
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarter ended March 31, 2004

Commission file number 0-13292

McGRATH RENTCORP

(Exact name of registrant as specified in its Charter)

California
(State or other jurisdiction of
incorporation or organization)

94-2579843
(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

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 is an accelerated filer (as defined under Rule 12b-2 of the Exchange Act). Yes No

At May 5, 2004, 12,139,836 shares of registrant's common stock were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

McGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

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

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

McGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS

<u>(in thousands)</u>	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	<u>(unaudited)</u>	
ASSETS		
Cash	\$ 4	\$ 4
Accounts Receivable, net of allowance for doubtful Accounts of \$650 in 2004 and 2003	29,305	32,199
Rental Equipment, at cost:		
Relocatable Modular Buildings	308,075	304,905
Electronic Test Instruments	33,484	34,448
	<u>341,559</u>	<u>339,353</u>
Less Accumulated Depreciation	(108,665)	(107,307)
	<u>232,894</u>	<u>232,046</u>
Rental Equipment, net		
Property, Plant and Equipment, net	46,954	47,250
Prepaid Expenses and Other Assets	13,484	12,359
	<u>322,641</u>	<u>323,858</u>
Total Assets	\$ 322,641	\$ 323,858
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes Payable	\$ 43,932	\$ 47,266
Accounts Payable and Accrued Liabilities	30,947	28,695
Deferred Income	16,693	21,970
Minority Interest in Subsidiary	2,892	2,890
Deferred Income Taxes, net	80,786	79,059
	<u>175,250</u>	<u>179,880</u>
Total Liabilities	175,250	179,880
Shareholders' Equity:		
Common Stock, no par value -		
Authorized — 40,000 shares		
Outstanding — 12,140 shares in 2004 and 12,122 shares in 2003	18,245	17,900
Retained Earnings	129,146	126,078
	<u>147,391</u>	<u>143,978</u>
Total Shareholders' Equity	147,391	143,978
Total Liabilities and Shareholders' Equity	\$ 322,641	\$ 323,858

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

McGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<i>(in thousands)</i>	Three Months Ended March 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 5,738	\$ 4,889
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,726	3,610
Provision for Doubtful Accounts	98	8
Gain on Sale of Rental Equipment	(1,283)	(1,279)
Change In:		
Accounts Receivable	2,796	6,221
Prepaid Expenses and Other Assets	(1,125)	167
Accounts Payable and Accrued Liabilities	1,421	816
Deferred Income	(5,277)	(3,837)
Deferred Income Taxes	1,727	2,678
Net Cash Provided by Operating Activities	7,821	13,273
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Rental Equipment	(5,054)	(7,369)
Purchase of Property, Plant and Equipment	(170)	(271)
Proceeds from Sale of Rental Equipment	2,816	3,558
Net Cash Used in Investing Activities	(2,408)	(4,082)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net Borrowings (Repayments) Under Bank Lines of Credit	(3,334)	3,175
Proceeds from the Exercise of Stock Options	345	90
Repurchase of Common Stock	—	(10,207)
Payment of Dividends	(2,424)	(2,249)
Net Cash Used in Financing Activities	(5,413)	(9,191)
Net Increase (Decrease) in Cash	—	—
Cash, beginning of period	4	4
Cash, end of period	\$ 4	\$ 4
Interest Paid, during the period	\$ 1,046	\$ 1,068
Income Taxes Paid, during the period	\$ 2,084	\$ 536
Dividends Declared, not yet paid	\$ 2,671	\$ 2,407
Rental Equipment Acquisitions, not yet paid	\$ 2,503	\$ 1,570

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

McGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2004

NOTE 1. CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information for the three months ended March 31, 2004 and 2003 has not been audited, but in the opinion of management, all adjustments (consisting of only normal recurring accruals, consolidation and eliminating entries) necessary for the fair presentation of the consolidated results of operations, financial position, and cash flows of McGrath RentCorp (the "Company") have been made. The consolidated results of the three months ended March 31, 2004 should not be considered as necessarily indicative of the consolidated results for the entire year. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest Form 10-K.

NOTE 2. STOCK OPTIONS

The Company accounts for stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which compensation cost is recorded as the difference between the fair value and the exercise price at the date of grant, and is recorded on a straight-line basis over the vesting period of the underlying options. The Company has adopted the disclosure only provisions of Statement of Financial Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation". No compensation expense has been recognized in the accompanying financial statements as the option terms are fixed and the exercise price equals the market price of the underlying stock on the date of grant for all options granted by the Company.

Had compensation cost for the stock-based compensation plans been determined based upon the fair value at grant dates for awards under those plans consistent with the method prescribed by SFAS No. 123, net income would have been reduced to the pro forma amounts indicated below:

<i>(in thousands, except per share amounts)</i>	Three Months Ended March 31,	
	2004	2003
Net Income, as reported	\$5,738	\$4,889
Pro Forma Compensation Charge	(188)	(90)
Pro Forma Net Income	5,550	4,799
Earnings Per Share:		
Basic – as reported	\$ 0.47	\$ 0.40
Basic – pro forma	0.46	0.39
Diluted – as reported	\$ 0.47	\$ 0.40
Diluted – pro forma	0.45	0.39

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model using the following assumptions:

	Three Months Ended March 31,	
	2004	2003
Risk-free interest rates	3.2%	3.6%
Expected dividend yields	2.9%	3.5%
Expected volatility	32.9%	35.7%
Expected option life (in years)	7.5	7.5

The weighted average fair value of grants was \$8.74 per share during the three months ended March 31, 2004.

NOTE 3. 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 as net income divided by the weighted average number of shares outstanding of common stock and common stock equivalents for the period, including the dilutive effects of stock options and other potentially dilutive securities. Common stock equivalents result from dilutive stock options computed using the treasury stock method and the average share price for the reported period. The weighted average number of dilutive options outstanding for the three months ended March 31, 2004 and 2003 were 177,212 and 88,912, respectively. As of March 31, 2004 and 2003, stock options to purchase 219,000 and 197,000 shares, respectively, of the Company's common stock were not included in the computation of diluted EPS because the exercise price exceeded the average market price for the quarter and the effect would have been anti-dilutive.

NOTE 4. SUBSEQUENT EVENTS

Repayment of Senior Notes

On April 15, 2004, the Company opted to prepay the remaining \$16.0 million of its 6.44% Senior Notes ("Notes") along with accrued interest of \$258,000 and a prepayment fee of \$561,000. The total payment of \$16.8 million was advanced under the Company's revolving line of credit at its current floating interest rate of 2.3%. Subsequent to the repayment of these Notes, the Company had \$46.2 million drawn on its unsecured lines of credit, which permit the Company to borrow up to \$125.0 million.

Acquisition

In May 2004, the Company entered into an Asset Purchase Agreement (the "Agreement") to purchase substantially all of the assets of Technology Rentals & Services ("TRS"), a division of CIT Group Inc ("CIT"), subject to certain deliverables required to be provided by the seller to the Company. The transaction is for approximately \$116 million in cash and is expected to close by May 31, 2004. The Company intends to finance the acquisition from a revolving line of credit facility with its banks and a fixed-rate Senior Note. Either CIT or the Company may terminate the Agreement if the transaction is not consummated by July 30, 2004.

NOTE 5. BUSINESS SEGMENTS

The Company defines its business segments based on the nature of operations for the purpose of reporting under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The Company's three reportable segments are Mobile Modular Management Corporation (Modulars), RenTelco (Electronics), and Enviroplex. The operations and accounting policies of these three segments are described in Notes 1 and 2 of the consolidated financial statements included in the Company's latest Form 10-K. As a separate corporate entity, Enviroplex revenues and expenses are separately maintained from Modulars and Electronics. Excluding interest expense, allocations of revenues and expenses not directly associated with Modulars or Electronics are generally allocated to these segments based on their pro-rata share of direct revenues. Interest expense is allocated between Modulars and Electronics based on their pro-rata share of average rental equipment, accounts receivable, deferred income and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the three months ended March 31, 2004 and 2003 for the Company's reportable segments is shown in the following table:

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

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

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

This Quarterly Report on Form 10-Q contains statements, which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to a number of risks and uncertainties. All statements, other than statements of historical facts included in this Quarterly Report on Form 10-Q regarding the Company's business strategy, future operations, financial position, estimated revenues or losses, projected costs, prospects, plans and objectives are forward-looking statements. These statements appear in a number of places and can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "estimates", "will", "should", "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. 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. Actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include: the effectiveness of management's strategies and decisions; general economic and business conditions and in particular the continuing weakness in the telecommunications industry; new or modified statutory or regulatory requirements relating to the Company's modular operations; changing prices and market conditions; additional impairment charges on the Company's equipment; and fluctuations in the Company's rentals and sales of modular or telecommunications equipment. This report identifies other factors that could cause such differences. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

Three Months Ended March 31, 2004 and 2003

The Company is comprised of three business segments: "Mobile Modular Management Corporation" ("MMMC"), its modular building rental division, "RenTelco," its electronic test equipment rental division, and "Enviroplex," its majority-owned subsidiary classroom manufacturing business. Although the Company's primary emphasis is on equipment rentals, sales of equipment occur in the normal course of business. For the three months ended March 31, 2004, MMMC, RenTelco and Enviroplex contributed 88%, 12% and 0% of the Company's pre-tax income, respectively.

The Company's rental revenues for the three months ended March 31, 2004 increased \$1.6 million (9%) from the comparative period in 2003.

- For the three months ended March 31, 2004, MMMC's rental revenues increased \$1.1 million (7%) from \$15.7 million in 2003 to \$16.8 million in 2004. MMMC's rental revenues increased primarily as a result of \$13.3 million in additional equipment on rent during the period as compared with the prior year's first quarter stemming from the significant classroom product shipped during the second and third quarters of 2003. Average monthly yield for the quarter increased from 1.88% in 2003 to 1.92% in 2004. Average monthly yield for the period is calculated as average rental revenues divided by the average cost of rental equipment for the period. Changes in equipment utilization and rental rates of equipment on rent can impact the average monthly yield for a period. For the three months ended March 31, 2004, average rental rates increased 2% and average utilization for modulars increased from 83.8% in 2003 to 84.3% in 2004. Average utilization for the period is calculated by dividing the average cost of rental equipment on rent by the average total cost of rental equipment for the period.
- For the three months ended March 31, 2004, RenTelco's rental revenues increased 18% from \$2.7 million in 2003 to \$3.2 million in 2004 due to improving business activity levels from customers renting communications and fiber optic equipment. As the telecommunications industry continues to recover, RenTelco anticipates further improvement. For the three months ended March 31, 2004, average monthly yield improved from 2.4% in 2003 to 3.2% in 2004 resulting from a combination of increasing average rental rates and an increase of average utilization from 42.8% in 2003 to 46.3% in 2004. Utilization at March 31, 2004 was 47.3%.

Depreciation of rental equipment for the three months ended March 31, 2004 increased \$0.1 million (5%) from the comparative period in 2003 primarily driven by MMMC's additions to its rental fleet during the prior year. For MMMC, for the three months ended March 31, 2004, depreciation expense as a percentage of rental revenues increased to 12% from 11% in the prior year's comparable period. For RenTelco, rising rental revenues combined with slightly lower depreciation expense for the first quarter 2004 as compared to first quarter 2003, resulted in a decrease in depreciation expense as a percentage of rental revenues from 50% in 2003 to 39% in 2004.

Other direct costs of rental operations for the three months ended March 31, 2004 increased \$0.2 million (5%) over last year's comparable period due primarily to higher equipment supplies expenditures in the maintenance and repair of modular equipment. For the three months ended March 31, 2004, consolidated gross margin percentage on rents increased from a margin of 59.2% in 2003 to 60.5% in 2004.

Rental related services revenues for the three months ended March 31, 2004 increased \$1.0 million (28%) from the comparative period in 2003. These revenues are primarily associated with modulars and consist of services negotiated as an integral part of the lease, which are recognized on a straight-line basis over the term of the lease. The revenue increase resulted from the change in mix of all leases and the associated rental related service revenues within term at March 31, 2004 as compared to the prior year period. Gross margin percentage on these services for the three months ended March 31 increased from 39.1% in 2003 to 41.1% in 2004.

Sales revenues for the three months ended March 31, 2004 decreased \$0.2 million (4%) from the comparable period in 2003 as a result of lower MMMC sales volume partially offset by Enviroplex's increased sales volume. Sales continue to occur routinely as a normal part of the Company's rental business; however, these sales can fluctuate from quarter to quarter and year to year depending on customer requirements and funding. Consolidated gross margin percentage on sales for the three months ended March 31 increased from 30.2% in 2003 to 38.0% in 2004.

Enviroplex's backlog of orders as of March 31, 2004 and 2003 was \$6.7 million and \$12.2 million, respectively, due to several large projects booked in the prior year period. Typically, in the California classroom market, booking activity for the first half of the year provides the most meaningful information towards determining order levels to be produced for the entire year. In addition to Enviroplex's backlog, MMMC has a \$9.0 million sale order to provide classroom product and site related improvements to a school district during the second and third quarter of 2004. Beyond this single sale order, backlog is not significant in MMMC's modular business or in RenTelco's electronics business.

Selling and administrative expenses for the three months ended March 31, 2004 increased \$0.7 million (13%) from the comparable 2003 period. The increase is due primarily to higher personnel and benefit costs of \$0.6 million.

Interest expense for the three months ended March 31, 2004 decreased \$0.2 million (22%) from the first quarter 2003 as a result of 16% lower debt levels and 6% lower average interest rates from the comparative prior year period.

Income before provision for taxes for the three months ended March 31, 2004 increased \$1.5 million (19%) from \$8.1 million in 2003 to \$9.6 million in 2004 primarily as a result of higher earnings contribution from the rental operations of MMMC and RenTelco. Net income for the first quarter 2004 increased \$0.8 million from \$4.9 million or, \$0.40 per share, to \$5.7 million or, \$0.47 per share from the comparable quarter in 2003.

Liquidity and Capital Resources

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

The Company's cash flow from operations plus the proceeds from the sale of rental equipment decreased \$6.2 million (37%) for the three months ended March 31, 2004 from \$16.8 million in 2003 to \$10.6 million in 2004. The total cash available from operations and sale proceeds for the three-month period declined primarily as a result of lower sale proceeds, higher income tax payments and net changes in the accounts receivable and accounts payable balances. During 2004, the primary uses of cash have been to purchase \$5.1 million of additional rental equipment, pay dividends of \$2.4 million to the Company's shareholders, and pay-down notes payable by \$3.3 million.

The Company had total liabilities to equity ratios of 1.19 to 1 and 1.25 to 1 as of March 31, 2004 and December 31, 2003, respectively. The debt (notes payable) to equity ratios were 0.30 to 1 and 0.33 to 1 as of March

31, 2004 and December 31, 2003, respectively. The Company's credit facility related to its cash management services facilitate automatic borrowings and repayments with the bank on a daily basis depending on the Company's cash position and allows the Company to maintain minimal cash balances. At March 31, 2004, the Company had unsecured lines of credit which expire June 30, 2004 that permit it to borrow up to \$125.0 million of which \$27.9 million was outstanding and included on the Balance Sheet in Notes Payable. The Company currently is in the process of renewing its lines of credit with its banks.

The Company has made purchases of shares of its common stock from time to time in the over-the-counter market (NASDAQ) and/or through privately negotiated, large block transactions under an authorization of the board of directors. Shares repurchased by the Company are cancelled and returned to the status of authorized but unissued stock. During the three months ended March 31, 2004, there were no repurchases. During the three months ended March 31, 2003, the Company repurchased 462,900 shares of its outstanding common stock for an aggregate purchase price of \$10.2 million (or an average price of \$22.05 per share). As of May 5, 2004, 1,000,000 shares remain authorized for repurchase.

The Company believes that its needs for working capital and capital expenditures through 2004 will be adequately met by operational cash flow, proceeds from the sale of rental equipment and bank borrowings.

ITEM 3. MARKET RISK

The Company currently has no material derivative financial instruments that expose the Company to significant market risk. The Company is exposed to cash flow and fair value risk due to changes in interest rates with respect to its notes payable. The Company believes that the carrying amounts for cash, accounts receivable, accounts payable, and notes payable approximate their fair value, except for the fixed rate debt included in notes payable which has an estimated fair value of \$16.5 million compared to the recorded value of \$16.0 million as of March 31, 2004. The estimate of fair value of the Company's fixed rate debt is based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities.

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"), performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures within the period covered by this quarterly report. Based on that evaluation, the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

Dividends

On March 9, 2004, the Company declared a quarterly dividend on its Common Stock; the dividend was \$0.22 per share. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

The Company filed a Current Report on Form 8-K on February 19, 2004 regarding the 4th Quarter 2003 earnings press release.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 5, 2004

MCGRATH RENTCORP

By: /s/ Thomas J. Sauer

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

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Dennis C. Kakures, Chief Executive Officer, 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 controls 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 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 controls over financial reporting.

Date: May 5, 2004

By: /s/ Dennis C. Kakures

Dennis C. Kakures
Chief Executive Officer

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Thomas J. Sauer, Chief Financial Officer, 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 controls 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 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 controls over financial reporting.

Date: May 5, 2004

By: /s/ Thomas J. Sauer

Thomas J. Sauer
Chief Financial Officer

McGrath RentCorp
SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the "Company") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, Dennis C. Kakures, 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.

Date: May 5, 2004

By: /s/ Dennis C. Kakures

Dennis C. Kakures
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

McGrath RentCorp
SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the "Company") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, Thomas J. Sauer, 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.

Date: May 5, 2004

By: /s/ Thomas J. Sauer

Thomas J. Sauer
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.