SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2001

COMMISSION FILE NUMBER 0-13292

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

CALIFORNIA	94-2579843
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5700 LAS POSITAS ROAD, LIVERMORE, CA 94550
(Address of principal executive offices)

Registrant's telephone number: (925) 606-9200

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

At November 8, 2001, 12,315,874 shares of Registrant's Common Stock were outstanding.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands, except per share amounts)	THREE MONTHS ENDED SEPTEMBER 30, 2001	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2000
REVENUES				
Rental	$ 25,100	$ 24,876	$ 76,975	$ 69,104
Rental Related Services	5,051	6,694	13,546	13,990
Rental Operations	30,151	31,570	90,521	83,094
Sales	11,895	22,830	28,963	39,838
Other	360	243	941	723
Total Revenues	42,406	54,643	120,425	123,655
COSTS AND EXPENSES				
Direct Costs of Rental Operations				
Depreciation	7,133	6,111	20,295	17,212
Rental Related Services	2,871	3,712	8,241	7,768
Other	4,742	4,882	13,204	13,369
Total Direct Costs of Rental Operations	14,746	14,705	41,740	38,349
Costs of Sales	8,207	16,260	19,726	27,996
Total Costs	22,953	30,965	61,466	66,345
Gross Margin	19,453	23,678	58,959	57,310
Selling and Administrative	5,599	5,540	17,075	15,022
Income from Operations	13,854	18,138	41,884	42,288
Interest	1,748	2,361	5,745	6,465
Income Before Provision for Income Taxes	12,106	15,777	36,139	35,823
Provision for Income Taxes	4,818	6,153	14,383	13,971
Income Before Minority Interest	7,288	9,624	21,756	21,852
Minority Interest in Income of Subsidiary	124	580	342	716
Net Income	$ 7,164	$ 9,044	$ 21,414	$ 21,136
Earnings Per Share:				
Basic	$ 0.58	$ 0.73	$ 1.76	$ 1.71
Diluted	$ 0.58	$ 0.73	$ 1.73	$ 1.70
Shares Used in Per Share Calculation:				
Basic	12,280	12,308	12,202	12,371
Diluted	12,456	12,402	12,376	12,463

The accompanying notes are an integral part of these consolidated financial statements.

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands)	SEPTEMBER 30, 2001	DECEMBER 31, 2000
ASSETS		
Cash	$ 464	$ 643
Accounts Receivable, less allowance for doubtful accounts of $1,000 in 2001 and $650 in 2000	45,870	45,687
Rental Equipment, at cost:		
Relocatable Modular Offices	279,002	261,081
Electronic Test Instruments	99,534	92,404
	378,536	353,485
Less Accumulated Depreciation	(118,580)	(106,083)
Rental Equipment, net	259,956	247,402
Land, at cost	19,303	19,303
Buildings, Land Improvements, Equipment and Furniture, at cost, less accumulated depreciation of $8,414 in 2001 and $6,815 in 2000	33,077	33,233
Prepaid Expenses and Other Assets	12,766	10,978
Total Assets	$ 371,436	$ 357,246
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes Payable	$ 116,100	$ 126,876
Accounts Payable and Accrued Liabilities	33,043	37,012
Deferred Income	23,273	19,241
Minority Interest in Subsidiary	2,805	3,506
Deferred Income Taxes	68,864	61,653
Total Liabilities	244,085	248,288
Shareholders' Equity:		
Common Stock, no par value - Authorized -- 40,000 shares Outstanding -- 12,311 shares in 2001 and 12,125 shares in 2000	11,833	8,971
Retained Earnings	115,518	99,987
Total Shareholders' Equity	127,351	108,958
Total Liabilities and Shareholders' Equity	$ 371,436	$ 357,246

The accompanying notes are an integral part of these consolidated financial statements.

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	NINE MONTHS ENDED SEPTEMBER 30, 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 21,414	$ 21,136
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	21,962	18,574
Impairment Loss Related to Rental Equipment	--	980
Gain on Sale of Rental Equipment	(4,977)	(4,779)
Change In:		
Accounts Receivable	(183)	(17,552)
Prepaid Expenses and Other Assets	(769)	(1,258)
Accounts Payable and Accrued Liabilities	(3,899)	10,392
Deferred Income	4,032	3,996
Deferred Income Taxes	7,211	4,279
Net Cash Provided by Operating Activities	44,791	35,768
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Rental Equipment	(41,496)	(52,377)
Purchase of Land, Buildings, Land Improvements, Equipment and Furniture	(1,511)	(2,656)
Proceeds from Sale of Rental Equipment	13,624	12,871
Net Cash Used in Investing Activities	(29,383)	(42,162)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net Borrowings (Payments) Under Notes Payable	(10,776)	17,100
Net Proceeds from the Exercise of Stock Options	801	75
Repurchase of Common Stock	--	(4,379)
Payment of Dividends	(5,612)	(4,951)
Net Cash Provided by (Used in) Financing Activities	(15,587)	7,845
Net Increase (Decrease) in Cash	(179)	1,451
Cash Balance, Beginning of Period	643	490
Cash Balance, End of Period	$ 464	$ 1,941
Interest Paid During the Period	$ 6,721	$ 6,910
Income Taxes Paid During the Period	$ 7,208	$ 9,692
Dividends Declared but not yet Paid	$ 1,970	$ 1,723
Stock Issued for Equity in Subsidiary	$ 2,061	$ --

The accompanying notes are an integral part of these consolidated financial statements.

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

NOTE 1. CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information for the nine months ended September 30, 2001 has not been audited, but in the opinion of management, all adjustments (consisting of only normal recurring accruals, consolidation and eliminating entries) necessary for the fair presentation of the consolidated results of operations, financial position, and cash flows of McGrath RentCorp (the "Company") have been made. The consolidated results of the nine months ended September 30, 2001 should not be considered as necessarily indicative of the consolidated results for the entire year. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest Form 10-K.

NOTE 2. ACCOUNTING FOR DERIVATIVES

On January 1, 2001, the Company adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended by SFAS 138, which establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Company is not a party to any derivative instruments, and as such, the implementation of this statement did not have a material impact on the Company's financial position or result of operations.

NOTE 3. NOTES PAYABLE

In June 2001, the Company amended its unsecured line of credit agreement (the "Agreement") with its banks that extended the expiration date of the Agreement to June 30, 2004. The Agreement allows the Company to borrow $120.0 million of which $84.1 million was outstanding as of September 30, 2001. The Agreement requires the Company to pay interest at prime or, at the Company's election, at another rate option available under the Agreement. In addition, the Company pays a commitment fee on the daily average unused portion of the available line. Among other restrictions, the Agreement requires (i) the Company to maintain shareholders' equity of not less than $100.0 million plus 50% of all net income generated subsequent to June 30, 2001 plus 90% of any new stock issuance proceeds, (ii) a debt-to-equity ratio (excluding deferred income taxes) of not more than 3 to 1, (iii) interest coverage (income from operations compared to interest expense) of not less than 2 to 1 and (iv) debt service coverage (earnings before interest, taxes, depreciation and amortization compared to the following year's principal payments plus the most recent twelve months of interest expense) of not less than 1.15 to 1.

In addition to the $120.0 million unsecured line of credit, the Company entered into a new $5.0 million credit facility in June 2001 (at prime rate) related to its cash management services which expires June 30, 2004. No amounts were outstanding at September 30, 2001.

NOTE 4. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 5. STOCK EXCHANGE

In July 2001, the Company entered into a Stock Exchange Agreement with the minority shareholders of Enviroplex to increase its ownership in Enviroplex from 73.2% to 80.7%. The Company exchanged 85,366 shares of its common stock for 7.5% of Enviroplex. The transaction resulted in goodwill of $1.0 million and other intangible assets of $0.1 million, which are included in Prepaid and Other Assets. Goodwill has been accounted for in accordance with SFAS 142, "Goodwill and Other Intangible Assets". As such the goodwill is not being amortized and will be evaluated for impairment annually. Except as noted above the Company does not have any goodwill or other intangible assets.

NOTE 6. BUSINESS SEGMENTS

The Company defines its business segments based on the nature of operations for the purpose of reporting under SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". The Company's three reportable segments are Mobile Modular Management Corporation (Modulars), RenTelco (Electronics), and Enviroplex. The operations of these three segments are described in the notes to the consolidated financial statements included in the Company's latest Form 10-K. As a separate corporate entity, Enviroplex revenues and expenses are separately maintained from Modulars and Electronics. Excluding interest expense, allocations of revenues and expenses not directly associated with Modulars or Electronics are generally allocated to these segments based on their pro-rata share of direct revenues. Interest expense is allocated between Modulars and Electronics based on their pro-rata share of average rental equipment, accounts receivable and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the nine months ended September 30, 2001 and 2000 for the Company's reportable segments is shown in the following table:

(in thousands)	MODULARS(1)	ELECTRONICS(2)	ENVIROPLEX	CONSOLIDATED
NINE MONTHS ENDED SEPTEMBER 30,				
2001				
Rental Revenues	$ 46,834	$ 30,141	$ --	$ 76,975
Rental Related Services Revenues	12,998	548	--	13,546
Sales and Other Revenues	12,953	6,826	10,125	29,904
Total Revenues	72,785	37,515	10,125	120,425
Depreciation on Rental Equipment	9,976	10,319	--	20,295
Interest Expense	4,280	1,736	(271)	5,745
Income before Income Taxes	20,234	14,115	1,790	36,139
Rental Equipment Acquisitions	25,804	15,692	--	41,496
Accounts Receivable, net (period end)	30,190	11,144	4,536	45,870
Rental Equipment, at cost (period end)	279,002	99,534	--	378,536
Utilization (Period end)(3)	86.2%	44.2%		
Average Utilization(3)	85.3%	53.6%		
2000				
Rental Revenues	$ 41,843	$ 27,261	$ --	$ 69,104
Rental Related Services Revenues	13,474	516	--	13,990
Sales and Other Revenues	17,287	7,449	15,825	40,561
Total Revenues	72,604	35,226	15,825	123,655
Depreciation on Rental Equipment	9,090	8,122	--	17,212
Interest Expense	4,941	1,761	(237)	6,465
Income before Income Taxes	17,648	14,295	3,880	35,823
Rental Equipment Acquisitions	30,226	22,151	--	52,377
Accounts Receivable, net (period end)	23,942	11,624	7,082	42,648
Rental Equipment, at cost (period end)	259,437	86,813	--	346,250
Utilization (Period end)(3)	83.7%	65.1%		
Average Utilization(3)	81.7%	60.7%		

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(1) Operates under the trade name Mobile Modular Management Corporation

(2) Operates under the trade name RenTelco

(3) 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.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q 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. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that 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, new or modified statutory or regulatory requirements and changing prices and market conditions. This report identifies other factors that could cause such differences. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Rental revenues for the three and nine months ended September 30, 2001 increased $0.2 million (less than 1%) and $7.9 million (11%) over the comparative periods in 2000. Mobile Modular Management Corporation ("MMMC") contributed $5.0 million and RenTelco contributed $2.9 million of the nine-month increase. MMMC's rental revenues increased as a result of strong classroom demand in California. For the nine months ending September 30, 2001, an average of $28.0 million more modular equipment was on rent compared to a year earlier with the average monthly yield for modular equipment increasing from 1.98% in 2000 to 2.02% in 2001. At September 30, 2001, modular utilization, excluding new equipment inventory, was 86.2% and average utilization for the nine months ended September 30, 2001 and 2000 was 85.3% and 81.7%, respectively. RenTelco's rental revenue decreased 14% from the third quarter of 2000 and declined 13% from second quarter of 2001 levels, reflecting continued broad-based weakness in the telecommunications industry. For the nine months ending September 30, 2001, an average of $4.2 million more electronics equipment was on rent compared to a year earlier period, but with the average monthly yield for electronics equipment decreasing from 3.82% in 2000 to 3.43% in 2001. At September 30, 2001, electronics utilization was 44.2% compared to 65.1% a year earlier and average utilization for the nine months ended September 30, 2001 and 2000 was 53.6% and 60.7%, respectively.

Depreciation on rental equipment for the three and nine months ended September 30, 2001 increased $1.0 million (17%) and $3.1 million (18%) over the comparative periods in 2000 due to higher amounts of rental equipment. For the nine months ended September 30, 2001, average modular rental equipment, at cost, increased $21.9 million (9%) and average electronics rental equipment, at cost, increased $18.3 million (23%) over the 2000 comparative period. Other direct costs of rental operations for the three and nine months ended September 30, 2001 declined slightly from both comparative periods in 2000. These declines are due to impairment write-offs in 2000 for rental equipment beyond economic repair that have not reoccurred in 2001, offset by increased modular repair and maintenance costs. Consolidated gross margin on rents for the three month period ending September 30, 2001 declined 6% from 55.8% in 2000 to 52.7% in 2001 primarily due to RenTelco's 14% decline in rental revenues combined with increased depreciation expense as a result of higher equipment levels in 2001. Consolidated gross margin on rents for the nine-month comparative period improved slightly from 55.8% to 56.5%.

Rental related services revenues for the three and nine months ended September 30, 2001 decreased $1.6 million (25%) and $0.4 million (3%) over the comparative periods in 2000 due to fewer significant site-related projects in the current quarter's modular rental activity. Gross margin on rental related services for the nine-month period decreased from 44.5% in 2000 to 39.2% in 2001.

Sales for the three and nine months ended September 30, 2001 decreased $10.9 million (48%) and $10.9 million (27%) as a result of the lower sales volume by both MMMC and Enviroplex. For the comparative nine-month period, sales revenues for MMMC declined from $17.0 million in 2000 to $12.5 million in 2001 due to several significant sales occurring in 2000. Sales continue to occur routinely as a normal part of the Company's rental business; however, these sales can fluctuate from quarter to quarter and year to year depending on customer demands, requirements and funding. For the comparative nine-month period, sales revenues for Enviroplex have declined from $15.8 million in 2000 to $10.1 million in 2001 primarily due to project completion delays combined with lower order volume. Consolidated gross margin on sales for the nine months ended September 30, 2001 improved to 31.9% compared to 29.7% for the same period in 2000.

Enviroplex's backlog of orders as of September 30, 2001 and 2000 was $8.6 million and $1.9 million, respectively. Backlog is not significant in MMMC's modular business or in RenTelco's electronics business.

Selling and administrative expenses for the three and nine months ended September 30, 2001 increased $59,000 (1%) and $2.1 million (14%) over the comparative periods in 2000. The nine-month increase is primarily due to increased web development and maintenance costs of $694,000, higher bad debt expense of $647,000, increased depreciation expense of $305,000 and increased consultant fees related to legal, accounting, and investor relations of $207,000.

Interest expense for the three and nine months ended September 30, 2001 decreased $613,000 (26%) and $720,000 (11%) over the 2000 comparative periods primarily due to lower average interest rates for 2001 as compared to 2000.

Income before provision for taxes for the three months ended September 30, 2001 decreased $3.7 million (23%) while net income decreased $1.9 million (21%) to $7.2 million with earnings per diluted share decreasing 21% from $0.73 per share in 2000 to $0.58 per share in 2001. Income before provision for taxes for the nine months ended September 30, 2001 increased $0.3 million (1%) while net income increased $0.3 million (1%) to $21.4 million with earnings per diluted share increasing 2% from $1.70 per share in 2000 to $1.73 per share in 2001.

LIQUIDITY AND CAPITAL RESOURCES

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See the statement at the beginning of this Item for cautionary information with respect to such forward-looking statements.

The Company's cash flow from operations plus the proceeds from the sale of rental equipment increased $9.8 million (20%) for the nine months ended September 30, 2001 from $48.6 million in 2000 to $58.4 million in 2001. The total cash available for the nine-month period increased as a result of increased earnings exclusive of depreciation and amortization expense of $3.7 million, the net change in the accounts receivable and accounts payable of $3.1 million, and the extension of an estimated tax payment of $2.4 million by the IRS. During 2001, the primary uses of cash have been to purchase $41.5 million of additional rental equipment to satisfy customer requirements, payment of dividends of $5.6 million to the Company's shareholders, and debt reduction of $10.8 million.

The Company had total liabilities to equity ratios of 1.92 and 2.28 to 1 as of September 30, 2001 and December 31, 2000, respectively. The debt (notes payable) to equity ratios were 0.91 to 1 and 1.16 to 1 as of September 30, 2001 and December 31, 2000, respectively. Both ratios have decreased since December 31, 2000 as a result of earnings and debt reduction.

The Company has made purchases of shares of its common stock from time to time in the over-the-counter market (NASDAQ) and/or through privately negotiated, large block transactions under an authorization of the Board of Directors. Shares repurchased by the Company are cancelled and returned to the status of authorized but unissued stock. During 2001, no shares have been repurchased. As of November 8, 2001, 805,800 shares remain authorized for repurchase.

The Company believes that its needs for working capital and capital expenditures through 2001 and beyond will be adequately met by cash flow and bank borrowings.

MARKET RISK

The Company currently has no material derivative financial instruments that expose the Company to significant market risk. The Company is exposed to cash flow and fair value risk due to changes in interest rates with respect to its notes payable. As of September 30, 2001, the Company believes that the carrying amounts of its financial instruments (cash and notes payable) approximate fair value.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 3. OTHER INFORMATION

On August 23, 2001, the Company declared a quarterly dividend on its Common Stock; the dividend was $0.16 per share. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

ITEM 4. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Date: November 8, 2001

MCGRATH RENTCORP

By: /s/ Thomas J. Sauer

Thomas J. Sauer
Vice President and Chief Financial Officer
(Chief Accounting Officer)