



## United Rentals to Acquire Ahern Rentals for \$2 Billion

November 14, 2022

In a stunning deal, United Rentals announced that the company has entered into a definitive agreement to acquire the assets of family-owned Ahern Rentals Inc. for approximately \$2.0 billion in cash. The board of directors of United Rentals unanimously approved the agreement. The transaction is expected to close prior to year-end 2022, subject to customary conditions.

Founded in 1953 by John Ahern, father of current owner Don Ahern, Ahern Rentals is the eighth largest equipment rental company in North America, with approximately 2,100 employees and 106 locations in 30 states serving approximately 44,000 customers in the construction and industrial sectors. For the trailing 12 months ended September 30, 2022, Ahern Rentals generated \$310 million of adjusted EBITDA on \$887 million of total revenue.

Consistent with United Rentals' "grow the core" strategy, customers of both companies will be better served by the combined scale, United Rentals said, and legacy customers of Ahern Rentals will benefit from one-stop access to United Rentals' specialty rental offerings.

Ahern Rentals' customer service footprint of branches, fleet and experienced employees is complementary with United Rentals' existing network. The combination will increase capacity for United Rentals in key geographies, with concentrations on both U.S. coasts and in the Gulf region.

The combination will expand the fleet available to United Rentals customers by more than 60,000 rental assets with an original cost of \$1.85 billion, as well as approximately \$145 million of non-rental fleet. More than 75 percent of Ahern Rentals' rental fleet is comprised of high-demand aerial and material handling equipment.

The integration of the acquired branch and sales operations represents significant opportunities to improve efficiency, productivity and new business development with the adoption of United Rentals technology and field management processes. Ahern Rentals and United Rentals use a number of the same technology platforms, including Wynne Systems' RentalMan ERP system.

The purchase price of approximately \$2.0 billion represents a multiple of 6.5 times adjusted EBITDA for the trailing 12 months ended September 30, 2022, or 4.5 times adjusted EBITDA net of cost synergies and the net present value of tax attributes estimated at \$426 million.

The acquisition is expected to be accretive to United Rentals' adjusted earnings per share and free cash flow generation in its first year post-close.

The transaction is projected to result in a net leverage ratio at year-end 2022 at the low end of the company's target range: 2.1 times adjusted EBITDA as-reported, and 2.0x on a pro forma basis.

Return on invested capital is expected to exceed the cost of capital within 24 months of closing on a run-rate basis. Importantly, the return profile of the transaction is compelling across a range of macro scenarios.

The combination is expected to generate approximately \$40 million of annualized cost synergies within the first 12 to 18 months of closing, primarily in the areas of corporate overhead, operations and cost of rentals due to efficiencies of scale. Additionally, United Rentals expects to realize procurement savings based on the combined spending of both companies.

United Rentals expects to realize approximately \$60 million of annual revenue synergies by year three, led by the cross-selling of its specialty rental offerings to an expanded customer base.

The transaction is not conditioned on financing. United Rentals expects to use a combination of newly issued debt and existing capacity under its ABL facility to fund the transaction and related expenses.

The company currently plans to pause its \$1.25 billion share repurchase program through the initial phase of the integration, consistent with its approach during the integrations of similarly sized general rental transactions.

### **CEO comments**

“Our acquisition of Ahern Rentals supports our strategy to deploy capital to grow the core business and drive shareholder value,” said Matthew Flannery, CEO of United Rentals. “We view ourselves as the ideal owner of these assets within our network, as customers will benefit from the combination of the two organizations moving forward together. We’re leveraging our competencies in larger-scale M&A to augment both our near- and long-term earnings power.

“Our integration playbook is underway so we can prepare the acquired branches to take full advantage of our systems and operational capabilities, and gain from our employee and customer-centric culture. I look forward to welcoming our new team members upon the closing of the acquisition.”

Don Ahern, CEO of Ahern Rentals, said, “I’m proud of what we’ve built at Ahern Rentals over nearly seven decades, and I’m extremely pleased that the combination with United Rentals will take the business forward in this next chapter of growth. I want to thank our employees for driving the results that make this transaction possible. This is a strong outcome for both organizations and our customers.”

Ahern is also the majority owner of Snorkel Inc., a manufacturer of mobile elevating work platforms, and Xtreme Forklifts. These were not included in the sale.

Sullivan & Cromwell LLP acted as legal advisor to United Rentals.

### **Key Statistics of the Acquisition**

- Purchase Price - \$2 billion
- Present value of Acquired Tax Assets - \$426 million
- Total Ahern Rentals revenue, last 12 months - \$887 million
- Adjusted EBITDA, past 12 months - \$310 million
- Estimated Annualized Cost Synergies Achieved in Year 2 -- \$40 million
- Estimated Annualized Cross-Selling Benefits Achieved by End of Year Three - \$60 million
- Original Equipment Cost of Acquired Rental Fleet - \$1.85 billion
- Non-rental fleet - \$145 million
- Employees – Approximately 2,100
- Rental branches – 106
- Customers – 44,000