United Rentals to Maintain CapEx in Slower Growth Market

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United Rentals will be maintaining a high level of CapEx in 2020, as the company expects to see continued growth, though at a slower pace.

In 2019, United invested US$2.1 billion in its fleet, and in the year ahead it plans to spend between $1.9 and $2.2 billion.

Matthew Flannery, CEO of United Rentals, said, “Our 2020 outlook reflects the profitable growth we expect to deliver in what is forecasted to be a slower growth phase of this continuing upcycle.”

Flannery said its results were driven by growth in its core construction markets, although it faced challenges in industrial business.

The final quarter of 2019 showed a slowing of its growth rate, with revenues up 6.5% compared to a 16.2% increase for the full year.

Fourth quarter revenues were $2.45 billion with net profits increasing by 9% to $334 million. United’s revenues for the full year grew by 16.2% in 2019 to almost $9.4 billion. Adjusted EBITDA profits increased by 12.7% to $4.4 billion, while net profits rose by 7.1% to just under $1.2 billion.

Rental revenues were up 14.8% to just under $8 billion. This was helped by the acquisitions of BlueLine and BakerCorp in 2018. The purchase of BakerCorp marked United’s entry into the European market.

United is continuing to benefit from growth of its Specialty business, which now accounts for just over 23% of total revenues, generating more than $2 billion in 2019. Specialty revenues were up 26.8% for the year.

Specialty includes trench safety, fluid solutions, tool solutions, on-site services, and power and HVAC. It is said to be a higher margin business that reduces volatility through cross-selling.

The US equipment rental industry has seen almost a decade of continued growth, with a compound annual growth rate (CAGR) of 6.6% between 2009 and 2018.

Rental penetration has been increasing, with the rental market outpacing the construction market by more than 50% over the last 20 years.

Looking ahead to 2020, United is forecasting an increase in total revenue to between $9.4 and $9.8 billion. Adjusted EBITDA is expected to either remain flat or increase slightly to $4.55. Used equipment sales generated $831 million, compared to $664 million in 2018.