Specialty Looks Strong, Industrial Sluggish in 2020, United's Flannery Says

January 31, 2020

United Rentals delivered what CEO Matt Flannery called a "solid year of profitable growth for United Rentals, both organically and through the impact of our acquisitions, and we expect to deliver more growth again this year," he said. United Rentals has now lapped its large acquisitions and delivered "record EBITDA of $4.4 billion and a record free cash flow of $1.6 billion."

Nonetheless, Flannery noted, there were some stubborn headwinds that impacted the company's numbers. While the company expected rental revenue growth to be moderate, fourth quarter pro forma growth was lower than expected at around 1 percent, and some of its costs were higher.

"The single biggest constraint was a slowdown in upstream oil and gas," Flannery said. "Within our rental operations, it impacted not just revenue, but also our operating costs, including the expenses we had for repair, maintenance and repositioning of the fleet that we pulled back from the oilfield. We're sending that equipment to other markets where it can generate revenue down the road. We didn't have grand expectations for the upstream market, but frankly the speed of the decline was a surprise."

Flannery said based on what the company is hearing from its customers and fleet organization, they are confident in the demand.

United's specialty segment continues its strength. "Rental revenue from Trench, Power and Fluid Solutions combined grew almost 9 percent, and about half of that was organic. The highest growth came from our Power & HVAC business. This year, we'll continue to invest in specialty with another 25 cold starts planned across our service offering and that's following 34 we added in 2019. This will bring our specialty network close to 400 locations by year end. Our ongoing investments in specialty are part of our broader strategy to differentiate our service offering. Customers see us as a solutions provider, not just an equipment rental company. In 2019, we made strategic investments in growth initiatives that we believe can be highly accretive long term. And we'll continue to invest in the business this year, even though it may have a short-term impact on our margins."

Flannery said the company believes construction markets will continue to grow through 2020, but not at the same rate as 2019, with sluggish activity in industrial. "Our industrial revenue in 2019 was essentially flat with '18," he said. "If we exclude the impact of upstream oil and gas, industrial was up 3 percent for the year. I can sum up our expectations for this year in four words: slowing but still growing."

For a full summary of United Rentals' fourth quarter and full year 2019 results, click on: https://www.rermag.com/rental-news/article/21121684/united-rentals-full-year-total-revenue-tops-935-billion