



United Rentals' Second Quarter Rental Revenue Jumps 18.8 Percent

July 28, 2021

United Rentals posted equipment rental revenue of \$1.951 billion in the second quarter of 2021 compared to \$1.642 billion in the second quarter of 2020, an 18.8-percent increase. Total revenue for the quarter was \$2.287 billion compared to \$1.939 billion in the year-ago quarter, a 17.9-percent hike.

For the first six months of the year, rental revenue was \$3.3618 billion compared to \$3.425 billion for the first six months of 2020, a 5.6-percent increase. For the first six months of the year, total revenue was \$4.344 billion compared to \$4.064 billion for the first six months of 2020, a 6.9-percent jump.

Used equipment sales in the quarter increased 10.2 percent year over year, reflecting a strong used equipment market. These sales generated \$194 million of proceeds at a GAAP gross margin of 43.3 percent and an adjusted gross margin of 47.9 percent. During Q220, proceeds were \$176 million at a GAAP gross margin of 40.3 percent and an adjusted gross margin of 46 percent. The gross margin hikes were primarily because of stronger pricing, which rose sequentially for the third consecutive quarter. Used equipment proceeds in the second quarter were 59 percent of original equipment cost, compared to 54 percent in the year-ago quarter.

Adjusted EBITDA for the quarter increased 11.1 percent year over year to \$999 million, while adjusted EBITDA margin declined 270 basis points to 43.7 percent. The decrease included a 240-basis-point reduction in rental margin, excluding depreciation, largely reflecting a higher bonus accrual and increased delivery expense. Adjusted EBITDA margin was also impacted by \$13 million in one-time costs in the quarter related to recent acquisitions, of which \$8 million was included in SG&A expense.

The general rentals segment had a 16.8-percent year-over-year increase in rental revenue to \$1.466 billion for the quarter. The specialty rentals segment rental revenue hiked 25.3 percent year over year to \$485 million for the quarter, including \$24 million from the recent acquisition of General Finance. Rental gross margin decreased by 40 basis points to 46.4 percent, primarily because of the expected dilutive impact of the General Finance acquisition.

"We were pleased with our second quarter results, which were in line with our expectations and reflected a continued recovery across our construction and industrial markets," said CEO Matthew Flannery. "I continue to be proud of the job our team does every day to safely support our customers as their activity levels rebound. Looking forward, we remain encouraged by the gains we've seen in end-market indicators, including our customers' sentiment and project visibility. We are raising our guidance to reflect the expected contribution from our recently completed acquisitions, as well as accelerated momentum in our underlying business. Combined, we believe this positions us well to deliver strong growth and returns in the second half of the year."

United Rentals has raised its guidance with a more positive business climate. It is now expecting total revenue in the range of \$9.45 billion to \$9.75 billion, as compared to its previous expectations of \$9.05 billion to \$9.45 billion. It has raised its adjusted EBITDA expectations from a range of \$4.1 billion to \$4.3 billion to a range of \$4.225 billion to \$4.375 billion. The company is also raising its planned capex. Net rental capital expenditures after gross purchases were in a range of \$1.25 billion to \$1.45 billion after gross purchases of \$2.2 billion to \$2.4 billion. Now the company expected net capital expenditures after gross purchases of \$1.5 billion to \$1.7 billion after gross purchases of \$2.5 billion to \$2.7 billion. And it has raised its expectation for net cash provided by operating activities from a range of \$3.1 billion to \$3.5 billion to a range between \$3.25 billion to \$3.65 billion.

United Rentals, based in Stamford, Conn., is No. 1 on the *RER*100.