

**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): October 26, 2023

McGRATH RENTCORP

(Exact name of Registrant as Specified in Its Charter)

California
(State or Other Jurisdiction
of Incorporation)

000-13292
(Commission File Number)

94-2579843
(IRS Employer
Identification No.)

5700 Las Positas Road
Livermore, California
(Address of Principal Executive Offices)

94551-7800
(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))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|----------------------|---|
| Common Stock | MGRC | Nasdaq Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On October 26, 2023, McGrath RentCorp (the "Company") announced via press release the Company's results for its third quarter ended September 30, 2023. 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 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 October 26, 2023. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

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

Date: October 26, 2023

By: /s/ Keith E. Pratt

Keith E. Pratt

Executive Vice President and Chief Financial Officer



PRESS RELEASE

FOR RELEASE October 26, 2023

McGrath Announces Results for Third Quarter 2023

Livermore, CA - October 26, 2023 – 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 September 30, 2023 of \$243.5 million, an increase of 40% compared to the third quarter of 2022. The Company reported net income from continuing operations of \$40.4 million, or \$1.65 per diluted share, for the third quarter of 2023, compared to net income from continuing operations of \$27.1 million, or \$1.11 per diluted share, for the third quarter of 2022.

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

- **Rental revenues** increased 22% to \$122.7 million.
- **Total revenues** increased 40% to \$243.5 million.
- **Other income** for the third quarter 2023 includes a \$3.6 million net gain on sale of two properties, which increased earnings per diluted share by \$0.11.
- **Adjusted EBITDA¹** increased 47% to \$95.3 million.
- **Dividend rate** of \$0.465 per share for the third quarter of 2023. On an annualized basis, this dividend represents a 1.9% yield on the October 25, 2023 close price of \$97.06 per share.

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

“We were very pleased with our third quarter results. Our 22% increase in companywide rental revenues was driven by strong modular segment performance. Modular rental revenues grew 36%, with over half of the growth attributable to our Vesta Modular and several smaller Portable Storage acquisitions completed earlier this year. Before acquisitions, the modular segment rental revenues grew organically by a robust 13%.

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

TRS-RenTelco experienced continued softness in semiconductor related demand, resulting in 10% lower rental revenues for the quarter, compared to a year ago. During the quarter we reduced new equipment capital spending, made progress with sales of underutilized equipment, and improved rental fleet utilization to above 60% at quarter-end.

We made good progress with the Vesta integration. Our organization work is complete and the Vesta team is fully integrated into the McGrath organization. I am very pleased with the team collaboration and commercial successes that have been achieved.

We are very pleased with our year-to-date performance, and we are fully focused on solid execution for the remainder of the year.”

DIVISION HIGHLIGHTS:

All comparisons presented below are for the quarter ended September 30, 2023 to the quarter ended September 30, 2022 unless otherwise indicated.

MOBILE MODULAR

For the third quarter of 2023, the Company's Mobile Modular division reported Adjusted EBITDA of \$73.0 million, an increase of \$33.1 million, or 83%.

- Rental revenues increased 36% to \$94.0 million, depreciation expense increased 30% to \$10.0 million, and other direct costs increased 2% to \$23.4 million, which resulted in an increase in gross profit on rental revenues of 57% to \$60.6 million. Vesta Modular contributed \$14.8 million and \$10.2 million in rental revenues and gross profit during the quarter, respectively.
- Rental related services revenues increased 45% to \$39.7 million, primarily attributable to higher delivery and pick up activities and higher site related services, with associated gross profit increasing 60% to \$11.8 million. Vesta Modular contributed \$4.0 million and \$1.8 million in rental related services revenues and gross profit during the quarter, respectively.
- Sales revenues increased \$29.9 million to \$58.9 million, primarily from higher new equipment sales. Gross margin on sales was 32% compared to 35% in 2022, resulting in a 86% increase in gross profit on sales revenues to \$19.0 million. Vesta Modular contributed \$16.2 million and \$5.1 million in sales revenues and gross profit during the quarter, respectively.
- Selling and administrative expenses increased \$11.0 million to \$39.8 million. The addition of Vesta Modular increased selling and administrative expenses by \$6.0 million, which included \$1.2 million higher amortization of intangibles. In addition, allocated corporate expenses increased \$2.7 million.

TRS-RENTELCO

For the third quarter of 2023, the Company's TRS-RenTelco division reported Adjusted EBITDA of \$21.9 million, a decrease of 9%, when compared to the same quarter in 2022.

- Rental revenues decreased 10% to \$28.7 million, depreciation expense decreased 3%, and other direct costs decreased 4%, resulting in a 18% decrease in gross profit on rental revenues to \$11.5 million. The rental revenue decrease was primarily the result of lower average rental equipment on rent compared to the prior year and comparable average monthly rental rates.
- Sales revenues increased 58% to \$8.7 million and gross profit on sales revenues decreased 9% to \$3.1 million. The higher sales revenues and lower gross profit on sales can be attributed to the mix of equipment sold, which can fluctuate quarterly depending on customer requirements, equipment availability and funding.
- Selling and administrative expenses increased \$0.3 million, or 4%, to \$7.0 million, primarily due to higher allocated corporate expenses.

FINANCIAL OUTLOOK:

Based upon the Company's year-to-date results and current outlook for the remainder of the year, the Company is revising its financial outlook. For the full-year 2023, the Company expects:

| | <u>Previous</u> <u>(Continuing Operations)</u> | <u>Current</u> <u>(Continuing Operations)</u> |
|--|---|--|
| • Total revenue: | \$805 to \$830 million | \$820 to \$830 million |
| • Adjusted EBITDA ^{1, 2} : | \$306 to \$320 million | \$312 to \$320 million |
| • Gross rental equipment capital expenditures: | \$190 to \$200 million | \$190 to \$200 million |

1. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs, share-based compensation and transaction costs. A reconciliation of actual net income to Adjusted EBITDA and Adjusted EBITDA to net cash provided by operating activities can be found at the end of this release. Adjusted EBITDA from continuing operations for the quarter ended September 30, 2023, excludes the income from discontinued operations from the divestiture of Adler Tanks.

2. Information reconciling forward-looking Adjusted EBITDA to the comparable GAAP financial measures is unavailable to the Company without unreasonable effort because certain items required for such reconciliations are outside of the Company's control and/or cannot be reasonably predicted, such as the provision for income taxes. Therefore, no reconciliation to the most comparable GAAP measures is provided. The Company provides Adjusted EBITDA guidance because it believes that Adjusted EBITDA, when viewed with the Company's results under GAAP, provides useful information for the reasons noted in the reconciliation of actual Adjusted EBITDA to the most directly comparable GAAP measures at the end of this release.

ABOUT MCGRATH:

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

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 September 28, 2023, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on October 26, 2023 to discuss the third quarter 2023 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 1-800-839-5685 (in the U.S.), or 1-402-220-2567 (outside the U.S.). In addition, a live audio webcast and replay of the call may be found in the investor relations section of the Company's website at https://investors.mgrc.com/events-and-presentations_.

FORWARD-LOOKING STATEMENTS:

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, regarding McGrath RentCorp's expectations, strategies, prospects or targets are forward looking statements. These forward-looking statements also can be identified by the use of forward-looking terminology such as "anticipates," "believes," "continues," "could," "estimates," "expects," "intends," "may," "plan," "predict," "project," or "will," or the negative of these terms or other comparable terminology. In particular, Mr. Hanna's statements about (i) progress with sales of underutilized TRS equipment, (ii) focus on solid execution for the remainder of the year, and (iii) statements regarding the full year 2023 in the "Financial Outlook" section, are forward-looking.

These forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties that could cause our actual results to differ materially from those projected including: health of the education and commercial markets in our modular building division; unforeseen liabilities and integration challenges associated with the Vesta, Brekke Storage, Dixie Storage and Inland Storage acquisitions; competition within the modular business; the activity levels in the semiconductor and general purpose and communications test equipment markets at TRS-RenTelco; continued execution of our strategic performance improvement initiatives; our ability to successfully increase prices to offset cost increases; and our ability to effectively manage our rental assets, as well as the other factors disclosed under "Risk Factors" in the Company's Form 10-K and other SEC filings.

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

| <i>(in thousands, except per share amounts)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------|---------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | |
| Rental | \$ 122,686 | \$ 100,871 | \$ 350,773 | \$ 285,588 |
| Rental related services | 40,492 | 28,198 | 101,481 | 69,276 |
| Rental operations | 163,178 | 129,069 | 452,254 | 354,864 |
| Sales | 77,115 | 44,414 | 148,576 | 95,503 |
| Other | 3,213 | 860 | 9,424 | 2,397 |
| Total revenues | 243,506 | 174,343 | 610,254 | 452,764 |
| Costs and Expenses | | | | |
| Direct costs of rental operations: | | | | |
| Depreciation of rental equipment | 22,069 | 20,174 | 66,499 | 60,118 |
| Rental related services | 28,532 | 20,576 | 71,625 | 50,116 |
| Other | 28,493 | 28,203 | 90,188 | 82,573 |
| Total direct costs of rental operations | 79,094 | 68,953 | 228,312 | 192,807 |
| Costs of sales | 52,878 | 28,548 | 98,431 | 58,124 |
| Total costs of revenues | 131,972 | 97,501 | 326,743 | 250,931 |
| Gross profit | 111,534 | 76,842 | 283,511 | 201,833 |
| Selling and administrative expenses | 48,508 | 36,954 | 153,032 | 103,368 |
| Other income | (3,559) | — | (3,559) | — |
| Income from operations | 66,585 | 39,888 | 134,038 | 98,465 |
| Interest expense | (11,025) | (3,355) | (28,434) | (8,057) |
| Foreign currency exchange (loss) gain | (42) | (236) | 166 | (404) |
| Income from continuing operations before provision for income taxes | 55,518 | 36,297 | 105,770 | 90,004 |
| Provision for income taxes from continuing operations | 15,152 | 9,182 | 25,934 | 21,687 |
| Income from continuing operations | 40,366 | 27,115 | 79,836 | 68,317 |
| Discontinued operations: | | | | |
| Income from discontinued operations before provision for income taxes | — | 4,635 | 1,709 | 9,350 |
| Provision for income taxes from discontinued operations | — | 1,183 | 453 | 2,170 |
| Gain on sale of discontinued operations, net of tax | — | — | 61,513 | — |
| Income from discontinued operations | — | 3,452 | 62,769 | 7,180 |
| Net income | \$ 40,366 | \$ 30,567 | \$ 142,605 | \$ 75,497 |
| Earnings per share from continuing operations: | | | | |
| Basic | \$ 1.65 | \$ 1.11 | \$ 3.26 | \$ 2.81 |
| Diluted | \$ 1.65 | \$ 1.11 | \$ 3.26 | \$ 2.79 |
| Earnings per share from discontinued operations: | | | | |
| Basic | \$ — | \$ 0.14 | \$ 2.57 | \$ 0.29 |
| Diluted | \$ — | \$ 0.14 | \$ 2.56 | \$ 0.29 |
| Earnings per share: | | | | |
| Basic | \$ 1.65 | \$ 1.25 | \$ 5.83 | \$ 3.10 |
| Diluted | \$ 1.65 | \$ 1.25 | \$ 5.81 | \$ 3.08 |
| Shares used in per share calculation: | | | | |
| Basic | 24,487 | 24,379 | 24,461 | 24,342 |
| Diluted | 24,525 | 24,504 | 24,527 | 24,516 |
| Cash dividends declared per share | \$ 0.465 | \$ 0.455 | \$ 1.395 | \$ 1.365 |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| <i>(in thousands)</i> | September 30, 2023 | December 31, 2022 |
|---|-----------------------|----------------------|
| Assets | | |
| Cash | \$ 1,946 | \$ 957 |
| Accounts receivable, net of allowance for credit losses of \$2,683 in 2023 and \$2,300 in 2022 | 224,269 | 169,937 |
| Rental equipment, at cost: | | |
| Relocatable modular buildings | 1,474,359 | 1,123,268 |
| Electronic test equipment | 383,006 | 398,267 |
| | 1,857,365 | 1,521,535 |
| Less: accumulated depreciation | (565,497) | (531,218) |
| Rental equipment, net | 1,291,868 | 990,317 |
| Property, plant and equipment, net | 146,484 | 138,713 |
| Prepaid expenses and other assets | 80,853 | 69,837 |
| Intangible assets, net | 67,480 | 35,431 |
| Goodwill | 323,771 | 106,403 |
| Assets of discontinued operations | — | 196,249 |
| Total assets | <u>\$ 2,136,671</u> | <u>\$ 1,707,844</u> |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Notes payable | \$ 667,640 | \$ 413,742 |
| Accounts payable and accrued liabilities | 223,010 | 151,208 |
| Deferred income | 105,534 | 82,417 |
| Deferred income taxes, net | 229,115 | 203,361 |
| Liabilities of discontinued operations | — | 53,171 |
| Total liabilities | 1,225,299 | 903,899 |
| Shareholders' equity: | | |
| Common stock, no par value - Authorized 40,000 shares | | |
| Issued and outstanding - 24,489 shares as of September 30, 2023 and 24,388 shares as of December 31, 2022 | 109,253 | 110,080 |
| Retained earnings | 802,161 | 693,943 |
| Accumulated other comprehensive loss | (42) | (78) |
| Total shareholders' equity | 911,372 | 803,945 |
| Total liabilities and shareholders' equity | <u>\$ 2,136,671</u> | <u>\$ 1,707,844</u> |

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| <i>(in thousands)</i> | Nine Months Ended September 30, | |
|---|---------------------------------|-----------|
| | 2023 | 2022 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 142,605 | \$ 75,497 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 81,842 | 83,272 |
| Deferred income taxes | (30,018) | (4,299) |
| Provision for credit losses | 1,794 | 307 |
| Share-based compensation | 5,273 | 5,106 |
| Gain on sale of property, plant and equipment | (3,559) | — |
| Gain on sale of discontinued operations | (61,513) | — |
| Gain on sale of used rental equipment | (22,964) | (26,705) |
| Foreign currency exchange (gain) loss | (166) | 404 |
| Amortization of debt issuance costs | 6 | 13 |
| Change in: | | |
| Accounts receivable | (27,733) | (30,767) |
| Prepaid expenses and other assets | (7,390) | (17,313) |
| Accounts payable and accrued liabilities | 32,818 | 14,384 |
| Deferred income | 7,908 | 33,399 |
| Net cash provided by operating activities | 118,903 | 133,298 |
| Cash Flows from Investing Activities: | | |
| Proceeds from sale of discontinued operations | 268,012 | — |
| Purchases of rental equipment | (171,322) | (130,395) |
| Purchases of property, plant and equipment | (16,448) | (10,594) |
| Cash paid for acquisition of businesses | (458,315) | — |
| Cash paid for acquisition of business assets | (3,474) | — |
| Proceeds from sales of used rental equipment | 49,405 | 54,193 |
| Proceeds from sales of property, plant and equipment | 595 | — |
| Net cash used in investing activities | (331,547) | (86,796) |
| Cash Flows from Financing Activities: | | |
| Net borrowings (payments) under bank lines of credit | 178,892 | (7,000) |
| Borrowings under note purchase agreement | 75,000 | — |
| Taxes paid related to net share settlement of stock awards | (6,100) | (6,253) |
| Payment of dividends | (34,168) | (33,175) |
| Net cash provided by (used in) financing activities | 213,624 | (46,428) |
| Effect of foreign currency exchange rate changes on cash | 9 | (4) |
| Net increase in cash | 989 | 70 |
| Cash balance, beginning of period | 957 | 1,491 |
| Cash balance, end of period | \$ 1,946 | \$ 1,561 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest paid, during the period | \$ 27,818 | \$ 8,982 |
| Net income taxes paid, during the period | \$ 9,547 | \$ 24,885 |
| Dividends accrued during the period, not yet paid | \$ 12,014 | \$ 11,167 |
| Rental equipment acquisitions, not yet paid | \$ 5,765 | \$ 9,555 |
| Proceeds to be received on the sale of property, plant and equipment | \$ 6,370 | \$ — |
| Business acquisition payments withheld | \$ 293 | \$ — |

MCGRATH RENTCORP
BUSINESS SEGMENT DATA (unaudited)
Three months ended September 30, 2023

| <i>(dollar amounts in thousands)</i> | <u>Mobile Modular</u> | <u>TRS-RenTelco</u> | <u>Enviroplex</u> | <u>Adler Tanks (Discontinued)</u> | <u>Consolidated</u> |
|--|---------------------------|---------------------|-------------------|---------------------------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 94,028 | \$ 28,658 | \$ — | \$ — | \$ 122,686 |
| Rental related services | 39,716 | 776 | — | — | 40,492 |
| Rental operations | 133,744 | 29,434 | — | — | 163,178 |
| Sales | 58,867 | 8,733 | 9,515 | — | 77,115 |
| Other | 2,271 | 942 | — | — | 3,213 |
| Total revenues | 194,882 | 39,109 | 9,515 | — | 243,506 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 10,037 | 12,032 | — | — | 22,069 |
| Rental related services | 27,927 | 605 | — | — | 28,532 |
| Other | 23,353 | 5,140 | — | — | 28,493 |
| Total direct costs of rental operations | 61,317 | 17,777 | — | — | 79,094 |
| Costs of sales | 39,821 | 5,651 | 7,406 | — | 52,878 |
| Total costs of revenues | 101,138 | 23,428 | 7,406 | — | 131,972 |
| Gross Profit | | | | | |
| Rental | 60,638 | 11,486 | — | — | 72,124 |
| Rental related services | 11,789 | 171 | — | — | 11,960 |
| Rental operations | 72,427 | 11,657 | — | — | 84,084 |
| Sales | 19,046 | 3,082 | 2,109 | — | 24,237 |
| Other | 2,271 | 942 | — | — | 3,213 |
| Total gross profit | 93,744 | 15,681 | 2,109 | — | 111,534 |
| Selling and administrative expenses | 39,832 | 6,999 | 1,677 | — | 48,508 |
| Other income | (2,740) | (819) | — | — | (3,559) |
| Income from operations | \$ 56,652 | \$ 9,501 | \$ 432 | \$ — | 66,585 |
| Interest expense | | | | | (11,025) |
| Foreign currency exchange loss | | | | | (42) |
| Provision for income taxes | | | | | (15,152) |
| Net income | | | | | \$ 40,366 |
| Other Information | | | | | |
| Adjusted EBITDA ¹ | \$ 72,953 | \$ 21,858 | \$ 517 | \$ — | \$ 95,328 |
| Average rental equipment ² | \$ 1,350,562 | \$ 385,353 | | | |
| Average monthly total yield ³ | 2.32% | 2.46% | | | |
| Average utilization ⁴ | 79.4% | 59.4% | | | |
| Average monthly rental rate ⁵ | 2.92% | 4.17% | | | |

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. Adjusted EBITDA for the quarter ended September 30, 2023, excludes the gain on sale of discontinued operations from the divestiture of Adler Tanks.

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 September 30, 2022

| <i>(dollar amounts in thousands)</i> | <u>Mobile Modular</u> | <u>TRS-RenTelco</u> | <u>Enviroplex</u> | <u>Adler Tanks (Discontinued)</u> | <u>Consolidated</u> |
|--|---------------------------|---------------------|-------------------|---------------------------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 69,111 | \$ 31,760 | \$ — | \$ 17,490 | \$ 118,361 |
| Rental related services | 27,353 | 845 | — | 7,163 | 35,361 |
| Rental operations | 96,464 | 32,605 | — | 24,653 | 153,722 |
| Sales | 28,922 | 5,514 | 9,978 | 977 | 45,391 |
| Other | 452 | 408 | — | 563 | 1,423 |
| Total revenues | 125,838 | 38,527 | 9,978 | 26,193 | 200,536 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 7,747 | 12,427 | — | 4,002 | 24,176 |
| Rental related services | 19,973 | 603 | — | 5,395 | 25,971 |
| Other | 22,837 | 5,366 | — | 3,505 | 31,708 |
| Total direct costs of rental operations | 50,557 | 18,396 | — | 12,902 | 81,855 |
| Costs of sales | 18,696 | 2,133 | 7,719 | 693 | 29,241 |
| Total costs of revenues | 69,253 | 20,529 | 7,719 | 13,595 | 111,096 |
| Gross Profit | | | | | |
| Rental | 38,527 | 13,967 | — | 9,983 | 62,477 |
| Rental related services | 7,380 | 242 | — | 1,768 | 9,390 |
| Rental operations | 45,907 | 14,209 | — | 11,751 | 71,867 |
| Sales | 10,226 | 3,381 | 2,259 | 284 | 16,150 |
| Other | 452 | 408 | — | 563 | 1,423 |
| Total gross profit | 56,585 | 17,998 | 2,259 | 12,598 | 89,440 |
| Selling and administrative expenses | 28,798 | 6,726 | 1,430 | 7,141 | 44,095 |
| Other income | — | — | — | — | — |
| Income from operations | \$ 27,787 | \$ 11,272 | \$ 829 | \$ 5,457 | 45,345 |
| Interest expense | | | | | (4,177) |
| Foreign currency exchange loss | | | | | (236) |
| Provision for income taxes | | | | | (10,365) |
| Net income | | | | | \$ 30,567 |
| Other Information | | | | | |
| Adjusted EBITDA ¹ | \$ 39,901 | \$ 23,894 | \$ 900 | \$ 10,192 | \$ 74,887 |
| Average rental equipment ² | \$ 1,030,792 | \$ 389,675 | | | |
| Average monthly total yield ³ | 2.23 % | 2.71 % | | | |
| Average utilization ⁴ | 80.1 % | 65.3 % | | | |
| Average monthly rental rate ⁵ | 2.79 % | 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)
Nine months ended September 30, 2023

| <i>(dollar amounts in thousands)</i> | <u>Mobile Modular</u> | <u>TRS-RenTelco</u> | <u>Enviroplex</u> | <u>Adler Tanks (Discontinued)</u> | <u>Consolidated</u> |
|--|---------------------------|---------------------|-------------------|---------------------------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 264,398 | \$ 86,375 | \$ — | \$ 6,520 | \$ 357,293 |
| Rental related services | 99,158 | 2,323 | — | 2,584 | 104,065 |
| Rental operations | 363,556 | 88,698 | — | 9,104 | 461,358 |
| Sales | 115,829 | 21,368 | 11,379 | 269 | 148,845 |
| Other | 6,416 | 3,008 | — | 65 | 9,489 |
| Total revenues | 485,801 | 113,074 | 11,379 | 9,438 | 619,692 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 29,766 | 36,733 | — | 1,325 | 67,824 |
| Rental related services | 69,618 | 2,007 | — | 2,020 | 73,645 |
| Other | 74,345 | 15,843 | — | 1,270 | 91,458 |
| Total direct costs of rental operations | 173,729 | 54,583 | — | 4,614 | 232,926 |
| Costs of sales | 78,102 | 11,307 | 9,022 | 159 | 98,590 |
| Total costs of revenues | 251,831 | 65,890 | 9,022 | 4,773 | 331,516 |
| Gross Profit | | | | | |
| Rental | 160,287 | 33,799 | — | 3,926 | 198,012 |
| Rental related services | 29,540 | 316 | — | 564 | 30,420 |
| Rental operations | 189,827 | 34,115 | — | 4,490 | 228,432 |
| Sales | 37,727 | 10,061 | 2,357 | 110 | 50,255 |
| Other | 6,416 | 3,008 | — | 65 | 9,489 |
| Total gross profit | 233,970 | 47,184 | 2,357 | 4,665 | 288,176 |
| Selling and administrative expenses | 124,642 | 23,576 | 4,814 | 2,582 | 155,614 |
| Other income | (2,740) | (819) | — | — | (3,559) |
| Income (loss) from operations | \$ 112,068 | \$ 24,427 | \$ (2,457) | \$ 2,083 | 136,121 |
| Interest expense | | | | | (28,808) |
| Foreign currency exchange loss | | | | | 166 |
| Provision for income taxes | | | | | (26,387) |
| Net income | | | | | \$ 81,092 |
| Other Information | | | | | |
| Adjusted EBITDA ¹ | \$ 172,222 | \$ 64,031 | \$ (2,207) | \$ 3,682 | \$ 237,728 |
| Average rental equipment ² | \$ 1,275,330 | \$ 391,993 | | | |
| Average monthly total yield ³ | 2.30 % | 2.43 % | | | |
| Average utilization ⁴ | 79.5 % | 59.0 % | | | |
| Average monthly rental rate ⁵ | 2.90 % | 4.15 % | | | |

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. Adjusted EBITDA for the nine months ended September 30, 2023, excludes the gain on sale of discontinued operations from the divestiture of Adler Tanks.

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)
Nine months ended September 30, 2022

| <i>(dollar amounts in thousands)</i> | <u>Mobile Modular</u> | <u>TRS-RenTelco</u> | <u>Enviroplex</u> | <u>Adler Tanks (Discontinued)</u> | <u>Consolidated</u> |
|--|---------------------------|---------------------|-------------------|---------------------------------------|---------------------|
| Revenues | | | | | |
| Rental | \$ 195,598 | \$ 89,990 | \$ — | \$ 47,638 | \$ 333,226 |
| Rental related services | 66,947 | 2,329 | — | 19,221 | 88,497 |
| Rental operations | 262,545 | 92,319 | — | 66,859 | 421,723 |
| Sales | 64,113 | 15,845 | 15,545 | 2,235 | 97,738 |
| Other | 1,202 | 1,195 | — | 1,082 | 3,479 |
| Total revenues | 327,860 | 109,359 | 15,545 | 70,176 | 522,940 |
| Costs and Expenses | | | | | |
| Direct costs of rental operations: | | | | | |
| Depreciation | 23,329 | 36,789 | — | 11,996 | 72,114 |
| Rental related services | 48,269 | 1,847 | — | 14,851 | 64,967 |
| Other | 67,072 | 15,501 | — | 9,783 | 92,356 |
| Total direct costs of rental operations | 138,670 | 54,137 | — | 36,630 | 229,437 |
| Costs of sales | 39,785 | 6,398 | 11,941 | 1,613 | 59,737 |
| Total costs of revenues | 178,455 | 60,535 | 11,941 | 38,243 | 289,174 |
| Gross Profit | | | | | |
| Rental | 105,197 | 37,700 | — | 25,859 | 168,756 |
| Rental related services | 18,678 | 482 | — | 4,370 | 23,530 |
| Rental operations | 123,875 | 38,182 | — | 30,229 | 192,286 |
| Sales | 24,328 | 9,447 | 3,604 | 622 | 38,001 |
| Other | 1,202 | 1,195 | — | 1,082 | 3,479 |
| Total gross profit | 149,405 | 48,824 | 3,604 | 31,933 | 233,766 |
| Selling and administrative expenses | 79,245 | 19,930 | 4,193 | 20,642 | 124,010 |
| Other income | — | — | — | — | — |
| Income (loss) from operations | \$ 70,160 | \$ 28,894 | \$ (589) | \$ 11,291 | 109,756 |
| Interest expense | | | | | (9,998) |
| Foreign currency exchange loss | | | | | (404) |
| Provision for income taxes | | | | | (23,857) |
| Net income | | | | | \$ 75,497 |
| Other Information | | | | | |
| Adjusted EBITDA ¹ | \$ 106,156 | \$ 66,675 | \$ (377) | \$ 25,443 | \$ 197,897 |
| Average rental equipment ² | \$ 1,019,105 | \$ 379,181 | | | |
| Average monthly total yield ³ | 2.13 % | 2.63 % | | | |
| Average utilization ⁴ | 78.5 % | 64.8 % | | | |
| Average monthly rental rate ⁵ | 2.72 % | 4.07 % | | | |

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.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | Twelve Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|------------|--------------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| <i>(dollar amounts in thousands)</i> | | | | | | |
| Income from continuing operations | \$ 40,366 | \$ 27,115 | \$ 79,836 | \$ 68,317 | \$ 114,828 | \$ 95,182 |
| Provision for income taxes from continuing operations | 15,152 | 9,182 | 25,934 | 21,687 | 35,624 | 32,331 |
| Interest expense | 11,025 | 3,355 | 28,434 | 8,057 | 32,607 | 10,653 |
| Depreciation and amortization | 26,884 | 23,491 | 80,385 | 69,982 | 104,043 | 93,065 |
| EBITDA | 93,427 | 63,143 | 214,589 | 168,043 | 287,102 | 231,231 |
| Share-based compensation | 1,891 | 1,461 | 5,155 | 4,244 | 7,658 | 6,278 |
| Transaction costs ³ | 10 | 167 | 14,302 | 167 | 18,188 | 899 |
| Adjusted EBITDA ¹ | \$ 95,328 | \$ 64,771 | \$ 234,046 | \$ 172,454 | \$ 312,948 | \$ 238,408 |
| Adjusted EBITDA margin ² | 39% | 37% | 38% | 38% | 39% | 39% |

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | Twelve Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|------------|--------------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| <i>(dollar amounts in thousands)</i> | | | | | | |
| Adjusted EBITDA ¹ | \$ 95,328 | \$ 74,887 | \$ 237,728 | \$ 197,897 | \$ 328,697 | \$ 271,589 |
| Interest paid | (11,016) | (3,161) | (27,818) | (8,982) | (33,611) | (12,831) |
| Income taxes paid, net of refunds received | (2,616) | (7,807) | (9,547) | (24,885) | (12,024) | (25,898) |
| Gain on sale of used rental equipment | (8,714) | (10,612) | (22,964) | (26,705) | (34,238) | (34,358) |
| Foreign currency exchange loss | 42 | 236 | (166) | 404 | (192) | 429 |
| Amortization of debt issuance costs | 2 | 4 | 6 | 13 | 9 | 17 |
| Change in certain assets and liabilities: | | | | | | |
| Accounts receivable, net | (26,223) | (22,630) | (25,939) | (30,460) | (26,003) | (21,128) |
| Prepaid expenses and other assets | 1,114 | (6,458) | (7,390) | (17,313) | (6,561) | (12,720) |
| Accounts payable and other liabilities | 917 | 12,232 | (32,915) | 9,930 | (34,250) | 5,302 |
| Deferred income | (1,382) | 14,564 | 7,908 | 33,399 | (1,790) | 22,353 |
| Net cash provided by operating activities | \$ 47,452 | \$ 51,255 | \$ 118,903 | \$ 133,298 | \$ 180,037 | \$ 192,755 |

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. Adjusted EBITDA for the nine months ended September 30, 2023, excludes the gain on sale of discontinued operations from

the divestiture of Adler Tanks. Total Adjusted EBITDA attributed to discontinued operations for the nine months ended September 30, 2023 and 2022, was \$3,682 and \$25,443, respectively.

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

3. Transaction costs include acquisition and divestiture related legal and professional fees and other costs specific to these transactions.

