



NEWS RELEASE

# United Rentals Announces Fourth Quarter and Full Year 2014 Results and Provides 2015 Outlook

11/30/2014

United Rentals, Inc. (NYSE: URI) today announced financial results for the fourth quarter and full year 2014<sup>1</sup>.

For the fourth quarter of 2014, total revenue was \$1.564 billion and rental revenue was \$1.320 billion, compared with \$1.338 billion and \$1.133 billion, respectively, for the same period the prior year. On a GAAP basis, the company reported fourth quarter net income of \$194 million, or \$1.88 per diluted share, compared with \$140 million, or \$1.31 per diluted share, for the same period the prior year.

Adjusted EPS<sup>2</sup> for the quarter was \$2.19 per diluted share, compared with \$1.59 per diluted share for the same period the prior year. Adjusted EBITDA<sup>3</sup> was \$775 million and adjusted EBITDA margin was 49.6% for the quarter.

For the full year 2014, total revenue was \$5.685 billion and rental revenue was \$4.819 billion. On a GAAP basis, full year net income was \$540 million, or \$5.15 per diluted share.

Adjusted EPS for the full year was \$6.91 per diluted share, compared with \$4.91 per diluted share for 2013. Adjusted EBITDA was \$2.718 billion and adjusted EBITDA margin was 47.8% for the full year.

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In April 2014, the company acquired certain assets of the following four entities: National Pump & Compressor, Ltd., Canadian Pump and Compressor Ltd., GulfCo Industrial Equipment, LP and LD Services, LLC (collectively "National Pump"). National Pump is included in the company's results subsequent to the acquisition date.

Adjusted EPS (earnings per share) is a non-GAAP measure that excludes the impact of the following special items: (i) merger related costs; (ii) restructuring charge; (iii) asset impairment charge; (iv) impact on interest expense related to fair value adjustment of acquired RSC indebtedness; (v) impact on depreciation related to acquired RSC fleet and property and equipment; (vi) impact of the fair value mark-up of acquired RSC fleet; (vii)

merger related intangible asset amortization and (viii) loss on repurchase/redemption of debt securities and retirement of subordinated convertible debentures. See table below for amounts.

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-GAAP measure that excludes the impact of the following special items: (i) merger related costs; (ii) restructuring charge; (iii) impact of the fair-value mark up of acquired RSC fleet; (iv) gain/loss on sale of software subsidiary and (v) stock compensation expense, net. See table below for amounts.

## 2014 Highlights

- For the full year 2014, total revenue increased 14.7% year-over-year, and rental revenue (which includes owned equipment rental revenue, re-rent revenue and ancillary items) increased 14.8%. Within rental revenue, owned equipment rental revenue increased 14.4%, reflecting increases of 9.6% in the volume of equipment on rent and 4.5% in rental rates. Excluding the impact of National Pump, rental revenue for the full year 2014 increased 10.8% year-over-year.
- For the fourth quarter of 2014, rental revenue increased 16.5% year-over-year. Within rental revenue, owned equipment rental revenue increased 16.3%, reflecting increases of 10.7% in the volume of equipment on rent and 4.1% in rental rates. Excluding the impact of National Pump, rental revenue for the fourth quarter of 2014 increased 11.1% year-over-year.
- Flow-through, which represents the year-over-year change in adjusted EBITDA divided by the year-over-year change in total revenue, was 54.9% for the fourth quarter of 2014 and 58.2% for the full year.
- Time utilization increased 130 basis points year-over-year to 70.6% for the fourth quarter of 2014. Full year time utilization increased 60 basis points to a record 68.8%.
- For the fourth quarter of 2014, the company generated \$156 million of proceeds from used equipment sales at a gross margin of 48.7%, compared with \$134 million of proceeds at a gross margin of 46.3% the prior year. For the full year 2014, the company generated \$544 million of proceeds from used equipment sales at a gross margin of 48.5%, compared with \$490 million of proceeds at a gross margin of 44.9% for the prior year.<sup>4</sup>

## 2015 Outlook

The company provided the following outlook for the full year 2015:

- Total revenue in a range of \$6.0 billion to \$6.2 billion;
- Adjusted EBITDA in a range of \$2.95 billion to \$3.05 billion;
- An increase in rental rates of approximately 3.5% year-over-year;
- Time utilization of approximately 69%;
- Net rental capital expenditures of approximately \$1.2 billion, after gross purchases of approximately \$1.7 billion; and
- Free cash flow in a range of \$725 million to \$775 million.<sup>5</sup>

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Used equipment sales adjusted gross margin excludes the impact of the fair value mark-up of acquired RSC fleet that was sold.

Forecasted free cash flow reflects lower than expected cash taxes of approximately \$100 million in 2015 related to the bonus tax depreciation bill passed in December 2014.

## CEO Comments

Michael Kneeland, chief executive officer of United Rentals, said, "We met or exceeded every target in our outlook for 2014, ending the year with a better-than-expected quarter and our highest return yet on invested capital. Our full year increases in rates and utilization helped drive up rental revenue at almost twice the pace of industry expansion, and we're in a strong position to grow the most profitable areas of our business, including our high-margin specialty rental lines."

Kneeland continued, "For 2015, we are guiding to record highs of over \$6 billion in revenue and approximately \$3 billion in adjusted EBITDA. Our industry is forecast to have multiple years of growth ahead, and our customers are upbeat. While we expect to see a drag in some trade areas from the slowdown in upstream oil, our exposure is greatly limited by our size, agility and diversification. Furthermore, we believe that low oil prices will be a boon to many sectors we serve, spurring demand in manufacturing and other markets hungry for our fleet."

## Free Cash Flow and Fleet Size

For the full year 2014, free cash flow was \$557 million after: (i) total rental and non-rental capital expenditures of \$1.821 billion; and (ii) aggregate cash payments of \$17 million related to merger and restructuring activities.

The size of the rental fleet was \$8.44 billion of original equipment cost at December 31, 2014, compared with \$7.73 billion at December 31, 2013. The age of the rental fleet was 43.0 months on an OEC-weighted basis at December

31, 2014, compared with 45.2 months at December 31, 2013.

### Share Repurchase Programs

In 2014, the company repurchased \$491 million of common stock to complete the \$500 million share repurchase program that was announced in October 2013.

In December 2014, the company's board of directors authorized a new \$750 million share repurchase program, which the company intends to complete within 18 months of authorization. In 2014, the company repurchased \$102 million of common stock under this share repurchase program.

### Return on Invested Capital (ROIC)

Return on invested capital was 8.8% for the year ended December 31, 2014, an increase of 130 basis points from the year ended December 31, 2013. The company's ROIC metric uses after-tax operating income for the trailing 12 months divided by average stockholders' equity (deficit), debt and deferred taxes, net of average cash. To mitigate the volatility related to fluctuations in the company's tax rate from period to period, the federal statutory tax rate of 35% is used to calculate after-tax operating income.<sup>6</sup>

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When adjusting the denominator of the ROIC calculation to also exclude average goodwill, ROIC was 11.9% for the year ended December 31, 2014, an increase of 160 basis points from the year ended December 31, 2013.

### Conference Call

United Rentals will hold a conference call tomorrow, Thursday, January 22, 2015, at 11:00 a.m. Eastern Time. The conference call number is 866-835-8906. The conference call will also be available live by audio webcast at **UnitedRentals.com**, where it will be archived until the next earnings call. The replay number for the call is 703-925-2533, passcode is 1650440.

## Non-GAAP Measures

Free cash flow, earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA, and adjusted earnings per share (adjusted EPS) are non-GAAP financial measures as defined under the rules of the SEC. Free cash flow represents net cash provided by operating activities, less purchases of rental and non-rental equipment plus proceeds from sales of rental and non-rental equipment. EBITDA represents the sum of net income, provision for income taxes, interest expense, net, interest expense-subordinated convertible debentures, depreciation of rental equipment and non-rental depreciation and amortization. Adjusted EBITDA represents EBITDA plus the sum of the merger related costs, restructuring charge, stock compensation expense, net, the impact of the fair value mark-up of acquired RSC fleet and the gain/loss on sale of software subsidiary. Adjusted EPS represents EPS plus the sum of the merger related costs, restructuring charge, asset impairment charge, the impact on interest expense related to the fair value adjustment of acquired RSC indebtedness, the impact on depreciation related to acquired RSC fleet and property and equipment, the impact of the fair value mark-up of acquired RSC fleet, merger related intangible asset amortization and the loss on repurchase/redemption of debt securities and retirement of subordinated convertible debentures. The company believes that: (i) free cash flow provides useful additional information concerning cash flow available to meet future debt service obligations and working capital requirements; (ii) EBITDA and adjusted EBITDA provide useful information about operating performance and period-over-period growth; and (iii) adjusted EPS provides useful information concerning future profitability. However, none of these measures should be considered as alternatives to net income, cash flows from operating activities or earnings per share under GAAP as indicators of operating performance or liquidity. Information reconciling forward-looking free cash flow and adjusted EBITDA to GAAP financial measures is unavailable to the company without unreasonable effort.

## About United Rentals

United Rentals, Inc. is the largest equipment rental company in the world. The company has an integrated network of 881 rental locations in 49 states and 10 Canadian provinces. The company's approximately 12,500 employees serve construction and industrial customers, utilities, municipalities, homeowners and others. The company offers approximately 3,300 classes of equipment for rent with a total original cost of \$8.44 billion. United Rentals is a member of the Standard & Poor's 500 Index, the Barron's 400 Index and the Russell 3000 Index® and is headquartered in Stamford, Conn. Additional information about United Rentals is available at [UnitedRentals.com](https://www.unitedrentals.com).

## Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, known as the PSLRA. These statements can generally be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “should,” “seek,” “on-track,” “plan,” “project,” “forecast,” “intend” or “anticipate,” or the negative thereof or comparable terminology, or by discussions of vision, strategy or outlook. These statements are based on current plans, estimates and projections, and, therefore, you should not place undue reliance on them. No forward-looking statement can be guaranteed, and actual results may differ materially from those projected. Factors that could cause actual results to differ materially from those projected include, but are not limited to, the following: (1) the challenges associated with past or future acquisitions, such as undiscovered liabilities, costs, integration issues and/or the inability to achieve the cost and revenue synergies expected; (2) a slowdown in the recovery of North American construction and industrial activities, which decreased during the economic downturn and significantly affected our revenues and profitability, or a slowdown in the energy sector, in general, could reduce demand for equipment and prices that we can charge; (3) our significant indebtedness, which requires us to use a substantial portion of our cash flow for debt service and can constrain our flexibility in responding to unanticipated or adverse business conditions; (4) the inability to refinance our indebtedness at terms that are favorable to us, or at all; (5) the incurrence of additional debt, which could exacerbate the risks associated with our current level of indebtedness; (6) noncompliance with covenants in our debt agreements, which could result in termination of our credit facilities and acceleration of outstanding borrowings; (7) restrictive covenants and amount of borrowings permitted under our debt agreements, which could limit our financial and operational flexibility; (8) a decrease in levels of infrastructure spending, including lower than expected government funding for stimulus-related construction projects; (9) fluctuations in the price of our common stock and inability to complete stock repurchases in the time frame and/or on the terms anticipated; (10) our rates and time utilization being less than anticipated; (11) our inability to manage credit risk adequately or to collect on contracts with customers; (12) our inability to access the capital that our business or growth plans may require; (13) the incurrence of impairment charges; (14) our dependence on distributions from subsidiaries as a result of our holding company structure and the fact that such distributions could be limited by contractual or legal restrictions; (15) an increase in our loss reserves to address business operations or other claims and any claims that exceed our established levels of reserves; (16) the incurrence of additional costs and expenses (including indemnification obligations) in connection with litigation, regulatory or investigatory matters; (17) the outcome or other potential consequences of litigation and other claims and regulatory matters relating to our business, including certain claims that our insurance may not cover; (18) the effect that certain provisions in our charter and certain debt agreements and our significant indebtedness may have of making more difficult or otherwise discouraging, delaying or deterring a takeover or other change of control of us; (19) management turnover and inability to attract and retain key personnel; (20) our costs being more than anticipated and/or the inability to realize expected savings in the amounts or time frames planned; (21) our dependence on key suppliers to obtain equipment and other supplies for our business on acceptable terms; (22) our inability to sell our new or used fleet in the amounts, or at

the prices, we expect; (23) competition from existing and new competitors; (24) security breaches, cybersecurity attacks and other significant disruptions in our information technology systems; (25) the costs of complying with environmental, safety and foreign laws and regulations; (26) labor difficulties and labor-based legislation affecting our labor relations and operations generally; and (27) increases in our maintenance and replacement costs and/or decreases in the residual value of our equipment. For a more complete description of these and other possible risks and uncertainties, please refer to our Annual Report on Form 10-K for the year ended December 31, 2014, as well as to our subsequent filings with the SEC. The forward-looking statements contained herein speak only as of the date hereof, and we make no commitment to update or publicly release any revisions to forward-looking statements in order to reflect new information or subsequent events, circumstances or changes in expectations.

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Contact:

Fred Bratman

(203) 618-7318

Cell: (917) 847-4507

**[fbratman@ur.com](mailto:fbratman@ur.com)**