

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): May 5, 2004

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

California  
(State or other jurisdiction of incorporation)

0-13292  
(Commission File Number)

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

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

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

Item 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(c) Exhibits.

Exhibit No.	Description
99.1	Press Release of McGrath RentCorp, dated May 5, 2004.

On May 5, 2004, McGrath RentCorp (the "Company") announced via press release the Company's results for its first quarter ended March 31, 2004. A copy of the Company's press release is attached hereto as Exhibit 99.1. This Form 8-K and the attached exhibit are provided under Item 12 of Form 8-K and are furnished to, but not filed with, the Securities and Exchange Commission.

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: May 5, 2004

By: /s/ Thomas J. Sauer

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Thomas J. Sauer  
Vice President and Chief Financial  
Officer

McGrath RentCorp Announces First Quarter Results; Q1 2004 EPS of \$0.47; Company Launches Modular Rental Business in Florida

LIVERMORE, Calif.--(BUSINESS WIRE)--May 5, 2004--McGrath RentCorp (Nasdaq:MGRC), a leading rental provider of modular buildings for classroom and office space, and test equipment for communications, fiber optic and general purpose needs, today announced revenues for the quarter ended March 31, 2004 of \$29.9 million, compared to \$27.5 million in first quarter 2003. The Company reported net income of \$5.7 million, or \$0.47 per share, compared to \$4.9 million, or \$0.40 per share in first quarter 2003.

The Company's Mobile Modular division's rental operations revenues increased 11% as a result of continued strength in the educational market resulting in an 8% increase of pre-tax income to \$8.4 million. For Enviroplex, the Company's classroom manufacturer, sales increased to \$1.3 million with quarter-end backlog declining to \$6.7 million from \$12.2 million a year ago due to several large projects booked in the prior year quarterly period. For RenTelco, the Company's communications test equipment rental division, rental revenues increased 18% to \$3.2 million from a year ago and contributed \$1.1 million in pre-tax earnings, of which approximately \$0.8 million derived from selling underutilized equipment.

Separately, on May 3, 2004 the Company announced that it has agreed to acquire substantially all the assets of Technology Rentals & Services (TRS), a division of CIT Group Inc (NYSE:CIT). The transaction is for approximately \$116 million in cash and is expected to close by May 31, 2004. The Company intends to finance the transaction from a revolving line of credit facility with its banks and a fixed-rate Senior Note.

"While we are moving forward with new growth initiatives for the Company, each of our core rental business has again demonstrated solid results," stated Dennis Kakures, President and CEO. "Our quarter-over-quarter rental revenue increases of 7% for our modular business and 18% for our improving test equipment business speaks greatly to the strength of each business model. With the TRS acquisition, our test equipment business will increase significantly in size and rental revenues overnight. We are very focused on a smooth integration of TRS and RenTelco and know how critical this effort is to our success going forward. We are driven by the opportunity to create the premier test equipment rental business in North America as measured by rental revenues, breadth of inventory offered, technology application expertise, and customer following.

"In support of our strategic planning focus of creating more opportunities to grow our core rental businesses, in the first quarter we launched modular operations in the state of Florida. In April, we were successful in securing our first classroom rental order for 35 buildings. We believe there are many similar dynamics between the Florida and California school markets. While our Florida initiative leverages our educational rental expertise, it will take time to develop into meaningful earnings. However, the enduring engine provided by these new educational rentals will serve us well in the years ahead. There is a great deal of excitement within the Company surrounding the TRS acquisition, Florida initiative, and our prospects for growth.

"We are also very pleased to announce that Tom Sauer will be continuing on as Chief Financial Officer to serve our growing business. We will look to fill the senior financial planning and analysis role that Tom was targeted to fill from outside the Company."

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

- Rental revenues increased 9% to \$20.0 million. Within rental revenues, Mobile Modular increased 7% to \$16.8 million, and RenTelco increased 18% to \$3.2 million.
- Sales revenues decreased 4% to \$5.1 million resulting from decreased equipment sales by Mobile Modular. Overall gross margin on sales increased to 38.0% in 2004 from 30.2% in 2003. Sales revenues can fluctuate from quarter to quarter and year to year depending on customer requirements and funding.
- Depreciation of rental equipment increased 5% to \$3.3 million driven primarily by Mobile Modular's additions to its rental fleet during the prior year.
- Operating cash flow declined 41% to \$7.8 million, primarily due to the slower collection of certain accounts receivable of MMMC and Enviroplex in 2004. Debt decreased \$3.3 million during the quarter to \$43.9 million, with the Company's total

liabilities to equity ratio decreasing from 1.25 to 1 at December 31, 2003 to 1.19 to 1 as of March 31, 2004. At March 31, 2004, the Company, under existing bank lines of credit, had capacity to borrow up to an additional \$97.1 million.

- Dividend rate increased to \$0.22 per share for the first quarter 2004. On an annualized basis, this dividend represents a 2.8% yield on the May 4, 2004 close price of \$31.66.

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](http://www.mgrc.com) to access information on McGrath RentCorp, including the latest filings on Form 10-K and Form 10-Q.

#### FINANCIAL GUIDANCE

The Company currently expects its 2004 full-year earnings per share to be in a range of \$2.00 to \$2.10 per diluted share. This guidance excludes any potential accretive impact in 2004 of the TRS acquisition noted above. Such a forward-looking statement reflects McGrath RentCorp's expectations as of May 5, 2004. Results may be materially affected by many factors, as outlined in the "forward-looking statements" paragraph at the end of this press release.

#### CORPORATE GOVERNANCE

Management and the Company's board of directors have recently updated its corporate governance practices, which can be accessed in the investor relations section of the Company's web site at [www.mgrc.com](http://www.mgrc.com).

#### About McGrath RentCorp

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

The Company's 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 April 21, 2004, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on May 5, 2004 to discuss the first quarter 2004 results. To participate in the teleconference, dial 1-800-240-6709 (international callers dial 1-303-262-2211). In addition, a live webcast and replay of the call may be found in the investor relations section of the Company's website at [www.mgrc.com](http://www.mgrc.com). Telephone replay of the call will be available for 48 hours following the call by dialing 1-800-405-2236 (in the U.S.) or 1-303-590-3300 (outside the U.S.). The pass code for the call replay is 577670#.

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 the expectation that the TRS transaction will close by May 31, 2004, our expectation regarding new growth initiatives for the Company, our expectation for a smooth integration of the TRS acquisition with our RenTelco business, our expectation of creating the premier test equipment rental business in North America, the belief that there are many similar dynamics in the California and Florida school markets, that the Florida new educational rentals will create an enduring economic engine that will serve us well in the future, our general expectations for growth for the Company, our annualized dividend yield, and our guidance on per share earnings range for 2004. These forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. Actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of

management's strategies and decisions, general economic and business conditions, the condition of the telecommunications industry, new or modified statutory or regulatory requirements, continuing demand for modular products, timely delivery and installation of modular products, delays of future sales projects, changing prices and market conditions, that we may not successfully consummate the TRS acquisition, the acquired TRS assets may not be integrated successfully and that the TRS transaction may have a negative impact on our future business or operations, that there may be unanticipated costs of integrating the acquired assets, that our Florida initiatives may not be successful or provide meaningful revenue or earnings, and that we may have difficulties in managing a larger, more geographically dispersed organization. There may be other factors not listed above that could cause actual results to vary materially from the forward-looking statements described in this press release.

MCGRATH RENTCORP

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

	Three Months Ended March 31	
	2004	2003
<b>REVENUES</b>		
Rental	\$ 20,023	\$ 18,441
Rental Related Services	4,544	3,547
Rental Operations	24,567	21,988
Sales	5,083	5,277
Other	229	196
<b>Total Revenues</b>	<b>29,879</b>	<b>27,461</b>
<b>COSTS AND EXPENSES</b>		
Direct Costs of Rental Operations		
Depreciation of Rental Equipment	3,261	3,115
Rental Related Services	2,675	2,161
Other	4,644	4,413
<b>Total Direct Costs of Rental Operations</b>	<b>10,580</b>	<b>9,689</b>
Costs of Sales	3,151	3,684
<b>Total Costs</b>	<b>13,731</b>	<b>13,373</b>
<b>Gross Margin</b>	<b>16,148</b>	<b>14,088</b>
Selling and Administrative	6,057	5,340
<b>Income from Operations</b>	<b>10,091</b>	<b>8,748</b>
Interest	540	690
<b>Income Before Provision for Income Taxes</b>	<b>9,551</b>	<b>8,058</b>
Provision for Income Taxes	3,811	3,215
<b>Income Before Minority Interest</b>	<b>5,740</b>	<b>4,843</b>
Minority Interest in Income (Loss) of Subsidiary	2	(46)
<b>Net Income</b>	<b>\$ 5,738</b>	<b>\$ 4,889</b>
<b>Earnings Per Share:</b>		
Basic	\$ 0.47	\$ 0.40
Diluted	\$ 0.47	\$ 0.40
<b>Shares Used in Per Share Calculation:</b>		
Basic	12,126	12,261
Diluted	12,303	12,350

	March 31, 2004	December 31, 2003
<b>BALANCE SHEET DATA</b>		
Rental Equipment, net	\$232,894	\$232,046
Total Assets	322,641	323,858
Notes Payable	43,932	47,266
Shareholders' Equity	147,391	143,978

## SEGMENT DATA

(in thousands)	Modulars	Electronics	Enviroplex	Consolidated
Three Months Ended March 31,				
2004				
Rental Revenues	\$ 16,797	\$ 3,226	\$ --	\$ 20,023
Rental Related Services Revenues	4,420	124	--	4,544
Sales and Other Revenues	1,904	2,114	1,294	5,312
Total Revenues	23,121	5,464	1,294	29,879
Depreciation of Rental Equipment	2,006	1,255	--	3,261
Interest Expense (Income) Allocation	519	63	(42)	540
Income before Provision for Income Taxes	8,431	1,105	15	9,551
Rental Equipment Acquisitions	4,350	1,292	--	5,642
Accounts Receivable, net (period end)	22,433	3,887	2,985	29,305
Rental Equipment, at cost (period end)	308,075	33,484	--	341,559
Rental Equipment, net book value (period end)	217,386	15,508	--	232,894
Utilization (period end) (1)	84.2%	47.3%		
Average Utilization (1)	84.3%	46.3%		
2003				
Rental Revenues	\$ 15,703	\$ 2,738	\$ --	\$ 18,441
Rental Related Services Revenues	3,427	120	--	3,547
Sales and Other Revenues	2,582	2,063	828	5,473
Total Revenues	21,712	4,921	828	27,461
Depreciation of Rental Equipment	1,740	1,375	--	3,115
Interest Expense (Income) Allocation	652	96	(58)	690
Income before Provision for Income Taxes	7,840	600	(382)	8,058
Rental Equipment Acquisitions	2,897	757	--	3,654
Accounts Receivable, net (period end)	21,535	3,475	2,010	27,020
Rental Equipment, at cost (period end)	287,147	37,801	--	324,948
Rental Equipment, net book value (period end)	200,766	19,393	--	220,159
Utilization (period end) (1)	82.9%	44.2%		
Average Utilization (1)	83.8%	42.8%		

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

CONTACT: McGrath RentCorp  
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