

October 29, 2020



McGrath RentCorp Announces Results for Third Quarter 2020

LIVERMORE, Calif., Oct. 29, 2020 (GLOBE NEWSWIRE) -- McGrath RentCorp (NASDAQ: MGRC) (the "Company"), a diversified business-to-business rental company, today announced total revenues for the quarter ended September 30, 2020 of \$156.4 million, a decrease of 10%, compared to the third quarter of 2019. The Company reported net income of \$28.1 million, or \$1.15 per diluted share, for the third quarter of 2020, compared to net income of \$32.5 million, or \$1.32 per diluted share, for the third quarter of 2019.

THIRD QUARTER 2020 COMPANY HIGHLIGHTS:

- **Income from operations** decreased 20% year-over-year to \$37.3 million.
- **Rental revenues** decreased 3% year-over-year to \$88.1 million.
- **Adjusted EBITDA¹** decreased 11% year-over-year to \$62.7 million.
- **Dividend rate** increased 12% year-over-year to \$0.42 per share for the third quarter of 2020. On an annualized basis, this dividend represents a 2.9% yield on the October 28, 2020 close price of \$58.40 per share.

Joe Hanna, President and CEO of McGrath RentCorp, made the following comments regarding these results and future expectations:

"For the third quarter, rental revenue growth of 1% at Mobile Modular and 3% at TRS-RenTelco was offset by a 22% decline at Adler, resulting in an overall 3% decrease for the Company. Rental revenue performance by end markets and geographic locations was varied and still affected by COVID-19 uncertainty. The decrease in total Company revenues was primarily a result of lower new equipment sales revenues at our Enviroplex business, which in 2019 had a large concentration of sales completed in the third quarter. Disciplined expense management continued in our production centers and support services, reflecting softer demand conditions.

Our third quarter results reflect slowly improving market conditions compared to the second quarter and we were pleased with how the business performed on an overall basis, despite uncertainty due to COVID-19. Sequentially, each of our three divisions grew rental revenues from the second to third quarter 2020. After withdrawing guidance in the second quarter, we set milestones for performance in the third quarter and landed high in our ranges for total revenues and EBITDA while maintaining discipline on rental equipment capital expenditures. Our teams successfully navigated difficult circumstances and delivered solid results.

Entering the fourth quarter of 2020, we are seeing the generally improved third quarter business conditions continuing, despite the pandemic uncertainties. We remain focused on consistent execution for our customers and we are working hard to finish the year on solid footing."

DIVISION HIGHLIGHTS:

All comparisons presented below are for the quarter ended September 30, 2020 to the quarter ended September 30, 2019 unless otherwise indicated.

MOBILE MODULAR

For the third quarter of 2020, the Company's Mobile Modular division reported income from operations of \$24.9 million, an increase of \$2.7 million, or 12%. Rental revenues increased 1% to \$47.1 million, depreciation expense increased 4% to \$5.8 million and other direct costs decreased 8% to \$11.8 million, which resulted in an increase in gross profit on rental revenues of 4% to \$29.6 million. The rental revenue growth was due to increased demand from education customers. Rental related services revenues decreased 17% to \$18.7 million, with associated gross profit decreasing 10% to \$5.2 million. Sales revenues increased 76% to \$29.3 million, primarily due to higher new equipment sales with gross margin on sales decreasing to 26% from 28%, resulting in a 60% increase in gross profit on sales revenues to \$7.5 million. Selling and administrative expenses increased 5% to \$17.7 million, primarily due to higher allocated corporate expenses.

TRS-RENTELCO

For the third quarter of 2020, the Company's TRS-RenTelco division reported income from operations of \$9.0 million, a decrease of \$1.1 million, or 11%. Rental revenues increased 3% to \$27.6 million, depreciation expense increased 6% to \$11.5 million and other direct costs increased 18% to \$4.8 million, which resulted in a 6% decrease in gross profit on rental revenues to \$11.3 million. The rental revenue growth was due to increased demand from general purpose test equipment customers. Sales revenues increased 22% to \$6.9 million. Gross margin on sales was 44% in 2020 compared to 60% in 2019, resulting in a 10% decrease in gross profit on sales revenues to \$3.1 million. Selling and administrative expenses decreased 1% to \$6.0 million.

ADLER TANKS

For the third quarter of 2020, the Company's Adler Tanks division reported income from operations of \$2.7 million, a decrease of \$2.4 million, or 47%. Rental revenues decreased 22% to \$13.4 million, depreciation expense was flat at \$4.1 million and other direct costs decreased 29% to \$2.0 million, which resulted in a 29% decrease in gross profit on rental revenues to \$7.3 million. The rental revenue decrease was primarily due to COVID-19 related business disruptions and a decrease in the price of oil and gas, which contributed to weaker activities in multiple geographic and market segments. Rental related services revenues decreased 25% to \$5.6 million, with gross profit on rental related services decreasing 39% to \$1.1 million. Selling and administrative expenses decreased 19% to \$5.8 million, primarily due to decreased allocated corporate expenses, lower marketing and administrative costs and decreased salaries and employee benefit costs.

FINANCIAL OUTLOOK:

For the fourth quarter 2020, the Company expects:

- Total revenue: \$140 million - \$150 million
- Adjusted EBITDA^{1,2}: \$58 million - \$63 million
- Gross rental equipment capital expenditures: \$10 million to \$13 million

-
1. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs and share-based compensation. A reconciliation of actual net income to Adjusted EBITDA and Adjusted EBITDA to net cash provided by operating activities can be found at the end of this release.
 2. Information reconciling forward-looking Adjusted EBITDA to the comparable GAAP financial measures is unavailable to the Company without unreasonable effort because certain items required for such reconciliations are outside of the Company's control and/or cannot be reasonably predicted, such as the provision for income taxes. Therefore, no reconciliation to the most comparable GAAP measures is provided. The Company provides Adjusted EBITDA guidance because it believes that Adjusted EBITDA, when viewed with the Company's results under GAAP, provides useful information for the reasons noted in the reconciliation of actual Adjusted EBITDA to the most directly comparable GAAP measures at the end of this release.

ABOUT MCGRATH RENTCORP:

Founded in 1979, McGrath RentCorp (Nasdaq: MGRC) is a diversified business-to-business rental company providing modular buildings, electronic test equipment, portable storage and tank containment solutions across the United States and other select North American regions. The Company's rental operations consist of four divisions: Mobile Modular rents and sells modular buildings to fulfill customers' temporary and permanent classroom and office space needs; TRS-RenTelco rents and sells electronic test equipment; Adler Tank Rentals rents and sells containment solutions for hazardous and nonhazardous liquids and solids; and Mobile Modular Portable Storage provides portable storage rental solutions. For more information on McGrath RentCorp and its operating units, please visit our websites:

Corporate – www.mgrc.com

Modular Buildings – www.mobilemodular.com

Electronic Test Equipment – www.trsrentelco.com

Tanks and Boxes – www.adlertankrentals.com

Portable Storage – www.mobilemodularcontainers.com

School Facilities Manufacturing – www.enviroplex.com

You should read this press release in conjunction with the financial statements and notes thereto included in the Company's latest Forms 10-K, 10-Q and other SEC filings. You can visit the Company's web site at www.mgrc.com to access information on McGrath RentCorp, including the latest Forms 10-K, 10-Q and other SEC filings.

CONFERENCE CALL NOTE:

As previously announced in its press release of October 1, 2020, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on October 29, 2020 to discuss the third quarter 2020 results. To participate in the teleconference, dial 1-844-707-0666 (in the U.S.), or 1-703-639-1220 (outside the U.S.), or to listen only, access the simultaneous webcast at the investor relations section of the Company's website at <https://investors.mgrc.com/>. A replay will be available for 7 days following the call by dialing 1-855-859-2056 (in the U.S.), or 1-404-537-3406 (outside the U.S.). The pass code for the conference call replay is 5478927. In addition, a live audio webcast and replay of the call may be found in the investor relations section of the Company's website at <https://investors.mgrc.com/events-and-presentations>.

FORWARD-LOOKING STATEMENTS:

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, regarding McGrath RentCorp's expectations, strategies, prospects or targets are forward looking statements. These forward-looking statements also can be identified by the use of forward-looking terminology such as "anticipates," "believes," "continues," "could," "estimates," "expects," "intends," "may," "plan," "predict," "project," or "will," or the negative of these terms or other comparable terminology. In particular, Mr. Hanna's comments about seeing the generally improved business conditions continuing, despite the pandemic uncertainties and the Company working hard to finish the year on solid footing as well as the statements regarding the fourth quarter 2020 outlook in the "Financial Outlook" section, are forward-looking.

These forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties that could cause our actual results to differ materially from those projected including: the duration of the COVID-19 pandemic and its economic impact, the extent and length of the shelter-in and other restrictions associated with COVID-19 pandemic, the health of the education and commercial markets in our modular building division; the activity levels in the general purpose and communications test equipment markets at TRS-RenTelco; the utilization levels and rental rates of our Adler Tanks liquid and solid containment tank and box rental assets; continued execution of our performance improvement initiatives; and our ability to effectively manage our rental assets, as well as the factors disclosed under "Risk Factors" in the Company's Form 10-Q for the period ended September 30, 2020.

Forward-looking statements are made only as of the date hereof. Except as otherwise required by law, we assume no obligation to update any of the forward-looking statements contained in this press release.

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

| <i>(in thousands, except per share amounts)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | | | | |
| Rental | \$ 88,138 | \$ 90,857 | \$ 263,273 | \$ 261,658 |
| Rental related services | 25,040 | 30,816 | 70,026 | 76,738 |
| Rental operations | 113,178 | 121,673 | 333,299 | 338,396 |
| Sales | 42,331 | 50,855 | 87,366 | 81,387 |
| Other | 939 | 1,034 | 2,909 | 3,226 |
| Total revenues | 156,448 | 173,562 | 423,574 | 423,009 |
| Costs and Expenses | | | | |
| Direct costs of rental operations: | | | | |
| Depreciation of rental equipment | 21,419 | 20,535 | 64,640 | 59,222 |
| Rental related services | 18,603 | 23,007 | 51,760 | 57,507 |
| Other | 18,553 | 19,654 | 56,171 | 61,128 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Total direct costs of rental operations | 58,575 | 63,196 | 172,571 | 177,857 |
| Costs of sales | 29,669 | 32,084 | 57,911 | 49,984 |
| Total costs of revenues | 88,244 | 95,280 | 230,482 | 227,841 |
| Gross profit | 68,204 | 78,282 | 193,093 | 195,168 |
| Selling and administrative expenses | 30,871 | 31,534 | 93,365 | 92,044 |
| Income from operations | 37,333 | 46,748 | 99,728 | 103,124 |
| Other income (expense): | | | | |
| Interest expense | (1,968) | (3,161) | (6,804) | (9,407) |
| Foreign currency exchange gain (loss) | 130 | (132) | (189) | (46) |
| Income before provision for income taxes | 35,495 | 43,455 | 92,735 | 93,671 |
| Provision for income taxes | 7,394 | 10,987 | 21,926 | 23,266 |
| Net income | \$ 28,101 | \$ 32,468 | \$ 70,809 | \$ 70,405 |
| Earnings per share: | | | | |
| Basic | \$ 1.17 | \$ 1.34 | \$ 2.93 | \$ 2.90 |
| Diluted | \$ 1.15 | \$ 1.32 | \$ 2.88 | \$ 2.86 |
| Shares used in per share calculation: | | | | |
| Basic | 24,097 | 24,268 | 24,170 | 24,237 |
| Diluted | 24,443 | 24,632 | 24,558 | 24,592 |
| Cash dividends declared per share | \$ 0.420 | \$ 0.375 | \$ 1.260 | \$ 1.125 |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| <i>(in thousands)</i> | September 30, 2020 | December 31, 2019 |
|--|-----------------------------------|----------------------------------|
| Assets | | |
| Cash | \$ 1,543 | \$ 2,342 |
| Accounts receivable, net of allowance for doubtful accounts of \$2,200 in 2020 and \$1,883 in 2019 | 129,433 | 128,099 |
| Rental equipment, at cost: | | |
| Relocatable modular buildings | 885,314 | 868,807 |
| Electronic test equipment | 335,520 | 335,343 |
| Liquid and solid containment tanks and boxes | 316,110 | 316,261 |
| | <u>1,536,944</u> | <u>1,520,411</u> |
| Less accumulated depreciation | (588,819) | (552,911) |
| Rental equipment, net | <u>948,125</u> | <u>967,500</u> |
| Property, plant and equipment, net | 134,245 | 131,047 |
| Prepaid expenses and other assets | 46,670 | 45,356 |
| Intangible assets, net | 7,167 | 7,334 |
| Goodwill | <u>28,197</u> | <u>28,197</u> |

| | | |
|---|---------------------|---------------------|
| Total assets | <u>\$ 1,295,380</u> | <u>\$ 1,309,875</u> |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Notes payable | \$ 249,980 | \$ 293,431 |
| Accounts payable and accrued liabilities | 108,824 | 109,174 |
| Deferred income | 58,555 | 54,964 |
| Deferred income taxes, net | 216,407 | 218,270 |
| Total liabilities | <u>633,766</u> | <u>675,839</u> |
| Shareholders' equity: | | |
| Common stock, no par value - Authorized 40,000 shares Issued and outstanding - 24,111 shares as of September 30, 2020 and 24,296 shares as of December 31, 2019 | 106,079 | 106,360 |
| Retained earnings | 555,555 | 527,746 |
| Accumulated other comprehensive loss | (20) | (70) |
| Total shareholders' equity | <u>661,614</u> | <u>634,036</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,295,380</u> | <u>\$ 1,309,875</u> |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| <i>(in thousands)</i> | Nine Months Ended September 30, | |
|--|--|-------------------|
| | 2020 | 2019 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 70,809 | \$ 70,405 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 71,249 | 65,960 |
| Provision for doubtful accounts | 1,227 | 655 |
| Share-based compensation | 4,894 | 4,096 |
| Gain on sale of used rental equipment | (14,110) | (15,168) |
| Foreign currency exchange loss | 189 | 46 |
| Amortization of debt issuance costs | 8 | 8 |
| Change in: | | |
| Accounts receivable | (2,561) | (16,929) |
| Prepaid expenses and other assets | (1,314) | (11,734) |
| Accounts payable and accrued liabilities | (582) | 19,304 |
| Deferred income | 3,591 | 10,946 |
| Deferred income taxes | (1,863) | 9,280 |
| Net cash provided by operating activities | <u>131,537</u> | <u>136,869</u> |
| Cash Flows from Investing Activities: | | |
| Purchases of rental equipment | (65,661) | (127,243) |
| Purchases of property, plant and equipment | (9,639) | (6,845) |
| Cash paid for acquisition of business assets | — | (7,401) |
| Proceeds from sales of used rental equipment | 33,837 | 30,844 |
| Net cash used in investing activities | <u>(41,463)</u> | <u>(110,645)</u> |
| Cash Flows from Financing Activities: | | |

| | | |
|--|-----------|-----------|
| Net (repayment) borrowing under bank lines of credit | (43,460) | 2,897 |
| Repurchase of common stock | (13,617) | — |
| Taxes paid related to net share settlement of stock awards | (3,930) | (1,864) |
| Payment of dividends | (29,642) | (26,432) |
| Net cash used in financing activities | (90,649) | (25,399) |
| Effect of foreign currency exchange rate changes on cash | (224) | (43) |
| Net (decrease) increase in cash | (799) | 782 |
| Cash balance, beginning of period | 2,342 | 1,508 |
| Cash balance, end of period | \$ 1,543 | \$ 2,290 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest paid, during the period | \$ 6,829 | \$ 9,359 |
| Net income taxes paid, during the period | \$ 24,704 | \$ 10,030 |
| Dividends accrued during the period, not yet paid | \$ 10,355 | \$ 9,241 |
| Rental equipment acquisitions, not yet paid | \$ 5,827 | \$ 9,450 |

**BUSINESS
SEGMENT DATA
(unaudited)
Three months ended
September 30, 2020**

| <i>(dollar amounts in thousands)</i> | Mobile Modular | TRS-RenTelco | Adler Tanks | Enviroplex | Consolidated |
|---|-----------------------|---------------------|--------------------|-------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 47,134 | \$ 27,619 | \$ 13,385 | \$ — | \$ 88,138 |
| Rental related services | 18,684 | 800 | 5,556 | — | 25,040 |
| Rental operations | 65,818 | 28,419 | 18,941 | — | 113,178 |
| Sales | 29,275 | 6,912 | 230 | 5,914 | 42,331 |
| Other | 320 | 525 | 94 | — | 939 |
| Total revenues | 95,413 | 35,856 | 19,265 | 5,914 | 156,448 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 5,771 | 11,547 | 4,101 | — | 21,419 |
| Rental related services | 13,510 | 673 | 4,420 | — | 18,603 |
| Other | 11,780 | 4,820 | 1,953 | — | 18,553 |
| Total direct costs of rental operations | 31,061 | 17,040 | 10,474 | — | 58,575 |
| Costs of sales | 21,726 | 3,853 | 251 | 3,839 | 29,669 |
| Total costs of revenues | 52,787 | 20,893 | 10,725 | 3,839 | 88,244 |
| Gross Profit (Loss) | | | | | |
| Rental | 29,583 | 11,252 | 7,331 | — | 48,166 |
| Rental related services | 5,174 | 127 | 1,136 | — | 6,437 |
| Rental operations | 34,757 | 11,379 | 8,467 | — | 54,603 |

| | | | | | |
|-------------------------------------|-----------|----------|----------|--------|-----------|
| Sales | 7,549 | 3,059 | (21) | 2,075 | 12,662 |
| Other | 320 | 525 | 94 | — | 939 |
| Total gross profit | 42,626 | 14,963 | 8,540 | 2,075 | 68,204 |
| Selling and administrative expenses | 17,739 | 5,962 | 5,821 | 1,349 | 30,871 |
| Income from operations | \$ 24,887 | \$ 9,001 | \$ 2,719 | \$ 726 | 37,333 |
| Interest expense | | | | | (1,968) |
| Foreign currency exchange loss | | | | | 130 |
| Provision for income taxes | | | | | (7,394) |
| Net income | | | | | \$ 28,101 |

Other Information

| | | | |
|--|------------|------------|------------|
| Average rental equipment ¹ | \$ 829,460 | \$ 336,015 | \$ 314,933 |
| Average monthly total yield ² | 1.89 % | 2.74 % | 1.42 % |
| Average utilization ³ | 76.3 % | 67.1 % | 44.1 % |
| Average monthly rental rate ⁴ | 2.48 % | 4.08 % | 3.21 % |

1. Average rental equipment represents the cost of rental equipment, excluding accessory equipment. For Mobile Modular and Adler Tanks, Average rental equipment also excludes new equipment inventory.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment for the period.
3. Average utilization is calculated by dividing the average month end costs of rental equipment on rent by the average month end total costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent for the period.

**MCGRATH
RENTCORP
BUSINESS
SEGMENT DATA
(unaudited)
Three months ended
September 30, 2019**

| <i>(dollar amounts in thousands)</i> | Mobile Modular | TRS-RenTelco | Adler Tanks | Enviroplex | Consolidated |
|--------------------------------------|-----------------------|---------------------|--------------------|-------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 46,738 | \$ 26,938 | \$ 17,181 | \$ — | \$ 90,857 |
| Rental related services | 22,574 | 863 | 7,379 | — | 30,816 |
| Rental operations | 69,312 | 27,801 | 24,560 | — | 121,673 |

| | | | | | |
|----------------|---------------|---------------|---------------|---------------|----------------|
| Sales | 16,676 | 5,678 | 140 | 28,361 | 50,855 |
| Other | 314 | 611 | 109 | — | 1,034 |
| Total revenues | <u>86,302</u> | <u>34,090</u> | <u>24,809</u> | <u>28,361</u> | <u>173,562</u> |

Costs and Expenses

Direct costs of rental operations:

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Depreciation | 5,572 | 10,849 | 4,114 | — | 20,535 |
| Rental related services | 16,799 | 695 | 5,513 | — | 23,007 |
| Other | 12,804 | 4,088 | 2,762 | — | 19,654 |
| Total direct costs of rental operations | <u>35,175</u> | <u>15,632</u> | <u>12,389</u> | <u>—</u> | <u>63,196</u> |
| Costs of sales | <u>11,963</u> | <u>2,277</u> | <u>126</u> | <u>17,718</u> | <u>32,084</u> |
| Total costs of revenues | <u>47,138</u> | <u>17,909</u> | <u>12,515</u> | <u>17,718</u> | <u>95,280</u> |

Gross Profit

| | | | | | |
|-------------------------------------|------------------|------------------|-----------------|-----------------|------------------|
| Rental | 28,362 | 12,001 | 10,305 | — | 50,668 |
| Rental related services | 5,775 | 168 | 1,866 | — | 7,809 |
| Rental operations | <u>34,137</u> | <u>12,169</u> | <u>12,171</u> | <u>—</u> | <u>58,477</u> |
| Sales | 4,713 | 3,401 | 14 | 10,643 | 18,771 |
| Other | 314 | 611 | 109 | — | 1,034 |
| Total gross profit | <u>39,164</u> | <u>16,181</u> | <u>12,294</u> | <u>10,643</u> | <u>78,282</u> |
| Selling and administrative expenses | <u>16,966</u> | <u>6,038</u> | <u>7,160</u> | <u>1,370</u> | <u>31,534</u> |
| Income from operations | <u>\$ 22,198</u> | <u>\$ 10,143</u> | <u>\$ 5,134</u> | <u>\$ 9,273</u> | <u>46,748</u> |
| Interest expense | | | | | (3,161) |
| Foreign currency exchange loss | | | | | (132) |
| Provision for income taxes | | | | | (10,987) |
| Net income | | | | | <u>\$ 32,468</u> |

Other Information

| | | | |
|--|------------|------------|------------|
| Average rental equipment ¹ | \$ 802,718 | \$ 314,428 | \$ 314,314 |
| Average monthly total yield ² | 1.94 % | 2.86 % | 1.82 % |
| Average utilization ³ | 79.4 % | 66.9 % | 54.5 % |
| Average monthly rental rate ⁴ | 2.45 % | 4.27 % | 3.34 % |

1. Average rental equipment represents the cost of rental equipment, excluding accessory equipment. For Mobile Modular and Adler Tanks, Average rental equipment also excludes new equipment inventory.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment for the period.

3. Average utilization is calculated by dividing the average month end costs of rental equipment on rent by the average month end total costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent for the period.

**MCGRATH
RENTCORP
BUSINESS
SEGMENT DATA
(unaudited)
Nine months ended
September 30, 2020**

| <i>(dollar amounts in thousands)</i> | Mobile Modular | TRS- RenTelco | Adler Tanks | Enviroplex | Consolidated |
|---|---------------------------|--------------------------|------------------------|-------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 141,172 | \$ 81,167 | \$ 40,934 | \$ — | \$ 263,273 |
| Rental related services | 51,291 | 2,296 | 16,439 | — | 70,026 |
| Rental operations | 192,463 | 83,463 | 57,373 | — | 333,299 |
| Sales | 51,847 | 17,943 | 960 | 16,616 | 87,366 |
| Other | 1,063 | 1,592 | 254 | — | 2,909 |
| Total revenues | 245,373 | 102,998 | 58,587 | 16,616 | 423,574 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 17,177 | 35,129 | 12,334 | — | 64,640 |
| Rental related services | 37,222 | 1,836 | 12,702 | — | 51,760 |
| Other | 36,773 | 12,762 | 6,636 | — | 56,171 |
| Total direct costs of rental operations | 91,172 | 49,727 | 31,672 | — | 172,571 |
| Costs of sales | 37,274 | 9,350 | 799 | 10,488 | 57,911 |
| Total costs of revenues | 128,446 | 59,077 | 32,471 | 10,488 | 230,482 |
| Gross Profit | | | | | |
| Rental | 87,222 | 33,276 | 21,964 | — | 142,462 |
| Rental related services | 14,069 | 460 | 3,737 | — | 18,266 |
| Rental operations | 101,291 | 33,736 | 25,701 | — | 160,728 |
| Sales | 14,573 | 8,593 | 161 | 6,128 | 29,455 |
| Other | 1,064 | 1,592 | 254 | — | 2,910 |
| Total gross profit | 116,928 | 43,921 | 26,116 | 6,128 | 193,093 |
| Selling and administrative expenses | 52,014 | 18,198 | 18,998 | 4,155 | 93,365 |
| Income from operations | \$ 64,914 | \$ 25,723 | \$ 7,118 | \$ 1,973 | 99,728 |
| Interest expense | | | | | (6,804) |
| Foreign currency exchange loss | | | | | (189) |

| | | | | |
|----------------------------|--|--|--|------------------|
| Provision for income taxes | | | | (21,926) |
| Net income | | | | <u>\$ 70,809</u> |

Other Information

| | | | |
|--|------------|------------|------------|
| Average rental equipment ¹ | \$ 822,723 | \$ 337,330 | \$ 314,859 |
| Average monthly total yield ² | 1.89 % | 2.67 % | 1.44 % |
| Average utilization ³ | 77.5 % | 65.6 % | 45.5 % |
| Average monthly rental rate ⁴ | 2.46 % | 4.08 % | 3.18 % |

1. Average rental equipment represents the cost of rental equipment, excluding accessory equipment. For Mobile Modular and Adler Tanks, Average rental equipment also excludes new equipment inventory.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment for the period.
3. Average utilization is calculated by dividing the average month end costs of rental equipment on rent by the average month end total costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent for the period.

MCGRATH RENTCORP BUSINESS SEGMENT DATA (unaudited)

Nine months ended
September 30, 2019

| <i>(dollar amounts in thousands)</i> | <u>Mobile Modular</u> | <u>TRS- RenTelco</u> | <u>Adler Tanks</u> | <u>Enviroplex</u> | <u>Consolidated</u> |
|--------------------------------------|---------------------------|--------------------------|------------------------|-------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 133,736 | \$ 76,050 | \$ 51,872 | \$ — | \$ 261,658 |
| Rental related services | 52,946 | 2,425 | 21,367 | — | 76,738 |
| Rental operations | 186,682 | 78,475 | 73,239 | — | 338,396 |
| Sales | 31,401 | 16,745 | 1,003 | 32,238 | 81,387 |
| Other | 1,033 | 1,856 | 337 | — | 3,226 |
| Total revenues | <u>219,116</u> | <u>97,076</u> | <u>74,579</u> | <u>32,238</u> | <u>423,009</u> |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 16,449 | 30,533 | 12,240 | — | 59,222 |
| Rental related services | 39,454 | 2,008 | 16,045 | — | 57,507 |
| Other | <u>39,721</u> | <u>12,206</u> | <u>9,201</u> | <u>—</u> | <u>61,128</u> |

| | | | | | |
|--|------------|------------|------------|----------|-----------|
| Total direct costs of rental operations | 95,624 | 44,747 | 37,486 | — | 177,857 |
| Costs of sales | 21,463 | 7,656 | 713 | 20,152 | 49,984 |
| Total costs of revenues | 117,087 | 52,403 | 38,199 | 20,152 | 227,841 |
| Gross Profit | | | | | |
| Rental | 77,566 | 33,311 | 30,431 | — | 141,308 |
| Rental related services | 13,492 | 417 | 5,322 | — | 19,231 |
| Rental operations | 91,058 | 33,728 | 35,753 | — | 160,539 |
| Sales | 9,938 | 9,089 | 290 | 12,086 | 31,403 |
| Other | 1,033 | 1,856 | 337 | — | 3,226 |
| Total gross profit | 102,029 | 44,673 | 36,380 | 12,086 | 195,168 |
| Selling and administrative expenses | 48,013 | 18,101 | 22,054 | 3,876 | 92,044 |
| Income from operations | \$ 54,016 | \$ 26,572 | \$ 14,326 | \$ 8,210 | 103,124 |
| Interest expense | | | | | (9,407) |
| Foreign currency exchange loss | | | | | (46) |
| Provision for income taxes | | | | | (23,266) |
| Net income | | | | | \$ 70,405 |
| Other Information | | | | | |
| Average rental equipment ¹ | \$ 789,664 | \$ 299,210 | \$ 313,475 | | |
| Average monthly total yield ² | 1.88 % | 2.82 % | 1.84 % | | |
| Average utilization ³ | 79.1 % | 66.0 % | 56.2 % | | |
| Average monthly rental rate ⁴ | 2.38 % | 4.28 % | 3.27 % | | |

1. Average rental equipment represents the cost of rental equipment, excluding accessory equipment. For Mobile Modular and Adler Tanks, Average rental equipment also excludes new equipment inventory.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment for the period.
3. Average utilization is calculated by dividing the average month end costs of rental equipment on rent by the average month end total costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent for the period.

Reconciliation of Adjusted EBITDA to the most directly comparable GAAP measures

To supplement the Company's financial data presented on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"), the

Company presents “Adjusted EBITDA”, which is defined by the Company as net income before interest expense, provision for income taxes, depreciation, amortization and share-based compensation. The Company presents Adjusted EBITDA as a financial measure as management believes it provides useful information to investors regarding the Company’s liquidity and financial condition and because management, as well as the Company’s lenders, use this measure in evaluating the performance of the Company.

Management uses Adjusted EBITDA as a supplement to GAAP measures to further evaluate the Company’s period-to-period operating performance, compliance with financial covenants in the Company’s revolving lines of credit and senior notes and the Company’s ability to meet future capital expenditure and working capital requirements. Management believes the exclusion of non-cash charges, including share-based compensation, is useful in measuring the Company’s cash available for operations and performance of the Company. Because management finds Adjusted EBITDA useful, the Company believes its investors will also find Adjusted EBITDA useful in evaluating the Company’s performance.

Adjusted EBITDA should not be considered in isolation or as a substitute for net income, cash flows, or other consolidated income or cash flow data prepared in accordance with GAAP or as a measure of the Company’s profitability or liquidity. Adjusted EBITDA is not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. Unlike EBITDA, which may be used by other companies or investors, Adjusted EBITDA does not include share-based compensation charges. The Company believes that Adjusted EBITDA is of limited use in that it does not reflect all of the amounts associated with the Company’s results of operations as determined in accordance with GAAP and does not accurately reflect real cash flow. In addition, other companies may not use Adjusted EBITDA or may use other non-GAAP measures, limiting the usefulness of Adjusted EBITDA for purposes of comparison. The Company’s presentation of Adjusted EBITDA should not be construed as an inference that the Company will not incur expenses that are the same as or similar to the adjustments in this presentation. Therefore, Adjusted EBITDA should only be used to evaluate the Company’s results of operations in conjunction with the corresponding GAAP measures. The Company compensates for the limitations of Adjusted EBITDA by relying upon GAAP results to gain a complete picture of the Company’s performance. Because Adjusted EBITDA is a non-GAAP financial measure as defined by the SEC, the Company includes in the tables below reconciliations of Adjusted EBITDA to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Reconciliation of Net Income to Adjusted EBITDA

| <i>(dollar amounts in thousands)</i> | Three Months Ended | | Nine Months Ended | | Twelve Months Ended | |
|--------------------------------------|---------------------------|-------------|--------------------------|-------------|----------------------------|-------------|
| | September 30, | | September 30, | | September 30, | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Net income | \$ 28,101 | \$ 32,468 | \$ 70,809 | \$ 70,405 | \$ 97,210 | \$ 94,654 |
| Provision for income taxes | 7,395 | 10,987 | 21,926 | 23,266 | 30,979 | 31,035 |
| Interest expense | 1,968 | 3,161 | 6,804 | 9,407 | 9,728 | 12,571 |
| Depreciation and amortization | 23,586 | 22,873 | 71,249 | 65,960 | 94,765 | 87,039 |
| EBITDA | 61,050 | 69,489 | 170,788 | 169,038 | 232,682 | 225,299 |
| Share-based compensation | 1,670 | 1,350 | 4,894 | 4,096 | 6,690 | 5,397 |

| | | | | | | |
|-------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Adjusted EBITDA ¹ | <u>\$ 62,720</u> | <u>\$ 70,839</u> | <u>\$ 175,682</u> | <u>\$ 173,134</u> | <u>\$ 239,372</u> | <u>\$ 230,696</u> |
| Adjusted EBITDA margin ² | 40 % | 41 % | 41 % | 41 % | 42 % | 41 % |

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

| <i>(dollar amounts in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | | Twelve Months Ended September 30, | |
|--|-------------------------------------|------------------|------------------------------------|-------------------|--------------------------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Adjusted EBITDA ¹ | \$ 62,720 | \$ 70,839 | \$ 175,682 | \$ 173,134 | \$ 239,372 | \$ 230,696 |
| Interest paid | (1,798) | (3,149) | (6,829) | (9,359) | (9,945) | (12,764) |
| Income taxes paid, net of refunds received | (22,551) | (3,857) | (24,704) | (10,030) | (32,202) | (12,132) |
| Gain on sale of used rental equipment | (4,508) | (6,000) | (14,110) | (15,168) | (20,251) | (19,683) |
| Foreign currency exchange loss (gain) | (130) | 132 | 189 | 46 | 59 | 30 |
| Amortization of debt issuance costs | 3 | 3 | 8 | 8 | 11 | 10 |
| Change in certain assets and liabilities: | | | | | | |
| Accounts receivable, net | (3,493) | (16,272) | (1,334) | (16,274) | 8,630 | (22,201) |
| Prepaid expenses and other assets | 327 | 9,512 | (1,314) | (11,734) | (3,110) | (10,890) |
| Accounts payable and other liabilities | 5,669 | (363) | 358 | 15,300 | 2,315 | 17,167 |
| Deferred income | (2,224) | (5,963) | 3,591 | 10,946 | (2,217) | 12,463 |
| Net cash provided by operating activities | <u>\$ 34,015</u> | <u>\$ 44,882</u> | <u>\$ 131,537</u> | <u>\$ 136,869</u> | <u>\$ 182,662</u> | <u>\$ 182,696</u> |

- Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization and share-based compensation.
- Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by total revenues for the period.

**FOR
INFORMATION
CONTACT:**

Keith E. Pratt

EVP & Chief Financial Officer
925-606-9200



Source: McGrath RentCorp