

February 21, 2024



McGrath Announces Results for Fourth Quarter 2023 and Announces 33rd 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 from continuing operations for the quarter ended December 31, 2023 of \$221.6 million, an increase of 21% compared to the fourth quarter of 2022. The Company reported net income from continuing operations of \$32.0 million, or \$1.30 per diluted share, for the fourth quarter of 2023, compared to net income from continuing operations of \$35.0 million, or \$1.43 per diluted share, for the fourth quarter of 2022.

Total revenues from continuing operations for the full year ended December 31, 2023 increased to \$831.8 million from \$635.7 million in 2022, with adjusted EBITDA increasing \$70.8 million, or 28%, to \$322.0 million. Net income from continuing operations for the year ended December 31, 2023 was \$111.9 million, or \$4.56 per diluted share, compared to \$103.3 million, or \$4.21 per diluted share, in 2022.

The Company also announced that the board of directors declared a cash dividend of \$0.475 per share for the upcoming quarter ending March 31, 2024, a quarterly increase of \$0.01, or 2%, over the prior year period. The cash dividend will be payable on April 30, 2024 to all shareholders of record on April 16, 2024. This marks 33 consecutive years the Company has increased its annual dividend.

FOURTH QUARTER 2023 YEAR-OVER-YEAR COMPANY HIGHLIGHTS (FROM CONTINUING OPERATIONS):

- **Rental revenues** increased 19% to \$123.6 million.
- **Total revenues** increased 21% to \$221.6 million.
- **Adjusted EBITDA**¹ increased 12% to \$87.9 million.
- **Dividend rate** of \$0.465 per share for the fourth quarter 2023. On an annualized basis, this dividend represents a 1.4% yield on the February 20, 2024 close price of \$128.65 per share.

Joe Hanna, President and CEO of McGrath, made the following comments:

“We were pleased with our fourth quarter results. Our 19% increase in companywide rental revenues was driven by strong modular and portable storage performance. Modular rental revenues grew 37%, with approximately two-thirds of the growth attributable to our Vesta Modular acquisition. Portable storage rental revenues grew 13%.

Our modular and portable storage businesses saw broad based rental strength across commercial and education customer bases. We maintained our focus on pricing optimization, rental fleet utilization, and value-added services for our customers. Our initiatives to grow modular sales also showed progress as sales revenues increased 21% compared to a year ago.

TRS-RenTelco experienced continued softness in semiconductor related demand, resulting in 11% lower rental revenues for the quarter, compared to a year ago. During the quarter we reduced new equipment capital spending and made progress with reducing the fleet size to better align with demand conditions.

I am very proud of everything we accomplished in 2023. Our full year revenue and profit growth reflects a diligent focus on execution. We pursued our strategic growth focus on the modular and portable storage businesses with significant organic investment in new fleet, while optimizing pricing and maintaining high fleet utilization. Our growth initiatives for Mobile Modular Plus, Site Related Services and new modular equipment sales all showed significant progress. Vesta Modular was a strong contributor to our successful year, and we completed all our Vesta integration work on schedule by year end.

The recently announced transaction with WillScot Mobile Mini validates the strength of the McGrath business, the hard work and dedication of our team members and the valuable solutions we provide to our customers. We will maintain our independent focus on disciplined operational execution through the transaction close."

DIVISION HIGHLIGHTS:

All comparisons presented below are for the quarter ended December 31, 2023 to the quarter ended December 31, 2022 unless otherwise indicated.

MOBILE MODULAR

For the fourth quarter of 2023, the Company's Mobile Modular division reported Adjusted EBITDA of \$54.1 million, an increase of \$11.6 million, or 27%, when compared to the same quarter in 2022.

- Rental revenues increased 37% to \$75.9 million, depreciation expense increased 37% to \$9.7 million, and other direct costs increased 29% to \$18.3 million, which resulted in an increase in gross profit on rental revenues of 41% to \$48.0 million.
- Rental related services revenues increased 50% to \$30.7 million, primarily attributable to higher delivery and pick-up activities and higher site related services, with associated gross profit increasing 61% to \$11.0 million.
- Sales revenues increased 21% to \$42.3 million, primarily from higher new equipment sales. Gross margin on sales was 32% for both 2023 and 2022, resulting in a 20% increase in gross profit on sales revenues to \$13.6 million.
- Selling and administrative expenses increased \$12.9 million to \$37.2 million. The increase was primarily attributed to \$6.4 million higher salary and benefit costs, mostly related to the increased headcount from the Vesta Modular acquisition and \$3.8 million higher allocated corporate expenses.

PORTABLE STORAGE

For the fourth quarter of 2023, the Company's Portable Storage division reported Adjusted EBITDA of \$12.8 million, an increase of \$2.2 million, or 20%, when compared to the same quarter in 2022.

- Rental revenues increased 13% to \$19.8 million, depreciation expense increased 30% to \$0.9 million, and other direct costs decreased 6% to \$1.7 million, which resulted in an increase in gross profit on rental revenues of 15% to \$17.1 million.
- Rental related services revenues increased 17% to \$5.2 million, primarily attributable to higher delivery and return delivery activities, with associated gross profit increasing \$0.4 million to \$0.5 million.

- Sales revenues increased \$0.8 million to \$1.7 million, primarily from higher used equipment sales. Gross margin on sales was 38% compared to 30% in 2022, resulting in a \$0.4 million increase in gross profit on sales revenues to \$0.6 million.
- Selling and administrative expenses increased \$1.6 million to \$8.3 million, primarily due to higher allocated corporate expenses.

TRS-RENTELCO

For the fourth quarter of 2023, the Company's TRS-RenTelco division reported Adjusted EBITDA of \$20.7 million, a decrease of 18%, when compared to the same quarter in 2022.

- Rental revenues decreased 11% to \$27.9 million, depreciation expense decreased 6%, and other direct costs decreased 18%, resulting in a 13% decrease in gross profit on rental revenues to \$11.3 million. The rental revenue decrease was primarily due to weakness in the semiconductor related end markets, resulting in lower average rental equipment on rent compared to the prior year.
- Sales revenues decreased 34% to \$5.8 million and gross profit on sales revenues decreased 41% to \$3.2 million.
- Selling and administrative expenses increased 1%, to \$7.4 million, when compared to the prior year.

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.

McGrath is 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 February 1, 2024, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on February 21, 2024 to discuss the fourth quarter 2024 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 1-800-839-8320 (in the U.S.), or 1-402-220-6072 (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>.

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, | |
|-----------------------------------------------------------------------|------------------------------------|------------|-------------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | |
| Rental | \$ 123,563 | \$ 104,075 | \$ 474,336 | \$ 389,663 |
| Rental related services | 36,679 | 25,687 | 138,160 | 94,963 |
| Rental operations | 160,242 | 129,762 | 612,496 | 484,626 |
| Sales | 58,589 | 52,217 | 207,165 | 147,720 |
| Other | 2,757 | 922 | 12,181 | 3,319 |
| Total revenues | 221,588 | 182,901 | 831,842 | 635,665 |
| Costs and Expenses | | | | |
| Direct costs of rental operations: | | | | |
| Depreciation of rental equipment | 22,413 | 20,307 | 88,912 | 80,425 |
| Rental related services | 25,003 | 18,730 | 96,628 | 68,846 |
| Other | 24,754 | 21,785 | 114,942 | 104,358 |
| Total direct costs of rental operations | 72,170 | 60,822 | 300,482 | 253,629 |
| Costs of sales | 39,296 | 33,704 | 137,727 | 91,828 |
| Total costs of revenues | 111,466 | 94,526 | 438,209 | 345,457 |
| Gross profit | 110,122 | 88,375 | 393,633 | 290,208 |
| Selling and administrative expenses | (54,506) | (39,546) | (207,539) | (142,914) |
| Other income | 59 | — | 3,618 | — |
| Income from operations | 55,675 | 48,829 | 189,712 | 147,294 |
| Interest expense | (12,126) | (4,173) | (40,560) | (12,230) |
| Foreign currency exchange gain (loss) | 144 | 26 | 310 | (378) |
| Income from continuing operations before provision for income taxes | 43,693 | 44,682 | 149,462 | 134,686 |
| Provision for income taxes from continuing operations | 11,676 | 9,690 | 37,610 | 31,377 |
| Income from continuing operations | 32,017 | 34,992 | 111,852 | 103,309 |
| Discontinued operations: | | | | |
| Income from discontinued operations before provision for income taxes | — | 5,984 | 1,709 | 15,334 |
| Provision for income taxes from discontinued operations | — | 1,335 | 453 | 3,505 |
| Gain on sale of discontinued operations, net of tax | — | — | 61,513 | — |

| | | | | |
|--------------------------------------------------|-----------|-----------|------------|------------|
| Income from discontinued operations | — | 4,649 | 62,769 | 11,829 |
| Net income | \$ 32,017 | \$ 39,641 | \$ 174,621 | \$ 115,138 |
| Earnings per share from continuing operations: | | | | |
| Basic | \$ 1.31 | \$ 1.44 | \$ 4.57 | \$ 4.24 |
| Diluted | \$ 1.30 | \$ 1.43 | \$ 4.56 | \$ 4.21 |
| Earnings per share from discontinued operations: | | | | |
| Basic | \$ — | \$ 0.19 | \$ 2.57 | \$ 0.49 |
| Diluted | \$ — | \$ 0.19 | \$ 2.56 | \$ 0.48 |
| Earnings per share: | | | | |
| Basic | \$ 1.31 | \$ 1.63 | \$ 7.14 | \$ 4.73 |
| Diluted | \$ 1.30 | \$ 1.62 | \$ 7.12 | \$ 4.70 |
| Shares used in per share calculation: | | | | |
| Basic | 24,492 | 24,384 | 24,469 | 24,353 |
| Diluted | 24,535 | 24,527 | 24,529 | 24,519 |
| Cash dividends declared per share | \$ 0.465 | \$ 0.455 | \$ 1.86 | \$ 1.82 |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| <i>(in thousands)</i> | December 31, | |
|--------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| | 2023 | 2022 |
| Assets | | |
| Cash | \$ 877 | \$ 957 |
| Accounts receivable, net of allowance for credit losses of \$2,801 at December 31, 2023 and \$2,300 at December 31, 2022 | 227,368 | 169,937 |
| Rental equipment, at cost: | | |
| Relocatable modular buildings | 1,291,093 | 938,081 |
| Portable storage containers | 236,123 | 185,187 |
| Electronic test equipment | 377,587 | 398,267 |
| | 1,904,803 | 1,521,535 |
| Less: accumulated depreciation | (575,480) | (531,218) |
| Rental equipment, net | 1,329,323 | 990,317 |
| Property, plant and equipment, net | 169,114 | 138,713 |
| Prepaid expenses and other assets | 102,789 | 69,837 |
| Intangible assets, net | 64,588 | 35,431 |
| Goodwill | 323,224 | 106,403 |
| Assets of discontinued operations | — | 196,249 |
| Total assets | \$ 2,217,283 | \$ 1,707,844 |
| Liabilities and Shareholders' Equity | | |

Liabilities:

| | | |
|----------------------------------------------------------------------------------------------------------|--------------|--------------|
| Notes payable | \$ 762,975 | \$ 413,742 |
| Accounts payable and accrued liabilities | 167,523 | 151,208 |
| Deferred income | 111,428 | 82,417 |
| Deferred income taxes, net | 241,555 | 203,361 |
| Liabilities of discontinued operations | — | 53,171 |
| Total liabilities | 1,283,481 | 903,899 |
| Shareholders' equity: | | |
| Common stock, no par value - Authorized 40,000 shares | | |
| Issued and outstanding - 24,496 shares as of December 31, 2023 and 24,388 shares as of December 31, 2022 | 111,122 | 110,080 |
| Retained earnings | 822,796 | 693,943 |
| Accumulated other comprehensive loss | (116) | (78) |
| Total shareholders' equity | 933,802 | 803,945 |
| Total liabilities and shareholders' equity | \$ 2,217,283 | \$ 1,707,844 |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| <i>(in thousands)</i> | Twelve Months Ended December 31, | |
|-----------------------------------------------------------------------------------|-------------------------------------|------------|
| | 2023 | 2022 |
| <u>Cash Flows from Operating Activities:</u> | | |
| Net income | \$ 174,621 | \$ 115,138 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 109,375 | 111,344 |
| Deferred income taxes | (16,952) | 4,486 |
| Provision for credit losses | 2,633 | 837 |
| Share-based compensation | 8,275 | 8,009 |
| Gain on sale of property, plant and equipment | (3,618) | — |
| Gain on sale of discontinued operations | (61,513) | — |
| Gain on sale of used rental equipment | (31,642) | (37,979) |
| Foreign currency exchange (gain) loss | (310) | 378 |
| Amortization of debt issuance costs | 8 | 16 |
| Change in: | | |
| Accounts receivable | (37,776) | (31,361) |
| Prepaid expenses and other assets | (29,326) | (16,484) |
| Accounts payable and accrued liabilities | (32,526) | 16,347 |
| Deferred income | 14,094 | 23,701 |
| Net cash provided by operating activities | 95,343 | 194,432 |
| <u>Cash Flows from Investing Activities:</u> | | |
| Proceeds from sale of discontinued operations | 268,012 | — |
| Purchases of rental equipment | (229,679) | (187,689) |
| Purchases of property, plant and equipment | (43,989) | (17,617) |
| Cash paid for acquisition of businesses | (458,315) | — |

| | | |
|------------------------------------------------------------|-----------|-----------|
| Cash paid for acquisition of business assets | (3,767) | — |
| Proceeds from sales of used rental equipment | 66,168 | 73,879 |
| Proceeds from sales of property, plant and equipment | 9,702 | — |
| Net cash used in investing activities | (391,868) | (131,427) |
| Cash Flows from Financing Activities: | | |
| Net borrowings under bank lines of credit | 274,225 | 47,275 |
| Borrowings under senior note purchase agreement | 75,000 | — |
| Principal payment of Series C senior notes | — | (60,000) |
| Taxes paid related to net share settlement of stock awards | (7,233) | (6,539) |
| Payment of dividends | (45,556) | (44,269) |
| Net cash provided by (used in) financing activities | 296,436 | (63,533) |
| Effect of foreign currency exchange rate changes on cash | 9 | (6) |
| Net increase (decrease) in cash | (80) | (534) |
| Cash balance, beginning of period | 957 | 1,491 |
| Cash balance, end of period | \$ 877 | \$ 957 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest paid, during the period | \$ 38,603 | \$ 14,775 |
| Net income taxes paid, during the period | \$ 91,565 | \$ 27,362 |
| Dividends accrued during the period, not yet paid | \$ 12,010 | \$ 11,227 |
| Rental equipment acquisitions, not yet paid | \$ 16,653 | \$ 13,220 |

MCGRATH RENTCORP
BUSINESS SEGMENT DATA (unaudited)
Three months ended December 31, 2023

(dollar amounts in thousands)

| | <u>Mobile Modular</u> | <u>Portable Storage</u> | <u>TRS-RenTelco</u> | <u>Enviroplex</u> | <u>Adler Tanks (Discontinued)</u> | <u>Consolidated</u> |
|------------------------------------|-----------------------|-------------------------|---------------------|-------------------|-----------------------------------|---------------------|
| Revenues | | | | | | |
| Rental | \$ 75,931 | \$ 19,760 | \$ 27,872 | \$ — | \$ — | \$ 123,563 |
| Rental related services | 30,713 | 5,150 | 816 | — | — | 36,679 |
| Rental operations | 106,644 | 24,910 | 28,688 | — | — | 160,242 |
| Sales | 42,329 | 1,696 | 5,751 | 8,813 | — | 58,589 |
| Other | 1,686 | 338 | 733 | — | — | 2,875 |
| Total revenues | 150,659 | 26,944 | 35,172 | 8,813 | — | 221,706 |
| Costs and Expenses | | | | | | |
| Direct costs of rental operations: | | | | | | |
| Depreciation | 9,725 | 944 | 11,744 | — | — | 22,413 |

| | | | | | | |
|-----------------------------------------|--------|-------|--------|-------|---|---------|
| Rental related services | 19,689 | 4,651 | 663 | — | — | 25,003 |
| Other | 18,256 | 1,699 | 4,799 | — | — | 24,754 |
| Total direct costs of rental operations | 47,670 | 7,294 | 17,206 | — | — | 72,170 |
| Costs of sales | 28,718 | 1,059 | 2,577 | 6,942 | — | 39,296 |
| Total costs of revenues | 76,388 | 8,353 | 19,783 | 6,942 | — | 111,466 |

Gross Profit

| | | | | | | |
|-------------------------------------|-----------|-----------|----------|---------|---|-----------|
| Rental | 47,950 | 17,117 | 11,329 | — | — | 76,396 |
| Rental related services | 11,024 | 499 | 153 | — | — | 11,676 |
| Rental operations | 58,974 | 17,616 | 11,482 | — | — | 88,072 |
| Sales | 13,611 | 637 | 3,174 | 1,871 | — | 19,293 |
| Other | 1,686 | 338 | 733 | — | — | 2,868 |
| Total gross profit | 74,271 | 18,591 | 15,389 | 1,871 | — | 110,122 |
| Selling and administrative expenses | (37,213) | (8,255) | (7,386) | (1,652) | — | (54,506) |
| Other income | 38 | 7 | 14 | — | — | 59 |
| Income from operations | \$ 37,096 | \$ 10,343 | \$ 8,017 | \$ 219 | — | \$ 55,675 |
| Interest expense | | | | | | (12,126) |
| Foreign currency exchange gain | | | | | | 144 |
| Provision for income taxes | | | | | | (11,676) |
| Net income | | | | | | \$ 32,017 |

Other Information

| | | | | | | |
|------------------------------------------|-------------|-----------|-----------|--------|---|-----------|
| Adjusted EBITDA ¹ | \$ 54,144 | \$ 12,772 | \$ 20,704 | \$ 308 | — | \$ 87,928 |
| Average rental equipment ² | \$1,155,413 | \$218,976 | \$379,214 | | | |
| Average monthly total yield ³ | 2.19% | 3.01% | 2.43% | | | |

| | | | |
|------------------------------------------|-------|-------|-------|
| Average utilization ⁴ | 79.7% | 74.8% | 58.9% |
| Average monthly rental rate ⁵ | 2.75% | 4.02% | 4.16% |

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.
2. Average rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
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)

Three months ended December 31, 2022

| <i>(dollar amounts in thousands)</i> | Mobile Modular | Portable Storage | TRS-RenTelco | Enviroplex | Adler Tanks (Discontinued) | Consolidated |
|-----------------------------------------|-----------------------|-------------------------|---------------------|-------------------|-----------------------------------|---------------------|
| Revenues | | | | | | |
| Rental | \$ 55,230 | \$ 17,460 | \$ 31,385 | \$ — | \$ 18,728 | \$ 122,803 |
| Rental related services | 20,514 | 4,390 | 783 | — | 8,433 | 34,120 |
| Rental operations | 75,744 | 21,850 | 32,168 | — | 27,161 | 156,923 |
| Sales | 34,923 | 943 | 8,726 | 7,625 | 698 | 52,915 |
| Other | 337 | 60 | 525 | — | 123 | 1,045 |
| Total revenues | 111,004 | 22,853 | 41,419 | 7,625 | 27,982 | 210,883 |
| Costs and Expenses | | | | | | |
| Direct costs of rental operations: | | | | | | |
| Depreciation | 7,119 | 724 | 12,464 | — | 4,008 | 24,315 |
| Rental related services | 13,674 | 4,311 | 745 | — | 6,096 | 24,826 |
| Other | 14,150 | 1,809 | 5,826 | — | 2,639 | 24,424 |
| Total direct costs of rental operations | 34,943 | 6,844 | 19,035 | — | 12,743 | 73,565 |
| Costs of sales | 23,625 | 663 | 3,309 | 6,107 | 472 | 34,176 |

| | | | | | | |
|-------------------------------------|-----------|----------|-----------|---------|----------|-----------|
| Total costs of revenues | 58,568 | 7,507 | 22,344 | 6,107 | 13,215 | 107,741 |
| Gross Profit | | | | | | |
| Rental | 33,961 | 14,927 | 13,095 | — | 12,081 | 74,064 |
| Rental related services | 6,839 | 80 | 38 | — | 2,337 | 9,294 |
| Rental operations | 40,800 | 15,007 | 13,133 | — | 14,418 | 83,358 |
| Sales | 11,298 | 280 | 5,417 | 1,518 | 226 | 18,739 |
| Other | 337 | 60 | 525 | — | 123 | 1,045 |
| Total gross profit | 52,436 | 15,346 | 19,075 | 1,518 | 14,767 | 103,142 |
| Selling and administrative expenses | (24,317) | (6,672) | (7,315) | (1,242) | (7,786) | (47,332) |
| Other income | — | — | — | — | — | — |
| Income from operations | \$ 28,119 | \$ 8,674 | \$ 11,760 | \$ 276 | \$ 6,981 | 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 | \$ 42,528 | \$ 10,617 | \$ 25,333 | \$ 351 | \$ 12,140 | \$ 90,969 |
| Average rental equipment ² | \$863,088 | \$181,633 | \$395,789 | | | |
| Average monthly total yield ³ | 2.13% | 3.20% | 2.63% | | | |
| Average utilization ⁴ | 80.5% | 84.9% | 63.0% | | | |
| Average monthly rental rate ⁵ | 2.65% | 3.77% | 4.20% | | | |

- 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.
- Average rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.

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, 2023

(dollar amounts in thousands)

| | Mobile Modular | Portable Storage | TRS-RenTelco | Enviroplex | Adler Tanks (Discontinued) | Consolidated |
|--|----------------|------------------|--------------|------------|----------------------------|--------------|
|--|----------------|------------------|--------------|------------|----------------------------|--------------|

Revenues

| | | | | | | |
|-------------------------|------------|-----------|------------|--------|----------|------------|
| Rental | \$ 285,553 | \$ 74,536 | \$ 114,247 | \$ — | \$ 6,520 | \$ 480,856 |
| Rental related services | 114,511 | 20,510 | 3,139 | — | 2,584 | 140,744 |
| Rental operations | 400,064 | 95,046 | 117,386 | — | 9,104 | 621,600 |
| Sales | 155,267 | 4,587 | 27,119 | 20,192 | 269 | 207,434 |
| Other | 6,905 | 1,504 | 3,772 | — | 65 | 19,025 |
| Total revenues | 562,236 | 101,137 | 148,277 | 20,192 | 9,438 | 841,280 |

Costs and Expenses

Direct costs of rental operations:

| | | | | | | |
|-----------------------------------------|---------|--------|--------|--------|-------|---------|
| Depreciation | 36,921 | 3,514 | 48,477 | — | 1,325 | 90,237 |
| Rental related services | 75,390 | 18,568 | 2,670 | — | 2,020 | 98,648 |
| Other | 86,983 | 7,317 | 20,642 | — | 1,270 | 116,212 |
| Total direct costs of rental operations | 199,294 | 29,399 | 71,789 | — | 4,614 | 305,096 |
| Costs of sales | 105,021 | 2,858 | 13,884 | 15,964 | 159 | 137,886 |
| Total costs of revenues | 304,315 | 32,257 | 85,673 | 15,964 | 4,773 | 442,982 |

Gross Profit

| | | | | | | |
|-------------------------|---------|--------|--------|---|-------|---------|
| Rental | 161,649 | 63,705 | 45,128 | — | 3,926 | 274,408 |
| Rental related services | 39,121 | 1,942 | 469 | — | 564 | 42,096 |
| Rental operations | 200,770 | 65,647 | 45,597 | — | 4,490 | 316,504 |

| | | | | | | |
|-------------------------------------|------------|-----------|-----------|------------|----------|------------|
| Sales | 50,246 | 1,729 | 13,235 | 4,228 | 110 | 69,548 |
| Other | 6,905 | 1,504 | 3,772 | — | 65 | 12,246 |
| Total gross profit | 257,921 | 68,880 | 62,604 | 4,228 | 4,665 | 398,298 |
| Selling and administrative expenses | (138,574) | (31,537) | (30,962) | (6,466) | (2,582) | (210,121) |
| Other income | 2,329 | 457 | 832 | — | — | 3,618 |
| Income (loss) from operations | \$ 121,676 | \$ 37,800 | \$ 32,474 | \$ (2,238) | \$ 2,083 | \$ 191,795 |
| Interest expense | | | | | | (40,934) |
| Foreign currency exchange loss | | | | | | 310 |
| Provision for income taxes | | | | | | (38,063) |
| Net income | | | | | | \$ 113,108 |

Other Information

| | | | | | | |
|------------------------------------------|-------------|-----------|-----------|------------|----------|------------|
| Adjusted EBITDA ¹ | \$ 191,990 | \$ 47,147 | \$ 84,736 | \$ (1,899) | \$ 3,682 | \$ 325,656 |
| Average rental equipment ² | \$1,093,086 | \$206,095 | \$388,679 | | | |
| Average monthly total yield ³ | 2.18% | 3.01% | 2.43% | | | |
| Average utilization ⁴ | 79.7% | 77.3% | 58.9% | | | |
| Average monthly rental rate ⁵ | 2.73% | 3.90% | 4.16% | | | |

- 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. Adjusted EBITDA for the year ended December 31, 2023, excludes the gain on sale of discontinued operations from the divestiture of Adler Tanks.
- Average rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
- 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, 2022

(dollar amounts in thousands)

| | Mobile Modular | Portable Storage | TRS-RenTelco | Enviroplex | Adler Tanks (Discontinued) | Consolidated |
|-----------------------------------------|-----------------------|-------------------------|---------------------|-------------------|-----------------------------------|---------------------|
| Revenues | | | | | | |
| Rental | \$206,070 | \$ 62,218 | \$121,375 | \$ — | \$ 66,366 | \$ 456,029 |
| Rental related services | 74,756 | 17,095 | 3,112 | — | 27,654 | 122,617 |
| Rental operations | 280,826 | 79,313 | 124,487 | — | 94,020 | 578,646 |
| Sales | 97,046 | 2,933 | 24,571 | 23,170 | 2,933 | 150,653 |
| Other | 1,339 | 260 | 1,720 | — | 1,205 | 4,524 |
| Total revenues | 379,211 | 82,506 | 150,778 | 23,170 | 98,158 | 733,823 |
| Costs and Expenses | | | | | | |
| Direct costs of rental operations: | | | | | | |
| Depreciation | 28,373 | 2,799 | 49,253 | — | 16,004 | 96,429 |
| Rental related services | 49,910 | 16,344 | 2,592 | — | 20,947 | 89,793 |
| Other | 76,819 | 6,212 | 21,327 | — | 12,422 | 116,780 |
| Total direct costs of rental operations | 155,102 | 25,355 | 73,172 | — | 49,373 | 303,002 |
| Costs of sales | 62,224 | 1,849 | 9,707 | 18,048 | 2,085 | 93,913 |
| Total costs of revenues | 217,326 | 27,204 | 82,879 | 18,048 | 51,458 | 396,915 |
| Gross Profit | | | | | | |
| Rental | 100,878 | 53,207 | 50,795 | — | 37,940 | 242,820 |
| Rental related services | 24,847 | 750 | 520 | — | 6,707 | 32,824 |
| Rental operations | 125,725 | 53,957 | 51,315 | — | 44,647 | 275,644 |
| Sales | 34,822 | 1,084 | 14,864 | 5,122 | 848 | 56,740 |
| Other | 1,339 | 260 | 1,720 | — | 1,205 | 4,524 |
| Total gross profit | 161,885 | 55,302 | 67,899 | 5,122 | 46,700 | 336,908 |
| Selling and administrative expenses | (85,769) | (24,465) | (27,245) | (5,435) | (28,428) | (171,342) |
| Other income | — | — | — | — | — | — |

| | | | | | | |
|--------------------------------------|-----------|-----------|-----------|----------|-----------|------------|
| Income (loss) from operations | \$ 76,116 | \$ 30,837 | \$ 40,654 | \$ (313) | \$ 18,272 | \$ 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 | \$121,831 | \$ 37,393 | \$ 92,007 | \$ (25) | \$ 37,660 | \$ 288,866 |
| Average rental equipment ² | \$855,640 | \$169,997 | \$383,235 | | | |
| Average monthly total yield ³ | 2.01% | 3.05% | 2.63% | | | |
| Average utilization ⁴ | 78.0% | 84.8% | 64.2% | | | |
| Average monthly rental rate ⁵ | 2.57% | 3.60% | 4.11% | | | |

- 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.
- Average rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
- 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.

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 Income from Continuing Operations to Adjusted EBITDA

| <i>(dollar amounts in thousands)</i> | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|-------------------------------------------------------|------------------------------------|-----------|-------------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Income from continuing operations | \$ 32,016 | \$ 34,992 | \$ 111,852 | \$ 103,309 |
| Provision for income taxes from continuing operations | 11,676 | 9,690 | 37,610 | 31,377 |
| Interest expense | 12,126 | 4,173 | 40,560 | 12,230 |
| Depreciation and amortization | 27,533 | 23,508 | 107,918 | 93,490 |
| EBITDA | 83,351 | 72,363 | 297,940 | 240,406 |
| Share-based compensation | 3,002 | 2,503 | 8,157 | 6,747 |
| Transaction costs ³ | 1,575 | 3,886 | 15,877 | 4,053 |
| Adjusted EBITDA ¹ | \$ 87,928 | \$ 78,752 | \$ 321,974 | \$ 251,206 |
| Adjusted EBITDA margin ² | 40% | 43% | 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, |
|--------------------------------------|------------------------------------|-------------------------------------|
|--------------------------------------|------------------------------------|-------------------------------------|

| | 2023 | 2022 | 2023 | 2022 |
|-----------------------------------------------------|--------------------|------------------|------------------|-------------------|
| Adjusted EBITDA ¹ | \$ 87,928 | \$ 90,969 | \$ 325,656 | \$ 288,866 |
| Interest paid | (10,785) | (5,793) | (38,603) | (14,775) |
| Income taxes paid, net of refunds received | (82,018) | (2,477) | (91,565) | (27,362) |
| Gain on sale of used rental equipment | (8,678) | (11,274) | (31,642) | (37,979) |
| Foreign currency exchange loss | (144) | (26) | (310) | 378 |
| Amortization of debt issuance costs | 2 | 3 | 8 | 16 |
| Change in certain assets and liabilities: | | | | |
| Accounts receivable, net | (9,204) | (64) | (35,143) | (30,524) |
| Prepaid expenses and other assets | (21,936) | 829 | (29,326) | (16,484) |
| Accounts payable and other liabilities | 15,089 | (1,335) | (17,826) | 8,595 |
| Deferred income | 6,186 | (9,698) | 14,094 | 23,701 |
| Net cash (used in) provided by operating activities | <u>\$ (23,560)</u> | <u>\$ 61,134</u> | <u>\$ 95,343</u> | <u>\$ 194,432</u> |

- 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. Adjusted EBITDA for the twelve months ended December 31, 2023, excludes the gain on sale of discontinued operations from the divestiture of Adler Tanks. Total Adjusted EBITDA attributed to discontinued operations for the years ended December 31, 2023 and 2022, was \$3,682 and \$37,660, respectively.
- 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.

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20240220559341/en/>

Keith E. Pratt

EVP & Chief Financial Officer
925-606-9200

Source: McGrath RentCorp