

UNITED STATES
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): April 30, 2014

McGRATH RENTCORP
(Exact Name of Registrant as Specified in Charter)

California
(State or Other Jurisdiction of Incorporation)

000-13292
(Commission File Number)

94-2579843
(I.R.S. Employer Identification Number)

5700 Las Positas Road, Livermore, CA 94551-7800
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(925) 606-9200**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On April 30 2014, McGrath RentCorp (the "Company") announced via press release the Company's results for its first quarter ended March 31, 2014. 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 Items 2.02 of Form 8-K and are furnished to, but not filed with, the Securities and Exchange Commission, and shall not be incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release of McGrath RentCorp, dated April 30, 2014. |

SIGNATURE

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.

Date: April 30, 2014

McGRATH RENTCORP

By: /s/ KEITH E. PRATT
Keith E. Pratt
Senior Vice President and Chief Financial Officer

McGrath RentCorp Announces Results for First Quarter 2014

*Rental Revenues Increase 3%
EPS Decreases 17% to \$0.30 for the Quarter*

LIVERMORE, Calif., April 30, 2014 (GLOBE NEWSWIRE) -- McGrath RentCorp (Nasdaq:MGRC) (the "Company"), a diversified business-to-business rental company, today announced revenues for the quarter ended March 31, 2014, of \$87.5 million, a decrease of 1%, compared to \$88.7 million in the first quarter of 2013. The Company reported net income of \$7.9 million, or \$0.30 per diluted share for the first quarter of 2014, compared to net income of \$9.2 million, or \$0.36 per diluted share, in the first quarter of 2013.

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

"Although our first quarter 2014 EPS results are \$0.06 per share below the first quarter of 2013, they are in line with our internal forecasting. Due to seasonality, outbound and inbound equipment shipment timing, and other factors, our quarterly results can vary significantly within a given plan year. We are reconfirming our 2014 full year guidance range of between \$1.70 and \$1.85 per share.

Modular division-wide rental revenues for the quarter increased \$2.2 million, or 11%, to \$21.5 million from a year ago. This is our fourth consecutive year over year quarterly rental revenue increase. During the first quarter, we experienced a 37% increase in division-wide year over year first month's rental revenue bookings for modular buildings with an increase of 44% in California and 34% outside of the state. Our favorable modular building rental booking trends have continued in the second quarter of 2014. Modular division average utilization for the first quarter rose to 69.9% compared to 66.4% a year ago. This is the highest modular division first quarter average utilization level since 2009.

Modular division income from operations for the quarter increased by \$0.1 million, or 4%, to \$3.0 million, from a year ago. The lower percentage increase in income from operations compared to rental revenues is primarily due to the increase in divisional booking levels and the significant increase in related inventory center costs for labor and materials to prepare equipment for rental. This is compounded by needing to redeploy various rental assets that have been sitting idle for extended time frames, which tend to have higher processing costs than inventory that turns more frequently. In fact, inventory center costs primarily for the preparation of booked orders and anticipated near-term orders were approximately \$2.1 million, or 33% higher than during the first quarter a year ago. These expenditures reinforce our belief that our modular building rental business is experiencing a strong turnaround. We expense the great majority of these costs in the quarter in which they are incurred; however, we expect to benefit from the associated rental revenue stream in the quarters ahead. The increase in inventory center related expenses for the quarter was partially offset by higher gross profit on equipment sales.

Rental revenues at Adler Tank Rentals, our liquid and solid containment tank and box division, increased by \$0.7 million, or 4%, to \$17.1 million from a year ago. The year over year increase in rental revenues was achieved despite harsh cold weather conditions in the Midwest and East, and drought conditions in the West, and driven primarily from growth in branch locations open less than one year. Average utilization was 61.0% for the quarter compared to 64.7% a year ago, and 60.8% sequentially from the fourth quarter of 2013. However, reflective of the stronger business activity levels later in the first quarter of 2014, period end utilization rose to 64.5% compared to 63.5% a year ago, and 57.7% sequentially from the fourth quarter of 2013. At the end of the first quarter of 2014, Adler Tank Rentals had \$182.2 million of assets at original cost on rent, its highest level ever. Overall fleet average monthly rental rates for the quarter remained relatively flat at 3.34%. We have been able to offset some of the downward pressure on rental rates for 21K tank assets by renting larger amounts of box and specialty tank products that have higher average monthly rental rates and yields. Adler Tank Rentals income from operations for the quarter increased by \$0.4 million, or 8%, to \$5.5 million. For the quarter, the higher percentage increase in income from operations compared to rental revenues is primarily related to lower inventory center costs and higher gross profit on rental related services, partly offset by higher SG&A expenses.

Adler Tank Rentals has added fifteen new branches since 2009, with nine of those locations having been added since 2012. We have elected not to pursue any further geographic expansion during calendar year 2014. Instead, management is giving their undivided attention towards making all of these new market investments successful. In 2014, our objective is to refine our operational and administrative structures and processes in order to expand margins and enhance the customer experience.

Rental revenues for TRS-RenTelco, our electronics division, declined for the quarter by \$1.1 million, or 4%, to \$23.8 million from a year ago. The decline in rental revenues is primarily related to a lower billing run rate entering 2014, and higher equipment return levels from the same period a year ago. In fact, first month's rental billing shipments increased by 4% for the quarter from the same period a year ago; however, first month's rental billing returns increased by 13% for this same time frame. The overall lower business activity levels were driven by softness in our general purpose test equipment end markets, as well as a colder and longer winter in various markets than a year ago. This is further reflected in quarter end utilization of 56.4% compared to 63.3% a year ago, and 58.2% sequentially from the fourth quarter of 2013. Average monthly rental rates for the quarter actually increased to 5.22% from a year ago. However, this increase is primarily due to an increased mix of communications test equipment which has shorter depreciable lives but higher rental rates than general purpose test equipment. Divisional income from operations decreased by \$2.6 million, or 27%, to \$7.0 million from a year ago. The higher percentage decrease in income from operations compared to

rental revenues for the quarter is primarily related to lower gross profit from rental equipment sales, and secondarily, to higher depreciation expense as a percentage of rental revenues.

Mobile Modular Portable Storage continued to make good progress during the quarter in building its customer following, increasing booking levels and growing rental revenues, from a year ago. Rental revenues for the first quarter of 2014 grew by 35% from a year ago. During 2014, we will be expanding into two new geographies; however, our primary focus will be on building greater critical mass and profitability in the markets in which we are already established. We believe that our portable storage business can become a meaningful contributor to McGrath RentCorp's overall earnings in the future.

Our full year EPS guidance range of \$1.70 to \$1.85 is wider than we typically provide. However, there are many moving parts to our portfolio of rental businesses currently that make it challenging to narrow guidance further at this time. The most material variables include: 1) the strength of the recovery underway in our modular building division, 2) increasing utilization levels of our ATR liquid and solid containment tank and box rental assets, and 3) the potential for continuing softness in general-purpose test equipment rental demand in our electronics division.

We have made a significant amount of investment in our tank and box, modular and portable storage businesses over the past few years that have created near-term EPS headwinds. These investments were made with significant forethought towards creating materially higher earnings levels in our future than if we had not made them. We are working hard to realize this goal."

All comparisons presented below are for the quarter ended March 31, 2014 to the quarter ended March 31, 2013 unless otherwise indicated.

Mobile Modular

For the first quarter of 2014, the Company's Mobile Modular division reported a 4% increase in income from operations to \$3.0 million. Rental revenues increased 11% to \$21.5 million and other direct costs increased 33% to \$8.5 million, which resulted in a decrease in gross profit on rental revenues of 2% to \$9.2 million. Sales revenues increased 28% to \$4.7 million with gross profit on sales revenues increasing 46% to \$1.4 million, primarily due to higher used equipment sales revenues and higher gross margins in the first quarter of 2014. Selling and administrative expenses increased 11% to \$9.7 million primarily due to increased employee headcount, salaries and benefit costs.

TRS-RenTelco

For the first quarter of 2014, the Company's TRS-RenTelco division reported a 27% decrease in income from operations to \$7.0 million. Rental revenues decreased 4% to \$23.8 million. The decrease in rental revenues and a 6% increase in depreciation to \$10.4 million, partly offset by a 13% decrease in other direct costs to \$2.8 million, resulted in a decrease in gross profit on rental revenues of 11% to \$10.6 million. Sales revenues decreased 31% to \$4.7 million with gross profit on sales revenues decreasing 41% to \$2.0 million, primarily due to lower gross margins on used equipment sales revenues in the first quarter of 2014. Selling and administrative expenses decreased 1% to \$6.0 million.

Adler Tanks

For the first quarter of 2014, the Company's Adler Tanks division reported an 8% increase in income from operations to \$5.5 million. Rental revenues increased 4% to \$17.1 million. Other direct costs decreased 18% to \$2.3 million and depreciation expense increased 12% to \$3.7 million, which resulted in an increase in gross profit on rental revenues of 8% to \$11.2 million. Rental related services revenues increased 28% to \$5.5 million, with gross profit on rental related services increasing 59% to \$1.1 million. Selling and administrative expenses increased 15% to \$6.9 million, primarily due to increased employee headcount, salaries and benefit costs.

OTHER HIGHLIGHTS

- *Debt* decreased \$1.9 million during the quarter to \$288.1 million, with the Company's funded debt (notes payable) to equity ratio flat at 0.72 to 1 at December 31, 2013 and March 31, 2014. On March 17, 2014, the Company amended the Note Purchase and Private Shelf Agreement with Prudential Investment Management to extend the shelf agreement three years to March 17, 2017. In addition, the Company issued \$40 million of "Series B" senior notes at an interest rate of 3.68%. The notes mature in seven years with interest payable semi-annually. As of March 31, 2014, the Company had capacity to borrow an additional \$281.9 million under its lines of credit.
- *Dividend rate* increased 2% to \$0.245 per share for the first quarter 2014 compared to the first quarter 2013. On an annualized basis, this dividend represents a 3.2% yield on the April 29, 2014 close price of \$31.03.
- *Adjusted EBITDA* decreased 3% to \$36.0 million for the first quarter of 2014 compared to the first quarter of 2013. At March 31, 2014, the Company's ratio of funded debt to the last twelve months actual Adjusted EBITDA was 1.81 to 1, unchanged from December 31, 2013. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization and other non-cash share-based compensation. A reconciliation of net income to Adjusted EBITDA and Adjusted EBITDA to net cash provided by operating activities can be found at the end of this press release.

You should read this press release in conjunction with the financial statements and notes thereto included in the Company's latest Forms 10-K and 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 and 10-Q and other SEC filings.

FINANCIAL GUIDANCE

The Company reconfirms its expectation that its 2014 full-year earnings per share will be in a range of \$1.70 to \$1.85 per diluted share.

ABOUT MCGRATH RENTCORP

Founded in 1979, McGrath RentCorp is a diversified business-to-business rental company. The Company's Mobile Modular division rents and sells modular buildings to fulfill customers' temporary and permanent classroom and office space needs in California, Texas, Florida, and the Mid-Atlantic from Washington D.C. to Georgia. The Company's TRS-RenTelco division rents and sells electronic test equipment and is one of the leading rental providers of general purpose and communications test equipment in the Americas. The Company's New Jersey based Adler Tank Rentals subsidiary rents and sells containment solutions for hazardous and nonhazardous liquids and solids with operations today serving key markets throughout the United States. In 2008, the Company entered the portable storage container rental business under the trade name Mobile Modular Portable Storage. Today, the business is located in the key markets of California, Texas, Florida, and recently entered the multi-state Mid-Atlantic region. For more information on McGrath RentCorp and its operating units, please visit our websites:

Corporate – www.mgrc.com

Tanks and Boxes – www.AdlerTankRentals.com

Modular Buildings – www.MobileModularRents.com

Portable Storage – www.MobileModularRents-PortableStorage.com

Electronic Test Equipment – www.TRS-RenTelco.com

School Facilities Manufacturing – www.Enviroplex.com

CONFERENCE CALL NOTE

As previously announced in its press release of April 9, 2014, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on April 30, 2014 to discuss the first quarter 2014 results. To participate in the teleconference, dial 1-877-941-4774 (in the U.S.), or 1-480-629-9760 (outside the US), or visit the investor relations section of the Company's website at www.mgrc.com. Telephone replay of the call will be available for 7 days following the call by dialing 1-800-406-7325 (in the U.S.), or 1-303-590-3030 (outside the U.S.). The pass code for the call replay is 4678086. 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 <http://mgrc.com/Investor/EventsAndArchive>

FORWARD-LOOKING STATEMENTS

Statements in this press release which are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, regarding McGrath RentCorp's business strategy, future operations, financial position, estimated revenues or losses, projected costs, prospects, plans and objectives are forward looking statements. These forward-looking statements appear in a number of places and can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "future," "intend," "hopes," "goals" or "certain" or the negative of these terms or other variations or comparable terminology. In particular, the statements made in this press release about the following topics are forward looking statements: inventory center costs reinforcing the Company's belief that its modular building rental business is experiencing a strong turnaround and that it will benefit from the associated rental revenue stream in the quarters ahead, belief that the Company's portable storage business can become a meaningful contributor to its overall future earnings, full year EPS guidance range and belief that investments in the Company's various business segments are anticipated to create materially higher earnings levels in the future.

Management cautions that forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected in such forward-looking statements including, without limitation, the following: the extent of and timetable for the recovery underway in our modular building division; the utilization levels of our ATR liquid and sold containment tank and box rental assets; the potential for continuing softness in general-purpose test equipment rental demand in our electronics division; the extent of economic recovery, particularly in California, including the impact on funding for school facility projects and residential and commercial construction sectors; our customers' need and ability to rent our products; failure by third parties to manufacture and deliver our products in a timely manner and to our specifications; our ability to successfully integrate and operate acquisitions, as well as manage expansions; our ability to effectively manage our rental assets; the risk that we may be subject to litigation under environmental, health and safety and product liability laws and claims from employees, vendors and other third parties; effect on our Adler Tanks business from reductions to the price of oil or gas; new or modified statutory or regulatory requirements; success of our strategic growth initiatives; risks associated with doing business with government entities; seasonality of our businesses; intense industry competition including increasing price pressure; our ability to timely deliver, install and redeploy our rental products; significant increases in raw materials, labor, and other costs; and risks associated with operating internationally.

Our future business, financial condition and results of operations could differ materially from those anticipated by such forward-looking statements and are subject to risks and uncertainties including the risks set forth above, those discussed in Part II—Item 1A "Risk Factors" and elsewhere in our Form 10-K for the year ended December 31, 2013, and those that may be identified from time to time in our reports and registration statements filed with the SEC. Forward-looking statements are made only as of the date of this press release and are based on management's reasonable assumptions; however, these assumptions can be wrong or affected by known or unknown risks and uncertainties. Readers should not place undue reliance on these forward-looking statements and are cautioned that any such forward-looking statements are not guarantees of future performance. Except as otherwise required by law, we do not undertake any duty to update any of the forward-looking statements after the date of this press release to conform such statements to actual results or to changes in our expectations.

McGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

| <i>(in thousands, except per share amounts)</i> | Three Months Ended March 31, | |
|---|-------------------------------------|-----------------|
| | 2014 | 2013 |
| REVENUES | | |
| Rental | \$ 62,430 | \$ 60,601 |
| Rental Related Services | <u>13,512</u> | <u>10,845</u> |
| Rental Operations | 75,942 | 71,446 |
| Sales | 11,038 | 16,765 |
| Other | <u>492</u> | <u>502</u> |
| Total Revenues | <u>87,472</u> | <u>88,713</u> |
| COSTS AND EXPENSES | | |
| Direct Costs of Rental Operations: | | |
| Depreciation of Rental Equipment | 17,897 | 16,602 |
| Rental Related Services | 10,307 | 8,922 |
| Other | <u>13,550</u> | <u>12,357</u> |
| Total Direct Costs of Rental Operations | 41,754 | 37,881 |
| Costs of Sales | <u>7,168</u> | <u>11,834</u> |
| Total Costs of Revenues | <u>48,922</u> | <u>49,715</u> |
| Gross Profit | 38,550 | 38,998 |
| Selling and Administrative Expenses | <u>23,411</u> | <u>21,638</u> |
| Income from Operations | 15,139 | 17,360 |
| Interest Expense | <u>2,203</u> | <u>2,203</u> |
| Income Before Provision for Income Taxes | 12,936 | 15,157 |
| Provision for Income Taxes | <u>5,065</u> | <u>5,942</u> |
| Net Income | <u>\$ 7,871</u> | <u>\$ 9,215</u> |
| Earnings Per Share: | | |
| Basic | \$ 0.31 | \$ 0.37 |
| Diluted | \$ 0.30 | \$ 0.36 |
| Shares Used in Per Share Calculation: | | |
| Basic | 25,789 | 25,003 |
| Diluted | 26,230 | 25,435 |
| Cash Dividends Declared Per Share | \$ 0.245 | \$ 0.240 |

McGRATH RENTCORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| <i>(in thousands)</i> | March 31, | December 31, |
|-----------------------|------------------|---------------------|
| | 2014 | 2013 |

ASSETS

| | | |
|--|--------------------|--------------------|
| Cash | \$ 1,211 | \$ 1,630 |
| Accounts Receivable, net of allowance for doubtful accounts of \$2,022 in 2014 and \$2,007 in 2013 | 83,071 | 87,650 |
| Rental Equipment, at cost: | | |
| Relocatable Modular Buildings | 607,616 | 592,391 |
| Electronic Test Equipment | 263,545 | 267,772 |
| Liquid and Solid Containment Tanks and Boxes | <u>288,641</u> | <u>284,005</u> |
| | 1,159,802 | 1,144,168 |
| Less Accumulated Depreciation | <u>(383,927)</u> | <u>(377,158)</u> |
| Rental Equipment, net | <u>775,875</u> | <u>767,010</u> |
| Property, Plant and Equipment, net | 106,169 | 105,187 |
| Prepaid Expenses and Other Assets | 17,131 | 19,718 |
| Intangible Assets, net | 10,456 | 10,662 |
| Goodwill | <u>27,700</u> | <u>27,700</u> |
| Total Assets | <u>\$1,021,613</u> | <u>\$1,019,557</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|--|----------------|----------------|
| Liabilities: | | |
| Notes Payable | \$ 288,081 | \$ 290,003 |
| Accounts Payable and Accrued Liabilities | 64,963 | 63,318 |
| Deferred Income | 21,688 | 24,003 |
| Deferred Income Taxes, net | <u>245,318</u> | <u>241,203</u> |
| Total Liabilities | <u>620,050</u> | <u>618,527</u> |

Shareholders' Equity:

| | | |
|--|--------------------|--------------------|
| Common Stock, no par value -- | | |
| Authorized - 40,000 shares | | |
| Issued and Outstanding – 25,873 shares in 2014 and 25,757 shares in 2013 | 102,050 | 103,023 |
| Retained Earnings | 299,516 | 298,038 |
| Accumulated Other Comprehensive Loss | <u>(3)</u> | <u>(31)</u> |
| Total Shareholders' Equity | <u>401,563</u> | <u>401,030</u> |
| Total Liabilities and Shareholders' Equity | <u>\$1,021,613</u> | <u>\$1,019,557</u> |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| <i>(in thousands)</i> | <u>Three Months Ended March 31,</u> | |
|---|-------------------------------------|---------------|
| | <u>2014</u> | <u>2013</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 7,871 | \$ 9,215 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 19,932 | 18,808 |
| Provision for Doubtful Accounts | 456 | 696 |
| Non-Cash Stock-Based Compensation | 955 | 1,126 |
| Gain on Sale of Used Rental Equipment | (2,500) | (3,334) |
| Change In: | | |
| Accounts Receivable | 4,123 | 4,534 |
| Prepaid Expenses and Other Assets | 2,587 | 5,528 |
| Accounts Payable and Accrued Liabilities | 2,828 | 7,872 |
| Deferred Income | (2,315) | (6,282) |
| Deferred Income Taxes | <u>4,115</u> | <u>3,457</u> |
| Net Cash Provided by Operating Activities | <u>38,052</u> | <u>41,620</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|---|-----------------|-----------------|
| Purchase of Rental Equipment | (31,759) | (25,151) |
| Purchase of Property, Plant and Equipment | (2,812) | (1,553) |
| Proceeds from Sale of Used Rental Equipment | 6,430 | 6,805 |
| Net Cash Used in Investing Activities | <u>(28,141)</u> | <u>(19,899)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|---|-----------------|-----------------|
| Net Repayments Under Bank Lines of Credit | (41,922) | (20,749) |
| Borrowing Under Private Placement | 40,000 | — |
| Proceeds from the Exercise of Stock Options | 76 | 3,964 |
| Excess Tax Benefit from Exercise and Disqualifying Disposition of Stock Options | 508 | 715 |
| Payment of Dividends | (6,489) | (6,060) |
| Taxes Paid Related to Net Share Settlement of Stock Awards | <u>(2,512)</u> | <u>(742)</u> |
| Net Cash Used in Financing Activities | <u>(10,339)</u> | <u>(22,872)</u> |

| | | |
|---|-----------------|---------------|
| Effect of Exchange Rate Changes on Cash | 9 | — |
| Net Decrease in Cash | (419) | (1,151) |
| Cash Balance, beginning of period | 1,630 | 1,612 |
| Cash Balance, end of period | <u>\$ 1,211</u> | <u>\$ 461</u> |

| | | |
|---|-----------------|-----------------|
| Interest Paid, during the period | <u>\$ 1,157</u> | <u>\$ 1,276</u> |
| Net Income Taxes Paid, during the period | <u>\$ 339</u> | <u>\$ 1,519</u> |
| Dividends Accrued During the Period, not yet paid | <u>\$ 6,387</u> | <u>\$ 6,133</u> |
| Rental Equipment Acquisitions, not yet paid | <u>\$ 7,464</u> | <u>\$ 6,660</u> |

MCGRATH RENTCORP

BUSINESS SEGMENT DATA (unaudited)

Three Months Ended March 31, 2014

(dollar amounts in thousands)

| | Mobile Modular | TRS-RenTelco | Adler Tanks | Enviroplex | Consolidated |
|-------------------------|----------------|---------------|---------------|--------------|---------------|
| Revenues | | | | | |
| Rental | \$ 21,533 | \$ 23,760 | \$ 17,137 | \$ — | \$ 62,430 |
| Rental Related Services | 7,317 | 722 | 5,473 | — | 13,512 |
| Rental Operations | 28,850 | 24,482 | 22,610 | — | 75,942 |
| Sales | 4,672 | 4,735 | 526 | 1,105 | 11,308 |
| Other | 118 | 336 | 38 | — | 492 |
| Total Revenues | <u>33,640</u> | <u>29,553</u> | <u>23,174</u> | <u>1,105</u> | <u>87,472</u> |

Costs and Expenses

Direct Costs of Rental Operations:

| | | | | | |
|---|---------------|---------------|---------------|------------|---------------|
| Depreciation of Rental Equipment | 3,831 | 10,391 | 3,675 | — | 17,897 |
| Rental Related Services | 5,335 | 628 | 4,344 | — | 10,307 |
| Other | 8,473 | 2,810 | 2,267 | — | 13,550 |
| Total Direct Costs of Rental Operations | 17,639 | 13,829 | 10,286 | — | 41,754 |
| Costs of Sales | 3,297 | 2,737 | 448 | 686 | 7,168 |
| Total Costs of Revenues | <u>20,936</u> | <u>16,566</u> | <u>10,734</u> | <u>686</u> | <u>48,922</u> |

Gross Profit

| | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Rental | 9,229 | 10,559 | 11,195 | — | 30,983 |
| Rental Related Services | 1,982 | 94 | 1,129 | — | 3,205 |
| Rental Operations | 11,211 | 10,653 | 12,324 | — | 34,188 |
| Sales | 1,375 | 1,998 | 78 | 419 | 3,870 |
| Other | 118 | 336 | 38 | — | 492 |
| Total Gross Profit | 12,704 | 12,987 | 12,440 | 419 | 38,550 |
| Selling and Administrative Expenses | 9,740 | 6,037 | 6,896 | 738 | 23,411 |
| Income (Loss) from Operations | <u>\$ 2,964</u> | <u>\$ 6,950</u> | <u>\$ 5,544</u> | <u>\$ (319)</u> | <u>15,139</u> |
| Interest Expense | | | | | 2,203 |
| Provision for Income taxes | | | | | 5,065 |
| Net Income | | | | | <u>\$ 7,871</u> |

Other Information

| | | | |
|--|------------|------------|------------|
| Average Rental Equipment ¹ | \$ 570,371 | \$ 266,926 | \$ 280,483 |
| Average Monthly Total Yield ² | 1.26% | 2.97% | 2.04% |
| Average Utilization ³ | 69.9% | 56.8% | 61.0% |
| Average Monthly Rental Rate ⁴ | 1.80% | 5.22% | 3.34% |

1 Average Rental Equipment represents the cost of rental equipment excluding accessory equipment. For Mobile Modular and Adler Tanks, Average Rental Equipment also excludes new equipment inventory.

2 Average Monthly Total Yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3 Average Utilization is calculated by dividing the cost of Average Rental Equipment on rent by the total cost of Average Rental Equipment.

4 Average Monthly Rental Rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

MCGRATH RENTCORP**BUSINESS SEGMENT DATA (unaudited)****Three Months Ended March 31, 2013***(dollar amounts in thousands)*

| | Mobile Modular | TRS-RenTelco | Adler Tanks | Enviroplex | Consolidated |
|---|----------------|--------------|-------------|------------|--------------|
| Revenues | | | | | |
| Rental | \$ 19,329 | \$ 24,841 | \$ 16,431 | \$ — | \$ 60,601 |
| Rental Related Services | 5,914 | 666 | 4,265 | — | 10,845 |
| Rental Operations | 25,243 | 25,507 | 20,696 | — | 71,446 |
| Sales | 3,644 | 6,842 | 86 | 6,193 | 16,765 |
| Other | 104 | 365 | 33 | — | 502 |
| Total Revenues | 28,991 | 32,714 | 20,815 | 6,193 | 88,713 |
| Costs and Expenses | | | | | |
| Direct Costs of Rental Operations: | | | | | |
| Depreciation of Rental Equipment | 3,518 | 9,816 | 3,268 | — | 16,602 |
| Rental Related Services | 4,745 | 624 | 3,553 | — | 8,922 |
| Other | 6,367 | 3,225 | 2,765 | — | 12,357 |
| Total Direct Costs of Rental Operations | 14,630 | 13,665 | 9,586 | — | 37,881 |
| Costs of Sales | 2,699 | 3,455 | 86 | 5,594 | 11,834 |
| Total Costs of Revenues | 17,329 | 17,120 | 9,672 | 5,594 | 49,715 |
| Gross Profit | | | | | |
| Rental | 9,444 | 11,800 | 10,398 | — | 31,642 |
| Rental Related Services | 1,169 | 42 | 712 | — | 1,923 |
| Rental Operations | 10,613 | 11,842 | 11,110 | — | 33,565 |
| Sales | 945 | 3,387 | — | 599 | 4,931 |
| Other | 104 | 365 | 33 | — | 502 |
| Total Gross Profit | 11,662 | 15,594 | 11,143 | 599 | 38,998 |
| Selling and Administrative Expenses | 8,800 | 6,094 | 5,992 | 752 | 21,638 |
| Income (Loss) from Operations | \$ 2,862 | \$ 9,500 | \$ 5,151 | \$ (153) | 17,360 |
| Interest Expense | | | | | 2,203 |
| Provision for Income taxes | | | | | 5,942 |
| Net Income | | | | | \$ 9,215 |

Other Information

| | | | |
|--|------------|------------|------------|
| Average Rental Equipment ¹ | \$ 535,139 | \$ 266,054 | \$ 252,194 |
| Average Monthly Total Yield ² | 1.20% | 3.11% | 2.18% |
| Average Utilization ³ | 66.4% | 63.8% | 64.7% |
| Average Monthly Rental Rate ⁴ | 1.81% | 4.88% | 3.37% |

1 Average Rental Equipment represents the cost of rental equipment excluding accessory equipment. For Mobile Modular and Adler Tanks, Average Rental Equipment also excludes new equipment inventory.

2 Average Monthly Total Yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3 Average Utilization is calculated by dividing the cost of Average Rental Equipment on rent by the total cost of Average Rental Equipment.

4 Average Monthly Rental Rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

Reconciliation of Adjusted EBITDA to the most directly comparable GAAP measures

To supplement the Company's financial data presented on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"), the Company presents "Adjusted EBITDA" which is defined by the Company as net income before interest expense, provision for income taxes, depreciation, amortization, and non-cash share-based compensation. The Company presents Adjusted EBITDA as a financial measure as management believes it provides useful information to investors regarding the Company's liquidity and financial condition and because management, as well as the Company's lenders, use this measure in evaluating the performance of the Company.

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

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

Reconciliation of Net Income to Adjusted EBITDA

| <i>(dollar amounts in thousands)</i> | Three Months Ended | | Twelve Months Ended | |
|--------------------------------------|--------------------|------------------|---------------------|-------------------|
| | March 31, | | March 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Net Income | \$ 7,871 | \$ 9,215 | 42,053 | 44,081 |
| Provision for Income Taxes | 5,065 | 5,942 | 27,100 | 27,642 |
| Interest | 2,203 | 2,203 | 8,687 | 9,179 |
| Income from Operations | 15,139 | 17,360 | 77,840 | 80,902 |
| Depreciation and Amortization | 19,932 | 18,808 | 77,973 | 73,768 |
| Non-Cash Share-Based Compensation | 955 | 1,126 | 3,509 | 3,972 |
| Adjusted EBITDA ¹ | <u>\$ 36,026</u> | <u>\$ 37,294</u> | <u>\$ 159,322</u> | <u>\$ 158,642</u> |
| Adjusted EBITDA Margin ² | 41% | 42% | 42% | 42% |

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

| <i>(dollar amounts in thousands)</i> | Three Months Ended | | Twelve Months Ended | |
|---|--------------------|------------------|---------------------|-------------------|
| | March 31, | | March 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Adjusted EBITDA ¹ | \$ 36,026 | \$ 37,294 | \$ 159,322 | \$ 158,642 |
| Interest Paid | (1,157) | (1,276) | (8,695) | (9,312) |
| Net Income Taxes Paid | (339) | (1,519) | (9,894) | (6,162) |
| Gain on Sale of Rental Equipment | (2,500) | (3,334) | (12,257) | (12,650) |
| Change in Certain Assets and Liabilities: | | | | |
| Accounts Receivable, net | 4,579 | 4,534 | 3,955 | (3,586) |
| Prepaid Expenses and Other Assets | 2,587 | 5,528 | (3,152) | 7,346 |
| Accounts Payable and Other Liabilities | 1,171 | 6,675 | (251) | 4,656 |
| Deferred Income | (2,315) | (6,282) | 1,046 | (6,414) |
| Net Cash Provided by Operating Activities | <u>\$ 38,052</u> | <u>\$ 41,620</u> | <u>\$ 130,074</u> | <u>\$ 132,520</u> |

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

2 Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by total revenues for the period.

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