

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

**FORM 10-K**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**  
**OR**

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

Commission File Number 1-14387

**United Rentals, Inc.**

Commission File Number 1-13663

**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  
Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u>                             | <u>Trading Symbol(s)</u> | <u>Name of Each Exchange on Which Registered</u> |
|--------------------------------------------------------|--------------------------|--------------------------------------------------|
| Common Stock, \$.01 par value, of United Rentals, Inc. | URI                      | New York Stock Exchange                          |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated Filer         | <input type="checkbox"/> |
| Non-Accelerated Filer   | <input type="checkbox"/>            | Smaller Reporting Company | <input type="checkbox"/> |
| Emerging Growth Company | <input type="checkbox"/>            |                           |                          |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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

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As of June 30, 2020 there were 72,078,661 shares of United Rentals, Inc. common stock outstanding. The aggregate market value of common stock held by non-affiliates (defined as other than directors, executive officers and 10 percent beneficial owners) at June 30, 2020 was approximately \$9.44 billion, calculated by using the closing price of the common stock on such date on the New York Stock Exchange of \$149.04.

As of January 25, 2021, there were 72,199,276 shares of United Rentals, Inc. common stock 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 Form 10-K 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 (I)(1)(a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format permitted by such instruction.

Documents incorporated by reference: Portions of United Rentals, Inc.'s Proxy Statement related to the 2021 Annual Meeting of Stockholders, which is expected to be filed with the Securities and Exchange Commission on or before March 23, 2021, are incorporated by reference into Part III of this annual report.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K 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,” “intend” or “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 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;
- uncertainty regarding the length of time it will take for the coronavirus (COVID-19) pandemic to subside, including the time it will take for vaccines to be broadly distributed and accepted in the United States and the rest of the world, and the effectiveness of such vaccines in slowing or stopping the spread of COVID-19 and mitigating the economic effects of the pandemic;
- the impact of the COVID-19 pandemic on global economic conditions, including the impact of the various measures that have been implemented to protect public health, many of which have reduced demand for equipment rentals;
- the impact of global economic conditions (including potential trade wars) and public health crises and epidemics, such as COVID-19, on us, our customers and our suppliers, in the United States and the rest of the world;
- rates we charge and time utilization we achieve being less than anticipated (including as a result of COVID-19);
- excess fleet in the equipment rental industry, including as a result of reduced demand for fleet due to the impacts of COVID-19 on our customers;
- inability to benefit from government spending, including spending associated with infrastructure projects;
- trends in oil and natural gas could adversely affect the demand for our services and products;
- competition from existing and new competitors;
- our significant indebtedness (which totaled \$9.7 billion at December 31, 2020) 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 (including as a result of volatility and uncertainty in capital markets due to COVID-19), 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;
- inability to access the capital that our businesses or growth plans may require (including as a result of uncertainty in capital or other financial markets due to COVID-19);
- the possibility that companies that we have acquired or may acquire could have undiscovered liabilities or involve other unexpected costs, may strain our management capabilities or may be difficult to integrate;
- incurrence of impairment charges;
- fluctuations in the price of our common stock and inability to complete stock repurchases in the time frame and/or on the terms anticipated (for example, due to COVID-19);
- 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;
- inability to manage credit risk adequately or to collect on contracts with a large number of customers;
- turnover in our management team and inability to attract and retain key personnel, as well as loss, absenteeism or the inability of employees to work or perform key functions in light of public health crises or epidemics (including COVID-19);
- 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;
- increases in our maintenance and replacement costs and/or decreases in the residual value of our equipment;
- inability to sell our new or used fleet in the amounts, or at the prices, we expect;

- risks related to security breaches, cybersecurity attacks, failure to protect personal information, compliance with data protection laws and other significant disruptions in our information technology systems;
- risks related to climate change and climate change regulation;
- 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;
- shortfalls in our insurance coverage;
- 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 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 (including as a result of Brexit), and tariffs;
- the outcome or other potential consequences of regulatory matters and commercial litigation;
- 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
- the effect of changes in tax law.

We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances after the date any such statement is made.

## PART I

United Rentals, Inc., incorporated in Delaware in 1997, is principally a holding company. We primarily conduct our operations through our wholly owned subsidiary, United Rentals (North America), Inc., and its subsidiaries. As used in this report, the term “Holdings” refers to United Rentals, Inc., the term “URNA” refers to United Rentals (North America), Inc., and the terms the “Company,” “United Rentals,” “we,” “us,” and “our” refer to United Rentals, Inc. and its subsidiaries, in each case unless otherwise indicated.

Unless otherwise indicated, the information under Items 1, 1A and 2 is as of January 1, 2021.

### Item 1. Business

United Rentals is the largest equipment rental company in the world, operates throughout the United States and Canada, and has a limited presence in Europe. The table below presents key information about our business as of and for the years ended December 31, 2020 and 2019. Our business is discussed in more detail below. The data below should be read in conjunction with, and is qualified by reference to, our Management’s Discussion and Analysis and our consolidated financial statements and notes thereto contained elsewhere in this report.

|                                                                                 | 2020    | 2019    |
|---------------------------------------------------------------------------------|---------|---------|
| <b>PERFORMANCE MEASURES</b>                                                     |         |         |
| Total revenues (in millions)                                                    | \$8,530 | \$9,351 |
| Equipment rental revenue percent of total revenues                              | 84%     | 85%     |
| Equipment rental revenue variance components:                                   |         |         |
| Year-over-year change in average original equipment cost ("OEC")                | (2.2)%  | 17.7%   |
| Assumed year-over-year inflation impact (1)                                     | (1.5)%  | (1.5)%  |
| Fleet productivity (2)                                                          | (6.9)%  | (2.2)%  |
| Contribution from ancillary and re-rent revenue (3)                             | 0.3%    | 0.8%    |
| Total equipment rental revenue variance                                         | (10.3)% | 14.8%   |
| Pro forma equipment rentals variance components (4):                            |         |         |
| Year-over-year change in average OEC                                            |         | 4.9%    |
| Assumed year-over-year inflation impact (1)                                     |         | (1.5)%  |
| Fleet productivity (2)                                                          |         | 0.6%    |
| Contribution from ancillary and re-rent revenue (3)                             |         | 0.1%    |
| Total equipment rental revenue variance                                         |         | 4.1%    |
| Key account percent of equipment rental revenue                                 | 74%     | 72%     |
| National account percent of equipment rental revenue                            | 44%     | 43%     |
| <b>FLEET</b>                                                                    |         |         |
| Fleet OEC (in billions)                                                         | \$13.78 | \$14.63 |
| Equipment classes                                                               | 4,000   | 4,000   |
| Equipment units                                                                 | 615,000 | 665,000 |
| Fleet age in months                                                             | 54.5    | 49.5    |
| Percent of fleet that is current on manufacturer's recommended maintenance      | 81%     | 81%     |
| Equipment rental revenue percent by fleet type:                                 |         |         |
| General construction and industrial equipment                                   | 43%     | 43%     |
| Aerial work platforms                                                           | 27%     | 28%     |
| General tools and light equipment                                               | 8%      | 8%      |
| Power and HVAC (heating, ventilating and air conditioning) equipment            | 9%      | 8%      |
| Trench safety equipment                                                         | 6%      | 6%      |
| Fluid solutions equipment                                                       | 7%      | 7%      |
| <b>LOCATIONS/PERSONNEL</b>                                                      |         |         |
| Rental locations                                                                | 1,165   | 1,175   |
| Approximate range of branches per district                                      | 4-11    | 4-11    |
| Approximate range of districts per region                                       | 5-10    | 4-9     |
| Hourly employees                                                                | 12,550  | 13,400  |
| Salaried employees                                                              | 5,700   | 5,700   |
| Total employees                                                                 | 18,250  | 19,100  |
| <b>INDUSTRY</b>                                                                 |         |         |
| Estimated North American market share                                           | 13%     | 13%     |
| Estimated North American equipment rental industry revenue (decline) growth (2) | (12)%   | 5%      |
| 2021 projected North American industry equipment rental revenue growth          | 2%      | -       |
| <b>CUSTOMERS/SUPPLIERS</b>                                                      |         |         |
| Largest customer percent of total revenues                                      | 1%      | 1%      |
| Top 10 customers percent of total revenues                                      | 4%      | 4%      |
| Largest supplier percent of capital expenditures                                | 9%      | 12%     |
| Top 10 supplier percent of capital expenditures                                 | 45%     | 52%     |

- (1) Reflects the estimated impact of inflation on the revenue productivity of fleet based on OEC, which is recorded at cost.
- (2) Reflects the combined impact of changes in rental rates, time utilization, and mix that contribute to the variance in owned equipment rental revenue. See note 3 to the consolidated financial statements for a discussion of the different types of equipment rentals revenue. Rental rate changes are calculated based on the year-over-year variance in average contract rates, weighted by the prior period revenue mix. Time utilization is calculated by dividing the amount of time an asset is on rent by the amount of time the asset has been owned during the year. Mix includes the impact of changes in customer, fleet, geographic and segment mix. The negative fleet productivity for 2020 includes the impact of the novel coronavirus ("COVID-19"), which resulted in rental volume declines in response to shelter-in-place orders and other market restrictions, as discussed further below. The 2020 decline in North American equipment rental industry revenue also includes the impact of COVID-19 (see "Industry Overview and Economic Outlook" below for further discussion).
- (3) Reflects the combined impact of changes in the other types of equipment rentals revenue (see note 3 for further detail), excluding owned equipment rental revenue.
- (4) We completed the acquisitions of BakerCorp International Holdings, Inc. ("BakerCorp") and Vander Holding Corporation and its subsidiaries ("BlueLine") in July 2018 and October 2018, respectively. The pro forma information includes the standalone, pre-acquisition results of BakerCorp and BlueLine. The pro forma components are not reflected above for 2020 versus 2019 because BakerCorp and BlueLine are fully reflected in our results for these periods.

## COVID-19

COVID-19 was first identified in people in late 2019. COVID-19 spread rapidly throughout the world and, in March 2020, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 pandemic has significantly disrupted supply chains and businesses around the world. The extent and duration of the COVID-19 impact, on the operations and financial position of United Rentals, and on the global economy, is uncertain. See "Industry Overview and Economic Outlook" below for a discussion of market performance in 2020. The health and safety of our employees and customers remains our top priority, and we have also engaged in extensive contingency planning to manage the business impact of the pandemic.

Prior to mid-March 2020, our results were largely in line with expectations. We began to experience a decline in revenues in March 2020, when rental volume declined in response to shelter-in-place orders and other market restrictions. COVID-19 is discussed in more detail throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## Human Capital

The Company's key human capital management objectives are to attract, retain and develop talent to deliver on the Company's strategy. To support these objectives, the Company's human resources programs are designed to: keep people safe and healthy; enhance the Company's culture through efforts aimed at making the workplace more inclusive; acquire and retain diverse talent; reward and support employees through competitive pay and benefit programs; develop talent to prepare them for critical roles and leadership positions; and facilitate internal talent mobility to create a high-performing workforce. See "Locations/Personnel" in the table above for information on employee counts.

The Company focuses on the following in managing its human capital:

- **Health and safety:** We have a safety program that focuses on implementing management systems, policies and training programs and performing assessments to see that workers are trained properly and that injuries and incidents are prevented. All of our employees are empowered with stop-work authority which enables them to immediately stop any unsafe or potentially hazardous working condition or behavior they may observe. We utilize a mixture of indicators to assess the safety performance of our operations, including total recordable injury rate, preventable motor vehicle incidents per million miles, corrective actions and near miss frequency. We also recognize outstanding safety behaviors through our annual awards program. Importantly, during the COVID-19 pandemic, our continuing focus on health and safety enabled us to preserve business continuity without sacrificing our commitment to keeping our colleagues safe.
- **Employee wellness:** The Company's Live Well, Safe & Healthy program is a comprehensive approach to wellness that encourages healthy behaviors and is intended to raise morale, productivity and overall employee engagement. The program includes a biometric screening at work or off-site, a health assessment, a paid day off to be used for a wellness exam or day of service, tobacco cessation support, and participation incentives. Additionally, employees and family members can participate in biannual virtual health challenges to encourage daily activity. Approximately 46 percent of eligible employees participated in the program in 2020.
- **Inclusion and diversity ("I&D"):** We believe that an inclusive and diverse team is key to the success of our culture and aim to drive I&D initiatives through many efforts, including sponsoring three employee-led employee resource groups ("ERGs") that represent and support the diverse communities that make up our workforce. The ERGs



facilitate networking and connecting with peers, outreach and mentoring, and leadership and skill development. The Company has internal goals for overall workforce diversity and additional goals for specific positions at the Company. In addition, the Company has made hiring and supporting veterans a priority through its veterans ERG and working with organizations that support the veteran community. Importantly, in 2020, one of our ERGs co-hosted a series of internal conversations with senior leadership that focused on racial inequality and injustice to spark dialogue among employees and leaders in an effort to build a more inclusive, diverse and empowered culture at the Company.

- **Compensation programs and employee benefits:** Our compensation and benefits programs provide a package designed to attract, retain and motivate employees. In addition to competitive base salaries, the Company provides a variety of short-term, long-term and commission-based incentive compensation programs to reward performance relative to key financial, human capital and customer experience metrics. We offer comprehensive benefit options including retirement savings plans, medical insurance, prescription drug benefits, dental insurance, vision insurance, accident and critical illness insurance, life and disability insurance, health savings accounts, flexible spending accounts, legal insurance, auto/home insurance and identity theft insurance. Additionally, we have conducted three company-wide stock grant programs for employees since 2014 – the most recent grant program took place in 2020 and was in recognition of our employees’ special efforts during the COVID-19 pandemic.
- **Employee experience and retention:** To evaluate our employee experience and retention efforts, we monitor a number of employee measures, such as employee retention, internal promotions and referrals. We also conduct an annual employee experience survey, which provides valuable information on drivers of engagement and areas where we can improve. For instance, we learned through our 2020 survey process that 92 percent of our team members intend to stay with the Company to continue building and growing their careers. To provide an open and frequent line of communication for all employees, we host town hall meetings and quarterly all employee conference calls, and utilize Workplace by Facebook to engage with our full team. The Company also sponsors the United Compassion Fund, an employee-funded 501(c)(3) charity that provides financial assistance to fellow employees in need. In 2020, employees voluntarily donated over \$1.4 million to the fund, and employees received 356 grants totaling over \$750,000.
- **Training and development:** The Company is committed to the continued development of its people. We aim for all applicable new hires to attend Center of Excellence training within 90 days of hire, which training was delivered virtually during most of 2020. Additionally, we offer a wide array of training solutions (classroom, hands-on and e-learning) for our people. In 2020, our employees enhanced their skills through approximately 370,000 hours of training, including safety training, sales and leadership training and equipment-related training from our suppliers. Our employee training hours declined significantly relative to prior years because we paused in-person trainings beginning in March 2020 due to the COVID-19 pandemic. While we were able to resume with virtual trainings in some cases, we did not resume many of those trainings until June and we were unable to provide certain types of training in a virtual format. Additionally, we had fewer new hires and did not gain employees through acquisitions, reducing the need for new hire and acquisition training. We also offer an undergraduate tuition assistance program. Our performance process encourages performance and development check-ins throughout the year to provide for development at all levels across the Company.

## Strategy

For the past several years, we have executed a strategy focused on improving the profitability of our core equipment rental business through revenue growth, margin expansion and operational efficiencies. In particular, we have focused on customer segmentation, customer service differentiation, rate management, fleet management and operational efficiency.

We are currently managing the impact of COVID-19, as discussed throughout “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our general strategy focuses on profitability and return on invested capital, and, in particular, calls for:

- *A consistently superior standard of service to customers*, often provided through a single lead contact who can coordinate the cross-selling of the various services we offer throughout our network. We utilize a proprietary software application, Total Control®, which provides our key customers with a single in-house software application that enables them to monitor and manage all their equipment needs. Total Control® is a unique customer offering that enables us to develop strong, long-term relationships with our larger customers. Our digital capabilities, including our Total Control® platform, allow our sales teams to provide contactless end-to-end customer service;
- *The further optimization of our customer mix and fleet mix*, with a dual objective: to enhance our performance in serving our current customer base, and to focus on the accounts and customer types that are best suited to our strategy for profitable growth. We believe these efforts will lead to even better service of our target accounts, primarily large construction and industrial customers, as well as select local contractors. Our fleet team’s analyses



are aligned with these objectives to identify trends in equipment categories and define action plans that can generate improved returns;

- *A continued focus on “Lean” management techniques, including kaizen processes focused on continuous improvement.* We continue to implement Lean kaizen processes across our branch network, with the objectives of: reducing the cycle time associated with renting our equipment to customers; improving invoice accuracy and service quality; reducing the elapsed time for equipment pickup and delivery; and improving the effectiveness and efficiency of our repair and maintenance operations;
- *The continued expansion of our trench, power and fluid solutions footprint, as well as our tools and onsite services offerings, and the cross-selling of these services throughout our network.* We believe that the expansion of our trench, power and fluid solutions business, as well as our tools and onsite services offerings, will further position United Rentals as a single source provider of total jobsite solutions through our extensive product and service resources and technology offerings; and
- *The pursuit of strategic acquisitions to continue to expand our core equipment rental business.* Strategic acquisitions allow us to invest our capital to expand our business, further driving our ability to accomplish our strategic goals.

## Industry Overview and Economic Outlook

United Rentals serves the following three principal end-markets for equipment rental in North America: industrial and other non-construction; commercial (or private non-residential) construction; and residential construction, which includes remodeling. In July 2018, we completed the acquisition of BakerCorp, which allowed for our entry into select European markets (the acquisition added 11 European locations in France, Germany, the United Kingdom and the Netherlands to our branch network). In 2020, based on an analysis of our charge account customers’ Standard Industrial Classification (“SIC”) codes:

- Industrial and other non-construction rentals represented approximately 49 percent of our rental revenue, primarily reflecting rentals to manufacturers, energy companies, chemical companies, paper mills, railroads, shipbuilders, utilities, retailers and infrastructure entities;
- Commercial construction rentals represented approximately 47 percent of our rental revenue, primarily reflecting rentals related to the construction and remodeling of facilities for office space, lodging, healthcare, entertainment and other commercial purposes; and
- Residential rentals represented approximately four percent of our rental revenue, primarily reflecting rentals of equipment for the construction and renovation of homes.

We estimate that, based on industry estimates from the American Rental Association (“ARA”), 2020 North American equipment rental industry revenue decreased approximately 12 percent year-over-year, with similar declines in the U.S. and Canada. In 2020, our full year rental revenue decreased by 10.3 percent year-over-year. We estimate that our North American market share of approximately 13 percent increased slightly in 2020. As discussed in more detail throughout “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the decline in rental revenue includes the impact of the novel coronavirus (“COVID-19”), which resulted in rental volume declines in response to shelter-in-place orders and other market restrictions.

In 2021, based on our analyses of industry forecasts and macroeconomic indicators, we expect modest market recovery following the declines experienced in 2020, which included the pronounced impact of COVID-19. Specifically, we expect that North American industry equipment rental revenue will increase approximately 2 percent, with higher growth expected in Canada than the U.S.

## Competitive Advantages

We believe that we benefit from the following competitive advantages:

***Large and Diverse Rental Fleet.*** Our large and diverse fleet allows us to serve large customers that require substantial quantities and/or wide varieties of equipment. We believe our ability to serve such customers should allow us to improve our performance and enhance our market leadership position.

We manage our rental fleet, which is the largest and most comprehensive in the industry, utilizing a life-cycle approach that focuses on satisfying customer demand and optimizing utilization levels. As part of this life-cycle approach, we closely monitor repair and maintenance expense and can anticipate, based on our extensive experience with a large and diverse fleet, the optimum time to dispose of an asset.



**Significant Purchasing Power.** We purchase large amounts of equipment, contractor supplies and other items, which enables us to negotiate favorable pricing, warranty and other terms with our vendors.

**National Account Program.** Our national account sales force is dedicated to establishing and expanding relationships with large companies, particularly those with a national or multi-regional presence. National accounts are generally defined as customers with potential annual equipment rental spend of at least \$500,000 or customers doing business in multiple states. We offer our national account customers the benefits of a consistent level of service across North America, a wide selection of equipment and a single point of contact for all their equipment needs. National accounts are a subset of key accounts, which are our accounts that are managed by a single point of contact. Establishing a single point of contact for our key accounts helps us provide customer service management that is more consistent and satisfactory.

**Operating Efficiencies.** We benefit from the following operating efficiencies:

- *Equipment Sharing Among Branches.* Each branch within a region can access equipment located elsewhere in the region. This fleet sharing increases equipment utilization because equipment that is idle at one branch can be marketed and rented through other branches. Additionally, fleet sharing allows us to be more disciplined with our capital spend.
- *Customer Care Center.* We have a Customer Care Center ("CCC") in Charlotte, North Carolina that handles all telephone calls to our customer service telephone line, 1-800-UR-RENTS. The CCC handles many of the 1-800-UR-RENTS telephone calls without having to route them to individual branches, and allows us to provide a more uniform quality experience to customers, manage fleet sharing more effectively and free up branch employee time.
- *Consolidation of Common Functions.* We reduce costs through the consolidation of functions that are common to our branches, such as accounts payable, payroll, benefits and risk management, information technology and credit and collection.

Our **information technology systems**, some of which are proprietary and some of which are licensed, support our operations. Our information technology infrastructure facilitates our ability to make rapid and informed decisions, respond quickly to changing market conditions and share rental equipment among branches. We have an in-house team of information technology specialists that supports our systems.

Our information technology systems are accessible to management, branch and call center personnel. Leveraging information technology to achieve greater efficiencies and improve customer service is a critical element of our strategy. Each branch is equipped with one or more workstations that are electronically linked to our other locations and to our data center. Rental transactions can be entered at these workstations, or through various mobile applications, to be processed on a real-time basis.

Our information technology systems:

- enable branch personnel to (i) determine equipment availability, (ii) access all equipment within a geographic region and arrange for equipment to be delivered from anywhere in the region directly to the customer, (iii) monitor business activity on a real-time basis and (iv) obtain customized reports on a wide range of operating and financial data, including equipment utilization, rental rate trends, maintenance histories and customer transaction histories;
- allow our mobile sales and service team members to support our customers efficiently while in the field;
- permit customers to access their accounts online; and
- allow management to obtain a wide range of operational and financial data.

We have a fully functional back-up facility designed to enable business continuity for our core rental and financial systems in the event that our main computer facility becomes inoperative. This back-up facility also allows us to perform system upgrades and maintenance without interfering with the normal ongoing operation of our information technology systems.

**Strong Brand Recognition.** As the largest equipment rental company in the world, we have strong brand recognition, which helps us attract new customers and build customer loyalty.

**Geographic and Customer Diversity.** We have 1,165 rental locations in the U.S., Canada and Europe. Our North American network operates in 49 U.S. states and every Canadian province, and serves customers that range from Fortune 500 companies to small businesses and homeowners. The acquisition of BakerCorp in July 2018 added 11 European locations in France, Germany, the United Kingdom and the Netherlands to our branch network. We believe that our geographic and customer diversity provides us with many advantages including:

- enabling us to better serve national account customers with multiple locations;



- helping us achieve favorable resale prices by allowing us to access used equipment resale markets across North America; and
- reducing our dependence on any particular customer.

Our foreign operations are subject to the risks normally associated with international operations. These include (i) the need to convert currencies, which could result in a gain or loss depending on fluctuations in exchange rates and (ii) the need to comply with foreign laws and regulations, as well as U.S. laws and regulations applicable to our operations in foreign jurisdictions. For additional financial information regarding our geographic diversity, see note 4 to our consolidated financial statements.

***Strong and Motivated Branch Management.*** Each of our full-service branches has a manager who is supervised by a district manager. We believe that our managers are among the most knowledgeable and experienced in the industry, and we empower them, within budgetary guidelines, to make day-to-day decisions concerning branch matters. Each regional office has a management team that monitors branch, district and regional performance with extensive systems and controls, including performance benchmarks and detailed monthly operating reviews.

***Risk Management and Safety Programs.*** Our risk management department is staffed by experienced professionals directing the procurement of insurance, managing claims made against the Company, and developing loss prevention programs to address workplace safety, driver safety and customer safety. The department's primary focus is on the protection of our employees and assets, as well as protecting the Company from liability for accidental loss.

## Segment Information

We have two reportable segments—(i) general rentals and (ii) trench, power and fluid solutions. Segment financial information is presented in note 4 to our consolidated financial statements.

The general rentals segment includes the rental of construction, aerial and industrial equipment, general tools and light equipment, and related services and activities. The general rentals segment's customers include construction and industrial companies, manufacturers, utilities, municipalities and homeowners. The general rentals segment comprises eleven geographic regions—Carolinas, Gulf South, Industrial (which serves the geographic Gulf region and has a strong industrial presence), Mid-Atlantic, Mid Central, Midwest, Northeast, Pacific West, South, Southeast and Western Canada—and operates throughout the United States and Canada. We periodically review the size and geographic scope of our regions, and have occasionally reorganized the regions to create a more balanced and effective structure.

The trench, power and fluid solutions segment includes the rental of specialty construction products and related services. The trench, power and fluid solutions segment is comprised of (i) the Trench Safety region, which rents trench safety equipment such as trench shields, aluminum hydraulic shoring systems, slide rails, crossing plates, construction lasers and line testing equipment for underground work, (ii) the Power and HVAC region, which rents power and HVAC equipment such as portable diesel generators, electrical distribution equipment, and temperature control equipment including heating and cooling equipment, and (iii) the Fluid Solutions and (iv) Fluid Solutions Europe regions, both of which rent equipment primarily used for fluid containment, transfer and treatment. The trench, power and fluid solutions segment's customers include construction companies involved in infrastructure projects, municipalities and industrial companies. This segment operates throughout the United States and in Canada and Europe.

## Products and Services

Our principal products and services are described below.

***Equipment Rental.*** We offer for rent approximately 4,000 classes of rental equipment on an hourly, daily, weekly or monthly basis. The types of equipment that we offer include general construction and industrial equipment; aerial work platforms; trench safety equipment; power and HVAC equipment; fluid solutions equipment; and general tools and light equipment.

***Sales of Rental Equipment.*** We routinely sell used rental equipment and invest in new equipment in order to manage repairs and maintenance costs, as well as the composition and size of our fleet. We also sell used equipment in response to customer demand for the equipment. Consistent with the life-cycle approach we use to manage our fleet, the rate at which we replace used equipment with new equipment depends on a number of factors, including changing general economic conditions, growth opportunities, the market for used equipment, the age of our fleet and the need to adjust fleet composition to meet customer demand.

We utilize many channels to sell used equipment: through our national and export sales forces, which can access many resale markets across our network; at auction; through brokers; and directly to manufacturers. We also sell used equipment through our website, which includes an online database of used equipment available for sale.

***Sales of New Equipment.*** We sell equipment such as aerial lifts, reach forklifts, telehandlers, compressors and generators from many leading equipment manufacturers. The type of new equipment that we sell varies by location.

***Contractor Supplies Sales.*** We sell a variety of contractor supplies including construction consumables, tools, small equipment and safety supplies.

***Service and Other Revenues.*** We offer repair and maintenance services and sell parts for equipment that is owned by our customers.

## Customers

Our customer base is highly diversified and ranges from Fortune 500 companies to small businesses and homeowners. Our customer base varies by branch and is determined by several factors, including the equipment mix and marketing focus of the particular branch as well as the business composition of the local economy, including construction opportunities with different customers. Our customers include:

- construction companies that use equipment for constructing and renovating commercial buildings, warehouses, industrial and manufacturing plants, office parks, airports, residential developments and other facilities;
- industrial companies—such as manufacturers, chemical companies, paper mills, railroads, ship builders and utilities—that use equipment for plant maintenance, upgrades, expansion and construction;
- municipalities that require equipment for a variety of purposes; and
- homeowners and other individuals that use equipment for projects that range from simple repairs to major renovations.

Our business is seasonal, with demand for our rental equipment tending to be lower in the winter months.

## Sales and Marketing

We market our products and services through multiple channels as described below.

***Sales Force.*** Our sales representatives work in our branches and at our customer care center, and are responsible for calling on existing and potential customers as well as assisting our customers in planning for their equipment needs. We have ongoing programs for training our employees in sales and service skills and on strategies for maximizing the value of each transaction.

***National Account Program.*** Our national account sales force is dedicated to establishing and expanding relationships with large customers, particularly those with a national or multi-regional presence. Our national account team closely coordinates its efforts with the local sales force in each area.

***Online Rental Platform (UROne®).*** Our customers can check equipment availability and pricing, and reserve equipment online, 24 hours a day, seven days a week, by accessing our equipment catalog and used equipment listing, which can be found at [www.unitedrentals.com](http://www.unitedrentals.com). Our customers can also use our UR Control® application to actively manage their rental process and access real-time reports on their business activity with us.

***Total Control®.*** We utilize a proprietary software application, Total Control®, which provides our key customers with a single in-house software application that enables them to monitor and manage all their equipment needs. This software can be integrated into the customers' enterprise resource planning system. Total Control® is a unique customer offering that enables us to develop strong, long-term relationships with our larger customers.

***Advertising.*** We promote our business through local and national advertising in various media, including television, trade publications, yellow pages, the internet, radio and direct mail. We also regularly participate in industry trade shows and conferences and sponsor a variety of local and national promotional events.

## Suppliers

Our strategic approach with respect to our suppliers is to maintain the minimum number of suppliers per category of equipment that can satisfy our anticipated volume and business requirements. This approach is designed to ensure that the terms



we negotiate are competitive and that there is sufficient product available to meet anticipated customer demand. We utilize a comprehensive selection process to determine our equipment vendors. We consider product capabilities and industry position, the terms being offered, product liability history, customer acceptance and financial strength. We believe we have sufficient alternative sources of supply available for each of our major equipment categories.

## **Competition**

The North American equipment rental industry is highly fragmented and competitive. As the largest equipment rental company in the industry, we estimate that we have an approximate 13 percent market share in North America based on 2020 total equipment rental industry revenues as measured by the ARA. Estimated market share is calculated by dividing our total 2020 North American rental revenue by ARA's forecasted 2020 industry revenue. Our competitors primarily include small, independent businesses with one or two rental locations; regional competitors that operate in one or more states; public companies or divisions of public companies that operate nationally or internationally; and equipment vendors and dealers who both sell and rent equipment directly to customers. We believe we are well positioned to take advantage of this environment because, as a larger company, we have more resources and certain competitive advantages over our smaller competitors. These advantages include greater purchasing power, the ability to provide customers with a broader range of equipment and services, and greater flexibility to transfer equipment among locations in response to, and in anticipation of, customer demand. The fragmented nature of the industry and our relatively small market share, however, may adversely impact our ability to mitigate rental rate pressure. See "Industry Overview and Economic Outlook" above for a discussion of market performance in 2020, which included the pronounced impact of COVID-19, as well as projected performance in 2021.

## **Environmental and Safety Regulations**

Our operations are subject to numerous laws governing environmental protection and occupational health and safety matters. These laws regulate issues such as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Our operations generally do not raise significant environmental risks, but we use and store hazardous materials as part of maintaining our rental equipment fleet and the overall operations of our business, dispose of solid and hazardous waste and wastewater from equipment washing, and store and dispense petroleum products from storage tanks at certain locations. Under environmental and safety laws, we may be liable for, among other things, (i) the costs of investigating and remediating contamination at our sites as well as sites to which we send hazardous wastes for disposal or treatment, regardless of fault, and (ii) fines and penalties for non-compliance. We incur ongoing expenses associated with the performance of appropriate investigation and remediation activities at certain locations.

## **Employees**

Approximately 5,700 of our employees are salaried and approximately 12,550 are hourly. Collective bargaining agreements relating to approximately 117 separate locations cover approximately 1,330 of our employees. We monitor employee satisfaction through ongoing surveys and consider our relationship with our employees to be good.

## **Available Information**

We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, as well as our other SEC filings, available on our website, free of charge, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is [www.unitedrentals.com](http://www.unitedrentals.com). The information contained on our website is not incorporated by reference in this document.

## **Item 1A. Risk Factors**

Our business, results of operations and financial condition are subject to numerous risks and uncertainties. In connection with any investment decision with respect to our securities, you should carefully consider the following risk factors, as well as the other information contained in this report and our other filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Should any of these risks materialize, our business, results of operations, financial condition and future prospects could be negatively impacted, which in turn could affect the trading value of our securities.

## **Industry and Economic Risks**

*Our business is cyclical in nature. Economic slowdowns and decreases in general economic activity have in the past caused weakness in our end markets and had adverse effects on our revenues and operating results, and could do so again in the future.*



Our general rental equipment and trench, power and fluid solutions equipment are used in connection with private non-residential construction and industrial activities, which are cyclical in nature. In the past, weakness in our end markets has led to a decrease in the demand for our equipment and in the rates we realized. Such decreases adversely affected our operating results by causing our revenues to decline and, because certain of our costs are fixed, our operating margins to be reduced. A worsening of economic conditions, in particular with respect to North American construction and industrial activities, could cause weakness in our end markets and adversely affect our revenues and operating results.

The following factors, among others, may cause weakness in our end markets, either temporarily or long-term:

- a decrease in expected levels of infrastructure spending;
- a lack of availability of credit;
- excess fleet in the equipment rental industry;
- a decrease in the level of exploration, development, production activity and capital spending by oil and natural gas companies;
- an increase in the cost of construction materials;
- an increase in interest rates;
- adverse weather conditions, which may temporarily affect a particular region;
- a prolonged shutdown of the U.S. government;
- public health crises and epidemics, such as COVID-19; or
- terrorism or hostilities involving the United States, Canada or Europe.

***The COVID-19 pandemic and its impact on business and economic conditions have adversely affected, and may continue to adversely affect, our results of operations and financial position. Those adverse effects could be material.***

The scale and scope of the COVID-19 pandemic, the uncertainty around the distribution, acceptance and effectiveness of COVID-19 vaccines, and the impact that the COVID-19 pandemic and the various measures that have been implemented to protect public health have had on the economy and financial markets have adversely affected, and are expected to continue to adversely affect, our results of operations and financial position. We have implemented business continuity and emergency response plans to continue to provide equipment rental services to our customers and to support our operations, while taking health and safety measures such as implementing worker distancing measures and using a remote workforce where possible. There can be no assurance that the continued spread of COVID-19 and efforts to contain the virus (including, but not limited to, vaccination, social distancing policies, restrictions on travel and reduced operations and extended closures of many businesses and institutions, including our customers) will not materially impact our results of operations and financial position. In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- impact customer demand for equipment rentals;
- reduce the availability and productivity of our employees (including by requiring temporary branch closures in the event that positive tests for COVID-19 are identified);
- cause us to experience an increase in costs as a result of our emergency and business continuity measures, delayed payments from our customers and uncollectable accounts;
- impact our cost of, and ability to access, funds from financial institutions and capital markets on terms favorable to us, or at all;
- impact our ability to complete previously announced strategic plans, including our share repurchase program, on time, or at all; and
- cause other unpredictable events.

The situation surrounding COVID-19 remains fluid and the likelihood of an impact on us that could be material increases the longer the virus impacts activity levels in the locations in which we operate. In particular, a delay in wide distribution of a vaccine, or a lack of public acceptance of a vaccine, could lead people to continue to self-isolate and not participate in the economy at pre-pandemic levels for a prolonged period of time. Further, even if a vaccine is widely distributed and accepted, there can be no assurance that the vaccine will ultimately be successful in limiting or stopping the spread of COVID-19. Even after the COVID-19 pandemic subsides, the U.S. economy and other major global economies may experience a recession, and we anticipate our business and operations could be materially adversely affected by a prolonged recession in the U.S. and other major markets. Therefore, it remains difficult to predict the potential impact of the virus on our results of operations and financial position. In addition, to the extent that COVID-19 adversely affects our results of operations or financial position, it may also heighten the other risks described in this Item 1A-Risk Factors.



***Trends in oil and natural gas prices could adversely affect the level of exploration, development and production activity of certain of our customers and the demand for our services and products.***

Demand for our services and products is sensitive to the level of exploration, development and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies, regional exploration and production providers, and related service providers. The level of exploration, development and production activity is directly affected by trends in oil and natural gas prices, which historically have been volatile and are likely to continue to be volatile.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of other economic factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the immediate levels of exploration, development and production activity, which could have an adverse effect on our business, results of operations and financial condition. Even the perception of longer-term lower oil and natural gas prices by oil and natural gas companies and related service providers can similarly reduce or defer major expenditures by these companies and service providers given the long-term nature of many large-scale development projects. Additionally, potential climate change regulation, including a potential carbon tax, could adversely affect the level of exploration, development and production activity of certain of our customers and the demand for our services and products.

***Our industry is highly competitive, and competitive pressures could lead to a decrease in our market share or in the prices that we can charge.***

The equipment rental industry is highly fragmented and competitive. Our competitors include small, independent businesses with one or two rental locations, regional competitors that operate in one or more states, public companies or divisions of public companies, and equipment vendors and dealers who both sell and rent equipment directly to customers. We may in the future encounter increased competition from our existing competitors or from new competitors. Competitive pressures could adversely affect our revenues and operating results by, among other things, decreasing our rental volumes, depressing the prices that we can charge or increasing our costs to retain employees.

***Increases in fuel costs or reduced supplies of fuel could harm our business.***

We believe that one of our competitive advantages is the mobility of our fleet. Accordingly, our business in the past has been, and in the future could be, adversely affected by limitations on fuel supplies or significant increases in fuel prices that result in higher costs to us for transporting equipment from one branch to another branch. Although we have used, and may continue to use, futures contracts to hedge against fluctuations in fuel prices, a significant or protracted price fluctuation or disruption of fuel supplies could have a material adverse effect on our financial condition and results of operations. Additionally, potential climate change regulation, including a potential carbon tax, could increase the overall cost of fuel to us and have a material adverse effect on us.

**Risks Related to our Indebtedness and Liquidity**

***Our significant indebtedness exposes us to various risks.***

At December 31, 2020, our total indebtedness was \$9.7 billion. Our significant indebtedness could adversely affect our business, results of operations and financial condition in a number of ways by, among other things:

- increasing our vulnerability to, and limiting our flexibility to plan for, or react to, adverse economic, industry or competitive developments, including adverse economic impacts from COVID-19;
- making it more difficult to pay or refinance our debts as they become due during periods of adverse economic, financial market or industry conditions;
- requiring us to devote a substantial portion of our cash flow to debt service, reducing the funds available for other purposes, including funding working capital, capital expenditures, acquisitions, execution of our growth strategy and other general corporate purposes, or otherwise constraining our financial flexibility;
- restricting our ability to move operating cash flows to Holdings. URNA's payment capacity is restricted under the covenants in our senior secured asset-based revolving credit facility ("ABL facility"), our senior secured term loan credit facility ("term loan facility") and the indentures governing URNA's outstanding indebtedness;
- affecting our ability to obtain additional financing for working capital, acquisitions or other purposes, particularly since substantially all of our assets are subject to security interests relating to existing indebtedness;
- decreasing our profitability or cash flow;



- causing us to be less able to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions;
- causing us to be disadvantaged compared to competitors with less debt and lower debt service requirements;
- resulting in a downgrade in our credit rating or the credit ratings of any of the indebtedness of our subsidiaries, which could increase the cost of further borrowings;
- requiring our debt to become due and payable upon a change in control; and
- limiting our ability to borrow additional monies in the future to fund working capital, capital expenditures and other general corporate purposes.

A portion of our indebtedness bears interest at variable rates that are linked to changing market interest rates. As a result, an increase in market interest rates would increase our interest expense and our debt service obligations. At December 31, 2020, we had \$2.6 billion of indebtedness that bears interest at variable rates. Our variable rate indebtedness currently represents 27 percent of our total indebtedness. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk for additional information related to interest rate risk.

***To service our indebtedness, we will require a significant amount of cash and our ability to generate cash depends on many factors beyond our control.***

We depend on cash on hand and cash flows from operations to make scheduled debt payments. To a significant extent, our ability to do so is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations to repay our indebtedness when it becomes due and to meet our other cash needs. If we are unable to service our indebtedness and fund our operations, we will have to adopt an alternative strategy that may include:

- reducing or delaying capital expenditures;
- limiting our growth;
- seeking additional capital;
- selling assets; or
- restructuring or refinancing our indebtedness.

Even if we adopt an alternative strategy, the strategy may not be successful and we may continue to be unable to service our indebtedness and fund our operations.

***We may not be able to refinance our indebtedness on favorable terms, or at all. Our inability to refinance our indebtedness could materially and adversely affect our liquidity and our ongoing results of operations.***

Our ability to refinance indebtedness will depend in part on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business, legislative, regulatory and other factors beyond our control. In addition, prevailing interest rates or other factors at the time of refinancing could increase our interest expense. A refinancing of our indebtedness could also require us to comply with more onerous covenants and further restrict our business operations. Our inability to refinance our indebtedness or to do so upon attractive terms could materially and adversely affect our business, prospects, results of operations, financial condition and cash flows, and make us vulnerable to adverse industry and general economic conditions.

***We may be able to incur substantially more debt and take other actions that could diminish our ability to make payments on our indebtedness when due, which could further exacerbate the risks associated with our current level of indebtedness.***

Despite our indebtedness level, we may be able to incur substantially more indebtedness in the future and such indebtedness may be secured indebtedness. The indentures or agreements governing our current indebtedness permit us to recapitalize our debt or take a number of other actions, any of which could diminish our ability to make payments on our indebtedness when due and further exacerbate the risks associated with our current level of indebtedness. If new debt is added to our or any of our existing and future subsidiaries' current debt, the related risks that we now face could intensify and we may not be able to meet all of our debt obligations.

***If we are unable to satisfy the financial covenants or comply with other covenants in certain of our debt agreements, our lenders could elect to terminate the agreements and require us to repay the outstanding borrowings, or we could face other substantial costs.***



We rely on our ABL facility and accounts receivable securitization facility to provide liquidity for our business, including to fund capital expenditures, acquisitions, operating expenses and other liquidity needs. The only financial covenant that currently exists under the ABL facility is the fixed charge coverage ratio. Subject to certain limited exceptions specified in the ABL facility, the fixed charge coverage ratio covenant under the ABL facility will only apply in the future if specified availability under the ABL facility falls below 10 percent of the maximum revolver amount under the ABL facility. When certain conditions are met, cash and cash equivalents and borrowing base collateral in excess of the ABL facility size may be included when calculating specified availability under the ABL facility. As of December 31, 2020, specified availability under the ABL facility exceeded the required threshold and, as a result, this financial covenant was inapplicable. Under our accounts receivable securitization facility, we are required, among other things, to maintain certain financial tests relating to: (i) the default ratio, (ii) the delinquency ratio, (iii) the dilution ratio and (iv) days sales outstanding. The accounts receivable securitization facility also requires us to comply with the fixed charge coverage ratio under the ABL facility, to the extent the ratio is applicable under the ABL facility. If we are unable to satisfy the financial covenant under the ABL facility or the financial tests under the accounts receivable securitization facility or comply with any of the other relevant covenants under the applicable agreement, the lenders could elect to terminate the ABL facility, the term loan facility and/or the accounts receivable securitization facility and require us to repay outstanding borrowings. In such event, unless we are able to refinance the indebtedness coming due and replace the ABL facility and/or the accounts receivable securitization facility, we would likely not have sufficient liquidity for our business needs and would be forced to adopt an alternative strategy as described above. Even if we adopt an alternative strategy, the strategy may not be successful and we may not have sufficient liquidity to service our debt and fund our operations. Future debt arrangements we enter into may contain similar provisions.

***Restrictive covenants in certain of the agreements and instruments governing our indebtedness may adversely affect our financial and operational flexibility.***

In addition to financial covenants, various other covenants in the ABL facility, term loan facility, accounts receivable securitization facility and the other agreements governing our debt impose significant operating and financial restrictions on us and our restricted subsidiaries. Such covenants include, among other things, limitations on: (i) liens; (ii) indebtedness; (iii) mergers, consolidations and acquisitions; (iv) sales, transfers and other dispositions of assets; (v) loans and other investments; (vi) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (vii) dividends, other payments and other matters affecting subsidiaries; (viii) transactions with affiliates; and (ix) issuances of preferred stock of certain subsidiaries. Future debt agreements we enter into may include similar provisions.

These restrictions may also make more difficult or discourage a takeover of us, whether favored or opposed by our management and/or our Board of Directors.

Our ability to comply with these covenants may be affected by events beyond our control, and any material deviations from our forecasts could require us to seek waivers or amendments of covenants or alternative sources of financing, or to reduce expenditures. We cannot guarantee that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to us.

A breach of any of the covenants or restrictions contained in these agreements could result in an event of default. Such a default could allow our debt holders to accelerate repayment of the related debt, as well as any other debt to which a cross-acceleration or cross-default provision applies, and/or to declare all borrowings outstanding under these agreements to be due and payable. If our debt is accelerated, our assets may not be sufficient to repay such debt.

***The amount of borrowings permitted under our ABL facility may fluctuate significantly, which may adversely affect our liquidity, results of operations and financial position.***

The amount of borrowings permitted at any time under our ABL facility is limited to a periodic borrowing base valuation of the collateral thereunder. As a result, our access to credit under our ABL facility is potentially subject to significant fluctuations depending on the value of the borrowing base of eligible assets as of any measurement date, as well as certain discretionary rights of the agent in respect of the calculation of such borrowing base value. The inability to borrow under our ABL facility may adversely affect our liquidity, results of operations and financial position.

***We rely on available borrowings under the ABL facility and the accounts receivable securitization facility for cash to operate our business, which subjects us to market and counterparty risk, some of which is beyond our control.***

In addition to cash we generate from our business, our principal existing sources of cash are borrowings available under the ABL facility and the accounts receivable securitization facility. If our access to such financing was unavailable or reduced, or if such financing were to become significantly more expensive for any reason, we may not be able to fund daily operations, which would cause material harm to our business or could affect our ability to operate our business as a going concern. In addition, if certain of our lenders

experience difficulties that render them unable to fund future draws on the facilities, we may not be able to access all or a portion of these funds, which could have similar adverse consequences.

***If we are unable to obtain additional capital as required, we may be unable to fund the capital outlays required for the success of our business.***

If the cash that we generate from our business, together with cash that we may borrow under the ABL facility and accounts receivable securitization facility, is not sufficient to fund our capital requirements, we will require additional debt and/or equity financing. However, we may not succeed in obtaining the requisite additional financing or such financing may include terms that are not satisfactory to us. We may not be able to obtain additional debt financing as a result of prevailing interest rates or other factors, including the presence of covenants or other restrictions under the ABL facility and/or other agreements governing our debt. In the event we seek to obtain equity financing, our stockholders may experience dilution as a result of the issuance of additional equity securities. This dilution may be significant depending upon the amount of equity securities that we issue and the prices at which we issue such securities. If we are unable to obtain sufficient additional capital in the future, we may be unable to fund the capital outlays required for the success of our business, including those relating to purchasing equipment, growth plans and refinancing existing indebtedness.

**Risks Related to our Strategic Transactions and Investments**

***Our growth strategies may be unsuccessful if we are unable to identify and complete future acquisitions and successfully integrate acquired businesses or assets.***

We have historically achieved a significant portion of our growth through acquisitions and we will continue to consider potential acquisitions on a selective basis. From time-to-time we have also approached, or have been approached by, other public companies or large privately-held companies to explore consolidation opportunities. There can be no assurance that we will be able to identify suitable acquisition opportunities in the future or that we will be able to consummate any such transactions on terms and conditions acceptable to us.

In addition, it is possible that we will not realize the expected benefits from any completed acquisition, or that our existing operations will be adversely affected as a result of acquisitions. Acquisitions entail certain risks, including:

- unrecorded liabilities of acquired companies and unidentified issues that we fail to discover during our due diligence investigations or that are not subject to indemnification or reimbursement by the seller;
- greater than expected expenses such as the need to obtain additional debt or equity financing for any transaction;
- unfavorable accounting treatment and unexpected increases in taxes;
- adverse effects on our ability to maintain relationships with customers, employees and suppliers;
- inherent risk associated with entering a geographic area or line of business in which we have no or limited experience;
- difficulty in assimilating the operations and personnel of an acquired company within our existing operations, including the consolidation of corporate and administrative functions;
- difficulty in integrating marketing, information technology and other systems;
- difficulty in conforming standards, controls, procedures and policies, business cultures and compensation structures;
- difficulty in identifying and eliminating redundant and underperforming operations and assets;
- loss of key employees of the acquired company;
- operating inefficiencies that have a negative impact on profitability;
- impairment of goodwill or other acquisition-related intangible assets;
- failure to achieve anticipated synergies or receiving an inadequate return of capital; and
- strains on management and other personnel time and resources to evaluate, negotiate and integrate acquisitions.

Our failure to address these risks or other problems encountered in connection with any past or future acquisition could cause us to fail to realize the anticipated benefits of the acquisitions, cause us to incur unanticipated liabilities and harm our business generally. In addition, if we are unable to successfully integrate our acquisitions with our existing business, we may not obtain the advantages that the acquisitions were intended to create, which may materially and adversely affect our business, results of operations, financial condition, cash flows, our ability to introduce new services and products and the market price of our stock.

We would expect to pay for any future acquisitions using cash, capital stock, notes, other indebtedness and/or assumption of indebtedness. To the extent that our existing sources of cash are not sufficient, we would expect to need additional debt or equity

financing, which involves its own risks, such as the dilutive effect on shares held by our stockholders if we financed acquisitions by issuing convertible debt or equity securities, or the risks associated with debt incurrence.

We have also spent resources and efforts, apart from acquisitions, in attempting to grow and enhance our rental business over the past few years. These efforts place strains on our management and other personnel time and resources, and require timely and continued investment in facilities, personnel and financial and management systems and controls. We may not be successful in implementing all of the processes that are necessary to support any of our growth initiatives, which could result in our expenses increasing disproportionately to our incremental revenues, causing our operating margins and profitability to be adversely affected.

***If we determine that our goodwill has become impaired, we may incur impairment charges, which would negatively impact our operating results.***

At December 31, 2020, we had \$5.2 billion of goodwill on our consolidated balance sheet. Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. We assess potential impairment of our goodwill at least annually. Impairment may result from significant changes in the manner of use of the acquired assets, negative industry or economic trends and/or significant underperformance relative to historic or projected operating results. For a discussion of our goodwill impairment testing, see “Critical Accounting Policies-Evaluation of Goodwill Impairment” in Part II, Item 7-Management’s Discussion and Analysis of Financial Condition and Results of Operations.

## **Risks Related to our Securities**

***Our operating results may fluctuate, which could affect the trading value of our securities.***

Our revenues and operating results may fluctuate from quarter to quarter or over the longer term due to a number of factors, which could adversely affect the trading value of our securities. These factors, in addition to general economic conditions and the factors discussed above under “Cautionary Statement Regarding Forward-Looking Statements”, include, but are not limited to:

- the seasonal rental patterns of our customers, with rental activity tending to be lower in the winter;
- changes in the size of our rental fleet and/or in the rate at which we sell our used equipment;
- excess fleet in the equipment rental industry;
- changes in private non-residential construction spending or government funding for infrastructure and other construction projects;
- changes in demand for, or utilization of, our equipment or in the prices we charge due to changes in economic conditions, competition or other factors;
- commodity price pressures and the resultant increase in the cost of fuel and steel to our equipment suppliers, which can result in increased equipment costs for us;
- other cost fluctuations, such as costs for employee-related compensation and healthcare benefits;
- labor shortages, work stoppages or other labor difficulties;
- potential enactment of new legislation affecting our operations or labor relations;
- completion of acquisitions, divestitures or recapitalizations;
- increases in interest rates and related increases in our interest expense and our debt service obligations;
- the possible need, from time to time, to record goodwill impairment charges or other write-offs or charges due to a variety of occurrences, such as the adoption of new accounting standards, the impairment of assets, rental location divestitures, dislocation in the equity and/or credit markets, consolidations or closings, restructurings, the refinancing of existing indebtedness or the buy-out of equipment leases; and
- currency risks and other risks associated with international operations.

***Our common stock price has fluctuated significantly and may continue to do so in the future.***

Our common stock price has fluctuated significantly and may continue to do so in the future for a number of reasons, including:

- announcements of developments related to our business;
- market perceptions of any proposed merger or acquisition and the likelihood of our involvement in other merger and acquisition activity;
- variations in our revenues, gross margins, earnings or other financial results from investors’ expectations;



- departure of key personnel;
- purchases or sales of large blocks of our stock by institutional investors or transactions by insiders;
- fluctuations in the results of our operations and general conditions in the economy, our market, and the markets served by our customers;
- investor perceptions of the equipment rental industry in general and our Company in particular;
- fluctuations in the prices of oil and natural gas;
- expectations regarding our share repurchase program; and
- the operating and stock performance of comparable companies or related industries.

In addition, prices in the stock market have been volatile over the past few years. In certain cases, the fluctuations have been unrelated to the operating performance of the affected companies. As a result, the price of our common stock could fluctuate in the future without regard to our operating performance.

***We cannot guarantee that we will repurchase our common stock pursuant to our share repurchase program or that our share repurchase program will enhance long-term stockholder value. Share repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves.***

In January 2020, our Board of Directors authorized a share repurchase program, which commenced in the first quarter of 2020 and was intended to run for 12 months. Under the program, we are authorized to repurchase shares of common stock for an aggregate purchase price not to exceed \$500 million, excluding fees, commissions and other ancillary expenses. Through March 18, 2020, when the program was paused due to the COVID-19 pandemic, we repurchased \$257 million of common stock under the program. We are currently unable to estimate when, or if, the program will be restarted, and we expect to provide an update at a future date.

Although the Board of Directors has authorized the share repurchase program, the share repurchase program does not obligate the Company to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of repurchases, if any, will depend upon several factors, including market and business conditions, the trading price of the Company's common stock and the nature of other investment opportunities. Also, our ability to repurchase shares of stock may be limited by restrictive covenants in our debt agreements. The repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our common stock pursuant to our share repurchase program could affect our stock price and increase its volatility. The existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There can be no assurance that any share repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares of stock. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce the program's effectiveness.

***Our charter provisions, as well as other factors, may affect the likelihood of a takeover or change of control of the Company.***

Although our Board elected not to extend our stockholders' rights plan upon its expiration in 2011, we still have in place certain charter provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control or management of the Company that are not approved by our Board, including transactions in which our stockholders might otherwise receive a premium for their shares over then-current market prices. We are also subject to Section 203 of the Delaware General Corporation Law which, under certain circumstances, restricts the ability of a publicly held Delaware corporation to engage in a business combination, such as a merger or sale of assets, with any stockholder that, together with affiliates, owns 15 percent or more of the corporation's outstanding voting stock, which similarly could prohibit or delay the accomplishment of a change of control transaction. In addition, under each of the ABL facility and the term loan facility, a change of control (as defined in the applicable credit agreement) constitutes an event of default, entitling our lenders to terminate the ABL facility or the term loan facility, as applicable, and require us to repay outstanding borrowings. A change of control (as defined in the applicable agreement) is also a termination event under our accounts receivable securitization facility and generally would require us to offer to repurchase our outstanding senior notes. As a result, the provisions of the agreements governing our debt also may affect the likelihood of a takeover or other change of control.

## **Operational Risks**

***If we are unable to collect on contracts with customers, our operating results would be adversely affected.***



One of the reasons some of our customers find it more attractive to rent equipment than own that equipment is the need to deploy their capital elsewhere. This has been particularly true in industries with recent high growth rates such as the construction industry. However, some of our customers may have liquidity issues and ultimately may not be able to fulfill the terms of their rental agreements with us. If we are unable to manage credit risk issues adequately, or if a large number of customers have financial difficulties at the same time, our credit losses could increase above historical levels and our operating results would be adversely affected. Further, delinquencies and credit losses generally would be expected to increase if there was a worsening of economic conditions. While delinquencies and credit losses did not materially increase during 2020, they may increase in the future if economic conditions worsen as a result of the COVID-19 pandemic or otherwise.

***Turnover of members of our management and our ability to attract and retain key personnel may adversely affect our ability to efficiently manage our business and execute our strategy.***

Our success is dependent, in part, on the experience and skills of our management team, and competition in our industry and the business world for top management talent is generally significant. Although we believe we generally have competitive pay packages, we can provide no assurance that our efforts to attract and retain our senior management staff will be successful. Moreover, given the volatility in our stock price, it may be more difficult and expensive to recruit and retain employees, particularly senior management, through grants of stock or stock options. This, in turn, could place greater pressure on the Company to increase the cash component of its compensation packages, which may adversely affect our operating results. If we are unable to fill and keep filled all of our senior management positions, or if we lose the services of any key member of our senior management team and are unable to find a suitable replacement in a timely fashion, we may be challenged to effectively manage our business and execute our strategy.

***Our operational and cost reduction strategies may not generate the improvements and efficiencies we expect.***

We have been pursuing a strategy of reducing core operating expenses, including overtime and temporary labor costs, in response to the COVID-19 pandemic. In addition, we have been pursuing a general strategy of optimizing our field operations in order to improve sales force effectiveness, and to focus our sales force's efforts on increasing revenues from our national account and other large customers. We are also continuing to pursue our overall cost reduction program, which resulted in substantial cost savings in the past. The extent to which these strategies will achieve our desired efficiencies and goals in 2021 and beyond is uncertain, as their success depends on a number of factors, some of which are beyond our control. Even if we carry out these strategies in the manner we currently expect, we may not achieve the efficiencies or savings we anticipate, or on the timetable we anticipate, and there may be unforeseen productivity, revenue or other consequences resulting from our strategies that may adversely affect us. Therefore, there can be no guarantee that our strategies will prove effective in achieving the desired level of profitability, margins or returns to stockholders.

***We are dependent on our relationships with key suppliers to obtain equipment and other supplies for our business on acceptable terms.***

We have achieved significant cost savings through our centralization of equipment and non-equipment purchases. However, as a result, we depend on and are exposed to the credit risk of a group of key suppliers. While we make every effort to evaluate our counterparties prior to entering into long-term and other significant procurement contracts, we cannot predict the impact on our suppliers of the current economic environment and other developments in their respective businesses. Insolvency, financial difficulties or other factors may result in our suppliers not being able to fulfill the terms of their agreements with us. Further, such factors may render suppliers unwilling to extend contracts that provide favorable terms to us, or may force them to seek to renegotiate existing contracts with us. Although we believe we have alternative sources of supply for the equipment and other supplies used in our business, termination of our relationship with any of our key suppliers could have a material adverse effect on our business, financial condition or results of operations in the unlikely event that we were unable to obtain adequate equipment or supplies from other sources in a timely manner or at all.

***If our rental fleet ages, our operating costs may increase, we may be unable to pass along such costs, and our earnings may decrease. The costs of new equipment we use in our fleet may increase, requiring us to spend more for replacement equipment or preventing us from procuring equipment on a timely basis.***

If our rental equipment ages, the costs of maintaining such equipment, if not replaced within a certain period of time, will likely increase. The costs of maintenance may materially increase in the future and could lead to material adverse effects on our results of operations.

The cost of new equipment for use in our rental fleet could also increase due to increased material costs for our suppliers (including tariffs on raw materials) or other factors beyond our control. Such increases could materially adversely impact our financial condition and results of operations in future periods. Furthermore, changes in customer demand could cause certain of our existing equipment to become obsolete and require us to purchase new equipment at increased costs.



***Disruptions in our information technology systems or a compromise of security with respect to our systems could adversely affect our operating results by limiting our ability to effectively monitor and control our operations, adjust to changing market conditions, implement strategic initiatives or support our online ordering system.***

We rely on our information technology systems to be able to monitor and control our operations, adjust to changing market conditions, implement strategic initiatives and support our online ordering system. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the nature and magnitude of the problem, adversely affect our operating results by limiting our ability to effectively monitor and control our operations, adjust to changing market conditions, implement strategic initiatives and service online orders. In addition, the security measures we employ to protect our systems may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, employee error or malfeasance, phishing attacks, security breaches, disruptions during the process of upgrading or replacing computer software or hardware or integrating systems of acquired businesses or other attacks and similar disruptions that may jeopardize the security of information stored in or transmitted by the sites, networks and systems that we otherwise maintain, which include cloud-based networks and data center storage.

We have, from time to time, experienced threats to our data and systems, including malware and computer virus attacks. We are continuously developing and enhancing our controls, processes, and practices designed to protect our systems, computers, software, data, and networks from attack, damage, or unauthorized access. This continued development and enhancement requires us to expend additional resources. However, we may not anticipate or combat all types of future attacks until after they have been launched. If any of these breaches of security occur or are anticipated in the future, we could be required to expend additional capital and other resources, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants. During the COVID-19 pandemic, we face increased cybersecurity risks due to our reliance on internet technology and the number of our employees who are working remotely, which could strain our technology resources or create additional opportunities for cybercriminals to exploit vulnerabilities. In addition, because our systems sometimes contain information about individuals and businesses, our failure to appropriately maintain the security of the data we hold, whether as a result of our own error or the malfeasance or errors of others, could lead to disruptions in our online ordering system or other data systems, unauthorized release of confidential or otherwise protected information or corruption of data. Our failure to appropriately maintain the security of the data we hold could also violate applicable privacy, data security and other laws and subject us to lawsuits, fines and other means of regulatory enforcement. For example, the General Data Protection Regulation (Regulation (EU) 2016/679) (the “GDPR”) has caused European Union (“EU”) data protection requirements to be more stringent and provides for greater penalties. Non-compliance with the GDPR can trigger fines of up to €20 million or 4 percent of annual worldwide revenue, whichever is higher. Such failures could lead to lower revenues, increased costs and other material adverse effects on our results of operations. In addition, the requirements of the GDPR may necessitate changes to our existing business practices in order to comply with the GDPR or to address the concerns of our customers or business partners relating to the GDPR. In addition, countries such as the United Kingdom (the “UK”) have implemented the GDPR through their own legislation, for example, the UK Data Protection Act 2018. Complying with any new regulatory requirements could force us to incur substantial expenses or require us to change our business practices in a manner that could harm our business. Further, any compromise or breach of our systems could result in adverse publicity, harm our reputation, lead to claims against us and affect our relationships with our customers and employees, any of which could have a material adverse effect on our business. Certain of our software applications are also utilized by third parties who provide outsourced administrative functions, which may increase the risk of a cybersecurity incident. Although we maintain insurance coverage for various cybersecurity risks, there can be no guarantee that all costs or losses incurred will be fully insured.

***Our rental fleet is subject to residual value risk upon disposition, and may not sell at the prices or in the quantities we expect.***

The market value of any given piece of rental equipment could be less than its depreciated value at the time it is sold. The market value of used rental equipment depends on several factors, including:

- the market price for new equipment of a like kind;
- wear and tear on the equipment relative to its age and the performance of preventive maintenance;
- the time of year that it is sold;
- the supply of used equipment on the market;
- the existence and capacities of different sales outlets;
- the age of the equipment at the time it is sold;
- worldwide and domestic demand for used equipment; and
- general economic conditions.



We include in income from operations the difference between the sales price and the depreciated value of an item of equipment sold. Changes in our assumptions regarding depreciation could change our depreciation expense, as well as the gain or loss realized upon disposal of equipment. Sales of our used rental equipment at prices that fall significantly below our projections and/or in lesser quantities than we anticipate will have a negative impact on our results of operations and cash flows.

***We have operations outside the United States, in Canada and Europe. As a result, we may incur losses from the impact of foreign currency fluctuations and have higher costs than we otherwise would have due to the need to comply with foreign laws.***

Our operations in Canada and Europe are subject to the risks normally associated with international operations. These include (i) the need to convert currencies, which could result in a gain or loss depending on fluctuations in exchange rates and (ii) the need to comply with foreign laws and regulations, as well as U.S. laws and regulations applicable to our operations in foreign jurisdictions. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk for additional information related to currency exchange risk.

In addition, effective December 31, 2020, the UK officially withdrew its membership from the European Union (“Brexit”). The long-term effects of Brexit are uncertain and may include, among other things, greater restrictions on imports and exports between the UK and EU countries, a fluctuation in currency exchange rates and additional regulatory complexity. Our operations in the UK and Europe, as well as our North American operations, could be impacted by the global economic uncertainty caused by Brexit or the actual withdrawal by the UK from the EU. If we are unable to manage any of these risks effectively, our business could be adversely affected. Our operations in the EU represented an immaterial part of our business as of December 31, 2020.

***Climate change, climate change regulations and greenhouse effects may materially adversely impact our operations and markets.***

Climate change and its association with greenhouse gas emissions is receiving increased attention from the scientific and political communities. The U.S. federal government, certain U.S. states and certain other countries and regions have adopted or are considering legislation or regulation imposing overall caps or taxes on greenhouse gas emissions from certain sectors or facility categories, among other matters. Such new laws or regulations, or stricter enforcement of existing laws and regulations, could increase the costs of operating our businesses, reduce the demand for our products and services and impact the prices we charge our customers, any or all of which could adversely affect our results of operations. Failure to comply with any legislation or regulation could potentially result in substantial fines, criminal sanctions or operational changes. Moreover, even without such legislation or regulation, increased awareness of, or any adverse publicity regarding, the effects of greenhouse gases could harm our reputation or reduce customer demand for our products and services.

Additionally, as severe weather events become increasingly common, our or our customers’ operations may be disrupted, which could result in increased operational costs or reduced demand for our products and services. While we have invested in administration of programs and physical loss prevention improvements to mitigate the risk of natural disasters causing disruption to our ability to serve our customers and communities in times of need, extended periods of disruptions could have an adverse effect on our results of operations.

***We have a holding company structure and depend in part on distributions from our subsidiaries to pay amounts due on our indebtedness. Certain provisions of law or contractual restrictions could limit distributions from our subsidiaries.***

We derive substantially all of our operating income from, and hold substantially all of our assets through, our subsidiaries. The effect of this structure is that we depend in part on the earnings of our subsidiaries, and the payment or other distribution to us of these earnings, to meet our obligations under our outstanding debt. Provisions of law, such as those requiring that dividends be paid only from surplus, could limit the ability of our subsidiaries to make payments or other distributions to us. Furthermore, these subsidiaries could in certain circumstances agree to contractual restrictions on their ability to make distributions. Distributions from our subsidiaries may also be limited by restrictive covenants in our debt agreements.

## **Legal and Regulatory Risks**

***We are exposed to a variety of claims relating to our business, and our insurance may not fully cover them.***

We are in the ordinary course exposed to a variety of claims relating to our business. These claims include those relating to (i) personal injury or property damage involving equipment rented or sold by us, (ii) motor vehicle accidents involving our vehicles and our employees and (iii) employment-related claims. Currently, we carry a broad range of insurance for the protection of our assets and operations. However, such insurance may not fully cover these claims for a number of reasons, including:

- our insurance policies, reflecting a program structure that we believe reflects market conditions for companies our size, are often subject to significant deductibles or self-insured retentions;
- our director and officer liability insurance policy has no deductible for individual non-indemnifiable loss, but is subject to a deductible for company reimbursement coverage;
- we do not currently maintain Company-wide stand-alone coverage for environmental liability (other than legally required coverage), since we believe the cost for such coverage is high relative to the benefit it provides; and
- certain types of claims, such as claims for punitive damages or for damages arising from intentional misconduct, which are often alleged in third party lawsuits, might not be covered by our insurance.

We establish and semi-annually evaluate our loss reserves to address casualty claims, or portions thereof, not covered by our insurance policies. To the extent that we are subject to a higher frequency of claims, are subject to more serious claims or insurance coverage is not available, we could have to significantly increase our reserves, and our liquidity and operating results could be materially and adversely affected. It is also possible that some or all of the insurance that is currently available to us will not be available in the future on economically reasonable terms or at all.

***We are subject to numerous environmental and safety regulations. If we are required to incur compliance or remediation costs that are not currently anticipated, our liquidity and operating results could be materially and adversely affected.***

Our operations are subject to numerous laws and regulations governing environmental protection and occupational health and safety matters. These laws regulate issues such as wastewater, stormwater, solid and hazardous waste and materials, and air quality. Under these laws, we may be liable for, among other things, (i) the costs of investigating and remediating any contamination at our sites as well as sites to which we send hazardous waste for disposal or treatment, regardless of fault, and (ii) fines and penalties for non-compliance. While our operations generally do not raise significant environmental risks, we use hazardous materials to clean and maintain equipment, dispose of solid and hazardous waste and wastewater from equipment washing, and store and dispense petroleum products from above-ground storage tanks located at certain of our locations.

We cannot be certain as to the potential financial impact on our business if new adverse environmental conditions are discovered. If we are required to incur environmental compliance or remediation costs that are not currently anticipated, our liquidity and operating results could be materially and adversely affected, depending on the magnitude of such costs. In addition, as environmental and safety regulations have tended to become stricter, we could incur additional costs in complying with requirements that are promulgated in the future. These include climate change regulation, which could materially affect our operating results through increased compliance costs.

***We have operations throughout the United States, which exposes us to multiple state and local regulations, in addition to federal law and requirements as a government contractor. Changes in applicable law, regulations or requirements, or our material failure to comply with any of them, can increase our costs and have other negative impacts on our business.***

Our 1,018 branch locations in the United States are located in 49 states, and Puerto Rico, which exposes us to a host of different state and local regulations, in addition to federal law and regulatory and contractual requirements we face as a government contractor. These laws and requirements address multiple aspects of our operations, such as worker safety, consumer rights, privacy, employee benefits and more, and there are often different and potentially conflicting requirements in different jurisdictions. Changes in these requirements, or any material failure by our branches to comply with them, can increase our costs, affect our reputation, limit our business, drain management time and attention and otherwise impact our operations in adverse ways.

***Our collective bargaining agreements and our relationship with our union-represented employees could disrupt our ability to serve our customers, lead to higher labor costs or the payment of withdrawal liability.***

We currently have approximately 1,330 employees who are represented by unions and covered by collective bargaining agreements and approximately 16,920 employees who are not represented by unions. Various unions occasionally seek to organize certain of our nonunion employees. Union organizing efforts or collective bargaining negotiations could potentially lead to work stoppages and/or slowdowns or strikes by certain of our employees, which could adversely affect our ability to serve our customers. Further, settlement of actual or threatened labor disputes or an increase in the number of our employees covered by collective bargaining agreements can have unknown effects on our labor costs, productivity and flexibility.

Under the collective bargaining agreements that we have signed, we are obligated to contribute to several multiemployer pension plans on behalf of some of our unionized employees. A multiemployer pension plan is a plan that covers the union-represented workers of various unrelated companies. Under the Employee Retirement Income Security Act, a contributing employer to an underfunded multiemployer plan is liable, generally upon withdrawal from a plan, for its proportionate share of the plan's unfunded vested liability. We currently have no intention of withdrawing from any multiemployer plan. However,



there can be no assurance that we will not withdraw from one or more multiemployer plans in the future and be required to pay material amounts of withdrawal liability if one or more of those plans are underfunded at the time of withdrawal.

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

As of January 1, 2021, we operated 1,165 rental locations. 1,018 of these locations are in the United States, 136 are in Canada and 11 are in Europe. The number of locations in each state, territory, province or country is shown in the table below, as is the number of locations that are in our general rentals (GR) and trench, power and fluid solutions (TPF) segments.

| United States                     |                                 |                                 |
|-----------------------------------|---------------------------------|---------------------------------|
| • Alabama (GR 23, TPF 6)          | • Maine (GR 4)                  | • Oklahoma (GR 24, TPF 4)       |
| • Alaska (GR 2)                   | • Maryland (GR 13, TPF 7)       | • Oregon (GR 10, TPF 4)         |
| • Arizona (GR 14, TPF 5)          | • Massachusetts (GR 14, TPF 4)  | • Pennsylvania (GR 19, TPF 6)   |
| • Arkansas (GR 12, TPF 1)         | • Michigan (GR 9, TPF 4)        | • Puerto Rico (GR 2)            |
| • California (GR 79, TPF 34)      | • Minnesota (GR 10, TPF 3)      | • Rhode Island (GR 2)           |
| • Colorado (GR 13, TPF 5)         | • Mississippi (GR 12, TPF 1)    | • South Carolina (GR 19, TPF 7) |
| • Connecticut (GR 6, TPF 2)       | • Missouri (GR 14, TPF 4)       | • South Dakota (GR 2)           |
| • Delaware (GR 2, TPF 1)          | • Montana (GR 1)                | • Tennessee (GR 22, TPF 9)      |
| • Florida (GR 41, TPF 23)         | • Nebraska (GR 2, TPF 1)        | • Texas (GR 118, TPF 33)        |
| • Georgia (GR 34, TPF 8)          | • Nevada (GR 7, TPF 4)          | • Utah (GR 3, TPF 3)            |
| • Idaho (GR 3)                    | • New Hampshire (GR 1, TPF 1)   | • Vermont (GR 2)                |
| • Illinois (GR 15, TPF 8)         | • New Jersey (GR 10, TPF 6)     | • Virginia (GR 22, TPF 8)       |
| • Indiana (GR 6, TPF 1)           | • New Mexico (GR 7, TPF 1)      | • Washington (GR 20, TPF 6)     |
| • Iowa (GR 9, TPF 2)              | • New York (GR 20, TPF 1)       | • West Virginia (GR 5, TPF 1)   |
| • Kansas (GR 12, TPF 2)           | • North Carolina (GR 27, TPF 9) | • Wisconsin (GR 8, TPF 1)       |
| • Kentucky (GR 11, TPF 1)         | • North Dakota (GR 5)           | • Wyoming (GR 4)                |
| • Louisiana (GR 34, TPF 13)       | • Ohio (GR 16, TPF 8)           |                                 |
| Canada                            |                                 |                                 |
| • Alberta (GR 24, TPF 9)          |                                 |                                 |
| • British Columbia (GR 22, TPF 5) |                                 |                                 |
| • Manitoba (GR 5)                 |                                 |                                 |
| • New Brunswick (GR 6, TPF 1)     |                                 |                                 |
| • Newfoundland (GR 6)             |                                 |                                 |
| • Nova Scotia (GR 4, TPF 1)       |                                 |                                 |
| • Ontario (GR 28, TPF 5)          |                                 |                                 |
| • Prince Edward Island (GR 1)     |                                 |                                 |
| • Quebec (GR 7, TPF 3)            |                                 |                                 |
| • Saskatchewan (GR 7, TPF 2)      |                                 |                                 |
| Europe                            |                                 |                                 |
| • France (TPF 4)                  |                                 |                                 |
| • Germany (TPF 4)                 |                                 |                                 |
| • Netherlands (TPF 1)             |                                 |                                 |
| • United Kingdom (TPF 2)          |                                 |                                 |

Our branch locations generally include facilities for displaying equipment and, depending on the location, may include separate areas for equipment service, storage and displaying contractor supplies. We own 114 of our branch locations and lease the other branch locations. We also lease or own other premises used for purposes such as district and regional offices and service centers.

We have a fleet of approximately 11,800 vehicles. These vehicles are used for delivery, maintenance, management and sales functions. Approximately 41 percent of this fleet is leased and the balance is owned.

Our corporate headquarters are located in Stamford, Connecticut, where we occupy approximately 47,000 square feet under a lease that expires in 2024. Additionally, we maintain other corporate facilities, including in Shelton, Connecticut, where we occupy approximately 12,000 square feet under a lease that expires in 2021, and in Scottsdale, Arizona, where we occupy approximately 20,000 square feet under a lease that expires in 2023. Further, we maintain a shared-service facility in Charlotte, North Carolina, where we occupy approximately 100,000 square feet under a lease that expires in 2031.

### Item 3. Legal Proceedings

A description of legal proceedings can be found in note 15 to our consolidated financial statements, included in this report at Item 8—Financial Statements and Supplementary Data, and is incorporated by reference into this Item 3.

### Item 4. (Removed and Reserved)

## PART II

### Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

Holdings’ common stock trades on the New York Stock Exchange under the symbol “URI.” As of January 1, 2021, there were 66 holders of record of our common stock. The number of beneficial owners is substantially greater than the number of record holders because a large portion of our common stock is held of record in broker “street names.”

#### Purchases of Equity Securities by the Issuer

The following table provides information about acquisitions of Holdings’ common stock by Holdings during the fourth quarter of 2020:

| Period                                | Total Number of<br>Shares Purchased | Average Price<br>Paid Per Share | Total Number of<br>Shares Purchased<br>as Part of Publicly<br>Announced Plans<br>or Programs (2) | Maximum Dollar<br>Amount of Shares<br>That May Yet Be<br>Purchased Under<br>the Program (2) |
|---------------------------------------|-------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| October 1, 2020 to October 31, 2020   | 23,435                              | (1) \$ 179.41                   | —                                                                                                |                                                                                             |
| November 1, 2020 to November 30, 2020 | 770                                 | (1) \$ 178.33                   | —                                                                                                |                                                                                             |
| December 1, 2020 to December 31, 2020 | 5,638                               | (1) \$ 242.47                   | —                                                                                                |                                                                                             |
| Total                                 | <b>29,843</b>                       | <b>\$ 191.29</b>                | <b>\$ —</b>                                                                                      | <b>\$ 243,081,785</b>                                                                       |

- (1) All shares purchased were withheld by Holdings to satisfy tax withholding obligations upon the vesting of restricted stock unit awards. These shares were not acquired pursuant to any repurchase plan or program.
- (2) On January 28, 2020, our Board authorized a \$500 million share repurchase program, which commenced in the first quarter of 2020 and was intended to run for 12 months. The program was paused on March 18, 2020 due to the COVID-19 pandemic. We are currently unable to estimate when, or if, the program will be restarted, and we expect to provide an update at a future date.

#### Equity Compensation Plans

For information regarding equity compensation plans, see Item 12 of this annual report on Form 10-K.

## Item 6. Selected Financial Data

The following selected financial data reflects the results of operations and balance sheet data as of and for the years ended December 31, 2016 to 2020. The following acquired companies are reflected in our results of operations for all periods subsequent to the noted acquisition dates:

- In April 2017, we completed the acquisition of NES Rentals Holdings II, Inc. ("NES"). NES had annual revenues of approximately \$369;
- In October 2017, we completed the acquisition of Neff Corporation ("Neff"). Neff had annual revenues of approximately \$413;
- In July 2018, we completed the acquisition of BakerCorp International Holdings, Inc. ("BakerCorp"). BakerCorp had annual revenues of approximately \$295; and
- In October 2018, we completed the acquisition of Vander Holding Corporation and its subsidiaries ("BlueLine"). BlueLine had annual revenues of approximately \$786.

The data below should be read in conjunction with, and is qualified by reference to, our Management's Discussion and Analysis and our consolidated financial statements and notes thereto contained elsewhere in this report.

|                                                    | Year Ended December 31,              |          |          |          |          |  |
|----------------------------------------------------|--------------------------------------|----------|----------|----------|----------|--|
|                                                    | 2020                                 | 2019     | 2018     | 2017     | 2016     |  |
|                                                    | (in millions, except per share data) |          |          |          |          |  |
| <b>Income statement data:</b>                      |                                      |          |          |          |          |  |
| Total revenues (1)                                 | \$ 8,530                             | \$ 9,351 | \$ 8,047 | \$ 6,641 | \$ 5,762 |  |
| Total cost of revenues                             | 5,347                                | 5,681    | 4,683    | 3,872    | 3,359    |  |
| Gross profit                                       | 3,183                                | 3,670    | 3,364    | 2,769    | 2,403    |  |
| Selling, general and administrative expenses       | 979                                  | 1,092    | 1,038    | 903      | 719      |  |
| Merger related costs                               | —                                    | 1        | 36       | 50       | —        |  |
| Restructuring charge                               | 17                                   | 18       | 31       | 50       | 14       |  |
| Non-rental depreciation and amortization           | 387                                  | 407      | 308      | 259      | 255      |  |
| Operating income                                   | 1,800                                | 2,152    | 1,951    | 1,507    | 1,415    |  |
| Interest expense, net                              | 669                                  | 648      | 481      | 464      | 511      |  |
| Other income, net                                  | (8)                                  | (10)     | (6)      | (5)      | (5)      |  |
| Income before provision (benefit) for income taxes | 1,139                                | 1,514    | 1,476    | 1,048    | 909      |  |
| Provision (benefit) for income taxes (2)           | 249                                  | 340      | 380      | (298)    | 343      |  |
| Net income (2)                                     | 890                                  | 1,174    | 1,096    | 1,346    | 566      |  |
| Basic earnings per share (2)                       | \$ 12.24                             | \$ 15.18 | \$ 13.26 | \$ 15.91 | \$ 6.49  |  |
| Diluted earnings per share (2)                     | \$ 12.20                             | \$ 15.11 | \$ 13.12 | \$ 15.73 | \$ 6.45  |  |

(1) As discussed in more detail throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations", the 2020 decline in revenue includes the impact of the novel coronavirus ("COVID-19"), which resulted in volume declines in response to shelter-in-place orders and other market restrictions.

(2) 2017 includes the significant impact of the enactment of the Tax Cuts and Jobs Act (the "Tax Act"). The enactment of the Tax Act resulted in an estimated net income increase for the year ended December 31, 2017 of \$689, or \$8.05 per diluted share, primarily due to a one-time revaluation of our net deferred tax liability based on a U.S. federal tax rate of 21 percent, which was partially offset by the impact of a one-time transition tax on our unremitted foreign earnings and profits, which we elected to pay over an eight-year period. The Tax Act reduced the U.S. federal statutory tax rate from 35 percent to 21 percent, and years subsequent to 2017 reflect the lower tax rate.

|                      | December 31,  |           |           |           |           |
|----------------------|---------------|-----------|-----------|-----------|-----------|
|                      | 2020          | 2019      | 2018      | 2017      | 2016      |
|                      | (in millions) |           |           |           |           |
| Balance sheet data:  |               |           |           |           |           |
| Total assets         | \$ 17,868     | \$ 18,970 | \$ 18,133 | \$ 15,030 | \$ 11,988 |
| Total debt           | 9,682         | 11,428    | 11,747    | 9,440     | 7,790     |
| Stockholders' equity | 4,545         | 3,830     | 3,403     | 3,106     | 1,648     |

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in millions, except per share data and unless otherwise indicated)**

**COVID-19**

As discussed in note 1 to our consolidated financial statements, the COVID-19 pandemic has significantly disrupted supply chains and businesses around the world. The extent and duration of the COVID-19 impact, on the operations and financial position of United Rentals, and on the global economy, is uncertain. See "Item 1. Business- Industry Overview and Economic Outlook" above for a discussion of market performance in 2020.

Prior to mid-March 2020, our performance was largely in line with expectations. In early-March, we initiated contingency planning ahead of the impact of COVID-19 on our end-markets. This planning has focused on five key work-streams that are the basis for our crisis response plan:

1. **Ensuring the safety and well-being of our employees and customers:** Above all else, we are committed to ensuring the health, safety and well-being of our employees and customers. We have implemented a variety of COVID-19 safety measures, including ensuring that branches have sufficient and adequate personal protection equipment. We have also implemented appropriate social distancing practices, and increased disinfecting of equipment and facilities.
2. **Leveraging our competitive advantages to support the needs of customers:** We have made modifications to enhance safety measures in our operating processes and protocols that support the needs of our customers. Additionally, our digital capabilities allow customers to perform fully contactless transactions.
3. **Disciplined capital expenditures:** We have a substantial degree of flexibility in managing our capital expenditures and fleet capacity. Net rental capital expenditures (purchases of rental equipment less the proceeds from sales of rental equipment) for 2020 decreased \$1.198 billion, or 92 percent, year-over-year.
4. **Controlling core operating expenses:** A significant portion of our cash operating costs are variable in nature. Since March 2020, we have significantly reduced overtime and temporary labor primarily in response to the impact of COVID-19. Furthermore, we continue to leverage our current capacity to reduce the need for third-party delivery and repair services, and minimize other discretionary expenses across general and administrative areas.
5. **Proactively managing the balance sheet with a focus on liquidity:** We are focused on ensuring that we maintain ample liquidity to meet our business needs as the impact of COVID-19 evolves. As a result, our current \$500 share repurchase program was paused in mid-March 2020. At December 31, 2020, our total liquidity was \$3.073 billion, comprised of cash and cash equivalents, and availability under the ABL and accounts receivable securitization facilities. We have no note maturities until 2026.

The impact of COVID-19 on our business is discussed throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations." As discussed below, the response plan above helped mitigate the impact of COVID-19 on our results.

**Executive Overview**

We are the largest equipment rental company in the world, with an integrated network of 1,165 rental locations in the U.S., Canada and Europe. In July 2018, we completed the acquisition of BakerCorp, which allowed for our entry into select European markets. Although the equipment rental industry is highly fragmented and diverse, we believe that we are well positioned to take advantage of this environment because, as a larger company, we have more extensive resources and certain competitive advantages. These include a fleet of rental equipment with a total original equipment cost ("OEC") of \$13.8 billion, and a North American branch network that operates in 49 U.S. states and every Canadian province, and serves 99 of the 100 largest metropolitan areas in the U.S. The BakerCorp acquisition discussed above added 11 European locations in France, Germany, the United Kingdom and the Netherlands to our branch network. Our size also gives us greater purchasing power, the ability to provide customers with a broader range of equipment and services, the ability to provide customers with equipment that is more consistently well-maintained and therefore more productive and reliable, and the ability to enhance the earning potential of our assets by transferring equipment among branches to satisfy customer needs.

We offer approximately 4,000 classes of equipment for rent to a diverse customer base that includes construction and industrial companies, manufacturers, utilities, municipalities, homeowners and government entities. Our revenues are derived from the following sources: equipment rentals, sales of rental equipment, sales of new equipment, contractor supplies sales and service and other revenues. In 2020, equipment rental revenues represented 84 percent of our total revenues.

For the past several years, we have executed a strategy focused on improving the profitability of our core equipment rental business through revenue growth, margin expansion and operational efficiencies. In particular, we have focused on customer

segmentation, customer service differentiation, rate management, fleet management and operational efficiency.

We are currently managing the impact of COVID-19, as discussed above. Our general strategy focuses on profitability and return on invested capital, and, in particular, calls for:

- *A consistently superior standard of service to customers*, often provided through a single lead contact who can coordinate the cross-selling of the various services we offer throughout our network. We utilize a proprietary software application, Total Control®, which provides our key customers with a single in-house software application that enables them to monitor and manage all their equipment needs. Total Control® is a unique customer offering that enables us to develop strong, long-term relationships with our larger customers. Our digital capabilities, including our Total Control® platform, allow our sales teams to provide contactless end-to-end customer service;
- *The further optimization of our customer mix and fleet mix*, with a dual objective: to enhance our performance in serving our current customer base, and to focus on the accounts and customer types that are best suited to our strategy for profitable growth. We believe these efforts will lead to even better service of our target accounts, primarily large construction and industrial customers, as well as select local contractors. Our fleet team's analyses are aligned with these objectives to identify trends in equipment categories and define action plans that can generate improved returns;
- *A continued focus on “Lean” management techniques, including kaizen processes focused on continuous improvement*. We continue to implement Lean kaizen processes across our branch network, with the objectives of: reducing the cycle time associated with renting our equipment to customers; improving invoice accuracy and service quality; reducing the elapsed time for equipment pickup and delivery; and improving the effectiveness and efficiency of our repair and maintenance operations;
- *The continued expansion of our trench, power and fluid solutions footprint, as well as our tools and onsite services offerings, and the cross-selling of these services throughout our network*. We believe that the expansion of our trench, power and fluid solutions business, as well as our tools and onsite services offerings, will further position United Rentals as a single source provider of total jobsite solutions through our extensive product and service resources and technology offerings; and
- *The pursuit of strategic acquisitions to continue to expand our core equipment rental business*. Strategic acquisitions allow us to invest our capital to expand our business, further driving our ability to accomplish our strategic goals.

In 2021, based on our analyses of industry forecasts and macroeconomic indicators, we expect modest market recovery following the declines experienced in 2020, which included the pronounced impact of COVID-19. See "Item 1. Business- Industry Overview and Economic Outlook" above for a discussion of market performance in 2020. Specifically, we expect that North American industry equipment rental revenue will increase approximately 2 percent, with higher growth expected in Canada than the U.S.

As discussed below, fleet productivity is a comprehensive metric that reflects the combined impact of changes in rental rates, time utilization, and mix that contribute to the variance in owned equipment rental revenue. For the full year 2020:

- Equipment rentals decreased 10.3 percent year-over-year, including the impact of COVID-19 on volumes;
- Average OEC decreased 2.2 percent year-over-year;
- Fleet productivity decreased 6.9 percent, primarily due to the impact of COVID-19 since March, when rental volume declined in response to shelter-in-place orders and other market restrictions; and
- 74 percent of equipment rental revenue was derived from key accounts, as compared to 72 percent in 2019. Key accounts are each managed by a single point of contact to enhance customer service.

## Financial Overview

Prior to taking actions pertaining to our financial flexibility and liquidity, we considered the impact of COVID-19 on liquidity, and assessed our available sources and anticipated uses of cash, including, with respect to sources, cash generated from operations and from the sale of rental equipment. In 2020, we took the following actions to improve our financial flexibility and liquidity, and to position us to invest the necessary capital in our business:

- Issued \$750 principal amount of 4 percent Senior Notes due 2030;
- Issued \$1.1 billion principal amount of 3 <sup>7</sup>/<sub>8</sub> percent Senior Notes due 2031;
- Redeemed all \$800 principal amount of our 5 <sup>1</sup>/<sub>2</sub> percent Senior Notes due 2025;
- Redeemed all \$1.1 billion principal amount of our 6 <sup>1</sup>/<sub>2</sub> percent Senior Notes due 2026;
- Redeemed all \$750 principal amount of our 4 <sup>5</sup>/<sub>8</sub> percent Senior Notes due 2025; and



- Amended and extended our accounts receivable securitization facility, including a reduction in the size of the facility from \$975 to \$800.

We have also used cash generated from operations to reduce borrowings under the ABL facility, and total debt has decreased \$1.746 billion, or 15.3 percent, since December 31, 2019. As discussed above, disciplined management of capital expenditures and fleet capacity is a component of our COVID-19 response plan, and, in 2020, capital expenditures decreased significantly year-over-year. The decreased capital expenditures contributed to our ability to use proceeds from operations to reduce borrowings under the ABL facility. As of December 31, 2020, we had available liquidity of \$3.073 billion, comprised of cash and cash equivalents, and availability under the ABL and accounts receivable securitization facilities.

**Net income.** Net income and diluted earnings per share for each of the three years in the period ended December 31, 2020 are presented below.

|                            | Year Ended December 31, |          |          |
|----------------------------|-------------------------|----------|----------|
|                            | 2020                    | 2019     | 2018     |
| Net income                 | \$ 890                  | \$ 1,174 | \$ 1,096 |
| Diluted earnings per share | \$ 12.20                | \$ 15.11 | \$ 13.12 |

Net income and diluted earnings per share for each of the three years in the period ended December 31, 2020 include the after-tax impacts of the items below. The tax rates applied to the items below reflect the statutory rates in the applicable entity.

|                                                                                 | Year Ended December 31,                |                                      |                                        |                                      |                                        |                                      |
|---------------------------------------------------------------------------------|----------------------------------------|--------------------------------------|----------------------------------------|--------------------------------------|----------------------------------------|--------------------------------------|
|                                                                                 | 2020                                   |                                      | 2019                                   |                                      | 2018                                   |                                      |
| Tax rate applied to items below                                                 | 25.2 %                                 |                                      | 25.3 %                                 |                                      | 25.5 %                                 |                                      |
|                                                                                 | Contribution to net income (after-tax) | Impact on diluted earnings per share | Contribution to net income (after-tax) | Impact on diluted earnings per share | Contribution to net income (after-tax) | Impact on diluted earnings per share |
| Merger related costs (1)                                                        | \$ —                                   | \$ —                                 | \$ (1)                                 | \$ (0.01)                            | \$ (27)                                | \$ (0.32)                            |
| Merger related intangible asset amortization (2)                                | (163)                                  | (2.22)                               | (194)                                  | (2.48)                               | (147)                                  | (1.76)                               |
| Impact on depreciation related to acquired fleet and property and equipment (3) | (6)                                    | (0.08)                               | (30)                                   | (0.39)                               | (16)                                   | (0.19)                               |
| Impact of the fair value mark-up of acquired fleet (4)                          | (37)                                   | (0.51)                               | (56)                                   | (0.72)                               | (49)                                   | (0.59)                               |
| Restructuring charge (5)                                                        | (13)                                   | (0.18)                               | (14)                                   | (0.18)                               | (23)                                   | (0.28)                               |
| Asset impairment charge (6)                                                     | (27)                                   | (0.37)                               | (4)                                    | (0.05)                               | —                                      | —                                    |
| Loss on extinguishment of debt securities and amendment of ABL facility (7)     | (137)                                  | (1.88)                               | (45)                                   | (0.58)                               | —                                      | —                                    |

- This reflects transaction costs associated with the NES and Neff acquisitions that were completed in 2017, and the BakerCorp and BlueLine acquisitions that were completed in 2018. Merger related costs only include costs associated with major acquisitions that significantly impact our operations. For additional information, see "Results of Operations-Other costs/(income)-merger related costs" below.
- This reflects the amortization of the intangible assets acquired in the RSC, National Pump, NES, Neff, BakerCorp and BlueLine acquisitions.
- This reflects the impact of extending the useful lives of equipment acquired in the RSC, NES, Neff, BakerCorp and BlueLine acquisitions, net of the impact of additional depreciation associated with the fair value mark-up of such equipment.
- This reflects additional costs recorded in cost of rental equipment sales associated with the fair value mark-up of rental equipment acquired in the RSC, NES, Neff and BlueLine acquisitions that was subsequently sold.
- As discussed in note 5 to our consolidated financial statements, this primarily reflects severance costs and branch closure charges associated with our restructuring programs.
- This reflects write-offs of leasehold improvements and other fixed assets. As discussed in note 5 to our consolidated financial statements, the 2020 charges primarily reflect the discontinuation of certain equipment programs, and were not related to COVID-19.
- This primarily reflects the difference between the net carrying amount and the total purchase price of the redeemed notes. For additional information, see "Results of Operations-Other costs/(income)-Interest expense, net" below.



**EBITDA GAAP Reconciliations.** 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 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 net income and adjusted EBITDA margins represent net income or adjusted EBITDA divided by total revenue. Management believes that EBITDA and adjusted EBITDA, when viewed with the Company's results under U.S. generally accepted accounting principles ("GAAP") and the accompanying reconciliations, 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. However, EBITDA and adjusted EBITDA are not measures of financial performance or liquidity under GAAP and, accordingly, should not be considered as alternatives to net income or cash flow from operating activities as indicators of operating performance or liquidity.

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

|                                                        | Year Ended December 31, |                 |                 |
|--------------------------------------------------------|-------------------------|-----------------|-----------------|
|                                                        | 2020                    | 2019            | 2018            |
| Net income                                             | \$ 890                  | \$ 1,174        | \$ 1,096        |
| Provision for income taxes                             | 249                     | 340             | 380             |
| Interest expense, net                                  | 669                     | 648             | 481             |
| Depreciation of rental equipment                       | 1,601                   | 1,631           | 1,363           |
| Non-rental depreciation and amortization               | 387                     | 407             | 308             |
| <b>EBITDA</b>                                          | <b>3,796</b>            | <b>4,200</b>    | <b>3,628</b>    |
| Merger related costs (1)                               | —                       | 1               | 36              |
| Restructuring charge (2)                               | 17                      | 18              | 31              |
| Stock compensation expense, net (3)                    | 70                      | 61              | 102             |
| Impact of the fair value mark-up of acquired fleet (4) | 49                      | 75              | 66              |
| <b>Adjusted EBITDA</b>                                 | <b>\$ 3,932</b>         | <b>\$ 4,355</b> | <b>\$ 3,863</b> |
| <i>Net income margin</i>                               | <i>10.4 %</i>           | <i>12.6 %</i>   | <i>13.6 %</i>   |
| <i>Adjusted EBITDA margin</i>                          | <i>46.1 %</i>           | <i>46.6 %</i>   | <i>48.0 %</i>   |

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

|                                                                                                                          | Year Ended December 31, |                 |                 |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------|-----------------|
|                                                                                                                          | 2020                    | 2019            | 2018            |
| Net cash provided by operating activities                                                                                | \$ 2,658                | \$ 3,024        | \$ 2,853        |
| 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                                                    | (14)                    | (15)            | (12)            |
| Gain on sales of rental equipment                                                                                        | 332                     | 313             | 278             |
| Gain on sales of non-rental equipment                                                                                    | 8                       | 6               | 6               |
| Insurance proceeds from damaged equipment                                                                                | 40                      | 24              | 22              |
| Merger related costs (1)                                                                                                 | —                       | (1)             | (36)            |
| Restructuring charge (2)                                                                                                 | (17)                    | (18)            | (31)            |
| Stock compensation expense, net (3)                                                                                      | (70)                    | (61)            | (102)           |
| Loss on extinguishment of debt securities and amendment of ABL facility (5)                                              | (183)                   | (61)            | —               |
| Changes in assets and liabilities                                                                                        | 241                     | 170             | 124             |
| Cash paid for interest                                                                                                   | 483                     | 581             | 455             |
| Cash paid for income taxes, net                                                                                          | 318                     | 238             | 71              |
| <b>EBITDA</b>                                                                                                            | <b>3,796</b>            | <b>4,200</b>    | <b>3,628</b>    |
| Add back:                                                                                                                |                         |                 |                 |
| Merger related costs (1)                                                                                                 | —                       | 1               | 36              |
| Restructuring charge (2)                                                                                                 | 17                      | 18              | 31              |
| Stock compensation expense, net (3)                                                                                      | 70                      | 61              | 102             |
| Impact of the fair value mark-up of acquired fleet (4)                                                                   | 49                      | 75              | 66              |
| <b>Adjusted EBITDA</b>                                                                                                   | <b>\$ 3,932</b>         | <b>\$ 4,355</b> | <b>\$ 3,863</b> |

- (1) This reflects transaction costs associated with the NES and Neff acquisitions that were completed in 2017, and the BakerCorp and BlueLine acquisitions that were completed in 2018. Merger related costs only include costs associated with major acquisitions that significantly impact our operations. For additional information, see "Results of Operations-Other costs/(income)-merger related costs" below.
- (2) As discussed in note 5 to our consolidated financial statements, this primarily reflects severance costs and branch closure charges associated with our restructuring programs.
- (3) Represents non-cash, share-based payments associated with the granting of equity instruments.
- (4) This reflects additional costs recorded in cost of rental equipment sales associated with the fair value mark-up of rental equipment acquired in the RSC, NES, Neff and BlueLine acquisitions that was subsequently sold.
- (5) This primarily reflects the difference between the net carrying amount and the total purchase price of the redeemed notes. For additional information, see "Results of Operations-Other costs/(income)-Interest expense, net" below.

For the year ended December 31, 2020, net income decreased \$284, or 24.2 percent, and net income margin decreased 220 basis points to 10.4 percent. For the year ended December 31, 2020, adjusted EBITDA decreased \$423, or 9.7 percent, and adjusted EBITDA margin decreased 50 basis points to 46.1 percent.

The year-over-year decrease in net income margin primarily reflected 1) decreased gross margin from equipment rentals and 2) increased interest expense, partially offset by lower year-over-year 3) income tax expense and 4) selling, general and administrative ("SG&A") expense as a percentage of revenue. Equipment rentals gross margin decreased 220 basis points year-over-year, with 190 basis points of the margin decline due to an increase in depreciation expense as a percentage of revenue. Depreciation expense included a \$30 asset impairment charge, which was not related to COVID-19, associated with the discontinuation of certain equipment programs. Excluding the impact of the asset impairment charge, depreciation expense decreased slightly from 2019, but increased as a percentage of revenue, primarily due to COVID-19. As noted above, COVID-19 began to impact our operations in March 2020, and, since then, equipment rentals have remained down year-over-year in response to shelter-in-place orders and other market restrictions. The remaining 30 basis point decline in equipment rentals gross margin was primarily due to the impact of COVID-19, partially offset by actions we have taken to manage operating costs, such as the reduction of overtime and temporary labor, and the leveraging of our current capacity to reduce the need for third-party delivery and repair services. See "Results of Operations-Gross Margin" below for further discussion of



equipment rentals gross margin. Interest expense, net increased \$21 year-over-year. Interest expense, net for the years ended December 31, 2020 and 2019 included debt redemption losses of \$183 and \$61, respectively. Excluding the impact of these losses, interest expense, net for the year ended December 31, 2020 decreased primarily due to decreases in average debt and the average cost of debt. Year-over-year, the effective income tax rate was largely flat, but income tax expense decreased as a percentage of revenue. SG&A expense as a percentage of revenue decreased primarily due to significant reductions in professional fees and travel and entertainment expenses, which were implemented in response to COVID-19, partially offset by increases in salaries and stock compensation as a percentage of revenue. Total salary and stock compensation expense was largely flat year-over-year, generally reflecting normal variability, but increased as a percentage of revenue due in part to the COVID-19 impact on revenue.

The decrease in the adjusted EBITDA margin primarily reflects 1) lower margins from equipment rentals (excluding depreciation), sales of rental equipment (excluding the adjustment reflected in the table above for the impact of the fair value mark-up of acquired fleet) and service and other revenues and 2) changes in revenue mix, in particular an increase in the proportion of revenue from sales of rental equipment, partially offset by 3) the impact of decreased SG&A expense (excluding stock compensation). Equipment rentals margin (excluding depreciation) decreased 30 basis points primarily due to the impact of COVID-19, partially offset by actions we have taken to manage operating costs, such as the reduction of overtime and temporary labor, and the leveraging of our current capacity to reduce the need for third-party delivery and repair services. See "Results of Operations-Gross Margin" below for further discussion of equipment rentals gross margin. Gross margin from sales of rental equipment (excluding the adjustment reflected in the table above for the impact of the fair value mark-up of acquired fleet) decreased primarily due to changes in pricing and the mix of equipment sold. The decreased gross margin from service and other revenues reflected the impact of COVID-19, which resulted in reduced training revenue without a proportionate reduction in costs. SG&A expense (excluding stock compensation) as a percentage of revenue decreased primarily due to significant reductions in professional fees and travel and entertainment expenses, which were implemented in response to COVID-19, partially offset by an increase in salaries as a percentage of revenue. Salary expense was largely flat year-over-year, generally reflecting normal variability, but increased as a percentage of revenue due in part to the COVID-19 impact on revenue.

For the year ended December 31, 2019, net income increased \$78, or 7.1 percent, and net income margin decreased 100 basis points to 12.6 percent. For the year ended December 31, 2019, adjusted EBITDA increased \$492, or 12.7 percent, and adjusted EBITDA margin decreased 140 basis points to 46.6 percent.

The year-over-year decrease in net income margin primarily reflected 1) decreased gross margin from equipment rentals and 2) increased interest expense, partially offset by lower year-over-year 3) income tax expense and 4) SG&A expense as a percentage of revenue. Equipment rentals gross margin decreased 240 basis points year-over-year, due primarily to the impact of the BlueLine and BakerCorp acquisitions and increased operating costs. The BlueLine and BakerCorp acquisitions were significant drivers of the 19.7 percent depreciation increase, which exceeded the equipment rentals increase of 14.8 percent. Operating costs were impacted by repair and repositioning initiatives that resulted in increased repairs and maintenance expense, which increased 22.4 percent (such increase includes the impact of both 1) the BlueLine and BakerCorp acquisitions and 2) the repair and repositioning initiatives). Net interest expense increased \$167 year-over-year primarily due to the debt issued to fund the BakerCorp and BlueLine acquisitions and a \$61 debt redemption loss. Our effective tax rate decreased 320 basis points year-over-year primarily due to federal tax credits and favorable changes in the state jurisdictional mix of income. The decrease in SG&A expense as a percentage of revenue primarily reflects a reduction in stock compensation as a percentage of revenue, and decreased bad debt expense. The reduced bad debt expense primarily reflects our adoption in 2019 of an updated lease accounting standard (see note 13 to the consolidated financial statements for further detail). This standard requires that we recognize doubtful accounts associated with lease revenues as a reduction to equipment rentals revenue (such amounts were recognized as SG&A expense prior to 2019).

As discussed above, we completed the acquisitions of BakerCorp and BlueLine in July 2018 and October 2018, respectively, and the adjusted EBITDA increase for 2019 includes the impact of these acquisitions. The decrease in the adjusted EBITDA margin primarily reflects the impact of the BakerCorp and BlueLine acquisitions.

**Revenues.** Revenues for each of the three years in the period ended December 31, 2020 were as follows:

|                                                       | Year Ended December 31, |                 |                 | Change         |              |
|-------------------------------------------------------|-------------------------|-----------------|-----------------|----------------|--------------|
|                                                       | 2020                    | 2019            | 2018            | 2020           | 2019         |
| Equipment rentals*                                    | \$ 7,140                | \$ 7,964        | \$ 6,940        | (10.3)%        | 14.8%        |
| Sales of rental equipment                             | 858                     | 831             | 664             | 3.2%           | 25.2%        |
| Sales of new equipment                                | 247                     | 268             | 208             | (7.8)%         | 28.8%        |
| Contractor supplies sales                             | 98                      | 104             | 91              | (5.8)%         | 14.3%        |
| Service and other revenues                            | 187                     | 184             | 144             | 1.6%           | 27.8%        |
| <b>Total revenues</b>                                 | <b>\$ 8,530</b>         | <b>\$ 9,351</b> | <b>\$ 8,047</b> | <b>(8.8)%</b>  | <b>16.2%</b> |
| *Equipment rentals variance components:               |                         |                 |                 |                |              |
| Year-over-year change in average OEC                  |                         |                 |                 | (2.2)%         | 17.7%        |
| Assumed year-over-year inflation impact (1)           |                         |                 |                 | (1.5)%         | (1.5)%       |
| Fleet productivity (2)                                |                         |                 |                 | (6.9)%         | (2.2)%       |
| Contribution from ancillary and re-rent revenue (3)   |                         |                 |                 | 0.3%           | 0.8%         |
| <b>Total change in equipment rentals</b>              |                         |                 |                 | <b>(10.3)%</b> | <b>14.8%</b> |
| *Pro forma equipment rentals variance components (4): |                         |                 |                 |                |              |
| Year-over-year change in average OEC                  |                         |                 |                 |                | 4.9%         |
| Assumed year-over-year inflation impact (1)           |                         |                 |                 |                | (1.5)%       |
| Fleet productivity (2)                                |                         |                 |                 |                | 0.6%         |
| Contribution from ancillary and re-rent revenue (3)   |                         |                 |                 |                | 0.1%         |
| <b>Total change in equipment rentals</b>              |                         |                 |                 |                | <b>4.1%</b>  |

- (1) Reflects the estimated impact of inflation on the revenue productivity of fleet based on OEC, which is recorded at cost.
- (2) Reflects the combined impact of changes in rental rates, time utilization, and mix that contribute to the variance in owned equipment rental revenue. See note 3 to the consolidated financial statements for a discussion of the different types of equipment rentals revenue. Rental rate changes are calculated based on the year-over-year variance in average contract rates, weighted by the prior period revenue mix. Time utilization is calculated by dividing the amount of time an asset is on rent by the amount of time the asset has been owned during the year. Mix includes the impact of changes in customer, fleet, geographic and segment mix.
- (3) Reflects the combined impact of changes in the other types of equipment rentals revenue (see note 3 for further detail), excluding owned equipment rental revenue.
- (4) We completed the acquisitions of BakerCorp and BlueLine in July 2018 and October 2018, respectively. The pro forma information includes the standalone, pre-acquisition results of BakerCorp and BlueLine. The pro forma components are not reflected above for 2020 versus 2019 because BakerCorp and BlueLine are fully reflected in our results for these periods.

Equipment rentals include our revenues from renting equipment, as well as revenue related to the fees we charge customers: for equipment delivery and pick-up; to protect the customer against liability for damage to our equipment while on rent; for fuel; and for environmental costs. Collectively, these "ancillary fees" represented approximately 13 percent of equipment rental revenue in 2020. Delivery and pick-up revenue, which represented approximately seven percent of equipment rental revenue in 2020, is the most significant ancillary revenue component. Sales of rental equipment represent our revenues from the sale of used rental equipment. Sales of new equipment represent our revenues from the sale of new equipment. Contractor supplies sales represent our sales of supplies utilized by contractors, which include construction consumables, tools, small equipment and safety supplies. Services and other revenues primarily represent our revenues earned from providing repair and maintenance services on our customers' fleet (including parts sales). See note 3 to our consolidated financial statements for further discussion of our revenue recognition accounting.

2020 total revenues of \$8.5 billion decreased 8.8 percent compared with 2019. Equipment rentals and sales of rental equipment are our largest revenue types (together, they accounted for 94 percent of total revenue for the year ended December 31, 2020). Equipment rentals decreased 10.3 percent. COVID-19 began to impact our operations in March 2020. Through February 2020, equipment rentals were up slightly year-over-year. Since March, equipment rentals have decreased year-over-year, primarily due to the impact of COVID-19. Fleet productivity decreased 6.9 percent, primarily due to the impact of COVID-19 since March, when rental volume declined in response to shelter-in-place orders and other market restrictions.



Through February, fleet productivity was flat year-over-year and in line with expectations. Sales of rental equipment did not change materially year-over-year.

2019 total revenues of \$9.4 billion increased 16.2 percent compared with 2018. Equipment rentals and sales of rental equipment are our largest revenue types (together, they accounted for 94 percent of total revenue for the year ended December 31, 2019). Equipment rentals increased 14.8 percent, primarily due to a 17.7 percent increase in average OEC, which includes the impact of the BakerCorp and BlueLine acquisitions. On a pro forma basis including the standalone, pre-acquisition results of BakerCorp and BlueLine, equipment rentals increased 4.1 percent, primarily due to a 4.9 percent increase in average OEC and a fleet productivity increase of 0.6 percent, partially offset by the impact of fleet inflation. Sales of rental equipment increased 25.2 percent primarily due to increased volume, which included the impact of the BlueLine acquisition, driven by a larger fleet size in a strong used equipment market.

## Critical Accounting Policies

We prepare our consolidated financial statements in accordance with GAAP. A summary of our significant accounting policies is contained in note 2 to our consolidated financial statements. In applying many accounting principles, we make assumptions, estimates and/or judgments. These assumptions, estimates and/or judgments are often subjective and may change based on changing circumstances or changes in our analysis. Material changes in these assumptions, estimates and/or judgments have the potential to materially alter our results of operations. We have identified below our accounting policies that we believe could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. Although actual results may differ from those estimates, we believe the estimates are reasonable and appropriate.

***Allowance for Doubtful Accounts.*** We maintain allowances for doubtful accounts. These allowances reflect our estimate of the amount of our receivables that we will be unable to collect based on historical write-off experience and, as applicable, current conditions and reasonable and supportable forecasts that affect collectibility. Our allowance for doubtful accounts as of December 31, 2020 included an adjustment for the estimated impact of COVID-19 on future collectibility that was not material to our financial statements. Our estimate could require change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowances. Trade receivables that have contractual maturities of one year or less are written-off when they are determined to be uncollectible based on the criteria necessary to qualify as a deduction for federal tax purposes. Write-offs of such receivables require management approval based on specified dollar thresholds. See note 3 to our consolidated financial statements for further detail.

***Useful Lives and Salvage Values of Rental Equipment and Property and Equipment.*** We depreciate rental equipment and property and equipment over their estimated useful lives, after giving effect to an estimated salvage value which ranges from zero percent to 10 percent of cost. Rental equipment is depreciated whether or not it is out on rent.

The useful life of an asset is determined based on our estimate of the period over which the asset will generate revenues; such periods are periodically reviewed for reasonableness. In addition, the salvage value, which is also reviewed periodically for reasonableness, is determined based on our estimate of the minimum value we will realize from the asset after such period. We may be required to change these estimates based on changes in our industry or other changing circumstances. If these estimates change in the future, we may be required to recognize increased or decreased depreciation expense for these assets.

To the extent that the useful lives of all of our rental equipment were to increase or decrease by one year, we estimate that our annual depreciation expense would decrease or increase by approximately \$174 or \$226, respectively. If the estimated salvage values of all of our rental equipment were to increase or decrease by one percentage point, we estimate that our annual depreciation expense would change by approximately \$18. Any change in depreciation expense as a result of a hypothetical change in either useful lives or salvage values would generally result in a proportional increase or decrease in the gross profit we would recognize upon the ultimate sale of the asset. To the extent that the useful lives of all of our depreciable property and equipment were to increase or decrease by one year, we estimate that our annual non-rental depreciation expense would decrease or increase by approximately \$35 or \$54, respectively.

***Acquisition Accounting.*** We have made a number of acquisitions in the past and may continue to make acquisitions in the future. The assets acquired and liabilities assumed are recorded based on their respective fair values at the date of acquisition. Long-lived assets (principally rental equipment), goodwill and other intangible assets generally represent the largest components of our acquisitions. Rental equipment is valued utilizing either a cost, market or income approach, or a combination of certain of these methods, depending on the asset being valued and the availability of market or income data. The intangible assets that we have acquired are non-compete agreements, customer relationships and trade names and associated trademarks. The estimated fair values of these intangible assets reflect various assumptions about discount rates, revenue growth rates, operating margins, terminal values, useful lives

and other prospective financial information. Goodwill is calculated as the excess of the cost of the acquired entity over the net of the fair value of the assets acquired and the liabilities

assumed. Non-compete agreements, customer relationships and trade names and associated trademarks are valued based on an excess earnings or income approach based on projected cash flows.

Determining the fair value of the assets and liabilities acquired is judgmental in nature and can involve the use of significant estimates and assumptions. The significant judgments include estimation of future cash flows, which is dependent on forecasts; estimation of the long-term rate of growth; estimation of the useful life over which cash flows will occur; and determination of a risk-adjusted weighted average cost of capital. When appropriate, our estimates of the fair values of assets and liabilities acquired include assistance from independent third-party appraisal firms. The judgments made in determining the estimated fair value assigned to the assets acquired, as well as the estimated life of the assets, can materially impact net income in periods subsequent to the acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. As discussed below, we regularly review for impairments.

When we make an acquisition, we also acquire other assets and assume liabilities. These other assets and liabilities typically include, but are not limited to, parts inventory, accounts receivable, accounts payable and other working capital items. Because of their short-term nature, the fair values of these other assets and liabilities generally approximate the book values on the acquired entities' balance sheets.

***Evaluation of Goodwill Impairment.*** Goodwill is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have been incurred. Application of the goodwill impairment test requires judgment, including: the identification of reporting units; assignment of assets and liabilities to reporting units; assignment of goodwill to reporting units; determination of the fair value of each reporting unit; and an assumption as to the form of the transaction in which the reporting unit would be acquired by a market participant (either a taxable or nontaxable transaction).

We estimate the fair value of our reporting units (which are our regions) using a combination of an income approach based on the present value of estimated future cash flows and a market approach based on market price data of shares of our Company and other corporations engaged in similar businesses as well as acquisition multiples paid in recent transactions. We believe this approach, which utilizes multiple valuation techniques, yields the most appropriate evidence of fair value.

As discussed in note 2 to our consolidated financial statements, in 2020, we adopted accounting guidance that eliminated the second step from the goodwill impairment test (this guidance did not have a significant impact on our financial statements). Prior guidance required utilizing a two-step process to review goodwill for impairment. A second step was required if there was an indication that an impairment may exist, and the second step required calculating the potential impairment by comparing the implied fair value of the reporting unit's goodwill (as if purchase accounting were performed on the testing date) with the carrying amount of the goodwill. We did not perform this second step for the goodwill impairment test conducted as of October 1, 2020 or 2019 (for 2020, because the adopted accounting guidance eliminated the second step, and, for 2019, because there was no indication that an impairment may have existed). The first step of the impairment test requires comparing the fair value of a reporting unit with its carrying amount. Financial Accounting Standards Board ("FASB") guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. We also make certain forecasts about future economic conditions, interest rates and other market data. Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Changes in assumptions or estimates could materially affect the estimate of the fair value of a reporting unit, and therefore could affect the likelihood and amount of potential impairment. The following assumptions are significant to our income approach:

***Business Projections-*** We make assumptions about the level of equipment rental activity in the marketplace and cost levels. These assumptions drive our planning assumptions for pricing and utilization and also represent key inputs for developing our cash flow projections. These projections are developed using our internal business plans over a ten-year planning period that are updated at least annually;

***Long-term Growth Rates-*** Beyond the planning period, we also utilize an assumed long-term growth rate representing the expected rate at which a reporting unit's cash flow stream is projected to grow. These rates are used to calculate the terminal value of our reporting units, and are added to the cash flows projected during our ten-year planning period; and

***Discount Rates-*** Each reporting unit's estimated future cash flows are discounted at a rate that is consistent with a weighted-average cost of capital that is likely to be expected by market participants. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt holders of a business enterprise.



The market approach is one of the other methods used for estimating the fair value of our reporting units' business enterprise. This approach takes two forms: The first is based on the market value (market capitalization plus interest-bearing liabilities) and operating metrics (e.g., revenue and EBITDA) of companies engaged in the same or similar line of business. The second form is based on multiples paid in recent acquisitions of companies.

In connection with our goodwill impairment test that was conducted as of October 1, 2020, we bypassed the qualitative assessment for each reporting unit and quantitatively compared the fair values of our reporting units with their carrying amounts. We considered the impact of COVID-19 when performing the test, and it did not have a material impact on the test results. Our goodwill impairment testing as of this date indicated that all of our reporting units, excluding our Fluid Solutions Europe reporting unit, had estimated fair values which exceeded their respective carrying amounts by at least 42 percent. As discussed above, in July 2018, we completed the acquisition of BakerCorp. All of the assets in the Fluid Solutions Europe reporting unit were acquired in the BakerCorp acquisition. The estimated fair value of our Fluid Solutions Europe reporting unit exceeded its carrying amount by 22 percent. As all of the assets in the Fluid Solutions Europe reporting unit were recorded at fair value as of the July 2018 acquisition date, we expected the percentage by which the Fluid Solutions Europe reporting unit's fair value exceeded its carrying value to be significantly less than the equivalent percentages determined for our other reporting units.

In connection with our goodwill impairment test that was conducted as of October 1, 2019, we bypassed the qualitative assessment for each reporting unit and proceeded directly to the first step of the goodwill impairment test. Our goodwill impairment testing as of this date indicated that all of our reporting units, excluding our Fluid Solutions Europe reporting unit, had estimated fair values which exceeded their respective carrying amounts by at least 32 percent. As discussed above, in July 2018, we completed the acquisition of BakerCorp. All of the assets in the Fluid Solutions Europe reporting unit were acquired in the BakerCorp acquisition. The estimated fair value of our Fluid Solutions Europe reporting unit exceeded its carrying amount by 12 percent. As all of the assets in the Fluid Solutions Europe reporting unit were recorded at fair value as of the July 2018 acquisition date, we expected the percentage by which the Fluid Solutions Europe reporting unit's fair value exceeded its carrying value to be significantly less than the equivalent percentages determined for our other reporting units.

**Impairment of Long-lived Assets (Excluding Goodwill).** We review the recoverability of our rental equipment and property and equipment when events or changes in circumstances occur that indicate that the carrying value of the assets may not be recoverable. If there are such indications, we assess our ability to recover the carrying value of the assets from their expected future pre-tax cash flows (undiscounted and without interest charges). If the expected cash flows are less than the carrying value of the assets, an impairment loss is recognized for the difference between the estimated fair value and carrying value. We also conduct impairment reviews in connection with branch consolidations and other changes in our business. As discussed in note 5 to our consolidated financial statements, during the year ended December 31, 2020, we recorded asset impairment charges of \$36, which principally relate to the discontinuation of certain equipment programs, and were not related to COVID-19. We recognized immaterial asset impairment charges during the years ended December 31, 2019 and 2018.

In support of our review for indicators of impairment, we perform a review of all assets at the district level relative to district performance and conclude whether indicators of impairment exist associated with our long-lived assets, including rental equipment. We also specifically review the financial performance of our rental equipment. Such review includes an estimate of the future rental revenues from our rental assets based on current and expected utilization levels, the age of the assets and their remaining useful lives. Additionally, we estimate when the assets are expected to be removed or retired from our rental fleet as well as the expected proceeds to be realized upon disposition. Based on our most recently completed quarterly reviews, there were no indications of impairment associated with our rental equipment or property and equipment.

**Income Taxes.** We recognize deferred tax assets and liabilities for certain future deductible or taxable temporary differences expected to be reported in our income tax returns. These deferred tax assets and liabilities are computed using the tax rates that are expected to apply in the periods when the related future deductible or taxable temporary difference is expected to be settled or realized. In the case of deferred tax assets, the future realization of the deferred tax benefits and carryforwards are determined with consideration to historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences, and tax planning strategies. After consideration of all these factors, we recognize deferred tax assets when we believe that it is more likely than not that we will realize them. The most significant positive evidence that we consider in the recognition of deferred tax assets is the expected reversal of cumulative deferred tax liabilities resulting from book versus tax depreciation of our rental equipment fleet that is well in excess of the deferred tax assets.

We use a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return regarding uncertainties in income tax positions. The first step is recognition: we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority with full knowledge of all relevant



information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

We are subject to ongoing tax examinations and assessments in various jurisdictions. Accordingly, accruals for tax contingencies are established based on the probable outcomes of such matters. Our ongoing assessments of the probable outcomes of the examinations and related tax accruals require judgment and could increase or decrease our effective tax rate as well as impact our operating results.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and, accordingly, no taxes were provided on such earnings prior to the fourth quarter of 2020. In the fourth quarter of 2020, we identified \$135 of cash in our foreign operations in excess of near-term working capital needs, and determined that this amount could no longer be considered indefinitely reinvested. As a result, our prior assertion that all undistributed earnings of our foreign subsidiaries should be considered indefinitely reinvested has changed, and, in the fourth quarter of 2020, we recorded the immaterial taxes on a distribution of the \$135 of cash.

We continue to expect that the remaining balance of our undistributed foreign earnings will be indefinitely reinvested. If we determine that all or a portion of such foreign earnings are no longer indefinitely reinvested, we may be subject to additional foreign withholding taxes and U.S. state income taxes.

The Tax Act discussed above required a one-time transition tax for deemed repatriation of accumulated undistributed earnings of certain foreign investments, which we primarily recognized upon adoption of the Tax Act in 2017. As discussed in note 14 to the consolidated financial statements, we completed our accounting for the tax effects of enactment of the Tax Act in 2018.

**Reserves for Claims.** We are exposed to various claims relating to our business, including those for which we retain portions of the losses through the application of deductibles and self-insured retentions, which we sometimes refer to as “self-insurance.” These claims include (i) workers' compensation claims and (ii) claims by third parties for injury or property damage involving our equipment, vehicles or personnel. These types of claims may take a substantial amount of time to resolve and, accordingly, the ultimate liability associated with a particular claim may not be known for an extended period of time. Our methodology for developing self-insurance reserves is based on management estimates, which incorporate periodic actuarial valuations. Our estimation process considers, among other matters, the cost of known claims over time, cost inflation and incurred but not reported claims. These estimates may change based on, among other things, changes in our claims history or receipt of additional information relevant to assessing the claims. Further, these estimates may prove to be inaccurate due to factors such as adverse judicial determinations or settlements at higher than estimated amounts. Accordingly, we may be required to increase or decrease our reserve levels.

## Results of Operations

As discussed in note 4 to our consolidated financial statements, our reportable segments are general rentals and trench, power and fluid solutions. The general rentals segment includes the rental of construction, aerial, industrial and homeowner equipment and related services and activities. The general rentals segment's customers include construction and industrial companies, manufacturers, utilities, municipalities, homeowners and government entities. This segment operates throughout the United States and Canada. The trench, power and fluid solutions segment is comprised of: (i) the Trench Safety region, which rents trench safety equipment such as trench shields, aluminum hydraulic shoring systems, slide rails, crossing plates, construction lasers and line testing equipment for underground work, (ii) the Power and HVAC region, which rents power and HVAC equipment such as portable diesel generators, electrical distribution equipment, and temperature control equipment including heating and cooling equipment, and (iii) the Fluid Solutions and (iv) Fluid Solutions Europe regions, both of which rent equipment primarily used for fluid containment, transfer and treatment. The trench, power and fluid solutions segment's customers include construction companies involved in infrastructure projects, municipalities and industrial companies. This segment operates throughout the United States and in Canada and Europe.

As discussed in note 4 to our consolidated financial statements, we aggregate our eleven geographic regions—Carolinas, Gulf South, Industrial (which serves the geographic Gulf region and has a strong industrial presence), Mid-Atlantic, Mid Central, Midwest, Northeast, Pacific West, South, Southeast and Western Canada—into our general rentals reporting segment. Historically, there have been variances in the levels of equipment rentals gross margins achieved by these regions. For the five year period ended December 31, 2020, three of our general rentals' regions had an equipment rentals gross margin that varied by between 10 percent and 25 percent from the equipment rentals gross margins of the aggregated general rentals' regions over the same period. For the five year period ended December 31, 2020, the general rentals' region with the lowest equipment rentals gross margin was Western Canada. The Western Canada region's equipment rentals gross margin of 30.9 percent for the five year period ended December 31, 2020 was 25 percent less than the equipment rentals gross margins of the aggregated general rentals' regions over the same period. The Western Canada region's equipment rentals gross margin was less than the



other general rentals' regions during this period primarily due to declines in the oil and gas business in the region. The rental industry is cyclical, and there historically have been regions with equipment rentals gross margins that varied by greater than 10 percent from the equipment rentals gross margins of the aggregated general rentals' regions, though the specific regions with margin variances of over 10 percent have fluctuated. We expect margin convergence going forward given the cyclical nature of the rental industry, and monitor the margin variances and confirm the expectation of future convergence on a quarterly basis. When monitoring for margin convergence, we include projected future results.

We similarly monitor the margin variances for the regions in the trench, power and fluid solutions segment. The trench, power and fluid solutions segment includes the locations acquired in the July 2018 BakerCorp acquisition. As such, there is not a long history of the acquired locations' rental margins included in the trench, power and fluid solutions segment. When monitoring for margin convergence, we include projected future results. We monitor the trench, power and fluid solutions segment margin variances and confirm the expectation of future convergence on a quarterly basis. The historic, pre-acquisition margins for the acquired BakerCorp locations are lower than the margins achieved at the other locations in the segment. We expect that the margins at the acquired locations will increase as we realize synergies following the acquisition, as a result of which, we expect future margin convergence.

We believe that the regions that are aggregated into our segments have similar economic characteristics, as each region is capital intensive, offers similar products to similar customers, uses similar methods to distribute its products, and is subject to similar competitive risks. The aggregation of our regions also reflects the management structure that we use for making operating decisions and assessing performance. Although we believe aggregating these regions into our reporting segments for segment reporting purposes is appropriate, to the extent that there are significant margin variances that do not converge, we may be required to disaggregate the regions into separate reporting segments. Any such disaggregation would have no impact on our consolidated results of operations.

These segments align our external segment reporting with how management evaluates business performance and allocates resources. We evaluate segment performance primarily based on segment equipment rentals gross profit. Our revenues, operating results, and financial condition fluctuate from quarter to quarter reflecting the seasonal rental patterns of our customers, with rental activity tending to be lower in the winter.

Revenues by segment were as follows:

|                                     | General<br>rentals | Trench,<br>power and fluid<br>solutions | Total    |
|-------------------------------------|--------------------|-----------------------------------------|----------|
| <b>Year Ended December 31, 2020</b> |                    |                                         |          |
| Equipment rentals                   | \$ 5,472           | \$ 1,668                                | \$ 7,140 |
| Sales of rental equipment           | 785                | 73                                      | 858      |
| Sales of new equipment              | 214                | 33                                      | 247      |
| Contractor supplies sales           | 64                 | 34                                      | 98       |
| Service and other revenues          | 164                | 23                                      | 187      |
| Total revenue                       | \$ 6,699           | \$ 1,831                                | \$ 8,530 |
| <b>Year Ended December 31, 2019</b> |                    |                                         |          |
| Equipment rentals                   | \$ 6,202           | \$ 1,762                                | \$ 7,964 |
| Sales of rental equipment           | 768                | 63                                      | 831      |
| Sales of new equipment              | 238                | 30                                      | 268      |
| Contractor supplies sales           | 71                 | 33                                      | 104      |
| Service and other revenues          | 157                | 27                                      | 184      |
| Total revenue                       | \$ 7,436           | \$ 1,915                                | \$ 9,351 |
| <b>Year Ended December 31, 2018</b> |                    |                                         |          |
| Equipment rentals                   | \$ 5,550           | \$ 1,390                                | \$ 6,940 |
| Sales of rental equipment           | 619                | 45                                      | 664      |
| Sales of new equipment              | 186                | 22                                      | 208      |
| Contractor supplies sales           | 68                 | 23                                      | 91       |
| Service and other revenues          | 127                | 17                                      | 144      |
| Total revenue                       | \$ 6,550           | \$ 1,497                                | \$ 8,047 |



**Equipment rentals.** 2020 equipment rentals of \$7.1 billion decreased 10.3 percent. COVID-19 began to impact our operations in March 2020. Through February 2020, equipment rentals were up slightly year-over-year. Since March, equipment rentals have decreased year-over-year, primarily due to the impact of COVID-19. Fleet productivity decreased 6.9 percent, primarily due to the impact of COVID-19 since March, when rental volume declined in response to shelter-in-place orders and other market restrictions. Through February, fleet productivity was flat year-over-year and in line with expectations. Equipment rentals represented 84 percent of total revenues in 2020.

On a segment basis, equipment rentals represented 82 percent and 91 percent of total revenues for general rentals and trench, power and fluid solutions, respectively. General rentals equipment rentals decreased 11.8 percent as compared to 2019, primarily due to COVID-19. As noted above, COVID-19 began to impact our operations in March 2020, when rental volume declined in response to shelter-in-place orders and other market restrictions. Trench, power and fluid solutions equipment rentals decreased 5.3 percent as compared to 2019, primarily due to COVID-19, partially offset by a slight increase in average OEC.

2019 equipment rentals of \$8.0 billion increased 14.8 percent, primarily due to a 17.7 percent increase in average OEC, which includes the impact of the BakerCorp and BlueLine acquisitions. On a pro forma basis including the standalone, pre-acquisition results of BakerCorp and BlueLine, equipment rentals increased 4.1 percent, primarily due to a 4.9 percent increase in average OEC and a fleet productivity increase of 0.6 percent, partially offset by the impact of inflation. Equipment rentals represented 85 percent of total revenues in 2019.

On a segment basis, equipment rentals represented 83 percent and 92 percent of total revenues for general rentals and trench, power and fluid solutions, respectively. General rentals equipment rentals increased 11.7 percent as compared to 2018, primarily reflecting a 15.4 percent increase in average OEC, which includes the impact of the BlueLine acquisition. On a pro forma basis including the standalone, pre-acquisition results of BlueLine, equipment rental revenue increased 1.8 percent year-over-year, primarily due to a 3.8 percent increase in average OEC, partially offset by the impact of fleet inflation. Trench, power and fluid solutions equipment rentals increased 26.8 percent as compared to 2018, primarily reflecting the impact of acquisitions, including BakerCorp, and cold starts. On a pro forma basis including the standalone, pre-acquisition results of BakerCorp, equipment rental revenue increased 12.8 percent year-over-year, primarily due to a 14.1 percent increase in average OEC, partially offset by the impact of fleet inflation. The pro forma increase in average OEC includes the impact of cold starts and acquisitions other than BakerCorp.

**Sales of rental equipment.** For the three years in the period ended December 31, 2020, sales of rental equipment represented approximately 9 percent of our total revenues. Our general rentals segment accounted for most of these sales. 2020 sales of rental equipment did not change materially from 2019. 2019 sales of rental equipment of \$831 increased 25.2 percent from 2018 primarily reflecting increased volume, which included the impact of the BlueLine acquisition, driven by a larger fleet size in a strong used equipment market. Average OEC for the year ended December 31, 2019 increased 17.7 percent year-over-year.

**Sales of new equipment.** For the three years in the period ended December 31, 2020, sales of new equipment represented approximately 3 percent of our total revenues. Our general rentals segment accounted for most of these sales. 2020 sales of new equipment of \$247 decreased 7.8 percent from 2019 primarily due to the impact of COVID-19. 2019 sales of new equipment of \$268 increased 28.8 percent from 2018 primarily reflecting increased volume driven by broad-based demand.

**Sales of contractor supplies.** For the three years in the period ended December 31, 2020, sales of contractor supplies represented approximately 1 percent of our total revenues. Our general rentals segment accounted for most of these sales. 2020 sales of contractor supplies did not change materially from 2019, and 2019 sales of contractor supplies did not change materially from 2018.

**Service and other revenues.** For the three years in the period ended December 31, 2020, service and other revenues represented approximately 2 percent of our total revenues. Our general rentals segment accounted for most of these sales. 2020 service and other revenues did not change materially from 2019. 2019 service and other revenues of \$184 increased 27.8 percent from 2018 primarily reflecting an increased emphasis on this line of business and the impact of the BlueLine acquisition.

**Fourth Quarter 2020 Items.** As discussed in note 12 to our consolidated financial statements, in the fourth quarter of 2020, we redeemed all of our 4 <sup>5</sup>/<sub>8</sub> percent Senior Notes due 2025, using borrowings available under our ABL facility. Upon redemption, we recognized a loss of \$24 in interest expense, net, reflecting the difference between the net carrying amount and the total purchase price of the redeemed notes.

**Fourth Quarter 2019 Items.** In the fourth quarter of 2019, we issued \$750 aggregate principal amount of 3 <sup>7</sup>/<sub>8</sub> percent Senior Secured Notes due 2027 and redeemed all of our 4 <sup>5</sup>/<sub>8</sub> percent Senior Secured Notes. Upon redemption, we recognized a



loss of \$29 in interest expense, net. The loss represented the difference between the net carrying amount and the total purchase price of the redeemed notes. In the fourth quarter of 2019, we also completed the \$1.25 billion share repurchase program that commenced in July 2018.

### ***Segment Equipment Rentals Gross Profit***

Segment equipment rentals gross profit and gross margin for each of the three years in the period ended December 31, 2020 were as follows:

|                                | General<br>rentals | Trench,<br>power and fluid<br>solutions | Total    |
|--------------------------------|--------------------|-----------------------------------------|----------|
| 2020                           |                    |                                         |          |
| Equipment Rentals Gross Profit | \$ 1,954           | \$ 765                                  | \$ 2,719 |
| Equipment Rentals Gross Margin | 35.7 %             | 45.9 %                                  | 38.1 %   |
| 2019                           |                    |                                         |          |
| Equipment Rentals Gross Profit | \$ 2,407           | \$ 800                                  | \$ 3,207 |
| Equipment Rentals Gross Margin | 38.8 %             | 45.4 %                                  | 40.3 %   |
| 2018                           |                    |                                         |          |
| Equipment Rentals Gross Profit | \$ 2,293           | \$ 670                                  | \$ 2,963 |
| Equipment Rentals Gross Margin | 41.3 %             | 48.2 %                                  | 42.7 %   |

*General rentals.* For the three years in the period ended December 31, 2020, general rentals accounted for 75 percent of our total equipment rentals gross profit. This contribution percentage is consistent with general rentals' equipment rental revenue contribution over the same period. For the year ended December 31, 2020, general rentals' equipment rentals gross profit decreased by \$453, and equipment rentals gross margin decreased by 310 basis points, from 2019, with 240 basis points of the margin decline due to an increase in depreciation expense as a percentage of revenue. The increase in depreciation expense includes a \$26 asset impairment charge, which was not related to COVID-19, associated with the discontinuation of certain equipment programs. Excluding the impact of the asset impairment charge, depreciation expense decreased slightly from 2019, but increased as a percentage of revenue, primarily due to COVID-19. As noted above, COVID-19 began to impact our operations in March 2020, and, since then, equipment rentals have remained down year-over-year in response to shelter-in-place orders and other market restrictions. The remaining 70 basis point decline in equipment rentals gross margin was primarily due to the impact of COVID-19, partially offset by the impact of actions we have taken to manage operating costs, such as the reduction of overtime and temporary labor, and the leveraging of our current capacity to reduce the need for third-party delivery and repair services.

General rentals' equipment rentals gross profit in 2019 increased by \$114, primarily due to increased equipment rentals, including the impact of the BlueLine acquisition. As discussed above, equipment rentals increased 11.7 percent as compared to 2018, primarily reflecting a 15.4 percent increase in average OEC. Equipment rentals gross margin decreased 250 basis points from 2018, due primarily to the impact of the BlueLine acquisition and increased operating costs. The BlueLine acquisition was a significant driver of the 17.7 percent depreciation increase, which exceeded the equipment rentals increase of 11.7 percent. Operating costs were impacted by repair and repositioning initiatives that resulted in increased repairs and maintenance expense, which increased 19.8 percent (such increase includes the impact of both the BlueLine acquisition and the repair and repositioning initiatives).

*Trench, power and fluid solutions.* For the year ended December 31, 2020, equipment rentals gross profit decreased by \$35, and equipment rentals gross margin increased by 50 basis points from 2019. The increased gross margin primarily reflected decreases in certain operating costs, including delivery, repairs and labor, partially offset by increases in depreciation expense and certain fixed expenses, such as facility costs, as a percentage of revenue. As noted above, we have reduced overtime and temporary labor primarily in response to the impact of COVID-19, and have leveraged our current capacity to reduce the need for third-party delivery and repair services. Depreciation expense was largely flat year-over-year, but increased as a percentage of revenue, primarily due to COVID-19.

For the year ended December 31, 2019, equipment rentals gross profit increased by \$130 and equipment rentals gross margin decreased 280 basis points from 2018. The increase in equipment rentals gross profit primarily reflects increased equipment rentals revenue on a larger fleet. Year-over-year, trench, power and fluid solutions equipment rentals increased 26.8 percent and average OEC increased 36.0 percent primarily due to the impact of acquisitions, including BakerCorp, and cold starts. On a pro forma basis including the standalone, pre-acquisition results of BakerCorp, equipment rental revenue increased



12.8 percent year-over-year, primarily due to a 14.1 percent increase in average OEC. The decrease in the equipment rentals gross margin was primarily due to the impact of acquisitions.

**Gross Margin.** Gross margins by revenue classification were as follows:

|                            | Year Ended December 31, |       |       | Change    |           |
|----------------------------|-------------------------|-------|-------|-----------|-----------|
|                            | 2020                    | 2019  | 2018  | 2020      | 2019      |
| Total gross margin         | 37.3%                   | 39.2% | 41.8% | (190) bps | (260) bps |
| Equipment rentals          | 38.1%                   | 40.3% | 42.7% | (220) bps | (240) bps |
| Sales of rental equipment  | 38.7%                   | 37.7% | 41.9% | 100 bps   | (420) bps |
| Sales of new equipment     | 13.4%                   | 13.8% | 13.9% | (40) bps  | (10) bps  |
| Contractor supplies sales  | 29.6%                   | 29.8% | 34.1% | (20) bps  | (430) bps |
| Service and other revenues | 37.4%                   | 44.6% | 43.8% | (720) bps | 80 bps    |

2020 gross margin of 37.3 percent decreased 190 basis points from 2019. Equipment rentals gross margin decreased 220 basis points year-over-year, with 190 basis points of the margin decline due to an increase in depreciation expense as a percentage of revenue. Depreciation expense included a \$30 asset impairment charge, which was not related to COVID-19, associated with the discontinuation of certain equipment programs. Excluding the impact of the asset impairment charge, depreciation expense decreased slightly from 2019, but increased as a percentage of revenue, primarily due to COVID-19. As noted above, COVID-19 began to impact our operations in March 2020, and, since then, equipment rentals have remained down year-over-year in response to shelter-in-place orders and other market restrictions. The remaining 30 basis point decline in equipment rentals gross margin was primarily due to the impact of COVID-19, partially offset by the impact of actions we have taken to manage operating costs, such as the reduction of overtime and temporary labor, and the leveraging of our current capacity to reduce the need for third-party delivery and repair services. Gross margin from sales of rental equipment increased 100 basis points from 2019 primarily due to lower margin sales of fleet acquired in the BlueLine acquisition in 2019. The gross margin fluctuations from sales of new equipment, contractor supplies sales and service and other revenues generally reflect normal variability and, to varying degrees, the impact of COVID-19, and such revenue types did not account for a significant portion of total gross profit (gross profit for these revenue types represented 4 percent of total gross profit for the year ended December 31, 2020). Gross margin from service and other revenues was particularly impacted by COVID-19, which resulted in reduced training revenue without a proportionate reduction in costs.

2019 gross margin of 39.2 percent decreased 260 basis points from 2018. Equipment rentals gross margin decreased 240 basis points year-over-year, due primarily to the impact of the BlueLine and BakerCorp acquisitions and increased operating costs. The BlueLine and BakerCorp acquisitions were significant drivers of the 19.7 percent depreciation increase, which exceeded the equipment rentals increase of 14.8 percent. Operating costs were impacted by repair and repositioning initiatives that resulted in increased repairs and maintenance expense, which increased 22.4 percent (such increase includes the impact of both 1) the BlueLine and BakerCorp acquisitions and 2) the repair and repositioning initiatives). On a pro forma basis including the standalone, pre-acquisition results of BakerCorp and BlueLine, equipment rentals increased 4.1 percent, primarily due to a 4.9 percent increase in average OEC and a fleet productivity increase of 0.6 percent, partially offset by the impact of inflation. Gross margin from sales of rental equipment decreased 420 basis points from 2018 primarily due to lower margin sales of fleet acquired in the BlueLine acquisition and changes in the mix of equipment sold and channel mix. The gross margin fluctuations from sales of new equipment, contractor supplies sales and service and other revenues generally reflect normal variability, and such margins did not have a significant impact on total gross margin (gross profit for these revenue types represented 4 percent of total gross profit for the year ended December 31, 2019).

#### ***Other costs/(income)***

The table below includes the other costs/(income) in our consolidated statements of income, as well as key associated metrics, for the three years in the period ended December 31, 2020:

|                                                      | Year Ended December 31, |          |          | Change   |           |
|------------------------------------------------------|-------------------------|----------|----------|----------|-----------|
|                                                      | 2020                    | 2019     | 2018     | 2020     | 2019      |
| Selling, general and administrative ("SG&A") expense | \$ 979                  | \$ 1,092 | \$ 1,038 | (10.3)%  | 5.2%      |
| <i>SG&amp;A expense as a percentage of revenue</i>   | 11.5 %                  | 11.7 %   | 12.9 %   | (20) bps | (120) bps |
| Merger related costs                                 | —                       | 1        | 36       | (100.0)% | (97.2)%   |
| Restructuring charge                                 | 17                      | 18       | 31       | (5.6)%   | (41.9)%   |
| Non-rental depreciation and amortization             | 387                     | 407      | 308      | (4.9)%   | 32.1%     |
| Interest expense, net                                | 669                     | 648      | 481      | 3.2%     | 34.7%     |
| Other income, net                                    | (8)                     | (10)     | (6)      | (20.0)%  | 66.7%     |
| Provision (benefit) for income taxes                 | 249                     | 340      | 380      | (26.8)%  | (10.5)%   |
| <i>Effective tax rate</i>                            | 21.9 %                  | 22.5 %   | 25.7 %   | (60) bps | (320) bps |

**SG&A expense** primarily includes sales force compensation, information technology costs, third party professional fees, management salaries, bad debt expense and clerical and administrative overhead. The decrease in SG&A expense as a percentage of revenue for the year ended December 31, 2020 primarily reflects significant reductions in professional fees and travel and entertainment expenses, which were implemented in response to COVID-19, partially offset by increases in salaries and stock compensation as a percentage of revenue. Total salary and stock compensation expense was largely flat year-over-year, generally reflecting normal variability, but increased as a percentage of revenue due in part to the COVID-19 impact on revenue. The decrease in SG&A expense as a percentage of revenue for the year ended December 31, 2019 primarily reflects a reduction in stock compensation as a percentage of revenue, and decreased bad debt expense. The reduced bad debt expense primarily reflects our adoption in 2019 of an updated lease accounting standard (see note 13 to the consolidated financial statements for further detail). This standard requires that we recognize doubtful accounts associated with lease revenues as a reduction to equipment rentals revenue (such amounts were recognized as SG&A expense prior to 2019).

The **merger related costs** reflect transaction costs associated with the NES and Neff acquisitions that were completed in 2017, and the BakerCorp and BlueLine acquisitions that were completed in 2018. 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, National Pump, which had annual revenues of over \$200 prior to the acquisition, NES, which had annual revenues of approximately \$369 prior to the acquisition, Neff, which had annual revenues of approximately \$413 prior to the acquisition, BakerCorp, which had annual revenues of approximately \$295 prior to the acquisition, and BlueLine, which had annual revenues of approximately \$786 prior to the acquisition.

The **restructuring charges** for the years ended December 31, 2020, 2019 and 2018 primarily reflect severance costs and branch closure charges associated with our restructuring programs. See note 5 to our consolidated financial statements for additional information.

**Non-rental depreciation and amortization** includes (i) the amortization of other intangible assets and (ii) depreciation expense associated with equipment that is not offered for rent (such as computers and office equipment) and amortization expense associated with leasehold improvements. Our other intangible assets consist of customer relationships, non-compete agreements and trade names and associated trademarks. The year-over-year increase in non-rental depreciation and amortization for the year ended December 31, 2019 primarily reflects the impact of the BakerCorp and BlueLine acquisitions discussed above.

**Interest expense, net** for the years ended December 31, 2020 and 2019 included aggregate debt redemption losses of \$183 and \$61, respectively. The debt redemption losses primarily reflect the difference between the net carrying amount and the total purchase price of the redeemed notes. Excluding the impact of these losses, interest expense, net for the year ended December 31, 2020 decreased by 17.2 percent year-over-year primarily due to decreases in average debt and the average cost of debt. Excluding the impact of the 2019 losses, interest expense, net for the year ended December 31, 2019 increased year-over-year primarily due to the impact of higher average debt. The year-over-year increase in average debt includes the impact of the debt used to finance the BakerCorp and BlueLine acquisitions discussed above.

A detailed reconciliation of the **effective tax rates** to the U.S. federal statutory income tax rate is included in note 14 to our consolidated financial statements.

In March 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was enacted. The CARES Act, among other things, includes provisions relating to net operating loss carryback periods, alternative minimum tax credit



refunds, modifications to the net interest deduction limitations, technical corrections to tax depreciation methods for qualified improvement property and deferral of employer payroll taxes. The CARES Act did not materially impact our effective tax rate for the year ended December 31, 2020, although it will impact the timing of future cash payments for taxes. As of December 31, 2020, we have deferred employer payroll taxes of \$54 under the CARES Act, with approximately half of the deferral due in each of 2021 and 2022.

**Balance sheet.** Accounts receivable, net decreased by \$215, or 14.1 percent, from December 31, 2019 to December 31, 2020 primarily due to decreased revenue, which included the impact of COVID-19. Prepaid expenses and other assets increased by \$235, or 167.9 percent, from December 31, 2019 to December 31, 2020, primarily due to deposits placed on rental equipment as of December 31, 2020, as discussed further in note 6 to our consolidated financial statements.

### ***Liquidity and Capital Resources.***

We manage our liquidity using internal cash management practices, which are subject to (i) the policies and cooperation of the financial institutions we utilize to maintain and provide cash management services, (ii) the terms and other requirements of the agreements to which we are a party and (iii) the statutes, regulations and practices of each of the local jurisdictions in which we operate. See "Financial Overview" above for a summary of the 2020 capital structure actions taken to improve our financial flexibility and liquidity.

Since 2012, we have repurchased a total of \$3.7 billion of Holdings' common stock under five completed share repurchase programs. On January 28, 2020, our Board of Directors authorized a new \$500 share repurchase program, which commenced in the first quarter of 2020 and was intended to run for 12 months. Through March 18, 2020, when the program was paused due to the COVID-19 pandemic, we repurchased \$257 of common stock under the program. We are currently unable to estimate when, or if, the program will be restarted, and we expect to provide an update at a future date.

Our principal existing sources of cash are cash generated from operations and from the sale of rental equipment, and borrowings available under our ABL and accounts receivable securitization facilities. As of December 31, 2020, we had cash and cash equivalents of \$202. Cash equivalents at December 31, 2020 consist of direct obligations of financial institutions rated A or better. We believe that our existing sources of cash will be sufficient to support our existing operations over the next 12 months. The table below presents financial information associated with our principal sources of cash as of and for the year December 31, 2020:

|                                                            |          |
|------------------------------------------------------------|----------|
| <b>ABL facility:</b>                                       |          |
| Borrowing capacity, net of letters of credit               | \$ 2,705 |
| Outstanding debt, net of debt issuance costs (1)           | 977      |
| Interest rate at December 31, 2020                         | 1.4 %    |
| Average month-end principal amount of debt outstanding (1) | 794      |
| Weighted-average interest rate on average debt outstanding | 1.9 %    |
| Maximum month-end principal amount of debt outstanding (1) | 1,494    |
| <b>Accounts receivable securitization facility:</b>        |          |
| Borrowing capacity                                         | 166      |
| Outstanding debt, net of debt issuance costs               | 634      |
| Interest rate at December 31, 2020                         | 1.5 %    |
| Average month-end principal amount of debt outstanding     | 667      |
| Weighted-average interest rate on average debt outstanding | 1.8 %    |
| Maximum month-end principal amount of debt outstanding     | 811      |

- (1) The outstanding amount of debt under the ABL facility and the average outstanding amount are less than the maximum outstanding amount primarily due to the use of proceeds (i) from the issuance of 4 percent Senior Notes discussed in note 12 to the consolidated financial statements and (ii) from operations to reduce borrowings under the facility. At the time of the 4 percent Senior Notes offering, we indicated our expectation that we would re-borrow an amount equal to the net proceeds from the offering, along with additional borrowings under the ABL facility, to redeem the \$800 principal amount of our 5 1/2 percent Senior Notes due 2025 on or after July 15, 2020. Prior to redeeming the 5 1/2 percent Senior Notes due 2025, we considered the impact of COVID-19 on liquidity, and assessed our available sources and anticipated uses of cash, including, with respect to sources, cash generated from operations and from the sale of rental equipment. In August 2020, we redeemed the 5 1/2 percent Senior Notes due 2025. As discussed above, disciplined management of capital expenditures and fleet capacity is a component of our COVID-19 response plan, and, in 2020, capital expenditures



decreased significantly year-over-year. The decreased capital expenditures contributed to our ability to use proceeds from operations to reduce borrowings under the ABL facility.

We expect that our principal needs for cash relating to our operations over the next 12 months will be to fund (i) operating activities and working capital, (ii) the purchase of rental equipment and inventory items offered for sale, (iii) payments due under operating leases, (iv) debt service, (v) share repurchases and (vi) acquisitions. We plan to fund such cash requirements from our existing sources of cash. In addition, we may seek additional financing through the securitization of some of our real estate, the use of additional operating leases or other financing sources as market conditions permit. For information on the scheduled principal and interest payments coming due on our outstanding debt and on the payments coming due under our existing operating leases, see “Certain Information Concerning Contractual Obligations.”

To access the capital markets, we rely on credit rating agencies to assign ratings to our securities as an indicator of credit quality. Lower credit ratings generally result in higher borrowing costs and reduced access to debt capital markets. Credit ratings also affect the costs of derivative transactions, including interest rate and foreign currency derivative transactions. As a result, negative changes in our credit ratings could adversely impact our costs of funding. Our credit ratings as of January 25, 2021 were as follows:

|                   | Corporate Rating | Outlook  |
|-------------------|------------------|----------|
| Moody's           | Ba2              | Positive |
| Standard & Poor's | BB               | Stable   |

A security rating is not a recommendation to buy, sell or hold securities. There is no assurance that any rating will remain in effect for a given period of time or that any rating will not be revised or withdrawn by a rating agency in the future.

The amount of our future capital expenditures will depend on a number of factors, including general economic conditions and growth prospects. We expect that we will fund such expenditures from cash generated from operations, proceeds from the sale of rental and non-rental equipment and, if required, borrowings available under the ABL facility and accounts receivable securitization facility. Net rental capital expenditures (defined as purchases of rental equipment less the proceeds from sales of rental equipment) were \$103 and \$1.301 billion in 2020 and 2019, respectively. As discussed above, disciplined management of capital expenditures and fleet capacity is a component of our COVID-19 response plan, which contributed to the year-over-year decrease in net rental capital expenditures.

**Loan Covenants and Compliance.** As of December 31, 2020, we were in compliance with the covenants and other provisions of the ABL, accounts receivable securitization and term loan facilities and the senior notes. Any failure to be in compliance with any material provision or covenant of these agreements could have a material adverse effect on our liquidity and operations.

The only financial covenant that currently exists under the ABL facility is the fixed charge coverage ratio. Subject to certain limited exceptions specified in the ABL facility, the fixed charge coverage ratio covenant under the ABL facility will only apply in the future if specified availability under the ABL facility falls below 10 percent of the maximum revolver amount under the ABL facility. When certain conditions are met, cash and cash equivalents and borrowing base collateral in excess of the ABL facility size may be included when calculating specified availability under the ABL facility. As of December 31, 2020, specified availability under the ABL facility exceeded the required threshold and, as a result, this financial covenant was inapplicable. Under our accounts receivable securitization facility, we are required, among other things, to maintain certain financial tests relating to: (i) the default ratio, (ii) the delinquency ratio, (iii) the dilution ratio and (iv) days sales outstanding. The accounts receivable securitization facility also requires us to comply with the fixed charge coverage ratio under the ABL facility, to the extent the ratio is applicable under the ABL facility.

URNA's payment capacity is restricted under the covenants in the ABL and term loan facilities and the indentures governing its outstanding indebtedness. Although this restricted capacity limits our ability to move operating cash flows to Holdings, because of certain intercompany arrangements, we do not expect any material adverse impact on Holdings' ability to meet its cash obligations.

**Sources and Uses of Cash.** During 2020, we (i) generated cash from operating activities of \$2.658 billion, which included \$300 of cash outflow for refundable deposits on expected rental equipment purchases, as discussed further in note 6 to the consolidated financial statements, and (ii) generated cash from the sale of rental and non-rental equipment of \$900. We used cash during this period principally to (i) purchase rental and non-rental equipment of \$1.158 billion, (ii) make debt payments, net of proceeds, of \$1.985 billion and (iii) purchase shares of our common stock for \$286. During 2019, we (i) generated cash from operating activities of \$3.024 billion and (ii) generated cash from the sale of rental and non-rental equipment of \$868. We used cash during this period principally to (i) purchase rental and non-rental equipment of \$2.350 billion, (ii) purchase other companies for \$249, (iii) make debt payments, net of proceeds, of \$418 and (iv) purchase shares of our common stock for \$870.



### Free Cash Flow GAAP Reconciliation

We define “free cash flow” as net cash provided by operating activities less purchases of, and plus proceeds from, equipment. The equipment purchases and proceeds are included in cash flows from investing activities. 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.

|                                                  | Year Ended December 31, |                 |                 |
|--------------------------------------------------|-------------------------|-----------------|-----------------|
|                                                  | 2020                    | 2019            | 2018            |
| <b>Net cash provided by operating activities</b> | <b>\$ 2,658</b>         | <b>\$ 3,024</b> | <b>\$ 2,853</b> |
| Purchases of rental equipment                    | (961)                   | (2,132)         | (2,106)         |
| Purchases of non-rental equipment                | (197)                   | (218)           | (185)           |
| Proceeds from sales of rental equipment          | 858                     | 831             | 664             |
| Proceeds from sales of non-rental equipment      | 42                      | 37              | 23              |
| Insurance proceeds from damaged equipment        | 40                      | 24              | 22              |
| <b>Free cash flow</b>                            | <b>\$ 2,440</b>         | <b>\$ 1,566</b> | <b>\$ 1,271</b> |

Free cash flow for the year ended December 31, 2020 was \$2.440 billion, an increase of \$874 as compared to \$1.566 billion for the year ended December 31, 2019. Free cash flow increased primarily due to decreased net rental capital expenditures (purchases of rental equipment less the proceeds from sales of rental equipment), partially offset by reduced net cash provided by operating activities, which included the impact of a \$300 cash outflow in 2020 for refundable deposits on expected rental equipment purchases, as discussed further in note 6 to the consolidated financial statements. Net rental capital expenditures decreased \$1.198 billion, or 92 percent, year-over-year. As discussed above, disciplined management of capital expenditures and fleet capacity is a component of our COVID-19 response plan, which contributed to the year-over-year decrease in net rental capital expenditures. Free cash flow for the year ended December 31, 2019 was \$1.566 billion, an increase of \$295 as compared to \$1.271 billion for the year ended December 31, 2018. Free cash flow increased primarily due to increased cash provided by operating activities and increased proceeds from sales of rental equipment. Net rental capital expenditures decreased \$141, or 10 percent, year-over-year.

**Certain Information Concerning Contractual Obligations.** The table below provides certain information concerning the payments coming due under certain categories of our existing contractual obligations as of December 31, 2020:

|                                                               | 2021            | 2022          | 2023          | 2024            | 2025            | Thereafter      | Total            |
|---------------------------------------------------------------|-----------------|---------------|---------------|-----------------|-----------------|-----------------|------------------|
| Debt and finance leases (1)                                   | \$ 704          | \$ 47         | \$ 36         | \$ 1,004        | \$ 939          | \$ 7,025        | \$ 9,755         |
| Interest due on debt (2)                                      | 376             | 371           | 370           | 357             | 351             | 853             | 2,678            |
| Operating leases (1)                                          | 205             | 176           | 144           | 112             | 76              | 113             | 826              |
| Service agreements (3)                                        | 16              | 15            | 16            | —               | —               | —               | 47               |
| Purchase obligations (4)                                      | 1,569           | —             | —             | —               | —               | —               | 1,569            |
| Transition tax on unremitted foreign earnings and profits (5) | —               | —             | —             | —               | —               | 5               | 5                |
| <b>Total (6)</b>                                              | <b>\$ 2,870</b> | <b>\$ 609</b> | <b>\$ 566</b> | <b>\$ 1,473</b> | <b>\$ 1,366</b> | <b>\$ 7,996</b> | <b>\$ 14,880</b> |

- (1) The payments due with respect to a period represent (i) in the case of debt and finance leases, the scheduled principal payments due in such period, and (ii) in the case of operating leases, the payments due in such period for non-cancelable operating leases with initial or remaining terms of one year or more. See note 12 to the consolidated financial statements for further debt information, and note 13 for further finance lease and operating lease information.
- (2) Estimated interest payments have been calculated based on the principal amount of debt and the applicable interest rates as of December 31, 2020.
- (3) These primarily represent service agreements with third parties to provide wireless and network services.
- (4) As of December 31, 2020, we had outstanding advance purchase orders, which were negotiated in the ordinary course of business, with our equipment and inventory suppliers. These purchase orders can generally be cancelled by us without cancellation penalties. The equipment and inventory receipts from the suppliers pursuant to these purchase orders and the related payments to the suppliers are expected to be completed throughout 2021. The total above includes \$300 for



refundable deposits on expected rental equipment purchases, as discussed further in note 6 to the consolidated financial statements. In 2020, due primarily to COVID-19, we canceled a significant portion of our purchase orders. In the fourth quarter of 2020, we entered into a significant amount of purchase commitments, which increased the obligations to levels that are consistent with historic obligations. The obligations above reflect our continuing assessment of the impact of COVID-19, which will also inform our future purchases.

- (5) The Tax Cuts and Jobs Act, which was enacted in December 2017, included a transition tax on unremitted foreign earnings and profits. We have elected to pay the transition tax amount payable of \$55 over an eight-year period. The amount that we expect to pay as reflected in the table above represents the total we owe, net of an overpayment of federal taxes, which we are required to apply to the transition tax
- (6) This information excludes \$10 of unrecognized tax benefits. It is not possible to estimate the time period during which these unrecognized tax benefits may be paid to tax authorities. Additionally, we are exposed to various claims relating to our business, including those for which we retain portions of the losses through the application of deductibles and self-insured retentions, which we sometimes refer to as “self-insurance.” Our self-insurance reserves totaled \$127 at December 31, 2020. Self-insurance liabilities are based on estimates and actuarial assumptions and can fluctuate in both amount and in timing of cash settlement because historical trends are not necessarily predictive of the future, and, accordingly, are not included in the table above.

***Relationship between Holdings and URNA.*** Holdings is principally a holding company and primarily conducts its operations through its wholly owned subsidiary, URNA, and subsidiaries of URNA. Holdings licenses its tradename and other intangibles and provides certain services to URNA in connection with its operations. These services principally include: (i) senior management services; (ii) finance and tax-related services and support; (iii) information technology systems and support; (iv) acquisition-related services; (v) legal services; and (vi) human resource support. In addition, Holdings leases certain equipment and real property that are made available for use by URNA and its subsidiaries.

#### ***Information Regarding Guarantors of URNA Indebtedness***

URNA is 100 percent owned by Holdings and has certain outstanding indebtedness that is guaranteed by both Holdings and, with the exception of its U.S. special purpose vehicle which holds receivable assets relating to the Company’s accounts receivable securitization facility (the “SPV”), all of URNA’s U.S. subsidiaries (the “guarantor subsidiaries”). Other than the guarantee by our Canadian subsidiary of URNA’s indebtedness under the ABL facility, none of URNA’s indebtedness is guaranteed by URNA’s foreign subsidiaries or the SPV (together, the “non-guarantor subsidiaries”). The receivable assets owned by the SPV have been sold or contributed by URNA to the SPV and are not available to satisfy the obligations of URNA or Holdings’ other subsidiaries. Holdings consolidates each of URNA and the guarantor subsidiaries in its consolidated financial statements. URNA and the guarantor subsidiaries are all 100 percent-owned and controlled by Holdings. Holdings’ guarantees of URNA’s indebtedness are full and unconditional, except that the guarantees may be automatically released and relieved upon satisfaction of the requirements for legal defeasance or covenant defeasance under the applicable indenture being met. The Holdings guarantees are also subject to subordination provisions (to the same extent that the obligations of the issuer under the relevant notes are subordinated to other debt of the issuer) and to a standard limitation which provides that the maximum amount guaranteed by Holdings will not exceed the maximum amount that can be guaranteed without making the guarantee void under fraudulent conveyance laws.

The guarantees of Holdings and the guarantor subsidiaries are made on a joint and several basis. The guarantees of the guarantor subsidiaries are not full and unconditional because a guarantor subsidiary can be automatically released and relieved of its obligations under certain circumstances, including sale of the guarantor subsidiary, the sale of all or substantially all of the guarantor subsidiary’s assets, the requirements for legal defeasance or covenant defeasance under the applicable indenture being met, designating the guarantor subsidiary as an unrestricted subsidiary for purposes of the applicable covenants or the notes being rated investment grade by both Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc., or, in certain circumstances, another rating agency selected by URNA. Like the Holdings guarantees, the guarantees of the guarantors subsidiaries are subject to subordination provisions (to the same extent that the obligations of the issuer under the relevant notes are subordinated to other debt of the issuer) and to a standard limitation which provides that the maximum amount guaranteed by each guarantor will not exceed the maximum amount that can be guaranteed without making the guarantee void under fraudulent conveyance laws.

All of the existing guarantees by Holdings and the guarantor subsidiaries rank equally in right of payment with all of the guarantors’ existing and future senior indebtedness. The secured indebtedness of Holdings and the guarantor subsidiaries (including guarantees of URNA’s existing and future secured indebtedness) will rank effectively senior to guarantees of any unsecured indebtedness to the extent of the value of the assets securing such indebtedness. Future guarantees of subordinated indebtedness will rank junior to any existing and future senior indebtedness of the guarantors. The guarantees of URNA’s indebtedness are effectively junior to any indebtedness of our subsidiaries that are not guarantors, including our foreign subsidiaries. As of December 31, 2020, indebtedness of our non-guarantors included (i) \$634 of outstanding borrowings by the



SPV in connection with the Company's accounts receivable securitization facility, (ii) \$5 of outstanding borrowings under the ABL facility by non-guarantor subsidiaries and (iii) \$11 of finance leases of our non-guarantor subsidiaries.

Covenants in the ABL facility, accounts receivable securitization and term loan facilities, and the other agreements governing our debt, impose operating and financial restrictions on URNA, Holdings and the guarantor subsidiaries, including limitations on the ability to make share repurchases and dividend payments. As of December 31, 2020, the amount available for distribution under the most restrictive of these covenants was \$1.060 billion. The Company's total available capacity for making share repurchases and dividend payments includes the intercompany receivable balance of Holdings. As of December 31, 2020, our total available capacity for making share repurchases and dividend payments, which includes URNA's capacity to make restricted payments and the intercompany receivable balance of Holdings, was \$4.064 billion.

Based on our understanding of Rule 3-10 of Regulation S-X ("Rule 3-10"), we believe that Holdings' guarantees of URNA indebtedness comply with the conditions set forth in Rule 3-10, which enable us to present summarized financial information for Holdings, URNA and the consolidated guarantor subsidiaries in accordance with Rule 13-01 of Regulation S-X. The summarized financial information excludes information regarding the non-guarantor subsidiaries. In accordance with Rule 3-10, separate financial statements of the guarantor subsidiaries have not been presented.

The summarized financial information of Holdings, URNA and the guarantor subsidiaries on a combined basis is as follows:

|                          | December 31, 2020                       |
|--------------------------|-----------------------------------------|
| Current assets           | \$496                                   |
| Long-term assets         | 16,461                                  |
| <b>Total assets</b>      | <b>16,957</b>                           |
| Current liabilities      | 1,151                                   |
| Long-term liabilities    | 11,261                                  |
| <b>Total liabilities</b> | <b>12,412</b>                           |
|                          | <b>Year Ended<br/>December 31, 2020</b> |
| Total revenues           | \$7,796                                 |
| Gross profit             | 2,910                                   |
| Net income               | 890                                     |

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk primarily consists of (i) interest rate risk associated with our variable and fixed rate debt and (ii) foreign currency exchange rate risk associated with our foreign operations.

**Interest Rate Risk.** As of December 31, 2020, we had an aggregate of \$2.6 billion of indebtedness that bears interest at variable rates, comprised of borrowings under the ABL, accounts receivable securitization and term loan facilities. See note 12 to our consolidated financial statements for the amounts outstanding, and the interest rates thereon, as of December 31, 2020 under these facilities. As of December 31, 2020, based upon the amount of our variable rate debt outstanding, our annual after-tax earnings would decrease by approximately \$20 for each one percentage point increase in the interest rates applicable to our variable rate debt.

The amount of variable rate indebtedness outstanding may fluctuate significantly. For additional information concerning the terms of our variable rate debt, see note 12 to our consolidated financial statements.

At December 31, 2020, we had an aggregate of \$7.1 billion of indebtedness that bears interest at fixed rates. A one percentage point decrease in market interest rates as of December 31, 2020 would increase the fair value of our fixed rate indebtedness by approximately seven percent. For additional information concerning the fair value and terms of our fixed rate debt, see note 11 (see "Fair Value of Financial Instruments") and note 12 to our consolidated financial statements.

**Currency Exchange Risk.** We operate in the U.S., Canada and Europe. In July 2018, we completed the acquisition of BakerCorp, which allowed for our entry into select European markets. Our presence in Europe is limited, and most of our foreign revenue and income is from Canada. During the year ended December 31, 2020, our foreign subsidiaries accounted for \$733, or 9 percent, of our total revenue of \$8.530 billion, and \$83, or 7 percent, of our total pretax income of \$1.139 billion.



Based on the size of our foreign operations relative to the Company as a whole, we do not believe that a 10 percent change in exchange rates would have a material impact on our earnings. We do not engage in purchasing forward exchange contracts for speculative purposes.

## **Item 8. Financial Statements and Supplementary Data**

### **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of United Rentals, Inc.

#### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of United Rentals, Inc. (“the Company”) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 27, 2021 expressed an unqualified opinion thereon.

#### **Adoption of Accounting Standards Update (ASU) No. 2016-02**

As discussed in Note 13 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases and associated amendments (Topic 842), using the modified retrospective method.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

### *Valuation of Goodwill*

#### *Description of the Matter*

At December 31, 2020, the Company's goodwill was \$5.2 billion. As discussed in Note 2 to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level.

Auditing management's annual goodwill impairment test was complex and highly judgmental due to the significant estimations required to determine the fair value of the reporting units. In particular, the fair value estimates were sensitive to significant assumptions, including the discount rates, revenue growth rates, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin, capital expenditures, long-term growth rates and market multiples, all of which are affected by expectations about future operational, rental industry market or economic conditions, including the impact of COVID-19.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's development and review of the significant assumptions described above and review of the reasonableness of the data utilized in the Company's valuation analysis.

To test the fair value of the Company's reporting units, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends, including the impact of COVID-19, and key performance indicators, and evaluated whether changes in the company's business would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the assumptions. In performing our testing, we utilized internal valuation specialists to assist us in evaluating the Company's valuation model and related significant assumptions. In addition, we tested management's reconciliation of the fair value of the reporting units to the market capitalization of the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1997.

Stamford, Connecticut  
January 27, 2021

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

|                                                                                                                                                                                                                                                             | December 31,     |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                                                                                                                                                             | 2020             | 2019             |
| <b>ASSETS</b>                                                                                                                                                                                                                                               |                  |                  |
| Cash and cash equivalents                                                                                                                                                                                                                                   | \$ 202           | \$ 52            |
| Accounts receivable, net of allowance for doubtful accounts of \$108 at December 31, 2020 and \$103 at December 31, 2019                                                                                                                                    | 1,315            | 1,530            |
| Inventory                                                                                                                                                                                                                                                   | 125              | 120              |
| Prepaid expenses and other assets                                                                                                                                                                                                                           | 375              | 140              |
| Total current assets                                                                                                                                                                                                                                        | 2,017            | 1,842            |
| Rental equipment, net                                                                                                                                                                                                                                       | 8,705            | 9,787            |
| Property and equipment, net                                                                                                                                                                                                                                 | 604              | 604              |
| Goodwill                                                                                                                                                                                                                                                    | 5,168            | 5,154            |
| Other intangible assets, net                                                                                                                                                                                                                                | 648              | 895              |
| Operating lease right-of-use assets                                                                                                                                                                                                                         | 688              | 669              |
| Other long-term assets                                                                                                                                                                                                                                      | 38               | 19               |
| <b>Total assets</b>                                                                                                                                                                                                                                         | <b>\$ 17,868</b> | <b>\$ 18,970</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                                                                                                 |                  |                  |
| Short-term debt and current maturities of long-term debt                                                                                                                                                                                                    | \$ 704           | \$ 997           |
| Accounts payable                                                                                                                                                                                                                                            | 466              | 454              |
| Accrued expenses and other liabilities                                                                                                                                                                                                                      | 720              | 747              |
| Total current liabilities                                                                                                                                                                                                                                   | 1,890            | 2,198            |
| Long-term debt                                                                                                                                                                                                                                              | 8,978            | 10,431           |
| Deferred taxes                                                                                                                                                                                                                                              | 1,768            | 1,887            |
| Operating lease liabilities                                                                                                                                                                                                                                 | 549              | 533              |
| Other long-term liabilities                                                                                                                                                                                                                                 | 138              | 91               |
| <b>Total liabilities</b>                                                                                                                                                                                                                                    | <b>13,323</b>    | <b>15,140</b>    |
| Common stock—\$0.01 par value, 500,000,000 shares authorized, 114,210,157 and 72,196,648 shares issued and outstanding, respectively, at December 31, 2020 and 113,825,667 and 74,362,195 shares issued and outstanding, respectively, at December 31, 2019 | 1                | 1                |
| Additional paid-in capital                                                                                                                                                                                                                                  | 2,482            | 2,440            |
| Retained earnings                                                                                                                                                                                                                                           | 6,165            | 5,275            |
| Treasury stock at cost—42,013,509 and 39,463,472 shares at December 31, 2020 and December 31, 2019, respectively                                                                                                                                            | (3,957)          | (3,700)          |
| Accumulated other comprehensive loss                                                                                                                                                                                                                        | (146)            | (186)            |
| <b>Total stockholders' equity</b>                                                                                                                                                                                                                           | <b>4,545</b>     | <b>3,830</b>     |
| <b>Total liabilities and stockholders' equity</b>                                                                                                                                                                                                           | <b>\$ 17,868</b> | <b>\$ 18,970</b> |

See accompanying notes.

**UNITED RENTALS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share amounts)

|                                                    | Year Ended December 31, |                 |                 |
|----------------------------------------------------|-------------------------|-----------------|-----------------|
|                                                    | 2020                    | 2019            | 2018            |
| <b>Revenues:</b>                                   |                         |                 |                 |
| Equipment rentals                                  | \$ 7,140                | \$ 7,964        | \$ 6,940        |
| Sales of rental equipment                          | 858                     | 831             | 664             |
| Sales of new equipment                             | 247                     | 268             | 208             |
| Contractor supplies sales                          | 98                      | 104             | 91              |
| Service and other revenues                         | 187                     | 184             | 144             |
| <b>Total revenues</b>                              | <b>8,530</b>            | <b>9,351</b>    | <b>8,047</b>    |
| <b>Cost of revenues:</b>                           |                         |                 |                 |
| Cost of equipment rentals, excluding depreciation  | 2,820                   | 3,126           | 2,614           |
| Depreciation of rental equipment                   | 1,601                   | 1,631           | 1,363           |
| Cost of rental equipment sales                     | 526                     | 518             | 386             |
| Cost of new equipment sales                        | 214                     | 231             | 179             |
| Cost of contractor supplies sales                  | 69                      | 73              | 60              |
| Cost of service and other revenues                 | 117                     | 102             | 81              |
| <b>Total cost of revenues</b>                      | <b>5,347</b>            | <b>5,681</b>    | <b>4,683</b>    |
| <b>Gross profit</b>                                | <b>3,183</b>            | <b>3,670</b>    | <b>3,364</b>    |
| Selling, general and administrative expenses       | 979                     | 1,092           | 1,038           |
| Merger related costs                               | —                       | 1               | 36              |
| Restructuring charge                               | 17                      | 18              | 31              |
| Non-rental depreciation and amortization           | 387                     | 407             | 308             |
| Operating income                                   | 1,800                   | 2,152           | 1,951           |
| Interest expense, net                              | 669                     | 648             | 481             |
| Other income, net                                  | (8)                     | (10)            | (6)             |
| Income before provision (benefit) for income taxes | 1,139                   | 1,514           | 1,476           |
| Provision (benefit) for income taxes               | 249                     | 340             | 380             |
| <b>Net income</b>                                  | <b>\$ 890</b>           | <b>\$ 1,174</b> | <b>\$ 1,096</b> |
| Basic earnings per share                           | \$ 12.24                | \$ 15.18        | \$ 13.26        |
| Diluted earnings per share                         | \$ 12.20                | \$ 15.11        | \$ 13.12        |

See accompanying notes.

**UNITED RENTALS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In millions)**

|                                              | Year Ended December 31, |                 |                 |
|----------------------------------------------|-------------------------|-----------------|-----------------|
|                                              | 2020                    | 2019            | 2018            |
| Net income                                   | \$ 890                  | \$ 1,174        | \$ 1,096        |
| Other comprehensive income (loss):           |                         |                 |                 |
| Foreign currency translation adjustments (1) | 40                      | 49              | (84)            |
| Fixed price diesel swaps                     | —                       | 2               | (2)             |
| Other comprehensive income (loss) (1)        | 40                      | 51              | (86)            |
| <b>Comprehensive income</b>                  | <b>\$ 930</b>           | <b>\$ 1,225</b> | <b>\$ 1,010</b> |

(1) There were no material reclassifications from accumulated other comprehensive loss reflected in other comprehensive income (loss) during the years ended December 31, 2020, 2019 or 2018. There was no material tax impact related to the foreign currency translation adjustments during the years ended December 31, 2020, 2019 or 2018. See note 14 to the consolidated financial statements for a discussion addressing our determination pertaining to the permanent reinvestment of unremitted foreign earnings. There were no material taxes associated with other comprehensive income (loss) during the years ended December 31, 2020, 2019 or 2018.

See accompanying notes.

**UNITED RENTALS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In millions)

|                                          | Common Stock        |             | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Treasury Stock      |                   | Accumulated<br>Other<br>Comprehensive<br>(Loss) Income |
|------------------------------------------|---------------------|-------------|----------------------------------|----------------------|---------------------|-------------------|--------------------------------------------------------|
|                                          | Number of<br>Shares | Amount      |                                  |                      | Number of<br>Shares | Amount            |                                                        |
| <b>Balance at January 1, 2018</b>        | <b>84</b>           | <b>\$ 1</b> | <b>\$ 2,356</b>                  | <b>\$ 3,005</b>      | <b>28</b>           | <b>\$ (2,105)</b> | <b>\$ (151)</b>                                        |
| Net income                               |                     |             |                                  | 1,096                |                     |                   |                                                        |
| Foreign currency translation adjustments |                     |             |                                  |                      |                     |                   | (84)                                                   |
| Fixed price diesel swaps                 |                     |             |                                  |                      |                     |                   | (2)                                                    |
| Stock compensation expense, net          | 1                   |             | 102                              |                      |                     |                   |                                                        |
| Exercise of common stock options         | —                   |             | 2                                |                      |                     |                   |                                                        |
| Shares repurchased and retired           |                     |             | (52)                             |                      |                     |                   |                                                        |
| Repurchase of common stock               | (5)                 |             |                                  |                      | 5                   | (765)             |                                                        |
| <b>Balance at December 31, 2018</b>      | <b>80</b>           | <b>\$ 1</b> | <b>\$ 2,408</b>                  | <b>\$ 4,101</b>      | <b>33</b>           | <b>\$ (2,870)</b> | <b>\$ (237)</b>                                        |

See accompanying notes.

**UNITED RENTALS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)**  
(In millions)

|                                          | Common Stock        |             | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Treasury Stock      |                   | Accumulated<br>Other<br>Comprehensive<br>(Loss) Income |
|------------------------------------------|---------------------|-------------|----------------------------------|----------------------|---------------------|-------------------|--------------------------------------------------------|
|                                          | Number of<br>Shares | Amount      |                                  |                      | Number of<br>Shares | Amount            |                                                        |
| <b>Balance at December 31, 2018</b>      | <b>80</b>           | <b>\$ 1</b> | <b>\$ 2,408</b>                  | <b>\$ 4,101</b>      | <b>33</b>           | <b>\$ (2,870)</b> | <b>\$ (237)</b>                                        |
| Net income                               |                     |             |                                  | 1,174                |                     |                   |                                                        |
| Foreign currency translation adjustments |                     |             |                                  |                      |                     |                   | 49                                                     |
| Fixed price diesel swaps                 |                     |             |                                  |                      |                     |                   | 2                                                      |
| Stock compensation expense, net          | —                   |             | 61                               |                      |                     |                   |                                                        |
| Exercise of common stock options         | —                   |             | 11                               |                      |                     |                   |                                                        |
| Shares repurchased and retired           |                     |             | (40)                             |                      |                     |                   |                                                        |
| Repurchase of common stock               | (6)                 |             |                                  |                      | 6                   | (830)             |                                                        |
| <b>Balance at December 31, 2019</b>      | <b>74</b>           | <b>\$ 1</b> | <b>\$ 2,440</b>                  | <b>\$ 5,275</b>      | <b>39</b>           | <b>\$ (3,700)</b> | <b>\$ (186)</b>                                        |

See accompanying notes.

**UNITED RENTALS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)**  
(In millions)

|                                          | Common Stock        |             | Additional         |                      | Treasury Stock      |                   | Accumulated<br>Other                  |
|------------------------------------------|---------------------|-------------|--------------------|----------------------|---------------------|-------------------|---------------------------------------|
|                                          | Number of<br>Shares | Amount      | Paid-in<br>Capital | Retained<br>Earnings | Number of<br>Shares | Amount            | Comprehensive<br>(Loss) Income<br>(1) |
| <b>Balance at December 31, 2019</b>      | <b>74</b>           | <b>\$ 1</b> | <b>\$ 2,440</b>    | <b>\$ 5,275</b>      | <b>39</b>           | <b>\$ (3,700)</b> | <b>\$ (186)</b>                       |
| Net income                               |                     |             |                    | 890                  |                     |                   |                                       |
| Foreign currency translation adjustments |                     |             |                    |                      |                     |                   | 40                                    |
| Stock compensation expense, net          | 1                   |             | 70                 |                      |                     |                   |                                       |
| Exercise of common stock options         | —                   |             | 1                  |                      |                     |                   |                                       |
| Shares repurchased and retired           |                     |             | (29)               |                      |                     |                   |                                       |
| Repurchase of common stock               | (3)                 |             |                    |                      | 3                   | \$ (257)          |                                       |
| <b>Balance at December 31, 2020</b>      | <b>72</b>           | <b>\$ 1</b> | <b>\$ 2,482</b>    | <b>\$ 6,165</b>      | <b>42</b>           | <b>\$ (3,957)</b> | <b>\$ (146)</b>                       |

(1) As of December 31, 2020, 2019 and 2018, the Accumulated Other Comprehensive Loss balance primarily reflects foreign currency translation adjustments.

See accompanying notes.

**UNITED RENTALS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                                   | Year Ended December 31, |                |                |
|-----------------------------------------------------------------------------------|-------------------------|----------------|----------------|
|                                                                                   | 2020                    | 2019           | 2018           |
|                                                                                   | (In millions)           |                |                |
| <b>Cash Flows From Operating Activities:</b>                                      |                         |                |                |
| Net income                                                                        | \$ 890                  | \$ 1,174       | \$ 1,096       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |                |                |
| Depreciation and amortization                                                     | 1,988                   | 2,038          | 1,671          |
| Amortization of deferred financing costs and original issue discounts             | 14                      | 15             | 12             |
| Gain on sales of rental equipment                                                 | (332)                   | (313)          | (278)          |
| Gain on sales of non-rental equipment                                             | (8)                     | (6)            | (6)            |
| Insurance proceeds from damaged equipment                                         | (40)                    | (24)           | (22)           |
| Stock compensation expense, net                                                   | 70                      | 61             | 102            |
| Merger related costs                                                              | —                       | 1              | 36             |
| Restructuring charge                                                              | 17                      | 18             | 31             |
| Loss on repurchase/redemption of debt securities and amendment of ABL facility    | 183                     | 61             | —              |
| (Decrease) increase in deferred taxes                                             | (121)                   | 204            | 257            |
| Changes in operating assets and liabilities:                                      |                         |                |                |
| Decrease (increase) in accounts receivable                                        | 218                     | 39             | (115)          |
| Increase in inventory                                                             | (5)                     | (8)            | (20)           |
| (Increase) decrease in prepaid expenses and other assets                          | (228)                   | (59)           | 75             |
| Increase (decrease) in accounts payable                                           | 10                      | (86)           | 49             |
| Increase (decrease) in accrued expenses and other liabilities                     | 2                       | (91)           | (35)           |
| <b>Net cash provided by operating activities</b>                                  | <b>2,658</b>            | <b>3,024</b>   | <b>2,853</b>   |
| <b>Cash Flows From Investing Activities:</b>                                      |                         |                |                |
| Purchases of rental equipment                                                     | (961)                   | (2,132)        | (2,106)        |
| Purchases of non-rental equipment                                                 | (197)                   | (218)          | (185)          |
| Proceeds from sales of rental equipment                                           | 858                     | 831            | 664            |
| Proceeds from sales of non-rental equipment                                       | 42                      | 37             | 23             |
| Insurance proceeds from damaged equipment                                         | 40                      | 24             | 22             |
| Purchases of other companies, net of cash acquired                                | (2)                     | (249)          | (2,966)        |
| Purchases of investments                                                          | (3)                     | (3)            | (3)            |
| <b>Net cash used in investing activities</b>                                      | <b>(223)</b>            | <b>(1,710)</b> | <b>(4,551)</b> |
| <b>Cash Flows From Financing Activities:</b>                                      |                         |                |                |
| Proceeds from debt                                                                | 9,260                   | 9,260          | 12,178         |
| Payments of debt                                                                  | (11,245)                | (9,678)        | (9,942)        |
| Payments of financing costs                                                       | (23)                    | (28)           | (24)           |
| Proceeds from the exercise of common stock options                                | 1                       | 11             | 2              |
| Common stock repurchased                                                          | (286)                   | (870)          | (817)          |
| <b>Net cash (used in) provided by financing activities</b>                        | <b>(2,293)</b>          | <b>(1,305)</b> | <b>1,397</b>   |
| Effect of foreign exchange rates                                                  | 8                       | —              | (8)            |
| <b>Net increase (decrease) in cash and cash equivalents</b>                       | <b>150</b>              | <b>9</b>       | <b>(309)</b>   |
| Cash and cash equivalents at beginning of year                                    | 52                      | 43             | 352            |
| <b>Cash and cash equivalents at end of year</b>                                   | <b>\$ 202</b>           | <b>\$ 52</b>   | <b>\$ 43</b>   |
| <b>Supplemental disclosure of cash flow information:</b>                          |                         |                |                |
| Cash paid for interest                                                            | \$ 483                  | \$ 581         | \$ 455         |
| Cash paid for income taxes, net                                                   | 318                     | 238            | 71             |

See accompanying notes.

## UNITED RENTALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in millions, except per share data and unless otherwise indicated)

#### 1. Organization, Description of Business and Consolidation

United Rentals, Inc. ("Holdings") is principally a holding company and conducts its operations primarily through its wholly owned subsidiary, United Rentals (North America), Inc. ("URNA"), and subsidiaries of URNA. Holdings' primary asset is its sole ownership of all issued and outstanding shares of common stock of URNA. URNA's various credit agreements and debt instruments place restrictions on its ability to transfer funds to its stockholder. As used in this report, the terms the "Company," "United Rentals," "we," "us," and "our" refer to United Rentals, Inc. and its subsidiaries, unless otherwise indicated.

We rent equipment to a diverse customer base that includes construction and industrial companies, manufacturers, utilities, municipalities, homeowners and others in the United States, Canada and Europe. With the July 2018 acquisition of BakerCorp International Holdings, Inc. ("BakerCorp"), which added 11 European locations in France, Germany, the United Kingdom and the Netherlands to our branch network, we entered into select European markets. In addition to renting equipment, we sell new and used rental equipment, as well as related contractor supplies, parts and service.

The accompanying consolidated financial statements include our accounts and those of our controlled subsidiary companies. All significant intercompany accounts and transactions have been eliminated. We consolidate variable interest entities if we are deemed the primary beneficiary of the entity.

#### COVID-19

The novel coronavirus ("COVID-19") was first identified in people in late 2019. COVID-19 spread rapidly throughout the world and, in March 2020, the World Health Organization characterized COVID-19 as a pandemic. COVID-19 is a pandemic of respiratory disease spreading from person-to-person that poses a serious public health risk. It has significantly disrupted supply chains and businesses around the world. The extent and duration of the COVID-19 impact, on the operations and financial position of United Rentals, and on the global economy, is uncertain. See "Item 1. Business- Industry Overview and Economic Outlook" above for a discussion of market performance in 2020. The health and safety of our employees and customers remains our top priority, and we have also engaged in extensive contingency planning to manage the business impact of the pandemic.

Prior to mid-March 2020, our results were largely in line with expectations. We began to experience a decline in revenues in March 2020, when rental volume declined in response to shelter-in-place orders and other market restrictions. COVID-19 is discussed in more detail throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### 2. Summary of Significant Accounting Policies

##### Cash Equivalents

We consider all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents. Our cash equivalents at December 31, 2020 and 2019 consist of direct obligations of financial institutions rated A or better.

##### Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts. These allowances reflect our estimate of the amount of our receivables that we will be unable to collect based on historical write-off experience and, as applicable, current conditions and reasonable and supportable forecasts that affect collectibility. Our allowance for doubtful accounts as of December 31, 2020 included an adjustment for the estimated impact of COVID-19 on future collectibility that was not material to our financial statements. Our estimate could require change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowances. Trade receivables that have contractual maturities of one year or less are written-off when they are determined to be uncollectible based on the criteria necessary to qualify as a deduction for federal tax purposes. Write-offs of such receivables require management approval based on specified dollar thresholds. See note 3 to our consolidated financial statements for further detail.

##### Inventory

Inventory consists of new equipment, contractor supplies, tools, parts, fuel and related supply items. Inventory is stated at the lower of cost or market. Cost is determined, depending on the type of inventory, using either a specific identification, weighted-average or first-in, first-out method.



## **Rental Equipment**

Rental equipment, which includes service and delivery vehicles, is recorded at cost and depreciated over the estimated useful life of the equipment using the straight-line method. The range of estimated useful lives for rental equipment is two to 20 years. Rental equipment is depreciated to a salvage value of zero to 10 percent of cost. Rental equipment is depreciated whether or not it is out on rent.

## **Property and Equipment**

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The range of estimated useful lives for property and equipment is two to 39 years. Ordinary repair and maintenance costs are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the remaining life of the lease, whichever is shorter.

## **Acquisition Accounting**

We have made a number of acquisitions in the past and may continue to make acquisitions in the future. The assets acquired and liabilities assumed are recorded based on their respective fair values at the date of acquisition. Long-lived assets (principally rental equipment), goodwill and other intangible assets generally represent the largest components of our acquisitions. Rental equipment is valued utilizing either a cost, market or income approach, or a combination of certain of these methods, depending on the asset being valued and the availability of market or income data. The intangible assets that we have acquired are non-compete agreements, customer relationships and trade names and associated trademarks. The estimated fair values of these intangible assets reflect various assumptions about discount rates, revenue growth rates, operating margins, terminal values, useful lives and other prospective financial information. Goodwill is calculated as the excess of the cost of the acquired entity over the net of the fair value of the assets acquired and the liabilities assumed. Non-compete agreements, customer relationships and trade names and associated trademarks are valued based on an excess earnings or income approach based on projected cash flows.

Determining the fair value of the assets and liabilities acquired is judgmental in nature and can involve the use of significant estimates and assumptions. The judgments made in determining the estimated fair value assigned to the assets acquired, as well as the estimated life of the assets, can materially impact net income in periods subsequent to the acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. As discussed below, we regularly review for impairments.

When we make an acquisition, we also acquire other assets and assume liabilities. These other assets and liabilities typically include, but are not limited to, parts inventory, accounts receivable, accounts payable and other working capital items. Because of their short-term nature, the fair values of these other assets and liabilities generally approximate the book values on the acquired entities' balance sheets.

## **Evaluation of Goodwill Impairment**

Goodwill is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have been incurred. Application of the goodwill impairment test requires judgment, including: the identification of reporting units; assignment of assets and liabilities to reporting units; assignment of goodwill to reporting units; determination of the fair value of each reporting unit; and an assumption as to the form of the transaction in which the reporting unit would be acquired by a market participant (either a taxable or nontaxable transaction).

We estimate the fair value of our reporting units (which are our regions) using a combination of an income approach based on the present value of estimated future cash flows and a market approach based on market price data of shares of our Company and other corporations engaged in similar businesses as well as acquisition multiples paid in recent transactions within our industry (including our own acquisitions). We believe this approach, which utilizes multiple valuation techniques, yields the most appropriate evidence of fair value.

As discussed below (see "Guidance Adopted in 2020-Simplifying the Test for Goodwill Impairment"), in 2020, we adopted accounting guidance that eliminated the second step from the goodwill impairment test (this guidance did not have a significant impact on our financial statements). Prior guidance required utilizing a two-step process to review goodwill for impairment. A second step was required if there was an indication that an impairment may exist, and the second step required calculating the potential impairment by comparing the implied fair value of the reporting unit's goodwill (as if purchase accounting were performed on the testing date) with the carrying amount of the goodwill. We did not perform this second step for the goodwill impairment test conducted as of October 1, 2020 or 2019 (for 2020, because the adopted accounting guidance eliminated the second step, and, for 2019, because there was no

indication that an impairment may have existed). The first step of the impairment test requires comparing the fair value of a reporting unit with its carrying amount. Financial Accounting

Standards Board ("FASB") guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

In connection with our goodwill impairment test that was conducted as of October 1, 2020, we bypassed the qualitative assessment for each reporting unit and quantitatively compared the fair values of our reporting units with their carrying amounts. We considered the impact of COVID-19 when performing the test, and it did not have a material impact on the test results. Our goodwill impairment testing as of this date indicated that all of our reporting units, excluding our Fluid Solutions Europe reporting unit, had estimated fair values which exceeded their respective carrying amounts by at least 42 percent. As discussed above, in July 2018, we completed the acquisition of BakerCorp. All of the assets in the Fluid Solutions Europe reporting unit were acquired in the BakerCorp acquisition. The estimated fair value of our Fluid Solutions Europe reporting unit exceeded its carrying amount by 22 percent. As all of the assets in the Fluid Solutions Europe reporting unit were recorded at fair value as of the July 2018 acquisition date, we expected the percentage by which the Fluid Solutions Europe reporting unit's fair value exceeded its carrying value to be significantly less than the equivalent percentages determined for our other reporting units.

In connection with our goodwill impairment test that was conducted as of October 1, 2019, we bypassed the qualitative assessment for each reporting unit and proceeded directly to the first step of the goodwill impairment test. Our goodwill impairment testing as of this date indicated that all of our reporting units, excluding our Fluid Solutions Europe reporting unit, had estimated fair values which exceeded their respective carrying amounts by at least 32 percent. As discussed above, in July 2018, we completed the acquisition of BakerCorp. All of the assets in the Fluid Solutions Europe reporting unit were acquired in the BakerCorp acquisition. The estimated fair value of our Fluid Solutions Europe reporting unit exceeded its carrying amount by 12 percent. As all of the assets in the Fluid Solutions Europe reporting unit were recorded at fair value as of the July 2018 acquisition date, we expected the percentage by which the Fluid Solutions Europe reporting unit's fair value exceeded its carrying value to be significantly less than the equivalent percentages determined for our other reporting units.

### **Restructuring Charges**

Costs associated with exit or disposal activities, including lease termination costs and certain employee severance costs associated with restructuring, branch closings or other activities, are recognized at fair value when they are incurred.

### **Other Intangible Assets**

Other intangible assets consist of non-compete agreements, customer relationships and trade names and associated trademarks. The non-compete agreements are being amortized on a straight-line basis over initial periods of approximately 5 years. The customer relationships are being amortized either using the sum of the years' digits method or on a straight-line basis over initial periods ranging from 5 to 15 years. The trade names and associated trademarks are being amortized using the sum of the years' digits method over initial periods of approximately 5 years. We believe that the amortization methods used reflect the estimated pattern in which the economic benefits will be consumed.

### **Long-Lived Assets**

Long-lived assets are recorded at the lower of amortized cost or fair value. As part of an ongoing review of the valuation of long-lived assets, we assess the carrying value of such assets if facts and circumstances suggest they may be impaired. If this review indicates the carrying value of such an asset may not be recoverable, as determined by an undiscounted cash flow analysis over the remaining useful life, the carrying value would be reduced to its estimated fair value.

### **Translation of Foreign Currency**

Assets and liabilities of our foreign subsidiaries that have a functional currency other than U.S. dollars are translated into U.S. dollars using exchange rates at the balance sheet date. Revenues and expenses are translated at average exchange rates effective during the year. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive (loss) income within stockholders' equity.

### **Revenue Recognition**

As discussed in note 3 to our consolidated financial statements, we recognize revenue in accordance with two different accounting standards: 1) Topic 606 (which addresses revenue from contracts with customers) and 2) Topic 842 (which addresses lease revenue). As discussed in note 13 to our consolidated financial statements, in 2019, we adopted Topic 842. Topic 842 replaced Topic 840, which was the lease accounting standard in effect for the year ended December 31, 2018. As discussed in note 3, most of our revenue is accounted for under Topic 842. The discussion below addresses our primary revenue types based on the accounting standard used to determine the accounting.



### **Lease revenues (Topic 842)**

The accounting for the significant types of revenue that are accounted for under Topic 842 is discussed below.

***Owned equipment rentals:*** Owned equipment rentals represent revenues from renting equipment that we own. We account for such rentals as operating leases.

***Re-rent revenue:*** Re-rent revenue reflects revenues from equipment that we rent from vendors and then rent to our customers. We account for such rentals as subleases. The accounting for re-rent revenue is the same as the accounting for owned equipment rentals described above.

### **Revenues from contracts with customers (Topic 606)**

The accounting for the significant types of revenue that are accounted for under Topic 606 is discussed below.

***Delivery and pick-up:*** Delivery and pick-up revenue associated with renting equipment is recognized when the service is performed.

***Sales of rental equipment, new equipment and contractor supplies*** are recognized at the time of delivery to, or pick-up by, the customer and when collectibility is probable.

***Service and other revenues*** primarily represent revenues earned from providing repair and maintenance services on our customers' fleet (including parts sales). Service revenue is recognized as the services are performed.

See note 3 to our consolidated financial statements for further discussion of our revenue accounting.

### **Delivery Expense**

Equipment rentals include our revenues from fees we charge for equipment delivery. Delivery costs are charged to operations as incurred, and are included in cost of revenues on our consolidated statements of income.

### **Advertising Expense**

We promote our business through local and national advertising in various media, including television, trade publications, branded sponsorships, yellow pages, the internet, radio and direct mail. Advertising costs are generally expensed as incurred. These costs may include the development costs for branded content and advertising campaigns. Advertising expense, net of the qualified advertising reimbursements discussed below, was immaterial for the years ended December 31, 2020, 2019 and 2018.

We receive reimbursements for advertising that promotes a vendor's products or services. Such reimbursements that meet the applicable criteria under U.S. generally accepted accounting principles ("GAAP") are offset against advertising costs in the period in which we recognize the incremental advertising cost. The amounts of qualified advertising reimbursements that reduced advertising expense were \$22, \$49 and \$41 for the years ended December 31, 2020, 2019 and 2018, respectively.

### **Insurance**

We are insured for general liability, workers' compensation and automobile liability, subject to deductibles or self-insured retentions per occurrence. Losses within the deductible amounts are accrued based upon the aggregate liability for reported claims incurred, as well as an estimated liability for claims incurred but not yet reported. These liabilities are not discounted. We are also self-insured for group medical claims but purchase "stop loss" insurance as protection against any one significant loss.

### **Income Taxes**

We use the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities and are measured using the tax rates and laws that are expected to be in effect when the differences are expected to reverse. Recognition of deferred tax assets is limited to amounts considered by management to be more likely than not to be realized in future periods. The most significant positive evidence that we consider in the recognition of deferred tax assets is the expected reversal of cumulative deferred tax liabilities resulting from book versus tax depreciation of our rental equipment fleet that is well in excess of the deferred tax assets.

We use a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return regarding uncertainties in income tax positions. The first step is recognition: we determine whether it is more likely than not that a tax position

will be sustained upon examination, including resolution of any related appeals or litigation processes, based

on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority with full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset or an increase in a deferred tax liability.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and, accordingly, no taxes were provided on such earnings prior to the fourth quarter of 2020. In the fourth quarter of 2020, we identified \$135 of cash in our foreign operations in excess of near-term working capital needs, and determined that this amount could no longer be considered indefinitely reinvested. As a result, our prior assertion that all undistributed earnings of our foreign subsidiaries should be considered indefinitely reinvested has changed, and, in the fourth quarter of 2020, we recorded the immaterial taxes on a distribution of the \$135 of cash.

We continue to expect that the remaining balance of our undistributed foreign earnings will be indefinitely reinvested. If we determine that all or a portion of such foreign earnings are no longer indefinitely reinvested, we may be subject to additional foreign withholding taxes and U.S. state income taxes.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted in December 2017, and required a one-time transition tax for deemed repatriation of accumulated undistributed earnings of certain foreign investments, which we primarily recognized upon adoption of the Tax Act in 2017. As discussed in note 14 to the consolidated financial statements, we completed our accounting for the tax effects of enactment of the Tax Act in 2018.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates impact the calculation of the allowance for doubtful accounts, depreciation and amortization, income taxes and reserves for claims. Actual results could materially differ from those estimates.

### **Concentrations of Credit Risk**

Financial instruments that potentially subject us to significant concentrations of credit risk include cash and cash equivalents and accounts receivable. We maintain cash and cash equivalents with high quality financial institutions. Concentration of credit risk with respect to receivables is limited because a large number of geographically diverse customers makes up our customer base (see note 3 to our consolidated financial statements for further detail). We manage credit risk through credit approvals, credit limits and other monitoring procedures.

### **Stock-Based Compensation**

We measure stock-based compensation at the grant date based on the fair value of the award and recognize stock-based compensation expense over the requisite service period. Determining the fair value of stock option awards requires judgment, including estimating stock price volatility and expected option life. Restricted stock awards are valued based on the fair value of the stock on the grant date and the related compensation expense is recognized over the service period. Similarly, for time-based restricted stock awards subject to graded vesting, we recognize compensation cost on a straight-line basis over the requisite service period. For performance-based restricted stock units ("RSUs"), compensation expense is recognized if satisfaction of the performance condition is considered probable. We recognize forfeitures of stock-based compensation as they occur.

### ***New Accounting Pronouncements***

*Simplifying the Accounting for Income Taxes.* In December 2019, the FASB issued guidance intended to simplify the accounting for income taxes. The guidance removes the following exceptions: 1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, 2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, 3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary and 4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. Additionally, the guidance simplifies the accounting for income taxes by: 1) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, 2) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which



the book goodwill was originally recognized and when it should be considered a separate transaction, 3) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements (although the entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority), 4) requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date and 5) making minor improvements for income tax accounting related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. The guidance will be effective for fiscal years and interim periods beginning after December 15, 2020. Different components of the guidance require retrospective, modified retrospective or prospective adoption, and early adoption is permitted. We will adopt this guidance when it becomes effective, in the first quarter of 2021, and the impact on our financial statements is not expected to be material.

### ***Guidance Adopted in 2020***

*Measurement of Credit Losses on Financial Instruments.* In June 2016, the FASB issued guidance that requires companies to present certain financial assets net of the amount expected to be collected. Trade receivables (as noted below, excluding receivables arising from operating lease revenues) are the only material financial asset we have that is impacted by this guidance. The guidance requires the measurement of expected credit losses to be based on relevant information from past events, including historical experiences, current conditions and reasonable and supportable forecasts that affect collectibility. This guidance does not apply to receivables arising from operating lease revenues. As discussed in note 3 to the consolidated financial statements, most of our equipment rental revenue is accounted for as lease revenue (such revenue represented 77 percent of our total revenues for the year ended December 31, 2020). We adopted this guidance in 2020, and the impact of adoption on our financial statements was not material. See note 3 (see "Receivables and contract assets and liabilities") for further discussion of our receivables.

*Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* In March 2020, the FASB issued guidance that provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. We adopted this guidance in 2020, and the impact of adoption on our financial statements was not material. The expedients and exceptions in this guidance are optional, and we are evaluating the potential future financial statement impact of any such expedient or exception that we may elect to apply.

*Simplifying the Test for Goodwill Impairment.* In January 2017, the Financial Accounting Standards Board ("FASB") issued guidance intended to simplify the subsequent accounting for goodwill acquired in a business combination. Prior guidance required utilizing a two-step process to review goodwill for impairment. A second step was required if there was an indication that an impairment may exist, and the second step required calculating the potential impairment by comparing the implied fair value of the reporting unit's goodwill (as if purchase accounting were performed on the testing date) with the carrying amount of the goodwill. The new guidance eliminates the second step from the goodwill impairment test. Under the new guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and then recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value (although the loss should not exceed the total amount of goodwill allocated to the reporting unit). The guidance requires prospective adoption. We adopted the guidance for the goodwill impairment test that we conducted as of October 1, 2020, and adoption of the guidance did not have a significant impact on our financial statements.

## **3. Revenue Recognition**

### ***Revenue Recognition Accounting Standards***

In March 2016, the FASB issued updated lease accounting guidance ("Topic 842"), as explained further in note 13 to the consolidated financial statements. We adopted Topic 842 on January 1, 2019. Topic 842 is an update to Topic 840, which was the lease accounting standard in place through December 31, 2018. As reflected below, most of our revenue is accounted for under Topic 842 (Topic 840 for 2018). There were no significant changes to our revenue accounting upon adoption of Topic 842.

We recognize revenue in accordance with two different accounting standards: 1) Topic 606 (which addresses revenue from contracts with customers) and 2) Topic 842 (which, as discussed above, addresses lease revenue). Under Topic 606, revenue from contracts with customers is measured based on the consideration specified in the contract with the customer, and excludes any sales incentives and amounts collected on behalf of third parties. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer, and is the unit of account under Topic 606. As reflected below, most of our revenue is accounted for under Topic 842. Our contracts with customers generally do not include multiple performance obligations. We recognize revenue when we satisfy a performance obligation by transferring control over a



product or service to a customer. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for such products or services.

### *Nature of goods and services*

In the following table, revenue is summarized by type and by the applicable accounting standard.

|                                           | Year Ended December 31, |                 |                 |                 |                 |                 |                 |                 |                 |
|-------------------------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                           | 2020                    |                 |                 | 2019            |                 |                 | 2018            |                 |                 |
|                                           | Topic 842               | Topic 606       | Total           | Topic 842       | Topic 606       | Total           | Topic 840       | Topic 606       | Total           |
| <b>Revenues:</b>                          |                         |                 |                 |                 |                 |                 |                 |                 |                 |
| Owned equipment rentals                   | \$ 6,056                | \$ —            | \$ 6,056        | \$ 6,777        | \$ —            | \$ 6,777        | \$ 5,946        | \$ —            | \$ 5,946        |
| Re-rent revenue                           | 142                     | —               | 142             | 155             | —               | 155             | 138             | —               | 138             |
| Ancillary and other rental revenues:      |                         |                 |                 |                 |                 |                 |                 |                 |                 |
| Delivery and pick-up                      | —                       | 506             | 506             | —               | 564             | 564             | —               | 477             | 477             |
| Other                                     | 338                     | 98              | 436             | 356             | 112             | 468             | 287             | 92              | 379             |
| Total ancillary and other rental revenues | 338                     | 604             | 942             | 356             | 676             | 1,032           | 287             | 569             | 856             |
| <b>Total equipment rentals</b>            | <b>6,536</b>            | <b>604</b>      | <b>7,140</b>    | <b>7,288</b>    | <b>676</b>      | <b>7,964</b>    | <b>6,371</b>    | <b>569</b>      | <b>6,940</b>    |
| Sales of rental equipment                 | —                       | 858             | 858             | —               | 831             | 831             | —               | 664             | 664             |
| Sales of new equipment                    | —                       | 247             | 247             | —               | 268             | 268             | —               | 208             | 208             |
| Contractor supplies sales                 | —                       | 98              | 98              | —               | 104             | 104             | —               | 91              | 91              |
| Service and other revenues                | —                       | 187             | 187             | —               | 184             | 184             | —               | 144             | 144             |
| <b>Total revenues</b>                     | <b>\$ 6,536</b>         | <b>\$ 1,994</b> | <b>\$ 8,530</b> | <b>\$ 7,288</b> | <b>\$ 2,063</b> | <b>\$ 9,351</b> | <b>\$ 6,371</b> | <b>\$ 1,676</b> | <b>\$ 8,047</b> |

Revenues by reportable segment and geographical market are presented in note 4 of the consolidated financial statements using the revenue captions reflected in our consolidated statements of operations. The majority of our revenue is recognized in our general rentals segment and in the U.S. (for the year ended December 31, 2020, 79 percent and 91 percent of total revenues, respectively). We believe that the disaggregation of our revenue from contracts to customers as reflected above, coupled with the further discussion below and the reportable segment and geographical market disclosures in note 4, depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

### **Lease revenues (Topic 842)**

The accounting for the types of revenue that are accounted for under Topic 842 is discussed below.

Owned equipment rentals represent our most significant revenue type (they accounted for 71 percent of total revenues for the year ended December 31, 2020) and are governed by our standard rental contract. We account for such rentals as operating leases. The lease terms are included in our contracts, and the determination of whether our contracts contain leases generally does not require significant assumptions or judgments. Our lease revenues do not include material amounts of variable payments.

**Owned equipment rentals:** Owned equipment rentals represent revenues from renting equipment that we own. We do not generally provide an option for the lessee to purchase the rented equipment at the end of the lease, and do not generate material revenue from sales of equipment under such options.

We recognize revenues from renting equipment on a straight-line basis. Our rental contract periods are hourly, daily, weekly or monthly. By way of example, if a customer were to rent a piece of equipment and the daily, weekly and monthly rental rates for that particular piece were (in actual dollars) \$100, \$300 and \$900, respectively, we would recognize revenue of \$32.14 per day. The daily rate for recognition purposes is calculated by dividing the monthly rate of \$900 by the monthly term of 28 days. This daily rate assumes that the equipment will be on rent for the full 28 days, as we are unsure of when the customer will return the equipment and therefore unsure of which rental contract period will apply.

As part of this straight-line methodology, when the equipment is returned, we recognize as incremental revenue the excess, if any, between the amount the customer is contractually required to pay, which is based on the rental contract period applicable to the actual number of days the equipment was out on rent, over the cumulative amount of revenue recognized to date. In any given accounting period, we will have customers return equipment and be contractually required to pay us more



than the cumulative amount of revenue recognized to date under the straight-line methodology. For instance, continuing the above example, if the customer rented the above piece of equipment on December 29 and returned it at the close of business on January 1, we would recognize incremental revenue on January 1 of \$171.44 (in actual dollars, representing the difference between the amount the customer is contractually required to pay, or \$300 at the weekly rate, and the cumulative amount recognized to date on a straight-line basis, or \$128.56, which represents four days at \$32.14 per day).

We record amounts billed to customers in excess of recognizable revenue as deferred revenue on our balance sheet. We had deferred revenue (associated with both Topic 842 and Topic 606) of \$51 and \$55 as of December 31, 2020 and 2019, respectively.

As noted above, we are unsure of when the customer will return rented equipment. As such, we do not know how much the customer will owe us upon return of the equipment and cannot provide a maturity analysis of future lease payments. Our equipment is generally rented for short periods of time (significantly less than a year). Lessees do not provide residual value guarantees on rented equipment.

We expect to derive significant future benefits from our equipment following the end of the rental term. Our rentals are generally short-term in nature, and our equipment is typically rented for the majority of the time that we own it. We additionally recognize revenue from sales of rental equipment when we dispose of the equipment.

**Re-rent revenue:** Re-rent revenue reflects revenues from equipment that we rent from vendors and then rent to our customers. We account for such rentals as subleases. The accounting for re-rent revenue is the same as the accounting for owned equipment rentals described above.

**“Other”** equipment rental revenue is primarily comprised of 1) Rental Protection Plan (or “RPP”) revenue associated with the damage waiver customers can purchase when they rent our equipment to protect against potential loss or damage, 2) environmental charges associated with the rental of equipment, and 3) charges for rented equipment that is damaged by our customers.

#### **Revenues from contracts with customers (Topic 606)**

The accounting for the types of revenue that are accounted for under Topic 606 is discussed below. Substantially all of our revenues under Topic 606 are recognized at a point-in-time rather than over time.

**Delivery and pick-up:** Delivery and pick-up revenue associated with renting equipment is recognized when the service is performed.

**“Other”** equipment rental revenue is primarily comprised of revenues associated with the consumption of fuel by our customers which are recognized when the equipment is returned by the customer (and consumption, if any, can be measured).

**Sales of rental equipment, new equipment and contractor supplies** are recognized at the time of delivery to, or pick-up by, the customer and when collectibility is probable.

**Service and other revenues** primarily represent revenues earned from providing repair and maintenance services on our customers’ fleet (including parts sales). Service revenue is recognized as the services are performed.

#### ***Receivables and contract assets and liabilities***

As reflected above, most of our equipment rental revenue is accounted for under Topic 842 (such revenue represented 77 percent of our total revenues for the year ended December 31, 2020). The customers that are responsible for the remaining revenue that is accounted for under Topic 606 are generally the same customers that rent our equipment. We manage credit risk associated with our accounts receivables at the customer level. Because the same customers generate the revenues that are accounted for under both Topic 606 and Topic 842, the discussions below on credit risk and our allowances for doubtful accounts address receivables arising from revenues from both Topic 606 and Topic 842 (Topic 840 for 2018).

Concentration of credit risk with respect to our receivables is limited because a large number of geographically diverse customers makes up our customer base. Our largest customer accounted for less than one percent of total revenues in each of 2020, 2019, and 2018. Our customer with the largest receivable balance represented approximately two percent and one percent of total receivables at December 31, 2020 and 2019, respectively. We manage credit risk through credit approvals, credit limits and other monitoring procedures.

Our allowances for doubtful accounts reflect our estimate of the amount of our receivables that we will be unable to collect based on historical write-off experience and, as applicable, current conditions and reasonable and supportable forecasts



that affect collectibility. Our estimate could require change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowances. Trade receivables that have contractual maturities of one year or less are written-off when they are determined to be uncollectible based on the criteria necessary to qualify as a deduction for federal tax purposes. Write-offs of such receivables require management approval based on specified dollar thresholds. See the table below for a rollforward of our allowance for doubtful accounts.

In 2020, we adopted accounting guidance that requires companies to present certain financial assets net of the amount expected to be collected. This guidance requires the measurement of expected credit losses to be based on relevant information from past events, including historical experiences, current conditions and reasonable and supportable forecasts that affect collectibility. Our allowance for doubtful accounts as of December 31, 2020 included an adjustment for the estimated impact of COVID-19 on future collectibility that was not material to our financial statements. Trade receivables are the only material financial asset we have that is impacted by this guidance, which does not apply to receivables arising from operating lease revenues. Substantially all of our non-lease trade receivables are due in one year or less. As discussed above, most of our equipment rental revenue is accounted for as lease revenue (such revenue represented 77 percent of our total revenues for the year ended December 31, 2020), and these revenues account for corresponding portions of the \$1.315 billion of net accounts receivable and the associated allowance for doubtful accounts of \$108 reported on our consolidated balance sheet as of December 31, 2020). During the year ended December 31, 2020, we recognized total bad debt expenses for our non-lease trade receivables, within selling, general and administrative expenses on our consolidated statement of income, of \$9 associated with our allowance for doubtful accounts. Adoption of this guidance did not materially impact 1) net accounts receivable or the associated allowance for doubtful accounts as reported on our consolidated balance sheet as of December 31, 2020 or 2) total bad debt expenses recognized associated with our allowance for doubtful accounts for the year ended December 31, 2020.

As discussed above, most of our equipment rental revenue is accounted for under Topic 842. The customers that are responsible for the remaining revenue that is accounted for under Topic 606 are generally the same customers that rent our equipment. We manage credit risk associated with our accounts receivables at the customer level. The rollforward of our allowance for doubtful accounts (in total, and associated with revenues arising from both Topic 606 and Topic 842/840) is shown below.

|                                   | Year ended December 31, |               |              |
|-----------------------------------|-------------------------|---------------|--------------|
|                                   | 2020                    | 2019          | 2018         |
| <b>Beginning balance</b>          | <b>\$ 103</b>           | <b>\$ 93</b>  | <b>\$ 68</b> |
| Acquired                          | —                       | 2             | 14           |
| Charged to costs and expenses (1) | 9                       | 8             | 45           |
| Charged to revenue (2)            | 25                      | 34            | —            |
| Deductions (3)                    | (29)                    | (34)          | (34)         |
| <b>Ending balance</b>             | <b>\$ 108</b>           | <b>\$ 103</b> | <b>\$ 93</b> |

(1) Reflects bad debt expenses recognized within selling, general and administrative expenses (associated with Topic 606 revenues).

(2) Primarily reflects doubtful accounts associated with lease revenues that were recognized as a reduction to equipment rentals revenue (primarily associated with Topic 842 revenues). We adopted Topic 842 in 2019 using a transition method that does not require application to periods prior to adoption.

(3) Represents write-offs of accounts, net of immaterial recoveries.

We do not have material contract assets, or impairment losses associated therewith, or material contract liabilities, associated with contracts with customers. Our contracts with customers do not generally result in material amounts billed to customers in excess of recognizable revenue. We did not recognize material revenue during the years ended December 31, 2020 and December 31, 2019 that was included in the contract liability balance as of the beginning of such periods.

### *Performance obligations*

Most of our Topic 606 revenue is recognized at a point-in-time, rather than over time. Accordingly, in any particular period, we do not generally recognize a significant amount of revenue from performance obligations satisfied (or partially satisfied) in previous periods, and the amounts of such revenue recognized during the years ended December 31, 2020 and December 31, 2019 were not material. We also do not expect to recognize material revenue in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2020.



### ***Payment terms***

Our Topic 606 revenues do not include material amounts of variable consideration. Our payment terms vary by the type and location of our customer and the products or services offered. The time between invoicing and when payment is due is not significant. Our contracts do not generally include a significant financing component. For certain products or services and customer types, we require payment before the products or services are delivered to the customer. Our contracts with customers do not generally result in significant obligations associated with returns, refunds or warranties. See above for a discussion of how we manage credit risk.

Revenue is recognized net of taxes collected from customers, which are subsequently remitted to governmental authorities.

### ***Contract costs***

We do not recognize any assets associated with the incremental costs of obtaining a contract with a customer (for example, a sales commission) that we expect to recover. Most of our revenue is recognized at a point-in-time or over a period of one year or less, and we use the practical expedient that allows us to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that we otherwise would have recognized is one year or less.

### ***Contract estimates and judgments***

Our revenues accounted for under Topic 606 generally do not require significant estimates or judgments, primarily for the following reasons:

- The transaction price is generally fixed and stated in our contracts;
- As noted above, our contracts generally do not include multiple performance obligations, and accordingly do not generally require estimates of the standalone selling price for each performance obligation;
- Our revenues do not include material amounts of variable consideration, or result in significant obligations associated with returns, refunds or warranties; and
- Most of our revenue is recognized as of a point-in-time and the timing of the satisfaction of the applicable performance obligations is readily determinable. As noted above, our Topic 606 revenue is generally recognized at the time of delivery to, or pick-up by, the customer.

Our revenues accounted for under Topic 842 also generally do not require significant estimates or judgments. We monitor and review our estimated standalone selling prices on a regular basis.

## **4. Segment Information**

Our reportable segments are i) general rentals and ii) trench, power and fluid solutions. Our regions discussed below, which are our operating segments, are aggregated into our reportable segments. We believe that the regions that are aggregated into our reportable segments have similar economic characteristics, as each region is capital intensive, offers similar products to similar customers, uses similar methods to distribute its products, and is subject to similar competitive risks. The aggregation of our regions also reflects the management structure that we use for making operating decisions and assessing performance. We evaluate segment performance primarily based on segment equipment rentals gross profit.

The general rentals segment includes the rental of i) general construction and industrial equipment, such as backhoes, skid-steer loaders, forklifts, earthmoving equipment and material handling equipment, ii) aerial work platforms, such as boom lifts and scissor lifts and iii) general tools and light equipment, such as pressure washers, water pumps and power tools. The general rentals segment reflects the aggregation of 11 geographic regions—Carolinas, Gulf South, Industrial (which serves the geographic Gulf region and has a strong industrial presence), Mid-Atlantic, Mid Central, Midwest, Northeast, Pacific West, South, Southeast and Western Canada—and operates throughout the United States and Canada.

The trench, power and fluid solutions segment includes the rental of specialty construction products such as i) trench safety equipment, such as trench shields, aluminum hydraulic shoring systems, slide rails, crossing plates, construction lasers and line testing equipment for underground work, ii) power and HVAC equipment, such as portable diesel generators, electrical distribution equipment, and temperature control equipment and iii) fluid solutions equipment primarily used for fluid containment, transfer and treatment. The trench, power and fluid solutions segment is comprised of the following regions, each of which primarily rents the corresponding equipment type described above: i) the Trench Safety region, ii) the Power and HVAC region, iii) the Fluid Solutions region and iv) the Fluid Solutions Europe region. The trench, power and fluid solutions



segment's customers include construction companies involved in infrastructure projects, municipalities and industrial companies. This segment operates throughout the United States and in Canada and Europe.

The following table presents the percentage of equipment rental revenue by equipment type for the years ended December 31, 2020, 2019 and 2018:

|                                                                           | Year Ended December 31, |      |      |
|---------------------------------------------------------------------------|-------------------------|------|------|
|                                                                           | 2020                    | 2019 | 2018 |
| <i>Primarily rented by our general rentals segment:</i>                   |                         |      |      |
| General construction and industrial equipment                             | 43 %                    | 43 % | 44 % |
| Aerial work platforms                                                     | 27 %                    | 28 % | 28 % |
| General tools and light equipment                                         | 8 %                     | 8 %  | 8 %  |
| <i>Primarily rented by our trench, power and fluid solutions segment:</i> |                         |      |      |
| Power and HVAC equipment                                                  | 9 %                     | 8 %  | 8 %  |
| Trench safety equipment                                                   | 6 %                     | 6 %  | 6 %  |
| Fluid solutions equipment                                                 | 7 %                     | 7 %  | 6 %  |

The accounting policies for our segments are the same as those described in the summary of significant accounting policies in note 2. Certain corporate costs, including those related to selling, finance, legal, risk management, human resources, corporate management and information technology systems, are deemed to be of an operating nature and are allocated to our segments based primarily on rental fleet size.

The following table sets forth financial information by segment as of and for the years ended December 31, 2020, 2019 and 2018:

|                                       | General<br>rentals | Trench,<br>power and fluid<br>solutions | Total        |
|---------------------------------------|--------------------|-----------------------------------------|--------------|
| <b>2020</b>                           |                    |                                         |              |
| Equipment rentals                     | \$ 5,472           | \$ 1,668                                | \$ 7,140     |
| Sales of rental equipment             | 785                | 73                                      | 858          |
| Sales of new equipment                | 214                | 33                                      | 247          |
| Contractor supplies sales             | 64                 | 34                                      | 98           |
| Service and other revenues            | 164                | 23                                      | 187          |
| <b>Total revenue</b>                  | <b>6,699</b>       | <b>1,831</b>                            | <b>8,530</b> |
| Depreciation and amortization expense | 1,633              | 355                                     | 1,988        |
| Equipment rentals gross profit        | 1,954              | 765                                     | 2,719        |
| Capital expenditures                  | 969                | 189                                     | 1,158        |
| Total assets                          | \$ 15,051          | \$ 2,817                                | \$ 17,868    |
| <b>2019</b>                           |                    |                                         |              |
| Equipment rentals                     | \$ 6,202           | \$ 1,762                                | \$ 7,964     |
| Sales of rental equipment             | 768                | 63                                      | 831          |
| Sales of new equipment                | 238                | 30                                      | 268          |
| Contractor supplies sales             | 71                 | 33                                      | 104          |
| Service and other revenues            | 157                | 27                                      | 184          |
| <b>Total revenue</b>                  | <b>7,436</b>       | <b>1,915</b>                            | <b>9,351</b> |
| Depreciation and amortization expense | 1,681              | 357                                     | 2,038        |
| Equipment rentals gross profit        | 2,407              | 800                                     | 3,207        |
| Capital expenditures                  | 1,967              | 383                                     | 2,350        |
| Total assets                          | \$ 16,036          | \$ 2,934                                | \$ 18,970    |
| <b>2018</b>                           |                    |                                         |              |
| Equipment rentals                     | \$ 5,550           | \$ 1,390                                | \$ 6,940     |
| Sales of rental equipment             | 619                | 45                                      | 664          |
| Sales of new equipment                | 186                | 22                                      | 208          |
| Contractor supplies sales             | 68                 | 23                                      | 91           |
| Service and other revenues            | 127                | 17                                      | 144          |
| <b>Total revenue</b>                  | <b>6,550</b>       | <b>1,497</b>                            | <b>8,047</b> |
| Depreciation and amortization expense | 1,410              | 261                                     | 1,671        |
| Equipment rentals gross profit        | 2,293              | 670                                     | 2,963        |
| Capital expenditures                  | 1,980              | 311                                     | 2,291        |
| Total assets                          | \$ 15,597          | \$ 2,536                                | \$ 18,133    |

Equipment rentals gross profit is the primary measure management reviews to make operating decisions and assess segment performance. The following is a reconciliation of equipment rentals gross profit to income before provision for income taxes:

|                                              | Year Ended December 31, |          |          |
|----------------------------------------------|-------------------------|----------|----------|
|                                              | 2020                    | 2019     | 2018     |
| Total equipment rentals gross profit         | \$ 2,719                | \$ 3,207 | \$ 2,963 |
| Gross profit from other lines of business    | 464                     | 463      | 401      |
| Selling, general and administrative expenses | (979)                   | (1,092)  | (1,038)  |
| Merger related costs                         | —                       | (1)      | (36)     |
| Restructuring charge                         | (17)                    | (18)     | (31)     |
| Non-rental depreciation and amortization     | (387)                   | (407)    | (308)    |
| Interest expense, net                        | (669)                   | (648)    | (481)    |
| Other income, net                            | 8                       | 10       | 6        |
| Income before provision for income taxes     | \$ 1,139                | \$ 1,514 | \$ 1,476 |

We operate in the United States, Canada and Europe. In July 2018, we completed the acquisition of BakerCorp, which allowed for our entry into select European markets. Our presence in Europe is limited, and the foreign information in the table below primarily reflects Canada. The following table presents geographic area information for the years ended December 31, 2020, 2019 and 2018, except for balance sheet information, which is presented as of December 31, 2020 and 2019:

|                                           | Domestic        | Foreign       | Total           |
|-------------------------------------------|-----------------|---------------|-----------------|
| <b>2020</b>                               |                 |               |                 |
| Equipment rentals                         | \$ 6,543        | \$ 597        | \$ 7,140        |
| Sales of rental equipment                 | 784             | 74            | 858             |
| Sales of new equipment                    | 218             | 29            | 247             |
| Contractor supplies sales                 | 86              | 12            | 98              |
| Service and other revenues                | 166             | 21            | 187             |
| <b>Total revenue</b>                      | <b>7,797</b>    | <b>733</b>    | <b>8,530</b>    |
| Rental equipment, net                     | 7,960           | 745           | 8,705           |
| Property and equipment, net               | 558             | 46            | 604             |
| Goodwill and other intangible assets, net | \$ 5,361        | \$ 455        | \$ 5,816        |
| <b>2019</b>                               |                 |               |                 |
| Equipment rentals                         | \$ 7,283        | \$ 681        | \$ 7,964        |
| Sales of rental equipment                 | 757             | 74            | 831             |
| Sales of new equipment                    | 238             | 30            | 268             |
| Contractor supplies sales                 | 92              | 12            | 104             |
| Service and other revenues                | 164             | 20            | 184             |
| <b>Total revenue</b>                      | <b>8,534</b>    | <b>817</b>    | <b>9,351</b>    |
| Rental equipment, net                     | 8,995           | 792           | 9,787           |
| Property and equipment, net               | 554             | 50            | 604             |
| Goodwill and other intangible assets, net | \$ 5,592        | \$ 457        | \$ 6,049        |
| <b>2018</b>                               |                 |               |                 |
| Equipment rentals                         | \$ 6,388        | \$ 552        | \$ 6,940        |
| Sales of rental equipment                 | 609             | 55            | 664             |
| Sales of new equipment                    | 184             | 24            | 208             |
| Contractor supplies sales                 | 80              | 11            | 91              |
| Service and other revenues                | 126             | 18            | 144             |
| <b>Total revenue</b>                      | <b>\$ 7,387</b> | <b>\$ 660</b> | <b>\$ 8,047</b> |

## 5. Restructuring and Asset Impairment Charges

Restructuring charges primarily include severance costs associated with headcount reductions, as well as branch closure charges. We incur severance costs and branch closure charges in the ordinary course of our business. We only include such costs that are part of a restructuring program as restructuring charges. Since the first such program was initiated in 2008, we have completed five restructuring programs and have incurred total restructuring charges of \$350.

### *Closed Restructuring Programs*

Our closed restructuring programs were initiated either in recognition of a challenging economic environment or following the completion of certain significant acquisitions. As of December 31, 2020, the total liability associated with the closed restructuring programs was \$14. As of December 31, 2020, we have incurred total restructuring charges under the closed restructuring programs of \$334, comprised of \$193 of branch closure charges and \$141 of severance and other costs.

### *2020-2021 Cost Savings Restructuring Program*

In the fourth quarter of 2019, we initiated a restructuring program associated with the consolidation of certain common functions, the relocation of our shared-service facilities and certain other cost reduction measures. We expect to complete the restructuring program in the first half of 2021. The total costs expected to be incurred in connection with the program are not currently estimable, as we are still identifying the actions that will be undertaken.

The table below provides certain information concerning our restructuring charges under the 2020-2021 Cost Savings restructuring program:

| Description                   | Beginning Reserve Balance | Charged to Costs and Expenses (1) | Payments and Other | Ending Reserve Balance |
|-------------------------------|---------------------------|-----------------------------------|--------------------|------------------------|
| Year Ended December 31, 2020: |                           |                                   |                    |                        |
| Branch closure charges        | \$ —                      | \$ 7                              | \$ (4)             | \$ 3                   |
| Severance and other           | —                         | 8                                 | (6)                | 2                      |
| Total                         | \$ —                      | \$ 15                             | \$ (10)            | \$ 5                   |

- (1) Reflected in our consolidated statements of income as “Restructuring charge” (such charge also includes activity under our other restructuring programs). The restructuring charges are not allocated to our segments. As of December 31, 2020, we have incurred total restructuring charges under the 2020-2021 Cost Savings restructuring program of \$16, comprised of \$8 of branch closure charges and \$8 of severance and other costs.

### *Asset Impairment Charges*

In addition to the restructuring charges discussed above, during the year ended December 31, 2020, we recorded asset impairment charges of \$36 primarily in our general rentals segment. The asset impairment charges, which were not related to COVID-19, are primarily reflected in depreciation of rental equipment in our consolidated statements of income and principally relate to the discontinuation of certain equipment programs. There were no material asset impairment charges during the years ended December 31, 2019 and 2018.

## 6. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

|                                   | December 31, |        |
|-----------------------------------|--------------|--------|
|                                   | 2020         | 2019   |
| Equipment (1)                     | \$ 300       | \$ —   |
| Insurance                         | 18           | 12     |
| Advertising reimbursements (2)    | 11           | 27     |
| Income taxes                      | 4            | 51     |
| Other (3)                         | 42           | 50     |
| Prepaid expenses and other assets | \$ 375       | \$ 140 |



- (1) Reflects refundable deposits on expected rental equipment purchases pursuant to advanced purchase agreements. Such deposits are presented as a component of our cash flows from operations. We expect to purchase and receive the equipment in 2021.
- (2) Reflects reimbursements due for advertising that promotes a vendor's products or services. See note 2 ("Advertising Expense") for further detail.
- (3) Includes multiple items, none of which are individually significant.

## 7. Rental Equipment

Rental equipment consists of the following:

|                               | December 31, |           |
|-------------------------------|--------------|-----------|
|                               | 2020         | 2019      |
| Rental equipment              | \$ 14,216    | \$ 14,852 |
| Less accumulated depreciation | (5,511)      | (5,065)   |
| Rental equipment, net (1)     | \$ 8,705     | \$ 9,787  |

- (1) As discussed above, disciplined management of capital expenditures and fleet capacity is a component of our COVID-19 response plan, which contributed to the year-over-year decrease in net rental equipment.

## 8. Property and Equipment

Property and equipment consist of the following:

|                                                | December 31, |        |
|------------------------------------------------|--------------|--------|
|                                                | 2020         | 2019   |
| Land                                           | \$ 111       | \$ 101 |
| Buildings                                      | 215          | 210    |
| Non-rental vehicles                            | 168          | 168    |
| Machinery and equipment                        | 164          | 157    |
| Furniture and fixtures                         | 338          | 328    |
| Leasehold improvements                         | 396          | 348    |
|                                                | 1,392        | 1,312  |
| Less accumulated depreciation and amortization | (788)        | (708)  |
| Property and equipment, net                    | \$ 604       | \$ 604 |

## 9. Goodwill and Other Intangible Assets

The following table presents the changes in the carrying amount of goodwill for each of the three years in the period ended December 31, 2020:

|                                                    | General rentals | Trench,<br>power and fluid<br>solutions | Total    |
|----------------------------------------------------|-----------------|-----------------------------------------|----------|
| Balance at January 1, 2018 (1)                     | \$ 3,607        | \$ 475                                  | \$ 4,082 |
| Goodwill related to acquisitions (2) (3)           | 752             | 247                                     | 999      |
| Foreign currency translation and other adjustments | (17)            | (6)                                     | (23)     |
| Balance at December 31, 2018 (1)                   | 4,342           | 716                                     | 5,058    |
| Goodwill related to acquisitions (2)               | 10              | 73                                      | 83       |
| Foreign currency translation and other adjustments | 10              | 3                                       | 13       |
| Balance at December 31, 2019 (1)                   | 4,362           | 792                                     | 5,154    |
| Goodwill related to acquisitions (2)               | 1               | (3)                                     | (2)      |
| Foreign currency translation and other adjustments | 5               | 11                                      | 16       |
| Balance at December 31, 2020 (1)                   | \$ 4,368        | \$ 800                                  | \$ 5,168 |

- (1) The total carrying amount of goodwill for all periods in the table above is reflected net of \$1.557 billion of accumulated impairment charges, which were primarily recorded in our general rentals segment.
- (2) Includes goodwill adjustments for the effect on goodwill of changes to net assets acquired during the measurement period, which were not significant to our previously reported operating results or financial condition.
- (3) The acquisitions of BakerCorp and BlueLine in July 2018 and October 2018, respectively, accounted for most of the 2018 goodwill related to acquisitions.

Other intangible assets were comprised of the following at December 31, 2020 and 2019:

| December 31, 2020                     |                                                |                       |                          |            |
|---------------------------------------|------------------------------------------------|-----------------------|--------------------------|------------|
|                                       | Weighted-Average Remaining Amortization Period | Gross Carrying Amount | Accumulated Amortization | Net Amount |
| Non-compete agreements                | 35 months                                      | \$ 12                 | \$ 6                     | \$ 6       |
| Customer relationships                | 6 years                                        | \$ 2,252              | \$ 1,614                 | \$ 638     |
| Trade names and associated trademarks | 4 years                                        | \$ 8                  | \$ 4                     | \$ 4       |

  

| December 31, 2019                     |                                                |                       |                          |            |
|---------------------------------------|------------------------------------------------|-----------------------|--------------------------|------------|
|                                       | Weighted-Average Remaining Amortization Period | Gross Carrying Amount | Accumulated Amortization | Net Amount |
| Non-compete agreements                | 43 months                                      | \$ 24                 | \$ 14                    | \$ 10      |
| Customer relationships                | 7 years                                        | \$ 2,246              | \$ 1,364                 | \$ 882     |
| Trade names and associated trademarks | 4 years                                        | \$ 5                  | \$ 2                     | \$ 3       |

Amortization expense for other intangible assets was \$250, \$290 and \$213 for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, estimated amortization expense for other intangible assets for each of the next five years and thereafter was as follows:

|            |        |
|------------|--------|
| 2021       | \$ 206 |
| 2022       | 161    |
| 2023       | 117    |
| 2024       | 75     |
| 2025       | 50     |
| Thereafter | 39     |
| Total      | \$ 648 |

## 10. Accrued Expenses and Other Liabilities and Other Long-Term Liabilities



Accrued expenses and other liabilities consist of the following:

|                                        | December 31, |        |
|----------------------------------------|--------------|--------|
|                                        | 2020         | 2019   |
| Self-insurance accruals                | \$ 54        | \$ 59  |
| Accrued compensation and benefit costs | 79           | 86     |
| Property and income taxes payable      | 45           | 26     |
| Restructuring reserves (1)             | 19           | 20     |
| Interest payable                       | 133          | 142    |
| Deferred revenue (2)                   | 51           | 55     |
| National accounts accrual              | 84           | 87     |
| Operating lease liability              | 178          | 178    |
| Other (3)                              | 77           | 94     |
| Accrued expenses and other liabilities | \$ 720       | \$ 747 |

- (1) Primarily relates to branch closure charges and severance costs. See note 5 for additional detail.  
(2) Reflects amounts billed to customers in excess of recognizable revenue. See note 3 for additional detail.  
(3) Other includes multiple items, none of which are individually significant.

Other long-term liabilities consist of the following:

|                                        | December 31, |       |
|----------------------------------------|--------------|-------|
|                                        | 2020         | 2019  |
| Self-insurance accruals                | \$ 73        | \$ 62 |
| Income taxes payable                   | 5            | 14    |
| Accrued compensation and benefit costs | 60           | 15    |
| Other long-term liabilities            | \$ 138       | \$ 91 |

## 11. Fair Value Measurements

As of December 31, 2020 and 2019, the amounts of our assets and liabilities that were accounted for at fair value were immaterial.

Fair value measurements are categorized in one of the following three levels based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets or liabilities include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Inputs to the valuation methodology are unobservable (i.e., supported by little or no market activity) and significant to the fair value measure.

### *Fair Value of Financial Instruments*

The carrying amounts reported in our consolidated balance sheets for accounts receivable, accounts payable and accrued expenses and other liabilities approximate fair value due to the immediate to short-term maturity of these financial instruments. The fair values of our ABL, accounts receivable securitization and term loan facilities and finance leases approximated their



book values as of December 31, 2020 and 2019. The estimated fair values of our other financial instruments, all of which are categorized in Level 1 of the fair value hierarchy, as of December 31, 2020 and 2019 have been calculated based upon available market information, and were as follows:

|              | December 31, 2020 |            | December 31, 2019 |            |
|--------------|-------------------|------------|-------------------|------------|
|              | Carrying Amount   | Fair Value | Carrying Amount   | Fair Value |
| Senior notes | \$ 6,965          | \$ 7,470   | \$ 7,755          | \$ 8,176   |

## 12. Debt

Debt, net of unamortized original issue premiums and unamortized debt issuance costs, consists of the following:

|                                                               | December 31,    |                  |
|---------------------------------------------------------------|-----------------|------------------|
|                                                               | 2020            | 2019             |
| Accounts receivable securitization facility expiring 2021 (1) | \$ 634          | \$ 929           |
| \$3.75 billion ABL facility expiring 2024 (1) (2)             | 977             | 1,638            |
| Term loan facility expiring 2025 (1)                          | 971             | 979              |
| 5 1/2 percent Senior Notes due 2025 (3)                       | —               | 795              |
| 4 5/8 percent Senior Notes due 2025 (3)                       | —               | 742              |
| 5 7/8 percent Senior Notes due 2026                           | 999             | 999              |
| 6 1/2 percent Senior Notes due 2026 (3)                       | —               | 1,089            |
| 5 1/2 percent Senior Notes due 2027                           | 994             | 992              |
| 3 7/8 percent Senior Secured Notes due 2027                   | 742             | 741              |
| 4 7/8 percent Senior Notes due 2028 (4)                       | 1,654           | 1,652            |
| 4 7/8 percent Senior Notes due 2028 (4)                       | 4               | 4                |
| 5 1/4 percent Senior Notes due 2030                           | 742             | 741              |
| 4 percent Senior Notes due 2030 (5)                           | 742             | —                |
| 3 7/8 percent Senior Notes due 2031 (6)                       | 1,088           | —                |
| Finance leases                                                | 135             | 127              |
| <b>Total debt</b>                                             | <b>9,682</b>    | <b>11,428</b>    |
| Less short-term portion                                       | (704)           | (997)            |
| <b>Total long-term debt</b>                                   | <b>\$ 8,978</b> | <b>\$ 10,431</b> |

- (1) The table below presents financial information associated with our variable rate indebtedness as of and for the year ended December 31, 2020. We have borrowed the full available amount under the term loan facility. The principal obligation under the term loan facility is required to be repaid in quarterly installments in an aggregate amount equal to 1.0 percent per annum, with the balance due at the maturity of the facility. The average amount of debt outstanding under the term loan facility decreases slightly each quarter due to the requirement to repay a portion of the principal obligation.

|                                                            | ABL facility | Accounts receivable securitization facility | Term loan facility |
|------------------------------------------------------------|--------------|---------------------------------------------|--------------------|
| Borrowing capacity, net of letters of credit               | \$ 2,705     | \$ 166                                      | \$ —               |
| Letters of credit                                          | 60           |                                             |                    |
| Interest rate at December 31, 2020                         | 1.4 %        | 1.5 %                                       | 1.9 %              |
| Average month-end debt outstanding                         | 794          | 667                                         | 983                |
| Weighted-average interest rate on average debt outstanding | 1.9 %        | 1.8 %                                       | 2.2 %              |
| Maximum month-end debt outstanding                         | 1,494        | 811                                         | 988                |

- (2) The decrease in the outstanding debt under the ABL facility since December 31, 2019 primarily reflects the use of proceeds from operations to reduce borrowings under the ABL facility. As discussed above, disciplined management of capital expenditures and fleet capacity is a component of our COVID-19 response plan, and, in 2020, capital expenditures



decreased significantly year-over-year. The decreased capital expenditures contributed to our ability to use proceeds from operations to reduce borrowings under the ABL facility.

- (3) URNA redeemed all of its 5 <sup>1</sup>/<sub>2</sub> percent Senior Notes due 2025 and 6 <sup>1</sup>/<sub>2</sub> percent Senior Notes due 2026 in August 2020, and redeemed all of its 4 <sup>5</sup>/<sub>8</sub> percent Senior Notes due 2025 in October 2020. During the year ended December 31, 2020, we recognized an aggregate debt redemption loss, in interest expense, net in our consolidated statement of income, of \$183 (comprised of \$27, \$132 and \$24 for the 5 <sup>1</sup>/<sub>2</sub> percent Senior Notes due 2025, 6 <sup>1</sup>/<sub>2</sub> percent Senior Notes due 2026 and 4 <sup>5</sup>/<sub>8</sub> percent Senior Notes due 2025, respectively). The loss reflects the difference between the net carrying amount and the total purchase price of the redeemed notes. Prior to redeeming the notes, we considered the impact of COVID-19 on liquidity, and assessed our available sources and anticipated uses of cash, including, with respect to sources, cash generated from operations and from the sale of rental equipment.
- (4) URNA separately issued 4 <sup>7</sup>/<sub>8</sub> percent Senior Notes in August 2017 and in September 2017. Following the issuances, we consummated an exchange offer pursuant to which most of the 4 <sup>7</sup>/<sub>8</sub> percent Senior Notes issued in September 2017 were exchanged for additional notes fungible with the 4 <sup>7</sup>/<sub>8</sub> percent Senior Notes issued in August 2017.
- (5) In February 2020, URNA issued \$750 aggregate principal amount of 4 percent Notes due 2030. See below for additional detail on the issued debt.
- (6) In August 2020, URNA issued \$1.100 billion aggregate principal amount of 3 <sup>7</sup>/<sub>8</sub> percent Senior Notes due 2031. See below for additional detail on the issued debt.

### **Short-term debt**

As of December 31, 2020, our short-term debt primarily reflects \$634 of borrowings under our accounts receivable securitization facility.

*Accounts receivable securitization facility.* In 2020, the accounts receivable securitization facility was amended, primarily to (a) extend the maturity date, (b) reduce the size of the facility and (c) adjust the financial tests (including the method of calculation) relating to (i) the default ratio, (ii) the delinquency ratio, (iii) the dilution ratio and (iv) days sales outstanding. The amended facility expires on June 25, 2021, has a facility size of \$800, and may be extended on a 364-day basis by mutual agreement of the Company and the lenders under the facility. Borrowings under the facility are reflected as short-term debt on our consolidated balance sheets. Key provisions of the facility include the following:

- borrowings are permitted only to the extent that the face amount of the receivables in the collateral pool, net of applicable reserves, exceeds the outstanding loans by a specified amount. As of December 31, 2020, there were \$922 of receivables, net of applicable reserves, in the collateral pool;
- the receivables in the collateral pool are the lenders' only source of repayment;
- upon early termination of the facility, no new amounts will be advanced under the facility and collections on the receivables securing the facility will be used to repay the outstanding borrowings; and
- standard termination events including, without limitation, a change of control of Holdings, URNA or certain of its subsidiaries, a failure to make payments, a failure to comply with standard default, delinquency, dilution and days sales outstanding covenants, or breach of the fixed charge coverage ratio covenant under the ABL facility (if applicable).

See the table above for financial information associated with the accounts receivable securitization facility.

### **Long-term debt**

*ABL facility.* In June 2008, Holdings, URNA, and certain of our subsidiaries entered into a credit agreement providing for a five-year \$1.25 billion ABL facility, a portion of which is available for borrowing in Canadian dollars. The ABL facility was subsequently upsized and extended, and a portion of the facility is also now available for borrowing in British Pounds and Euros by certain subsidiaries of URNA in Europe. The size of the ABL facility was \$3.75 billion as of December 31, 2020. See the table above for financial information associated with the ABL facility.

The ABL facility is subject to, among other things, the terms of a borrowing base derived from the value of eligible rental equipment and eligible inventory. The borrowing base is subject to certain reserves and caps customary for financings of this type. All amounts borrowed under the credit agreement must be repaid on or before February 2024. Loans under the credit agreement bear interest, at URNA's option: (i) in the case of loans in U.S. dollars, at a rate equal to the London interbank offered rate or an alternate base rate, in each case plus a spread, (ii) in the case of loans in Canadian dollars, at a rate equal to the Canadian prime rate or an alternate rate (Bankers' Acceptance Rate), in each case plus a spread, (iii) in the case of loans in Euros, at a rate equal to the London interbank offered rate or an alternate base rate, in each case plus a spread, or (iv) in the case of loans in British pounds, at a rate equal to the London interbank offered rate or an alternate base rate, in each case plus a spread. The interest rates under the credit agreement are subject to change based on the availability in the facility. A commitment fee accrues on any unused portion of the commitments under the credit agreement at a fixed rate per annum.



Ongoing extensions of credit under the credit agreement are subject to customary conditions, including sufficient availability under the borrowing base. As discussed below (see “Loan Covenants and Compliance”), the only financial covenant that currently exists in the ABL facility is the fixed charge coverage ratio. As of December 31, 2020, availability under the ABL facility has exceeded the required threshold and, as a result, this financial covenant was inapplicable. In addition, the credit agreement contains customary negative covenants applicable to Holdings, URNA and our subsidiaries, including negative covenants that restrict the ability of such entities to, among other things, (i) incur additional indebtedness or engage in certain other types of financing transactions, (ii) allow certain liens to attach to assets, (iii) repurchase, or pay dividends or make certain other restricted payments on, capital stock and certain other securities, (iv) prepay certain indebtedness and (v) make acquisitions and investments. The U.S. dollar borrowings under the credit agreement are secured by substantially all of our assets and substantially all of the assets of certain of our U.S. subsidiaries (other than real property and certain accounts receivable). The U.S. dollar borrowings under the credit agreement are guaranteed by Holdings and by URNA and, subject to certain exceptions, our domestic subsidiaries. Borrowings under the credit agreement by URNA’s Canadian subsidiaries are also secured by substantially all the assets of URNA’s Canadian subsidiaries and supported by guarantees from the Canadian subsidiaries and from Holdings and URNA, and, subject to certain exceptions, our domestic subsidiaries. Borrowings under the credit agreement by URNA’s subsidiaries in Europe and Puerto Rico are guaranteed by Holdings, URNA, URNA’s Canadian subsidiaries and, subject to certain exceptions, our domestic subsidiaries and secured by substantially all the assets of our U.S. subsidiaries (other than real property and certain accounts receivable) and substantially all the assets of URNA’s Canadian subsidiaries. Under the ABL facility, a change of control (as defined in the credit agreement) constitutes an event of default, entitling our lenders, among other things, to terminate our ABL facility and to require us to repay outstanding borrowings.

*Term loan facility.* In October 2018, Holdings, URNA, and certain of our subsidiaries entered into a \$1 billion senior secured term loan facility. See the table above for financial information associated with the term loan facility. The term loan facility is guaranteed by Holdings and the same domestic subsidiaries that guarantee the U.S. dollar borrowings under the ABL facility. In addition, the obligations under the term loan facility are secured by first priority security interests in the same collateral that secures the U.S. dollar borrowings under the ABL facility, on a pari passu basis with the ABL facility.

The principal obligations under the term loan facility are to be repaid in quarterly installments in an aggregate amount equal to 1.0 percent per annum, with the balance due at the maturity of the term loan facility. The term loan facility matures on October 31, 2025. Amounts drawn under the term loan facility bear annual interest, at URNA’s option, at either the London interbank offered rate plus a margin of 1.75 percent or at an alternative base rate plus a margin of 0.75 percent.

The term loan facility contains customary negative covenants applicable to URNA and its subsidiaries, including negative covenants that restrict the ability of such entities to, among other things, (i) incur additional indebtedness; (ii) incur additional liens; (iii) make dividends and other restricted payments; and (iv) engage in mergers, acquisitions and dispositions. The term loan facility does not include any financial covenants. Under the term loan facility, a change of control (as defined in the credit agreement) constitutes an event of default, entitling our lenders to, among other things, terminate the term loan facility and require us to repay outstanding loans.

*5 <sup>7</sup>/<sub>8</sub> percent Senior Notes due 2026.* In May 2016, URNA issued \$750 aggregate principal amount of 5 <sup>7</sup>/<sub>8</sub> percent Senior Notes (the “5 <sup>7</sup>/<sub>8</sub> percent Notes”) which are due September 15, 2026. In February 2017, URNA issued \$250 aggregate principal amount of 5 <sup>7</sup>/<sub>8</sub> percent Notes as an add-on to the existing 5 <sup>7</sup>/<sub>8</sub> percent Notes, after which the aggregate principal amount of outstanding 5 <sup>7</sup>/<sub>8</sub> percent Notes was \$1.0 billion. The notes issued in February 2017 have identical terms, and are fungible, with the existing 5 <sup>7</sup>/<sub>8</sub> percent Notes. The net proceeds from the issuances were approximately \$999 (including the original issue premium and after deducting offering expenses). The 5 <sup>7</sup>/<sub>8</sub> percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The 5 <sup>7</sup>/<sub>8</sub> percent Notes may be redeemed on or after September 15, 2021, at specified redemption prices that range from 102.938 percent in 2021, to 100 percent in 2024 and thereafter, plus accrued and unpaid interest, if any. The indenture governing the 5 <sup>7</sup>/<sub>8</sub> percent Notes contains certain restrictive covenants, including, among others, limitations on (i) liens; (ii) additional indebtedness; (iii) mergers, consolidations and acquisitions; (iv) sales, transfers and other dispositions of assets; (v) loans and other investments; (vi) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (vii) restrictions affecting subsidiaries; (viii) transactions with affiliates; and (ix) designations of unrestricted subsidiaries, as well as a requirement to timely file periodic reports with the SEC. Each of the restrictive covenants is subject to important exceptions and qualifications that would allow URNA and its subsidiaries to engage in these activities under certain conditions. The indenture also requires that, in the event of a change of control (as defined in the indenture), URNA must make an offer to purchase all of the then-outstanding 5 <sup>7</sup>/<sub>8</sub> percent Notes tendered at a purchase price in cash equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest, if any, thereon. The carrying value of the 5 <sup>7</sup>/<sub>8</sub> percent Notes includes the \$8 unamortized portion of the original issue premium recognized in conjunction with the February 2017 issuance, which is being amortized through the maturity date in 2026. The effective interest rate on the 5 <sup>7</sup>/<sub>8</sub> percent Notes is 5.7 percent.



*5 1/2 percent Senior Notes due 2027.* In November 2016, URNA issued \$750 aggregate principal amount of 5 1/2 percent Senior Notes which are due May 15, 2027 (the “2027 5 1/2 percent Notes”). In February 2017, URNA issued \$250 aggregate principal amount of 2027 5 1/2 percent Notes as an add-on to the existing 2027 5 1/2 percent Notes, after which the aggregate principal amount of outstanding 2027 5 1/2 percent Notes was \$1.0 billion. The notes issued in February 2017 have identical terms, and are fungible, with the existing 2027 5 1/2 percent Notes. The net proceeds from the issuances were approximately \$991 (including the original issue premium and after deducting offering expenses). The 2027 5 1/2 percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The 2027 5 1/2 percent Notes may be redeemed on or after May 15, 2022, at specified redemption prices that range from 102.75 percent in 2022, to 100 percent in 2025 and thereafter, plus accrued and unpaid interest, if any. The indenture governing the 2027 5 1/2 percent Notes contains certain restrictive covenants, including, among others, limitations on (i) liens; (ii) additional indebtedness; (iii) mergers, consolidations and acquisitions; (iv) sales, transfers and other dispositions of assets; (v) loans and other investments; (vi) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (vii) restrictions affecting subsidiaries; (viii) transactions with affiliates; and (ix) designations of unrestricted subsidiaries, as well as a requirement to timely file periodic reports with the SEC. Each of the restrictive covenants is subject to important exceptions and qualifications that would allow URNA and its subsidiaries to engage in these activities under certain conditions. The indenture also requires that, in the event of a change of control (as defined in the indenture), URNA must make an offer to purchase all of the then-outstanding 2027 5 1/2 percent Notes tendered at a purchase price in cash equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest, if any, thereon. The carrying value of the 2027 5 1/2 percent Notes includes the \$2 unamortized portion of the original issue premium recognized in conjunction with the February 2017 issuance, which is being amortized through the maturity date in 2027. The effective interest rate on the 2027 5 1/2 percent Notes is 5.5 percent.

*3 7/8 percent Senior Secured Notes due 2027.* In November 2019, URNA issued \$750 aggregate principal amount of 3 7/8 percent Senior Secured Notes (the “3 7/8 percent Notes”) which are due November 15, 2027. The net proceeds from the issuance were approximately \$741 (after deducting offering expenses). The 3 7/8 percent Notes are guaranteed by Holdings and certain domestic subsidiaries of URNA and are secured on a second-priority basis by liens on substantially all of URNA’s and the guarantors’ assets that secure the ABL facility and the term loan facility, subject to certain exceptions. The 3 7/8 percent Notes may be redeemed on or after November 15, 2022, at specified redemption prices that range from 101.938 percent in 2022, to 100 percent in 2025 and thereafter, in each case, plus accrued and unpaid interest, if any. In addition, at any time on or prior to November 15, 2022, up to 40 percent of the aggregate principal amount of the 3 7/8 percent Notes may be redeemed with the net cash proceeds of certain equity offerings at a redemption price equal to 103.875 percent of the aggregate principal amount of the notes plus accrued and unpaid interest, if any. The indenture governing the 3 7/8 percent Notes contains certain restrictive covenants, including, among others, limitations on (i) liens and (ii) mergers and consolidations, as well as a requirement to timely file periodic reports with the SEC. Each of the restrictive covenants is subject to important exceptions and qualifications that would allow URNA and its subsidiaries to engage in these activities under certain conditions. In addition, the requirements to provide subsidiary guarantees, to give further assurances and to make an offer to repurchase the notes upon the occurrence of a change of control will not apply to URNA and its restricted subsidiaries during any period when the 3 7/8 percent Notes are rated investment grade by both Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc., or, in certain circumstances, another rating agency selected by URNA, provided at such time no default under the indenture has occurred and is continuing. The indenture also requires that, in the event of a change of control (as defined in the indenture), URNA must make an offer to purchase all of the then-outstanding 3 7/8 percent Notes tendered at a purchase price in cash equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest, if any, thereon.

*4 7/8 percent Senior Notes due 2028.* In August 2017, URNA issued \$925 principal amount of 4 7/8 percent Senior Notes (the “Initial 4 7/8 percent Notes”) which are due January 15, 2028. The net proceeds from the issuance were approximately \$913 (after deducting offering expenses). The Initial 4 7/8 percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The Initial 4 7/8 percent Notes may be redeemed on or after January 15, 2023, at specified redemption prices that range from 102.438 percent in 2023, to 100 percent in 2026 and thereafter, in each case, plus accrued and unpaid interest, if any. The indenture governing the Initial 4 7/8 percent Notes contains certain restrictive covenants, including, among others, limitations on (i) liens; (ii) mergers and consolidations; (iii) sales, transfers and other dispositions of assets; (iv) dividends and other distributions, stock repurchases and redemptions and other restricted payments; and (v) designations of unrestricted subsidiaries, as well as a requirement to timely file periodic reports with the SEC. Each of the restrictive covenants is subject to important exceptions and qualifications that would allow URNA and its subsidiaries to engage in these activities under certain conditions. In addition, the covenant relating to dividends and other distributions, stock repurchases and redemptions and other restricted payments and the requirements relating to additional subsidiary guarantors will not apply to URNA and its restricted subsidiaries during any period when the Initial 4 7/8 percent Notes are rated investment grade by both Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc., or, in certain circumstances, another rating agency selected by URNA, provided at such time no default under the indenture has occurred and is continuing. The indenture also requires that, in the event of a change of control (as defined in the indenture), URNA must make an offer to



purchase all of the then-outstanding Initial  $4\frac{7}{8}$  percent Notes tendered at a purchase price in cash equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest, if any, thereon.

In September 2017, URNA issued \$750 principal amount of  $4\frac{7}{8}$  percent Senior Notes (the “Subsequent  $4\frac{7}{8}$  percent Notes”) which are due January 15, 2028. The net proceeds from the issuance were approximately \$743 (including the original issue premium and after deducting offering expenses). The Subsequent  $4\frac{7}{8}$  percent Notes represent a separate a distinct series of notes from the Initial  $4\frac{7}{8}$  percent Notes. The Subsequent  $4\frac{7}{8}$  percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The Subsequent  $4\frac{7}{8}$  percent Notes may be redeemed on or after January 15, 2023, at specified redemption prices that range from 102.438 percent in 2023, to 100 percent in 2026 and thereafter, in each case, plus accrued and unpaid interest, if any. The indenture governing the Subsequent  $4\frac{7}{8}$  percent Notes contains certain restrictive covenants, including, among others, limitations on (i) liens; (ii) mergers and consolidations; (iii) sales, transfers and other dispositions of assets; (iv) dividends and other distributions, stock repurchases and redemptions and other restricted payments; and (v) designations of unrestricted subsidiaries, as well as a requirement to timely file periodic reports with the SEC. Each of the restrictive covenants is subject to important exceptions and qualifications that would allow URNA and its subsidiaries to engage in these activities under certain conditions. In addition, the covenant relating to dividends and other distributions, stock repurchases and redemptions and other restricted payments and the requirements relating to additional subsidiary guarantors will not apply to URNA and its restricted subsidiaries during any period when the Subsequent  $4\frac{7}{8}$  percent Notes are rated investment grade by both Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc., or, in certain circumstances, another rating agency selected by URNA, provided at such time no default under the indenture has occurred and is continuing. The indenture also requires that, in the event of a change of control (as defined in the indenture), URNA must make an offer to purchase all of the then-outstanding Subsequent  $4\frac{7}{8}$  percent Notes tendered at a purchase price in cash equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest, if any, thereon. The effective interest rate on the Subsequent  $4\frac{7}{8}$  percent Notes is 4.84 percent.

In December 2017, we consummated an exchange offer pursuant to which approximately \$744 principal amount of Subsequent  $4\frac{7}{8}$  percent Notes were exchanged for additional Initial  $4\frac{7}{8}$  percent Notes issued under the indenture governing the Initial  $4\frac{7}{8}$  percent Notes and fungible with the Initial  $4\frac{7}{8}$  percent Notes. As of December 31, 2020, the principal amounts outstanding were \$1.669 billion for the Initial  $4\frac{7}{8}$  percent Notes and \$4 for the Subsequent  $4\frac{7}{8}$  percent Notes. The carrying value of the Initial  $4\frac{7}{8}$  percent Notes includes \$1 of the unamortized original issue premium, which is being amortized through the maturity date in 2028. The effective interest rate on the Initial  $4\frac{7}{8}$  percent Notes is 4.86 percent.

*5  $\frac{1}{4}$  percent Senior Notes due 2030.* In May 2019, URNA issued \$750 aggregate principal amount of  $5\frac{1}{4}$  percent Senior Notes (the “ $5\frac{1}{4}$  percent Notes”) which are due January 15, 2030. The net proceeds from the issuance were approximately \$741 (after deducting offering expenses). The  $5\frac{1}{4}$  percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The  $5\frac{1}{4}$  percent Notes may be redeemed on or after January 15, 2025, at specified redemption prices that range from 102.625 percent in 2025, to 100 percent in 2028 and thereafter, in each case, plus accrued and unpaid interest, if any. In addition, at any time on or prior to January 15, 2023, up to 40 percent of the aggregate principal amount of the  $5\frac{1}{4}$  percent Notes may be redeemed with the net cash proceeds of certain equity offerings at a redemption price equal to 105.250 percent of the aggregate principal amount of the notes plus accrued and unpaid interest, if any. The indenture governing the  $5\frac{1}{4}$  percent Notes contains certain restrictive covenants, including, among others, limitations on (i) liens; (ii) mergers and consolidations; and (iii) dividends and other distributions, stock repurchases and redemptions and other restricted payments, as well as a requirement to timely file periodic reports with the SEC. Each of the restrictive covenants is subject to important exceptions and qualifications that would allow URNA and its subsidiaries to engage in these activities under certain conditions. In addition, the covenant relating to dividends and other distributions, stock repurchases and redemptions and other restricted payments and the requirements relating to additional subsidiary guarantors will not apply to URNA and its restricted subsidiaries during any period when the  $5\frac{1}{4}$  percent Notes are rated investment grade by both Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc., or, in certain circumstances, another rating agency selected by URNA, provided at such time no default under the indenture has occurred and is continuing. The indenture also requires that, in the event of a change of control (as defined in the indenture), URNA must make an offer to purchase all of the then-outstanding  $5\frac{1}{4}$  percent Notes tendered at a purchase price in cash equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest, if any, thereon.

*4 percent Senior Notes due 2030.* In February 2020, URNA issued \$750 aggregate principal amount of 4 percent Notes which are due July 15, 2030. The net proceeds from the issuance were approximately \$741 (after deducting offering expenses). The 4 percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The 4 percent Notes may be redeemed on or after July 15, 2025, at specified redemption prices that range from 102.000 percent in 2025, to 100 percent in 2028 and thereafter, in each case, plus accrued and unpaid interest, if any. In addition, at any time on or prior to July 15, 2023, up to 40 percent of the aggregate principal amount of the 4 percent Notes may be redeemed with the net cash proceeds of certain equity offerings at a redemption price equal to 104.000 percent of the aggregate principal amount of the notes plus accrued and unpaid interest, if any. The indenture governing the 4 percent Notes contains certain restrictive



covenants, including, among others, limitations on (i) liens and (ii) mergers and consolidations, as well as a requirement to timely file periodic reports with the SEC. Each of the restrictive covenants is subject to important exceptions and qualifications that would allow URNA and its subsidiaries to engage in these activities under certain conditions. In addition, the requirements to provide subsidiary guarantees and to make an offer to repurchase the notes upon the occurrence of a change of control will not apply to URNA and its restricted subsidiaries during any period when the 4 percent Notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Service, Inc., or, in certain circumstances, another rating agency selected by URNA, provided at such time no default under the indenture has occurred and is continuing. The indenture also requires that, in the event of a change of control (as defined in the indenture), URNA must make an offer to purchase all of the then-outstanding 4 percent Notes tendered at a purchase price in cash equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest, if any, thereon.

*3 7/8 percent Senior Notes due 2031.* In August 2020, URNA issued \$1.100 billion aggregate principal amount of 3 7/8 percent Senior Notes (the "3 7/8 percent Notes") which are due February 15, 2031. The net proceeds from the issuance were approximately \$1.087 billion (after deducting offering expenses). The 3 7/8 percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The 3 7/8 percent Notes may be redeemed on or after August 15, 2025, at specified redemption prices that range from 101.938 percent in 2025, to 100 percent in 2028 and thereafter, in each case, plus accrued and unpaid interest, if any. In addition, at any time on or prior to August 15, 2023, up to 40 percent of the aggregate principal amount of the 3 7/8 percent Notes may be redeemed with the net cash proceeds of certain equity offerings at a redemption price equal to 103.875 percent of the aggregate principal amount of the notes plus accrued and unpaid interest, if any. The indenture governing the 3 7/8 percent Notes contains certain restrictive covenants, including, among others, limitations on (i) liens and (ii) mergers and consolidations, as well as a requirement to timely file periodic reports with the SEC. Each of the restrictive covenants is subject to important exceptions and qualifications that would allow URNA and its subsidiaries to engage in these activities under certain conditions. In addition, the requirements to provide subsidiary guarantees and to make an offer to repurchase the notes upon the occurrence of a change of control will not apply to URNA and its restricted subsidiaries during any period when the 3 7/8 percent Notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Service, Inc., or, in certain circumstances, another rating agency selected by URNA, provided at such time no default under the indenture has occurred and is continuing. The indenture also requires that, in the event of a change of control (as defined in the indenture), URNA must make an offer to purchase all of the then-outstanding 3 7/8 percent Notes tendered at a purchase price in cash equal to 101 percent of the principal amount thereof, plus accrued and unpaid interest, if any, thereon.

### ***Loan Covenants and Compliance***

As of December 31, 2020, we were in compliance with the covenants and other provisions of the ABL, accounts receivable securitization and term loan facilities and the senior notes. Any failure to be in compliance with any material provision or covenant of these agreements could have a material adverse effect on our liquidity and operations.

The only financial covenant that currently exists under the ABL facility is the fixed charge coverage ratio. Subject to certain limited exceptions specified in the ABL facility, the fixed charge coverage ratio covenant under the ABL facility will only apply in the future if specified availability under the ABL facility falls below 10 percent of the maximum revolver amount under the ABL facility. When certain conditions are met, cash and cash equivalents and borrowing base collateral in excess of the ABL facility size may be included when calculating specified availability under the ABL facility. As of December 31, 2020, specified availability under the ABL facility exceeded the required threshold and, as a result, this financial covenant was inapplicable. Under our accounts receivable securitization facility, we are required, among other things, to maintain certain financial tests relating to: (i) the default ratio, (ii) the delinquency ratio, (iii) the dilution ratio and (iv) days sales outstanding. The accounts receivable securitization facility also requires us to comply with the fixed charge coverage ratio under the ABL facility, to the extent the ratio is applicable under the ABL facility.

### ***Maturities***

Debt maturities (exclusive of any unamortized original issue premiums and unamortized debt issuance costs) for each of the next five years and thereafter at December 31, 2020 are as follows:

|            |    |       |
|------------|----|-------|
| 2021       | \$ | 704   |
| 2022       |    | 47    |
| 2023       |    | 36    |
| 2024       |    | 1,004 |
| 2025       |    | 939   |
| Thereafter |    | 7,025 |
| Total      | \$ | 9,755 |

### 13. Leases

#### *Adoption of Accounting Standards Codification ("ASC") Topic 842, "Leases"*

In March 2016, the FASB issued guidance ("Topic 842") to increase transparency and comparability among organizations by requiring (1) recognition of lease assets and lease liabilities on the balance sheet and (2) disclosure of key information about leasing arrangements. Some changes to the lessor accounting guidance were made to align both of the following: (1) the lessor accounting guidance with certain changes made to the lessee accounting guidance and (2) key aspects of the lessor accounting model with revenue recognition guidance. We adopted Topic 842 at the required adoption date of January 1, 2019, using the transition method that allowed us to initially apply Topic 842 as of January 1, 2019 and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We used the package of practical expedients permitted under the transition guidance that allowed us to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases. We additionally used, for our real estate operating leases, the practical expedient that allows lessees to treat the lease and non-lease components of leases as a single lease component. We did not recognize a material adjustment to the opening balance of retained earnings upon adoption. Because of the transition method we used to adopt Topic 842, Topic 842 was not applied to periods prior to adoption and the adoption of Topic 842 had no impact on our previously reported results.

As discussed in note 3 to the consolidated financial statements, most of our equipment rental revenues, which accounted for 84 percent of total revenues for the year ended December 31, 2020, were accounted for under the previous lease accounting standard through December 31, 2018 and are accounted for under Topic 842 following adoption. There were no significant changes to our revenue accounting upon adoption of Topic 842. See note 3 for a discussion of our revenue accounting (such discussion includes lessor disclosures required under Topic 842).

The adoption of Topic 842 resulted in the recognition of right-of-use ("ROU") assets and lease liabilities on our consolidated balance sheet, as discussed further below. The adoption of Topic 842 did not have a material impact on our consolidated income statement (as noted above, although a significant portion of our revenue is accounted for under Topic 842 following adoption, there were no significant changes to our revenue accounting upon adoption) or our consolidated cash flow statement.

#### *Lease Accounting*

We determine if an arrangement is a lease at inception. Our material lease contracts are generally for real estate or vehicles, and the determination of whether such contracts contain leases generally does not require significant estimates or judgments. We lease real estate and equipment under operating leases. We lease a significant portion of our branch locations, and also lease other premises used for purposes such as district and regional offices and service centers. Our finance lease obligations consist primarily of rental equipment (primarily vehicles) and building leases.

Operating leases result in the recognition of ROU assets and lease liabilities on the balance sheet. ROU assets represent our right to use the leased asset for the lease term and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate at the commencement date to determine the present value of lease payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives. Our lease terms may include options, at our sole discretion, to extend or terminate the lease that we are reasonably certain to exercise. The amount of payments associated with such options reflected in the "Maturity of lease liabilities" table below is not material. Most real estate leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 5 years or more. Lease expense is recognized on a straight-line basis over the lease term.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term. The primary leases we enter into with initial terms of 12 months or less are for equipment that we rent from vendors and then rent to our customers. We generate sublease revenue from such leases that



we refer to as "re-rent revenue" as discussed in note 3 to the consolidated financial statements. Apart from the re-rent revenue discussed in note 3, we do not generate material sublease income.

We have lease agreements with lease and non-lease components, and, for our real estate operating leases, we account for the lease and non-lease components as a single lease component. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The tables below present financial information associated with our leases. This information is only presented as of, and for the years ended, December 31, 2020 and December 31, 2019 because, as noted above, we adopted Topic 842 using a transition method that does not require application to periods prior to adoption.

|                                | Classification                                           | December 31, 2020 | December 31, 2019 |
|--------------------------------|----------------------------------------------------------|-------------------|-------------------|
| <b>Assets</b>                  |                                                          |                   |                   |
| Operating lease assets         | Operating lease right-of-use assets                      | \$ 688            | \$ 669            |
| Finance lease assets           | Rental equipment                                         | 295               | 286               |
|                                | Less accumulated depreciation                            | (86)              | (89)              |
|                                | Rental equipment, net                                    | 209               | 197               |
|                                | Property and equipment, net:                             |                   |                   |
|                                | Non-rental vehicles                                      | 8                 | 8                 |
|                                | Buildings                                                | 19                | 18                |
|                                | Less accumulated depreciation and amortization           | (11)              | (15)              |
|                                | Property and equipment, net                              | 16                | 11                |
| <b>Total leased assets</b>     |                                                          | <b>913</b>        | <b>877</b>        |
| <b>Liabilities</b>             |                                                          |                   |                   |
| <b>Current</b>                 |                                                          |                   |                   |
| Operating                      | Accrued expenses and other liabilities                   | 178               | 178               |
| Finance                        | Short-term debt and current maturities of long-term debt | 60                | 58                |
| <b>Long-term</b>               |                                                          |                   |                   |
| Operating                      | Operating lease liabilities                              | 549               | 533               |
| Finance                        | Long-term debt                                           | 75                | 69                |
| <b>Total lease liabilities</b> |                                                          | <b>\$ 862</b>     | <b>\$ 838</b>     |

| Lease cost                      | Classification                                        | Year Ended<br>December 31, 2020 | Year Ended<br>December 31, 2019 |
|---------------------------------|-------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Operating lease cost (1)</b> | Cost of equipment rentals, excluding depreciation (1) | \$ 366                          | \$ 370                          |
|                                 | Selling, general and administrative expenses          | 10                              | 10                              |
|                                 | Restructuring charge                                  | 9                               | 16                              |
| <b>Finance lease cost</b>       |                                                       |                                 |                                 |
| Amortization of leased assets   | Depreciation of rental equipment                      | 31                              | 28                              |
|                                 | Non-rental depreciation and amortization              | 1                               | 2                               |
| Interest on lease liabilities   | Interest expense, net                                 | 5                               | 6                               |
| Sublease income (2)             |                                                       | (142)                           | (157)                           |
| <b>Net lease cost</b>           |                                                       | <b>\$ 280</b>                   | <b>\$ 275</b>                   |

(1) Includes variable lease costs, which are immaterial. Cost of equipment rentals, excluding depreciation for the years ended December 31, 2020 and 2019 includes \$124 and \$142, respectively, of short-term lease costs associated with equipment that we rent from vendors and then rent to our customers, as discussed further above. Apart from these costs, short-term lease costs are immaterial.

(2) Primarily reflects re-rent revenue as discussed further above.

| Maturity of lease liabilities (as of December 31, 2020) | Operating leases<br>(1) | Finance leases (2) |
|---------------------------------------------------------|-------------------------|--------------------|
| 2021                                                    | \$ 205                  | \$ 63              |
| 2022                                                    | 176                     | 40                 |
| 2023                                                    | 144                     | 28                 |
| 2024                                                    | 112                     | 10                 |
| 2025                                                    | 76                      | 1                  |
| Thereafter                                              | 113                     | 3                  |
| <b>Total</b>                                            | <b>826</b>              | <b>145</b>         |
| Less amount representing interest                       | (99)                    | (10)               |
| <b>Present value of lease liabilities</b>               | <b>\$ 727</b>           | <b>\$ 135</b>      |

(1) Reflects payments for non-cancelable operating leases with initial or remaining terms of one year or more as of December 31, 2020. The table above does not include any legally binding minimum lease payments for leases signed but not yet commenced, and such leases are not material in the aggregate.

(2) The table above does not include any legally binding minimum lease payments for leases signed but not yet commenced, and such leases are not material in the aggregate.

| Lease term and discount rate                         | December 31, 2020 | December 31, 2019 |
|------------------------------------------------------|-------------------|-------------------|
| <b>Weighted-average remaining lease term (years)</b> |                   |                   |
| Operating leases                                     | 5.0               | 4.8               |
| Finance leases                                       | 3.0               | 3.2               |
| <b>Weighted-average discount rate</b>                |                   |                   |
| Operating leases                                     | 4.2 %             | 4.7 %             |
| Finance leases                                       | 3.4 %             | 4.0 %             |

| Other information                                                             | Year Ended<br>December 31, 2020 | Year Ended<br>December 31, 2019 |
|-------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Cash paid for amounts included in the measurement of lease liabilities</b> |                                 |                                 |
| Operating cash flows from operating leases                                    | \$ 207                          | \$ 202                          |
| Operating cash flows from finance leases                                      | 5                               | 6                               |
| Financing cash flows from finance leases                                      | 53                              | 47                              |
| Leased assets obtained in exchange for new operating lease liabilities        | 202                             | 201                             |
| Leased assets obtained in exchange for new finance lease liabilities          | \$ 64                           | \$ 55                           |

As discussed above, we adopted Topic 842 on January 1, 2019. Topic 842 is an update to Topic 840, which was the lease accounting standard in place through December 31, 2018. Upon adoption of Topic 842, the leases that were previously classified as capital leases through December 31, 2018 were classified as finance leases. There were no significant changes to the accounting upon this change in classification. The following table presents historic financial statement information for our leases (accounted for under Topic 840) for the year ended December 31, 2018:

#### Capital leases

|                                          |       |
|------------------------------------------|-------|
| Depreciation of rental equipment         | \$ 22 |
| Non-rental depreciation and amortization | 1     |

#### Operating leases

|                                           |        |
|-------------------------------------------|--------|
| Rent expense on non-cancelable leases (1) | \$ 179 |
|-------------------------------------------|--------|

(1) Rent expense on non-cancelable operating leases does not include short-term lease costs associated with equipment that we rent from vendors and then rent to our customers (which is a component of the 2020 and 2019 operating lease costs under Topic 842 as reflected in the table above). Under Topic 840, rental payments under leases with terms of a month or less that were not renewed are not included in rent expense, and we excluded such expenses because of the short-term duration of

the arrangements under which we rented equipment from vendors and then rented such equipment to our customers. The amount of such rentals was \$121 for the year ended December 31, 2018.

#### 14. Income Taxes

The components of the provision (benefit) for income taxes for each of the three years in the period ended December 31, 2020 are as follows:

|                 | Year ended December 31, |               |               |
|-----------------|-------------------------|---------------|---------------|
|                 | 2020                    | 2019          | 2018          |
| Current         |                         |               |               |
| Federal         | \$ 290                  | \$ 97         | \$ 47         |
| Foreign         | 15                      | (6)           | 18            |
| State and local | 65                      | 45            | 58            |
|                 | <u>370</u>              | <u>136</u>    | <u>123</u>    |
| Deferred        |                         |               |               |
| Federal         | (107)                   | 185           | 243           |
| Foreign         | 6                       | 14            | 3             |
| State and local | (20)                    | 5             | 11            |
|                 | <u>(121)</u>            | <u>204</u>    | <u>257</u>    |
| Total           | <u>\$ 249</u>           | <u>\$ 340</u> | <u>\$ 380</u> |

A reconciliation of the provision (benefit) for income taxes and the amount computed by applying the statutory federal income tax rate of 21 percent to the income before provision (benefit) for income taxes for each of the three years in the period ended December 31, 2020 is as follows:

|                                                | Year ended December 31, |               |               |
|------------------------------------------------|-------------------------|---------------|---------------|
|                                                | 2020                    | 2019          | 2018          |
| Computed tax at statutory tax rate             | \$ 239                  | \$ 318        | \$ 310        |
| State income taxes, net of federal tax benefit | 31                      | 43            | 54            |
| Other permanent items                          | (3)                     | (17)          | (1)           |
| Change in valuation allowance                  | (22)                    | (3)           | 7             |
| Enactment of the Tax Act (1)                   | —                       | —             | 6             |
| Foreign tax rate differential                  | 4                       | (1)           | 4             |
| Total                                          | <u>\$ 249</u>           | <u>\$ 340</u> | <u>\$ 380</u> |

(1) The Tax Act was enacted in December 2017 and required (i) the revaluation of our net deferred tax liability based on a U.S. federal tax rate of 21 percent and (ii) a one-time transition tax for deemed repatriation of accumulated undistributed earnings of certain foreign investments. We primarily recognized the accounting for the enactment of the Tax Act upon adoption in 2017, and finalized the accounting in 2018.

The components of deferred income tax assets (liabilities) are as follows:

|                                                    | December 31,<br>2020 | December 31,<br>2019 |
|----------------------------------------------------|----------------------|----------------------|
| Reserves and allowances                            | \$ 129               | \$ 111               |
| Debt cancellation and other                        | 10                   | 8                    |
| Net operating loss and credit carryforwards        | 242                  | 371                  |
| Operating lease assets                             | 183                  | 182                  |
| Total deferred tax assets                          | 564                  | 672                  |
| Less: valuation allowance (1)                      | (21)                 | (43)                 |
| Total net deferred tax assets                      | 543                  | 629                  |
| Property and equipment, including rental equipment | (1,962)              | (2,135)              |
| Operating lease liabilities                        | (183)                | (182)                |
| Intangibles                                        | (166)                | (199)                |
| Total deferred tax liability                       | (2,311)              | (2,516)              |
| Total net deferred tax liability                   | \$ (1,768)           | \$ (1,887)           |

(1) Relates to foreign tax credits, state net operating loss carryforwards, and state tax credits that may not be realized. All of the remaining valuation allowance for foreign tax credits was released in 2020.

We file income tax returns in the U.S., Canada and Europe. Without exception, we have completed our domestic and international income tax examinations, or the statute of limitations has expired in the respective jurisdictions, for years prior to 2011.

For financial reporting purposes, income before provision for income taxes for our foreign subsidiaries was \$83, \$62 and \$71 for the years ended December 31, 2020, 2019 and 2018, respectively.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and, accordingly, no taxes were provided on such earnings prior to the fourth quarter of 2020. In the fourth quarter of 2020, we identified \$135 of cash in our foreign operations in excess of near-term working capital needs, and determined that this amount could no longer be considered indefinitely reinvested. As a result, our prior assertion that all undistributed earnings of our foreign subsidiaries should be considered indefinitely reinvested has changed, and, in the fourth quarter of 2020, we recorded the immaterial taxes on a distribution of the \$135 of cash.

We continue to expect that the remaining balance of our undistributed foreign earnings will be indefinitely reinvested. If we determine that all or a portion of such foreign earnings are no longer indefinitely reinvested, we may be subject to additional foreign withholding taxes and U.S. state income taxes. At December 31, 2020, unremitted earnings of foreign subsidiaries were \$840. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable.

We have net operating loss carryforwards (“NOLs”) of \$759 for federal income tax purposes that expire from 2030 through 2037, \$3 for foreign income tax purposes that expire from 2024 through 2029 and \$744 for state income tax purposes that expire from 2021 through 2034.

## 15. Commitments and Contingencies

We are subject to a number of claims and proceedings that generally arise in the ordinary conduct of our business. These matters include, but are not limited to, general liability claims (including personal injury, product liability, and property and automobile claims), indemnification and guarantee obligations, employee injuries and employment-related claims, self-insurance obligations and contract and real estate matters. Based on advice of counsel and available information, including current status or stage of proceeding, and taking into account accruals included in our consolidated balance sheets for matters where we have established them, we currently believe that any liabilities ultimately resulting from these ordinary course claims and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows.

### Indemnification

The Company indemnifies its officers and directors pursuant to indemnification agreements and may in addition indemnify these individuals as permitted by Delaware law.



## Employee Benefit Plans

We currently sponsor two defined contribution 401(k) retirement plans, which are subject to the provisions of the Employee Retirement Income Security Act of 1974. We also sponsor a deferred profit sharing plan and a registered retirement savings plan for the benefit of the full-time employees of our Canadian subsidiaries. Under these plans, we match a percentage of the participants' contributions up to a specified amount. Company contributions to the plans were \$33, \$37 and \$31 in the years ended December 31, 2020, 2019 and 2018, respectively.

## Environmental Matters

The Company and its operations are subject to various laws and related regulations governing environmental matters. Under such laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, such property, as well as investigation of property damage. We incur ongoing expenses associated with the performance of appropriate remediation at certain locations.

## 16. Common Stock

We have 500 million authorized shares of common stock, \$0.01 par value. At December 31, 2020 and 2019, there were 0.0 million shares of common stock reserved for issuance pursuant to options granted under our stock option plans.

As of December 31, 2020, there were an aggregate of 0.8 million outstanding time and performance-based RSUs and 2.0 million shares available for grants of stock and options under our 2019 Long Term Incentive Plan.

A summary of the transactions within the Company's stock option plans follows (shares in thousands):

|                                  | Shares | Weighted-Average<br>Exercise Price |
|----------------------------------|--------|------------------------------------|
| Outstanding at December 31, 2019 | 37     | 50.40                              |
| Granted                          | —      | —                                  |
| Exercised                        | (26)   | 45.88                              |
| Canceled                         | (1)    | 43.63                              |
| Outstanding at December 31, 2020 | 10     | 61.93                              |
| Exercisable at December 31, 2020 | 10     | \$ 61.93                           |

The following table presents information associated with stock options as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018:

|                                                          | 2020 | 2019 | 2018 |
|----------------------------------------------------------|------|------|------|
| Intrinsic value of options outstanding as of December 31 | \$ 2 | \$ 4 |      |
| Intrinsic value of options exercisable as of December 31 | 2    | 4    |      |
| Intrinsic value of options exercised                     | 3    | 45   | 13   |
| Weighted-average grant date fair value per option        | \$ — | \$ — | \$ — |

In addition to stock options, the Company issues time-based and performance-based RSUs to certain officers and key executives under various equity incentive plans. The RSUs automatically convert to shares of common stock on a one-for-one basis as the awards vest. The time-based RSUs typically vest over a three year vesting period beginning 12 months from the grant date and thereafter annually on the anniversary of the grant date. The performance-based RSUs vest based on the achievement of the performance conditions during the applicable performance periods (currently the calendar year). There were 360 thousand shares of common stock issued upon vesting of RSUs during 2020, net of 207 thousand shares surrendered to satisfy tax obligations. The Company measures the value of RSUs at fair value based on the closing price of the underlying common stock on the grant date. The Company amortizes the fair value of outstanding RSUs as stock-based compensation expense over the requisite service period on a straight-line basis, or sooner if the employee effectively vests upon termination of employment under certain circumstances. For performance-based RSUs, compensation expense is recognized to the extent that the satisfaction of the performance condition is considered probable.

A summary of RSUs granted follows (RSUs in thousands):

|                                            | Year Ended December 31, |           |           |
|--------------------------------------------|-------------------------|-----------|-----------|
|                                            | 2020                    | 2019      | 2018      |
| RSUs granted                               | 643                     | 456       | 566       |
| Weighted-average grant date price per unit | \$ 140.99               | \$ 124.37 | \$ 175.79 |

As of December 31, 2020, the total pretax compensation cost not yet recognized by the Company with regard to unvested RSUs was \$49. The weighted-average period over which this compensation cost is expected to be recognized is 2.0 years.

A summary of RSU activity for the year ended December 31, 2020 follows (RSUs in thousands):

|                                   | Stock Units | Weighted-Average Grant Date Fair Value |
|-----------------------------------|-------------|----------------------------------------|
| Nonvested as of December 31, 2019 | 461         | \$ 104.40                              |
| Granted                           | 643         | 140.99                                 |
| Vested                            | (520)       | 138.48                                 |
| Forfeited                         | (67)        | 135.44                                 |
| Nonvested as of December 31, 2020 | 517         | \$ 164.62                              |

The total fair value of RSUs vested during the fiscal years ended December 31, 2020, 2019 and 2018 was \$75, \$80, and \$114, respectively.

*Dividend Policy.* Holdings has not paid dividends on its common stock since inception. The payment of any future dividends or the authorization of stock repurchases or other recapitalizations will be determined by our Board of Directors in light of conditions then existing, including earnings, financial condition and capital requirements, financing agreements, business conditions, stock price and other factors. The terms of certain agreements governing our outstanding indebtedness contain certain limitations on our ability to move operating cash flows to Holdings and/or to pay dividends on, or effect repurchases of, our common stock. In addition, under Delaware law, dividends may only be paid out of surplus or current or prior year's net profits.

*Stockholders' Rights Plan.* Our stockholders' rights plan expired in accordance with its terms in 2011. Our Board of Directors elected not to renew or extend the plan.

## 17. Quarterly Financial Information (Unaudited)

|                                           | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Full Year |
|-------------------------------------------|---------------|----------------|---------------|----------------|-----------|
| For the year ended December 31, 2020 (1): |               |                |               |                |           |
| Total revenues                            | \$ 2,125      | \$ 1,939       | \$ 2,187      | \$ 2,279       | \$ 8,530  |
| Gross profit                              | 727           | 701            | 886           | 869            | 3,183     |
| Operating income                          | 358           | 381            | 551           | 510            | 1,800     |
| Net income (1)                            | 173           | 212            | 208           | 297            | 890       |
| Earnings per share—basic                  | 2.33          | 2.94           | 2.88          | 4.11           | 12.24     |
| Earnings per share—diluted (3)            | 2.33          | 2.93           | 2.87          | 4.09           | 12.20     |
| For the year ended December 31, 2019 (2): |               |                |               |                |           |
| Total revenues                            | \$ 2,117      | \$ 2,290       | \$ 2,488      | \$ 2,456       | \$ 9,351  |
| Gross profit                              | 761           | 911            | 1,033         | 965            | 3,670     |
| Operating income                          | 368           | 529            | 656           | 599            | 2,152     |
| Net income (2)                            | 175           | 270            | 391           | 338            | 1,174     |
| Earnings per share—basic                  | 2.21          | 3.45           | 5.10          | 4.51           | 15.18     |
| Earnings per share—diluted (3)            | 2.19          | 3.44           | 5.08          | 4.49           | 15.11     |



- (1) As discussed in note 12 to our consolidated financial statements, in the fourth quarter of 2020, we redeemed all of our 4 <sup>5</sup>/<sub>8</sub> percent Senior Notes due 2025, and recognized a redemption loss of \$24 in interest expense, net. The loss represented the difference between the net carrying amount and the total purchase price of the redeemed notes.
- (2) In the fourth quarter of 2019, we issued \$750 aggregate principal amount of 3 <sup>7</sup>/<sub>8</sub> percent Senior Secured Notes due 2027 and redeemed all of our 4 <sup>5</sup>/<sub>8</sub> percent Senior Secured Notes. Upon redemption, we recognized a loss of \$29 in interest expense, net. The loss represented the difference between the net carrying amount and the total purchase price of the redeemed notes.
- (3) Diluted earnings per share includes the after-tax impacts of the following:

|                                                                                 | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Full<br>Year |
|---------------------------------------------------------------------------------|------------------|-------------------|------------------|-------------------|--------------|
| For the year ended December 31, 2020:                                           |                  |                   |                  |                   |              |
| Merger related intangible asset amortization (4)                                | (0.59)           | (0.59)            | (0.55)           | (0.52)            | (2.22)       |
| Impact on depreciation related to acquired fleet and property and equipment (5) | (0.03)           | (0.02)            | (0.06)           | 0.04              | (0.08)       |
| Impact of the fair value mark-up of acquired fleet (6)                          | (0.12)           | (0.10)            | (0.12)           | (0.16)            | (0.51)       |
| Restructuring charge (7)                                                        | (0.02)           | (0.04)            | (0.06)           | (0.06)            | (0.18)       |
| Asset impairment charge (8)                                                     | (0.26)           | —                 | (0.10)           | —                 | (0.37)       |
| Loss on extinguishment of debt securities and amendment of ABL facility (9)     | —                | —                 | (1.64)           | (0.25)            | (1.88)       |
| For the year ended December 31, 2019:                                           |                  |                   |                  |                   |              |
| Merger related costs (10)                                                       | \$ (0.01)        | \$ —              | \$ —             | \$ —              | \$ (0.01)    |
| Merger related intangible asset amortization (4)                                | (0.64)           | (0.64)            | (0.63)           | (0.60)            | (2.48)       |
| Impact on depreciation related to acquired fleet and property and equipment (5) | (0.14)           | (0.12)            | (0.07)           | (0.05)            | (0.39)       |
| Impact of the fair value mark-up of acquired fleet (6)                          | (0.25)           | (0.15)            | (0.14)           | (0.16)            | (0.72)       |
| Restructuring charge (7)                                                        | (0.07)           | (0.06)            | (0.02)           | (0.03)            | (0.18)       |
| Asset impairment charge (8)                                                     | (0.01)           | (0.03)            | (0.02)           | 0.01              | (0.05)       |
| Loss on extinguishment of debt securities and amendment of ABL facility (9)     | —                | (0.30)            | —                | (0.28)            | (0.58)       |

- (4) This reflects the amortization of the intangible assets acquired in the RSC, National Pump, NES, Neff, BakerCorp and BlueLine acquisitions.
- (5) This reflects the impact of extending the useful lives of equipment acquired in the RSC, NES, Neff, BakerCorp and BlueLine acquisitions, net of the impact of additional depreciation associated with the fair value mark-up of such equipment.
- (6) This reflects additional costs recorded in cost of rental equipment sales associated with the fair value mark-up of rental equipment acquired in the RSC, NES, Neff and BlueLine acquisitions and subsequently sold.
- (7) As discussed in note 5 to our consolidated financial statements, this primarily reflects severance costs and branch closure charges associated with our restructuring programs.
- (8) This reflects write-offs of leasehold improvements and other fixed assets. As discussed in note 5 to our consolidated financial statements, the 2020 charges primarily reflect the discontinuation of certain equipment programs, and were not related to COVID-19.
- (9) This primarily reflects the difference between the net carrying amount and the total purchase price of the redeemed notes.
- (10) This reflects transaction costs associated with the BakerCorp and BlueLine acquisitions that were completed in 2018.

## 18. Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares plus the effect of dilutive potential common shares outstanding during the period. The following table sets forth the computation of basic and diluted earnings per share (shares in thousands):

|                                                                                           | Year Ended December 31, |                 |                 |
|-------------------------------------------------------------------------------------------|-------------------------|-----------------|-----------------|
|                                                                                           | 2020                    | 2019            | 2018            |
| Numerator:                                                                                |                         |                 |                 |
| <b>Net income available to common stockholders</b>                                        | <b>\$ 890</b>           | <b>\$ 1,174</b> | <b>\$ 1,096</b> |
| Denominator:                                                                              |                         |                 |                 |
| Denominator for basic earnings per share—weighted-average common shares                   | 72,658                  | 77,341          | 82,652          |
| Effect of dilutive securities:                                                            |                         |                 |                 |
| Employee stock options                                                                    | 12                      | 114             | 379             |
| Restricted stock units                                                                    | 259                     | 255             | 499             |
| <b>Denominator for diluted earnings per share—adjusted weighted-average common shares</b> | <b>72,929</b>           | <b>77,710</b>   | <b>83,530</b>   |
| Basic earnings per share                                                                  | \$ 12.24                | \$ 15.18        | \$ 13.26        |
| Diluted earnings per share                                                                | \$ 12.20                | \$ 15.11        | \$ 13.12        |

**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
**UNITED RENTALS, INC.**  
(In millions)

| Description                            | Balance at Beginning of Period | Acquired | Charged to Costs and Expenses | Charged to Revenue | Deductions | Balance at End of Period |
|----------------------------------------|--------------------------------|----------|-------------------------------|--------------------|------------|--------------------------|
| Year Ended December 31, 2020:          |                                |          |                               |                    |            |                          |
| Allowance for doubtful accounts        | \$ 103                         | \$ —     | \$ 9 (a)                      | \$ 25 (a)          | \$ 29 (b)  | \$ 108                   |
| Reserve for obsolescence and shrinkage | 10                             | —        | 34                            | —                  | 36 (c)     | 8                        |
| Self-insurance reserve                 | 121                            | —        | 169                           | —                  | 163 (d)    | 127                      |
| Year Ended December 31, 2019:          |                                |          |                               |                    |            |                          |
| Allowance for doubtful accounts        | \$ 93                          | \$ 2     | \$ 8 (a)                      | \$ 34 (a)          | \$ 34 (b)  | \$ 103                   |
| Reserve for obsolescence and shrinkage | 5                              | 4        | 40                            | —                  | 39 (c)     | 10                       |
| Self-insurance reserve                 | 106                            | —        | 180                           | —                  | 165 (d)    | 121                      |
| Year Ended December 31, 2018:          |                                |          |                               |                    |            |                          |
| Allowance for doubtful accounts        | \$ 68                          | \$ 14    | \$ 45 (a)                     | \$ — (a)           | \$ 34 (b)  | \$ 93                    |
| Reserve for obsolescence and shrinkage | 7                              | 1        | 26                            | —                  | 29 (c)     | 5                        |
| Self-insurance reserve                 | 100                            | 5        | 144                           | —                  | 143 (d)    | 106                      |

The above information reflects the continuing operations of the Company for the periods presented. Additionally, because the Company has retained certain self-insurance liabilities associated with the discontinued traffic control business, those amounts have been included as well.

- (a) Amounts charged to cost and expenses reflect bad debt expenses recognized within selling, general and administrative expenses. The amounts charged to revenue primarily reflect doubtful accounts associated with lease revenues that were recognized as a reduction to equipment rentals revenue. In 2019, we adopted an updated lease accounting standard (see note 13 to the consolidated financial statements for further detail) that requires that we recognize doubtful accounts associated with lease revenues as a reduction to equipment rentals revenue. We adopted the updated lease accounting standard using a transition method that does not require application to periods prior to adoption.
- (b) Represents write-offs of accounts, net of recoveries.
- (c) Represents write-offs.
- (d) Represents payments.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**



## **Evaluation of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of December 31, 2020. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020.

## **Management's Annual Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of our Chief Executive Officer and Chief Financial Officer, our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth in *Internal Control—Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, our management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The Company's financial statements included in this annual report on Form 10-K have been audited by Ernst & Young LLP, independent registered public accounting firm, as indicated in the following report. Ernst & Young LLP has also provided an attestation report on the Company's internal control over financial reporting.

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of United Rentals, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited United Rentals, Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, United Rentals, Inc. ("the Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes of the Company and our report dated January 27, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Stamford, Connecticut  
January 27, 2021



### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information**

Not applicable.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item is incorporated by reference to the applicable information in our Proxy Statement related to the 2021 Annual Meeting of Stockholders (the “2021 Proxy Statement”), which is expected to be filed with the SEC on or before March 23, 2021.

### **Item 11. Executive Compensation**

The information required by this Item is incorporated by reference to the applicable information in the 2021 Proxy Statement, which is expected to be filed with the SEC on or before March 23, 2021.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item is incorporated by reference to the applicable information in the 2021 Proxy Statement, which is expected to be filed with the SEC on or before March 23, 2021.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this Item is incorporated by reference to the applicable information in the 2021 Proxy Statement, which is expected to be filed with the SEC on or before March 23, 2021.

### **Item 14. Principal Accountant Fees and Services**

The information required by this Item is incorporated by reference to the applicable information in the 2021 Proxy Statement, which is expected to be filed with the SEC on or before March 23, 2021.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

#### (a) Documents filed as a part of this report

##### (1) Consolidated financial statements:

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

United Rentals, Inc. Consolidated Balance Sheets at December 31, 2020 and 2019

United Rentals, Inc. Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018

United Rentals, Inc. Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018

United Rentals, Inc. Consolidated Statements of Stockholders' Equity for the years ended December 2020, 2019 and 2018

United Rentals, Inc. Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018

Notes to consolidated financial statements

Report of Independent Registered Public Accounting Firm on Internal Controls over Financial Reporting

##### (2) Schedules to the financial statements:

Schedule II Valuation and Qualifying Accounts

Schedules other than those listed are omitted as they are not applicable or the required or equivalent information has been included in the financial statements or notes thereto.

##### (3) Exhibits: The exhibits to this report are listed in the exhibit index below.

#### (b) Description of exhibits

| Exhibit Number | Description of Exhibit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2 (a)          | <a href="#">Agreement and Plan of Merger, dated as of December 15, 2011, by and between United Rentals, Inc. and RSC Holdings Inc. (incorporated by reference to Exhibit 2.1 of the United Rentals, Inc. Report on Form 8-K filed on December 21, 2011)</a>                                                                                                                                                                                                                                                                                                                                                      |
| 2 (b)          | <a href="#">Agreement and Plan of Merger, dated as of April 30, 2012, by and between United Rentals (North America), Inc. and UR Merger Sub Corporation (incorporated by reference to Exhibit 1.1 of the United Rentals, Inc. Report on Form 8-K filed on May 3, 2012)</a>                                                                                                                                                                                                                                                                                                                                       |
| 2 (c)          | <a href="#">Asset Purchase Agreement, dated as of March 7, 2014, by and among United Rentals (North America), Inc. and United Rentals of Canada, Inc., on the one hand, and LD Services, LLC, National Pump &amp; Compressor, Ltd., Canadian Pump &amp; Compressor Ltd., GulfCo Industrial Equipment, L.P. (collectively, the "Sellers") and the general partner and limited partners, members, shareholders or other equity holders of each Seller, as the case may be, on the other hand (incorporated by reference to Exhibit 2.1 of the United Rentals, Inc. Report on Form 8-K filed on March 10, 2014)</a> |
| 2 (d)          | <a href="#">Agreement and Plan of Merger, dated as of January 25, 2017, by and among United Rentals (North America), Inc., UR Merger Sub II Corporation, NES Rentals Holdings II, Inc. and Diamond Castle Holdings, LLC, solely in its capacity as the Stockholder Representative (incorporated by reference to Exhibit 2.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on January 27, 2017)</a>                                                                                                                                                       |
| 2 (e)          | <a href="#">Agreement and Plan of Merger, dated as of August 16, 2017, by and among United Rentals (North America), Inc., UR Merger Sub III Corporation and Neff Corporation (incorporated herein by reference to Exhibit 2.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on August 17, 2017)</a>                                                                                                                                                                                                                                                      |
| 2 (f)          | <a href="#">Agreement and Plan of Merger, dated as of June 30, 2018, by and among United Rentals, Inc., UR Merger Sub IV Corporation and BakerCorp International Holdings, Inc. (incorporated by reference to Exhibit 2.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on July 2, 2018)</a>                                                                                                                                                                                                                                                             |

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2 (g)                 | <a href="#"><u>Agreement and Plan of Merger, dated as of September 10, 2018, by and among United Rentals, Inc., UR Merger Sub V Corporation, Vander Holding Corporation and Platinum Equity Advisors, LLC, solely in its capacity as the initial Holder Representative thereunder (incorporated by reference to Exhibit 2.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on September 10, 2018)</u></a>                                                                             |
| 3 (a)                 | <a href="#"><u>Fifth Amended and Restated Certificate of Incorporation of United Rentals, Inc., dated May 7, 2020 (incorporated by reference to Exhibit 3.2 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on May 8, 2020)</u></a>                                                                                                                                                                                                                                                    |
| 3 (b)                 | <a href="#"><u>Amended and Restated By-Laws of United Rentals, Inc., amended as of May 7, 2020 (incorporated by reference to Exhibit 3.3 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on May 8, 2020)</u></a>                                                                                                                                                                                                                                                                       |
| 3 (c)                 | <a href="#"><u>Restated Certificate of Incorporation of United Rentals (North America), Inc., dated April 30, 2012 (incorporated by reference to Exhibit 3(c) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2013)</u></a>                                                                                                                                                                                                                                                                                   |
| 3 (d)                 | <a href="#"><u>By-laws of United Rentals (North America), Inc., dated May 8, 2013 (incorporated by reference to Exhibit 3(d) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2013)</u></a>                                                                                                                                                                                                                                                                                                                    |
| 4 (a)                 | <a href="#"><u>Form of Certificate representing United Rentals, Inc. Common Stock (incorporated by reference to Exhibit 4 of Amendment No. 2 to the United Rentals, Inc. Registration Statement on Form S-1, Registration No. 333-39117, filed on December 3, 1997)</u></a>                                                                                                                                                                                                                                                                  |
| 4 (b)                 | <a href="#"><u>Indenture for the 5 7/8 percent Notes due 2026, dated as of May 13, 2016, among United Rentals (North America), Inc. (the “Company”), United Rentals, Inc., the Company’s subsidiaries named therein and Wells Fargo Bank, National Association, as Trustee (including form of note) (incorporated by reference to Exhibit 4.1 of the United Rentals, Inc. Report on Form 8-K filed on May 13, 2016)</u></a>                                                                                                                  |
| 4 (c)                 | <a href="#"><u>Indenture for the 5 1/2 percent Notes due 2027, dated as of November 7, 2016, among United Rentals (North America), Inc. (the “Company”), United Rentals, Inc., the Company’s subsidiaries named therein and Wells Fargo Bank, National Association, as Trustee (including form of note) (incorporated by reference to Exhibit 4.1 of the United Rentals, Inc. Report on Form 8-K filed on November 7, 2016)</u></a>                                                                                                          |
| 4 (d)                 | <a href="#"><u>Indenture for the 4 7/8 percent Notes due 2028, dated as of August 11, 2017, among United Rentals (North America), Inc. (the “Company”), United Rentals, Inc., the Company’s subsidiaries named therein and Wells Fargo Bank, National Association, as Trustee (including form of note) (incorporated by reference to Exhibit 4.1 of the United Rentals, Inc. Report on Form 8-K filed on August 11, 2017)</u></a>                                                                                                            |
| 4 (e)                 | <a href="#"><u>Indenture for the 4 7/8 percent Notes due 2028, dated as of September 22, 2017, among United Rentals (North America), Inc. (the “Company”), United Rentals, Inc., the Company’s subsidiaries named therein and Wells Fargo Bank, National Association, as Trustee (including form of note) (incorporated by reference to Exhibit 4.2 of the United Rentals, Inc. Report on Form 8-K filed on September 22, 2017)</u></a>                                                                                                      |
| 4 (f)                 | <a href="#"><u>Indenture for the 5.25% Senior Notes due 2030, dated as of May 10, 2019, among United Rentals (North America), Inc., United Rentals, Inc., each of United Rental (North America), Inc.’s subsidiaries named therein and Wells Fargo Bank, National Association, as Trustee (including the form of note) (incorporated by reference to Exhibit 4.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on May 10, 2019)</u></a>                                              |
| 4 (g)                 | <a href="#"><u>Indenture for the 3.875% Senior Secured Notes due 2027, dated as of November 4, 2019, among United Rentals (North America), Inc., United Rentals, Inc., each of United Rentals (North America), Inc.’s subsidiaries named therein and Wells Fargo Bank, National Association, as Trustee and Notes Collateral Agent (including the form of note) (incorporated by reference to Exhibit 4.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on November 4, 2019)</u></a> |
| 4 (h)                 | <a href="#"><u>Indenture for the 4.000% Senior Notes due 2030, dated as of February 25, 2020, among United Rentals (North America), Inc., United Rentals, Inc., each of United Rentals (North America), Inc.’s subsidiaries named therein and Wells Fargo Bank, National Association, as Trustee (including the form of note) (incorporated by reference to Exhibit 4.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on February 25, 2020)</u></a>                                  |

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 (i)                 | <a href="#"><u>Indenture for the 3.875% Senior Secured Notes due 2031, dated as of August 10, 2020, among United Rentals (North America), Inc., United Rentals, Inc., each of United Rentals (North America), Inc.'s subsidiaries named therein and Wells Fargo Bank, National Association, as Trustee (including the form of note) (incorporated by reference to Exhibit 4.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on August 10, 2020)</u></a> |
| 4 (j)*                | <a href="#"><u>Description of United Rentals' Securities Registered Pursuant to Section 12 of the Exchange Act</u></a>                                                                                                                                                                                                                                                                                                                                                                                          |
| 10 (a)                | <a href="#"><u>2001 Comprehensive Stock Plan of United Rentals, Inc. (formerly the 2001 Senior Stock Plan) (incorporated by reference to Exhibit 10(f) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2006, Commission File No. 001-14387)†</u></a>                                                                                                                                                                                                                             |
| 10 (b)                | <a href="#"><u>United Rentals, Inc. Deferred Compensation Plan, as amended and restated, effective December 16, 2008 (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K, Commission File No. 001-14387, filed on December 19, 2008)†</u></a>                                                                                                                                                                                                                             |
| 10 (c)                | <a href="#"><u>United Rentals, Inc. Deferred Compensation Plan for Directors, as amended and restated, effective January 1, 2013 (incorporated by reference to Exhibit 10(f) of the United Rentals, Inc. Report on Form 10-K for year ended December 31, 2012)†</u></a>                                                                                                                                                                                                                                         |
| 10 (d)                | <a href="#"><u>United Rentals, Inc. Deferred Compensation Plan for Directors, as amended and restated, effective December 16, 2008 (incorporated by reference to Exhibit 10.2 of the United Rentals, Inc. Report on Form 8-K, Commission File No. 001-14387, filed on December 19, 2008)†</u></a>                                                                                                                                                                                                               |
| 10 (e)                | <a href="#"><u>Amendment Number One to the United Rentals, Inc. Deferred Compensation Plan for Directors, as amended and restated, effective December 16, 2008 (incorporated by reference to Exhibit 10(h) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2010)†</u></a>                                                                                                                                                                                                |
| 10 (f)                | <a href="#"><u>United Rentals, Inc. 2019 Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10(h) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2019)†</u></a>                                                                                                                                                                                                                                                                                          |
| 10 (g)                | <a href="#"><u>United Rentals, Inc. Long-Term Incentive Plan, as amended and restated, effective December 16, 2008 (incorporated by reference to Exhibit 10.5 of the United Rentals, Inc. Report on Form 8-K, Commission File No. 001-14387, filed on December 19, 2008)†</u></a>                                                                                                                                                                                                                               |
| 10 (h)                | <a href="#"><u>United Rentals, Inc. 2019 Long Term Incentive Plan (incorporated by reference to Appendix A of the United Rentals, Inc. Proxy Statement on Schedule 14A filed on March 26, 2019)†</u></a>                                                                                                                                                                                                                                                                                                        |
| 10 (i)                | <a href="#"><u>United Rentals, Inc. Second Amended and Restated 2010 Long Term Incentive Plan (incorporated by reference to Appendix C of the United Rentals, Inc. Proxy Statement on Schedule 14A filed on March 26, 2014)†</u></a>                                                                                                                                                                                                                                                                            |
| 10 (j)                | <a href="#"><u>Form of United Rentals, Inc. 2010 Long-Term Incentive Plan Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10(b) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2010)†</u></a>                                                                                                                                                                                                                                                    |
| 10 (k)                | <a href="#"><u>United Rentals, Inc. Restricted Stock Unit Deferral Plan, as amended and restated, effective December 16, 2008 (incorporated by reference to Exhibit 10.3 of the United Rentals, Inc. Report on Form 8-K, Commission File No. 001-14387, filed on December 19, 2008)†</u></a>                                                                                                                                                                                                                    |
| 10 (l)                | <a href="#"><u>Amendment Number One to the United Rentals, Inc. Restricted Stock Unit Deferral Plan, as amended and restated, effective December 16, 2008 (incorporated by reference to Exhibit 10(p) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2010)†</u></a>                                                                                                                                                                                                     |
| 10 (m)                | <a href="#"><u>Form of United Rentals, Inc. Restricted Stock Unit Agreement for Senior Management (incorporated by reference to Exhibit 10(b) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2006, Commission File No. 001-14387)†</u></a>                                                                                                                                                                                                                                      |
| 10 (n)                | <a href="#"><u>Form of United Rentals, Inc. Restricted Stock Unit Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10(c) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2006, Commission File No. 001-14387)†</u></a>                                                                                                                                                                                                                                 |
| 10 (o)                | <a href="#"><u>Form of United Rentals, Inc. Restricted Stock Unit Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10(a) United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2017)†</u></a>                                                                                                                                                                                                                                                                       |

| Exhibit Number | Description of Exhibit                                                                                                                                                                                                                                                                                                     |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 (p)         | <a href="#"><u>Form of United Rentals, Inc. Restricted Stock Unit Agreement for Non-Employee Directors, effective for grants of awards beginning in May 2019 (incorporated by reference to Exhibit 10(a) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2019)†</u></a>                     |
| 10 (q)         | <a href="#"><u>Form of United Rentals, Inc. Stock Option Agreement for Senior Management (incorporated by reference to Exhibit 10.4 of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2009)†</u></a>                                                                                          |
| 10 (r)         | <a href="#"><u>Form of United Rentals, Inc. Stock Option Agreement for Senior Management, effective for grants of awards beginning in 2010 (incorporated by reference to Exhibit 10(d) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2010)†</u></a>                                      |
| 10 (s)         | <a href="#"><u>Form of United Rentals, Inc. Performance-Based Restricted Stock Unit Agreement for Senior Management; effective for grants beginning in 2015 (incorporated by reference to Exhibit 10(i) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2015)†</u></a>                     |
| 10 (t)         | <a href="#"><u>Form of United Rentals, Inc. Performance-Based Restricted Stock Unit Agreement for Senior Management; effective for grants beginning in 2020 (incorporated by reference to Exhibit 10(t) of the United Rentals, Inc. Report on Form 10-K for the year ended December 31, 2019)†</u></a>                     |
| 10 (u)         | <a href="#"><u>Form of United Rentals, Inc. Performance-Based Restricted Stock Unit Agreement for Chief Executive Officer; effective for grants beginning in 2017† (incorporated by reference to Exhibit 10(r) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2018)†</u></a>       |
| 10 (v)         | <a href="#"><u>Form of United Rentals, Inc. Restricted Stock Unit Agreement for Senior Management; effective for grants beginning in 2015 (incorporated by reference to Exhibit 10(h) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2015)†</u></a>                                       |
| 10 (w)         | <a href="#"><u>Form of United Rentals, Inc. Restricted Stock Unit Agreement for Senior Management, effective for grants of awards beginning in May 2019 (incorporated by reference to Exhibit 10(b) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2019)†</u></a>                          |
| 10 (x)         | <a href="#"><u>Form of United Rentals, Inc. Restricted Stock Unit Agreement for Chief Executive Officer; effective for grants beginning in 2017† (incorporated by reference to Exhibit 10(t) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2018)†</u></a>                         |
| 10 (y)         | <a href="#"><u>Form of Restricted Stock Unit Agreement for Michael Kneeland, dated March 11, 2019 (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on March 15, 2019)†</u></a>                                             |
| 10 (z)         | <a href="#"><u>Form of Restricted Stock Unit Agreement (Performance Based) for Michael Kneeland, dated March 11, 2019 (incorporated by reference to Exhibit 10.2 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on March 15, 2019)†</u></a>                         |
| 10 (aa)        | Board of Directors compensatory plans, as described under the caption "Director Compensation" in the United Rentals, Inc. definitive proxy statement to be filed with the Securities and Exchange Commission (in connection with the Annual Meeting of Stockholders) on or before March 23, 2021                           |
| 10 (bb)*       | <a href="#"><u>Form of Restricted Stock Unit Agreement (Performance Based) for Senior Management; effective for grants beginning in 2021†</u></a>                                                                                                                                                                          |
| 10 (cc)*       | <a href="#"><u>Form of Restricted Stock Unit Agreement for Senior Management; effective for grants beginning in 2021†</u></a>                                                                                                                                                                                              |
| 10 (dd)        | <a href="#"><u>Employment Agreement, dated as of August 22, 2008, between United Rentals, Inc. and Michael J. Kneeland (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K, Commission File No. 001-14387, filed on August 25, 2008)†</u></a>                                        |
| 10 (ee)        | <a href="#"><u>First (renumbered Second) Amendment, dated January 15, 2009, to the Employment Agreement between United Rentals, Inc. and Michael J. Kneeland (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K, Commission File No. 001-14387, filed on January 15, 2009)†</u></a> |
| 10 (ff)        | <a href="#"><u>Third Amendment, dated March 13, 2009, to the Employment Agreement between United Rentals, Inc. and Michael J. Kneeland (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on March 17, 2009)†</u></a>                                                         |

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>                                                                                                                                                                                                                                                                                                                                |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 (gg)               | <a href="#"><u>Fourth Amendment, effective as of August 22, 2008, to the Employment Agreement between United Rentals, Inc. and Michael J. Kneeland (incorporated by reference to Exhibit 10(dd) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2010)†</u></a>                                                        |
| 10 (hh)               | <a href="#"><u>Fifth Amendment, effective October 22, 2012, to the Employment Agreement between United Rentals, Inc. and Michael J. Kneeland (incorporated by reference to Exhibit 10(gg) of the United Rentals, Inc. Report on Form 10-K for year ended December 31, 2012)†</u></a>                                                                         |
| 10 (ii)               | <a href="#"><u>Form of 2001 Comprehensive Stock Plan Restricted Stock Unit Agreement with Michael J. Kneeland (incorporated by reference to Exhibit 10.2 of the United Rentals, Inc. Report on Form 8-K, Commission File No. 001-14387, filed on August 25, 2008)†</u></a>                                                                                   |
| 10 (jj)               | <a href="#"><u>Restricted Stock Unit Agreement, dated as of March 11, 2019, by and between United Rentals, Inc. and Michael J. Kneeland (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America) Inc. Current Report on Form 8-K, filed on March 15, 2019)†</u></a>                                         |
| 10 (kk)               | <a href="#"><u>Restricted Stock Unit Agreement (Performance Based), dated as of March 11, 2019, by and between United Rentals, Inc. and Michael J. Kneeland (incorporated by reference to Exhibit 10.2 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K, filed on March 15, 2019)†</u></a>                    |
| 10 (ll)               | <a href="#"><u>Letter Agreement with William B. Plummer (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on July 2, 2018)†</u></a>                                                                                                                           |
| 10 (mm)               | <a href="#"><u>Employment Agreement, dated as of May 8, 2019, between United Rentals, Inc. and Matthew Flannery (incorporated by reference to Exhibit 10(c) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2019)†</u></a>                                                                                                    |
| 10 (nn)               | <a href="#"><u>Amended Employment Agreement, dated April 28, 2008, between United Rentals, Inc. and Dale Asplund (incorporated by reference to Exhibit 10(b) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2011)†</u></a>                                                                                                  |
| 10 (oo)               | <a href="#"><u>Second Amendment, effective as of April 3, 2013, to the Employment Agreement between United Rentals, Inc. and Dale Asplund (incorporated by reference to Exhibit 10(b) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2013)†</u></a>                                                                         |
| 10 (pp)               | <a href="#"><u>Employment Agreement, effective as of October 12, 2018, between the Company and Jessica T. Graziano (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed on October 12, 2018)†</u></a>                                                                                                                 |
| 10 (qq)               | <a href="#"><u>Employment Agreement, effective as of January 20, 2016 between United Rentals, Inc. and Jeffrey Fenton (incorporated by reference to Exhibit 10(ss) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2015)†</u></a>                                                                                     |
| 10 (rr)               | <a href="#"><u>Employment Agreement, effective as of January 20, 2016 between United Rentals, Inc. and Craig Pintoff (incorporated by reference to Exhibit 10(tt) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2015)†</u></a>                                                                                      |
| 10 (ss)               | <a href="#"><u>Employment Agreement, dated October 12, 2018, between United Rentals, Inc. and Andrew Limoges (incorporated by reference to Exhibit 10(b) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended September 30, 2018)</u></a>                                                                                                   |
| 10 (tt)               | <a href="#"><u>Severance Agreement and General Release, dated September 21, 2020, between United Rentals, Inc. and Paul McDonnell (including a form of Consulting Agreement) (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on September 22, 2020)</u></a> |
| 10 (uu)               | <a href="#"><u>Form of Indemnification Agreement for Executive Officers and Directors (incorporated by reference to Exhibit 10(a) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended September 30, 2014)†</u></a>                                                                                                                         |

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 (vv)               | <a href="#"><u>Third Amended and Restated Credit Agreement, dated as of February 15, 2019, among United Rentals, Inc., United Rentals (North America), Inc., certain subsidiaries of United Rentals, Inc. and United Rentals (North America), Inc., United Rentals of Canada, Inc., United Rentals International B.V., United Rentals S.A.S., Bank of America N.A., and the other financial institutions named therein (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on February 15, 2019).</u></a>                                                                                                                 |
| 10 (ww)               | <a href="#"><u>Third Amended and Restated U.S. Security Agreement, dated as of February 15, 2019, among United Rentals, Inc., United Rentals (North America), Inc., certain subsidiaries of United Rentals, Inc. and United Rentals (North America), Inc. and Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.2 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on February 15, 2019).</u></a>                                                                                                                                                                                                                                          |
| 10 (xx)               | <a href="#"><u>Third Amended and Restated U.S. Guarantee Agreement, dated as of February 15, 2019, among United Rentals, Inc., United Rentals (North America), Inc., certain subsidiaries of United Rentals, Inc. and United Rentals (North America), Inc. named or referred to therein in favor of Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.3 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on February 15, 2019).</u></a>                                                                                                                                                                                                    |
| 10 (yy)               | <a href="#"><u>Third Amended and Restated Canadian Security Agreement, dated as of February 15, 2019, among United Rentals of Canada, Inc. and Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.4 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on February 15, 2019).</u></a>                                                                                                                                                                                                                                                                                                                                                         |
| 10 (zz)               | <a href="#"><u>Third Amended and Restated Canadian Guarantee Agreement, dated as of February 15, 2019, by United Rentals of Canada, Inc. in favor of Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.5 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on February 15, 2019).</u></a>                                                                                                                                                                                                                                                                                                                                                   |
| 10 (aaa)              | <a href="#"><u>Second Amended and Restated Security Agreement, dated as of November 4, 2019 and effective as of November 20, 2019, by and among United Rentals, Inc., United Rentals (North America), Inc., certain subsidiaries of United Rentals, Inc. and United Rentals (North America), Inc. and Wells Fargo Bank, N.A., as Note Trustee and Collateral Agent (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on November 4, 2019).</u></a>                                                                                                                                                                                                                       |
| 10 (bbb)              | <a href="#"><u>Third Amended and Restated Receivables Purchase Agreement, dated as of September 24, 2012, by and among The Bank of Nova Scotia, PNC Bank, National Association, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, Liberty Street Funding LLC, Market Street Funding LLC, Gotham Funding Corporation, United Rentals Receivables LLC II and United Rentals, Inc. (without annexes) (incorporated by reference to Exhibit 10.2 of the United Rentals, Inc. Report on Form 8-K filed on September 25, 2012).</u></a>                                                                                                                                                                               |
| 10 (ccc)              | <a href="#"><u>Assignment and Acceptance Agreement and Amendment No. 1 to Third Amended and Restated Receivables Purchase Agreement, dated as of February 1, 2013, among United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Market Street Funding LLC, Gotham Funding Corporation, The Bank of Nova Scotia, PNC Bank National Association, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on February 4, 2013).</u></a>                                                                                                                           |
| 10 (ddd)              | <a href="#"><u>Amendment No. 2 to the Third Amended and Restated Receivables Purchase Agreement and Amendment No. 1 to the Third Amended and Restated Purchase and Contribution Agreement, dated as of September 17, 2013, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, Market Street Funding, LLC, The Bank of Nova Scotia, PNC Bank, National Association, Bank of America, National Association, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on September 23, 2013).</u></a> |
| 10 (eee)              | <a href="#"><u>Amendment No. 3 to the Third Amended and Restated Receivables Purchase Agreement, dated as of September 18, 2014, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, The Bank of Nova Scotia, PNC Bank, National Association, SunTrust Bank and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on September 19, 2014).</u></a>                                                                                                                                                |

| Exhibit Number | Description of Exhibit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 (fff)       | <a href="#"><u>Assignment and Acceptance Agreement and Amendment No. 4 to the Third Amended and Restated Receivables Purchase Agreement and Amendment No. 2 to the Third Amended and Restated Purchase and Contribution Agreement, dated as of September 1, 2015, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, The Bank of Nova Scotia, PNC Bank, National Association, SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, and Bank of Montreal (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Form 8-K filed on September 2, 2015)</u></a>                                                                                                                        |
| 10 (ggg)       | <a href="#"><u>Assignment and Acceptance Agreement and Amendment No. 5 to the Third Amended and Restated Receivables Purchase Agreement and Amendment No. 3 to Third Amended and Restated Purchase and Contribution Agreement, dated as of August 30, 2016, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, Fairway Finance Company, LLC, The Bank of Nova Scotia, PNC Bank, National Association, SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, and Bank of Montreal (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Form 8-K filed on August 30, 2016)</u></a>                                                                                                  |
| 10 (hhh)       | <a href="#"><u>Assignment and Acceptance Agreement and Amendment No. 6 to Third Amended and Restated Receivables Purchase Agreement and Amendment No. 4 to Third Amended and Restated Purchase and Contribution Agreement, dated as of August 29, 2017, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, Fairway Finance Company, LLC, The Bank of Nova Scotia, PNC Bank, National Association, SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, Bank of Montreal and The Toronto-Dominion Bank (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on August 29, 2017)</u></a>                                                                  |
| 10 (iii)       | <a href="#"><u>Amendment No. 7 to Third Amended and Restated Receivables Purchase Agreement dated as of December 1, 2017, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, Fairway Finance Company, LLC, The Bank of Nova Scotia, PNC Bank, National Association, SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank of Montreal and The Toronto-Dominion Bank (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on December 1, 2017)</u></a>                                                                                                                                                                                                                |
| 10 (jjj)       | <a href="#"><u>Amendment No. 8 to Third Amended and Restated Receivables Purchase Agreement and Amendment No. 5 to Third Amended and Restated Purchase and Contribution Agreement, dated as of June 29, 2018, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, Fairway Finance Company, LLC, The Bank of Nova Scotia, PNC Bank, National Association, SunTrust Bank, MUFG Bank, Ltd. (formerly known as the Bank of Tokyo-Mitsubishi UFJ, Ltd.), Bank of Montreal and The Toronto-Dominion Bank (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on June 29, 2018)</u></a>                                          |
| 10 (kkk)       | <a href="#"><u>Amendment No. 9 to Third Amended and Restated Receivables Purchase Agreement, dated as of December 31, 2018, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, Fairway Finance Company, LLC, The Bank of Nova Scotia, PNC Bank, National Association, SunTrust Bank, MUFG Bank, Ltd., Bank of Montreal and The Toronto-Dominion Bank. (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on December 31, 2018)</u></a>                                                                                                                                                                                  |
| 10 (III)       | <a href="#"><u>Assignment and Acceptance Agreement and Amendment No. 10 to Third Amended and Restated Receivables Purchase Agreement and Amendment No. 6 to Third Amended and Restated Purchase and Contribution Agreement, dated as of June 28, 2019, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, Fairway Finance Company, LLC, The Bank of Nova Scotia, PNC Bank, National Association, SunTrust Bank, MUFG Bank, Ltd. (formerly known as the Bank of Tokyo-Mitsubishi UFJ, Ltd.), Bank of Montreal and The Toronto-Dominion Bank (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on June 28, 2019)</u></a> |

| Exhibit Number | Description of Exhibit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 (mmm)       | <a href="#">Amendment No. 11 to Third Amended and Restated Receivables Purchase Agreement, dated as of April 27, 2020, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, The Bank of Nova Scotia, PNC Bank, National Association, Truist Bank (successor by merger to SunTrust Bank), MUFG Bank, Ltd. (formerly known as the Bank of Tokyo-Mitsubishi UFJ, Ltd.) and The Toronto-Dominion Bank (incorporated by reference to Exhibit 10 of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2020)</a>                                               |
| 10 (nnn)       | <a href="#">Amendment No. 12 to Third Amended and Restated Receivables Purchase Agreement and Amendment No. 7 to Third Amended and Restated Purchase and Contribution Agreement, dated as of June 26, 2020, by and among United Rentals (North America), Inc., United Rentals Receivables LLC II, United Rentals, Inc., Liberty Street Funding LLC, Gotham Funding Corporation, The Bank of Nova Scotia, PNC Bank, National Association, Truist Bank, National Association, MUFG Bank, Ltd., and The Toronto-Dominion Bank (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on June 26, 2020)</a> |
| 10 (ooo)       | <a href="#">Third Amended and Restated Purchase and Contribution Agreement, dated as of September 24, 2012, by and among United Rentals Receivables LLC II, United Rentals, Inc. and United Rentals (North America), Inc. (without annexes) (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on September 25, 2012)</a>                                                                                                                                                                                                                                                                                                                            |
| 10 (ppp)       | <a href="#">Amended and Restated Performance Undertaking, dated as of September 24, 2012, executed by United Rentals, Inc. in favor of United Rentals Receivables LLC II (incorporated by reference to Exhibit 10.3 of the United Rentals, Inc. Report on Form 8-K filed on September 25, 2012)</a>                                                                                                                                                                                                                                                                                                                                                                                               |
| 10 (qqq)       | <a href="#">Credit and Guaranty Agreement, dated as of October 31, 2018, among the financial institutions from time to time parties thereto, Bank of America, N.A., as agent, United Rentals, Inc., United Rentals (North America), Inc., and certain subsidiaries of United Rentals, Inc. referred to therein (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on October 31, 2018)</a>                                                                                                                                                                                                                                                           |
| 10 (rrr)       | <a href="#">Term Loan Security Agreement, dated as of October 31, 2018, among United Rentals, Inc., United Rentals (North America), Inc., certain subsidiaries of United Rentals, Inc. referred to therein, and Bank of America, N.A. as agent (incorporated by reference to Exhibit 10.2 of the United Rentals, Inc. Report on Form 8-K filed on October 31, 2018)</a>                                                                                                                                                                                                                                                                                                                           |
| 21 *           | <a href="#">Subsidiaries of United Rentals, Inc.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 22 *           | <a href="#">Subsidiary Guarantors</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 23 *           | <a href="#">Consent of Ernst &amp; Young LLP</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 31 (a)*        | <a href="#">Rule 13a-14(a) Certification by Chief Executive Officer</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 31 (b)*        | <a href="#">Rule 13a-14(a) Certification by Chief Financial Officer</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 32 (a)**       | <a href="#">Section 1350 Certification by Chief Executive Officer</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 32 (b)**       | <a href="#">Section 1350 Certification by Chief Financial Officer</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 101.INS        | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 101.SCH        | XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

\* Filed herewith.

\*\* Furnished (and not filed) herewith pursuant to Item 601(b)(32)(ii) of Regulation S-K under the Exchange Act.

† This document is a management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 15(a) of this report.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED RENTALS, INC.

Date: January 27, 2021 By: /s/ MATTHEW J. FLANNERY  
**Matthew J. Flannery, Chief Executive Officer**

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

| <b>Signatures</b>                                     | <b>Title</b>                                                          | <b>Date</b>      |
|-------------------------------------------------------|-----------------------------------------------------------------------|------------------|
| /s/ MICHAEL J. KNEELAND<br><b>Michael J. Kneeland</b> | Chairman                                                              | January 27, 2021 |
| /s/ JOSÉ B. ALVAREZ<br><b>José B. Alvarez</b>         | Director                                                              | January 27, 2021 |
| /s/ MARC A. BRUNO<br><b>Marc A. Bruno</b>             | Director                                                              | January 27, 2021 |
| /s/ BOBBY J. GRIFFIN<br><b>Bobby J. Griffin</b>       | Lead Independent Director                                             | January 27, 2021 |
| /s/ KIM HARRIS JONES<br><b>Kim Harris Jones</b>       | Director                                                              | January 27, 2021 |
| /s/ TERRI L. KELLY<br><b>Terri L. Kelly</b>           | Director                                                              | January 27, 2021 |
| /s/ GRACIA MARTORE<br><b>Gracia Martore</b>           | Director                                                              | January 27, 2021 |
| /s/ FILIPPO PASSERINI<br><b>Filippo Passerini</b>     | Director                                                              | January 27, 2021 |
| /s/ DONALD C. ROOF<br><b>Donald C. Roof</b>           | Director                                                              | January 27, 2021 |
| /s/ SHIV SINGH<br><b>Shiv Singh</b>                   | Director                                                              | January 27, 2021 |
| /s/ MATTHEW J. FLANNERY<br><b>Matthew J. Flannery</b> | Director and Chief Executive Officer<br>(Principal Executive Officer) | January 27, 2021 |
| /s/ JESSICA T. GRAZIANO<br><b>Jessica T. Graziano</b> | Chief Financial Officer (Principal Financial<br>Officer)              | January 27, 2021 |
| /s/ ANDREW B. LIMOGES<br><b>Andrew B. Limoges</b>     | Vice President, Controller (Principal<br>Accounting Officer)          | January 27, 2021 |