

United Rentals, Inc.

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**United Rentals Announces Second Quarter 2017 Results**

**Raises 2017 Guidance**

**STAMFORD, Conn.** – **July 19, 2017** – United Rentals, Inc. (NYSE: URI) today announced financial results for the second quarter 2017. Total revenue was $1.597 billion and rental revenue was $1.367 billion for the second quarter, compared with $1.421 billion and $1.204 billion, respectively, for the same period last year. On a GAAP basis, the company reported second quarter net income of $141 million, or $1.65 per diluted share, compared with $134 million, or $1.52 per diluted share, for the same period last year.

Adjusted EPS1 for the quarter was $2.37 per diluted share, compared with $2.06 per diluted share for the same period last year. Adjusted EBITDA1 was $747 million and adjusted EBITDA margin1 was 46.8%, reflecting an increase of $68 million and a decrease of 100 basis points, respectively, from the same period last year.

**Second Quarter 2017 Highlights**

* Rental revenue2 increased 13.5% year-over-year. Within rental revenue, owned equipment rental revenue increased 13.5%, reflecting an increase of 17.4% in the volume of equipment on rent, partially offset by a1.2% decrease in rental rates.
* Pro forma3 rental revenue increased 6.2% year-over-year, reflecting growth of 6.6% in the volume of equipment on rent, partially offset by a 0.4% decline in rental rates.
* Time utilization increased 190 basis points year-over-year to 69.4%, a second quarter record, with each month in the quarter also establishing a new monthly record. On a pro forma basis, time utilization increased 210 basis points year-over-year.
* The company’s Trench, Power and Pump specialty segment's rental revenue increased by 18.5% year-over-year, primarily on a same store basis, while the segment’s rental gross margin improved by 250 basis points to 49.6%.
* The company generated $133 million of proceeds from used equipment sales at a GAAP gross margin of 39.1% and an adjusted gross margin of 52.6%, compared with $134 million at a GAAP gross margin of 41.0% and an adjusted gross margin of 47.8% for the same period last year. The year-over-year decrease in GAAP gross margin and increase in adjusted gross margin primarily reflected the impact of sales of NES equipment.4

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1. Adjusted EPS (earnings per share) and adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) are non-GAAP measures that exclude the impact of the items noted in the tables below. See the tables below for amounts and reconciliations to the most comparable GAAP measures. Adjusted EBITDA margin represents adjusted EBITDA divided by total revenue.
2. Rental revenue includes owned equipment rental revenue, re-rent revenue and ancillary revenue.
3. Pro forma results reflect the combination of United Rentals and NES Rentals ("NES") for all periods presented. The NES acquisition closed on April 3, 2017.
4. Used equipment sales adjusted gross margin excludes the impact of the fair value mark-up of acquired RSC and NES fleet that was sold.

**CEO Comments**

Michael Kneeland, chief executive officer of United Rentals, said, "The broad demand we saw early this year continued throughout the second quarter as we entered our busy season. This was reflected in our strong year-over-year performance, with volume up 6.6% on a pro forma basis, record second quarter time utilization, and an improved rate trend across our business. The NES integration and Project XL are both well underway and on track."

Kneeland continued, "We remain encouraged by the level of customer activity and the industry’s ongoing absorption of fleet. Given our visibility into the balance of 2017, we’ve increased our full-year guidance for total revenue, adjusted EBITDA, capex and free cash flow. Our focus remains on balancing growth with margins, free cash flow and returns to maximize our long-term value."

**Six Months 2017 Highlights**

* Rental revenue increased 9.1% year-over-year. Within rental revenue, owned equipment rental revenue increased 8.8% year-over-year, reflecting an increase of 12.4% in the volume of equipment on rent, partially offset by a1.2% decrease in rental rates.
* Pro forma rental revenue increased 5.1% year-over-year, reflecting growth of 6.5% in the volume of equipment on rent, partially offset by a 0.9% decline in rental rates.
* Time utilization increased 200 basis points year-over-year to 67.8%. On a pro forma basis, time utilization increased 190 basis points year-over-year to 67.5%.
* The company’s Trench, Power and Pump specialty segment's rental revenue increased by 17.7% year-over-year, primarily on a same store basis, while the segment’s rental gross margin improved by 250 basis points to 47.2%.
* The company generated $239 million of proceeds from used equipment sales at a GAAP gross margin of 41.0% and an adjusted gross margin of 51.9%, compared with $249 million at a GAAP gross margin of 41.0% and an adjusted gross margin of 48.2% for the same period last year.The year-over-year increase in adjusted gross margin primarily reflected the impact of sales of NES equipment.
* The company generated $1.337 billion of net cash provided by operating activities and $614 million of free cash flow5, compared with $1.247 billion and $792 million, respectively, for the same period last year. Net rental capital expenditures were $674 million, compared with $473 million for the same period last year.

**2017 Outlook**

The company has issued the following new full-year guidance:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Prior Outlook** |  | **Current Outlook** |  |
| Total revenue | $6.05 billion to $6.25 billion |  | $6.25 billion to $6.40 billion |  |
| Adjusted EBITDA6 | $2.835 billion to $2.985 billion |  | $2.950 billion to $3.025 billion |  |
| Net rental capital expenditures after gross purchases | $925 million to $1.075 billion, after gross purchases of $1.45 billion to $1.55 billion |  | $1.05 billion to $1.15 billion, after gross purchases of $1.55 billion to $1.65 billion |  |
| Net cash provided by operating activities | $1.85 billion to $2.05 billion |  | $1.975 billion to $2.175 billion |  |
| Free cash flow (excluding the impact of merger and restructuring related costs) | $800 million to $900 million |  | $825 million to $925 million |  |

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1. Free cash flow is a non-GAAP measure. See the table below for amounts and a reconciliation to the most comparable GAAP measure.
2. Information reconciling forward-looking adjusted EBITDA to the comparable GAAP financial measures is unavailable to the company without unreasonable effort, as discussed below.

**Free Cash Flow and Fleet Size**

For the first six months of 2017, net cash provided by operating activities was $1.337 billion, and free cash flow was $614 million after total rental and non-rental gross capital expenditures of $968 million. For the first six months of 2016, net cash provided by operating activities was $1.247 billion, and free cash flow was $792 million after total rental and non-rental gross capital expenditures of $764 million. Free cash flow for the first six months of 2017 and 2016 included aggregate merger and restructuring related payments of $31 million and $6 million, respectively.

The size of the rental fleet was $10.27 billion of original equipment cost ("OEC") at June 30, 2017, compared with $8.99 billion at December 31, 2016. The age of the rental fleet was 46.7 months on an OEC-weighted basis at June 30, 2017, compared with 45.2 months at December 31, 2016.

**Return on Invested Capital (ROIC)**

Return on invested capital was 8.4% for the 12 months ended June 30, 2017, a decrease of 10 basis points from the 12 months ended June 30, 2016. The company’s ROIC metric uses after-tax operating income for the trailing 12 months divided by average stockholders’ equity, 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. When adjusting the denominator to also exclude average goodwill, ROIC was 11.3% for the 12 months ended June 30, 2017, a decrease of 20 basis points from the 12 months ended June 30, 2016.

**Conference Call**

United Rentals will hold a conference call tomorrow, Thursday, July 20, 2017, at 11:00 a.m. Eastern Time. The conference call number is 855-458-4217 (international: 574-990-3605). 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 404-537-3406, passcode is 40851747.

**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 and excess tax benefits from share-based payment arrangements. EBITDA represents the sum of net income, provision for income taxes, interest expense, net, 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, and the impact of the fair value mark-up of acquired RSC and NES fleet. Adjusted EPS represents EPS plus the sum of the merger related costs, restructuring charge, the impact on depreciation related to acquired RSC and NES fleet and property and equipment, the impact of the fair value mark-up of acquired RSC and NES fleet, the impact on interest expense related to fair value adjustment of acquired RSC indebtedness, merger related intangible asset amortization, asset impairment charge and the loss on repurchase/redemption of debt securities and amendment of ABL facility. 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 help investors gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced; 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 adjusted EBITDA to GAAP financial measures is unavailable to the company without unreasonable effort. The company is not able to provide reconciliations of adjusted EBITDA to GAAP financial measures because certain items required for such reconciliations are outside of the company’s control and/or cannot be reasonably predicted, such as the provision for income taxes. Preparation of such reconciliations would require a forward-looking balance sheet, statement of income and statement of cash flow, prepared in accordance with GAAP, and such forward-looking financial statements are unavailable to the company without unreasonable effort. The company provides a range for its adjusted EBITDA forecast that it believes will be achieved, however it cannot accurately predict all the components of the adjusted EBITDA calculation. The company provides an adjusted EBITDA forecast because it believes that adjusted EBITDA, when viewed with the company’s results under GAAP, provides useful information for the reasons noted above. However, adjusted EBITDA is not a measure of financial performance or liquidity under GAAP and, accordingly, should not be considered as an alternative to net income or cash flow from operating activities as an indicator of operating performance or liquidity.

**About United Rentals**

United Rentals, Inc. is the largest equipment rental company in the world. The company has an integrated network of 960 rental locations in 49 states and every Canadian province. The company’s approximately 13,700 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 $10.3 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.

**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, including NES, such as undiscovered liabilities, costs, integration issues and/or the inability to achieve the cost and revenue synergies expected; (2) a slowdown in North American construction and industrial activities, which occurred during the 2008-2010 economic downturn and significantly affected our revenues and profitability, 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) an overcapacity of fleet in the equipment rental industry; (9) a decrease in levels of infrastructure spending, including lower than expected government funding for construction projects; (10) fluctuations in the price of our common stock and inability to complete stock repurchases in the time frame and/or on the terms anticipated; (11) our rates and time utilization being less than anticipated; (12) our inability to manage credit risk adequately or to collect on contracts with customers; (13) our inability to access the capital that our business or growth plans may require; (14) the incurrence of impairment charges; (15) trends in oil and natural gas could adversely affect demand for our services and products; (16) 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; (17) an increase in our loss reserves to address business operations or other claims and any claims that exceed our established levels of reserves; (18) the incurrence of additional costs and expenses (including indemnification obligations) in connection with litigation, regulatory or investigatory matters; (19) 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; (20) 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; (21) management turnover and inability to attract and retain key personnel; (22) our costs being more than anticipated and/or the inability to realize expected savings in the amounts or time frames planned; (23) our dependence on key suppliers to obtain equipment and other supplies for our business on acceptable terms; (24) our inability to sell our new or used fleet in the amounts, or at the prices, we expect; (25) competition from existing and new competitors; (26) security breaches, cybersecurity attacks and other significant disruptions in our information technology systems; (27) the costs of complying with environmental, safety and foreign laws and regulations, as well as other risks associated with non-U.S. operations, including currency exchange risk; (28) labor difficulties and labor-based legislation affecting our labor relations and operations generally; and (29) 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, 2016, 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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**UNITED RENTALS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

**(In millions, except per share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | | | | |  | **Six Months Ended** | | | | | | |
|  | **June 30,** | | | | | | |  | **June 30,** | | | | | | |
|  | **2017** | | |  | **2016** | | |  | **2017** | | |  | **2016** | | |
| Revenues: |  | | |  |  | | |  |  | | |  |  | | |
| Equipment rentals | $ | 1,367 |  |  | $ | 1,204 |  |  | $ | 2,533 |  |  | $ | 2,321 |  |
| Sales of rental equipment | 133 | |  |  | 134 | |  |  | 239 | |  |  | 249 | |  |
| Sales of new equipment | 47 | |  |  | 36 | |  |  | 86 | |  |  | 66 | |  |
| Contractor supplies sales | 21 | |  |  | 22 | |  |  | 39 | |  |  | 41 | |  |
| Service and other revenues | 29 | |  |  | 25 | |  |  | 56 | |  |  | 54 | |  |
| **Total revenues** | **1,597** | |  |  | **1,421** | |  |  | **2,953** | |  |  | **2,731** | |  |
| Cost of revenues: |  | | |  |  | | |  |  | | |  |  | | |
| Cost of equipment rentals, excluding depreciation | 525 | |  |  | 456 | |  |  | 999 | |  |  | 905 | |  |
| Depreciation of rental equipment | 266 | |  |  | 242 | |  |  | 514 | |  |  | 485 | |  |
| Cost of rental equipment sales | 81 | |  |  | 79 | |  |  | 141 | |  |  | 147 | |  |
| Cost of new equipment sales | 40 | |  |  | 29 | |  |  | 74 | |  |  | 54 | |  |
| Cost of contractor supplies sales | 15 | |  |  | 15 | |  |  | 28 | |  |  | 28 | |  |
| Cost of service and other revenues | 15 | |  |  | 10 | |  |  | 28 | |  |  | 22 | |  |
| **Total cost of revenues** | **942** | |  |  | **831** | |  |  | **1,784** | |  |  | **1,641** | |  |
| **Gross profit** | **655** | |  |  | **590** | |  |  | **1,169** | |  |  | **1,090** | |  |
| Selling, general and administrative expenses | 218 | |  |  | 177 | |  |  | 411 | |  |  | 354 | |  |
| Merger related costs | 14 | |  |  | — | |  |  | 16 | |  |  | — | |  |
| Restructuring charge | 19 | |  |  | 2 | |  |  | 19 | |  |  | 4 | |  |
| Non-rental depreciation and amortization | 64 | |  |  | 64 | |  |  | 126 | |  |  | 131 | |  |
| Operating income | 340 | |  |  | 347 | |  |  | 597 | |  |  | 601 | |  |
| Interest expense, net | 113 | |  |  | 132 | |  |  | 207 | |  |  | 239 | |  |
| Other income, net | (2 | | ) |  | (2 | | ) |  | — | |  |  | (2 | | ) |
| Income before provision for income taxes | 229 | |  |  | 217 | |  |  | 390 | |  |  | 364 | |  |
| Provision for income taxes | 88 | |  |  | 83 | |  |  | 140 | |  |  | 138 | |  |
| **Net income** | **$** | **141** |  |  | **$** | **134** |  |  | **$** | **250** |  |  | **$** | **226** |  |
| **Diluted earnings per share** | **$** | **1.65** |  |  | **$** | **1.52** |  |  | **$** | **2.92** |  |  | **$** | **2.52** |  |

**UNITED RENTALS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**(In millions)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **June 30, 2017** | | |  | **December 31, 2016** | | |
| **ASSETS** |  | | |  |  | | |
| Cash and cash equivalents | $ | 338 |  |  | $ | 312 |  |
| Accounts receivable, net | 990 | |  |  | 920 | |  |
| Inventory | 78 | |  |  | 68 | |  |
| Prepaid expenses and other assets | 77 | |  |  | 61 | |  |
| Total current assets | 1,483 | |  |  | 1,361 | |  |
| Rental equipment, net | 7,076 | |  |  | 6,189 | |  |
| Property and equipment, net | 449 | |  |  | 430 | |  |
| Goodwill | 3,468 | |  |  | 3,260 | |  |
| Other intangible assets, net | 798 | |  |  | 742 | |  |
| Other long-term assets | 10 | |  |  | 6 | |  |
| **Total assets** | **$** | **13,284** |  |  | **$** | **11,988** |  |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** |  | | |  |  | | |
| Short-term debt and current maturities of long-term debt | $ | 644 |  |  | $ | 597 |  |
| Accounts payable | 692 | |  |  | 243 | |  |
| Accrued expenses and other liabilities | 408 | |  |  | 344 | |  |
| Total current liabilities | 1,744 | |  |  | 1,184 | |  |
| Long-term debt | 7,571 | |  |  | 7,193 | |  |
| Deferred taxes | 1,952 | |  |  | 1,896 | |  |
| Other long-term liabilities | 69 | |  |  | 67 | |  |
| **Total liabilities** | **11,336** | |  |  | **10,340** | |  |
| Common stock | 1 | |  |  | 1 | |  |
| Additional paid-in capital | 2,300 | |  |  | 2,288 | |  |
| Retained earnings | 1,909 | |  |  | 1,654 | |  |
| Treasury stock | (2,077 | | ) |  | (2,077 | | ) |
| Accumulated other comprehensive loss | (185 | | ) |  | (218 | | ) |
| **Total stockholders’ equity** | **1,948** | |  |  | **1,648** | |  |
| **Total liabilities and stockholders’ equity** | **$** | **13,284** |  |  | **$** | **11,988** |  |

**UNITED RENTALS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**(In millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | | | | |  | **Six Months Ended** | | | | | | |
|  | **June 30,** | | | | | | |  | **June 30,** | | | | | | |
|  | **2017** | | |  | **2016** | | |  | **2017** | | |  | **2016** | | |
| **Cash Flows From Operating Activities:** |  | | |  |  | | |  |  | | |  |  | | |
| Net income | $ | 141 |  |  | $ | 134 |  |  | $ | 250 |  |  | $ | 226 |  |
| Adjustments to reconcile net income to net cash provided by operating activities: |  | | |  |  | | |  |  | | |  |  | | |
| Depreciation and amortization | 330 | |  |  | 306 | |  |  | 640 | |  |  | 616 | |  |
| Amortization of deferred financing costs and original issue discounts | 2 | |  |  | 2 | |  |  | 4 | |  |  | 4 | |  |
| Gain on sales of rental equipment | (52 | | ) |  | (55 | | ) |  | (98 | | ) |  | (102 | | ) |
| Gain on sales of non-rental equipment | (2 | | ) |  | — | |  |  | (3 | | ) |  | (1 | | ) |
| Stock compensation expense, net | 24 | |  |  | 13 | |  |  | 40 | |  |  | 22 | |  |
| Merger related costs | 14 | |  |  | — | |  |  | 16 | |  |  | — | |  |
| Restructuring charge | 19 | |  |  | 2 | |  |  | 19 | |  |  | 4 | |  |
| Loss on repurchase/redemption of debt securities and amendment of ABL facility | 12 | |  |  | 26 | |  |  | 12 | |  |  | 26 | |  |
| Excess tax benefits from share-based payment arrangements (1) | — | |  |  | (26 | | ) |  | — | |  |  | (53 | | ) |
| Increase in deferred taxes | 30 | |  |  | 44 | |  |  | 40 | |  |  | 69 | |  |
| Changes in operating assets and liabilities: |  | | |  |  | | |  |  | | |  |  | | |
| (Increase) decrease in accounts receivable | (81 | | ) |  | (35 | | ) |  | (16 | | ) |  | 68 | |  |
| Decrease (increase) in inventory | 1 | |  |  | 2 | |  |  | (5 | | ) |  | (2 | | ) |
| (Increase) decrease in prepaid expenses and other assets | (16 | | ) |  | — | |  |  | (7 | | ) |  | 64 | |  |
| Increase in accounts payable | 290 | |  |  | 281 | |  |  | 429 | |  |  | 337 | |  |
| Increase (decrease) in accrued expenses and other liabilities | 2 | |  |  | (51 | | ) |  | 16 | |  |  | (31 | | ) |
| **Net cash provided by operating activities** | **714** | |  |  | **643** | |  |  | **1,337** | |  |  | **1,247** | |  |
| **Cash Flows From Investing Activities:** |  | | |  |  | | |  |  | | |  |  | | |
| Purchases of rental equipment | (694 | | ) |  | (622 | | ) |  | (913 | | ) |  | (722 | | ) |
| Purchases of non-rental equipment | (33 | | ) |  | (19 | | ) |  | (55 | | ) |  | (42 | | ) |
| Proceeds from sales of rental equipment | 133 | |  |  | 134 | |  |  | 239 | |  |  | 249 | |  |
| Proceeds from sales of non-rental equipment | 4 | |  |  | 3 | |  |  | 6 | |  |  | 7 | |  |
| Purchases of other companies, net of cash acquired | (965 | | ) |  | (1 | | ) |  | (965 | | ) |  | (14 | | ) |
| Purchases of investments | (3 | | ) |  | — | |  |  | (4 | | ) |  | — | |  |
| **Net cash used in investing activities** | **(1,558** | | **)** |  | **(505** | | **)** |  | **(1,692** | | **)** |  | **(522** | | **)** |
| **Cash Flows From Financing Activities:** |  | | |  |  | | |  |  | | |  |  | | |
| Proceeds from debt | 2,441 | |  |  | 3,050 | |  |  | 3,943 | |  |  | 3,964 | |  |
| Payments of debt | (1,604 | | ) |  | (2,983 | | ) |  | (3,543 | | ) |  | (4,320 | | ) |
| Payments of financing costs | — | |  |  | (12 | | ) |  | (7 | | ) |  | (12 | | ) |
| Proceeds from the exercise of common stock options | — | |  |  | — | |  |  | 1 | |  |  | — | |  |
| Common stock repurchased (2) | (1 | | ) |  | (172 | | ) |  | (24 | | ) |  | (336 | | ) |
| Excess tax benefits from share-based payment arrangements (1) | — | |  |  | 26 | |  |  | — | |  |  | 53 | |  |
| **Net cash provided by (used in) financing activities** | **836** | |  |  | **(91** | | **)** |  | **370** | |  |  | **(651** | | **)** |
| Effect of foreign exchange rates | 9 | |  |  | (1 | | ) |  | 11 | |  |  | 12 | |  |
| **Net increase in cash and cash equivalents** | **1** | |  |  | **46** | |  |  | **26** | |  |  | **86** | |  |
| Cash and cash equivalents at beginning of period | 337 | |  |  | 219 | |  |  | 312 | |  |  | 179 | |  |
| **Cash and cash equivalents at end of period** | **$** | **338** |  |  | **$** | **265** |  |  | **$** | **338** |  |  | **$** | **265** |  |
| **Supplemental disclosure of cash flow information:** |  | | |  |  | | |  |  | | |  |  | | |
| Cash paid for income taxes, net | $ | 58 |  |  | $ | 56 |  |  | $ | 59 |  |  | $ | 3 |  |
| Cash paid for interest | 87 | |  |  | 150 | |  |  | 177 | |  |  | 219 | |  |

1. In 2017, we adopted accounting guidance on share-based payments, as a result of which the excess tax benefits from share-based payment arrangements for 2017 are presented as a component of net cash provided by operating activities (within net income), while, for 2016, they are presented as a component of net cash used in financing activities.

**UNITED RENTALS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (continued)**

1. The 2017 repurchases reflect shares withheld to satisfy tax withholding obligations upon the vesting of restricted stock unit awards, and were not acquired pursuant to any repurchase plan or program. We have an open $1 billion share repurchase program, under which we have purchased $627 million to date, that we paused as we evaluated a number of potential acquisition opportunities, including the NES acquisition that closed on April 3, 2017. We intend to complete the share repurchase program; however, we will re-evaluate the decision to do so as we integrate NES and assess other potential uses of capital. The 2016 repurchases included i) shares repurchased pursuant to the $1 billion share repurchase program and ii) shares withheld to satisfy tax withholding obligations upon the vesting of restricted stock unit awards.

**UNITED RENTALS, INC.**

**SEGMENT PERFORMANCE**

**($ in millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | | |  | **Six Months Ended** | | | | |
|  | **June 30,** | | | | |  | **June 30,** | | | | |
|  | **2017** |  | **2016** |  | **Change** |  | **2017** |  | **2016** |  | **Change** |
| **General Rentals** |  |  |  |  |  |  |  |  |  |  |  |
| Reportable segment equipment rentals revenue | $1,143 |  | $1,015 |  | 12.6% |  | $2,120 |  | $1,970 |  | 7.6% |
| Reportable segment equipment rentals gross profit | 465 |  | 417 |  | 11.5% |  | 825 |  | 774 |  | 6.6% |
| Reportable segment equipment rentals gross margin | 40.7% |  | 41.1% |  | (40) bps |  | 38.9% |  | 39.3% |  | (40) bps |
| **Trench, Power and Pump** |  |  |  |  |  |  |  |  |  |  |  |
| Reportable segment equipment rentals revenue | $224 |  | $189 |  | 18.5% |  | $413 |  | $351 |  | 17.7% |
| Reportable segment equipment rentals gross profit | 111 |  | 89 |  | 24.7% |  | 195 |  | 157 |  | 24.2% |
| Reportable segment equipment rentals gross margin | 49.6% |  | 47.1% |  | 250 bps |  | 47.2% |  | 44.7% |  | 250 bps |
| **Total United Rentals** |  |  |  |  |  |  |  |  |  |  |  |
| Total equipment rentals revenue | $1,367 |  | $1,204 |  | 13.5% |  | $2,533 |  | $2,321 |  | 9.1% |
| Total equipment rentals gross profit | 576 |  | 506 |  | 13.8% |  | 1,020 |  | 931 |  | 9.6% |
| Total equipment rentals gross margin | 42.1% |  | 42.0% |  | 10 bps |  | 40.3% |  | 40.1% |  | 20 bps |

**UNITED RENTALS, INC.**

**DILUTED EARNINGS PER SHARE CALCULATION**

**(In millions, except per share data)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | | | | |  | **Six Months Ended** | | | | | | |
|  | **June 30,** | | | | | | |  | **June 30,** | | | | | | |
|  | **2017** | | |  | **2016** | | |  | **2017** | | |  | **2016** | | |
| Numerator: |  | | |  |  | | |  |  | | |  |  | | |
| Net income available to common stockholders | $ | 141 |  |  | $ | 134 |  |  | $ | 250 |  |  | $ | 226 |  |
| Denominator: |  | | |  |  | | |  |  | | |  |  | | |
| Denominator for basic earnings per share—weighted-average common shares | 84.6 | |  |  | 88.1 | |  |  | 84.5 | |  |  | 89.3 | |  |
| Effect of dilutive securities: |  | | |  |  | | |  |  | | |  |  | | |
| Employee stock options | 0.4 | |  |  | 0.3 | |  |  | 0.4 | |  |  | 0.3 | |  |
| Restricted stock units | 0.4 | |  |  | 0.1 | |  |  | 0.5 | |  |  | 0.1 | |  |
| **Denominator for diluted earnings per share—adjusted weighted-average common shares** | **85.4** | |  |  | **88.5** | |  |  | **85.4** | |  |  | **89.7** | |  |
| **Diluted earnings per share** | **$** | **1.65** |  |  | **$** | **1.52** |  |  | **$** | **2.92** |  |  | **$** | **2.52** |  |

**UNITED RENTALS, INC.**

**ADJUSTED EARNINGS PER SHARE GAAP RECONCILIATION**

We define “earnings per share – adjusted” as the sum of earnings per share – GAAP, as reported plus the impact of the following special items: merger related costs, merger related intangible asset amortization, impact on depreciation related to acquired RSC and NES fleet and property and equipment, impact of the fair value mark-up of acquired RSC and NES fleet, impact on interest expense related to fair value adjustment of acquired RSC indebtedness, restructuring charge, asset impairment charge and loss on repurchase/redemption of debt securities and amendment of ABL facility. Management believes that earnings per share - adjusted provides useful information concerning future profitability. However, earnings per share - adjusted is not a measure of financial performance under GAAP. Accordingly, earnings per share - adjusted should not be considered an alternative to GAAP earnings per share. The table below provides a reconciliation between earnings per share – GAAP, as reported, and earnings per share – adjusted.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | | | | |  | **Six Months Ended** | | | | | | |
|  | **June 30,** | | | | | | |  | **June 30,** | | | | | | |
|  | **2017** | | |  | **2016** | | |  | **2017** | | |  | **2016** | | |
| **Earnings per share - GAAP, as reported** | **$** | **1.65** |  |  | **$** | **1.52** |  |  | **$** | **2.92** |  |  | **$** | **2.52** |  |
| After-tax impact of: |  | | |  |  | | |  |  | | |  |  | | |
| Merger related costs (1) | 0.09 | |  |  | — | |  |  | 0.11 | |  |  | — | |  |
| Merger related intangible asset amortization (2) | 0.30 | |  |  | 0.28 | |  |  | 0.57 | |  |  | 0.57 | |  |
| Impact on depreciation related to acquired RSC and NES fleet and property and equipment (3) | (0.03 | | ) |  | — | |  |  | (0.02 | | ) |  | — | |  |
| Impact of the fair value mark-up of acquired RSC and NES fleet (4) | 0.13 | |  |  | 0.06 | |  |  | 0.19 | |  |  | 0.13 | |  |
| Impact on interest expense related to fair value adjustment of acquired RSC indebtedness (5) | — | |  |  | — | |  |  | — | |  |  | (0.01 | | ) |
| Restructuring charge (6) | 0.14 | |  |  | 0.02 | |  |  | 0.14 | |  |  | 0.03 | |  |
| Asset impairment charge (7) | — | |  |  | — | |  |  | — | |  |  | 0.02 | |  |
| Loss on repurchase/redemption of debt securities and amendment of ABL facility | 0.09 | |  |  | 0.18 | |  |  | 0.09 | |  |  | 0.18 | |  |
| **Earnings per share - adjusted** | **$** | **2.37** |  |  | **$** | **2.06** |  |  | **$** | **4.00** |  |  | **$** | **3.44** |  |
| Tax rate applied to above adjustments (8) | 38.5 | | % |  | 38.4 | | % |  | 38.5 | | % |  | 38.4 | | % |

1. Reflects transaction costs associated with the NES acquisition discussed above. We have made a number of acquisitions in the past and may continue to make acquisitions in the future. Merger related costs only include costs associated with major acquisitions that significantly impact our operations. The historic acquisitions that have included merger related costs are RSC, which had annual revenues of approximately $1.5 billion prior to the acquisition, and National Pump, which had annual revenues of over $200 million prior to the acquisition. NES had annual revenues of approximately $369 million.
2. Reflects the amortization of the intangible assets acquired in the RSC, National Pump and NES acquisitions.
3. Reflects the impact of extending the useful lives of equipment acquired in the RSC and NES acquisitions, net of the impact of additional depreciation associated with the fair value mark-up of such equipment.
4. Reflects additional costs recorded in cost of rental equipment sales associated with the fair value mark-up of rental equipment acquired in the RSC and NES acquisitions and subsequently sold.
5. Reflects a reduction of interest expense associated with the fair value mark-up of debt acquired in the RSC acquisition.
6. Primarily reflects severance and branch closure charges associated with our closed restructuring programs and our current restructuring program. We only include such costs that are part of a restructuring program as restructuring charges. Since the first such restructuring program was initiated in 2008, we have completed three restructuring programs. We have cumulatively incurred total restructuring charges of $253 million under our restructuring programs.
7. Reflects write-offs of fixed assets in connection with our restructuring programs.
8. The tax rates applied to the adjustments reflect the statutory rates in the applicable entity.

**UNITED RENTALS, INC.   
EBITDA AND ADJUSTED EBITDA GAAP RECONCILIATIONS   
(In millions)**

EBITDA represents the sum of net income, provision for income taxes, interest expense, net, 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, and the impact of the fair value mark-up of acquired RSC and NES fleet. These items are excluded from adjusted EBITDA internally when evaluating our operating performance and for strategic planning and forecasting purposes, and allow investors to make a more meaningful comparison between our core business operating results over different periods of time, as well as with those of other similar companies. The EBITDA and adjusted EBITDA margins represent EBITDA or adjusted EBITDA divided by total revenue. Management believes that EBITDA and adjusted EBITDA, when viewed with the Company’s results under GAAP and the accompanying reconciliation, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of our core business without regard to potential distortions. Additionally, management believes that EBITDA and adjusted EBITDA help investors gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced.

The table below provides a reconciliation between net income and EBITDA and adjusted EBITDA.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | | | | |  | **Six Months Ended** | | | | | | |
|  | **June 30,** | | | | | | |  | **June 30,** | | | | | | |
|  | **2017** | | |  | **2016** | | |  | **2017** | | |  | **2016** | | |
| **Net income** | **$** | **141** |  |  | **$** | **134** |  |  | **$** | **250** |  |  | **$** | **226** |  |
| Provision for income taxes | 88 | |  |  | 83 | |  |  | 140 | |  |  | 138 | |  |
| Interest expense, net | 113 | |  |  | 132 | |  |  | 207 | |  |  | 239 | |  |
| Depreciation of rental equipment | 266 | |  |  | 242 | |  |  | 514 | |  |  | 485 | |  |
| Non-rental depreciation and amortization | 64 | |  |  | 64 | |  |  | 126 | |  |  | 131 | |  |
| **EBITDA (A)** | **$** | **672** |  |  | **$** | **655** |  |  | **$** | **1,237** |  |  | **$** | **1,219** |  |
| Merger related costs (1) | 14 | |  |  | — | |  |  | 16 | |  |  | — | |  |
| Restructuring charge (2) | 19 | |  |  | 2 | |  |  | 19 | |  |  | 4 | |  |
| Stock compensation expense, net (3) | 24 | |  |  | 13 | |  |  | 40 | |  |  | 22 | |  |
| Impact of the fair value mark-up of acquired RSC and NES fleet (4) | 18 | |  |  | 9 | |  |  | 26 | |  |  | 18 | |  |
| **Adjusted EBITDA (B)** | **$** | **747** |  |  | **$** | **679** |  |  | **$** | **1,338** |  |  | **$** | **1,263** |  |

A) Our EBITDA margin was 42.1% and 46.1% for the three months ended June 30, 2017 and 2016, respectively, and 41.9% and 44.6% for the six months ended June 30, 2017 and 2016, respectively.   
B) Our adjusted EBITDA margin was 46.8% and 47.8% for the three months ended June 30, 2017 and 2016, respectively, and 45.3% and 46.2% for the six months ended June 30, 2017 and 2016, respectively.

1. Reflects transaction costs associated with the NES acquisition discussed above. We have made a number of acquisitions in the past and may continue to make acquisitions in the future. Merger related costs only include costs associated with major acquisitions that significantly impact our operations. The historic acquisitions that have included merger related costs are RSC, which had annual revenues of approximately $1.5 billion prior to the acquisition, and National Pump, which had annual revenues of over $200 million prior to the acquisition. NES had annual revenues of approximately $369 million.
2. Primarily reflects severance and branch closure charges associated with our closed restructuring programs and our current restructuring program. We only include such costs that are part of a restructuring program as restructuring charges. Since the first such restructuring program was initiated in 2008, we have completed three restructuring programs. We have cumulatively incurred total restructuring charges of $253 million under our restructuring programs.
3. Represents non-cash, share-based payments associated with the granting of equity instruments.
4. Reflects additional costs recorded in cost of rental equipment sales associated with the fair value mark-up of rental equipment acquired in the RSC and NES acquisitions and subsequently sold.

**UNITED RENTALS, INC.**

**EBITDA AND ADJUSTED EBITDA GAAP RECONCILIATIONS (continued)**

**(In millions)**

The table below provides a reconciliation between net cash provided by operating activities and EBITDA and adjusted EBITDA.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | | | | |  | **Six Months Ended** | | | | | | |
|  | **June 30,** | | | | | | |  | **June 30,** | | | | | | |
|  | **2017** | | |  | **2016** | | |  | **2017** | | |  | **2016** | | |
| **Net cash provided by operating activities** | **$** | **714** |  |  | **$** | **643** |  |  | **$** | **1,337** |  |  | **$** | **1,247** |  |
| Adjustments for items included in net cash provided by operating activities but excluded from the calculation of EBITDA: |  | | |  |  | | |  |  | | |  |  | | |
| Amortization of deferred financing costs and original issue discounts | (2 | | ) |  | (2 | | ) |  | (4 | | ) |  | (4 | | ) |
| Gain on sales of rental equipment | 52 | |  |  | 55 | |  |  | 98 | |  |  | 102 | |  |
| Gain on sales of non-rental equipment | 2 | |  |  | — | |  |  | 3 | |  |  | 1 | |  |
| Merger related costs (1) | (14 | | ) |  | — | |  |  | (16 | | ) |  | — | |  |
| Restructuring charge (2) | (19 | | ) |  | (2 | | ) |  | (19 | | ) |  | (4 | | ) |
| Stock compensation expense, net (3) | (24 | | ) |  | (13 | | ) |  | (40 | | ) |  | (22 | | ) |
| Loss on repurchase/redemption of debt securities and amendment of ABL facility | (12 | | ) |  | (26 | | ) |  | (12 | | ) |  | (26 | | ) |
| Excess tax benefits from share-based payment arrangements | — | |  |  | 26 | |  |  | — | |  |  | 53 | |  |
| Changes in assets and liabilities | (170 | | ) |  | (232 | | ) |  | (346 | | ) |  | (350 | | ) |
| Cash paid for interest | 87 | |  |  | 150 | |  |  | 177 | |  |  | 219 | |  |
| Cash paid for income taxes, net | 58 | |  |  | 56 | |  |  | 59 | |  |  | 3 | |  |
| **EBITDA** | **$** | **672** |  |  | **$** | **655** |  |  | **$** | **1,237** |  |  | **$** | **1,219** |  |
| Add back: |  | | |  |  | | |  |  | | |  |  | | |
| Merger related costs (1) | 14 | |  |  | — | |  |  | 16 | |  |  | — | |  |
| Restructuring charge (2) | 19 | |  |  | 2 | |  |  | 19 | |  |  | 4 | |  |
| Stock compensation expense, net (3) | 24 | |  |  | 13 | |  |  | 40 | |  |  | 22 | |  |
| Impact of the fair value mark-up of acquired RSC and NES fleet (4) | 18 | |  |  | 9 | |  |  | 26 | |  |  | 18 | |  |
| **Adjusted EBITDA** | **$** | **747** |  |  | **$** | **679** |  |  | **$** | **1,338** |  |  | **$** | **1,263** |  |

1. Reflects transaction costs associated with the NES acquisition discussed above. We have made a number of acquisitions in the past and may continue to make acquisitions in the future. Merger related costs only include costs associated with major acquisitions that significantly impact our operations. The historic acquisitions that have included merger related costs are RSC, which had annual revenues of approximately $1.5 billion prior to the acquisition, and National Pump, which had annual revenues of over $200 million prior to the acquisition. NES had annual revenues of approximately $369 million.
2. Primarily reflects severance and branch closure charges associated with our closed restructuring programs and our current restructuring program. We only include such costs that are part of a restructuring program as restructuring charges. Since the first such restructuring program was initiated in 2008, we have completed three restructuring programs. We have cumulatively incurred total restructuring charges of $253 million under our restructuring programs.
3. Represents non-cash, share-based payments associated with the granting of equity instruments.
4. Reflects additional costs recorded in cost of rental equipment sales associated with the fair value mark-up of rental equipment acquired in the RSC and NES acquisitions and subsequently sold.

**UNITED RENTALS, INC.**

**FREE CASH FLOW GAAP RECONCILIATION**

**(In millions)**

We define free cash flow as (i) net cash provided by operating activities less (ii) purchases of rental and non-rental equipment plus (iii) proceeds from sales of rental and non-rental equipment and excess tax benefits from share-based payment arrangements. Management believes that free cash flow provides useful additional information concerning cash flow available to meet future debt service obligations and working capital requirements. However, free cash flow is not a measure of financial performance or liquidity under GAAP. Accordingly, free cash flow should not be considered an alternative to net income or cash flow from operating activities as an indicator of operating performance or liquidity. The table below provides a reconciliation between net cash provided by operating activities and free cash flow.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | | | | |  | **Six Months Ended** | | | | | | |
|  | **June 30,** | | | | | | |  | **June 30,** | | | | | | |
|  | **2017** | | |  | **2016** | | |  | **2017** | | |  | **2016** | | |
| **Net cash provided by operating activities** | **$** | **714** |  |  | **$** | **643** |  |  | **$** | **1,337** |  |  | **$** | **1,247** |  |
| Purchases of rental equipment | (694 | | ) |  | (622 | | ) |  | (913 | | ) |  | (722 | | ) |
| Purchases of non-rental equipment | (33 | | ) |  | (19 | | ) |  | (55 | | ) |  | (42 | | ) |
| Proceeds from sales of rental equipment | 133 | |  |  | 134 | |  |  | 239 | |  |  | 249 | |  |
| Proceeds from sales of non-rental equipment | 4 | |  |  | 3 | |  |  | 6 | |  |  | 7 | |  |
| Excess tax benefits from share-based payment arrangements (1) | — | |  |  | 26 | |  |  | — | |  |  | 53 | |  |
| **Free cash flow (2)** | **$** | **124** |  |  | **$** | **165** |  |  | **$** | **614** |  |  | **$** | **792** |  |

1. The excess tax benefits from share-based payment arrangements result from stock-based compensation windfall deductions in excess of the amounts reported for financial reporting purposes. We adopted accounting guidance in 2017 that changed the cash flow presentation of excess tax benefits from share-based payment arrangements. In the table above, the excess tax benefits from share-based payment arrangements for 2017 are presented as a component of net cash provided by operating activities, while, for 2016, they are presented as a separate line item. Because we historically included the excess tax benefits from share-based payment arrangements in the free cash flow calculation, the adoption of this guidance did not change the calculation of free cash flow.
2. Free cash flow included aggregate merger and restructuring related payments of $29 million and $3 million for the three months ended June 30, 2017 and 2016, respectively, and $31 million and $6 million for the six months ended June 30, 2017 and 2016, respectively.

The table below provides a reconciliation between 2017 forecasted net cash provided by operating activities and free cash flow.

|  |  |  |
| --- | --- | --- |
| **Net cash provided by operating activities** | **$1,975- $2,175** |  |
| Purchases of rental equipment | $(1,550)-$(1,650) |  |
| Proceeds from sales of rental equipment | $475-$525 |  |
| Purchases of non-rental equipment, net of proceeds from sales | $(75)-$(125) |  |
| **Free cash flow (excluding the impact of merger and restructuring related costs)** | **$825- $925** |  |