

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarter ended March 31, 1995
Commission File No. 0-13292

McGRATH RENTCORP

(Exact name of registrant as specified in its Charter)

California

94-2579843

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

2500 Grant Avenue
San Lorenzo, California 94580

(Address of principal executive offices)

Registrant's telephone number: (510) 276-2626

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

At May 10, 1995, 8,142,717 shares of Registrant's Common Stock were outstanding.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited)

	Three months ended March 31,	
	1995	1994
REVENUES:		
Rental operations-		
Rental	\$11,074,099	\$10,824,509
Rental related services	2,030,738	2,456,906
	13,104,837	13,281,415
Sales and related services	3,544,632	3,069,795
	16,649,469	16,351,210
COSTS & EXPENSES:		
Direct costs of rental operations-		
Depreciation	2,754,380	2,663,563
Rental related services	1,175,651	1,615,769
Other	1,152,418	1,260,447
	5,082,449	5,539,779
Cost of sales and related services	2,328,899	2,029,248
	7,411,348	7,569,027
Gross margin	9,238,121	8,782,183
Selling and administrative expenses	3,302,686	3,200,896
Income from operations	5,935,435	5,581,287
Interest expense	675,454	458,145
Income before provision for income taxes	5,259,981	5,123,142
Provision for income taxes	2,083,012	1,985,217
Net income	\$ 3,176,969	\$ 3,137,925
Net income per share	\$ 0.38	\$ 0.37

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

CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	March 31, 1995	December 31, 1994
	-----	-----
ASSETS		
Cash	\$ 582,474	\$ 1,151,648
Accounts receivable, less allowance for doubtful accounts of \$1,205,000 in 1995 and \$1,400,000 in 1994	11,622,405	12,662,213
Rental equipment, at cost:		
Relocatable modular offices	144,711,993	144,674,027
Electronic test instruments	30,687,847	29,541,687
Accessory equipment	3,639,889	3,627,776
	-----	-----
	179,039,729	177,843,490
Less - Accumulated depreciation	(52,279,012)	(50,599,702)
	-----	-----
	126,760,717	127,243,788
Land, at cost	19,484,550	19,484,550
Land improvements, furniture and equipment, at cost, less accumulated depreciation of \$2,342,616 in 1995 and \$2,348,664 in 1994	9,663,681	7,276,411
Prepaid expenses and other assets	2,395,906	2,103,913
	-----	-----
	\$170,509,733	\$169,922,523
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes payable	\$ 34,050,000	\$ 35,950,000
Accounts payable and accrued liabilities	10,986,859	9,603,107
Deferred income	6,156,421	7,247,647
Deferred income taxes	34,865,452	33,282,281
	-----	-----
Total liabilities	86,058,732	86,083,035
	-----	-----
Shareholders' equity:		
Common stock, no par value -		
Authorized - 20,000,000 shares		
Outstanding - 8,140,057 shares in 1995 and 8,158,687 in 1994	15,312,461	15,999,633
Retained earnings	69,138,540	67,839,855
	-----	-----
Total shareholders' equity	84,451,001	83,839,488
	-----	-----
	\$170,509,733	\$169,922,523
	=====	=====

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
 Increase (decrease) in cash
 (Unaudited)

	Three months ended March 31,	
	1995	1994
Cash flows from operating activities:		
Net income	\$ 3,176,969	\$ 3,137,925
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,208,414	2,790,659
Gain on sale of rental equipment	(906,519)	(989,107)
Change in:		
Accounts receivable	1,039,808	(474,198)
Prepays and other assets	(291,993)	(32,800)
Accounts payable and accrued liabilities	405,812	1,004,524
Deferred income	(1,091,226)	(558,921)
Deferred income taxes	1,583,171	1,985,218
Net cash provided by operating activities	7,124,436	6,863,300
Cash flows from investing activities:		
Purchase of rental equipment	(3,691,143)	(5,111,635)
Purchase of land improvements, furniture and equipment	(2,841,304)	(8,997)
Proceeds from sale of rental equipment	2,326,353	2,816,390
Net cash used in investing activities	(4,206,094)	(2,304,242)
Cash flows from financing activities:		
Net borrowings (payments) under line of credit	(1,900,000)	(3,400,000)
Proceeds from the exercise of stock options	26,865	7,451
Repurchase of common stock	(714,037)	---
Payment of dividends	(900,344)	(831,264)
Net cash used in financing activities	(3,487,516)	(4,223,813)
Net increase (decrease) in cash	(569,174)	335,245
Cash balance, beginning of period	1,151,648	432,009
Cash balance, end of period	\$ 582,474	\$ 767,254
Interest paid during period	\$ 700,880	\$ 458,101
Income taxes paid during period	\$ ---	\$ 50,000
Dividends declared but not yet paid	\$ 977,940	\$ 914,543

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1995

1. The consolidated financial information for the three months ended March 31, 1995 has not been audited, but in the opinion of management, all adjustments (consisting of only normal recurring accruals, consolidation and eliminating entries) necessary for the fair presentation of the consolidated results of operations, financial position, and cash flows of McGrath RentCorp (the "Company") have been made. The consolidated results of the three months ended March 31, 1995 should not be considered as necessarily indicative of the consolidated results for the entire year. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest Form 10-K.

2. The number of outstanding shares and equivalent shares used in the earnings per common share calculations were as follows:

Quarter ended March 31, -----	Primary -----	Fully Diluted -----
1995	8,262,300	8,262,300
1994	8,446,845	8,452,102

3. On January 1, 1995, McGrath RentCorp converted a \$300,000 note receivable to 73.171% ownership of Enviroplex, Inc. Enviroplex, Inc. manufactures portable classrooms built to the requirements of the Division of State Architect ("DSA") and sells primarily to school districts. The accompanying consolidated financial statements include the accounts of the Company and its majority owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

4. In April 1995, 6,786 shares of common stock were issued under the Long Term Bonus Plan to certain key employees for achieving an average return on equity during the three years ended December 31, 1994. The liability of \$115,362 for these shares was reflected in the 1994 Financial Statements and in April 1995 was reclassified to equity (common stock) upon issuance.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Three Months Ended March 31, 1995 and 1994

Rental revenues for the first quarter of 1995 increased by \$249,590, a 2% increase over the same period in 1994. The \$354,466 increase in rental revenues from electronics was offset by a \$104,876 decline in rental revenues from relocatable modular offices. The rental revenue decline for modulars was due to the return of a significant amount of equipment (220 unit complex) from a single customer which generated rental billings of \$322,464 per quarter. Average utilization during the first quarter improved for electronic equipment from 53.6% to 54.6% while modular utilization declined from 78.5% to 75.5% compared to the same period in 1994 due to the return of the above mentioned complex.

Rental related services for the three months ended March 31, 1995 decreased \$426,168, a 17% decrease from the same period in 1994. The decrease was due to fewer site work requirements experienced in 1995. This was offset by a one time adjustment of incentive fees recognized by the Company for equipment management. For the comparative period in 1994, \$739,000 of rental related service revenues was for site work for three projects, one was directly related to the Northridge, California earthquake.

Sales and related services for the three months ended March 31, 1995 increased \$474,837, a 15% increase compared to the same period in 1994 due to the sales volume of \$924,306 contributed by the Company's majority owned subsidiary, Enviroplex, Inc. Sales and related services from quarter to quarter have fluctuated depending on customer requirements. Gross margins on sales and related services remained consistent in 1995 compared to the same period in 1994 at 34%.

Selling and administrative expenses increased \$101,790 (3%) for the three months ended March 31, 1995 compared to the same period in 1994 primarily due to the impact of Enviroplex, Inc. of \$93,384 and the acceleration of a leasehold improvement of \$330,000 offset by a reduction in the bad debt reserve of \$200,000. The Company also realized reductions in insurance expense and modular equipment freight expense.

Interest expense increased \$217,309 (47%) for the first quarter 1995 over the same period in 1994 as a result of a higher average interest rate even though average borrowing levels were lower.

Income before provision for taxes increased \$136,839 (3%) for the three months ended March 31, 1995 over the same period in 1994 with after tax income increasing \$39,044 (1%) as a result of a higher effective tax rate in 1995 of 39.60% compared to 38.75% in 1994.

LIQUIDITY AND CAPITAL RESOURCES.

The debt (notes payable) to equity ratio was 0.40 to 1 at March 31, 1995 compared to 0.43 to 1 at December 31, 1994. The debt (total liabilities) to equity ratio at the end of the current period was 1.02 to 1 as compared to 1.03 to 1 as of December 31 1994.

In August 1994, the Company's Board of Directors authorized the repurchase of up to 850,000 shares of the Company's issued and outstanding common stock. Under this authorization, the Company has repurchased 204,054 shares of common stock for an aggregate purchase price of \$3,246,629 or an average price of \$15.91 per share. No other shares will be repurchased under this authorization.

On March 30, 1995, the Board of Directors authorized the repurchase of up to 650,000 shares of the Company's issued and outstanding Common Stock. The Company intends to make purchases from time to time in the over-the-counter market (NASDAQ) and/or through privately negotiated, large block transactions. The Board of Directors believes the Company's shares are currently undervalued by the market and that the repurchase of its shares is a good investment for the Company at this time. Shares repurchased by the Company will be cancelled and returned to the status of authorized but unissued stock. As of May 12, 1995, the Company has not repurchased any common stock under this authorization.

The Company's primary use of funds is to purchase rental equipment, and funds will continue to be used for this purpose in the future. Additionally, the Company plans to make further improvements to the land at their inventory facilities located in Southern California, Northern California and Houston area. The Company also pays quarterly dividends, which will constitute an additional use of cash in 1995.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

On March 30, 1995 the Company declared a quarterly dividend on its Common Stock; the dividend was \$0.12 per share. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends. The Company's loan agreement with the Bank prohibits payment of dividends in excess of 50% of net income in any one year without the bank's consent.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS. No exhibits included.

(b) REPORTS ON FORM 8-K. No reports on form 8-K have been filed during the quarter for which this report is filed.

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 10, 1995

McGRATH RENTCORP

By: /s/ Delight Saxton

Delight Saxton
Vice-President of Administration,
Chief Financial Officer and
Secretary

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM McGRATH RENT CORP'S QUARTERLY REPORT (10-Q) FOR THE QUARTER ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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MAR-31-1995	
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170,510	69,139
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