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): July 31, 2003

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

California
(State or other jurisdiction of incorporation)

| | |
|---|---|
| 0-13292 | 94-2579843 |
| (Commission File Number) | (I.R.S. Employee Identification No.) |

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

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

Item 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(c) Exhibits.

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release of McGrath RentCorp, dated July 31, 2003. |

On July 31, 2003, McGrath RentCorp (the "Company") announced via press release the Company's results for its second quarter ended June 30, 2003. A copy of the Company's press release is attached hereto as Exhibit 99.1. This Form 8-K and the attached exhibit are provided under Item 12 of Form 8-K and are furnished to, but not filed with, the Securities and Exchange Commission.

SIGNATURES

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

McGRATH RENTCORP

Dated: July 31, 2003

By:/s/ Thomas J. Sauer

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Thomas J. Sauer
Vice President and Chief Financial Officer

Exhibit 99.1

# McGrath RentCorp Announces Second Quarter Results; Q2 2003 EPS of $0.39

LIVERMORE, Calif.--(BUSINESS WIRE)--July 31, 2003--McGrath RentCorp (Nasdaq:MGRC), a leading rental provider of modular buildings for classroom and office space, and test equipment for communications, fiber optic and general purpose needs, today announced revenues for the quarter ended June 30, 2003 of $31.6 million, compared to $36.5 million in second quarter 2002. The Company reported net income of $4.7 million, or $0.39 per share, compared to a net loss of $1.2 million, or $0.10 loss per share, in second quarter 2002.

Second quarter 2002 results included a noncash impairment charge of $12.2 million by the Company's RenTelco segment which primarily affected the carrying value of its communications rental equipment, reducing net income by $7.3 million or $0.58 per share, and expenses related to the terminated merger with Tyco International, reducing net income by $0.1 million or $0.01 per share. For comparability, excluding impairment and expenses related to the terminated merger, second quarter net income would have decreased 24% from $6.2 million in 2002 to $4.7 million in 2003 with earnings per share decreasing 20% from $0.49 per share in 2002 to $0.39 per share in 2003.

The Company's Mobile Modular division rentals decreased 9%. Sales revenues from Mobile Modular decreased 2%. These decreases contributed to a 9% overall decline in total revenues and a 25% decline of pre-tax income to $7.2 million, representing 91% of the Company's pre-tax income for the quarter.

"Mobile Modular's quarter over quarter decline in rental revenues was primarily due to a reduction in the average rental rate of utilized equipment, and to a lesser degree lower overall utilization," stated Dennis Kakures, President and CEO. "The decline is directly attributable to weakness in the commercial construction rental sector and classroom returns from various completed school construction projects. However, Mobile Modular's classroom rental orders for the first half of 2003 have been especially strong. In fact, the majority of returned classroom buildings during the first half of the year are already scheduled to be back on rent for the start of the 2003-2004 school year. In addition, we have continued to invest in new rental equipment to meet the increased demand for modular classrooms, which we believe stems largely from the passage of the November 2002 California state and local school bond measures. As this equipment comes online over the next few months, and the recurring rental revenue stream begins, it will add nicely to our rental business levels in future periods."

Quarter-end sales backlog at Enviroplex, the Company's classroom manufacturer, was 42% higher than a year ago at $9.5 million; however, during the quarter sales decreased 16% from the same quarter in the prior year to $3.3 million.

The Company's RenTelco division increased quarterly rental revenues 11% on a sequential basis to $3.0 million from $2.7 million in first quarter 2003 and contributed nominal pre-tax earnings this quarter primarily as a result of selling underutilized equipment. This modest increase in rental revenues may not be reflective of improving fundamentals, given the continued difficult conditions throughout the telecommunications industry.

Total revenues for the six months ended June 30, 2003, were $59.0 million compared to $68.2 million in the same six-month period in 2002. Net income for the six months ended June 30, 2003, was $9.6 million or $0.78 per share, compared to net loss of $3.6 million, or $0.29 loss per share, in the prior-year period. The six-month 2002 results include noncash RenTelco impairment charges of $24.1 million, which reduced net income by $14.5 million or $1.15 per share and expenses related to the terminated Tyco merger which reduced net income by $0.4 million, or $0.03 per share.

On July 22, 2003, the Company announced that its 2003 full-year earnings are expected to be in a range of $1.75 to $1.85 per diluted share, a reduction from its earlier full-year guidance range of $2.12 to $2.17 per diluted share. This revision was primarily due to lower than expected modular sales order activity.

SECOND QUARTER 2003 HIGHLIGHTS (AS COMPARED TO SECOND QUARTER 2002)

-- Rental revenues decreased 12% to $18.2 million. Within rental revenues, Mobile Modular decreased 9% to $15.2 million primarily due to lower rental rates and, to a lesser extent, utilization; and RenTelco decreased 25% to $3.0 million as a result of the severe and prolonged broad-based weakness in the telecommunications industry.

-- Sales revenues decreased 15% to $9.5 million resulting from decreased equipment sales by RenTelco, Enviroplex, and Mobile Modular. Overall gross profit on sales decreased from $5.1 million in 2002 to $4.2 million in 2003. Sales can fluctuate from quarter to quarter and year to year depending on customer requirements and funding.

-- Depreciation of rental equipment decreased 16% to $3.1 million. Within depreciation expense, Mobile Modular's depreciation expense increased 6% to $1.8 million and RenTelco's depreciation expense decreased 35% to $1.3 million, resulting primarily from the write-down of electronics equipment occurring in the first and second quarters 2002.

-- Operating cash flow decreased 42% to $5.2 million, directly attributable to lower revenues during the quarter. Debt increased $2.7 million to $58.2 million, increasing the Company's total liabilities to equity ratio to from 1.25 to 1 at December 31, 2002 to 1.34 to 1 as of June 30, 2003. At June 30, 2003, the Company, under existing bank lines of credit, has capacity to borrow up to an additional $90.8 million.

-- Dividend rate increased to $0.20 per share for the second quarter 2003. On an annualized basis, this dividend represented a 2.9% yield on the July 30, 2003 close price of $27.13.

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

About McGrath RentCorp

Founded in 1979, the Company, under the trade name Mobile Modular Management Corporation, rents and sells modular buildings to fulfill customer's temporary and permanent space needs in California and Texas. Mobile Modular believes it is the largest provider of relocatable classrooms for rental to school districts for grades K-12 in California. McGrath RentCorp's majority owned subsidiary, Enviroplex, Inc., manufactures and sells classrooms directly to school districts in California. The Company's RenTelco division rents and sells electronic test equipment and is recognized as the leader in communications and fiber-optic test equipment rentals throughout the U.S.

CONFERENCE CALL NOTE: As previously announced in its press release of July 1, 2003, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on July 31, 2003 to discuss the second quarter 2003 results. To participate in the teleconference, dial 1-800-240-2430 (international callers dial 1-303-262-2075). In addition, a live Web cast and replay of the call may be found in the investor relations section of the Company's website at www.mgrc.com. Telephone replay of the call will be available for 48 hours following the call by dialing 1-800-405-2236 (in the U.S.) or 1-303-590-3000 (outside the U.S.). The pass code for the call replay is 542168#.

NON-GAAP FINANCIAL MEASURES: This press release includes financial measures for earnings per share and net income that have not been calculated in accordance with generally accepted accounting principles (GAAP). These differ from GAAP in that they exclude impairment and merger expenses from the second quarter of 2002 a noncash impairment charge of $12.2 million, which was taken by the Company's RenTelco segment and primarily affected the carrying value of its communications rental equipment, and expenses related to the terminated merger with Tyco International. McGrath RentCorp provides these measurements because they provide a consistent basis for comparison between quarters without the effect of one-time events. The losses per share and net losses contained in the attached unaudited financial statement are presented and have been calculated in accordance with GAAP.

This press release contains statements, which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places. Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. These include our statements regarding guidance on per share earnings for 2003, the expectation of increased demand for modular classrooms, the expectation of increased recurring rental revenue streams from increased deployment of modular rental equipment, and the annualized dividend yield. These forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. Actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, the condition of the telecommunications industry, new or modified statutory or regulatory requirements, continuing demand for modular products, timely delivery and installation of modular products, delays of future sales projects into 2004 and changing prices and market conditions. There may be other factors not listed above that could cause actual results to vary materially from the forward-looking statements described in this press release.

MCGRATH RENTCORP

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| **REVENUES** | | | | |
| Rental | $ 18,219 | $ 20,658 | $ 36,660 | $ 41,950 |
| Rental Related Services | 3,657 | 4,319 | 7,204 | 8,290 |
| Rental Operations | 21,876 | 24,977 | 43,864 | 50,240 |
| Sales | 9,500 | 11,164 | 14,777 | 17,309 |
| Other | 208 | 335 | 404 | 691 |
| Total Revenues | 31,584 | 36,476 | 59,045 | 68,240 |
| **COSTS AND EXPENSES** | | | | |
| Direct Costs of Rental Operations | | | | |
| Depreciation of Rental Equipment | 3,127 | 3,737 | 6,242 | 9,105 |
| Rental Related Services | 2,212 | 2,320 | 4,373 | 4,551 |
| Impairment of Rental Equipment | -- | 12,196 | -- | 24,083 |
| Other | 4,808 | 5,013 | 9,221 | 9,941 |
| Total Direct Costs of Rental Operations | 10,147 | 23,266 | 19,836 | 47,680 |
| Costs of Sales | 6,862 | 7,939 | 10,546 | 12,210 |
| Total Costs | 17,009 | 31,205 | 30,382 | 59,890 |
| Gross Margin | 14,575 | 5,271 | 28,663 | 8,350 |
| Selling and Administrative | 5,910 | 6,040 | 11,250 | 12,019 |
| Income (Loss) from Operations | 8,665 | (769) | 17,413 | (3,669) |
| Interest | 748 | 1,077 | 1,438 | 2,224 |
| Income (Loss) Before Provision for Income Taxes | 7,917 | (1,846) | 15,975 | (5,893) |
| Provision (Benefit) for Income Taxes | 3,159 | (734) | 6,374 | (2,345) |
| Income (Loss) Before Minority Interest | 4,758 | (1,112) | 9,601 | (3,548) |
| Minority Interest in Income (Loss) of Subsidiary | 40 | 93 | (6) | 23 |
| Net Income (Loss) | $ 4,718 | $ (1,205) | $ 9,607 | $ (3,571) |

| | | | | |
|---|---|---|---|---|
| Earnings (Loss) Per Share: | | | | |
| Basic | $ 0.39 | $ (0.10) | $ 0.79 | $ (0.29) |
| Diluted | $ 0.39 | $ (0.10) | $ 0.78 | $ (0.29) |
| | | | | |
| Shares Used in Per Share Calculation: | | | | |
| Basic | 12,039 | 12,475 | 12,150 | 12,451 |
| Diluted | 12,169 | 12,475 | 12,261 | 12,451 |

| BALANCE SHEET DATA | June 30, 2003 | Dec. 31, 2002 |
|---|---|---|
| Rental Equipment, net | $224,667 | $221,899 |
| Total Assets | 312,859 | 313,134 |
| Notes Payable | 58,173 | 55,523 |
| Shareholders' Equity | 133,967 | 139,019 |

| SEGMENT DATA (UNAUDITED) | Modulars | Elec-tronics | Enviro-plex | Corporate (1) | Consoli-dated |
|---|---|---|---|---|---|
| Three Months Ended June 30, | | | | | |
| 2003 | | | | | |
| Rental Revenues | $ 15,207 | $ 3,012 | $ -- | $ -- | $ 18,219 |
| Rental Related Services Revenues | 3,526 | 131 | -- | -- | 3,657 |
| Sales and Other Revenues | 4,754 | 1,657 | 3,297 | -- | 9,708 |
| Total Revenues | 23,487 | 4,800 | 3,297 | -- | 31,584 |
| Depreciation of Rental Equipment | 1,782 | 1,345 | -- | -- | 3,127 |
| Impairment of Rental Equipment | -- | -- | -- | -- | -- |
| Interest Expense (Income) Allocation | 693 | 96 | (41) | -- | 748 |
| Income (Loss) before Provision for Income Taxes | 7,162 | 421 | 334 | -- | 7,917 |
| Rental Equipment Acquisitions | 7,880 | 1,426 | -- | -- | 9,306 |
| Accounts Receivable, net (period end) | 21,316 | 3,164 | 5,065 | -- | 29,545 |
| Rental Equipment, at cost (period end) | 293,731 | 37,026 | -- | -- | 330,757 |
| Rental Equipment, net book value (period end) | 206,093 | 18,574 | -- | -- | 224,667 |
| Utilization (period end)(2) | 83.6% | 45.1% | | | |
| Average Utilization(2) | 82.8% | 45.4% | | | |
| 2002 | | | | | |
| Rental Revenues | $ 16,620 | $ 4,038 | $ -- | $ -- | $ 20,658 |
| Rental Related Services Revenues | 4,188 | 131 | -- | -- | 4,319 |
| Sales and Other Revenues | 4,888 | 2,668 | 3,943 | -- | 11,499 |
| Total Revenues | 25,696 | 6,837 | 3,943 | -- | 36,476 |
| Depreciation of Rental Equipment | 1,681 | 2,056 | -- | -- | 3,737 |
| Impairment of Rental Equipment | -- | 12,196 | -- | -- | 12,196 |
| Interest Expense (Income) Allocation | 927 | 200 | (50) | -- | 1,077 |
| Income (Loss) before Provision for Income Taxes | 9,556 | (11,981) | 752 | (173) | (1,846) |
| Rental Equipment Acquisitions | 4,723 | 822 | -- | -- | 5,545 |
| Accounts Receivable, net (period end) | 23,873 | 4,960 | 4,304 | -- | 33,137 |
| Rental Equipment, at cost (period end) | 287,032 | 44,504 | -- | -- | 331,536 |
| Rental Equipment, net book value | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Rental Equipment, net book value (period end) | 202,490 | 25,709 | -- | -- | 228,199 |
| Utilization (period end)(2) | 85.9% | 41.9% | | | |
| Average Utilization(2) | 85.8% | 37.4% | | | |

| SEGMENT DATA (UNAUDITED) | Modulars | Electronics | Enviroplex | Corporate (1) | Consolidated |
|---|---|---|---|---|---|
| **Six Months Ended June 30,** | | | | | |
| **2003** | | | | | |
| Rental Revenues | $ 30,910 | $ 5,750 | $ -- | $ -- | $ 36,660 |
| Rental Related Services Revenues | 6,953 | 251 | -- | -- | 7,204 |
| Sales and Other Revenues | 7,336 | 3,720 | 4,125 | -- | 15,181 |
| Total Revenues | 45,199 | 9,721 | 4,125 | -- | 59,045 |
| Depreciation of Rental Equipment | 3,522 | 2,720 | -- | -- | 6,242 |
| Impairment of Rental Equipment | -- | -- | -- | -- | -- |
| Interest Expense (Income) Allocation | 1,345 | 192 | (99) | -- | 1,438 |
| Income (Loss) before Provision for Income Taxes | 15,002 | 1,021 | (48) | -- | 15,975 |
| Rental Equipment Acquisitions | 10,777 | 2,183 | -- | -- | 12,960 |
| Accounts Receivable, net (period end) | 21,316 | 3,164 | 5,065 | -- | 29,545 |
| Rental Equipment, at cost (period end) | 293,731 | 37,026 | -- | -- | 330,757 |
| Rental Equipment, net book value (period end) | 206,093 | 18,574 | -- | -- | 224,667 |
| Utilization (period end)(2) | 83.6% | 45.1% | | | |
| Average Utilization(2) | 83.3% | 44.1% | | | |
| **2002** | | | | | |
| Rental Revenues | $ 32,947 | $ 9,003 | $ -- | $ -- | $ 41,950 |
| Rental Related Services Revenues | 8,005 | 285 | -- | -- | 8,290 |
| Sales and Other Revenues | 8,330 | 5,367 | 4,303 | -- | 18,000 |
| Total Revenues | 49,282 | 14,655 | 4,303 | -- | 68,240 |
| Depreciation of Rental Equipment | 3,436 | 5,669 | -- | -- | 9,105 |
| Impairment of Rental Equipment | -- | 24,083 | -- | -- | 24,083 |
| Interest Expense (Income) Allocation | 1,839 | 493 | (108) | -- | 2,224 |
| Income (Loss) before Provision for Income Taxes | 18,406 | (23,894) | 187 | (592) | (5,893) |
| Rental Equipment Acquisitions | 11,246 | 1,326 | -- | -- | 12,572 |
| Accounts Receivable, net (period end) | 23,873 | 4,960 | 4,304 | -- | 33,137 |
| Rental Equipment, at cost (period end) | 287,032 | 44,504 | -- | -- | 331,536 |
| Rental Equipment, net book value (period end) | 202,490 | 25,709 | -- | -- | 228,199 |
| Utilization (period end)(2) | 85.9% | 41.9% | | | |
| Average Utilization(2) | 85.9% | 35.6% | | | |

(1) Corporate includes the impact of nonrecurring items related to the terminated merger with Tyco International of $173,000 and $592,000 for the three and six months ended June 30, 2002, which are not allocated to a specific segment.

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

CONTACT: McGrath RentCorp
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