

February 22, 2023



McGrath Announces Results for Fourth Quarter 2022 and Announces 32nd Annual Dividend Increase

LIVERMORE, Calif.--(BUSINESS WIRE)-- **McGrath RentCorp** ("McGrath" or the "Company") (Nasdaq: MGRC), a leading business-to-business rental company in North America, today announced total revenues for the quarter ended December 31, 2022 of \$210.9 million, an increase of 20%, compared to the fourth quarter of 2021. The Company reported net income of \$39.6 million, or \$1.62 per diluted share, for the fourth quarter of 2022, compared to net income of \$28.4 million, or \$1.16 per diluted share, for the fourth quarter of 2021.

Total revenues for the year ended December 31, 2022 increased to \$733.8 million from \$616.8 million in 2021, with adjusted EBITDA increasing \$40.2 million, or 16%, to \$288.9 million. Net income for the year ended December 31, 2022 was \$115.1 million, or \$4.70 per diluted share, compared to \$89.7 million, or \$3.66 per diluted share, in 2021.

The Company also announced that the board of directors declared a cash dividend of \$0.465 per share for the upcoming quarter ending March 31, 2023, a quarterly increase of \$0.01, or 2%, over the prior year period. The cash dividend will be payable on April 28, 2023 to all shareholders of record on April 14, 2023. This marks 32 consecutive years the Company has increased its annual dividend.

FOURTH QUARTER 2022 YEAR-OVER-YEAR COMPANY HIGHLIGHTS:

- **Rental revenues** increased 16% to \$122.8 million.
- **Total revenues** increased 20% to \$210.9 million.
- **Adjusted EBITDA¹** increased 23% to \$91.0 million.
- **Dividend rate** of \$0.455 per share for the fourth quarter of 2022. On an annualized basis, this dividend represents a 1.7% yield on the February 21, 2023 close price of \$105.86 per share.

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

"We delivered strong fourth quarter results. Our 20% growth in total company revenues was a result of robust performance in both rental operations and sales revenues. Demand was healthy across each of our rental segments. Mobile Modular rental revenues grew 18%, reflecting strong organic growth from modular operations. Our initiatives to grow modular sales also showed progress as sales revenues increased by 77% compared to a year ago. Rental revenue growth was also strong at TRS-RenTelco and Adler Tanks, which grew 8% and 20%, respectively.

I am very proud of everything we accomplished in 2022. Our full year revenue and profit growth reflects a diligent focus on execution as we made the most of healthy market

conditions across each of our segments. We pursued our strategic growth focus on the modular segment with significant organic investment in new fleet, while managing pricing to higher rates and improving fleet utilization. We also made progress with our modular growth initiatives for additional services and new equipment sales. In addition to our operational accomplishments, we continued our strategic work to explore options to accelerate and strengthen our long-term growth momentum. This work culminated in the Vesta Modular acquisition and Adler divestiture, which we announced on February 1, 2023.

Looking forward to 2023, I believe we will continue to make progress in expanding our businesses. We will maintain our focus on disciplined operational execution, while also working on the successful integration of Vesta. Demand conditions continue to be healthy and we are well positioned for further business growth in 2023.”

DIVISION HIGHLIGHTS:

All comparisons presented below are for the quarter ended December 31, 2022 to the quarter ended December 31, 2021 unless otherwise indicated.

MOBILE MODULAR

For the fourth quarter of 2022, the Company’s Mobile Modular division reported income from operations of \$36.8 million, an increase of \$10.7 million, or 41%, with Adjusted EBITDA increasing \$14.0 million, or 36%, to \$53.1 million. Rental revenues increased 18% to \$72.7 million, depreciation expense increased 3% to \$7.8 million and other direct costs increased 6% to \$16.0 million, which resulted in an increase in gross profit on rental revenues of 26% to \$48.9 million. The rental revenue increase was primarily attributed to higher average rental equipment on rent and higher average monthly rental rates. Rental related services revenues increased 41% to \$24.9 million, primarily attributable to higher delivery and pick up activities for both modular buildings and portable storage containers with associated gross profit increasing 39% to \$6.9 million. Sales revenues increased 77% to \$35.9 million, primarily from higher used and new equipment sales. Gross margin on sales was 32% compared to 33% in 2021, resulting in a 76% increase in gross profit on sales revenues to \$11.6 million. Selling and administrative expenses increased 26% to \$31.0 million, primarily due to \$3.7 million higher allocated corporate expenses and \$2.2 million increased marketing and administrative costs.

TRS-RENTELCO

For the fourth quarter of 2022, the Company’s TRS-RenTelco division reported income from operations of \$11.8 million, an increase of \$2.0 million, or 21%, with Adjusted EBITDA increasing \$3.0 million, or 13%, to \$25.3 million. Rental revenues increased 8% to \$31.4 million, depreciation expense increased 4% to \$12.5 million and other direct costs increased 19% to \$5.8 million, which resulted in a 7% increase in gross profit on rental revenues to \$13.1 million. The rental revenue increase was the result of higher average equipment on rent and higher average monthly rental rates compared to the prior year. Sales revenues increased 15% to \$8.7 million and gross profit on sales revenues increased 42% to \$5.4 million. Selling and administrative expenses increased 8% to \$7.3 million, primarily due to higher allocated corporate expenses.

ADLER TANKS

For the fourth quarter of 2022, the Company’s Adler Tanks division reported income from operations of \$7.0 million, an increase of \$4.1 million, with Adjusted EBITDA increasing \$4.3

million, or 55%, to \$12.1 million. Rental revenues increased \$3.2 million, or 20%, to \$18.7 million, depreciation expense decreased 2% to \$4.0 million and other direct costs decreased 22% to \$2.6 million, which resulted in an increased gross profit on rental revenues of 49%, to \$12.1 million. The rental revenue increase was broad-based across regions and vertical markets served. Rental related services revenues increased 44% to \$8.4 million, with gross profit on rental related services increasing \$1.2 million to \$2.3 million, compared to \$1.1 million in the fourth quarter of 2021. Selling and administrative expenses increased 16% to \$7.8 million primarily due to higher allocated corporate expenses and higher employee salaries and benefit costs.

FINANCIAL OUTLOOK:

For the full-year 2023, the Company expects:

| | <u>2023 Outlook</u> | <u>2022 Actual</u> |
|------------------------------------------------|------------------------|--------------------|
| • Total revenue: | \$780 to \$810 million | \$734 million |
| • Adjusted EBITDA ^{1, 2} : | \$294 to \$309 million | \$289 million |
| • Gross rental equipment capital expenditures: | \$190 to \$210 million | \$188 million |

1. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs, share-based compensation and transaction costs. 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:

McGrath RentCorp (Nasdaq: MGRC) is a leading business-to-business rental company in North America with a strong record of profitable business growth. Founded in 1979, McGrath's operations are centered on modular solutions through its **Mobile Modular** and **Mobile Modular Portable Storage** businesses. In addition, its **TRS-RenTelco** business offers electronic test equipment rental solutions. The Company's rental product offerings and services are part of the circular supply economy, helping customers work more efficiently, and sustainably manage their environmental footprint. With over 40 years of experience, McGrath's success is driven by a focus on exceptional customer experiences. This focus has underpinned the Company's long-term financial success and supported over 30 consecutive years of annual dividend increases to shareholders, a rare distinction among publicly listed companies.

Headquartered in Livermore, California. Additional information about McGrath and its businesses is available at mgrc.com and investors.mgrc.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 January 19, 2023, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on February 22, 2023 to discuss the fourth quarter 2022 results. To participate in the teleconference, dial 1-800-245-3047 (in the U.S.), or 1-203-518-9765 (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 1-800-839-6980 (in the U.S.), or 1-402-220-6062 (outside the U.S.). 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 statements about making progress to expand the Company's businesses in 2023, the Company's strategic focus to explore options to accelerate and strengthen long-term growth, healthy demand conditions and being well positioned for further business growth in 2023, the successful integration of Vesta, as well as the statements regarding the full year 2023 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 continued economic impact of the COVID-19 pandemic; the health of the education and commercial markets in our modular building division; unforeseen liabilities and integration challenges associated with the Vesta acquisition; the activity levels in the general purpose and communications test equipment markets at TRS-RenTelco; continued execution of our strategic performance improvement initiatives; our ability to successfully increase prices to offset cost increases; and our ability to effectively manage our rental assets, as well as the factors disclosed under "Risk Factors" in the Company's Form 10-K and other SEC filings.

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 December 31, | | Twelve Months Ended December 31, | |
|-------------------------------------------------|--------------------------------------------|-------------|---------------------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | |
| Rental | \$ 122,803 | \$ 106,076 | \$ 456,029 | \$ 390,013 |
| Rental related services | 34,120 | 24,191 | 122,617 | 98,061 |
| Rental operations | 156,923 | 130,267 | 578,646 | 488,074 |
| Sales | 52,915 | 44,732 | 150,653 | 125,235 |
| Other | 1,045 | 912 | 4,524 | 3,524 |
| Total revenues | 210,883 | 175,911 | 733,823 | 616,833 |
| Costs and Expenses | | | | |
| Direct costs of rental operations: | | | | |
| Depreciation of rental equipment | 24,315 | 23,671 | 96,429 | 91,887 |
| Rental related services | 24,826 | 18,020 | 89,793 | 74,256 |
| Other | 24,424 | 23,373 | 116,780 | 91,069 |
| Total direct costs of rental operations | 73,565 | 65,064 | 303,002 | 257,212 |
| Costs of sales | 34,176 | 28,579 | 93,913 | 78,600 |
| Total costs of revenues | 107,741 | 93,643 | 396,915 | 335,812 |
| Gross profit | 103,142 | 82,268 | 336,908 | 281,021 |
| Selling and administrative expenses | 47,332 | 39,295 | 171,342 | 148,600 |
| Income from operations | 55,810 | 42,973 | 165,566 | 132,421 |
| Other (expense) income: | | | | |
| Interest expense | (5,170) | (3,247) | (15,168) | (10,455) |
| Foreign currency exchange (loss) gain | 26 | (25) | (378) | (210) |
| Income before provision for income taxes | 50,666 | 39,701 | 150,020 | 121,756 |
| Provision for income taxes | 11,025 | 11,254 | 34,882 | 32,051 |
| Net income | \$ 39,641 | \$ 28,447 | \$ 115,138 | \$ 89,705 |
| Earnings per share: | | | | |
| Basic | \$ 1.63 | \$ 1.17 | \$ 4.73 | \$ 3.70 |
| Diluted | \$ 1.62 | \$ 1.16 | \$ 4.70 | \$ 3.66 |
| Shares used in per share calculation: | | | | |
| Basic | 24,384 | 24,252 | 24,353 | 24,220 |
| Diluted | 24,527 | 24,537 | 24,519 | 24,515 |
| Cash dividends declared per share | \$ 0.455 | \$ 0.435 | \$ 1.82 | \$ 1.74 |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| <i>(in thousands)</i> | December 31, | |
|-----------------------|---------------------|-------------|
| | 2022 | 2021 |
| Assets | | |

| | | |
|----------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash | \$ 957 | \$ 1,491 |
| Accounts receivable, net of allowance for credit losses of \$2,300 in 2022 and \$2,125 in 2021 | 190,023 | 159,499 |
| Rental equipment, at cost: | | |
| Relocatable modular buildings | 1,123,268 | 1,040,094 |
| Electronic test equipment | 398,267 | 361,391 |
| Liquid and solid containment tanks and boxes | 308,396 | 309,908 |
| | 1,829,931 | 1,711,393 |
| Less: accumulated depreciation | (701,877) | (646,169) |
| Rental equipment, net | 1,128,054 | 1,065,224 |
| Property, plant and equipment, net | 143,945 | 135,325 |
| Prepaid expenses and other assets | 71,429 | 54,945 |
| Intangible assets, net | 41,131 | 47,049 |
| Goodwill | 132,305 | 132,393 |
| Total assets | <u>\$1,707,844</u> | <u>\$1,595,926</u> |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Notes payable | \$ 413,742 | \$ 426,451 |
| Accounts payable and accrued liabilities | 160,829 | 136,313 |
| Deferred income | 82,417 | 58,716 |
| Deferred income taxes, net | 246,911 | 242,425 |
| Total liabilities | <u>903,899</u> | <u>863,905</u> |
| Commitments and contingencies (Note 9) | | |
| Shareholders' equity: | | |
| Common stock, no par value - Authorized 40,000 shares | | |
| Issued and outstanding - 24,388 shares as of December 31, 2022 and 24,260 shares as of December 31, 2021 | 110,080 | 108,610 |
| Retained earnings | 693,943 | 623,465 |
| Accumulated other comprehensive loss | (78) | (54) |
| Total shareholders' equity | <u>803,945</u> | <u>732,021</u> |
| Total liabilities and shareholders' equity | <u>\$1,707,844</u> | <u>\$1,595,926</u> |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Twelve Months Ended December 31, | |
|-----------------------------------------------------------------------------------|---------------------------------------------|-------------|
| <i>(in thousands)</i> | 2022 | 2021 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 115,138 | \$ 89,704 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 111,344 | 106,695 |
| Deferred income taxes | 4,486 | 26,348 |

| | | |
|------------------------------------------------------------|-----------|-----------|
| Provision for credit losses | 837 | 451 |
| Share-based compensation | 8,009 | 7,666 |
| Gain on sale of used rental equipment | (37,979) | (25,441) |
| Foreign currency exchange loss | 378 | 210 |
| Amortization of debt issuance costs | 16 | 15 |
| Change in: | | |
| Accounts receivable | (31,361) | (24,397) |
| Prepaid expenses and other assets | (16,484) | (6,816) |
| Accounts payable and accrued liabilities | 16,347 | 12,226 |
| Deferred income | 23,701 | 9,082 |
| Net cash provided by operating activities | 194,432 | 195,743 |
| Cash Flows from Investing Activities: | | |
| Purchases of rental equipment | (187,689) | (114,145) |
| Purchases of property, plant and equipment | (17,617) | (2,680) |
| Cash paid for acquisition of businesses | — | (283,124) |
| Cash paid for acquisition of Titan business assets | — | (6,585) |
| Cash paid for acquisition of non-compete agreements | — | (2,500) |
| Proceeds from sales of used rental equipment | 73,879 | 57,337 |
| Net cash used in investing activities | (131,427) | (351,696) |
| Cash Flows from Financing Activities: | | |
| Net borrowings borrowings under bank lines of credit | 47,275 | 143,729 |
| Borrowings under note purchase agreement | — | 100,000 |
| Principal payment of Series C senior notes | (60,000) | — |
| Principal payment of Series B senior notes | — | (40,000) |
| Taxes paid related to net share settlement of stock awards | (6,539) | (5,345) |
| Payment of dividends | (44,269) | (42,182) |
| Net cash (used in) provided by financing activities | (63,533) | 156,202 |
| Effect of foreign currency exchange rate changes on cash | (6) | 4 |
| Net (decrease) increase in cash | (534) | 253 |
| Cash balance, beginning of period | 1,491 | 1,238 |
| Cash balance, end of period | \$ 957 | \$ 1,491 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest paid, during the period | \$ 14,775 | \$ 10,326 |
| Net income taxes paid, during the period | \$ 27,362 | \$ 9,087 |
| Dividends accrued during the period, not yet paid | \$ 11,227 | \$ 11,280 |
| Rental equipment acquisitions, not yet paid | \$ 13,220 | \$ 5,750 |

MCGRATH
RENTCORP
BUSINESS
SEGMENT DATA
(unaudited)
Three months ended
December 31, 2022

(dollar amounts in thousands).

| | <u>Mobile Modular</u> | <u>TRS-RenTelco</u> | <u>Adler Tanks</u> | <u>Enviroplex</u> | <u>Consolidated</u> |
|-----------------------------------------|-----------------------|---------------------|--------------------|-------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 72,690 | \$ 31,385 | \$ 18,728 | \$ — | \$ 122,803 |
| Rental related services | 24,904 | 783 | 8,433 | — | 34,120 |
| Rental operations | 97,594 | 32,168 | 27,161 | — | 156,923 |
| Sales | 35,866 | 8,726 | 698 | 7,625 | 52,915 |
| Other | 397 | 525 | 123 | — | 1,045 |
| Total revenues | 133,857 | 41,419 | 27,982 | 7,625 | 210,883 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 7,843 | 12,464 | 4,008 | — | 24,315 |
| Rental related services | 17,985 | 745 | 6,096 | — | 24,826 |
| Other | 15,959 | 5,826 | 2,639 | — | 24,424 |
| Total direct costs of rental operations | 41,787 | 19,035 | 12,743 | — | 73,565 |
| Costs of sales | 24,288 | 3,309 | 472 | 6,107 | 34,176 |
| Total costs of revenues | 66,075 | 22,344 | 13,215 | 6,107 | 107,741 |
| Gross Profit | | | | | |
| Rental | 48,888 | 13,095 | 12,081 | — | 74,064 |
| Rental related services | 6,919 | 38 | 2,337 | — | 9,294 |
| Rental operations | 55,807 | 13,133 | 14,418 | — | 83,358 |
| Sales | 11,578 | 5,417 | 226 | 1,518 | 18,739 |
| Other | 397 | 525 | 123 | — | 1,045 |
| Total gross profit | 67,782 | 19,075 | 14,767 | 1,518 | 103,142 |
| Selling and administrative expenses | 30,989 | 7,315 | 7,786 | 1,242 | 47,332 |
| Income from operations | \$ 36,793 | \$ 11,760 | \$ 6,981 | \$ 276 | \$ 55,810 |
| Interest expense | | | | | (5,170) |
| Foreign currency exchange gain | | | | | 26 |
| Provision for income taxes | | | | | (11,025) |
| Net income | | | | | \$ 39,641 |

Other Information

| | | | | | |
|------------------------------------------|-------------|------------|------------|--------|-----------|
| Adjusted EBITDA ¹ | \$ 53,145 | \$ 25,333 | \$ 12,140 | \$ 351 | \$ 90,969 |
| Average rental equipment ² | \$1,044,751 | \$ 395,789 | \$ 307,398 | | |
| Average monthly total yield ³ | 2.32% | 2.63% | 2.03% | | |
| Average utilization ⁴ | 81.2% | 63.0% | 58.0% | | |
| Average monthly rental rate ⁵ | 2.86% | 4.20% | 3.50% | | |

- Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs, share-based compensation and transaction costs. During the year ended December 31, 2022, the calculation for Adjusted EBITDA was adjusted to include one-time transaction costs attributed to acquisition, divestiture and integration related activities. For comparability, the transaction costs incurred during 2021 were included in the Adjusted EBITDA calculation for the year ended December 31, 2021.
- 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.
- Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment for the period.
- 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.
- 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
December 31, 2021**

| <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 | \$ 61,451 | \$ 29,079 | \$ 15,546 | \$ — | \$ 106,076 |
| Rental related services | 17,604 | 731 | 5,856 | — | 24,191 |
| Rental operations | 79,055 | 29,810 | 21,402 | — | 130,267 |
| Sales | 20,216 | 7,563 | 769 | 16,184 | 44,732 |
| Other | 431 | 361 | 120 | — | 912 |
| Total revenues | <u>99,702</u> | <u>37,734</u> | <u>22,291</u> | <u>16,184</u> | <u>175,911</u> |

Costs and Expenses

Direct costs of rental operations:

| | | | | | |
|--------------|-------|--------|-------|---|--------|
| Depreciation | 7,634 | 11,945 | 4,092 | — | 23,671 |
|--------------|-------|--------|-------|---|--------|

| | | | | | |
|------------------------------------------|------------|------------|------------|----------|-----------|
| Rental related services | 12,634 | 643 | 4,743 | — | 18,020 |
| Other | 15,120 | 4,881 | 3,372 | — | 23,373 |
| Total direct costs of rental operations | 35,388 | 17,469 | 12,207 | — | 65,064 |
| Costs of sales | 13,631 | 3,738 | 552 | 10,658 | 28,579 |
| Total costs of revenues | 49,019 | 21,207 | 12,759 | 10,658 | 93,643 |
| Gross Profit | | | | | |
| Rental | 38,697 | 12,253 | 8,082 | — | 59,032 |
| Rental related services | 4,970 | 88 | 1,113 | — | 6,171 |
| Rental operations | 43,667 | 12,341 | 9,195 | — | 65,203 |
| Sales | 6,585 | 3,825 | 217 | 5,526 | 16,153 |
| Other | 431 | 361 | 120 | — | 912 |
| Total gross profit | 50,683 | 16,527 | 9,532 | 5,526 | 82,268 |
| Selling and administrative expenses | 24,627 | 6,770 | 6,689 | 1,209 | 39,295 |
| Income from operations | \$ 26,056 | \$ 9,757 | \$ 2,843 | \$ 4,317 | 42,973 |
| Interest expense | | | | | (3,247) |
| Foreign currency exchange loss | | | | | (25) |
| Provision for income taxes | | | | | (11,254) |
| Net income | | | | | \$ 28,447 |
| Other Information | | | | | |
| Adjusted EBITDA ¹ | \$ 39,144 | \$ 22,345 | \$ 7,817 | \$ 4,386 | \$ 73,692 |
| Average rental equipment ² | \$ 988,067 | \$ 362,760 | \$ 309,841 | | |
| Average monthly total yield ³ | 2.07% | 2.67% | 1.67% | | |
| Average utilization ⁴ | 76.9% | 65.9% | 50.1% | | |
| Average monthly rental rate ⁵ | 2.70% | 4.05% | 3.34% | | |

1. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs, share-based compensation and transaction costs. During the year ended December 31, 2022, the calculation for Adjusted EBITDA was adjusted to include one-time transaction costs attributed to acquisition, divestiture and integration related activities. For comparability, the transaction costs incurred during 2021 were included in the Adjusted EBITDA calculation for the year ended December 31, 2021.

2. 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.
3. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment for the period.
4. 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.
5. 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)
Twelve months
ended December 31,
2022**

| <i>(dollar amounts in thousands)</i> | Mobile Modular | TRS-RenTelco | Adler Tanks | Enviroplex | Consolidated |
|-----------------------------------------|-----------------------|---------------------|--------------------|-------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 268,288 | \$ 121,375 | \$ 66,366 | \$ — | \$ 456,029 |
| Rental related services | 91,851 | 3,112 | 27,654 | — | 122,617 |
| Rental operations | 360,139 | 124,487 | 94,020 | — | 578,646 |
| Sales | 99,979 | 24,571 | 2,933 | 23,170 | 150,653 |
| Other | 1,599 | 1,720 | 1,205 | — | 4,524 |
| Total revenues | 461,717 | 150,778 | 98,158 | 23,170 | 733,823 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 31,172 | 49,253 | 16,004 | — | 96,429 |
| Rental related services | 66,254 | 2,592 | 20,947 | — | 89,793 |
| Other | 83,031 | 21,327 | 12,422 | — | 116,780 |
| Total direct costs of rental operations | 180,457 | 73,172 | 49,373 | — | 303,002 |
| Costs of sales | 64,073 | 9,707 | 2,085 | 18,048 | 93,913 |
| Total costs of revenues | 244,530 | 82,879 | 51,458 | 18,048 | 396,915 |
| Gross Profit | | | | | |
| Rental | 154,085 | 50,795 | 37,940 | — | 242,820 |
| Rental related services | 25,597 | 520 | 6,707 | — | 32,824 |

| | | | | | |
|-------------------------------------|------------|-----------|-----------|----------|------------|
| Rental operations | 179,682 | 51,315 | 44,647 | — | 275,644 |
| Sales | 35,906 | 14,864 | 848 | 5,122 | 56,740 |
| Other | 1,599 | 1,720 | 1,205 | — | 4,524 |
| Total gross profit | 217,187 | 67,899 | 46,700 | 5,122 | 336,908 |
| Selling and administrative expenses | 110,234 | 27,245 | 28,428 | 5,435 | 171,342 |
| Income (loss) from operations | \$ 106,953 | \$ 40,654 | \$ 18,272 | \$ (313) | \$ 165,566 |
| Interest expense | | | | | (15,168) |
| Foreign currency exchange loss | | | | | (378) |
| Provision for income taxes | | | | | (34,882) |
| Net income | | | | | \$ 115,138 |

Other Information

| | | | | | |
|------------------------------------------|-------------|------------|------------|---------|------------|
| Adjusted EBITDA ¹ | \$ 159,224 | \$ 92,007 | \$ 37,660 | \$ (25) | \$ 288,866 |
| Average rental equipment ² | \$1,025,637 | \$ 383,235 | \$ 307,651 | | |
| Average monthly total yield ³ | 2.18% | 2.63% | 1.80% | | |
| Average utilization ⁴ | 79.1% | 64.2% | 53.1% | | |
| Average monthly rental rate ⁵ | 2.75% | 4.11% | 3.38% | | |

- Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs, share-based compensation and transaction costs. During the year ended December 31, 2022, the calculation for Adjusted EBITDA was adjusted to include one-time transaction costs attributed to acquisition, divestiture and integration related activities. For comparability, the transaction costs incurred during 2021 were included in the Adjusted EBITDA calculation for the year ended December 31, 2021.
- 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.
- Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment for the period.
- 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.
- 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.

**BUSINESS SEGMENT
DATA (unaudited)**
Twelve months
ended December 31,
2021

| <i>(dollar amounts in thousands)</i> | Mobile Modular | TRS-RenTelco | Adler Tanks | Enviroplex | Consolidated |
|-----------------------------------------|-----------------------|---------------------|--------------------|-------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 220,569 | \$ 113,419 | \$ 56,025 | \$ — | \$ 390,013 |
| Rental related services | 72,330 | 2,880 | 22,851 | — | 98,061 |
| Rental operations | 292,899 | 116,299 | 78,876 | — | 488,074 |
| Sales | 68,982 | 22,242 | 2,930 | 31,081 | 125,235 |
| Other | 1,435 | 1,653 | 436 | — | 3,524 |
| Total revenues | 363,316 | 140,194 | 82,242 | 31,081 | 616,833 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 28,071 | 47,374 | 16,442 | — | 91,887 |
| Rental related services | 53,018 | 2,704 | 18,534 | — | 74,256 |
| Other | 60,429 | 19,148 | 11,492 | — | 91,069 |
| Total direct costs of rental operations | 141,518 | 69,226 | 46,468 | — | 257,212 |
| Costs of sales | 45,758 | 9,574 | 2,075 | 21,193 | 78,600 |
| Total costs of revenues | 187,276 | 78,800 | 48,543 | 21,193 | 335,812 |
| Gross Profit | | | | | |
| Rental | 132,070 | 46,897 | 28,091 | — | 207,058 |
| Rental related services | 19,310 | 176 | 4,317 | — | 23,803 |
| Rental operations | 151,380 | 47,073 | 32,408 | — | 230,861 |
| Sales | 23,225 | 12,667 | 855 | 9,888 | 46,635 |
| Other | 1,435 | 1,653 | 436 | — | 3,524 |
| Total gross profit | 176,040 | 61,394 | 33,699 | 9,888 | 281,021 |
| Selling and administrative expenses | 92,603 | 25,152 | 25,542 | 5,303 | 148,600 |
| Income from operations | \$ 83,436 | \$ 36,243 | \$ 8,157 | \$ 4,585 | \$ 132,421 |
| Interest expense | | | | | (10,455) |
| Foreign currency exchange loss | | | | | (210) |
| Provision for income taxes | | | | | (32,051) |

| | | | | | | |
|------------|--|--|--|--|----|--------|
| Net income | | | | | \$ | 89,705 |
|------------|--|--|--|--|----|--------|

Other Information

| | | | | | |
|------------------------------------------|------------|------------|------------|----------|------------|
| Adjusted EBITDA ¹ | \$ 130,089 | \$ 85,723 | \$ 27,961 | \$ 4,844 | \$ 248,617 |
| Average rental equipment ² | \$ 925,951 | \$ 351,895 | \$ 312,150 | | |
| Average monthly total yield ³ | 1.99% | 2.69% | 1.50% | | |
| Average utilization ⁴ | 76.2% | 67.0% | 45.4% | | |
| Average monthly rental rate ⁵ | 2.61% | 4.01% | 3.29% | | |

1. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs, share-based compensation and transaction costs. During the year ended December 31, 2022, the calculation for Adjusted EBITDA was adjusted to include one-time transaction costs attributed to acquisition, divestiture and integration related activities. For comparability, the transaction costs incurred during 2021 were included in the Adjusted EBITDA calculation for the year ended December 31, 2021.
2. 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.
3. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment for the period.
4. 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.
5. 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, share-based compensation and transaction costs. 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 and transaction costs, 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 and transaction costs. 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 December 31, | | Twelve Months Ended December 31, | |
|--------------------------------------|------------------------------------|-----------|-------------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income | \$ 39,641 | \$ 28,447 | \$ 115,138 | \$ 89,705 |
| Provision for income taxes | 11,025 | 11,254 | 34,882 | 32,051 |
| Interest expense | 5,170 | 3,247 | 15,168 | 10,455 |
| Depreciation and amortization | 28,072 | 27,648 | 111,344 | 106,695 |
| EBITDA | 83,908 | 70,596 | 276,532 | 238,906 |
| Share-based compensation | 2,903 | 2,364 | 8,009 | 7,666 |
| Transaction costs ³ | 4,158 | 732 | 4,325 | 2,045 |
| Adjusted EBITDA ¹ | \$ 90,969 | \$ 73,692 | \$ 288,866 | \$ 248,617 |
| Adjusted EBITDA margin ² | 43% | 41% | 39% | 40% |

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

| <i>(dollar amounts in thousands)</i> | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--------------------------------------------|------------------------------------|-----------|-------------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Adjusted EBITDA ¹ | \$ 90,969 | \$ 73,692 | \$ 288,866 | \$ 248,617 |
| Interest paid | (5,793) | (3,849) | (14,775) | (10,326) |
| Income taxes paid, net of refunds received | (2,477) | (1,013) | (27,362) | (9,087) |
| Gain on sale of used rental equipment | (11,274) | (7,653) | (37,979) | (25,441) |
| Foreign currency exchange (gain) loss | (26) | 25 | 378 | 210 |
| Amortization of debt issuance costs | 3 | 4 | 16 | 15 |
| Change in certain assets and liabilities: | | | | |
| Accounts receivable, net | (64) | 9,332 | (30,524) | (23,946) |

| | | | | |
|-------------------------------------------|------------------|------------------|-------------------|-------------------|
| Prepaid expenses and other assets | 829 | 4,593 | (16,484) | (6,816) |
| Accounts payable and other liabilities | (1,335) | (4,628) | 8,595 | 13,435 |
| Deferred income | (9,698) | (11,046) | 23,701 | 9,082 |
| Net cash provided by operating activities | <u>\$ 61,134</u> | <u>\$ 59,457</u> | <u>\$ 194,432</u> | <u>\$ 195,743</u> |

- Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, share-based compensation and transaction costs. During the year ended December 31, 2022, the calculation for Adjusted EBITDA was adjusted to include one-time transaction costs attributed to acquisition, divestiture and integration related activities. For comparability, the transaction costs incurred during 2021 were included in the Adjusted EBITDA calculation for the year ended December 31, 2021.
- Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by total revenues for the period.
- Transaction costs include acquisition and divestiture related legal and professional fees and other costs specific to these transactions.

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Source: McGrath RentCorp