

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): February 19, 2004

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

California  
(State or other jurisdiction of incorporation)

0-13292  
(Commission File Number)

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

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

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

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Item 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(c) Exhibits.

Exhibit No.	Description
99.1	Press Release of McGrath RentCorp, dated February 19, 2004.

On February 19, 2004, McGrath RentCorp (the "Company") announced via press release the Company's results for its fourth quarter ended December 31, 2003. A copy of the Company's press release is attached hereto as Exhibit 99.1. This Form 8-K and the attached exhibit are provided under Item 12 of Form 8-K and are furnished to, but not filed with, the Securities and Exchange Commission.

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SIGNATURES

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

McGRATH RENTCORP

Dated: February 19, 2004

By: /s/ Thomas J. Sauer

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Thomas J. Sauer  
Vice President and Chief Financial Officer

McGrath RentCorp Announces Fourth Quarter and Year-End Results;  
Q4 2003 EPS of \$0.57 and FYE 2003 EPS of \$1.85

LIVERMORE, Calif.--(BUSINESS WIRE)--Feb. 19, 2004--

Quarter over Quarter Rental Revenues Increase for  
Both Modulars and Electronics

McGrath RentCorp (Nasdaq:MGRC), a leading rental provider of modular buildings for classroom and office space, and test equipment for communications, fiber optic and general purpose needs, today announced revenues for the quarter ended December 31, 2003 of \$37.1 million, compared to \$34.9 million in the fourth quarter of 2002. The Company reported net income of \$7.0 million or \$0.57 per share, compared to \$7.7 million or \$0.61 per share in the fourth quarter of 2002.

Fourth quarter 2002 results included a nonrecurring gain on land sales of \$0.9 million, which increased net income by \$0.5 million or \$0.04 per share. For comparability, excluding the gain on land sales, fourth quarter net income would have decreased 3% from \$7.2 million, or \$0.57 per share, in 2002 to \$7.0 million, or \$0.57 per share, in 2003, with fewer outstanding shares in 2003.

For the quarter, rental revenues for the Company's Mobile Modular division increased 2% from the same period in 2002 to \$16.9 million as a result of high shipping levels of classroom product in the third quarter. The rental revenue increase for Mobile Modular was offset by higher operating expenses coupled with lower margin contribution of rental related services and sales. This resulted in a pre-tax income decline for Mobile Modular of 11% to \$10.0 million. For Enviroplex, the Company's classroom manufacturing subsidiary, sales revenues for the quarter increased to \$3.9 million from \$1.2 million in the same period in 2002, as projects in process at the end of the third quarter were completed, resulting in pre-tax income of \$0.8 million compared to a pre-tax loss of \$0.2 million in the year ago period. Enviroplex's backlog at December 31, 2003 was \$4.2 million compared to \$3.3 million at the end of 2002. At RenTelco, the Company's communications test equipment rental division, rental revenues increased 4% sequentially to \$3.6 million from \$3.4 million in the third quarter of 2003, and were 8% higher than in the fourth quarter of 2002. RenTelco contributed \$1.1 million in pre-tax earnings, about half of which were derived from selling underutilized equipment.

"Both of our rental businesses ended the year with strong quarters," stated Dennis Kakures, President and CEO. "Our Modular business experienced its highest-ever rental revenue quarter while rental revenues for our communications test equipment business increased for a third sequential quarter and grew 8% over fourth quarter 2002 results. More importantly, gross margin on rents for RenTelco has increased for three consecutive quarters, and grew 24% over fourth quarter 2002.

"In addition, we continued to bolster our healthy balance sheet by generating strong cash flow during the year, further reducing our debt by \$8.3 million and lowering our already low debt-to-equity ratio. We accomplished this while continuing to increase the dividend in 2003, repurchasing \$10.3 million of the Company's common stock and increasing our rental equipment assets by \$13.7 million for the year.

"We look forward into 2004 with enthusiasm and anticipation that feels different from our recent past.

"We believe that the increased momentum in order activity for RenTelco, especially in product areas that have been relatively dormant over the past few years, is very encouraging. As the communications industry continues to recover, we anticipate increasing business levels. Our communications test equipment leadership position, rightsizing of our inventory levels and infrastructure cost reductions over the past couple of years, has well positioned us to take full advantage of improving market conditions. Looking forward, this business has the potential for favorable income growth.

"We expect our modular rental business to continue its strong performance in 2004. Mobile Modular, in good and bad economic times, has endured and produced consistently favorable results. Our educational rental business is the core of this economic engine. We are focused on growing our leadership position in providing low cost, interim facility solutions to the educational community.

"Over the past 12 to 18 months, the Company's management has made a significant investment of time and money in developing a strategic planning structure and protocols to cultivate and assess growth opportunities going forward. We believe that these capabilities will enhance our ability to develop the Company's future income growth."

Total revenues for the twelve months ended December 31, 2003, were \$131.0 million, compared to \$145.1 million in the same twelve-month

period in 2002. Net income for the twelve months ended December 31, 2003, was \$22.7 million or \$1.85 per share, compared to \$12.6 million or \$1.00 per share in the prior-year period. The twelve-month 2002 results include noncash RenTelco impairment charges, net of the lower depreciation expense from the equipment write-downs, of \$20.6 million, which reduced net income by \$12.4 million or \$0.98 per share; a nonrecurring gain on land sales, which increased net income by \$0.5 million or \$0.04 per share; and net nonrecurring income related to the terminated Tyco merger, which increased net income by \$0.4 million, or \$0.03 per share.

#### FOURTH QUARTER 2003 HIGHLIGHTS (AS COMPARED TO FOURTH QUARTER 2002)

- Rental revenues increased 3% to \$20.4 million. Within rental revenues, Mobile Modular increased 2% to \$16.9 million, resulting from high shipping levels of classroom product during the prior quarter. RenTelco rental revenues increased 8% to \$3.6 million.
- Sales revenues increased 22% to \$11.2 million resulting from \$2.7 million higher equipment sales by Enviroplex offset by lower sales at Mobile Modular and RenTelco. Overall gross profit on sales for the quarter increased from \$2.7 million in 2002 to \$3.2 million in 2003. Sales can fluctuate from quarter to quarter and year to year depending on customer requirements and funding.
- Depreciation of rental equipment decreased 5% to \$3.3 million for the quarter resulting primarily from RenTelco's sale of underutilized communications test equipment throughout the year.
- Operating cash flow increased 36% to \$15.7 million, primarily due to collection of accounts receivable and lower income tax payments during the quarter. Debt decreased \$8.7 million during the quarter to \$47.3 million, with the Company's total liabilities to equity ratio decreasing from 1.43 to 1 at September 30, 2003 to 1.25 to 1 as of December 31, 2003. At December 31, 2003, the Company, under existing bank lines of credit, has capacity to borrow up to an additional \$93.7 million.
- Dividend rate increased to \$0.20 per share for the fourth quarter 2003. On an annualized basis, this dividend represented a 2.6% yield on the February 18, 2004 close price of \$30.41.

#### FINANCIAL GUIDANCE

The Company currently expects its 2004 full-year earnings per share to be in a range of \$2.00 to \$2.10 per diluted share. Such a forward-looking statement reflects McGrath RentCorp's expectations as of February 19, 2004. Results may be materially affected by many factors, as outlined in the "forward-looking statements" paragraph at the end of this press release.

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

#### CORPORATE GOVERNANCE

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

#### About McGrath RentCorp

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

U.S.

CONFERENCE CALL NOTE: As previously announced in its press release of February 4, 2004, McGrath RentCorp will host a conference call at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) on February 19, 2004 to discuss the fourth quarter 2003 results. To participate in the teleconference, dial 1-800-218-4007 (international callers dial 1-303-262-2130). In addition, a live Web cast and replay of the call may be found in the investor relations section of the Company's website at www.mgrc.com. Telephone replay of the call will be available for 48 hours following the call by dialing 1-800-405-2236 (in the U.S.) or 1-303-590-3000 (outside the U.S.). The pass code for the call replay is 567142#.

NON-GAAP FINANCIAL MEASURES: This press release includes financial measures for earnings per share and net income that have not been calculated in accordance with generally accepted accounting principles (GAAP). These differ from GAAP in that they exclude from the 2002 three-month results the net nonrecurring gain on land sales of \$0.5 million. McGrath RentCorp provides these measurements to provide a consistent basis for comparison between quarters without the effect of one-time events. The net income and earnings per share contained in the attached unaudited financial statement are presented and have been calculated in accordance with GAAP.

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

#### MCGRATH RENTCORP

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2003	2002	2003	2002
<b>REVENUES</b>				
Rental	\$20,426	\$19,839	\$76,678	\$81,991
Rental Related Services	5,192	4,724	16,746	17,497
Rental Operations	25,618	24,563	93,424	99,488
Sales	11,249	9,196	36,745	42,257
Other	204	1,137	802	3,341
Total Revenues	37,071	34,896	130,971	145,086

#### COSTS AND EXPENSES

Direct Costs of Rental Operations
Depreciation of Rental

Equipment	3,277	3,465	12,745	15,792
Rental Related Services	3,482	2,584	10,356	9,497
Impairment of Rental Equipment	--	--	--	24,083
Other	4,079	3,763	18,623	17,839
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Total Direct Costs of Rental Operations	10,838	9,812	41,724	67,211
Costs of Sales	8,083	6,506	25,913	30,541
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Total Costs	18,921	16,318	67,637	97,752
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Gross Margin	18,150	18,578	63,334	47,334
Selling and Administrative	5,753	4,996	22,626	22,099
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Income from Operations	12,397	13,582	40,708	25,235
Interest	583	807	2,668	3,982
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Income Before Provision for Income Taxes	11,814	12,775	38,040	21,253
Provision for Income Taxes	4,714	5,085	15,178	8,459
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Income Before Minority Interest	7,100	7,690	22,862	12,794
Minority Interest in Income of Subsidiary	81	(21)	170	161
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Net Income	\$7,019	\$7,711	\$22,692	\$12,633
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Earnings Per Share:

Basic	\$0.58	\$0.62	\$1.87	\$1.01
Diluted	\$0.57	\$0.61	\$1.85	\$1.00

Shares Used in Per Share

Calculations:

Basic	12,119	12,488	12,125	12,468
Diluted	12,274	12,572	12,259	12,619

BALANCE SHEET DATA	December 31, 2003	December 31, 2002
Rental Equipment, net	\$232,046	\$221,899
Total Assets	323,858	313,134
Notes Payable	47,266	55,523
Shareholders' Equity	143,978	139,019

SEGMENT DATA	Modulars	Electro-nics	Enviro-plex	Corporate(1)	Consolidated
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Three Months Ended December 31,					
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2003					
Rental Revenues	\$16,875	\$3,551	\$--	\$--	\$20,426
Rental Related Services Revenues	5,051	141	--	--	5,192
Sales and Other Revenues	5,720	1,838	3,895	--	11,453
Total Revenues	27,646	5,530	3,895	--	37,071
Depreciation of Rental Equipment	1,972	1,305	--	--	3,277
Interest Expense					
(Income) Allocation	557	71	(45)	--	583
Income before Provision for Income Taxes	9,960	1,057	797	--	11,814
Rental Equipment Acquisitions	4,623	737	--	--	5,360
Accounts Receivable, net (period end)	26,616	3,664	1,919	--	32,199
Rental Equipment, at cost (period end)	304,905	34,448	--	--	339,353
Rental Equipment, net book value (period end)	215,589	16,457	--	--	232,046
Utilization (period end) (2)	84.6%	45.2%			
Average Utilization(2)	85.1%	46.6%			

2002					
Rental Revenues	\$16,550	\$3,289	\$--	\$--	\$19,839

Rental Related					
Services Revenues	4,594	130	--	--	4,724
Sales and Other					
Revenues	5,804	2,451	1,173	905	10,333
Total Revenues	26,948	5,870	1,173	905	34,896
Depreciation of Rental					
Equipment	2,004	1,461	--	--	3,465
Interest Expense					
(Income) Allocation	746	115	(54)	--	807
Income before					
Provision for Income					
Taxes	11,173	869	(172)	905	12,775
Rental Equipment					
Acquisitions	1,844	924	--	--	2,768
Accounts Receivable,					
net (period end)	27,368	3,896	1,985	--	33,249
Rental Equipment, at					
cost (period end)	285,901	39,786	--	--	325,687
Rental Equipment, net					
book value (period					
end)	200,593	21,306	--	--	221,899
Utilization (period					
end) (2)	85.2%	41.6%			
Average Utilization(2)	85.8%	43.8%			

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SEGMENT DATA	Modulars	Electro-	Enviro-	Corporate(1)	Consol-
		nic	plex		idated

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Twelve Months Ended  
December 31,

2003					
Rental Revenues	\$63,948	\$12,730	\$--	\$--	\$76,678
Rental Related					
Services Revenues	16,203	543	--	--	16,746
Sales and Other					
Revenues	18,973	7,567	11,007	--	37,547
Total Revenues	99,124	20,840	11,007	--	130,971
Depreciation of Rental					
Equipment	7,377	5,368	--	--	12,745
Impairment of Rental					
Equipment	--	--	--	--	--
Interest Expense					
(Income) Allocation	2,505	343	(180)	--	2,668
Income before Provision					
for Income Taxes	33,357	3,290	1,393	--	38,040
Rental Equipment					
Acquisitions	27,637	4,790	--	--	32,427
Accounts Receivable,					
net (period end)	26,616	3,664	1,919	--	32,199
Rental Equipment, at					
cost (period end)	304,905	34,448	--	--	339,353
Rental Equipment, net					
book value (period					
end)	215,589	16,457	--	--	232,046
Utilization (period					
end) (2)	84.6%	45.2%			
Average Utilization(2)	84.2%	45.3%			

2002					
Rental Revenues	\$66,214	\$15,777	\$--	\$--	\$81,991
Rental Related					
Services Revenues	16,936	561	--	--	17,497
Sales and Other					
Revenues	20,802	10,153	12,488	2,155	45,598
Total Revenues	103,952	26,491	12,488	2,155	145,086
Depreciation of Rental					
Equipment	7,169	8,623	--	--	15,792
Impairment of Rental					
Equipment	--	24,083	--	--	24,083
Interest Expense					
(Income) Allocation	3,451	749	(218)	--	3,982
Income before					
Provision for Income					
Taxes	40,412	(22,023)	1,302	1,562	21,253
Rental Equipment					
Acquisitions	15,895	3,023	--	--	18,918
Accounts Receivable,					
net (period end)	27,368	3,896	1,985	--	33,249

Rental Equipment, at cost (period end)	285,901	39,786	--	--	325,687
Rental Equipment, net book value (period end)	200,593	21,306	--	--	221,899
Utilization (period end) (2)	85.2%	41.6%			
Average Utilization(2)	85.9%	38.2%			

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(1) Corporate includes nonrecurring items related to the terminated merger with Tyco International in 2002 and gain on land sales, which were not allocated to a specific segment.

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

CONTACT: McGrath RentCorp  
 Thomas J. Sauer, 925-606-9200  
 Chief Financial Officer