UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITY AND EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITY AND EXCHANGE ACT OF 1934**

Commission file number 000-13292

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 94551-7800
(Address of principal executive offices)

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

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 (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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 24, 2024, 24,550,058 shares of Registrant's Common Stock were outstanding.

FORWARD LOOKING STATEMENTS

Statements contained in this Quarterly Report on Form 10-Q (this "Form 10-Q") which are not historical facts are 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 (the "Company's") expectations, strategies, prospects or targets are forward looking statements, including statements about (1) our expectations around the effect of the proposed acquisition of us by WillScot Mobile Mini, and (2) our belief that we will continue to be able to negotiate general bank lines of credit and issue senior notes adequate to meet capital requirements not otherwise met by operational cash flows and proceeds from sales of rental equipment. 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.

Management cautions that forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected in such forward-looking statements. Further, our future business, financial condition and results of operations could differ materially from those anticipated by such forward-looking statements and are subject to risks and uncertainties as set forth under "Risk Factors" in this Form 10-Q. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements.

Forward-looking statements are made only as of the date of this Form 10-Q and are based on management's reasonable assumptions, however these assumptions can be wrong or affected by known or unknown risks and uncertainties. No forward-looking statement can be guaranteed and subsequent facts or circumstances may contradict, obviate, undermine or otherwise fail to support or substantiate such statements. Readers should not place undue reliance on these forward-looking statements and are cautioned that any such forward-looking statements are not guarantees of future performance. Except as otherwise required by law, we are under no duty to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results or to changes in our expectations.

Part I - Financial Information

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
McGrath RentCorp

Results of review of interim financial statements

We have reviewed the accompanying condensed consolidated balance sheet of McGrath RentCorp (a California Corporation) and subsidiaries (the "Company") as of June 30, 2024, and the related condensed consolidated statements of income, comprehensive income, and shareholders' equity, for the three-month and six-month periods ended June 30, 2024 and 2023, cash flows for the six month periods ended June 30, 2024 and 2023, and the related notes (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet of the Company as of December 31, 2023, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 21, 2024, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for review results

These interim financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ GRANT THORNTON LLP

San Francisco, California
July 25, 2024

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Revenues				
Rental	$ 121,176	$ 117,840	$ 241,508	$ 228,087
Rental related services	34,358	33,857	63,938	60,989
Rental operations	155,534	151,697	305,446	289,076
Sales	54,414	47,801	89,483	71,461
Other	2,663	3,532	5,509	6,211
Total revenues	212,611	203,030	400,438	366,748
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	22,165	22,597	44,531	44,430
Rental related services	24,990	23,825	45,776	43,093
Other	27,920	30,560	56,930	61,695
Total direct costs of rental operations	75,075	76,982	147,237	149,218
Costs of sales	34,121	31,438	56,518	45,553
Total costs of revenues	109,196	108,420	203,755	194,771
Gross profit	103,415	94,610	196,683	171,977
Expenses:				
Selling and administrative expenses	61,370	47,026	121,188	104,524
Other income, net	—	—	(9,281)	—
Income from operations	42,045	47,584	84,776	67,453
Interest expense	13,037	9,945	25,741	17,409
Foreign currency exchange loss (gain)	31	18	163	(208)
Income from continuing operations before provision for income taxes	28,977	37,621	58,872	50,252
Provision for income taxes from continuing operations	8,359	9,669	15,406	10,782
Income from continuing operations	20,618	27,952	43,466	39,470
Discontinued operations:				
Income from discontinued operations before provision for income taxes	—	—	—	1,709
Provision for income taxes from discontinued operations	—	—	—	453
Gain on sale of discontinued operations, net of tax	—	2,630	—	61,513
Income from discontinued operations	—	2,630	—	62,769
Net income	$ 20,618	$ 30,582	$ 43,466	$ 102,239
Earnings per share from continuing operations:				
Basic	$ 0.84	$ 1.14	$ 1.77	$ 1.61
Diluted	$ 0.84	$ 1.14	$ 1.77	$ 1.61
Earnings per share from discontinued operations:				
Basic	$ —	$ 0.11	$ —	$ 2.57
Diluted	$ —	$ 0.11	$ —	$ 2.56
Earnings per share:				
Basic	$ 0.84	$ 1.25	$ 1.77	$ 4.18
Diluted	$ 0.84	$ 1.25	$ 1.77	$ 4.17
Shares used in per share calculation:				
Basic	24,549	24,479	24,531	24,448
Diluted	24,560	24,512	24,562	24,527
Cash dividends declared per share	$ 0.475	$ 0.465	$ 0.950	$ 0.930

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2024	2023	2024	2023
Net income	$ 20,618	$ 30,582	$ 43,466	$ 102,239
Other comprehensive income:				
Foreign currency translation adjustment, net of tax impact	11	43	78	25
Comprehensive income	$ 20,629	$ 30,625	$ 43,544	$ 102,264

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	June 30, 2024	December 31, 2023
Assets		
Cash	$ 9,396	$ 877
Accounts receivable, net of allowance for credit losses of $2,866 at June 30, 2024 and $2,801 at December 31, 2023	217,379	227,368
Rental equipment, at cost:		
Relocatable modular buildings	1,398,475	1,291,093
Portable storage containers	242,107	236,123
Electronic test equipment	368,324	377,587
	2,008,906	1,904,803
Less: accumulated depreciation	(601,584)	(575,480)
Rental equipment, net	1,407,322	1,329,323
Property, plant and equipment, net	191,801	169,114
Inventories	28,213	15,425
Prepaid expenses and other assets	81,547	87,364
Intangible assets, net	59,453	64,588
Goodwill	323,224	323,224
Total assets	$ 2,318,335	$ 2,217,283
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable	$ 794,271	$ 762,975
Accounts payable	73,132	58,760
Accrued liabilities	108,928	108,763
Deferred income	134,624	111,428
Deferred income taxes, net	253,147	241,555
Total liabilities	1,364,102	1,283,481
Shareholders’ equity:		
Common stock, no par value - Authorized 40,000 shares		
Issued and outstanding - 24,550 shares as of June 30, 2024 and 24,496 shares as of December 31, 2023	111,596	111,122
Retained earnings	842,675	822,796
Accumulated other comprehensive loss	(38)	(116)
Total shareholders’ equity	954,233	933,802
Total liabilities and shareholders’ equity	$ 2,318,335	$ 2,217,283

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2023	24,496	$ 111,122	$ 822,796	$ (116)	933,802
Net income	—	—	22,848	—	22,848
Share-based compensation	—	2,209	—	—	2,209
Common stock issued under stock plans, net of shares withheld for employee taxes	45	—	—	—	—
Taxes paid related to net share settlement of stock awards	—	(4,082)	—	—	(4,082)
Dividends accrued of $0.475 per share	—	—	(11,824)	—	(11,824)
Other comprehensive income	—	—	—	67	67
Balance at March 31, 2024	24,541	$ 109,249	$ 833,820	$ (49)	$ 943,020
Net income	—	—	20,618	—	20,618
Share-based compensation	—	2,347	—	—	2,347
Common stock issued under stock plans, net of shares withheld for employee taxes	9	—	—	—	—
Dividends accrued of $0.475 per share	—	—	(11,763)	—	(11,763)
Other comprehensive income	—	—	—	11	11
Balance at June 30, 2024	24,550	$ 111,596	$ 842,675	$ (38)	$ 954,233

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

(in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2022	24,388	$ 110,080	$ 693,943	$ (78)	$ 803,945
Net income	—	—	71,657	—	71,657
Share-based compensation	—	1,493	—	—	1,493
Common stock issued under stock plans, net of shares withheld for employee taxes	78	—	—	—	—
Taxes paid related to net share settlement of stock awards	—	(6,086)	—	—	(6,086)
Dividends accrued of $0.465 per share	—	—	(11,453)	—	(11,453)
Other comprehensive loss	—	—	—	(18)	(18)
Balance at March 31, 2023	24,466	$ 105,487	$ 754,147	$ (96)	$ 859,538
Net income	—	—	30,582	—	30,582
Share-based compensation	—	1,889	—	—	1,889
Common stock issued under stock plans, net of shares withheld for employee taxes	19	—	—	—	—
Taxes paid related to net share settlement of stock awards	—	(14)	—	—	(14)
Dividends accrued of $0.465 per share	—	—	(11,469)	—	(11,469)
Other comprehensive income	—	—	—	43	43
Balance at June 30, 2023	24,485	$ 107,362	$ 773,260	$ (53)	$ 880,569

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Six Months Ended June 30, 2024	2023
Cash Flows from Operating Activities:		
Net income	$ 43,466	$ 102,239
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,131	54,958
Deferred income taxes	11,592	(39,486)
Provision for credit losses	873	1,400
Share-based compensation	4,556	3,382
Gain on sale of property, plant and equipment	(9,281)	—
Gain on sale of discontinued operations	—	(61,513)
Gain on sale of used rental equipment	(15,537)	(14,250)
Foreign currency exchange loss (gain)	163	(208)
Amortization of debt issuance costs	4	4
Change in:		
Accounts receivable	9,116	(1,116)
Inventories	(12,788)	(6,594)
Prepaid expenses and other assets	5,817	(1,910)
Accounts payable	23,155	19,209
Accrued liabilities	166	6,046
Deferred income	23,196	9,290
Net cash provided by operating activities	138,629	71,451
Cash Flows from Investing Activities:		
Proceeds from sale of discontinued operations	—	268,012
Purchases of rental equipment	(145,345)	(128,088)
Purchases of property, plant and equipment	(30,125)	(11,229)
Cash paid for acquisition of businesses	—	(456,312)
Proceeds from sales of used rental equipment	29,334	27,410
Proceeds from sales of property, plant and equipment	12,251	—
Net cash used in investing activities	(133,885)	(300,207)
Cash Flows from Financing Activities:		
Net (payments) borrowings under bank lines of credit	(43,708)	258,885
Borrowings under term note agreement	75,000	—
Taxes paid related to net share settlement of stock awards	(4,082)	(6,100)
Payment of dividends	(23,435)	(22,782)
Net cash provided by financing activities	3,775	230,003
Effect of foreign currency exchange rate changes on cash	—	1
Net increase in cash	8,519	1,248
Cash balance, beginning of period	877	957
Cash balance, end of period	$ 9,396	$ 2,205
Supplemental Disclosure of Cash Flow Information:		
Interest paid, during the period	$ 26,394	$ 16,802
Net income taxes (refunded) paid, during the period	$ (4,599)	$ 6,931
Dividends accrued during the period, not yet paid	$ 12,150	$ 11,937
Rental equipment acquisitions, not yet paid	$ 7,634	$ 7,612

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

NOTE 1. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated financial statements for the six months ended June 30, 2024 and 2023 have not been audited, but in the opinion of management, all adjustments (consisting of normal recurring accruals, consolidating and eliminating entries) necessary for the fair presentation of the consolidated financial position, results of operations and cash flows of McGrath RentCorp (the "Company") have been made. The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to those rules and regulations. The consolidated results for the three and six months ended June 30, 2024, should not be considered as necessarily indicative of the consolidated results for the entire fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K, filed with the SEC on February 21, 2024 for the year ended December 31, 2023 (the "2023 Annual Report").

Agreement and Plan of Merger with WillScot Mobile Mini Holdings Corp.

On January 28, 2024, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), with WillScot Mobile Mini Holdings Corp., a Delaware corporation ("WillScot Mobile Mini"), Brunello Merger Sub I, Inc., a California corporation and a direct wholly owned subsidiary of WillScot Mobile Mini ("Merger Sub I"), and Brunello Merger Sub II, LLC, a Delaware limited liability company and direct wholly owned subsidiary of WillScot Mobile Mini ("Merger Sub II"). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub I will merge with and into the Company (the "First-Step Merger"), with the Company surviving the First-Step Merger and, immediately thereafter, the Company will merge with and into Merger Sub II (the "Second-Step Merger" and together with the First-Step Merger, the "Transaction"), with Merger Sub II surviving the Second-Step Merger as a wholly owned subsidiary of WillScot Mobile Mini. Each of the parties to the Merger Agreement intends that the Transaction will be treated as a single integrated transaction that qualifies as a "reorganization" within the meaning of Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended. Consummation of the Transaction is subject to the approval of the Company's shareholders, the receipt of required regulatory approvals, and satisfaction or waiver of other customary closing conditions. The First-Step Merger and the Second-Step Merger will be consummated on the same day.

On the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the First-Step Merger (the "Effective Time"), each share of common stock, no par value, of the Company (the "Company Common Stock") issued and outstanding immediately prior to the Effective Time, other than shares of Company Common Stock owned by WillScot Mobile Mini or any subsidiary of WillScot Mobile Mini or the Company, and shares held by shareholders who did not vote in favor of the Transaction (or consent thereto in writing) and who are entitled to demand and properly demands appraisal of such shares, will be automatically converted into the right to receive either (1) $123 in cash (the "Per Share Cash Consideration") or (2) 2.8211 (the "Exchange Ratio") shares of validly issued, fully paid and nonassessable shares of common stock, par value $0.0001, of WillScot Mobile Mini (the "WillScot Mobile Mini Common Stock") (the "Per Share Stock Consideration" together with the Per Share Cash Consideration, the "Merger Consideration"), as determined pursuant to the election and allocation procedures in the Merger Agreement. The Company's shareholders will have the opportunity to elect to receive either the Per Share Cash Consideration or the Per Share Stock Consideration in respect of their Company Common Stock, provided that 60% of the Company Common Stock will be converted into the cash consideration and 40% of the Company Common Stock will be converted into the stock consideration. Pursuant to the terms of the Merger Agreement, the closing of the Merger Agreement is subject to the satisfaction of customary closing conditions, including adoption of the Merger Agreement by the Company's shareholders, which was approved by the Company's shareholders on July 11, 2024, and receipt of regulatory approvals. The closing of the Transaction is not subject to any financing condition.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes—Improvements to Income* Tax Disclosures (Topic 740), which will require Companies to disclose annually the specific categories in income tax rate reconciliations, provide additional information for reconciling items which meet a quantitative threshold, and disaggregate domestic and foreign income or loss from continuing operations. Additionally, this ASU will also require the disclosure of income tax expense or benefit from continuing operations disaggregated by federal, state and foreign. This ASU is effective for fiscal years beginning after December 15, 2024, and applied on a prospective basis. The Company is in the process of evaluating the financial statement impact of this ASU.

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting—Improvements to Reportable Segment Disclosures* (Topic 280), which will require public companies to provide more transparency in both quarterly and

annual reports about the expenses they incur from revenue generating reportable business segments. In addition, the ASU requires that a public entity disclose significant segment expenses that are regularly provided to the chief operating decision maker, an amount for other segment items by reportable business segment, including a description of its composition, and the primary measures of a business segment's profit or loss in assessing segment performance. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is in the process of evaluating the financial statement impact of this ASU.

NOTE 3. IMPLEMENTED ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2024, the Company adopted the Accounting Standards Update ("ASU") 2023-01, *Leases* (Topic 842): Common Control Arrangements, which requires a lessee involved in a common control lease agreement to amortize leasehold improvements over the useful life of the improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset. If the lessor obtains the right to control the use of the underlying asset through a lease with another entity not within the same control group, the amortization period cannot exceed the period of the common control group. Furthermore, the ASU requires the accounting for a transfer between entities under common control through an adjustment to equity when the lessee no longer controls the use of the underlying asset. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

NOTE 4. ACQUISITIONS

On February 1, 2023, the Company completed the acquisition of Vesta Housing Solutions Holdings, Inc. (“Vesta Modular”), a portfolio company of Kinderhook Industries, for $437.2 million cash consideration on the closing date, which included certain adjustments, including net working capital and certain qualified capital expenditures. In connection with the acquisition, the Company purchased a representation and warranty insurance policy to provide certain recourse in the event of breaches of representations and warranties of Vesta Modular and the seller of Vesta Modular under the stock purchase agreement. Vesta Modular was a leading provider of temporary and permanent modular space solutions serving customers between its modular leasing and modular construction divisions. The acquisition was accounted for as a purchase of a “business” in accordance with criteria in Accounting Standards Codification ("ASC") 805, *Business Combinations*, using the purchase method of accounting. Under the purchase method of accounting, the total purchase price is assigned to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values on the closing date. The excess of the purchase price over those fair values is recorded as goodwill. The financial results of Vesta Modular were a part of the Mobile Modular segment since February 1, 2023, including $7.7 million of acquisition related transaction costs.

On March 1, 2023, the Company completed the acquisition of Jerald R. Brekke, Inc., DBA Brekke Storage ("Brekke Storage"), for a total purchase price of $16.4 million. Brekke Storage was a regional provider of portable storage solutions in the Colorado market. The acquisition expanded the Portable Storage fleet by approximately 2,700 units and provided a new regional operation to serve the Colorado market. The acquisition was accounted for as a purchase of a “business” in accordance with criteria in ASC 805 using the purchase method of accounting. The financial results of Brekke Storage were a part of the Portable Storage segment since March 1, 2023, including $0.2 million of transaction costs.

On April 1, 2023, the Company completed the acquisition of Dixie Temporary Storage, LLC ("Dixie Storage"), for a purchase price of $4.9 million. Dixie Storage was a regional provider of portable storage solutions in the South Carolina market and is highly complementary to the Company's Portable Storage business segment. The acquisition was accounted for as a purchase of a “business” in accordance with criteria in ASC 805 using the purchase method of accounting. The financial results of Dixie Storage were a part of the Portable Storage segment since April 1, 2023, including $0.1 million of transaction costs.

On July 1, 2023, the Company completed the purchase of assets of Inland Leasing and Storage, LLC ("Inland Leasing"), for a purchase price of $3.8 million. Inland Leasing was a regional provider of portable storage solutions in the Colorado market and is highly complementary to the Company's Portable Storage business segment. The acquisition was accounted for as a purchase of "assets" in accordance with criteria in ASC 805 and the assessment of the fair value of the purchased assets was allocated primarily to rental equipment totaling $3.0 million and intangible assets totaling $0.7 million. Supplemental pro forma information has not been provided as the historical financial results of Inland Leasing were not significant. Incremental transaction costs associated with the asset purchase were not significant.

The following tables summarize the purchase price allocations reflecting estimated fair values of assets acquired and liabilities assumed in the Vesta Modular, Brekke Storage and Dixie Storage business acquisitions, with excess amounts allocated to goodwill. The estimated fair values of the assets acquired and liabilities assumed at the acquisition date are determined based on preliminary valuations and analyses. Accordingly, the Company has made provisional estimates for the assets acquired and liabilities assumed. The valuation of intangible assets acquired is based on certain valuation assumptions including cash flow projections, discount rates, contributory asset

charges and other valuation model inputs. The valuation of tangible long-lived assets acquired is dependent upon various analyses including an analysis of the condition and estimated remaining economic lives of the assets acquired.

Vesta Modular:

(dollar amounts in thousands)		
Rental equipment	$	212,639
Intangible assets:		
Goodwill		211,178
Customer relationships		29,900
Non-compete		7,100
Trade name		800
Cash		11
Accounts receivable		22,666
Property, plant and equipment		1,437
Prepaid expenses and other assets		3,550
Accounts payable and accrued liabilities		(26,202)
Deferred income		(14,273)
Deferred income taxes		(11,596)
Total purchase price	$	437,210

Brekke Storage:

(dollar amounts in thousands)		
Rental equipment	$	10,798
Intangible assets:		
Goodwill		4,083
Customer relationships		949
Non-compete		59
Property, plant and equipment		875
Deferred income		(382)
Total purchase price	$	16,382

Dixie Storage:

(dollar amounts in thousands)		
Rental equipment	$	2,758
Intangible assets:		
Goodwill		1,555
Customer relationships		259
Non-compete		22
Property, plant and equipment		318
Deferred income		(161)
Total purchase price	$	4,751

The value assigned to identifiable intangible assets was determined based on discounted estimated future cash flows associated with such assets to their present value. The combined acquired goodwill of $216.8 million reflects the strategic fit of Vesta Modular, Brekke Storage and Dixie Storage with the Company's modular and portable storage business operations. The Company amortizes the acquired customer relationships over their expected useful lives of 11 years for Vesta Modular, 8 years for Brekke Storage and 9 years for Dixie Storage. The expected useful life for the non-compete agreements is 5 years. The trade name intangible acquired from the Vesta Modular acquisition will be amortized over its useful life of nine months. Goodwill is expected to have an indefinite life and will be subject to future impairment testing. The goodwill is deductible for tax purposes over 15 years.

The following table reports the actual results of the Company for the six months ended June 30, 2024, and the unaudited pro forma financial information for the six months ended June 30, 2023. The pro forma financial information shows the combined results of continuing operations of the Company and Vesta Modular as if the acquisition occurred as of the beginning of the period presented. The pro forma results include the effects of the amortization of the purchased intangible assets and depreciation expense of acquired rental equipment valuation step up, interest expense on the debt incurred to finance the acquisitions. A pro forma adjustment has been made to reflect the income taxes that would have been recorded at the combined federal and state statutory rate of 26.5% on the acquisitions' combined net income. The pro forma results for the six months ended June 30, 2023, have been adjusted to include

transaction related costs. This pro forma data is presented for informational purposes only and does not purport to be indicative of the results of the future operations or the results that would have occurred had the acquisitions taken place in the periods noted below:

	(Unaudited) Six months ended June 30,	
(dollar amounts in thousands, except for per share amounts)	**2024 (Actual)**	**2023 (Pro Forma)**
Pro-forma total revenues	$ 400,438	$ 374,391
Pro-forma net income	$ 43,466	$ 39,174
Pro-forma basic earnings per share	$ 1.77	$ 1.60
Pro-forma diluted earnings per share	$ 1.77	$ 1.60
Vesta Modular		
Actual total revenues		$ 47,257
Actual net income		$ 9,016
Actual basic earnings per share		$ 0.37
Actual diluted earnings per share		$ 0.37

NOTE 5. DISCONTINUED OPERATIONS

On February 1, 2023, the Company completed the sale of Adler Tank Rentals, LLC to Ironclad Environmental Solutions, Inc. ("Ironclad"), a portfolio company of Kinderhook Industries, for a sale price of $268.0 million. The total transaction costs incurred from the divestiture were $8.8 million, with $6.7 million and $2.1 million incurred during the years ended December 31, 2023 and 2022, respectively. The divestiture of the Company's Adler Tanks business represents the Company's strategic shift to concentrate its operations on its core modular and storage businesses. The sale price was subject to certain adjustments, including net working capital, certain qualified capital expenditures and certain transaction expenses to be borne by the Company. In connection with the sale, the Company entered into a number of ancillary agreements, including an escrow agreement associated with net working capital adjustments, a restricted covenant agreement, a transition services agreement, and a number of leases whereby Ironclad or one of its affiliates would be a lessee to certain properties owned by the Company that the Adler Tanks business would continue to utilize after the sale. These ancillary agreements do not provide for continued involvement by the Company in Adler Tanks. In accordance with ASC 205-20, Presentation of Financial Statements - *Discontinued Operations* and ASC 360, *Property, Plant and Equipment,* the Company determined that the criteria for the presentation of discontinued operations and held-for-sale, respectively, were met during the first quarter of 2023.

The following table presents the results of Adler Tanks as reported in income from discontinued operations within the condensed consolidated statements of income for the six months ended June 30, 2023:

(dollar amounts in thousands)	Six Months Ended June 30, 2023
Revenues	
Rental	$ 6,520
Rental related services	2,584
Rental operations	9,104
Sales	269
Other	65
Total revenues	9,438
Costs and Expenses	
Direct costs of rental operations:	
Depreciation of rental equipment	1,325
Rental related services	2,020
Other	1,270
Total direct costs of rental operations	4,614
Costs of sales	159
Total costs of revenues	4,773
Gross Profit	
Rental	3,926
Rental related services	564
Rental operations	4,490
Sales	110
Other	65
Total gross profit	4,665
Expenses:	
Selling and administrative expenses	2,583
Income from operations	2,082
Interest expense allocation	374
Income from discontinued operations before provision for income taxes	1,709
Provision for income taxes from discontinued operations	453
Income from discontinued operations	$ 1,256

The following table presents the carrying value of the divested business' assets and liabilities as presented within assets and liabilities of discontinued operations on the consolidated balance sheets as of December 31, 2022, which was the most recently audited period prior to divestiture:

(in thousands)	December 31, 2022
Assets	
Accounts receivable, net of allowance for credit losses of $450	$ 20,086
Rental equipment, net	137,738
Property, plant and equipment, net	6,632
Prepaid expenses and other assets	191
Intangible assets, net	5,700
Goodwill	25,902
Total assets of discontinued operations	$ 196,249
Liabilities	
Accounts payable and accrued liabilities	$ 9,621
Deferred income taxes, net	43,550
Total liabilities of discontinued operations	$ 53,171

For the six months ended June 30, 2023, significant operating and investing items related to Adler Tanks were as follows:

(in thousands)	June 30, 2023
Operating activities of discontinued operations:	
Depreciation and amortization	$ 1,457
Gain on sale of used rental equipment	(111)
Investing activities of discontinued operations:	
Proceeds from sales of used rental equipment	269
Purchases of rental equipment	(25)
Purchases of property, plant and equipment	(40)

The following table presents the reconciliation of income from discontinued operations to Adjusted EBITDA for the six months ended June 30, 2023:

(in thousands)	June 30, 2023
Income from discontinued operations	$ 1,256
Provision for income taxes from discontinued operations	453
Interest expense	374
Depreciation and amortization	1,457
EBITDA	3,540
Share-based compensation	118
Transaction costs	24
Adjusted EBITDA from discontinued operations	$ 3,682

NOTE 6. REVENUE RECOGNITION

The Company’s accounting for revenues is governed by two accounting standards. The majority of the Company’s revenues are considered lease or lease related and are accounted for in accordance with Accounting Standards Codification 842, *Leases* (Topic 842). Revenues determined to be non-lease related are accounted for in accordance with ASC 606, *Revenue from Contracts with Customers* (Topic 606). The Company accounts for revenues when approval and commitment from both parties have been obtained, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company typically recognizes non-lease related revenues at a point in time because the customer does not simultaneously consume the benefits of the Company’s promised goods and services, or performance obligations, and obtains control when delivery and installation are complete. For contracts that have multiple performance obligations, the transaction price is allocated to each performance obligation in the contract based on the Company’s best estimate of the standalone selling prices of each distinct performance obligation in the contract. The standalone selling price is typically determined based upon the expected cost plus an estimated margin of each performance obligation.

Revenue from contracts that satisfy the criteria for over time recognition are recognized as work is performed by using the ratio of costs incurred to estimated total contract costs for each contract. The majority of revenue for these contracts is derived from long-term projects which typically span multiple quarters. The timing of revenue recognition, billings, and cash collections results in billed contract receivables and contract assets on the Company's Consolidated Balance Sheets. In the Company’s contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Billings can occur subsequent to revenue recognition, resulting in contract assets, or in advance, resulting in contract liabilities. These contract assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period. The contract liabilities included in Deferred income on the Company’s Consolidated Balance Sheets totaled $65.8 million and $40.7 million at June 30, 2024 and December 31, 2023, respectively. Sales revenues totaling $7.7 million and $17.4 million were recognized during the three and six months ended June 30, 2024, respectively, which were included in the contract liability balance at December 31, 2023. For certain modular building sales, the customer retains a small portion of the contract price until full completion of the contract, or revenue is recognizable prior to customer billing, which results in revenue earned in excess of billings. These unbilled contract assets are included in Accounts receivable on the Company’s Consolidated Balance Sheets and totaled $9.6 million and $8.7 million at June 30, 2024 and December 31, 2023, respectively. The Company did not recognize any material contract asset impairments during the periods ended June 30, 2024 and December 31, 2023, respectively.

The Company's uncompleted contracts with customers which meet the criteria for over-time revenue recognition have unsatisfied or partially satisfied performance obligations. As of June 30, 2024, approximately $51.7 million of revenue is expected to be recognized for unsatisfied or partially satisfied obligations. The Company expects to recognize revenue for approximately one half of these

unsatisfied or partially satisfied performance obligations over the next 12 months, with the remaining balance recognized thereafter. For the three and six months ended June 30, 2024, approximately $61.8 million and $102.0 million of revenue was recognized for sales and non-lease services transferred at a point in time, respectively, and approximately $4.2 million and $11.6 million of revenue was recognized for sales and non-lease services transferred over time, respectively.

The Company generally rents and sells to customers on 30 day payment terms. The Company does not typically offer variable payment terms or accept non-monetary consideration. Amounts billed and due from the Company's customers are classified as Accounts receivable on the Company's consolidated balance sheet. For certain sales of modular buildings, progress payments from the customer are received during the manufacturing of new equipment, or the preparation of used equipment. The advance payments are not considered a significant financing component because the payments are used to meet working capital needs during the contract and to protect the Company from the customer failing to adequately complete their obligations under the contract.

Lease Revenues

Rental revenues from operating leases are recognized on a straight-line basis over the term of the lease for all operating segments. Rental billings for periods extending beyond period end are recorded as deferred income and are recognized in the period earned. Rental related services revenues are primarily associated with relocatable modular buildings. For modular building leases, rental related services revenues for modifications, delivery, installation, dismantle and return delivery are lease related because the payments are considered minimum lease payments that are an integral part of the negotiated lease agreement with the customer. These revenues are recognized on a straight-line basis over the term of the lease. Certain leases are accounted for as finance leases. For these leases, sales revenue and the related accounts receivable are recognized upon delivery and installation of the equipment and the unearned interest is recognized over the lease term on a basis which results in a constant rate of return on the unrecovered lease investment. As of the six months ended June 30, 2024, the Company's future minimum lease payments to be received under non-cancelable finance leases were $2.7 million. Of the total investment in sales-type leases, future minimum lease payments are expected to be $1.9 million in 2025, $0.6 million in 2026, and $0.2 million in 2027. The Company's assessment of current expected losses on these receivables was not material and therefore no credit loss expense was provided as of the six months ended June 30, 2024. Other revenues include interest income on finance leases and rental income on facility leases.

In the three and six months ended June 30, 2024, the Company's lease revenues were $146.6 million and $286.8 million, respectively, consisting of $145.9 million and $285.7 million of operating lease revenues, respectively, and $0.7 million and $1.1 million of finance lease revenues, respectively. The Company has entered into finance leases to finance certain equipment sales to customers. The lease agreements have a bargain purchase option at the end of the lease term. For these leases, sales revenue and the related accounts receivable are recognized upon delivery and installation of the equipment and the unearned interest is recognized over the lease term on a straight-line basis, which results in a constant rate of return on the unrecovered lease investment. The Company's finance lease revenues for the three and six months ended June 30, 2024 include $0.6 million and $0.9 million of sales revenues, respectively, and $0.1 million and $0.2 million of interest income, respectively.

Non-Lease Revenues

Non-lease revenues are recognized in the period when control of the performance obligation is transferred, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. For portable storage containers and electronic test equipment, rental related services revenues for delivery and return delivery are considered non-lease revenues.

Sales revenues are typically recognized at a point in time, which occurs upon the completion of delivery, installation and acceptance of the equipment by the customer. Accounting for non-lease revenues requires judgment in determining the point in time the customer gains control of the equipment and the appropriate accounting period to recognize revenue.

Sales taxes charged to customers are reported on a net basis and are excluded from revenues and expenses.

The following table disaggregates the Company's revenues by lease (within the scope of Topic 842) and non-lease revenues (within the scope of Topic 606) and the underlying service provided for the three and six months ended June 30, 2024 and 2023:

(in thousands)	Mobile Modular	Portable Storage	TRS-RenTelco	Enviroplex	Consolidated
Three Months Ended June 30,					
2024					
Leasing	$ 101,864	$ 18,366	$ 26,411	$ —	$ 146,641
Non-lease:					
Rental related services	6,727	4,347	709	—	11,783
Sales	35,930	1,266	5,218	11,373	53,787
Other	25	43	332	—	400
Total non-lease	42,682	5,656	6,259	11,373	65,970
Total revenues	$ 144,546	$ 24,022	$ 32,670	$ 11,373	$ 212,611
2023					
Leasing	$ 91,123	$ 19,296	$ 30,337	$ —	$ 140,756
Non-lease:					
Rental related services	8,919	4,989	563	—	14,471
Sales	38,247	1,109	6,581	923	46,860
Other	549	30	364	—	943
Total non-lease	47,715	6,128	7,508	923	62,274
Total revenues	$ 138,838	$ 25,424	$ 37,845	$ 923	$ 203,030
Six Months Ended June 30,					
2024					
Leasing	$ 196,754	$ 37,395	$ 52,656	$ —	$ 286,805
Non-lease:					
Rental related services	10,999	8,738	1,332	—	21,069
Sales	61,256	2,478	11,757	13,092	88,583
Other	3,122	171	688	—	3,981
Total non-lease	75,377	11,387	13,777	13,092	113,633
Total revenues	$ 272,131	$ 48,782	$ 66,433	$ 13,092	$ 400,438
2023					
Leasing	$ 173,127	$ 36,951	$ 60,677	$ —	$ 270,755
Non-lease:					
Rental related services	13,469	9,413	1,289	—	24,171
Sales	55,214	1,747	11,204	1,864	70,029
Other	943	55	795	—	1,793
Total non-lease	69,626	11,215	13,288	1,864	95,993
Total revenues	$ 242,753	$ 48,166	$ 73,965	$ 1,864	$ 366,748

Customer returns of rental equipment prior to the end of the rental contract term are typically billed a cancellation fee, which is recorded as rental revenue in the period billed. Sales of new relocatable modular buildings, portable storage containers and electronic test equipment not manufactured by the Company are typically covered by warranties provided by the manufacturer of the products sold. The Company typically provides limited 90-day warranties for certain sales of used rental equipment and one-year warranties on equipment manufactured by Enviroplex. Although the Company's policy is to provide reserves for warranties when required for specific circumstances, warranty costs have not been significant to date.

The Company's incremental cost of obtaining lease contracts, which consists of salesperson commissions, are deferred and amortized over the initial lease term for modular leases. Incremental costs for obtaining a contract for all other operating segments are expensed in the period incurred because the lease term is typically less than 12 months.

Other Income, net

Other income, net consists of the net gain on sales of property, plant and equipment. These sales are generally recognized at a point in time, with contractually defined performance obligations that are typically transferred upon the closing date of the sale. These

types of sales are infrequent in occurrence and reported on the condensed consolidated statements of income within the scope of ASC 610, *Other Income*. Proceeds to be received from the sale of property, plant and equipment are included in Accounts receivable on the Company's condensed consolidated balance sheets.

NOTE 7. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed as net income divided by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS is computed assuming conversion of all potentially dilutive securities including the dilutive effect of stock options, unvested restricted stock awards and other potentially dilutive securities. The table below presents the weighted-average number of shares of common stock used to calculate basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Weighted-average number of shares of common stock for calculating basic earnings per share	24,549	24,479	24,531	24,448
Effect of potentially dilutive securities from equity-based compensation	11	33	31	79
Weighted-average number of shares of common stock for calculating diluted earnings per share	24,560	24,512	24,562	24,527

There were 73,190 and 697 anti-dilutive securities excluded from the computation of diluted earnings per share for the six months ended June 30, 2024 and 2023, respectively.

The Company has in the past made purchases of shares of its common stock from time to time in over-the-counter market (NASDAQ) transactions, through privately negotiated, large block transactions and through a share repurchase plan, in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. In August 2015, the Company's Board of Directors authorized the Company to repurchase up to 2,000,000 shares of the Company's outstanding common stock (the "Repurchase Plan"). The amount and time of the specific repurchases are subject to prevailing market conditions, applicable legal requirements and other factors, including management's discretion. All shares repurchased by the Company are canceled and returned to the status of authorized but unissued shares of common stock. There can be no assurance that any authorized shares will be repurchased, and the Repurchase Plan may be modified, extended or terminated by the Company's Board of Directors at any time. There were no shares repurchased during the three and six months ended June 30, 2024 and 2023. As of June 30, 2024, 1,309,805 shares remained authorized for repurchase under the Repurchase Plan.

NOTE 8. INVENTORIES

Inventories consist of raw materials, supplies and work-in-process. Inventories are measured at the lower of actual cost or net realizable value for acquired units and estimated standard costs for manufactured units. The costs include expenditures incurred in acquiring the inventories, manufacturing, production costs, and other costs incurred in bringing them to their existing location and condition. The following table presents the carrying value of inventories:

(dollar amounts in thousands)	**June 30, 2024**	**December 31, 2023**
Raw materials	$ 4,112	$ 3,806
Work-in-process	24,101	11,619
Inventories	$ 28,213	$ 15,425

NOTE 9. GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of the following:

(dollar amounts in thousands)	Estimated useful life in years	Average remaining life in years	Cost	Accumulated amortization	Net book value
June 30, 2024					
Customer relationships	8 to 11	7.3	$73,217	$(21,006)	$52,211
Non-compete agreements	5	3.3	10,556	(4,197)	6,359
Trade name	0.75 to 8	4.8	2,000	(1,288)	712
Total amortizing			85,773	(26,491)	59,282
Trade name - non-amortizing	Indefinite		171	—	171
Total			$85,944	$(26,491)	$59,453
December 31, 2023					
Customer relationships	8 to 11	7.8	$73,217	$(17,003)	$56,214
Non-compete agreements	5	3.7	10,556	(3,141)	7,415
Trade name	0.75 to 8	5.3	2,000	(1,212)	788
Total amortizing			85,773	(21,356)	64,417
Trade name - non-amortizing	Indefinite		171	—	171
Total			$85,944	$(21,356)	$64,588

The Company assesses potential impairment of its goodwill and intangible assets when there is evidence that events or circumstances have occurred that would indicate the recovery of an asset's carrying value is unlikely. The Company also assesses potential impairment of its goodwill and intangible assets with indefinite lives on an annual basis regardless of whether there is evidence of impairment. If indicators of impairment were to be present in intangible assets used in operations and future discounted cash flows were not expected to be sufficient to recover the asset's carrying amount, an impairment loss would be charged to expense in the period identified. The amount of an impairment loss that would be recognized is the excess of the asset's carrying value over its fair value. Factors the Company considers important, which may cause impairment include, among others, significant changes in the manner of use of the acquired asset, negative industry or economic trends, and significant underperformance relative to historical or projected operating results. The Company last conducted a qualitative analysis of its goodwill and intangible assets in the fourth quarter 2023, with no indicators of impairment. In addition, no impairment triggering events occurred during the six months ended June 30, 2024, and there were no changes to the carrying value of goodwill during this period. Determining fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions. The Company bases its fair value estimates on assumptions that it believes are reasonable but are uncertain and subject to changes in market conditions.

Intangible assets with finite useful lives are amortized over their respective useful lives. Amortization expense in the six months ended June 30, 2024 and 2023, was $5.1 million and $5.0 million, respectively. Based on the carrying values at June 30, 2024 and assuming no subsequent impairment of the underlying assets, the amortization expense is expected to be $5.1 million for the remainder of fiscal year 2024, $10.2 million in 2025, $9.8 million in 2026, $9.6 million in 2027, $8.2 million in 2028 and $4.7 million in 2029.

NOTE 10. SEGMENT REPORTING

During the quarter ended December 31, 2023, the Company determined that its Portable Storage business segment met the criteria for separate recognition as defined in the Accounting Standards Codification ("ASC") Topic 280, Segment Reporting. The guidance under this topic requires a public business entity to evaluate both quantitative and qualitative thresholds to determine the significance of a business segment and whether the separate reporting of a business segment enhances the users' understanding of the reporting entity's performance, future net cash flows and judgments. The Company evaluated the guidance within Topic 280 and made its determination to separately report the Portable Storage segment primarily due to the Company's continued growth in container fleet purchases and related increased revenues and improved profitability performance when compared to previously reported periods. In addition to this determination, the Company also divested its Adler Tanks business segment during the year ended December 31, 2023. Additional information regarding the divestiture of Adler Tanks can be found in Note 5 of the condensed consolidated financial statements.

At June 30, 2024, the Company was comprised of four reportable segments: (1) its modular building segment (“Mobile Modular”); (2) its portable storage container segment ("Portable Storage"); (3) its electronic test equipment segment (“TRS-RenTelco”); and (4) its classroom manufacturing segment selling modular buildings used primarily as classrooms in California (“Enviroplex”). The operations of each of these segments are described in Part I – Item 1, “Business,” and the accounting policies of the segments are described in “Note 1 – Summary of Significant Accounting Policies” in the Company’s 2023 Annual Report. Management focuses on several key measures to evaluate and assess each segment’s performance, including rental revenue growth, gross profit and gross margins, income from operations and income before provision for income taxes. Excluding interest expense, allocations of revenue and expense not directly associated with one of these segments are generally allocated to Mobile Modular, Portable Storage and TRS-RenTelco based on their pro-rata share of direct revenues. Interest expense is allocated amongst Mobile Modular, Portable Storage and TRS-RenTelco based on their pro-rata share of average rental equipment at cost, intangible assets, accounts receivable, deferred income and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the six months ended June 30, 2024 and 2023 for the Company’s reportable segments are shown in the following table:

(dollar amounts in thousands)	Mobile Modular	Portable Storage	TRS-RenTelco	Enviroplex [1]	Consolidated
Six Months Ended June 30,					
2024					
Rental revenues	$ 154,535	$ 36,230	$ 50,743	$ —	$ 241,508
Rental related services revenues	53,053	9,363	1,522	—	63,938
Sales and other revenues	64,543	3,189	14,168	13,092	94,992
Total revenues	272,131	48,782	66,433	13,092	400,438
Depreciation of rental equipment	19,870	1,965	22,696	—	44,531
Gross profit	133,131	33,405	26,846	3,301	196,683
Selling and administrative expenses	82,354	17,885	17,433	3,517	121,188
Other income	(6,220)	(1,319)	(1,742)	—	(9,281)
Income (loss) from operations	56,999	16,840	11,155	(216)	84,776
Interest expense (income) allocation	19,971	2,867	4,121	(1,218)	25,741
Income before provision for income taxes	37,028	13,973	6,871	1,002	58,872
Rental equipment acquisitions	118,300	7,403	10,623	—	136,326
Accounts receivable, net (period end)	170,966	12,231	20,333	13,849	217,379
Rental equipment, at cost (period end)	1,398,475	242,107	368,324	—	2,008,906
Rental equipment, net book value (period end)	1,058,041	221,486	127,795	—	1,407,322
Utilization (period end) [2]	78.1 %	64.5 %	55.8 %		
Average utilization [2]	78.6 %	67.8 %	56.4 %		
2023					
Rental revenues	$ 134,826	$ 35,544	$ 57,717	$ —	$ 228,087
Rental related services revenues	49,370	10,072	1,547	—	60,989
Sales and other revenues	58,557	2,550	14,701	1,864	77,672
Total revenues	242,753	48,166	73,965	1,864	366,748
Depreciation of rental equipment	18,072	1,657	24,701	—	44,430
Gross profit	107,244	32,982	31,503	248	171,977
Selling and administrative expenses	69,548	15,262	16,577	3,137	104,524
Other income	—	—	—	—	—
Income (loss) from operations	37,696	17,720	14,926	(2,889)	67,453
Interest expense (income) allocation	12,592	2,126	3,801	(1,110)	17,409
Income (loss) before provision for income taxes	25,104	15,594	11,333	(1,779)	50,252
Rental equipment acquisitions	90,933	14,642	16,906	—	122,481
Accounts receivable, net (period end)	144,640	17,287	26,138	3,611	191,676
Rental equipment, at cost (period end)	1,237,221	220,763	390,832	—	1,848,816
Rental equipment, net book value (period end)	928,997	203,781	162,872	—	1,295,650
Utilization (period end) [2]	79.2 %	77.0 %	58.3 %		
Average utilization [2]	79.4 %	79.4 %	58.7 %		

1. Gross Enviroplex sales revenues were $13,093 and $1,871 for the six months ended June 30, 2024 and 2023, respectively. There were $2 and $7 of inter-segment sales to Mobile Modular in the six months ended June 30, 2024 and 2023, respectively, which required elimination in consolidation.
2. Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding accessory equipment, and new equipment inventory. The Average utilization for the period is calculated using the average costs of rental equipment.

No single customer accounted for more than 10% of total revenues for the six months ended June 30, 2024 and 2023. Revenues from foreign country customers accounted for 2% and 3% of the Company’s total revenues for the same periods, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-Q, including the following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contains forward-looking statements under federal securities laws. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Our actual results could differ materially from those indicated by forward-looking statements as a result of various factors. These factors include, but are not limited to, those set forth under this Item, those discussed in Part II—Item 1a, "Risk Factors" and elsewhere in this Form 10-Q and those that may be identified from time to time in our reports and registration statements filed with the SEC.

This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes included in Part I—Item 1 of this Form 10-Q and the Consolidated Financial Statements and related Notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 21, 2024 (the "2023 Annual Report"). In preparing the following MD&A, we presume that readers have access to and have read the MD&A in our 2023 Annual Report, pursuant to Instruction 2 to paragraph (b) of Item 303 of Regulation S-K. We undertake no duty to update any of these forward-looking statements after the date of filing of this Form 10-Q to conform such forward-looking statements to actual results or revised expectations, except as otherwise required by law.

General

The Company, incorporated in 1979, is a leading rental provider of relocatable modular buildings for classroom and office space and electronic test equipment for general purpose and communications needs. The Company's primary emphasis is on equipment rentals. The Company is comprised of four reportable business segments: (1) its modular building segment ("Mobile Modular"); (2) its portable storage container segment ("Portable Storage"); (3) its electronic test equipment segment ("TRS-RenTelco"); and (4) its classroom manufacturing business selling modular buildings used primarily as classrooms in California ("Enviroplex").

In the six months ended June 30, 2024, Mobile Modular, Portable Storage, TRS-RenTelco and Enviroplex contributed 62%, 24%, 12% and 2% of the Company's income from continuing operations before provision for taxes (the equivalent of "pretax income"), respectively, compared to 50%, 31%, 23% and negative 4% for the same period in 2023.

The Company generates its revenues primarily from the rental of its equipment on operating leases and from sales of equipment occurring in the normal course of business. The Company requires significant capital outlay to purchase its rental inventory and recovers its investment through rental and sales revenues. Rental revenues and certain other service revenues negotiated as part of lease agreements with customers and related costs are recognized on a straight-line basis over the terms of the leases. Sales revenues and related costs are recognized upon delivery and installation of the equipment to customers. Sales revenues are less predictable and can fluctuate from quarter to quarter and year to year depending on customer demands and requirements. Generally, rental revenues less cash operating costs recover the equipment's capitalized cost in a short period of time relative to the equipment's potential rental life and when sold, sale proceeds are usually above its net book value.

The Company's modular revenues (consisting of revenues from Mobile Modular, Kitchens To Go and Enviroplex) are derived from rentals and sales to commercial and education customers. Modular revenues are affected by demand for classrooms, which in turn is affected by shifting and fluctuating school populations, the levels of state funding to public schools, the need for temporary classroom space during reconstruction of older schools and changes in policies regarding class size. As a result of any reduced funding, lower expenditures by these schools may result in certain planned programs to increase the number of classrooms, such as those that the Company provides, to be postponed or terminated. However, reduced expenditures may also result in schools reducing their long-term facility construction projects in favor of using the Company's modular classroom solutions. At this time, the Company can provide no assurances as to whether public schools will either reduce or increase their demand for the Company's modular classrooms as a result of fluctuations in state funding of public schools. Looking forward, the Company believes that any interruption in the passage of facility bonds or contraction of class size reduction programs by public schools may have a material adverse effect on both rental and sales revenues of the Company. (For more information, see "*Item 1. Business – Relocatable Modular Buildings – Classroom Rentals and Sales to Public Schools (K-12)*" in the Company's 2023 Annual Report and "*Item 1a. Risk Factors – Significant reductions of, or delays in, funding to public schools have caused the demand and pricing for our modular classroom units to decline, which has in the past caused, and may cause in the future, a reduction in our revenues and profitability*" in Part II – Other Information of this Form 10-Q.)

Revenues of Portable Storage consists of the rental and sale of steel containers and ground level offices to provide a temporary storage solution that is delivered to the customer's location and addresses the need for secure temporary storage with immediate access to the unit. The portable storage container rental market in the U.S. has a large and diverse number of market segments including construction, retail, commercial and industrial, energy and petrochemical, manufacturing, education and healthcare.

Revenues of TRS-RenTelco are derived from the rental and sale of general purpose and communications test equipment to a broad range of companies, from Fortune 500 to middle and smaller market companies primarily in the aerospace, defense, communications, manufacturing and semiconductor industries. Electronic test equipment revenues are primarily affected by the business activity within these industries related to research and development, manufacturing, and communication infrastructure installation and maintenance.

The Company's rental operations include rental and rental related service revenues which comprised approximately 75% and 79% of consolidated revenues from continuing operations in the six months ended June 30, 2024 and 2023, respectively. Of the total continuing rental operations revenues for the six months ended June 30, 2024, Mobile Modular, Portable Storage and TRS-RenTelco comprised 68%, 15% and 17%, respectively, compared to 63%, 16% and 21%, respectively, in the same period of 2023. The Company's direct costs of rental operations include depreciation of rental equipment, rental related service costs, impairment of rental equipment (if applicable), and other direct costs of rental operations (which include direct labor, supplies, repairs, insurance, property taxes, license fees, cost of sub-rentals and amortization of certain lease costs).

The Company's Mobile Modular, Portable Storage and TRS-RenTelco business segments sell modular units, storage containers and electronic test equipment, respectively, which are either new or previously rented. In addition, Enviroplex sells new modular buildings used primarily as classrooms in California. For the six months ended June 30, 2024 and 2023, sales and other revenues of modular, container and electronic test equipment comprised approximately 25% and 21% of the Company's consolidated revenues from continuing operations, respectively. Of the total sales and other revenues from continuing operations for the six months ended June 30, 2024 and 2023, Mobile Modular and Enviroplex together comprised 81% and 78%, respectively, Portable Storage comprised 4% and 3%, respectively, and TRS-RenTelco comprised 15% and 19%, respectively. The Company's cost of sales includes the carrying value of the equipment sold and the direct costs associated with the equipment sold, such as delivery, installation, modifications and related site work.

Selling and administrative expenses primarily include personnel and benefit costs, which include share-based compensation, depreciation and amortization, bad debt expense, advertising costs, and professional service fees. The Company believes that sharing of common facilities, financing, senior management, and operating and accounting systems by all of the Company's operations results in an efficient use of overhead. Historically, the Company's operating margins have been impacted favorably to the extent its costs and expenses are leveraged over a large installed customer base. However, there can be no assurances as to the Company's ability to maintain a large installed customer base or ability to sustain its historical operating margins.

Recent Developments

Dividends

On June 5, 2024, the Company announced that the Board of Directors declared a quarterly cash dividend of $0.475 per common share for the quarter ended June 30, 2024, an increase of 2% over the prior year's comparable quarter.

Proposed Acquisition by WillScot Mobile Mini

On January 28, 2024, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with WillScot Mobile Mini Holdings Corp., a Delaware corporation ("WillScot Mobile Mini"), Brunello Merger Sub I, Inc., a California corporation and a direct wholly owned subsidiary of WillScot Mobile Mini and Brunello Merger Sub II, LLC, a Delaware limited liability company and direct wholly owned subsidiary of WillScot Mobile Mini. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub I will merge with and into the Company (the "First-Step Merger"), with the Company surviving the First-Step Merger and, immediately thereafter, the Company will merge with and into Merger Sub II (the "Second-Step Merger" and together with the First-Step Merger, the "Transaction"), with Merger Sub II surviving the Second-Step Merger as a wholly owned subsidiary of WillScot Mobile Mini. On the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the First-Step Merger (the "Effective Time"), each share of common stock, no par value, of the Company ("Company Common Stock") issued and outstanding immediately prior to the Effective Time, other than shares of Company Common Stock owned by WillScot Mobile Mini or any subsidiary of WillScot Mobile Mini or the Company, and shares held by shareholders who did not vote in favor of the Transaction (or consent thereto in writing) and who are entitled to demand and properly demands appraisal of such shares, will be automatically converted into the right to receive either (1) $123 in cash or (2) 2.8211 shares of validly issued, fully paid and nonassessable shares of common stock, par value $0.0001, of WillScot Mobile Mini ("WillScot Mobile Mini Common Stock"), as determined pursuant to the election and allocation procedures set forth in the Merger Agreement. The consummation of the Transaction is subject to certain closing conditions, including (i) the approval of the Company's shareholders, which was obtained on July 11, 2024, (ii) the expiration or termination of all waiting periods applicable to the transactions contemplated by the Merger Agreement under the Hart-Scott Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), relating to which WillScot Mobile Mini and the Company have committed to the Federal Trade Commission that they would not close the Transaction prior to September 27, 2024, (iii) the absence of any order by any governmental authorities or other legal restraint or prohibition preventing the consummation of the transactions contemplated by the Merger Agreement, (iv) the effectiveness of the Merger Proxy Statement (as defined below) filed with SEC relating to the registration of shares of WillScot Mobile Mini Common Stock to be issued to the Company's shareholders pursuant

to the Merger Agreement, which was granted on June 7, 2024, and (v) other customary conditions specified in the Merger Agreement. The closing of the Transaction is not subject to any financing condition. For additional information regarding the Transaction, please refer to the Company's current report on Form 8-K and Amendment No. 1 on Form 8-K/A, each filed with the SEC on January 29, 2024, as well as the special proxy statement filed by the Company with the SEC on June 10, 2024 (the "Merger Proxy Statement").

Because the Transaction is not yet complete, and except as otherwise specifically stated, the descriptions and disclosures presented elsewhere in this Form 10-Q assume the continuation of the Company as a public company.

Results of Operations

Three Months Ended June 30, 2024 Compared to
Three Months Ended June 30, 2023

Overview

Consolidated revenues for the three months ended June 30, 2024, increased 5% to $212.6 million, from $203.0 million for the same period in 2023. Consolidated net income for the three months ended June 30, 2024, decreased 33% to $20.6 million, from $30.6 million for the same period in 2023. Earnings per diluted share for the three months ended June 30, 2024, decreased by $0.41 to $0.84, compared to $1.25 for the same period in 2023. The reduction in earnings per diluted share during the current period was primarily attributed to $14.3 million higher selling and administrative expenses, which included $12.4 million in transaction costs attributed to the pending Willscot Mobile Mini merger.

There was no revenue, income or earnings per share from discontinued operations for the three months ended June 30, 2024. There were no revenues from discontinued operations for the three months ended June 30, 2023, and income from discontinued operations of $2.6 million, primarily attributed to final working capital adjustments from the divestiture of Adler Tanks. Earnings per diluted share from discontinued operations for the three months ended June 30, 2023 was $0.11. For additional information on discontinued operations and the divestiture of Adler Tanks, refer to Note 5 of the condensed consolidated financial statements.

For the three months ended June 30, 2024, on a consolidated basis from continuing operations:

- Gross profit increased $8.8 million, or 9%, to $103.4 million in 2024. Mobile Modular's gross profit increased $10.2 million, or 17%, largely due to higher gross profit on rental and sales revenues. Portable Storage's gross profit decreased $1.2 million, or 7%, primarily due to lower gross profit on rental and rental related services revenues. TRS-RenTelco's gross profit decreased $2.9 million, or 18%, primarily due to lower gross profit on rental and sales revenues. Enviroplex's gross profit increased $2.7 million, due to higher sales revenue and an increase in sales margins in 2024.
- Selling and administrative expenses increased $14.3 million to $61.4 million, primarily due to $12.4 million in transaction costs, which were included in marketing and administrative costs, attributed to the pending merger with WillScot Mobile Mini and an increase in employees' salaries and benefit costs of $2.6 million.
- Interest expense increased $3.1 million to $13.0 million, which was primarily attributed to $123.1 million higher average debt levels of the Company and a higher effective interest rate in 2024 of 6.57%, compared to 5.94% for the same period in 2023. The 18% increase in average debt when compared to 2023 was primarily the result of the funding of rental equipment purchases, taxes paid attributed to the gain on sale of discontinued operations and transaction costs regarding the pending merger with WillScot Mobile Mini.
- Pre-tax income contribution by Mobile Modular, Portable Storage and TRS-RenTelco was 65%, 21% and 8%, respectively, compared to 61%, 24% and 18%, respectively, for the comparable 2023 period. These results are discussed on a segment basis below. Enviroplex pre-tax income contribution was 6% and negative 3% in 2024 and 2023, respectively.
- The provision for income taxes resulted in an effective tax rate of 28.8% and 25.7%, for the quarters ended June 30, 2024 and 2023, respectively.
- Adjusted EBITDA increased $6.7 million, or 9%, to $83.7 million in 2024.

Mobile Modular

For the three months ended June 30, 2024, Mobile Modular's total revenues increased $5.7 million, or 4%, to $144.5 million compared to the same period in 2023, primarily due to higher rental and rental related services revenues, partly offset by lower sales revenues. The revenue increase, together with higher gross profit on rental and sales revenues, partly offset by $11.2 million higher selling and administrative expenses, which included $9.0 million in allocated transaction costs attributed to the pending merger with WillScot Mobile Mini, resulted in a $3.9 million decrease in pre-tax income to $18.8 million for the three months ended June 30, 2024, from $22.8 million for the same period in 2023.

The following table summarizes results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

Mobile Modular – Three Months Ended 6/30/24 compared to Three Months Ended 6/30/23 (Unaudited)

(dollar amounts in thousands)	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	$	%
Revenues				
Rental	$ 78,039	$ 70,770	$ 7,269	10 %
Rental related services	28,920	27,836	1,084	4 %
Rental operations	106,959	98,606	8,353	8 %
Sales	35,930	38,248	(2,318)	(6)%
Other	1,657	1,983	(326)	(16)%
Total revenues	144,546	138,838	5,708	4 %
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	9,995	9,415	580	6 %
Rental related services	19,828	18,443	1,385	8 %
Other	21,265	23,377	(2,112)	(9)%
Total direct costs of rental operations	51,088	51,236	(148)	(0)%
Costs of sales	22,172	26,517	(4,345)	(16)%
Total costs of revenues	73,260	77,753	(4,493)	(6)%
Gross Profit				
Rental	46,779	37,977	8,802	23 %
Rental related services	9,092	9,393	(301)	(3)%
Rental operations	55,871	47,370	8,501	18 %
Sales	13,758	11,731	2,027	17 %
Other	1,657	1,983	(326)	(16)%
Total gross profit	71,286	61,084	10,202	17 %
Expenses:				
Selling and administrative expenses	42,267	31,092	11,175	36 %
Income from operations	29,019	29,993	(974)	(3)%
Interest expense allocation	10,172	7,205	2,967	41 %
Pre-tax income	$ 18,847	$ 22,788	$ (3,941)	(17)%
Other Selected Information				
Adjusted EBITDA	$ 53,418	$ 44,516	$ 8,902	20 %
Average rental equipment [1]	$ 1,203,415	$ 1,117,141	$ 86,274	8 %
Average rental equipment on rent	$ 943,270	$ 886,085	$ 57,185	6 %
Average monthly total yield [2]	2.16 %	2.11 %		2 %
Average utilization [3]	78.4 %	79.3 %		(1)%
Average monthly rental rate [4]	2.76 %	2.66 %		4 %
Period end rental equipment [1]	$ 1,221,992	$ 1,129,836	$ 92,156	8 %
Period end utilization [3]	78.1 %	79.2 %		(1)%

1. Average and Period end rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.
3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding new equipment inventory and accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

nm = Not meaningful

Mobile Modular's gross profit for the three months ended June 30, 2024, increased $10.2 million, or 17%, to $71.3 million. For the three months ended June 30, 2024, compared to the same period in 2023:

- **Gross Profit on Rental Revenues** – Rental revenues increased $7.3 million, or 10%, due to 6% higher average rental equipment on rent and 4% higher average monthly rental rates in 2024. As a percentage of rental revenues, depreciation was 13% in both 2024 and 2023, and other direct costs were 27% in 2024 and 33% in 2023, which resulted in gross margin percentages of 60% in 2024, compared to 54% in 2023. The higher rental revenues and higher rental margins, resulted in gross profit on rental revenues increasing $8.8 million, or 23%, to $46.8 million in 2024.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased $1.1 million, or 4%, compared to 2023. The increase in rental related services revenues was primarily attributable to higher delivery, return delivery and dismantle revenues and higher site related services. The increase in revenues accompanied by lower gross margin percentage of 31% in 2024, compared to 34% in 2023, resulted in rental related services gross profit decreasing $0.3 million, or 3%, to $9.1 million in 2024.
- **Gross Profit on Sales** – Sales revenues decreased $2.3 million, or 6%, compared to 2023, due to lower new equipment sales. The higher gross margin percentage of 38% in 2024 compared to 31% in 2023, together with lower sales revenue, resulted in gross profit on sales increasing $2.0 million, or 17%, to $13.8 million. The higher gross margin on sales in 2024 was primarily due to a higher mix of used versus new sales. Sales occur routinely as a normal part of Mobile Modular's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter and year to year depending on customer requirements, the scope of work to be performed, equipment availability and funding.

For the three months ended June 30, 2024, selling and administrative expenses increased $11.2 million, or 36%, to $42.3 million. Included within selling and administrative expenses was $11.3 million higher allocated corporate costs, which included $9.0 million in allocated transaction costs from the pending merger with WillScot Mobile Mini.

Portable Storage

For the three months ended June 30, 2024, Portable Storage's total revenues decreased $1.4 million, or 6%, to $24.0 million compared to the same period in 2023, primarily due to lower rental and rental related services revenues. Lower gross profit on rental and rental related services revenues, coupled with $1.7 million higher selling and administrative expenses, which included $1.4 million of allocated transaction costs attributed to the pending merger with WillScot Mobile Mini, resulted in a decrease in pre-tax income of $3.1 million, or 34%, to $6.0 million in 2024.

The following table summarizes results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

Portable Storage – Three Months Ended 6/30/24 compared to Three Months Ended 6/30/23 (Unaudited)

(dollar amounts in thousands)	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	$	%
Revenues				
Rental	$ 17,823	$ 18,487	$ (664)	(4)%
Rental related services	4,640	5,354	(714)	(13)%
Rental operations	22,463	23,841	(1,378)	(6)%
Sales	1,266	1,109	157	14%
Other	293	475	(182)	*nm*
Total revenues	24,022	25,424	(1,402)	(6)%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	1,001	870	131	15%
Rental related services	4,476	4,641	(165)	(4)%
Other	1,527	1,705	(178)	(10)%
Total direct costs of rental operations	7,004	7,215	(211)	(3)%
Costs of sales	716	690	26	4%
Total costs of revenues	7,720	7,905	(185)	(2)%
Gross Profit				
Rental	15,295	15,913	(618)	(4)%
Rental related services	164	713	(549)	(77)%
Rental operations	15,459	16,626	(1,167)	(7)%
Sales	550	419	131	31%
Other	293	475	(182)	(38)%
Total gross profit	16,302	17,520	(1,218)	(7)%
Expenses:				
Selling and administrative expenses	8,874	7,204	1,670	23%
Income from operations	7,428	10,315	(2,887)	(28)%
Interest expense allocation	1,447	1,242	205	17%
Pre-tax income	$ 5,981	$ 9,073	$ (3,092)	(34)%
Other Selected Information				
Adjusted EBITDA	$ 11,015	$ 12,308	$ (1,293)	(11)%
Average rental equipment [1]	$ 226,754	$ 204,627	$ 22,127	11%
Average rental equipment on rent	$ 149,906	$ 159,924	$ (10,018)	(6)%
Average monthly total yield [2]	2.62%	3.01%		(13)%
Average utilization [3]	66.1%	78.2%		(15)%
Average monthly rental rate [4]	3.96%	3.85%		3%
Period end rental equipment [1]	$ 228,368	$ 208,124	$ 20,244	10%
Period end utilization [3]	64.5%	77.0%		(16)%

1. Average and Period end rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.
3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding new rental equipment inventory and accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

nm = Not meaningful

Portable Storage's gross profit for the three months ended June 30, 2024, decreased $1.2 million, or 7%, to $16.3 million. For the three months ended June 30, 2024, compared to the same period in 2023:

- **Gross Profit on Rental Revenues** – Rental revenues decreased $0.7 million, or 4%, due to 6% lower average rental equipment on rent, partly offset by 3% higher average monthly rental rates in 2024. As a percentage of rental revenues, depreciation was 6% and 5% in 2024 and 2023, respectively, and other direct costs were 9% in both 2024 and 2023, which resulted in gross margin percentage of 86% in both 2024 and in 2023. The lower rental revenues and comparable rental margins resulted in gross profit on rental revenues decreasing $0.6 million, or 4%, to $15.3 million in 2024.
- **Gross Profit on Rental Related Services** – Rental related services revenues was $4.6 million, compared to $5.4 million during the same period in 2023. The gross margin on rental related services revenues was 4% in 2024, compared to 13% in 2023. The lower revenues coupled with lower gross margins in 2024, resulted in rental related services gross profit decreasing $0.5 million, when compared to 2023.
- **Gross Profit on Sales**– Sales revenues increased $0.2 million, primarily due to higher used equipment sales. The higher sales revenues and increased gross margins of 43% in 2024, compared to 38% in 2023, resulted in sales gross profit increasing $0.1 million, or 31%, to $0.6 million in 2024. Sales occur routinely as a normal part of Portable Storage's rental business; however, these sales can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For the three months ended June 30, 2024, Portable Storage's selling and administrative expenses increased $1.7 million, or 23%, to $8.9 million, primarily due to $1.3 million higher allocated corporate costs, which included $1.4 million in allocated transaction costs attributed to the pending WillScot Mobile Mini merger, and $0.3 million higher employee salary and benefit costs.

TRS-RenTelco

For the three months ended June 30, 2024, TRS-RenTelco's total revenues decreased $5.2 million to $32.7 million, compared to the same period in 2023, primarily due to lower rental and sales revenues. Lower gross profit on rental and sales revenues, coupled with higher selling and administrative expenses, which included $1.9 million in allocated transaction costs attributed to the pending merger with WillScot Mobile Mini, resulted in a 65% decrease in pre-tax income to $2.4 million for the three months ended June 30, 2024, from $6.7 million for the same period in 2023.

The following table summarizes results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

TRS-RenTelco – Three Months Ended 6/30/24 compared to Three Months Ended 6/30/23 (Unaudited)

(dollar amounts in thousands)	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	$	%
Revenues				
Rental	$ 25,314	$ 28,583	$ (3,269)	(11)%
Rental related services	798	667	131	20%
Rental operations	26,112	29,250	(3,138)	(11)%
Sales	5,845	7,521	(1,676)	(22)%
Other	713	1,074	(361)	(34)%
Total revenues	32,670	37,845	(5,175)	(14)%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	11,169	12,312	(1,143)	(9)%
Rental related services	686	741	(55)	(7)%
Other	5,128	5,478	(350)	(6)%
Total direct costs of rental operations	16,983	18,531	(1,548)	(8)%
Costs of sales	2,716	3,431	(715)	(21)%
Total costs of revenues	19,699	21,962	(2,263)	(10)%
Gross Profit				
Rental	9,017	10,793	(1,776)	(16)%
Rental related services	112	(74)	186	*nm*
Rental operations	9,129	10,719	(1,590)	(15)%
Sales	3,129	4,090	(961)	(23)%
Other	713	1,074	(361)	(34)%
Total gross profit	12,971	15,883	(2,912)	(18)%
Expenses:				
Selling and administrative expenses	8,515	7,126	1,389	19%
Income from operations	4,456	8,757	(4,301)	(49)%
Interest expense allocation	2,059	2,059	—	*nm*
Foreign currency exchange loss	31	18	13	*nm*
Pre-tax income	$ 2,366	$ 6,680	$ (4,314)	(65)%
Other Selected Information				
Adjusted EBITDA	$ 18,001	$ 21,538	$ (3,537)	(16)%
Average rental equipment [1]	$ 367,322	$ 393,891	$ (26,569)	(7)%
Average rental equipment on rent	$ 207,342	$ 229,304	$ (21,962)	(10)%
Average monthly total yield [2]	2.28%	2.40%		(5)%
Average utilization [3]	56.5%	58.2%		(3)%
Average monthly rental rate [4]	4.07%	4.16%		(2)%
Period end rental equipment [1]	$ 366,642	$ 386,828	$ (20,186)	(5)%
Period end utilization [3]	55.8%	58.3%		(4)%

1. Average and Period end rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.
3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding new rental equipment inventory and accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

nm = Not meaningful

TRS-RenTelco's gross profit for the three months ended June 30, 2024 decreased $2.9 million, or 18%, to $13.0 million. For the three months ended June 30, 2024 compared to the same period in 2023:

- **Gross Profit on Rental Revenues** – Rental revenues decreased $3.3 million, or 11%, depreciation expense decreased $1.1 million, or 9%, and other direct costs decreased by $0.4 million, or 6%, resulting in a 16% decrease in gross profit on rental revenues to $9.0 million. As a percentage of rental revenues, depreciation was 44% and 43% in 2024 and 2023, respectively, and other direct costs were 20% and 19%, in 2024 and 2023, respectively, which resulted in a gross margin percentage of 36% and 38% in 2024 and 2023, respectively. The decrease in rental revenues was primarily due to a 10% reduction in average rental equipment on rent and 2% lower average monthly rental rates in 2024, as compared to 2023.
- **Gross Profit on Sales** – Sales revenues decreased $1.7 million, or 22%, to $5.8 million in 2024. Gross profit on sales decreased $1.0 million, or 23%, to $3.1 million, with a comparable gross margin percentage of 54% in 2024 and 2023. Sales occur as a normal part of TRS-RenTelco's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter depending on customer requirements and related mix of equipment sold, equipment availability and funding.

For the three months ended June 30, 2024, selling and administrative expenses increased $1.4 million, or 19%, to $8.5 million. The increase was primarily due to $1.5 million higher allocated corporate expenses, which includes $1.9 million in transaction costs attributed to the pending merger with WillScot Mobile Mini.

Six Months Ended June 30, 2024 Compared to
Six Months Ended June 30, 2023

Overview

Consolidated revenues for the six months ended June 30, 2024, increased 6% to $400.4 million, from $376.2 million for the same period in 2023. Consolidated net income for the six months ended June 30, 2024, increased 7% to $43.5 million, from $40.7 million for the same period in 2023, excluding the gain on sale of discontinued operations from the divestiture of Adler Tanks. Earnings per diluted share for the six months ended June 30, 2024, decreased by $2.40 to $1.77, compared to $4.17 for the same period in 2023. The reduction in total earnings per diluted share was primarily attributed to the prior period gain on sale of discontinued operations, which contributed $2.40 to earnings per diluted share in 2023. During the six months ended June 30, 2024, the Company sold a property, resulting in a net gain of $9.3 million, which was recorded in Other income, net, and contributed $0.28 in earnings per diluted share. The increase in consolidated net income during the current period, excluding the gain on sale of discontinued operations, was primarily attributed to the property sale and higher gross profit from Mobile Modular, partly offset by $21.7 million in transaction costs attributed to the pending merger with WillScot Mobile Mini.

There were no revenues from discontinued operations for the six months ended June 30, 2024, compared to $9.4 million for the same period in 2023. There was no income or earnings per diluted share from discontinued operations for the six months ended June 30, 2024. Income from discontinued operations for the same period in 2023 was $62.8 million, which included the $61.5 million net gain on sale of discontinued operations, and earnings per diluted share from discontinued operations for the six months ended June 30, 2023 was $2.56. For additional information on discontinued operations and the divestiture of Adler Tanks, refer to Note 5 of the condensed consolidated financial statements.

For the six months ended June 30, 2024, on a consolidated basis from continuing operations:

- Gross profit increased $24.7 million, or 14%, to $196.7 million in 2024. Mobile Modular’s gross profit increased $25.9 million, or 24%, largely due to higher gross profit on rental and sales revenues. Portable Storage's gross profit increased $0.4 million, or 1%, primarily due to higher gross profit on rental revenues. TRS-RenTelco’s gross profit decreased $4.7 million, or 15%, primarily due to lower gross profit on rental revenues. Enviroplex’s gross profit increased $3.1 million, due to higher sales revenue and an increase in sales margins in 2024.
- Selling and administrative expenses increased $16.7 million to $121.2 million, primarily due to an increase in marketing and administrative costs of $9.3 million. Included in marketing and administrative costs was $21.7 million in transaction costs attributed to the pending merger with WillScot Mobile Mini in 2024 and $14.3 million in business acquisition and Adler divestiture related transaction costs in 2023. In addition, salaries and benefit costs increased $5.0 million in 2024.
- Interest expense increased $8.3 million to $25.7 million, which was primarily attributed to $165.3 million higher average debt levels of the Company and a higher effective interest rate in 2024 of 6.59%, compared to 5.77% for the same period in 2023. The 27% increase in average debt when compared to 2023 was primarily the result of the funding of rental equipment purchases, taxes paid attributed to the gain on sale of discontinued operations and transaction costs regarding the pending merger with WillScot Mobile Mini.
- Pre-tax income contribution by Mobile Modular, Portable Storage and TRS-RenTelco was 62%, 24% and 12%, respectively, compared to 50%, 31% and 23%, respectively, for the comparable 2023 period. These results are discussed on a segment basis below. Enviroplex pre-tax income contribution was 2% and negative 4% in 2024 and 2023, respectively.
- The provision for income taxes resulted in an effective tax rate of 26.2% and 21.5%, for the periods ended June 30, 2024 and 2023, respectively. The increase in effective tax rate during the current period was largely attributed to increased business activity in higher tax rate states.
- Adjusted EBITDA increased $17.0 million, or 12%, to $155.7 million in 2024.

Mobile Modular

For the six months ended June 30, 2024, Mobile Modular's total revenues increased $29.4 million, or 12%, to $272.1 million compared to the same period in 2023, primarily due to higher rental, sales and rental related services revenues. The revenue increase, together with higher gross profit on rental, sales and rental related services revenues, and a $6.2 million allocated net gain on the sale of a corporate property, resulted in a $11.9 million increase in pre-tax income to $37.0 million for the six months ended June 30, 2024, from $25.1 million for the same period in 2023.

The following table summarizes results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

Mobile Modular – Six Months Ended 6/30/24 compared to Six Months Ended 6/30/23 (Unaudited)

(dollar amounts in thousands)	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	$	%
Revenues				
Rental	$ 154,535	$ 134,826	$ 19,709	15 %
Rental related services	53,053	49,370	3,683	7 %
Rental operations	207,589	184,196	23,393	13 %
Sales	61,256	55,215	6,041	11 %
Other	3,287	3,342	(55)	(2)%
Total revenues	272,131	242,753	29,378	12 %
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	19,870	18,072	1,798	10 %
Rental related services	35,608	32,669	2,939	9 %
Other	43,938	47,504	(3,566)	(8)%
Total direct costs of rental operations	99,416	98,246	1,170	1 %
Costs of sales	39,584	37,263	2,321	6 %
Total costs of revenues	139,000	135,509	3,491	3 %
Gross Profit				
Rental	90,727	69,249	21,478	31 %
Rental related services	17,445	16,701	744	4 %
Rental operations	108,172	85,950	22,222	26 %
Sales	21,672	17,952	3,720	21 %
Other	3,287	3,342	(55)	(2)%
Total gross profit	133,131	107,244	25,887	24 %
Expenses:				
Selling and administrative expenses	82,354	69,548	12,806	18 %
Other income, net	(6,220)	—	(6,220)	*nm*
Income from operations	56,999	37,696	19,303	51 %
Interest expense allocation	19,971	12,592	(7,379)	(59)%
Pre-tax income	$ 37,028	$ 25,104	$ 11,924	47 %
Other Selected Information				
Adjusted EBITDA	$ 96,745	$ 76,941	$ 19,804	26 %
Average rental equipment [1]	$ 1,188,828	$ 1,044,711	$ 144,117	14 %
Average rental equipment on rent	$ 933,985	$ 829,842	$ 104,143	13 %
Average monthly total yield [2]	2.17 %	2.15 %		1 %
Average utilization [3]	78.6 %	79.4 %		(1)%
Average monthly rental rate [4]	2.76 %	2.71 %		2 %
Period end rental equipment [1]	$ 1,221,992	$ 1,129,836	$ 92,156	8 %
Period end utilization [3]	78.1 %	79.2 %		(1)%

1. Average and Period end rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.
3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding new equipment inventory and accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

nm = Not meaningful

Mobile Modular's gross profit for the six months ended June 30, 2024, increased $25.9 million, or 24%, to $133.1 million. For the six months ended June 30, 2024, compared to the same period in 2023:

- **Gross Profit on Rental Revenues** – Rental revenues increased $19.7 million, or 15%, due to 13% higher average rental equipment on rent and 2% higher average monthly rental rates in 2024. As a percentage of rental revenues, depreciation was 13% in both 2024 and 2023, and other direct costs were 28% in 2024 and 35% in 2023, which resulted in gross margin percentages of 59% in 2024, compared to 51% in 2023. The higher rental revenues and higher rental margins, resulted in gross profit on rental revenues increasing $21.5 million, or 31%, to $90.7 million in 2024.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased $3.7 million, or 7%, compared to 2023. The increase in rental related services revenues was primarily attributable to higher delivery, return delivery and dismantle revenues and higher site related services. The increase in revenues accompanied by lower gross margin percentage of 33% in 2024, compared to 34% in 2023, resulted in rental related services gross profit increasing $0.7 million, or 4%, to $17.4 million in 2024.
- **Gross Profit on Sales** – Sales revenues increased $6.0 million, or 11%, compared to 2023, due to higher new and used equipment sales. The higher gross margin percentage of 35% in 2024 compared to 33% in 2023, together with higher sales revenue, resulted in gross profit on sales increasing $3.7 million, or 21%, to $21.7 million. The higher gross margin on sales in 2024 was primarily due to a higher mix of new versus used sales. Sales occur routinely as a normal part of Mobile Modular's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter and year to year depending on customer requirements, the scope of work to be performed, equipment availability and funding.

For the six months ended June 30, 2024, selling and administrative expenses increased $12.8 million, or 18%, to $82.4 million. Included within selling and administrative expenses was $17.2 million higher allocated corporate costs, which included $15.5 million in allocated transaction costs attributed to the pending merger with WillScot Mobile Mini. In addition, 2023 included $7.6 million in Vesta acquisition related transaction costs and $5.4 million in allocated divestiture transaction costs, which did not recur in 2024.

Portable Storage

For the six months ended June 30, 2024, Portable Storage's total revenues increased $0.6 million, or 1%, to $48.8 million compared to the same period in 2023, primarily due to higher sales and rental revenues, partly offset by lower rental related services revenues. Higher gross profit on rental and sales revenues, coupled with a $1.3 million allocated net gain on the sale of a corporate property, partly offset by $2.6 million higher selling and administrative expenses, which included $2.6 million in allocated transaction costs attributed to the pending merger with WillScot Mobile Mini, resulted in a decrease in pre-tax income of $1.6 million, or 10%, to $14.0 million in 2024.

The following table summarizes results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

Portable Storage – Six Months Ended 6/30/24 compared to Six Months Ended 6/30/23 (Unaudited)

(dollar amounts in thousands)	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	$	%
Revenues				
Rental	$ 36,230	$ 35,544	$ 686	2 %
Rental related services	9,363	10,072	(709)	(7)%
Rental operations	45,593	45,616	(23)	(0)%
Sales	2,478	1,747	731	42 %
Other	711	803	(92)	(11)%
Total revenues	48,782	48,166	616	1 %
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	1,965	1,657	308	19 %
Rental related services	8,932	9,022	(90)	(1)%
Other	2,995	3,487	(492)	(14)%
Total direct costs of rental operations	13,892	14,166	(274)	(2)%
Costs of sales	1,484	1,018	466	46 %
Total costs of revenues	15,377	15,184	193	1 %
Gross Profit				
Rental	31,270	30,400	870	3 %
Rental related services	431	1,050	(619)	(59)%
Rental operations	31,701	31,450	251	1 %
Sales	993	729	264	36 %
Other	711	803	(92)	(11)%
Total gross profit	33,405	32,982	423	1 %
Expenses:				
Selling and administrative expenses	17,885	15,262	2,623	17 %
Other income, net	(1,319)	—	(1,319)	*nm*
Income from operations	16,840	17,720	(880)	(5)%
Interest expense allocation	2,867	2,126	(741)	(35)%
Pre-tax income	$ 13,973	$ 15,594	$ (1,621)	(10)%
Other Selected Information				
Adjusted EBITDA	$ 22,538	$ 22,328	$ 210	1 %
Average rental equipment [1]	$ 225,025	$ 196,577	$ 28,448	14 %
Average rental equipment on rent	$ 152,609	$ 156,072	$ (3,463)	(2)%
Average monthly total yield [2]	2.68 %	3.01 %		(11)%
Average utilization [3]	67.8 %	79.4 %		(15)%
Average monthly rental rate [4]	3.96 %	3.80 %		4 %
Period end rental equipment [1]	$ 228,368	$ 208,124	$ 20,244	10 %
Period end utilization [3]	64.5 %	77.0 %		(16)%

1. Average and Period end rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.
3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding new rental equipment inventory and accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

nm = Not meaningful

Portable Storage's gross profit for the six months ended June 30, 2024, increased $0.4 million, or 1%, to $33.4 million. For the six months ended June 30, 2024, compared to the same period in 2023:

- **Gross Profit on Rental Revenues** – Rental revenues increased $0.7 million, or 2%, due to 4% higher average monthly rental rates, partly offset by 2% lower average rental equipment on rent in 2024. As a percentage of rental revenues, depreciation was 5% in both 2024 and 2023, and other direct costs were 8% and 10% in 2024 and 2023, respectively, which resulted in gross margin percentage of 86% in both 2024 and 2023. The higher rental revenues and comparable rental margins resulted in gross profit on rental revenues increasing $0.9 million, or 3%, to $31.3 million in 2024.
- **Gross Profit on Rental Related Services** – Rental related services revenues was $9.4 million, a decrease of $0.7 million compared to 2023. The gross margin on rental related services revenues was 5% in 2024, compared to 10% in 2023. The lower revenues coupled with lower gross margins in 2024, resulted in rental related services gross profit decreasing $0.6 million, when compared to 2023.
- **Gross Profit on Sales**– Sales revenues increased $0.7 million, primarily due to higher used equipment sales. The higher sales revenues and lower gross margins of 40% in 2024, compared to 42% in 2023, resulted in sales gross profit increasing $0.3 million, or 36%, to $1.0 million in 2024. Sales occur routinely as a normal part of Portable Storage's rental business; however, these sales can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For the six months ended June 30, 2024, Portable Storage's selling and administrative expenses increased $2.6 million, or 17%, to $17.9 million, primarily due to $1.5 million higher allocated corporate costs, which included $2.6 million in allocated transaction costs attributed to the pending merger with WillScot Mobile Mini.

TRS-RenTelco

For the six months ended June 30, 2024, TRS-RenTelco's total revenues decreased $7.5 million to $66.4 million, compared to the same period in 2023, primarily due to lower rental revenues. Lower gross profit on rental revenues, partly offset by a $1.7 million allocated net gain on the sale of a corporate property, resulted in a 39% decrease in pre-tax income to $6.9 million for the six months ended June 30, 2024, from $11.3 million for the same period in 2023.

The following table summarizes results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

TRS-RenTelco – Six Months Ended 6/30/24 compared to Six Months Ended 6/30/23 (Unaudited)

(dollar amounts in thousands)	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	$	%
Revenues				
Rental	$ 50,743	$ 57,717	$ (6,974)	(12)%
Rental related services	1,522	1,547	(25)	(2)%
Rental operations	52,265	59,264	(6,999)	(12)%
Sales	12,657	12,635	22	0%
Other	1,511	2,066	(555)	(27)%
Total revenues	66,433	73,965	(7,532)	(10)%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	22,696	24,701	(2,005)	(8)%
Rental related services	1,236	1,402	(166)	(12)%
Other	9,997	10,703	(706)	(7)%
Total direct costs of rental operations	33,929	36,806	(2,877)	(8)%
Costs of sales	5,658	5,656	2	0%
Total costs of revenues	39,587	42,462	(2,875)	(7)%
Gross Profit				
Rental	18,050	22,313	(4,263)	(19)%
Rental related services	286	145	141	97%
Rental operations	18,336	22,458	(4,122)	(18)%
Sales	6,999	6,979	20	0%
Other	1,511	2,066	(555)	(27)%
Total gross profit	26,846	31,503	(4,657)	(15)%
Expenses:				
Selling and administrative expenses	17,433	16,577	856	5%
Other income, net	(1,742)	-	(1,742)	*nm*
Income from operations	11,155	14,926	(3,771)	(25)%
Interest expense allocation	4,121	3,801	(320)	*nm*
Foreign currency exchange loss (gain)	163	(208)	371	*nm*
Pre-tax income	$ 6,871	$ 11,333	$ (4,462)	(39)%
Other Selected Information				
Adjusted EBITDA	$ 36,481	$ 42,173	$ (5,692)	(13)%
Average rental equipment [1]	$ 369,756	$ 395,049	$ (25,293)	(6)%
Average rental equipment on rent	$ 208,570	$ 231,703	$ (23,133)	(10)%
Average monthly total yield [2]	2.27%	2.42%		(6)%
Average utilization [3]	56.4%	58.7%		(4)%
Average monthly rental rate [4]	4.05%	4.15%		(2)%
Period end rental equipment [1]	$ 366,642	$ 386,828	$ (20,186)	(5)%
Period end utilization [3]	55.8%	58.3%		(4)%

1. Average and Period end rental equipment represents the cost of rental equipment, excluding new equipment inventory and accessory equipment.
2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.
3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding new rental equipment inventory and accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.
4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

nm = Not meaningful

TRS-RenTelco's gross profit for the six months ended June 30, 2024 decreased $4.7 million, or 15%, to $26.8 million. For the six months ended June 30, 2024 compared to the same period in 2023:

- **Gross Profit on Rental Revenues** – Rental revenues decreased $7.0 million, or 12%, depreciation expense decreased $2.0 million, or 8%, and other direct costs decreased by $0.7 million, or 7%, resulting in a 19% decrease in gross profit on rental revenues to $18.1 million. As a percentage of rental revenues, depreciation was 45% and 43% in 2024 and 2023, respectively, and other direct costs were 20% and 19%, in 2024 and 2023, respectively, which resulted in a gross margin percentage of 36% and 39% in 2024 and 2023, respectively. The decrease in rental revenues was primarily due to a 10% reduction in average rental equipment on rent and 2% lower average monthly rental rates in 2024, as compared to 2023.
- **Gross Profit on Sales** – Sales revenues were comparable at $12.7 million in 2024. Gross profit on sales was $7.0 million, unchanged from 2023, with a gross margin percentage of 55% in 2024, unchanged from 2023. Sales occur as a normal part of TRS-RenTelco's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter depending on customer requirements and related mix of equipment sold, equipment availability and funding.

For the six months ended June 30, 2024, selling and administrative expenses increased $0.9 million, or 5%, to $17.4 million. The increase was primarily due to $1.1 million higher allocated corporate expenses, which included $3.6 million in allocated transaction costs attributed to the pending merger with WillScot Mobile Mini.

Adjusted EBITDA

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, non-cash impairment costs, share-based compensation, transaction costs and gains on property sales. 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 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 and non-recurring transactions, including share-based compensation, transaction costs and gains on property sales 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, transaction costs and gains on property sales. 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

(dollar amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Income from continuing operations	$ 20,618	$ 27,952	$ 43,466	$ 39,470	$ 115,848	$ 101,577
Provision for income taxes from continuing operations	8,359	9,669	15,406	10,782	42,234	29,654
Interest expense	13,037	9,945	25,741	17,409	48,892	24,937
Depreciation and amortization	26,944	27,368	54,131	53,501	108,548	100,650
EBITDA	68,958	74,934	138,744	121,162	315,522	256,818
Share-based compensation	2,347	1,889	4,556	3,264	9,449	7,228
Transaction costs [3]	12,367	145	21,721	14,292	23,306	18,345
Other income, net [4]	—	—	(9,281)	—	(12,899)	—
Adjusted EBITDA [1]	$ 83,672	$ 76,968	$ 155,740	$ 138,718	$ 335,378	$ 282,391
Adjusted EBITDA margin [2]	39%	38%	38%	38%	38%	39%

1. Adjusted EBITDA is defined as income from operations before interest expense, provision for income taxes, depreciation, amortization, share-based compensation, transaction costs and other income, net.
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.
4. Other income, net consists of net gains on property, plant and equipment sales that are infrequent in nature and excluded from Adjusted EBITDA.

For the six months ended June 30, 2024, total Adjusted EBITDA from both continuing and discontinued operations was $155.7 million, compared to $142.4 million for the same period in 2023, excluding the gain on sale of the divestiture of Adler Tanks. For the six months ended June 30, 2024 and 2023, the total Adjusted EBITDA from continuing operations was $155.7 million and $138.7 million, respectively. There were no adjusted earnings from discontinued operations during the six months ended June 30, 2024, and total Adjusted EBITDA from discontinued operations of $3.7 million during the comparable period in 2023.

The following table reconciles Adjusted EBITDA on a combined basis, including both continuing and discontinued operations, to the net cash provided by operating activities on the Company's condensed consolidated statement of cash flows.

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

(dollar amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Adjusted EBITDA [1]	$ 83,672	$ 76,968	$ 155,740	$ 142,400	$ 335,378	$ 308,256
Interest paid	(12,210)	(8,985)	(26,394)	(16,802)	(48,195)	(25,756)
Income taxes paid, net of refunds received	5,078	(6,518)	4,599	(6,931)	(80,035)	(17,215)
Gain on sale of used rental equipment	(8,182)	(11,161)	(15,537)	(14,250)	(32,929)	(36,136)
Foreign currency exchange loss	31	18	163	(208)	61	2
Amortization of debt issuance costs	2	2	4	4	8	11
Change in certain assets and liabilities:						
Accounts receivable, net	(5,429)	(16,669)	9,989	284	(25,438)	(22,410)
Prepaid expenses and other assets	519	(1,159)	5,817	(8,504)	(15,005)	(14,133)
Accounts payable and other liabilities	3,800	(2,828)	(18,948)	(33,832)	(2,942)	(22,935)
Deferred income	11,928	6,072	23,196	9,290	28,000	14,156
Net cash provided by operating activities	$ 79,209	$ 35,740	$ 138,629	$ 71,451	$ 158,903	$ 183,840

1. Adjusted EBITDA is defined as income from operations before interest expense, provision for income taxes, depreciation, amortization, share-based compensation and transaction costs.

Adjusted EBITDA is a component of two restrictive financial covenants for the Company's unsecured Credit Facility, the Note Purchase Agreement, Series D Senior Notes, Series E Senior Notes and Series F Senior Notes (as defined and more fully described under the heading "Liquidity and Capital Resources" in this MD&A). These instruments contain financial covenants requiring the Company to not:

- Permit the Consolidated Fixed Charge Coverage Ratio (as defined in the Credit Facility and the Note Purchase Agreement (as defined and more fully described under the heading "Liquidity and Capital Resources" in this MD&A)) of Adjusted EBITDA (as defined in the Credit Facility and the Note Purchase Agreement) to fixed charges as of the end of any fiscal quarter to be less than 2.50 to 1. At June 30, 2024, the actual ratio was 3.08 to 1.
- Permit the Consolidated Leverage Ratio of funded debt (as defined in the Credit Facility and the Note Purchase Agreement) to Adjusted EBITDA at any time during any period of four consecutive quarters to be greater than 2.75 to 1. At June 30, 2024, the actual ratio was 2.37 to 1.

At June 30, 2024, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, although, significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

Liquidity and Capital Resources

The Company's rental businesses are capital intensive and generate significant cash flows. Cash flows for the Company for the six months ended June 30, 2024 compared to the same period in 2023 are summarized as follows:

Cash Flows from Operating Activities: The Company's operations provided net cash of $138.6 million in 2024, compared to $71.5 million in 2023. The $67.1 million increase in net cash provided by operating activities was primarily attributable to a $51.1 million change in deferred income taxes, a $13.9 million increase in deferred income and a $10.2 million decrease in accounts receivable, partly offset by a $6.2 million increase in purchased inventories.

Cash Flows from Investing Activities: Net cash used in investing activities was $133.9 million in 2024, down from $300.2 million in 2023. The $166.3 million decrease in net cash used was primarily due to the $456.3 million paid for the business acquisitions of Vesta Modular, Brekke Storage and Dixie Storage acquisitions in 2023, which was partly offset by $268.0 million in proceeds from the sale of discontinued operations during the same period. The net effect of these transactions in 2023 was $188.3 million in net cash used by investing activities.

Cash Flows from Financing Activities: Net cash provided by financing activities was $3.8 million in 2024, compared to $230.0 million in 2023. The $226.2 million change was primarily attributable to reduced borrowings under bank lines of credit and note

purchase agreements in 2024, as during 2023 the net borrowings were required for the funding of the Vesta Modular, Brekke Storage and Dixie Storage business acquisitions.

Significant capital expenditures are required to maintain and grow the Company's rental assets. During the last three years, the Company has financed its working capital and capital expenditure requirements through cash flow from operations, proceeds from the sale of rental equipment and from borrowings. Sales occur routinely as a normal part of the Company's rental business. However, these sales can fluctuate from period to period depending on customer requirements and funding. Although the net proceeds received from sales may fluctuate from period to period, the Company believes its liquidity will not be adversely impacted from lower sales in any given year because it believes it has the ability to increase its bank borrowings and conserve its cash in the future by reducing the amount of cash it uses to purchase rental equipment, pay dividends, or repurchase the Company's common stock.

Unsecured Revolving Lines of Credit

On July 15, 2022, the Company entered into an amended and restated credit agreement with Bank of America, N.A., as Administrative Agent, Swing Line Lender, L/C Issuer and lender, and other lenders named therein (the "Credit Facility"). The Credit Facility provides for a $650.0 million unsecured revolving credit facility (which may be further increased to $950.0 million, of which $75.0 million was utilized through the term loan entered on April 23, 2024, by adding one or more tranches of term loans and/or increasing the aggregate revolving commitments), which includes a $40.0 million sublimit for the issuance of standby letters of credit and a $20.0 million sublimit for swingline loans. The proceeds of the Credit Facility are available to be used for general corporate purposes, including permitted acquisitions. The Credit Facility permits the Company's existing indebtedness to remain, which includes the Company's $20.0 million Treasury Sweep Note due July 15, 2027, the Company's existing senior notes issued pursuant to the Note Purchase and Private Shelf Agreement with Prudential Investment Management, Inc., dated as of April 21, 2011 (as amended): (i) the $60.0 million aggregate outstanding principal of notes issued November 5, 2015 and due November 5, 2022, (ii) the $40.0 million aggregate outstanding principal of notes issued March 17, 2021 and due March 17, 2028, and (iii) the $60.0 million aggregate outstanding principal of notes issued June 16, 2021 and due June 16, 2026. In addition, the Company may incur additional senior note indebtedness in an aggregate amount not to exceed $250.0 million. The Credit Facility matures on July 15, 2027 and replaced the Company's prior $420.0 million credit facility dated March 31, 2020 with Bank of America, N.A., as agent, as amended. All obligations outstanding under the prior credit facility as of the date of the Credit Facility were refinanced by the Credit Facility on April 23, 2022.

On August 19, 2022, the Company entered into an amended and restated Credit Facility Letter Agreement and a Credit Line Note in favor of MUFG Union Bank, N.A., which provides for a $20.0 million line of credit facility related to its cash management services ("Sweep Service Facility"). The Sweep Service Facility matures on the earlier of July 15, 2027, or the date the Company ceases to utilize MUFG Union Bank, N.A. for its cash management services. The Sweep Service Facility replaced the Company's prior $12.0 million sweep service facility, dated as of March 30, 2020.

On April 23, 2024, the Company entered into a first incremental facility amendment with Bank of America, N.A., as Administrative Agent and the first incremental lender ("BoA") and the guarantors named therein (the "First Incremental Amendment"). The First Incremental Amendment amends the Second Amended and Restated Credit Agreement, dated as of July 15, 2022, as amended, by and among the Company, BoA, the other lenders named therein, and the guarantors named therein (the "Credit Agreement") to institute an incremental term loan "A" facility in an aggregate principal amount of $75.0 million (the "Incremental Credit Facility"). The proceeds from the Incremental Credit Facility were used for general corporate purposes. Concurrently with entry into the First Incremental Amendment, the Company repaid revolving loans issued under the Credit Agreement in an aggregate amount equal to approximately $75.0 million.

At June 30, 2024, under the Credit Facility and Sweep Service Facility, the Company had unsecured lines of credit that permit it to borrow up to $650.0 million of which $544.3 million was outstanding and had capacity to borrow up to an additional $105.7 million. The Credit Facility contains financial covenants requiring the Company to not (all defined terms used below not otherwise defined herein have the meaning assigned to such terms in the Credit Facility):

- Permit the Consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter to be less than 2.50 to 1. At June 30, 2024, the actual ratio was 3.08 to 1.
- Permit the Consolidated Leverage Ratio at any time during any period of four consecutive fiscal quarters to be greater than 2.75 to 1. At June 30, 2024, the actual ratio was 2.37 to 1.

At June 30, 2024, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, although significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

Note Purchase and Private Shelf Agreement

On June 8, 2023, the Company entered into a Second Amended and Restated Note Purchase and Private Shelf Agreement (the "Note Purchase Agreement") with PGIM, Inc. ("PGIM") and the holders of Series D and Series E Notes previously issued pursuant to the Prior Amended and Restated NPA, among the Company and the other parties to the Note Purchase Agreement. The Note Purchase Agreement amended and restated, and superseded in its entirety, the Prior NPA. Pursuant to the Prior NPA, the Company issued (i) $40.0 million aggregate principal amount of its 2.57% Series D Senior Notes, due March 17, 2028, and (ii) $60.0 million aggregate principal amount of its 2.35% Series E Senior Notes, due June 16, 2026, to which the terms of the Note Purchase Agreement shall apply.

In addition, pursuant to the Note Purchase Agreement, the Company may authorize the issuance and sale of additional senior notes (the "Shelf Notes") in the aggregate principal amount of (x) $300 million minus (y) the amount of other notes (such as the Series D Senior Notes, Series E Senior Notes and Series F Senior Notes, each defined below) then outstanding, to be dated the date of issuance thereof, to mature, in case of each Shelf Note so issued, no more than 15 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 15 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in accordance with the Note Purchase Agreement. Shelf Notes may be issued and sold from time to time at the discretion of the Company's Board of Directors and in such amounts as the Board of Directors may determine, subject to prospective purchasers' agreement to purchase the Shelf Notes. The Company will sell the Shelf Notes directly to such purchasers. The full net proceeds of each Shelf Note will be used in the manner described in the applicable Request for Purchase with respect to such Shelf Note.

6.25% Senior Notes Due in 2030

On September 27, 2023, the Company issued and sold to the purchasers $75.0 million aggregate principal amount of 6.25% Series F Notes (the "Series F Senior Notes") pursuant to the terms of the Second Amended and Restated Note Purchase and Private Shelf Agreement, dated June 8, 2023 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series F Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 6.25% per annum and mature on September 27, 2030. Interest on the Series F Senior Notes is payable semi-annually beginning on March 27, 2024 and continuing thereafter on September 27 and March 27 of each year until maturity. The principal balance is due when the notes mature on September 27, 2030. The full net proceeds from the Series F Senior Notes will primarily be used to fulfill the income tax obligations incurred from the divestiture of Adler Tanks. At June 30, 2024, the principal balance outstanding under the Series F Senior Notes was $75.0 million.

2.57% Senior Notes Due in 2028

On March 17, 2021, the Company issued and sold to the purchasers $40.0 million aggregate principal amount of 2.57% Series D Notes (the "Series D Senior Notes") pursuant to the terms of the Amended and Restated Note Purchase and Private Shelf Agreement, dated March 31, 2020 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series D Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 2.57% per annum and mature on March 17, 2028. Interest on the Series D Senior Notes is payable semi-annually beginning on September 17, 2021 and continuing thereafter on March 17 and September 17 of each year until maturity. The principal balance is due when the notes mature on March 17, 2028. The full net proceeds from the Series D Senior Notes were used to pay off the Company's $40 million Series B Senior Notes. At June 30, 2024, the principal balance outstanding under the Series D Senior Notes was $40.0 million.

2.35% Senior Notes Due in 2026

On June 16, 2021, the Company issued and sold to the purchasers $60.0 million aggregate principal amount of 2.35% Series E Notes (the "Series E Notes") pursuant to the terms of the Amended and Restated Note Purchase and Private Shelf Agreement, dated March 31, 2020 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series E Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 2.35% per annum and mature on June 16, 2026. Interest on the Series E Senior Notes is payable semi-annually beginning on December 16, 2021 and continuing thereafter on June 16 and December 16 of each year until maturity. The principal balance is due when the notes mature on June 16, 2026. The full net proceeds from the Series E Senior Notes were used to pay down the Company's credit facility. At June 30, 2024, the principal balance outstanding under the Series E Senior Notes was $60.0 million.

Among other restrictions, the Note Purchase Agreement, which has superseded in its entirety the Prior NPA, under which the Series D Senior Notes, Series E Senior Notes and Series F Senior Notes were sold, contains financial covenants requiring the Company

to not (all defined terms used below not otherwise defined herein have the meaning assigned to such terms in the Note Purchase Agreement):

- Permit the Consolidated Fixed Charge Coverage Ratio of EBITDA to fixed charges as of the end of any fiscal quarter to be less than 2.50 to 1. At June 30, 2024, the actual ratio was 3.08 to 1.
- Permit the Consolidated Leverage Ratio of funded debt to EBITDA at any time during any period of four consecutive quarters to be greater than 2.75 to 1. At June 30, 2024, the actual ratio was 2.37 to 1.

At June 30, 2024, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, although significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

Although no assurance can be given, the Company believes it will continue to be able to negotiate general bank lines of credit and issue senior notes adequate to meet capital requirements not otherwise met by operational cash flows and proceeds from sales of rental equipment.

Common Stock Purchase

The Company has in the past made purchases of shares of its common stock from time to time in over-the-counter market (NASDAQ) transactions, through privately negotiated, large block transactions and through a share repurchase plan, in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. In August 2015, the Company's Board of Directors authorized the Company to repurchase up to 2,000,000 shares of the Company's outstanding common stock (the "Repurchase Plan"). The amount and time of the specific repurchases are subject to prevailing market conditions, applicable legal requirements and other factors, including management's discretion. All shares repurchased by the Company are canceled and returned to the status of authorized but unissued shares of common stock. There can be no assurance that any authorized shares will be repurchased and the Repurchase Plan may be modified, extended or terminated by the Company's Board of Directors at any time. There were no shares repurchased in the six months ended June 30, 2024 and 2023. As of June 30, 2024, 1,309,805 shares remained authorized for repurchase under the Repurchase Plan.

Contractual Obligations and Commitments

We believe that our contractual obligations and commitments have not changed materially from those included in our 2023 Annual Report.

Critical Accounting Estimates

There were no material changes in our judgments and assumptions associated with the development of our critical accounting estimates during the six month period ended June 30, 2024. Refer to our 2023 Annual Report for a discussion of our critical accounting policies and estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company's market risk exposures from those reported in our 2023 Annual Report.

Item 4. Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), the Company's principal executive officer and principal financial officer, respectively, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2024. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective as of June 30, 2024. There were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II -Other Information

Item 1. Legal Proceedings

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. The Company's management does not expect that the outcome in the current proceedings, individually or collectively, will have a material adverse effect on the Company's financial condition, operating results or cash flows.

On June 20 and 21, 2024, two purported shareholders of the Company commenced separate actions, captioned *Smith v. McGrath RentCorp, et al.*, Index No. 653114/2024, and *Taylor v. McGrath RentCorp, et al.*, Index No. 653148/2024, both in the Supreme Court of the State of New York, County of New York (the "June 2024 Complaints"). The June 2024 Complaints both name the Company and the members of its board of directors as defendants. The June 2024 Complaints assert claims for breach of fiduciary duty in connection with alleged misleading disclosures and misleading omissions in the special proxy statement filed by the Company with the SEC on June 10, 2024. The June 2024 Complaints seek, among other relief, an injunction preventing the parties from consummating the proposed transaction set forth in the Merger Agreement, damages in the event the transaction is consummated, and an award of attorneys' fees. To the Company's knowledge, the June 2024 Complaints have not yet been served on any defendant. The Company believes the allegations made in the June 2024 Complaints are without merit and, in the event the June 2024 Complaints are not dismissed as moot as a result of the stockholder vote that occurred on July 11, 2024, the Company will rigorously defend itself at the appropriate time.

Item 1a. Risk Factors

You should carefully consider the following discussion of various risks and uncertainties. We believe these risk factors are the most relevant to our business and could cause our results to differ materially from the forward-looking statements made by us. Our business, financial condition, and results of operations could be seriously harmed if any of these risks or uncertainties actually occur or materialize. In that event, the market price for our common stock could decline, and you may lose all or part of your investment. The risk factors below are intended to supersede in their entirety the risk factors contained in "Item 1. A Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023.

RISKS RELATED TO THE PROPOSED ACQUISITION BY WILLSCOT MOBILE MINI:

There are material uncertainties and risks associated with the proposed Transaction, including the timing of the consummation of the Transaction, which may adversely affect our business and ongoing operations, financial condition and results of operations, employees, customers, shareholders, other parties and business prospects, and a failure to complete the Transaction on the terms reflected in the Merger Agreement, if at all, could have a material and adverse effect on our business, financial condition, results of operations, cash flows and stock price.

- The announcement and pendency of the proposed Transaction may adversely affect our business, financial condition and results of operations.
  - On January 28, 2024, we entered into the Merger Agreement with WillScot Mobile Mini. Uncertainty about the effect of the proposed Transaction on our employees, customers, shareholders and other parties may have an adverse effect on our business, financial condition and results of operation regardless of whether the proposed Transaction is completed. The risks to our business include the following, all of which could be exacerbated by a delay in the completion of the proposed Transaction:
    - the impairment of our ability to attract, retain, and motivate our employees, including key personnel;
    - the diversion of significant management time and resources towards the completion of the proposed Transaction;
    - difficulties maintaining relationships with customers, suppliers, and other business partners;
    - delays or deferments of certain business decisions by our customers, suppliers, and other business partners;
    - the inability to pursue alternative business opportunities or make appropriate changes to our business because the Merger Agreement requires us to use reasonable best efforts to conduct our business in the ordinary course of business and not engage in certain kinds of transactions prior to the completion of the proposed Transaction;
    - litigation relating to the proposed Transaction and the costs related thereto; and
    - the incurrence of significant costs, expenses, and fees for professional services and other transaction costs in connection with the proposed Transaction.

Additionally, in approving the Merger Agreement, our Board of Directors considered a number of factors and potential benefits, including the fact that the Transaction consideration to be received by holders of our common stock represented an approximate 10% premium over the Company's closing stock price of $111.75 on January 26, 2024, the last full trading day prior to the announcement of the proposed Transaction. If the Transaction is not completed, neither we nor the holders of our common stock may realize this benefit of the Transaction.

Failure to consummate the proposed Transaction within the expected timeframe or at all could have a material adverse impact on our business, financial condition and results of operations, as well as the trading prices of our common stock.

There can be no assurance that the proposed Transaction will be consummated. The consummation of the proposed Transaction is subject to certain regulatory approvals and customary closing conditions. The obligation of each party to consummate the Transaction is also conditioned upon the other party's representations and warranties being true and correct to the extent specified in the Merger Agreement and the other party having performed in all material respects its obligations under the Merger Agreement. There can be no assurance that these and other conditions to closing will be satisfied in a timely manner or at all. The Merger Agreement also includes customary termination provisions for both the Company and WillScot Mobile Mini. If we are required to make a termination payment, doing so may materially adversely affect our business, financial condition and results of operations. In addition, McGrath could be subject to litigation related to any failure to complete the Transaction or related to any proceeding to specifically enforce McGrath's obligation to perform McGrath's obligations under the Merger Agreement.

There can be no assurance that a remedy will be available to us in the event of a breach of the Merger Agreement by WillScot Mobile Mini or its affiliates or that we will wholly or partially recover for any damages incurred by us in connection with the proposed Transaction. A failed transaction may result in negative publicity and a negative impression of us among our customers or in the investment community or business community generally. Furthermore, any disruptions to our business resulting from the announcement and pendency of the proposed Transaction, including any adverse changes in our relationships with our customers, partners, suppliers and employees, could continue or accelerate in the event of a failed transaction. In addition, if the proposed Transaction is not completed, and there are no other parties willing and able to acquire the Company at a price of $123.00 per share or higher, on terms acceptable to us, the share price of our common stock will likely decline to the extent that the current market price of our common stock reflects an assumption that the proposed Transaction will be completed. Also, we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the proposed Transaction, for which we will have received little or no benefit if the proposed Transaction is not completed. Many of these fees and costs will be payable by us even if the proposed Transaction is not completed and may relate to activities that we would not have undertaken other than to complete the proposed Transaction.

- **The Transaction is subject to the expiration or termination of applicable waiting periods and the DOJ or FTC may impose conditions that could have an adverse effect on WillScot Mobile Mini, McGrath or the combined company or, if not obtained, could prevent completion of the Transaction.**

  Before the Transaction may be completed, any applicable waiting periods (and any extensions thereof) under the HSR Act relating to the completion of the Transaction must have expired or been terminated.

  Under the Merger Agreement, WillScot Mobile Mini and McGrath have agreed to use their respective reasonable best efforts to obtain all consents required to be obtained from any governmental authority that are necessary, proper or advisable to consummate the Transaction. On February 21, 2024, each of McGrath and WillScot Mobile Mini received a second request from the FTC in connection with the FTC's review of the Transaction, which extends the waiting period until 30 days after both parties have substantially complied with the second request, unless the FTC early terminates the additional waiting period or the parties otherwise agree not to consummate the Transaction for a period of time after substantial compliance. On July 24, 2024, the parties committed to the FTC that they would not close the Transaction prior to September 27, 2024. However, the timeline is not binding on the FTC, which has the option to take alternative actions, including initiating legal proceedings against the parties in relation to the Transaction. McGrath and WillScot Mobile Mini are working with the FTC to complete its investigation as soon as practicable. In addition, McGrath has received civil investigative demands from three state attorneys general inquiring into the transaction. Similarly, McGrath and WillScot Mobile Mini are working with those states to complete their investigations as soon as practicable. However, neither WillScot Mobile Mini nor McGrath is required to agree to or commit to any actions that individually or in the aggregate would, or would reasonably be expected to have, a material adverse effect on WillScot Mobile Mini and its subsidiaries when taken as a whole, or McGrath and its subsidiaries when taken as a whole.

  In addition, at any time before or after the completion of the Transaction, and notwithstanding the expiration or termination of applicable waiting periods, the DOJ or FTC or any state attorney general could take such action under the antitrust laws as such party deems necessary or desirable in the public interest. Such action could include, among

other things, seeking to enjoin the completion of the Transaction, to rescind the Transaction or to conditionally permit the completion of the Transaction subject to regulatory conditions or other remedies. In addition, in some circumstances, a third party could initiate a private action challenging, seeking to enjoin, or seeking to impose conditions on the Transaction. WillScot Mobile Mini and McGrath may not prevail and may incur significant costs in defending or settling any such action.

There can be no assurance that the conditions to the completion of the Transaction set forth in the Merger Agreement relating to applicable antitrust laws will be satisfied.

- **Prior to the completion of the Transaction or the termination of the Merger Agreement in accordance with its terms, we are prohibited from entering into certain transactions and taking certain actions that might otherwise be beneficial to us and our shareholders.**

  After the date of the Merger Agreement and prior to the Effective Time, the Merger Agreement restricts us from taking specified actions without the consent of WillScot Mobile Mini (which consent may not be unreasonably withheld, conditioned or delayed) and requires that our business be conducted in all material respects in the ordinary course of business. These restrictions may prevent us from making appropriate changes to our businesses or organizational structures or from pursuing attractive business opportunities that may arise prior to the completion of the Transaction and could have the effect of delaying or preventing other strategic transactions. Adverse effects arising from the pendency of the Transaction could be exacerbated by any delays in consummation of the Transaction or termination of the Merger Agreement.

- **The Transaction, including uncertainty regarding the Transaction, may cause customers, suppliers, distributors or strategic partners to delay or defer decisions, which could negatively affect our business and adversely affect our ability to effectively manage our business.**

  The Transaction will be consummated only if certain conditions are met. Many of the conditions are outside of our control, and both we and WillScot Mobile Mini also have the right to terminate the Merger Agreement in certain circumstances. Accordingly, there may be uncertainty regarding the completion of the Transaction. This uncertainty may cause customers, suppliers, distributors, strategic partners or others that deal with us to delay or defer entering into contracts with us or making other decisions concerning us or seek to change or cancel existing business relationships, which could negatively affect our business. Any delay or deferral of those decisions or changes in existing agreements could have a material adverse effect on our business, regardless of whether the Transaction is ultimately completed.

- **The Transaction may cause difficulty in attracting, motivating and retaining employees.**

  Our current and prospective employees may experience uncertainty about their future role with the Company until strategies with regard to these employees are announced or executed, which may impair our ability to attract, retain and motivate key management, operational and customer-facing employees and other personnel prior to the Transaction. If we are unable to retain and replace personnel, we could face disruptions in our operations, loss of existing customers, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs.

- **Stockholder litigation could result in substantial costs and may delay or prevent the Transaction from being completed.**

  In connection with the announcement of the Transaction, as is common in the context of mergers and acquisitions of publicly-traded companies, we (along with our directors and officers) may attract lawsuits seeking to enjoin us from proceeding with or consummating the Transaction, or seeking to have the Transaction rescinded after its consummation. We may also receive demands from shareholders seeking more information or other board action. Defending against such claims, even those without merit, could result in substantial costs and divert management's time and resources, which may negatively impact our financial condition and adversely affect our business and results of operations. Such claims could prevent or delay the consummation of the Transaction, including through an injunction, and result in additional costs to us. The ultimate resolution of any such lawsuit cannot be predicted, and an adverse ruling in any such lawsuit may cause the Transaction to be delayed or not to be completed, which could cause us not to realize some or all of the anticipated benefits of the Transaction. For a discussion of the lawsuits that are currently pending, see Part II, Item 1, "Legal Proceedings" of this Form 10-Q, which is hereby incorporated by reference.

RISKS RELATED TO OUR STRATEGY AND OPERATION:

Our future operating results may fluctuate, fail to match past performance or fail to meet expectations, which may result in a decrease in our stock price.

Our operating results may fluctuate in the future, may fail to match our past performance or fail to meet the expectations of analysts and investors. Our results and related ratios, such as gross margin, operating income percentage and effective tax rate may fluctuate as a result of a number of factors, some of which are beyond our control including but not limited to:

- general economic conditions in the geographies and industries where we rent and sell our products;
- legislative and educational policies where we rent and sell our products;
- the budgetary constraints of our customers;
- seasonality of our rental businesses and our end-markets;
- success of our strategic growth initiatives;
- costs associated with the launching or integration of new or acquired businesses;
- the timing and type of equipment purchases, rentals and sales;
- the nature and duration of the equipment needs of our customers;
- the timing of new product introductions by us, our suppliers and our competitors;
- the volume, timing and mix of maintenance and repair work on our rental equipment;
- supply chain delays or disruptions;
- our equipment mix, availability, utilization and pricing;
- inflation in the cost of materials, labor and new rental equipment;
- the mix, by state and country, of our revenues, personnel and assets;
- rental equipment impairment from excess, obsolete or damaged equipment;
- movements in interest rates or tax rates;
- changes in, and application of, accounting rules;
- changes in the regulations applicable to our business operations; and
- claims and litigation matters.

As a result of these factors, our historical financial results are not necessarily indicative of our future results or stock price.

Our stock price has fluctuated and may continue to fluctuate in the future, which may result in a decline in the value of your investment in our common stock.

The market price of our common stock fluctuates on the NASDAQ Global Select Market and is likely to be affected by a number of factors including but not limited to:

- uncertainty regarding the timing of the consummation of the proposed Transaction or failure to consummate the Transaction;
- the price per share of WillScot Mobile Mini Common Stock;
- our operating performance and the performance of our competitors, and in particular any variations in our operating results or dividend rate from our stated guidance or from investors' expectations;
- any changes in general conditions in the global economy, the industries in which we operate or the global financial markets;
- investors' reaction to our press releases, public announcements or filings with the SEC;
- the stock price performance of our competitors or other comparable companies;
- any changes in research analysts' coverage, recommendations or earnings estimates for us or for the stocks of other companies in our industry;

- any sales of common stock by our directors, executive officers and our other large shareholders, particularly in light of the limited trading volume of our stock;
- any merger and acquisition activity that involves us or our competitors; and
- other announcements or developments affecting us, our industry, customers, suppliers or competitors.

In addition, in recent years the U.S. stock market has experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. Additionally, the most recent global credit crisis adversely affected the prices of most publicly traded stocks as many stockholders became more willing to divest their stock holdings at lower values to increase their cash flow and reduce exposure to such fluctuations. These broad market fluctuations and any other negative economic trends may cause declines in the market price of our common stock and may be based upon factors that have little or nothing to do with our Company or its performance, and these fluctuations and trends could materially reduce our stock price.

Our ability to retain our executive management and to recruit, retain and motivate key qualified employees is critical to the success of our business.

If we cannot successfully recruit and retain qualified personnel, our operating results and stock price may suffer. We believe that our success is directly linked to the competent people in our organization, including our executive officers, senior managers and other key personnel, and in particular, Joe Hanna, our Chief Executive Officer. Personnel turnover can be costly and could materially and adversely impact our operating results and can potentially jeopardize the success of our current strategic initiatives. We need to attract and retain highly qualified personnel to replace personnel when turnover occurs, as well as add to our staff levels as growth occurs. Our business and stock price likely will suffer if we are unable to fill, or experience delays in filling open positions, or fail to retain key personnel.

Failure by third parties to manufacture and deliver our products to our specifications or on a timely basis may harm our reputation and financial condition.

We depend on third parties to manufacture our products even though we are able to purchase products from a variety of third-party suppliers. In the future, we may be limited as to the number of third-party suppliers for some of our products. Although in general, we make advance purchases of some products to help ensure an adequate supply, currently we do not have any long-term purchase contracts with any third-party supplier. We may experience supply problems as a result of financial or operating difficulties or failure of our suppliers, or shortages and discontinuations resulting from product obsolescence or other shortages or allocations by our suppliers. Unfavorable economic conditions may also adversely affect our suppliers or the terms on which we purchase products. In the future, we may not be able to negotiate arrangements with third parties to secure products that we require in sufficient quantities or on reasonable terms. If we cannot negotiate arrangements with third parties to produce our products or if the third parties fail to produce our products to our specifications or in a timely manner, our reputation and financial condition could be harmed.

We are subject to information technology system failures, network disruptions and breaches in data security which could subject us to liability, reputational damage or interrupt the operation of our business.

We rely upon our information technology systems and infrastructure for our business. We sustained an immaterial cybersecurity attack in 2021 involving ransomware that impacted certain of our systems but was unsuccessful in its ability to disrupt our network. Our investigation revealed that an unauthorized third party copied some personal information relating to certain current and former employees, directors, contractor workers and their dependents and certain other persons. Upon detection, we promptly undertook steps to address the incident, restored network systems and resumed normal operations. The attack did not result in any material disruption to our operations or ability to service our customers and did not affect our financial performance.

In the future, we could experience additional breaches of our security measures resulting in the theft of confidential information or reputational damage from industrial espionage attacks, malware or other cyber-attacks, which may compromise our system infrastructure or lead to data leakage, either internally or at our third-party providers. Similarly, additional data privacy breaches by those who access our systems may pose a risk that sensitive data, including intellectual property, trade secrets or personal information belonging to us, our employees, customers or other business partners, may be exposed to unauthorized persons or to the public.

The immaterial breach of our information technology system that we suffered in 2021 and any future breaches could subject us to reputational damage. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. We expend significant resources to minimize the risk of security breaches, including deploying additional personnel and protection technologies, training employees annually, and engaging third-party experts and contractors. Significant and increasing investments of time and resources by management and Board have been, and will continue to be, required to anticipate and address cybersecurity risks and incidents. However, given that the techniques used to obtain unauthorized access or to sabotage systems change

frequently, and often are not identified until they are launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures in time to stop a cyber incident. Thus, there can be no assurance that our efforts to protect our data and information technology systems will prevent future breaches in our systems (or that of our third-party providers). Such breaches could adversely affect our business and result in financial and reputational harm to us, theft of trade secrets and other proprietary information, legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties.

Disruptions in our information technology systems or failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail, become unavailable for any period of time or are not upgraded, this could limit our ability to effectively monitor and control our operations and adversely affect our operations.

Our information technology systems facilitate our ability to transact business, monitor and control our operations and adjust to changing market conditions. We sustained an immaterial cybersecurity attack in 2021 involving ransomware that impacted certain of our systems, but was unsuccessful in its ability to disrupt our network. Upon detection, we promptly undertook steps to address the incident, restored network systems and resumed normal operations. Any future cybersecurity attack causing disruption in our information technology systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting our capacity to effectively transact business, monitor and control our operations and adjust to changing market conditions in a timely manner.

As part of our business, we develop, receive and retain confidential data about our company and our customers. In addition, because of recent advances in technology and well-known efforts on the part of computer hackers and cyber-terrorists to breach data security of companies, we face risks associated with failure to adequately protect critical corporate, customer and employee data, which could adversely impact our customer relationships, our reputation, and even violate privacy laws.

Further, the delay or failure to implement information system upgrades and new systems effectively could disrupt our business, distract management's focus and attention from our business operations and growth initiatives, and increase our implementation and operating costs, any of which could negatively impact our operations and operating results.

We continually assess the strategic fit of our existing businesses and may divest or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment, and we cannot be certain that our business, operating results and financial condition will not be materially and adversely affected.

A successful divestiture depends on various factors, including reaching an agreement with potential buyers on terms we deem attractive, as well as our ability to effectively transfer liabilities, contracts, facilities, and employees to any purchaser, identify and separate the assets to be divested from the assets that we wish to retain, reduce fixed costs previously associated with the divested assets or business, and collect the proceeds from any divestitures. These efforts require varying levels of management resources, which may divert our attention from other business operations. If we do not realize the expected benefits of any divestiture transaction, our consolidated financial position, results of operations and cash flows could be negatively impacted. In addition, divestitures of businesses involve a number of risks, including significant costs and expenses, the loss of customer relationships and a decrease in revenues and earnings associated with the divested business. Furthermore, divestitures potentially involve significant post-closing separation activities, which could involve the expenditure of material financial resources and significant employee resources. Any divestiture may result in a dilutive impact to our future earnings if we are unable to offset the dilutive impact from the loss of revenue associated with the divestiture, as well as significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition.

If we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which would negatively impact our operating results.

At June 30, 2024, we had $382.7 million of goodwill and intangible assets, net, on our Consolidated Balance Sheets. Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. Under accounting principles generally accepted in the United States of America, we assess potential impairment of our goodwill and intangible assets at least annually, as well as on an interim basis to the extent that factors or indicators become apparent that could reduce the fair value of any of our businesses below book value. Impairment may result from significant changes in the manner of use of the acquired asset, negative industry or economic trends and significant underperformance relative to historic or projected operating results.

Our rental equipment is subject to residual value risk upon disposition and may not sell at the prices or in the quantities we expect.

The market value of any given piece of rental equipment could be less than its depreciated value at the time it is sold. The market value of used rental equipment depends on several factors, including:

- the market price for new equipment of a like kind;
- the age of the equipment at the time it is sold, as well as wear and tear on the equipment relative to its age;
- the supply of used equipment on the market;
- technological advances relating to the equipment;
- worldwide and domestic demand for used equipment; and
- general economic conditions.

We include in income from operations the difference between the sales price and the depreciated value of an item of equipment sold. Changes in our assumptions regarding depreciation could change our depreciation expense, as well as the gain or loss realized upon disposal of equipment. Sales of our used rental equipment at prices that fall significantly below our projections or in lesser quantities than we anticipate will have a negative impact on our results of operations and cash flows.

If we do not effectively manage our credit risk, collect on our accounts receivable or recover our rental equipment from our customers' sites, it could have a material adverse effect on our operating results.

We generally rent and sell to customers on 30 day payment terms, individually perform credit evaluation procedures on our customers for each transaction and require security deposits or other forms of security from our customers when a significant credit risk is identified. Historically, accounts receivable write-offs and write-offs related to equipment not returned by customers have not been significant and have averaged less than 1% of total revenues over the last five years. If economic conditions deteriorate, we may see an increase in credit losses relative to historical levels, which may materially and adversely affect our operations. Business segments that experience significant market disruptions or declines may experience increased customer credit risk and higher credit losses. Failure to manage our credit risk and receive timely payments on our customer accounts receivable may result in write-offs and/or loss of equipment, particularly electronic test equipment. If we are not able to effectively manage credit risk issues, or if a large number of our customers should have financial difficulties at the same time, our receivables and equipment losses could increase above historical levels. If this should occur, our results of operations may be materially and adversely affected.

Effective management of our rental assets is vital to our business. If we are not successful in these efforts, it could have a material adverse impact on our results of operations.

Our modular, containers and electronics rental products have long useful lives and managing those assets is a critical element to each of our rental businesses. Generally, we design units and find manufacturers to build them to our specifications for our modulars and containers. Modular asset management requires designing and building the product for a long life that anticipates the needs of our customers, including anticipating potential changes in legislation, regulations, building codes and local permitting in the various markets in which the Company operates. Electronic test equipment asset management requires understanding, selecting and investing in equipment technologies that support market demand, including anticipating technological advances and changes in manufacturers' selling prices. Container asset management requires obtaining high quality, well-constructed products and repairing and maintaining the products to ensure its long life. For each of our modular, container and electronic test equipment assets, we must successfully maintain and repair this equipment cost-effectively to maximize the useful life of the products and the level of proceeds from the sale of such products. To the extent that we are unable to do so, our result of operations could be materially adversely affected.

The nature of our businesses, including the ownership of industrial property, exposes us to the risk of litigation and liability under environmental, health and safety and products liability laws. Violations of environmental or health and safety related laws or associated liability could have a material adverse effect on our business, financial condition and results of operations.

We are subject to national, state, provincial and local environmental laws and regulations concerning, among other things, hazardous substance handling, storage and disposal and employee health and safety. These laws and regulations are complex and frequently change. We could incur unexpected costs, penalties and other civil and criminal liability if we fail to comply with applicable environmental or health and safety laws. We also could incur costs or liabilities related to waste disposal or remediating soil or groundwater contamination at our properties, at our customers' properties or at third party landfill and disposal sites. These liabilities

can be imposed on the parties generating, transporting or disposing of such substances or on the owner or operator of any affected property, often without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous substances.

Several aspects of our businesses involve risks of environmental and health and safety liability. For example, our operations involve the use of petroleum products, solvents and other hazardous substances in the construction and maintaining of modular buildings and for fueling and maintaining our delivery trucks and vehicles. The historical operations at some of our previously or currently owned or leased and newly acquired or leased properties may have resulted in undiscovered soil or groundwater contamination or historical non-compliance by third parties for which we could be held liable. Future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination or non-compliance, may also give rise to liabilities or other claims based on these operations that may be material. In addition, compliance with future environmental or health and safety laws and regulations may require significant capital or operational expenditures or changes to our operations.

Accordingly, in addition to potential penalties for non-compliance, we may become liable, either contractually or by operation of law, for investigation, remediation and monitoring costs even if the contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. In addition, certain parties may be held liable for more than their "fair" share of environmental investigation and cleanup costs. Contamination and exposure to hazardous substances or other contaminants such as mold can also result in claims for remediation or damages, including personal injury, property damage, and natural resources damage claims. Although expenses related to environmental compliance, health and safety issues, and related matters have not been material to date, we cannot assure that we will not have to make significant expenditures in the future in order to comply with applicable laws and regulations. Violations of environmental or health and safety related laws or associated liability could have a material adverse effect on our business, financial condition and results of operations.

In general, litigation in the industries in which we operate, including class actions that seek substantial damages, arises with increasing frequency. Enforcement of environmental and health and safety requirements is also frequent. Such proceedings are invariably expensive, regardless of the merit of the plaintiffs' or prosecutors' claims. We may be named as a defendant in the future, and there can be no assurance, irrespective of the merit of such future actions, that we will not be required to make substantial settlement payments in the future. Further, a significant portion of our business is conducted in California which is one of the most highly regulated and litigious states in the country. Therefore, our potential exposure to losses and expenses due to new laws, regulations or litigation may be greater than companies with a less significant California presence.

The nature of our business also subjects us to property damage and product liability claims, especially in connection with our modular buildings and tank and box rental businesses. Although we maintain liability coverage that we believe is commercially reasonable, an unusually large property damage or product liability claim or a series of claims could exceed our insurance coverage or result in damage to our reputation.

Our routine business activities expose us to risk of litigation from employees, vendors and other third parties, which could have a material adverse effect on our results of operations.

We may be subject to claims arising from disputes with employees, vendors and other third parties in the normal course of our business; these risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time. If the plaintiffs in any suits against us were to successfully prosecute their claims, or if we were to settle any such suits by making significant payments to the plaintiffs, our operating results and financial condition would be harmed. Even if the outcome of a claim proves favorable to us, litigation can be time consuming and costly and may divert management resources. In addition, our organizational documents require us to indemnify our senior executives to the maximum extent permitted by California law. We maintain directors' and officers' liability insurance that we believe is commercially reasonable in connection with such obligations, but if our senior executives were named in any lawsuit, our indemnification obligations could magnify the costs of these suits and/or exceed the coverage of such policies.

If we suffer loss to our facilities, equipment or distribution system due to catastrophe, our insurance policies could be inadequate or depleted, our operations could be seriously harmed, which could negatively affect our operating results.

Our facilities, rental equipment and distribution systems may be subject to catastrophic loss due to fire, flood, hurricane, earthquake, terrorism or other natural or man-made disasters. In particular, our headquarters, three operating facilities, and certain of our rental equipment are located in areas of California, with above average seismic activity and could be subject to catastrophic loss caused by an earthquake. Our rental equipment and facilities in Texas, Louisiana, Florida, North Carolina and Georgia are located in areas subject to hurricanes and other tropical storms. In addition to customers' insurance on rented equipment, we carry property insurance on our rental equipment in inventory and operating facilities as well as business interruption insurance. We believe our insurance policies have adequate limits and deductibles to mitigate the potential loss exposure of our business. We do not maintain financial reserves for policy deductibles and our insurance policies contain exclusions that are customary for our industry, including exclusions for earthquakes, flood and terrorism. If any of our facilities or a significant amount of our rental equipment were to experience a catastrophic loss, it could disrupt our operations, delay orders, shipments and revenue recognition and result in expenses to repair or

replace the damaged rental equipment and facility not covered by insurance, which could have a material adverse effect on our results of operations.

INTEREST RATE AND INDEBTEDNESS RISKS:

Our debt instruments contain covenants that restrict or prohibit our ability to enter into a variety of transactions and may limit our ability to finance future operations or capital needs. If we have an event of default under these instruments, our indebtedness could be accelerated, and we may not be able to refinance such indebtedness or make the required accelerated payments.

The agreements governing our Series D, E and F Senior Notes (as defined and more fully described under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources") and our Credit Facility contain various covenants that limit our discretion in operating our business. In particular, we are limited in our ability to merge, consolidate, reorganize or transfer substantially all of our assets, make investments, pay dividends or distributions, redeem or repurchase stock, change the nature of our business, enter into transactions with affiliates, incur indebtedness and create liens on our assets to secure debt. In addition, we are required to meet certain financial covenants under these instruments. These restrictions could limit our ability to obtain future financing, make strategic acquisitions or needed capital expenditures, withstand economic downturns in our business or the economy in general, conduct operations or otherwise take advantage of business opportunities that may arise.

A failure to comply with the restrictions contained in these agreements could lead to an event of default, which could result in an acceleration of our indebtedness. In the event of an acceleration, we may not have or be able to obtain sufficient funds to refinance our indebtedness or make any required accelerated payments. If we default on our indebtedness, our business financial condition and results of operations could be materially and adversely affected.

The majority of our indebtedness is subject to variable interest rates, which makes us vulnerable to increases in interest rates, which could negatively affect our net income.

Our indebtedness exposes us to interest rate increases because the majority of our indebtedness is subject to variable rates. At present, we do not have any derivative financial instruments such as interest rate swaps or hedges to mitigate interest rate variability. The interest rates under our credit facilities are reset at varying periods. These interest rate adjustments could cause periodic fluctuations in our operating results and cash flows. Our annual debt service obligations increase by approximately $5.4 million per year for each 1% increase in the average interest rate we pay based on the $544.3 million balance of variable rate debt outstanding at June 30, 2024. If interest rates rise in the future, and, particularly if they rise significantly, interest expense will increase and our net income will be negatively affected.

SPECIFIC RISKS RELATED TO OUR RELOCATABLE MODULAR BUILDINGS AND PORTABLE STORAGE BUSINESS SEGMENTS:

Significant reductions of, or delays in, funding to public schools have caused the demand and pricing for our modular classroom units to decline, which has in the past caused, and may cause in the future, a reduction in our revenues and profitability.

Rentals and sales of modular buildings to public school districts for use as classrooms, restroom buildings, and administrative offices for K-12 represent a significant portion of Mobile Modular's rental and sales revenues. Funding for public school facilities is derived from a variety of sources including the passage of both statewide and local facility bond measures, developer fees and various taxes levied to support school operating budgets. Many of these funding sources are subject to financial and political considerations, which vary from district to district and are not tied to demand. Historically, we have benefited from the passage of statewide and local facility bond measures and believe these are essential to our business.

The state of California is our largest market for classroom rentals. The strength of this market depends heavily on public funding from voter passage of both state and local facility bond measures, and the ability of the state to sell such bonds in the public market. A lack of passage of state and local facility bond measures, or the inability to sell bonds in the public markets in the future could reduce our revenues and operating income, and consequently have a material adverse effect on the Company's financial condition. Furthermore, even if voters have approved facility bond measures and the state has raised bond funds, there is no guarantee that individual school projects will be funded in a timely manner.

To the extent public school districts' funding is reduced for the rental and purchase of modular buildings, our business could be harmed and our results of operations negatively impacted. We believe that interruptions or delays in the passage of facility bond measures or completion of state budgets, an insufficient amount of state funding, a significant reduction of funding to public schools, or changes negatively impacting enrollment may reduce the rental and sale demand for our educational products. Any reductions in funding available to the school districts from the states in which we do business may cause school districts to experience budget shortfalls and to reduce their demand for our products despite growing student populations, class size reduction initiatives and modernization and

reconstruction project needs, which could reduce our revenues and operating income and consequently have a material adverse effect on the Company's financial condition.

Public policies that create demand for our products and services may change, resulting in decreased demand for or the pricing of our products and services, which could negatively affect our revenues and operating income.

Various states that we operate enacted laws and constitutional amendments to provide funding for school districts to limit the number of students that may be grouped in a single classroom. School districts with class sizes in excess of state limits have been and continue to be a significant source of our demand for modular classrooms. In California, efforts to address aging infrastructure and deferred maintenance have resulted in modernization and reconstruction projects by public school districts including seismic retrofitting, asbestos abatement and various building repairs and upgrades, which has been another source of demand for our modular classrooms. The most recent economic recession caused state and local budget shortfalls, which reduced school districts' funding and their ability to comply with state class size reduction requirements. If educational priorities and policies shift away from class-size reduction or modernization and reconstruction projects, demand and pricing for our products and services may decline, not grow as quickly as, or not reach the levels that we anticipate. Significant equipment returns may result in lower utilization until equipment can be redeployed or sold, which may cause rental rates to decline and negatively affect our revenues and operating income.

Failure to comply with applicable regulations could harm our business and financial condition, resulting in lower operating results and cash flows.

Similar to conventionally constructed buildings, the modular building industry, including the manufacturers and lessors of portable classrooms, are subject to regulations by multiple governmental agencies at the federal, state and local level relating to environmental, zoning, health, safety, energy efficiency, labor and transportation matters, among other matters. Failure to comply with these laws or regulations could impact our business or harm our reputation and result in higher capital or operating expenditures or the imposition of penalties or restrictions on our operations.

As with conventional construction, typically new codes and regulations are not retroactively applied. Nonetheless, new governmental regulations in these or other areas may increase our acquisition cost of new rental equipment, limit the use of or make obsolete some of our existing equipment, or increase our costs of rental operations.

Building codes are generally reviewed every three years. All aspects of a given code are subject to change including, but not limited to, such items as structural specifications for earthquake safety, energy efficiency and environmental standards, fire and life safety, transportation, lighting and noise limits.

Compliance with building codes and regulations entails a certain amount of risk as state and local government authorities do not necessarily interpret building codes and regulations in a consistent manner, particularly where applicable regulations may be unclear and subject to interpretation. These regulations often provide broad discretion to governmental authorities that oversee these matters, which can result in unanticipated delays or increases in the cost of compliance in particular markets. The construction and modular industries have developed many "best practices" which are constantly evolving. Some of our peers and competitors may adopt practices that are more or less stringent than the Company's. When, and if, regulatory standards are clarified, the effect of the clarification may be to impose rules on our business and practices retroactively, at which time, we may not be in compliance with such regulations and we may be required to incur costly remediation. If we are unable to pass these increased costs on to our customers, our profitability, operating cash flows and financial condition could be negatively impacted.

Expansions of our modular and portable storage operations into new markets may negatively affect our operating results.

In the past we have expanded our modular and portable storage operations into new geographies and states. There are risks inherent in the undertaking of such expansion, including the risk of revenue from the business in any new markets not meeting our expectations, higher than expected costs in entering these new markets, risk associated with compliance with applicable state and local laws and regulations, response by competitors and unanticipated consequences of expansion. In addition, expansion into new markets may be affected by local economic and market conditions. Expansion of our operations into new markets will require a significant amount of attention from our management, a commitment of financial resources and will require us to add qualified management in these markets, which may negatively impact our operating results.

We are subject to laws and regulations governing government contracts. These laws and regulations expose us to business volatility and risks, including government budgeting cycles and appropriations, potential early termination of contracts, procurement regulations, governmental policy shifts, audits, investigations, sanctions and penalties. Furthermore, these laws and regulations make these government contracts more favorable to government entities than other third parties and any changes in these laws and regulations, or our failure to comply with these laws and regulations could harm our business.

Mobile Modular and Portable Storage derive a portion of its revenues from contracts with U.S. federal government entities, government prime contractors, state entities and local entities, including school districts. Contracts with government entities are subject to budgetary constraints, and our continued performance under our contracts with these agencies and their prime contractors, or award of additional contracts from these agencies or their prime contractors, could be jeopardized by spending reductions or budget cutbacks at these agencies. Such contracts are also subject to unique laws and regulations, and the adoption of new laws or regulations relating to government contracting or changes to existing laws or regulations. New laws, regulations or procurement requirements, or changes to current ones, can significantly increase our costs and risks and reduce our profitability. In addition, any failure on the part of the company to comply with applicable government contract laws and regulations might result in administrative penalties or even in the termination or suspension of these contracts and as a result, the loss of the related revenues, which would harm our business.

Furthermore, the laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing terms and conditions that are not applicable to private contracts such as clauses that allow government entities not to perform on contractual obligations in the case of a lack of fiscal funding. Also, in the educational markets we serve, we are able to utilize “piggyback” contracts in marketing our products and services and ultimately to book business. The term “piggyback” contract refers to contracts for portable classrooms or other products entered into by public school districts following a formal bid process that allows for the use of the same contract terms and conditions with the successful vendor by other public school districts. As a result, “piggyback” contracts allow us to more readily book orders from our government customers, primarily public school districts, and to reduce the administrative expense associated with booking these orders. The governmental statutes and regulations that allow for use of “piggyback” contracts are subject to change or elimination in their entirety. A change in the manner of use or the elimination of “piggyback” contracts would likely negatively impact our ability to book new business from these government customers and could cause our administrative expenses related to processing these orders to increase significantly. In addition, any failure to comply with these laws and regulations might result in administrative penalties or even in the suspension of these contracts and as a result, the loss of the related revenues which would harm our business and results from operations.

Seasonality of our educational business may have adverse consequences for our business.

A significant portion of the modular sale and rental revenues is derived from the educational market. Typically, during each calendar year, our highest numbers of classrooms are shipped for rental and sale orders during the second and third quarters for delivery and installation prior to the start of the upcoming school year. The majority of classrooms shipped in the second and third quarters have rental start dates during the third quarter, thereby making the fourth quarter the first full quarter of rental revenues recognized for these transactions. Although this is the historical seasonality of our business, it is subject to change or may not meet our expectations, which may have adverse consequences for our business.

We face strong competition in our modular building and portable storage markets and we may not be able to effectively compete.

The modular building leasing industry is highly competitive in our states of operation and we expect it to remain so. The competitive market in which we operate may prevent us from raising rental fees or sales prices to pass any increased costs on to our customers. We compete on the basis of a number of factors, including equipment availability, quality, price, service, reliability, appearance, functionality and delivery terms. We may experience pricing pressures in our areas of operation in the future as some of our competitors seek to obtain market share by reducing prices.

Some of our competitors in the modular building leasing industry have greater range of products and services, greater financial and marketing resources, larger customer bases, and greater name recognition than we have. These competitors may be better able to respond to changes in the relocatable modular building and portable storage container markets, to finance acquisitions, to fund internal growth and to compete for market share, any of which could harm our business.

We may not be able to quickly redeploy modular and container units returning from leases, which could negatively affect our financial performance and our ability to expand, or utilize, our rental fleet.

As of June 30, 2024, 60% of our modular and 55% of our container portfolios had equipment on rent for periods exceeding the original committed term. Generally, when a customer continues to rent the units beyond the contractual term, the equipment rents on a month-to-month basis. If a significant number of our rented units were returned during a short period of time, particularly those units that are rented on a month-to-month basis, a large supply of units would need to be remarketed. Our failure to effectively remarket a large influx of units returning from leases could negatively affect our financial performance and our ability to continue expanding our

rental fleet. In addition, if returned units stay off rent for an extended period of time, we may incur additional costs to securely store and maintain them.

Significant increases in raw material and labor costs could increase our acquisition cost of new modular rental units and repair and maintenance costs of our fleet, which would increase our operating costs and harm our profitability.

We incur labor costs and purchase raw materials, including lumber, siding and roofing and other products to perform periodic repairs, modifications and refurbishments to maintain physical conditions of our modular units. The volume, timing and mix of maintenance and repair work on our rental equipment may vary quarter-to-quarter and year-to-year. Generally, increases in labor and raw material costs will also increase the acquisition cost of new modular units and increase the repair and maintenance costs of our fleet. We also maintain a fleet of service trucks and use subcontractor companies for the delivery, set-up, return delivery and dismantle of modulars for our customers. We rely on our drivers and subcontractor service companies to meet customer demands for timely shipment and return, and the loss or inadequate number of driver and subcontractor service companies may cause prices to increase, while negatively impacting our reputation and operating performance. During periods of rising prices for labor, raw materials or fuel, and in particular, when the prices increase rapidly or to levels significantly higher than normal, we may incur significant increases in our acquisition costs for new modular units and incur higher operating costs that we may not be able to recoup from our customers, which would reduce our profitability.

Failure by third parties to manufacture our products timely or properly may harm our reputation and financial condition.

We are dependent on third parties to manufacture our products even though we are able to purchase products from a variety of third-party suppliers. Mobile Modular purchases new modulars from various manufacturers who build to Mobile Modular's design specifications. With the exception of Enviroplex, none of the principal suppliers are affiliated with the Company. During 2023, Mobile Modular purchased 30% of its modular product from one manufacturer. The Company believes that the loss of any of its primary manufacturers of modulars could have an adverse effect on its operations since Mobile Modular could experience higher prices and longer delivery lead times for modular product until other manufacturers were able to increase their production capacity.

Failure to properly design, manufacture, repair and maintain the modular product may result in impairment charges, potential litigation and reduction of our operating results and cash flows.

We estimate the useful life of the modular product to be 18 years with a residual value of 50% and containers to be 25 years with a residual value of 62.5%. However, proper design, manufacture, repairs and maintenance of the products during our ownership is required for the product to reach their useful lives and residual values. If we do not appropriately manage the design, manufacture, repair and maintenance of our modular product, or otherwise delay or defer such repair or maintenance, we may be required to incur impairment charges for equipment that is beyond economic repair costs or incur significant capital expenditures to acquire new modular product to serve demand. In addition, such failures may result in personal injury or property damage claims, including claims based on presence of mold, and termination of leases or contracts by customers. Costs of contract performance, potential litigation, and profits lost from termination could accordingly reduce our future operating results and cash flows.

Our warranty costs may increase and warranty claims could damage our reputation and negatively impact our revenues and operating income.

Sales of new relocatable modular buildings not manufactured by us are typically covered by warranties provided by the manufacturer of the products sold. We provide ninety-day warranties on certain modular sales of used rental units and one-year warranties on equipment manufactured by our Enviroplex subsidiary. Historically, our warranty costs have not been significant, and we monitor the quality of our products closely. If a defect were to arise in the installation of our equipment at the customer's facilities or in the equipment acquired from our suppliers or by our Enviroplex subsidiary, we may experience increased warranty claims. Such claims could disrupt our sales operations, damage our reputation and require costly repairs or other remedies, negatively impacting revenues and operating income.

SPECIFIC RISKS RELATED TO OUR ELECTRONIC TEST EQUIPMENT BUSINESS SEGMENT:

Market risk and cyclical downturns in the industries using test equipment may result in periods of low demand for our product resulting in excess inventory, impairment charges and reduction of our operating results and cash flows.

TRS-RenTelco's revenues are derived from the rental and sale of general purpose and communications test equipment to a broad range of companies, from Fortune 500 to middle and smaller market companies, in the aerospace, defense, communications, manufacturing and semiconductor industries. Electronic test equipment rental and sales revenues are primarily affected by the business activity within these industries related to research and development, manufacturing, and communication infrastructure installation and

maintenance. Historically, these industries have been cyclical and have experienced periodic downturns, which can have a material adverse impact on the industry's demand for equipment, including our rental electronic test equipment. In addition, the severity and length of any downturn in an industry may also affect overall access to capital, which could adversely affect our customers and result in excess inventory and impairment charges. During periods of reduced and declining demand for test equipment, we are exposed to additional receivable risk from non-payment and may need to rapidly align our cost structure with prevailing market conditions, which may negatively impact our operating results and cash flows.

Seasonality of our electronic test equipment business may impact quarterly results.

Generally, rental activity declines in the fourth quarter month of December and the first quarter months of January and February. These months may have lower rental activity due to holiday closures, particularly by larger companies, inclement weather and its impact on various field related communications equipment rentals, and companies' operational recovery from holiday closures which may impact the start-up of new projects coming online in the first quarter. These seasonal factors historically have impacted quarterly results in each year's first and fourth quarter, but we are unable to predict how such factors may impact future periods.

Our rental test equipment may become obsolete or may no longer be supported by a manufacturer, which could result in an impairment charge.

Electronic test equipment is characterized by changing technology and evolving industry standards that may render our existing equipment obsolete through new product introductions, or enhancements, before the end of its anticipated useful life, causing us to incur impairment charges. We must anticipate and keep pace with the introduction of new hardware, software and networking technologies and acquire equipment that will be marketable to our current and prospective customers.

Additionally, some manufacturers of our equipment may be acquired or cease to exist, resulting in a future lack of support for equipment purchased from those manufacturers. This could result in the remaining useful life becoming shorter, causing us to incur an impairment charge. We monitor our manufacturers' capacity to support their products and the introduction of new technologies, and we acquire equipment that will be marketable to our current and prospective customers. However, any prolonged economic downturn could result in unexpected bankruptcies or reduced support from our manufacturers. Failure to properly select, manage and respond to the technological needs of our customers and changes to our products through their technology life cycle may cause certain electronic test equipment to become obsolete, resulting in impairment charges, which may negatively impact operating results and cash flows.

If we do not effectively compete in the rental equipment market, our operating results will be materially and adversely affected.

The electronic test equipment rental business is characterized by intense competition from several competitors some of which may have access to greater financial and other resources than we do. Although no single competitor holds a dominant market share, we face competition from these established entities and new entrants in the market. We believe that we anticipate and keep pace with the introduction of new products and acquire equipment that will be marketable to our current and prospective customers. We compete on the basis of a number of factors, including product availability, price, service and reliability. Some of our competitors may offer similar equipment for lease, rental or sale at lower prices and may offer more extensive servicing, or financing options. Failure to adequately forecast the adoption of, and demand for, new or existing products may cause us not to meet our customers' equipment requirements and may materially and adversely affect our operating results.

If we are not able to obtain equipment at favorable rates, there could be a material adverse effect on our operating results and reputation.

The majority of our rental equipment portfolio is comprised of general purpose test and measurement instruments purchased from leading manufacturers. We depend on purchasing equipment from these manufacturers and suppliers for use as our rental equipment. If, in the future, we are not able to purchase necessary equipment from one or more of these suppliers on favorable terms, we may not be able to meet our customers' demands in a timely manner or for a rental rate that generates a profit. If this should occur, we may not be able to secure necessary equipment from an alternative source on acceptable terms and our business and reputation may be materially and adversely affected.

If we are not able to anticipate and mitigate the risks associated with operating internationally, there could be a material adverse effect on our operating results.

Currently, total foreign country customers and operations account for less than 10% of the Company's revenues. In recent years some of our customers have expanded their international operations faster than domestic operations, and this trend may continue. Over

time, the amount of our international business may increase if we focus on international market opportunities. Operating in foreign countries subjects the Company to additional risks, any of which may adversely impact our future operating results, including:

- international political, economic and legal conditions including tariffs and trade barriers;
- our ability to comply with customs, anti-corruption, import/export and other trade compliance regulations, together with any unexpected changes in such regulations;
- greater difficulty in our ability to recover rental equipment and obtain payment of the related trade receivables;
- additional costs to establish and maintain international subsidiaries and related operations;
- difficulties in attracting and retaining staff and business partners to operate internationally;
- language and cultural barriers;
- seasonal reductions in business activities in the countries where our international customers are located;
- difficulty with the integration of foreign operations;
- longer payment cycles;
- currency fluctuations; and
- potential adverse tax consequences.

Unfavorable currency exchange rates may negatively impact our financial results in U.S. dollar terms.

We receive revenues in Canadian dollars from our business activities in Canada. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates. If the currency exchange rates change unfavorably, the value of net receivables we receive in foreign currencies and later convert to U.S. dollars after the unfavorable change would be diminished. This could have a negative impact on our reported operating results. We currently do not engage in hedging strategies to mitigate this risk.

GENERAL RISKS:

Our effective tax rate may change and become less predictable as our business expands, or as a result of federal and state tax law changes, making our future earnings less predictable.

We continue to consider expansion opportunities domestically and internationally for our rental businesses. Since the Company's effective tax rate depends on business levels, personnel and assets located in various jurisdictions, further expansion into new markets or acquisitions may change the effective tax rate in the future and may make it, and consequently our earnings, less predictable going forward. Further, the enactment of future tax law changes by federal and state taxing authorities may impact the Company's current period tax provision and its deferred tax liabilities. In addition, the amount and timing of stock-based compensation may also impact the Company's current tax provision.

Changes in financial accounting standards may cause lower than expected operating results and affect our reported results of operations.

Changes in accounting standards and their application may have a significant effect on our reported results on a going-forward basis and may also affect the recording and disclosure of previously reported transactions. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred in the past and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Adverse economic conditions in the United States and globally, as well as geopolitical tensions, could have a negative effect on our business, results of operations, financial condition and liquidity.

Adverse macroeconomic conditions in the United States and globally, including inflation, slower than expected growth or recession, changes to fiscal and monetary policy, tightening of the credit markets, higher interest rates and currency fluctuations, could negatively impact our business, financial condition, results of operations and liquidity. These factors could negatively affect demand for our business.

Adverse economic conditions in the United States and globally have from time to time caused or exacerbated significant slowdowns in our industry and in the markets in which we operate, which have adversely affected our business and results of operations.

Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast revenue, gross margin and expenses, and may make it more difficult to refinance debt.

Furthermore, sustained uncertainty about, or worsening of, geopolitical tensions, including further escalation of war between Russia and Ukraine, further escalation of trade tensions between the U.S. and China, escalation of tensions between China and Taiwan, further escalation in the conflict between the State of Israel and Hamas, as well as further escalation of tensions between the State of Israel and various countries in the Middle East and North Africa, could result in a global economic slowdown and long-term changes to global trade. Any or all of these factors could negatively affect our revenue and could materially adversely affect our business, results of operations, financial condition and growth.

Environmental, social and governance (ESG) matters may impact our business and reputation.

Governmental authorities, non-governmental organizations, customers, investors, external stakeholders and employees are increasingly sensitive to ESG concerns. This focus on ESG concerns may lead to new requirements that could result in increased costs for our business. Our ability to compete could also be affected by changing customer preferences and requirements, such as growing demand for more environmentally friendly products, supplier practices, or by failure to meet such customer expectations or demand. We risk negative shareholder reaction, including from proxy advisory services, as well as damage to our reputation, if we do not act responsibly, or if we are perceived to not be acting responsibly in key ESG areas. If we do not meet the ESG expectations of our investors, customers and other stakeholders, we could experience reduced demand for our products, loss of customers, and other negative impacts on our business and results of operations.

We have begun to report our prior modular building and portable storage segment in two separate segments of modular building and portable storage container. This segment reporting structure has been in effect for a limited period of time, and there are no assurances that we will be able to successfully operate the prior segment in two distinct segments, and the change could be confusing to investors and may not have the desired effects.

During the quarter ended December 31, 2023, we began reporting our prior modular building and portable storage segment as two distinct segments of modular buildings and portable storage containers. Managing these changes has required, and may continue to require, significant expenditures and allocation of valuable management resources. We have provided disclosures about this new segment reporting structure, but there is no guarantee that investors or the market will understand this change to our financial reporting. There is also no guarantee that this change will have the desired effect. Failure of investors or analysts to understand our revised segment reporting structure may negatively affect their ability to understand our business and operating results which could adversely affect our stock price. In addition, we test for goodwill impairment at the reporting segment level and consider the difference between the fair value of a reporting segment and its' carrying value, when determining whether any impairment exists. There can be no assurance that the change to our segment reporting structure will not result in impairment charges in future periods.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

15.1	Awareness Letter From Grant Thornton LLP.
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from McGrath RentCorp's Quarterly report on Form 10-Q for the quarter ended June 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.
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, thereunto duly authorized.

Date: July 25, 2024

McGrath RentCorp

By: /s/ Keith E. Pratt
Keith E. Pratt
Executive Vice President and Chief Financial Officer

By: /s/ David M. Whitney
David M. Whitney
Vice President, Controller and Principal Accounting Officer

Exhibit 15.1

AWARENESS LETTER FROM GRANT THORNTON LLP

McGrath RentCorp
5700 Las Positas Road
Livermore, California 94551

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of McGrath RentCorp for the periods ended June 30, 2024 and 2023, as indicated in our report dated July 25, 2024; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 is incorporated by reference in Registration Statements on Form S-8 (File No. 333-74089, File No. 333-151815, File No. 333-161128, and File No. 333-183231).

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ GRANT THORNTON LLP

San Francisco, California
July 25, 2024

Exhibit 31.1

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Joseph F. Hanna, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McGrath RentCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2024

By: /s/ Joseph F. Hanna
Joseph F. Hanna
Chief Executive Officer

Exhibit 31.2

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Keith E. Pratt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McGrath RentCorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2024

By: /s/ Keith E. Pratt
Keith E. Pratt
Chief Financial Officer

Exhibit 32.1

McGRATH RENTCORP
SECTION 906 CERTIFICATION

In connection with the quarterly report of McGrath RentCorp (the “Company”) on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission (the “Report”), I, Joseph F. Hanna, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: July 25, 2024

By: /s/ Joseph F. Hanna
Joseph F. Hanna
Chief Executive Officer

Exhibit 32.2

McGRATH RENTCORP
SECTION 906 CERTIFICATION

In connection with the quarterly report of McGrath RentCorp (the "Company") on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Keith E. Pratt, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: July 25, 2024

By: /s/ Keith E. Pratt
Keith E. Pratt
Chief Financial Officer