McGrath RentCorp (MGRC)

Updated April 26th, 2025 by Nathan Parsh

Key Metrics

Current Price:	$103	**5 Year CAGR Estimate:**	7.9%	**Market Cap:**	$2.5 B
Fair Value Price:	$110	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	04/16/25
% Fair Value:	94%	**5 Year Valuation Multiple Estimate:**	1.3%	**Dividend Payment Date:**	04/30/25
Dividend Yield:	1.9%	**5 Year Price Target**	$140	**Years Of Dividend Growth:**	33
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Hold

McGrath RentCorp is a leading business-to-business rental and sales company that provides portable buildings for use as classrooms, office space and places to test electronic equipment. The company's products can also be used as secure storage for both hazardous and non-hazardous materials, restrooms, health care and child care facilities. Many of McGrath's portable buildings are used to meet a variety of demands and can be moved easily from location to location. The company completed the divestiture of its Adler Tanks during the first quarter of 2023.

On September 26th, 2024, it was announced that the previously agreement for McGrath RentCorp to be purchased by WillScot Mobile Mini (WSC) was terminated.

On February 19th, 2025, the company announced that it was raising its quarterly dividend 2.1% to $0.485, extending the company's dividend growth streak to 33 consecutive years.

On April 24th, 2025, McGrath RentCorp reported first quarter results for the period ending March 31st, 2025. For the quarter, revenue grew 4.0% to $195.4million, which beat estimates by $6.4 million. Earnings-per-share totaled $1.15, which compared to $0.93 in the prior year and was $0.19 more than expected.

For the quarter, rental revenues grew 3% to $154 million while sales were up 11% to $38.9 million. Rental revenues for Mobile Modular, the company's largest division, increased 3% to $78.5 million due once again to higher delivery and pickup activities along with higher site related services. Portable Storage revenue declined 13% to $16.1 million due to lower delivery and return delivery activities. TRS-RenTelco rental revenues of $25.5 million were unchanged from the prior year.

We estimate that the company will earn $6.10 in 2025, up from $6.07 previously.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.59	$1.60	$2.12	$3.24	$3.93	$4.16	$3.66	$4.70	$4.57	$5.93	***$6.10***	***$7.79***
DPS	$1.00	$1.02	$1.04	$1.28	$1.50	$1.64	$1.73	$1.80	$1.85	$1.89	***$1.94***	***$2.19***
Shares[1]	24	24	24	24	25	24	24	24	25	25	***25***	***25***

McGrath RentCorp has experienced volatility in its earnings-per-share over the past decade. Earnings-per-share dropped almost 19% in 2009 and it was not until 2011 that earnings recovered above 2008's total. The company's earnings grew at 15.7% annually over the last decade, but this slows to 7.8% when looking at the last five years. We are now expecting earnings-per-share to grow at a rate of 5% per year through 2030, up from 4% previously.

Despite McGrath RentCorp's variance in earnings-per-share over the last decade, the company has been able to raise its dividend each year for more than three decades. This is an impressive feat for a company in an industry that can be very cyclical. Shares offer an annualized yield 1.9% presently, slightly higher than the average yield of the S&P 500. Given the size of recent raises, we project dividend growth of just 2.5% per year for the next five years.

[1] Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.6	18.4	6.1	17.0	16.0	20.1	21.9	21.0	26.2	18.9	***16.9***	***18.0***
Avg. Yld.	3.4%	3.5%	1.9%	2.5%	2.0%	2.5%	2.2%	1.8%	1.5%	1.7%	***1.9%***	***1.6%***

Shares of McGrath RentCorp have declined $22, or 17.6%, since our February 25th, 2025 update. Based off earnings expectations for 2025, McGrath RentCorp's stock currently has a price-to-earnings ratio of 16.9. We have a valuation target of 18 times earnings, in-line with the long-term average for the stock. Multiple expansion could add 1.3% to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	63%	64%	49%	40%	38%	39%	47%	38%	41%	32%	***32%***	***28%***

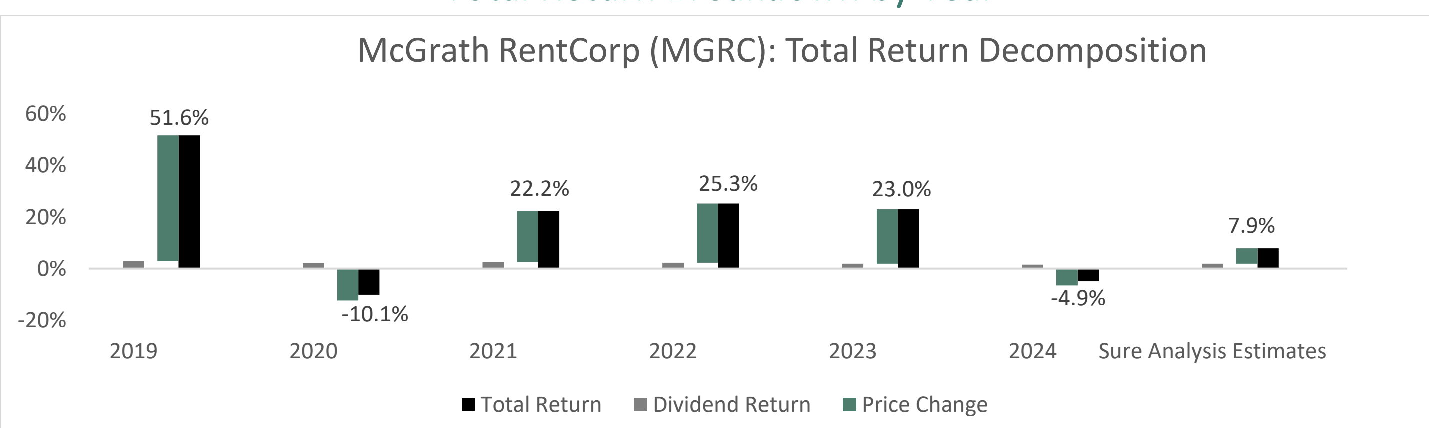
McGrath RentCorp showed in the last recession that its earnings are at risk during a downturn. The company's rental business would most likely see earnings decline in the next recession as customers might not be willing to add additional classroom or office space, and would make do with current facilities. Even when the economy strengthened, McGrath RentCorp had difficulty growing earnings until very recently. One area McGrath RentCorp has succeeded in is lowering its debt over the past decade. The amount of debt as a percentage of assets has gone down almost every year since 2008. McGrath RentCorp's payout ratio is in a healthy range and the company has increased its dividend by at least 9% for the three years prior to 2020, though the last several raises have been below this range. Lower-than-average increases could mean that management believes earnings will grow at a lower than usual rate.

McGrath RentCorp's key competitive advantage is that company's rental portfolio is diverse. The company's products are used for office space, school classrooms, and telecommunications purposes. While still sensitive to the state of the economy, this product diversity does give McGrath RentCorp some cushion against weakness in any one area of its business.

Final Thoughts & Recommendation

Following first quarter results, McGrath RentCorp is projected to return 7.9% annually through 2030, up from our previous estimate of 3.7%. Our projected return stems from a 5% earnings growth rate, 1.9% starting yield, and a small contribution from multiple expansion. Shares have sold off amidst the broader market selloff, making them slightly more attractive than they have been in some time. We have raised our price target $1 to $140, but we continue to rate shares of McGrath RentCorp as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	405	424	462	498	570	573	535	636	832	911
Gross Profit	177	184	206	233	266	264	247	290	394	435
Gross Margin	43.7%	43.4%	44.7%	46.8%	46.7%	46.1%	46.3%	45.7%	47.3%	47.8%
SG&A Exp.	100	105	112	116	125	123	123	143	208	200
D&A Exp.	84	81	78	82	89	95	107	111	109	107
Operating Profit	77	79	95	117	141	141	124	147	190	244
Operating Margin	19.0%	18.7%	20.5%	23.6%	24.8%	24.6%	23.2%	23.2%	22.8%	26.8%
Net Profit	40	38	154	79	97	102	90	115	175	232
Net Margin	10.0%	9.0%	33.3%	15.9%	17.0%	17.8%	16.8%	18.1%	21.0%	25.4%
Free Cash Flow	4	51	13	4	8	80	79	(11)	(178)	143
Income Tax	26	29	(70)	25	32	30	31	31	38	82

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,153	1,128	1,148	1,217	1,310	1,276	1,596	1,708	2,217	2,278
Cash & Equivalents	1	1	3	2	2	1	1	1	1	1
Accounts Receivable	95	97	106	121	128	123	159	170	227	219
Goodwill & Int. Ass.	37	36	36	35	36	35	179	142	388	378
Total Liabilities	773	734	624	646	676	593	864	904	1,283	1,154
Long-Term Debt	381	326	303	299	293	223	426	414	763	590
Shareholder's Equity	380	394	524	572	634	683	732	804	934	1,123
LTD/E Ratio	1.00	0.83	0.58	0.52	0.46	0.33	0.58	0.51	0.82	0.53

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.6%	3.4%	13.5%	6.7%	7.7%	7.9%	6.2%	7.0%	8.9%	10.3%
Return on Equity	10.1%	9.9%	33.5%	14.5%	16.1%	15.5%	12.7%	15.0%	20.1%	22.5%
ROIC	5.4%	5.2%	19.9%	9.4%	10.8%	11.1%	8.7%	9.7%	12.0%	13.6%
Shares Out.	24	24	24	24	25	24	24	24	25	25
Revenue/Share	15.89	17.69	19.04	20.31	23.16	23.34	21.81	25.93	33.91	37.08
FCF/Share	0.15	2.13	0.54	0.16	0.33	3.28	3.22	(0.44)	(7.27)	5.82

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.