

UNITED RENTALS INC /DE
Form 10-Q
July 20, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-14387

Commission File Number 1-13663

United Rentals, Inc.
United Rentals (North America), Inc.
(Exact Names of Registrants as Specified in Their Charters)

Delaware	06-1522496
Delaware	86-0933835
(States of Incorporation)	(I.R.S. Employer Identification Nos.)

100 First Stamford Place, Suite 700
Stamford, Connecticut 06902
(Address of Principal Executive Offices) (Zip Code)

Registrants' Telephone Number, Including Area Code: (203) 622-3131

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Smaller Reporting Company

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 18, 2016, there were 86,161,036 shares of United Rentals, Inc. common stock, \$0.01 par value, outstanding. There is no market for the common stock of United Rentals (North America), Inc., all outstanding shares

of which are owned by United Rentals, Inc.

This combined Form 10-Q is separately filed by (i) United Rentals, Inc. and (ii) United Rentals (North America), Inc. (which is a wholly owned subsidiary of United Rentals, Inc.). United Rentals (North America), Inc. meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this report with the reduced disclosure format permitted by such instruction.

Table of Contents

UNITED RENTALS, INC.
 UNITED RENTALS (NORTH AMERICA), INC.
 FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016
 INDEX

	Page
PART I <u>FINANCIAL INFORMATION</u>	
Item 1 <u>Unaudited Condensed Consolidated Financial Statements</u>	<u>5</u>
<u>United Rentals, Inc. Condensed Consolidated Balance Sheets as of June 30, 2016 (unaudited) and December 31, 2015</u>	<u>5</u>
<u>United Rentals, Inc. Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	<u>6</u>
<u>United Rentals, Inc. Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	<u>7</u>
<u>United Rentals, Inc. Condensed Consolidated Statement of Stockholders' Equity for the Six Months Ended June 30, 2016 (unaudited)</u>	<u>8</u>
<u>United Rentals, Inc. Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	<u>9</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>10</u>
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
Item 4 <u>Controls and Procedures</u>	<u>41</u>
PART II <u>OTHER INFORMATION</u>	
Item 1 <u>Legal Proceedings</u>	<u>42</u>
Item 1A <u>Risk Factors</u>	<u>42</u>
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>42</u>
Item 6 <u>Exhibits</u>	<u>43</u>
<u>Signatures</u>	<u>44</u>

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “should,” “seek,” “on-track,” “plan,” “project,” “forecast,” “anticipate,” or the negative thereof or comparable terminology, or by discussions of strategy or outlook. You are cautioned that our business and operations are subject to a variety of risks and uncertainties, many of which are beyond our control, and, consequently, our 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:

- the possibility that companies that we have acquired or may acquire, in our specialty business or otherwise, could have undiscovered liabilities or involve other unexpected costs, may strain our management capabilities or may be difficult to integrate;
- the cyclical nature of our business, which is highly sensitive to North American construction and industrial activities; if construction or industrial activity decline, our revenues and, because many of our costs are fixed, our profitability may be adversely affected;
- our significant indebtedness (which totaled \$7.8 billion at June 30, 2016) 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;
- inability to refinance our indebtedness on terms that are favorable to us, or at all;
- incurrence of additional debt, which could exacerbate the risks associated with our current level of indebtedness;
- noncompliance with financial or other covenants in our debt agreements, which could result in our lenders terminating the agreements and requiring us to repay outstanding borrowings;
- restrictive covenants and amount of borrowings permitted in our debt instruments, which can limit our financial and operational flexibility;
- overcapacity of fleet in the equipment rental industry;
- inability to benefit from government spending, including spending associated with infrastructure projects;
- fluctuations in the price of our common stock and inability to complete stock repurchases in the time frame and/or on the terms anticipated;
- rates we charge and time utilization we achieve being less than anticipated;
- inability to manage credit risk adequately or to collect on contracts with a large number of customers;
 - inability to access the capital that our businesses or growth plans may require;
- incurrence of impairment charges;
- trends in oil and natural gas could adversely affect the demand for our services and products;
- the fact that our holding company structure requires us to depend in part on distributions from subsidiaries and such distributions could be limited by contractual or legal restrictions;
- increases in our loss reserves to address business operations or other claims and any claims that exceed our established levels of reserves;
- incurrence of additional expenses (including indemnification obligations) and other costs in connection with litigation, regulatory and investigatory matters;
- the outcome or other potential consequences of regulatory matters and commercial litigation;
- shortfalls in our insurance coverage;
- our charter provisions as well as provisions of certain debt agreements and our significant indebtedness may have the effect of making more difficult or otherwise discouraging, delaying or deterring a takeover or other change of control of us;

- turnover in our management team and inability to attract and retain key personnel;
- costs we incur being more than anticipated, and the inability to realize expected savings in the amounts or time frames planned;
- dependence on key suppliers to obtain equipment and other supplies for our business on acceptable terms;
- inability to sell our new or used fleet in the amounts, or at the prices, we expect;
- competition from existing and new competitors;
- risks related to security breaches, cybersecurity attacks and other significant disruptions in our information technology systems;
- the costs of complying with environmental, safety and foreign law and regulations, as well as other risks associated with non-U.S. operations, including currency exchange risk;

Table of Contents

labor disputes, work stoppages or other labor difficulties, which may impact our productivity, and potential enactment of new legislation or other changes in law affecting our labor relations or operations generally; and 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, 2015, as well as to our subsequent filings with the SEC. Our 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.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED RENTALS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In millions, except share data)

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Cash and cash equivalents	\$ 265	\$ 179
Accounts receivable, net of allowance for doubtful accounts of \$55 at June 30, 2016 and December 31, 2015	867	930
Inventory	71	69
Prepaid expenses and other assets	61	116
Total current assets	1,264	1,294
Rental equipment, net	6,325	6,186
Property and equipment, net	437	445
Goodwill	3,259	3,243
Other intangible assets, net	825	905
Other long-term assets	10	10
Total assets	\$ 12,120	\$ 12,083
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt and current maturities of long-term debt	\$ 576	\$ 607
Accounts payable	609	271
Accrued expenses and other liabilities	323	355
Total current liabilities	1,508	1,233
Long-term debt	7,265	7,555
Deferred taxes	1,790	1,765
Other long-term liabilities	55	54
Total liabilities	10,618	10,607
Common stock—\$0.01 par value, 500,000,000 shares authorized, 111,930,089 and 86,725,103 shares issued and outstanding, respectively, at June 30, 2016 and 111,586,585 and 91,776,436 shares issued and outstanding, respectively, at December 31, 2015	1	1
Additional paid-in capital	2,259	2,197
Retained earnings	1,314	1,088
Treasury stock at cost—25,204,986 and 19,810,149 shares at June 30, 2016 and December 31, 2015, respectively	(1,885)	(1,560)
Accumulated other comprehensive loss	(187)	(250)
Total stockholders' equity	1,502	1,476
Total liabilities and stockholders' equity	\$ 12,120	\$ 12,083
See accompanying notes.		

Table of Contents

UNITED RENTALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Revenues:				
Equipment rentals	\$ 1,204	\$ 1,220	\$2,321	\$2,345
Sales of rental equipment	134	124	249	240
Sales of new equipment	36	39	66	