

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 5, 2004

McGRATH RENTCORP
(Exact name of registrant as specified in its Charter)

California
(State or other jurisdiction of incorporation)

0-13292
(Commission File Number)

94-2579843
(I.R.S. Employee Identification No.)

5700 Las Positas Road, Livermore, CA 94551-7800
(Address of principal executive offices)

(925) 606-9200
(Registrant's Telephone Number, Including Area Code)

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Item 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(c) Exhibits.

| Exhibit No. | Description |
|-------------|-------------|
|-------------|-------------|

| | |
|------|--|
| 99.1 | Press Release of McGrath RentCorp, dated August 5, 2004. |
|------|--|

On August 5, 2004, McGrath RentCorp (the "Company") announced via press release the Company's results for its second quarter ended June 30, 2004. A copy of the Company's press release is attached hereto as Exhibit 99.1. This Form 8-K and the attached exhibit are provided under Item 12 of Form 8-K and are furnished to, but not filed with, the Securities and Exchange Commission.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

McGRATH RENTCORP

Dated: August 5, 2004

By: /s/ Thomas J. Sauer

Thomas J. Sauer
Vice President and Chief Financial Officer

McGrath RentCorp Announces Second Quarter Results;
Q2 2004 EPS Increases 26% to \$0.49;
Company Increases Guidance

LIVERMORE, Calif.--(BUSINESS WIRE)--Aug. 5, 2004--McGrath RentCorp (Nasdaq:MGRC), a leading rental provider of modular buildings for classroom and office space, and test equipment for communications, fiber optic and general purpose needs, today announced revenues for the quarter ended June 30, 2004 of \$40.8 million, compared to \$31.6 million in the second quarter of 2003. The Company reported net income of \$6.1 million, or \$0.49 per share, compared to \$4.7 million, or \$0.39 per share in second quarter 2003. The Company's improved quarter over quarter revenues and net income resulted from record rental revenues at the Company's Mobile Modular division and from contributing revenues and income related to the Technology Rentals & Services ("TRS") assets acquired.

The Company completed the purchase of substantially all the assets of TRS, a division of CIT Group Inc. (NYSE:CIT) on June 2, 2004. Based in Dallas, Texas, TRS is similar to the Company's existing electronics rental business, RenTelco, and is one of the leading providers of general purpose and communications test equipment in North America. Since June 2nd, the electronics business has operated as TRS-RenTelco and the results for second quarter and first six months of 2004 include TRS' results since that date. The second quarter 2004 results also included nonrecurring expenses of \$0.6 million, related to the prepayment of debt, and \$0.9 million in severance costs, related to the consolidation of the Company's RenTelco and TRS operations. These nonrecurring expenses decreased net income by \$0.9 million or \$0.07 per share.

In the second quarter 2004, rental operations revenues for the Mobile Modular division increased 21% to \$22.7 million compared to the same period in 2003 as a result of the continued strength in the California education market, resulting in a 27% increase of pre-tax income to \$9.1 million. For Enviroplex, the Company's classroom manufacturer, net sales during the quarter declined to \$0.4 million after the elimination of \$3.5 million of intercompany sales, with quarter-end backlog slightly higher than a year ago at \$9.6 million. Looking forward, in third quarter 2004 Mobile Modular is expected to complete a \$9.0 million sale project to provide classroom product, manufactured by Enviroplex, and site related improvements to a California school district scheduled for completion by September 30, 2004. This sale project is not included in Enviroplex's quarter-end backlog. At TRS-RenTelco, the Company's electronic test equipment rental division, rental revenues increased to \$8.5 million from \$3.0 million in the second quarter of 2003, primarily due to TRS' contribution, resulting in pre-tax income of \$1.2 million after recognition of nonrecurring severance costs of \$0.9 million, as compared to pre-tax income of \$0.4 million in 2003.

"Mobile Modular had record rental revenues in the second quarter," stated Dennis Kakures, President & CEO. "Our educational rental business in the California market continues to see very favorable demand for interim classroom space to serve local and state bond-funded modernization and reconstruction projects. We are also progressing well with our entrance in the Florida market, having launched operations there in the first quarter. Although no rental revenues were recognized for Florida in the second quarter, we were pleased with our order activity and will begin to see the rental revenue impact from these bookings in the third quarter. Given time, we are confident that we can create a meaningful educational rental business in Florida.

"To date our electronic test equipment division has made good progress with its integration efforts in merging TRS and RenTelco. We recently completed the consolidation of RenTelco inventory and transitioning of employees into the Dallas-Fort Worth facility. Most importantly, we expect to continue our success to date in customer and revenue retention throughout the integration period. Rental revenues for the combined TRS-RenTelco business for the month of June were \$6.2 million. These results are also reflective of continuing improving test equipment market conditions.

"As we continue to hone our TRS-RenTelco business platform over the next few months, we will further refine our operations and overhead cost structures. By the beginning of the fourth quarter, we should have a much better view of the earnings horsepower of the new enterprise. With continuing favorable integration efforts, we expect to realize both the market positioning and financial objectives in making the acquisition. TRS-RenTelco is being set-up for success over the long run and I couldn't be more excited about the opportunity."

Total revenues for the six months ended June 30, 2004, were \$70.7 million, compared to \$59.0 million in the same six-month period in 2003. Net income for the six months ended June 30, 2004, was \$11.9 million or \$0.96 per share, compared to net income of \$9.6 million, or \$0.78 per share, in the prior-year period.

SECOND QUARTER 2004 HIGHLIGHTS (AS COMPARED TO SECOND QUARTER 2003)

- Rental revenues increased 40% to \$25.6 million. Within rental revenues, Mobile Modular increased 12% to \$17.1 million, driven by educational rentals, and RenTelco increased 181% to \$8.5 million primarily due to TRS's contribution since to June 2, 2004.

- Sales revenues decreased 3% to \$9.2 million from decreased sales by Enviroplex, partially offset by increased equipment sales by Mobile Modular and TRS-RentTelco. Lower sales volume, combined with a lower overall margin of 23.0% compared to 27.8% in 2003, resulted in a gross margin decline of \$0.5 million compared to 2003. Sales revenues can fluctuate from quarter to quarter depending on customer requirements and funding.
- Depreciation of rental equipment increased 88% to \$5.9 million, primarily due to the purchase of TRS rental assets valued at \$107.6 million on June 2, 2004.
- Operating cash flow increased 235% to \$12.1 million, primarily due to the collection of certain accounts receivable of MMC and Enviroplex, and TRS' contribution since June 2, 2004.
- Debt increased \$124.6 million during the quarter to \$168.5 million primarily due to the financing of the purchase of TRS' assets. During the quarter, the Company opted to prepay the remaining \$16.0 million of 6.44% senior notes, incurring a \$0.6 million prepayment fee. In addition, the Company renewed and extended its lines of credit through June 2007 to borrow up to \$135.0 million, and completed a private placement of \$60.0 million of 5.08% senior notes to facilitate the TRS purchase. Total liabilities to equity ratio increased from 1.19 to 1 as of March 31, 2004 to 2.08 to 1 as of June 30, 2004, which was directly attributable to the TRS purchase. At June 30, 2004, the Company, under existing bank lines of credit, had capacity to borrow up to an additional \$26.5 million.
- Dividend rate increased to \$0.22 per share for the second quarter 2004. On an annualized basis, this dividend represents a 2.8% yield on the August 4, 2004 close price of \$31.33.

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

FINANCIAL GUIDANCE

As a result of the purchase of TRS on June 2, 2004 and recent operating trends of the business, the Company has increased and broadened its 2004 full-year earnings per share guidance and expects it to be in a range of \$2.30 to \$2.40 per diluted share. Such a forward-looking statement reflects McGrath RentCorp's expectations as of August 5, 2004. Results may be materially affected by many factors, as outlined in the "forward-looking statements" paragraph at the end of this press release.

About McGrath RentCorp

Founded in 1979, the Company, under the trade name Mobile Modular Management Corporation, rents and sells modular buildings to fulfill customer's temporary and permanent space needs in California, Texas and Florida. Mobile Modular believes it is the largest provider of relocatable classrooms for rental to school districts for grades K - 12 in California. McGrath RentCorp's majority owned subsidiary, Enviroplex, Inc., manufactures and sells classrooms directly to school districts in California.

The Company's TRS-RentTelco division rents and sells electronic test equipment and is one of the leading providers of general purpose and communications test equipment in North America.

CONFERENCE CALL NOTE: As previously announced in its press release of July 8, 2004, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on August 5, 2004 to discuss the second quarter 2004 results. To participate in the teleconference, dial 1-800-218-0530 (international callers dial 1-303-262-2211). In addition, a live webcast and replay of the call may be found in the investor relations section of the Company's website at www.mgrc.com. Telephone replay of the call will be available for 48 hours following the call by dialing 1-800-405-2236 (in the U.S.) or 1-303-590-3300 (outside the U.S.). The pass code for the call replay is 11002616.

This press release contains statements, which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places. Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. These include, our expectation regarding a \$9.0 million

sale by Enviroplex by September 30, 2004, our expectation regarding rental revenues generated in the third quarter of 2004 from our Florida rental operations, our expectation regarding meaningful rental business in Florida, our expectation regarding customer and revenue retention during the integration of RenTelco and TRS, our expectation regarding having visibility to the earnings capacity of the TRS-RenTelco business in the fourth quarter of 2004, our expectation about the TRS-RenTelco realizing market positions and financial objectives, our annualized dividend yield, and our guidance on per share range for 2004 full-year earnings. These forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. Actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, the condition of the telecommunications industry, new or modified statutory or regulatory requirements, continuing demand for modular products, timely delivery and installation of modular products, delays of future sales projects, changing prices and market conditions, that the acquired TRS assets may not be integrated successfully and that the TRS transaction may have a negative impact on our future business or operations, that there may be unanticipated costs of integrating the acquired assets, that our Florida initiatives may not be successful or provide meaningful revenue or earnings, and that and that we may have difficulties in managing a larger, more geographically dispersed organization. There may be other factors not listed above that could cause actual results to vary materially from the forward-looking statements described in this press release.

MCGRATH RENTCORP

Consolidated earnings, balance sheet and segment data follow:
(in thousands, except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| REVENUES | | | | |
| Rental | \$25,560 | \$18,219 | \$45,583 | \$36,660 |
| Rental Related Services | 5,822 | 3,657 | 10,366 | 7,204 |
| Rental Operations | 31,382 | 21,876 | 55,949 | 43,864 |
| Sales | 9,198 | 9,500 | 14,281 | 14,777 |
| Other | 209 | 208 | 438 | 404 |
| Total Revenues | 40,789 | 31,584 | 70,668 | 59,045 |
| COSTS AND EXPENSES | | | | |
| Direct Costs of Rental Operations | | | | |
| Depreciation of Rental Equipment | 5,875 | 3,127 | 9,136 | 6,242 |
| Rental Related Services | 3,590 | 2,212 | 6,265 | 4,373 |
| Other | 5,105 | 4,808 | 9,749 | 9,221 |
| Total Direct Costs of Rental Operations | 14,570 | 10,147 | 25,150 | 19,836 |
| Costs of Sales | 7,082 | 6,862 | 10,233 | 10,546 |
| Total Costs | 21,652 | 17,009 | 35,383 | 30,382 |
| Gross Margin | 19,137 | 14,575 | 35,285 | 28,663 |
| Selling and Administrative | 7,596 | 5,910 | 13,653 | 11,250 |
| Income from Operations | 11,541 | 8,665 | 21,632 | 17,413 |
| Interest | 1,408 | 748 | 1,948 | 1,438 |
| Income Before Provision for Income Taxes | 10,133 | 7,917 | 19,684 | 15,975 |
| Provision for Income Taxes | 4,043 | 3,159 | 7,854 | 6,374 |
| Income Before Minority Interest | 6,090 | 4,758 | 11,830 | 9,601 |
| Minority Interest in Income (Loss) of Subsidiary | (31) | 40 | (29) | (6) |
| Net Income | \$ 6,121 | \$ 4,718 | \$11,859 | \$ 9,607 |

| | | | | |
|---------------------------------------|---------|---------|---------|---------|
| Earnings Per Share: | | | | |
| Basic | \$ 0.50 | \$ 0.39 | \$ 0.98 | \$ 0.79 |
| Diluted | \$ 0.49 | \$ 0.39 | \$ 0.96 | \$ 0.78 |
| Shares Used in Per Share Calculation: | | | | |
| Basic | 12,153 | 12,039 | 12,139 | 12,150 |
| Diluted | 12,371 | 12,169 | 12,335 | 12,261 |

| | | | | |
|-----------------------|-----------|--------------|--|--|
| | June 30, | December 31, | | |
| BALANCE SHEET DATA | 2004 | 2003 | | |
| ----- | | | | |
| Rental Equipment, net | \$352,337 | \$232,046 | | |
| Total Assets | 466,442 | 323,858 | | |
| Notes Payable | 168,500 | 47,266 | | |
| Shareholders' Equity | 151,396 | 143,978 | | |

| | | | | | |
|---|----------|------------------|-----------------|-----------|--------------|
| SEGMENT DATA (UNAUDITED) | Modulars | Elec- tronics | Enviro- plex | Corporate | Consolidated |
| ----- | | | | | |
| Three Months Ended June 30, ----- | | | | | |
| 2004 | | | | | |
| Rental Revenues | \$17,101 | \$8,459 | \$ -- | \$ -- | \$ 25,560 |
| Rental Related Services Revenues | 5,555 | 267 | -- | -- | 5,822 |
| Sales and Other Revenues | 5,584 | 3,437 | 386 | -- | 9,407 |
| Total Revenues | 28,240 | 12,163 | 386 | -- | 40,789 |
| Depreciation of Rental Equipment | 2,043 | 3,832 | -- | -- | 5,875 |
| Interest Expense (Income) Allocation | 1,189 | 253 | (34) | -- | 1,408 |
| Income (Loss) before Provision for Income Taxes | 9,130 | 1,217 | (214) | -- | 10,133 |
| Rental Equipment Acquisitions | 18,229 | 111,453 | -- | -- | 129,682 |
| Accounts Receivable, net (period end) | 29,733 | 14,513 | 5,748 | -- | 49,994 |
| Rental Equipment, at cost (period end) | 323,244 | 141,279 | -- | -- | 464,523 |
| Rental Equipment, net book value (period end) | 231,743 | 120,594 | -- | -- | 352,337 |
| Utilization (period end) (1) | 86.4% | 66.1% | | | |
| Average Utilization (1) | 85.4% | 59.5% | | | |
| 2003 | | | | | |
| Rental Revenues | \$15,207 | \$3,012 | \$ -- | \$ -- | \$ 18,219 |
| Rental Related Services Revenues | 3,526 | 131 | -- | -- | 3,657 |
| Sales and Other Revenues | 4,754 | 1,657 | 3,297 | -- | 9,708 |
| Total Revenues | 23,487 | 4,800 | 3,297 | -- | 31,584 |
| Depreciation of Rental Equipment | 1,782 | 1,345 | -- | -- | 3,127 |
| Interest Expense (Income) Allocation | 693 | 96 | (41) | -- | 748 |
| Income (Loss) | | | | | |

| | | | | | |
|---|---------|--------|-------|----|---------|
| before Provision for Income Taxes | 7,162 | 421 | 334 | -- | 7,917 |
| Rental Equipment Acquisitions | 7,880 | 1,426 | -- | -- | 9,306 |
| Accounts Receivable, net (period end) | 21,316 | 3,164 | 5,065 | -- | 29,545 |
| Rental Equipment, at cost (period end) | 293,731 | 37,026 | -- | -- | 330,757 |
| Rental Equipment, net book value (period end) | 206,093 | 18,574 | -- | -- | 224,667 |
| Utilization (period end) (1) | 83.6% | 45.1% | | | |
| Average Utilization (1) | 82.8% | 45.4% | | | |

| | | | | | |
|-----------------------------|----------|------------------|-----------------|-----------|--------------|
| SEGMENT DATA (UNAUDITED) | Modulars | Elec- tronics | Enviro- plex | Corporate | Consolidated |
|-----------------------------|----------|------------------|-----------------|-----------|--------------|

| | | | | | |
|---|----------|----------|-------|------|----------|
| Six Months Ended June 30, ----- 2004 | | | | | |
| Rental Revenues | \$33,898 | \$11,685 | \$-- | \$-- | \$45,583 |
| Rental Related Services Revenues | 9,975 | 391 | -- | -- | 10,366 |
| Sales and Other Revenues | 7,488 | 5,551 | 1,680 | -- | 14,719 |
| Total Revenues | 51,361 | 17,627 | 1,680 | -- | 70,668 |
| Depreciation of Rental Equipment | 4,049 | 5,087 | -- | -- | 9,136 |
| Interest Expense (Income) Allocation | 1,708 | 316 | (76) | -- | 1,948 |
| Income (Loss) before Provision for Income Taxes | 17,561 | 2,322 | (199) | -- | 19,684 |
| Rental Equipment Acquisitions | 22,579 | 112,745 | -- | -- | 135,324 |
| Accounts Receivable, net (period end) | 29,733 | 14,513 | 5,748 | -- | 49,994 |
| Rental Equipment, at cost (period end) | 323,244 | 141,279 | -- | -- | 464,523 |
| Rental Equipment, net book value (period end) | 231,743 | 120,594 | -- | -- | 352,337 |
| Utilization (period end) (1) | 86.4% | 66.1% | | | |
| Average Utilization (1) | 85.0% | 55.5% | | | |

| | | | | | |
|---|----------|----------|-------|------|----------|
| 2003 | | | | | |
| Rental Revenues | \$30,910 | \$ 5,750 | \$-- | \$-- | \$36,660 |
| Rental Related Services Revenues | 6,953 | 251 | -- | -- | 7,204 |
| Sales and Other Revenues | 7,336 | 3,720 | 4,125 | -- | 15,181 |
| Total Revenues | 45,199 | 9,721 | 4,125 | -- | 59,045 |
| Depreciation of Rental Equipment | 3,522 | 2,720 | -- | -- | 6,242 |
| Interest Expense (Income) Allocation | 1,345 | 192 | (99) | -- | 1,438 |
| Income (Loss) before Provision for Income Taxes | 15,002 | 1,021 | (48) | -- | 15,975 |
| Rental Equipment Acquisitions | 10,777 | 2,183 | -- | -- | 12,960 |
| Accounts Receivable, net (period end) | 21,316 | 3,164 | 5,065 | -- | 29,545 |

| | | | | | |
|---|---------|--------|----|----|---------|
| Rental Equipment, at cost (period end) | 293,731 | 37,026 | -- | -- | 330,757 |
| Rental Equipment, net book value (period end) | 206,093 | 18,574 | -- | -- | 224,667 |
| Utilization (period end) (1) | 83.6% | 45.1% | | | |
| Average Utilization (1) | 83.3% | 44.1% | | | |

(1) Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment. The average utilization for the period is calculated using the average costs of rental equipment.

CONTACT: McGrath RentCorp
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