Asia-Pacific area had an AUS\$150,000,000 secured senior credit facility, as amended, under a common terms deed arrangement with the Australia and New Zealand Banking Group Limited (ANZ) and Commonwealth Bank of Australia (CBA) (the ANZ/CBA Credit Facility). On October 26, 2017, RWH and its subsidiaries, Deutsche Bank AG, Sydney Branch (Deutsche Bank), CSL Fund (PB) Lux Sarl II, Aiguilles Rouges Lux Sarl II, Perpetual Corporate Trust Limited and P.T. Limited entered into a Syndicated Facility Agreement (the Syndicated Facility Agreement). Pursuant to the Syndicated Facility Agreement, the parties entered into a three-year, \$96,072,500 (AUS\$125,000,000) senior secured credit facility (the Deutsche Bank Credit Facility) and repaid the ANZ/CBA Credit Facility on November 3, 2017. The Deutsche Bank Credit Facility consists of a \$15,371,600 (AUS\$20,000,000) Facility A that will amortize semi-annually; a \$65,329,300 (AUS\$85,000,000) Facility B that has no scheduled amortization; and a \$15,371,600 (AUS\$20,000,000) revolving Facility C that is used for working capital, capital expenditures and general corporate purposes. The Deutsche Bank Credit Facility is secured by substantially all of the assets and by the pledge of all capital stock of RWH and its subsidiaries and matures on November 3, 2020.

Bison Capital Notes

On September 19, 2017, Bison Capital, GFN, GFN U.S., GFNAPH and GFNAPF, entered into that certain Amended and Restated Securities Purchase Agreement dated September 19, 2017 (the Amended Securities Purchase Agreement). On September 25, 2017, pursuant to the Amended Securities Purchase Agreement, GFNAPH and GFNAPF issued and sold to Bison an 11.9% secured senior convertible promissory note dated September 25, 2017 in the original principal amount of \$26,000,000 (the Convertible Note) and an 11.9% secured senior promissory note dated September 25, 2017 in the original principal amount of \$54,000,000 (the Senior Term Note) and collectively

with the Convertible Note, the Bison Capital Notes). Net proceeds from the sale of the Bison Capital Notes were used to repay in full all principal, interest and other amounts due under the term loan to Credit Suisse (see Note 5 of Notes to Condensed Consolidated Financial Statements), to acquire the 49,188,526 publicly-traded shares of RWH not owned by the Company and to pay all related fees and expenses. The Bison Capital Notes have a maturity of five years and are secured by a first priority security interest over all of the assets of GFN U.S., GFNAPH and GFNAPF, by the pledge by GFN U.S. of the capital stock of GFNAPH and GFNAPF and by of all of the capital stock of RWH.

North America Senior Credit Facility

Our North America leasing (Pac-Van and Lone Star) and manufacturing operations (Southern Frac) have a combined \$237,000,000 senior secured revolving credit facility, as amended, with a syndicate led by Wells Fargo Bank, National Association (Wells Fargo) that also includes East West Bank, CIT Bank, N.A., the Canadian Imperial Bank of Commerce (CIBC), KeyBank, National Association, Bank Hapoalim B.M. and Associated Bank, N.A. (the Wells Fargo Credit Facility). The Wells Fargo Credit Facility matures on March 24, 2022, assuming our publicly-traded senior notes due July 31, 2021(see below) are extended at least 90 days past this scheduled maturity date; otherwise the Wells Fargo Credit Facility would mature on March 24, 2021. There is also a separate loan agreement with Great American Capital Partners (GACP), where GACP provided a First In Last Out Term Loan (FILO Term Loan) within the Wells Fargo Credit Facility in the amount of \$20,000,000, and inclusive in the \$237,000,000 total amount.

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The Wells Fargo Credit Facility is secured by substantially all of the rental fleet, inventory and other assets of our North American leasing and manufacturing operations. The FILO Term Loan also contains a first priority lien on the same collateral, but on a last out basis, after all of the outstanding obligations to the primary lenders in the Wells Fargo Credit Facility have been satisfied. The Wells Fargo Credit Facility effectively not only finances our North American operations, but also the funding requirements for the Series C Preferred Stock and the publicly-traded unsecured senior notes (see below). The maximum amount of intercompany dividends that Pac-Van and Lone Star are allowed to pay in each fiscal year to GFN for the funding requirements of GFN's senior and other debt and the Series C Preferred Stock are (a) the lesser of \$5,000,000 for the Series C Preferred Stock or the amount equal to the dividend rate of the Series C Preferred Stock and its aggregate liquidation preference and the actual amount of dividends required to be paid to the Series C Preferred Stock; and (b) \$6,300,000 for the public offering of unsecured senior notes or the actual amount of annual interest required to be paid; provided that (i) the payment of such dividends does not cause a default or event of default; (ii) each of Pac-Van and Lone Star is solvent; (iii) excess availability, as defined, is \$5,000,000 or more under the Wells Fargo Credit Facility; (iv) the fixed charge coverage ratio, as defined, will be greater than 1.25 to 1.00; and (v) the dividends are paid no earlier than ten business days prior to the date they are due.

Corporate Senior Notes

On June 18, 2014, we completed the sale of unsecured senior notes (the Senior Notes) in a public offering for an aggregate principal amount of \$72,000,000. On April 24, 2017, we completed the sale of a tack-on offering of our publicly-traded Senior Notes for an aggregate principal amount of \$5,390,000 that was priced at \$24.95 per denomination. Net proceeds were \$5,190,947, after deducting an aggregate original issue discount (OID) of \$10,780 and underwriting discount of \$188,273. In both offerings, we used at least 80% of the gross proceeds to reduce indebtedness at Pac-Van and Lone Star under the Wells Fargo Credit Facility in order to permit the payment of intercompany dividends by Pac-Van and Lone Star to GFN to fund the interest requirements of the Senior Notes. For the tack-on offering, this amounted to \$4,303,376 of the net proceeds. The Company has total outstanding publicly-traded Senior Notes in an aggregate principal amount of \$77,390,000. The Senior Notes bear interest at the rate of 8.125% per annum, mature on July 31, 2021 and are not subject to any sinking fund. Interest on the Senior Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31, commencing on July 31, 2014. The Senior Notes rank equally in right of payment with all of our existing and future unsecured senior debt and senior in right of payment to all of its existing and future subordinated debt. The Senior Notes are effectively subordinated to any of our existing and future secured debt, to the extent of the value of the assets securing such debt. The Senior Notes are structurally subordinated to all existing and future liabilities of our subsidiaries and are not guaranteed by any of our subsidiaries.

As of March 31, 2018, our required principal and other obligations payments for the twelve months ending March 31, 2019 and the subsequent three twelve-month periods are as follows (in thousands):

	Twelve Months Ending March 31,			
	2019	2020	2021	2022
Deutsche Bank Credit Facility	\$ 5,149	\$ 5,149	\$ 73,103	\$
Bison Capital Notes				
Wells Fargo Credit Facility	1,000	2,000	2,000	190,631
Senior Notes				77,390

Other	4,193	1,949	660	226
	\$ 10,342	\$ 9,098	\$ 75,763	\$ 268,247

Reference is made to Notes 5 and 12 of Notes to Condensed Consolidated Financial Statements for further discussion of our senior and other debt and recent developments.

We currently do not pay a dividend on our common stock and do not intend on doing so in the foreseeable future.

Capital Deployment and Cash Management

Our business is capital intensive, and we acquire leasing assets before they generate revenues, cash flow and earnings. These leasing assets have long useful lives and require relatively minimal maintenance expenditures. Most of the capital we deploy into our leasing business historically has been used to expand our operations geographically, to increase the number of units available for lease at our branch and CSC locations and to add to the breadth of our product mix. Our operations have generally generated annual cash flow which would include, even in profitable periods, the deferral of income taxes caused by accelerated depreciation that is used for tax accounting.

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As we discussed above, our principal source of capital for operations consists of funds available from the senior secured credit facilities at our operating units. We also finance a smaller portion of capital requirements through finance leases and lease-purchase contracts. We intend to continue utilizing our operating cash flow and net borrowing capacity primarily to expanding our container sale inventory and lease fleet through both capital expenditures and accretive acquisitions; as well as paying dividends on the Series C Preferred Stock and 8.00% Series B Cumulative Preferred Stock (Series B Preferred Stock), if and when declared by our Board of Directors. While we have always owned a majority interest in Royal Wolf and its results and accounts are included in our consolidated financial statements, access to its operating cash flows, cash on hand and other financial assets and the borrowing capacity under its senior credit facility are limited to us in North America contractually by its senior lenders and, to a certain extent, as a result of Royal Wolf having been a publicly-listed entity on the Australian Stock Exchange.

Supplemental information pertaining to our consolidated sources and uses of cash is presented in the table below (in thousands):

	Nine Months Ended March 31,	
	2017	2018
Net cash provided by operating activities	\$ 20,100	\$ 32,856
Net cash used in investing activities	\$ (26,466)	\$ (109,244)
Net cash provided by financing activities	\$ 5,015	\$ 81,182

Cash Flow for FY 2018 Compared to FY 2017

Operating activities. Our operations provided cash of \$32.9 million during FY 2018 versus \$20.1 million during FY 2017, an increase in cash of \$12.8 million between the periods. Net income in FY 2018 of \$1.6 million was \$2.0 million higher than the net loss in FY 2017 of \$0.4 million and, in addition, our management of operating assets and liabilities in FY 2018, when compared to FY 2017, further increased cash by \$6.4 million. Historically we have experienced significant variations in operating assets and liabilities between periods when conducting our business in due course. Non-cash adjustments relating to depreciation and amortization, including amortization of deferred financing costs, and accretion of interest also increased cash between the periods by \$1.3 million, from \$31.2 million in FY 2017 to \$32.5 million in FY 2018; and non-cash share-based compensation of \$3.0 million in FY 2018 further increased operating cash flows by \$2.2 million, when compared to \$0.8 million in FY 2017. In the first quarter of FY 2017 a benefit of \$0.7 million was recorded at Royal Wolf, primarily for the reversal of expenses recognized for unvested performance grants to key employees under its Long Term Incentive Plan (see Note 8 of Notes to Condensed Consolidated Financial Statements). The non-cash charge of \$2.2 million for the change in the valuation of the stand-alone bifurcated derivative in the Convertible Note (see Note 5 of Notes to Condensed Consolidated Financial Statements) increased operating cash flow in FY 2018 and, additionally, net unrealized gains and losses from foreign exchange and derivative instruments (see Note 6 of Notes to Condensed Consolidated Financial Statements), which affect operating results but are non-cash addbacks for cash flow purposes, increased cash by \$2.1 million between the periods, from \$0.2 million in FY 2017 to \$2.3 million in FY 2018. Somewhat offsetting these increases were the net gain on the sales of lease fleet, which reduced operating cash flows by \$5.4million in FY 2018 and by \$1.6 million in FY 2017, a reduction of \$3.8 million between the periods; and, additionally, operating cash flows were reduced by non-cash adjustments for deferred income taxes in FY 2018 and FY 2017 of \$1.4 million and \$1.6 million,

respectively.

Investing Activities. Net cash used in investing activities was \$109.2 million during FY 2018, as compared to \$26.5 million used during FY 2017, resulting in a net increase in the use of cash between the periods of \$82.7 million. In FY 2018, we used \$73.3 million and \$14.4 million of cash to acquire the noncontrolling interest of Royal Wolf and make three business acquisitions in North America, respectively (see Note 4 of Notes to Condensed Consolidated Financial Statements). In FY 2017, we made three business acquisitions (two in North America and one in the Asia-Pacific area) for cash of \$5.0 million. Purchases of property, plant and equipment, or rolling stock (maintenance capital expenditures), were \$3.1 million in FY 2018 and \$2.6 million in FY 2017, an increase of \$0.5 million. In both periods, proceeds from sales of property, plant and equipment were not significant. Net capital expenditures of lease fleet (purchases, net of proceeds from sales of lease fleet) were \$18.5 million in FY 2018 as compared to \$18.6 million in FY 2017, a slight decrease of \$0.1 million. In FY 2018, net capital expenditures of lease fleet were approximately \$16.0 million in North America, as compared to \$8.3 million in FY 2017, an increase of \$7.7 million; and net capital expenditures of lease fleet in the Asia Pacific totaled \$2.5 million in FY 2018, versus \$10.3 million in FY 2017, a decrease of \$7.8 million. The amount of cash that we use during any period in investing activities is almost entirely within management's discretion and we have no significant long-term contracts or other arrangements pursuant to which we may be required to purchase at a certain price or a minimum amount of goods or services.

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Financing Activities. Net cash provided from financing activities was \$81.2 million during FY 2018, as compared to \$5.0 million provided during FY 2017, an increase to cash between the periods of \$76.2 million. In FY 2018, we issued the Bison Capital Notes for proceeds totaling \$80.0 million to, among other things, acquire the noncontrolling interest of Royal Wolf (see above) and repay the principal of \$10.0 million due under the term loan to Credit Suisse (see Note 5 of Notes to Condensed Consolidated Financial Statements). Cash of \$2.8 million was used during both periods to pay dividends on primarily our Series C Preferred Stock and, in FY 2018 and FY 2017, Royal Wolf paid a capital stock dividend of \$1.0 million and \$0.9 million, respectively, to the noncontrolling interests (see Note 3 of Notes to Condensed Consolidated Financial Statements). In FY 2018 and FY 2017, financing activities also included net borrowings of \$99.8 million and \$11.0 million, respectively, on existing credit facilities to primarily fund our investment in the container lease fleet, make business acquisitions, pay dividends, manage our operating assets and liabilities and, in FY 2018, \$81.5 million was borrowed from the Deutsche Bank Credit Facility to repay the ANZ/CBA Credit Facility (see Note 5 of Notes to Condensed Consolidated Financial Statements). Deferred financing costs related to the Bison Capital Notes and Deutsche Bank Credit Facility totaled \$3.8 million in FY 2018 and, in FY 2017, we paid deferred financing costs of \$2.3 million primarily for the amendment and extension of our senior secured credit facilities in both North America and the Asia-Pacific area.

Asset Management

Receivables and inventories were \$53.2 million and \$29.2 million at March 31, 2018 and \$44.4 million and \$29.6 million at June 30, 2017, respectively. At March 31, 2018, DSO in trade receivables were 47 days and 52 days in the Asia-Pacific area and our North American leasing operations, as compared to 49 days and 46 days at June 30, 2017, respectively. Effective asset management is always a significant focus as we strive to apply appropriate credit and collection controls and maintain proper inventory levels to enhance cash flow and profitability.

The net book value of our total lease fleet was \$436.7 million at March 31, 2018, as compared to \$427.3 million at June 30, 2017. At March 31, 2018, we had 85,741 units (24,321 units in retail operations in Australia, 8,107 units in national account group operations in Australia, 10,363 units in New Zealand, which are considered retail; and 42,950 units in North America) in our lease fleet, as compared to 80,712 units (23,222 units in retail operations in Australia, 8,871 units in national account group operations in Australia, 10,137 units in New Zealand, which are considered retail; and 38,482 units in North America) at June 30, 2017. At those dates, 68,169 units (20,480 units in retail operations in Australia, 5,921 units in national account group operations in Australia, 8,900 units in New Zealand, which are considered retail; and 32,868 units in North America); and 63,321 units (19,554 units in retail operations in Australia, 5,287 units in national account group operations in Australia, 8,930 units in New Zealand, which are considered retail; and 29,550 units in North America) were on lease, respectively.

In the Asia-Pacific area, the lease fleet was comprised of 34,933 storage and freight containers and 7,858 portable building containers at March 31, 2018; and 34,625 storage and freight containers and 7,605 portable building containers at June 30, 2017. At those dates, units on lease were comprised of 29,694 storage and freight containers and 5,607 portable building containers; and 28,280 storage and freight containers and 5,491 portable building containers, respectively.

In North America, the lease fleet was comprised of 29,054 storage containers, 4,095 office containers (GLOs), 4,146 portable liquid storage tank containers, 4,479 mobile offices and 1,176 modular units at March 31, 2018; and 25,175 storage containers, 3,552 office containers (GLOs), 4,097 portable liquid storage tank containers, 4,491 mobile offices and 1,167 modular units at June 30, 2017. At those dates, units on lease were comprised of 21,392 storage containers, 3,403 office containers, 3,442 portable liquid storage tank containers, 3,623 mobile offices and 1,008 modular units; 19,296 storage containers, 2,885 office containers, 2,672 portable liquid storage tank containers, 3,732 mobile offices and 965 modular units, respectively.

Contractual Obligations and Commitments

Our material contractual obligations and commitments consist of outstanding borrowings under our credit facilities discussed above and operating leases for facilities and office equipment. We believe that our contractual obligations have not changed significantly from those included in the Annual Report.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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Seasonality

Although demand from certain customer segments can be seasonal, our operations as a whole are not seasonal to any significant extent. We experience a reduction in sales volumes at Royal Wolf during Australia's summer holiday break from mid-December to the end of January, followed by February being a short working day month. However, this reduction in sales typically is counterbalanced by increased levels of lease revenues derived from the removals, or moving and storage industry, which experiences its seasonal peak of personnel relocations during this same summer holiday break. Demand from some of Pac-Van's customers can be seasonal, such as in the construction industry, which tends to increase leasing activity in the first and fourth quarters of our fiscal year; while customers in the retail industry tend to lease more units in the second quarter. Our business at Lone Star and Southern Frac, which has been significantly derived from the oil and gas industry, may decline in our second quarter months of November and December and our third quarter months of January and February, particularly if inclement weather delays, or suspends, customer projects.

Environmental and Safety

Our operations, and the operations of many of our customers, are subject to numerous federal and local laws and regulations governing environmental protection and transportation. These laws regulate such issues as wastewater, storm water and the management, storage and disposal of, or exposure to, hazardous substances. We are not aware of any pending environmental compliance or remediation matters that are reasonably likely to have a material adverse effect on our business, financial position or results of operations. However, the failure by us to comply with applicable environmental and other requirements could result in fines, penalties, enforcement actions, third party claims, remediation actions, and could negatively impact our reputation with customers. We have a company-wide focus on safety and have implemented a number of measures to promote workplace safety.

Impact of Inflation

We believe that inflation has not had a material effect on our business. However, during periods of rising prices and, in particular when the prices increase rapidly or to levels significantly higher than normal, we may incur significant increases in our operating costs and may not be able to pass price increases through to our customers in a timely manner, which could harm our future results of operations.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we re-evaluate all of our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions as additional information becomes available in future periods.

A comprehensive discussion of our critical and significant accounting policies and management estimates are included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 2 of Notes to Consolidated Financial Statements in the Annual Report. Reference is also made to Note 2 of Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for a further discussion of our significant accounting policies. We believe there have been no significant changes in our critical accounting policies,

estimates and judgments since June 30, 2017.

Impact of Recently Issued Accounting Pronouncements

Reference is made to Note 2 of Notes to Condensed Consolidated Financial Statements for a discussion of recently issued accounting pronouncements that could potentially impact us.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges and other market-driven rates or prices. Exposure to interest rates and currency risks arises in the normal course of our business and we may use derivative financial instruments to hedge exposure to fluctuations in foreign exchange rates and interest rates. We believe we have no material market risks to our operations, financial position or liquidity as a result of derivative activities, including forward-exchange contracts.

Reference is made to Notes 5 and 6 of Notes to Condensed Consolidated Financial Statements for a discussion of our senior and other debt and financial instruments.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file and submit under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in accordance with SEC guidelines and that such information is communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure based on the definition of disclosure controls and procedures in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating our disclosure controls and procedures, we recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and that our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in reaching that level of reasonable assurance.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In evaluating our forward-looking statements, readers should specifically consider risk factors that may cause actual results to vary from those contained in the forward-looking statements. Risk factors associated with our business are included, but not limited to, our Annual Report on Form 10-K for the year ended June 30, 2017, as filed with the SEC on September 8, 2017 (Annual Report) and other subsequent filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index attached.

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EXHIBIT INDEX

Exhibit

Number

Exhibit Description

- | | |
|------|---|
| 10.1 | <u>Valenta Employment Agreement dated January 1, 2018 (incorporated by reference to Registrant's Form 8-K filed January 3, 2018)</u> |
| 10.2 | <u>Miller Employment Agreement dated January 1, 2018 (incorporated by reference to Registrant's Form 8-K filed January 3, 2018)</u> |
| 31.1 | <u>Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)</u> |
| 31.2 | <u>Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)</u> |
| 32.1 | <u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350</u> |
| 32.2 | <u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350</u> |
| 101 | The following materials from the Registrant's Quarterly report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income/Loss, (iv) the Condensed Consolidated Statements of Equity, (v) the Condensed Consolidated Statements of Cash Flows and (vi) Notes to Condensed Consolidated Financial Statements. |

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SIGNATURES

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.

Date: May 9, 2018

GENERAL FINANCE CORPORATION

By: /s/ Jody E. Miller
Jody E. Miller
Chief Executive Officer

By: /s/ Charles E. Barrantes
Charles E. Barrantes
Chief Financial Officer