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## McGrath RentCorp Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) And our first question is from the line of David Gold, Sidoti & Company. Please go ahead.

#### David Gold – Sidoti & Company

Hi, good afternoon.

#### Dennis Kakures

Hi, David.

#### Keith Pratt

Hi, David.

#### David Gold – Sidoti & Co.

Couple of questions, first, you have said a lot more last few minutes, but essentially when compare – when I look at the fourth quarter numbers and then I look at the guidance that you have put out, well fourth quarter just wasn't that bad so to speak, you have given sort of a few reasons, but wondering if basically has something more happened in the last six weeks that is really pushing you take the more aggressive stands or was it the returns that you are seeing, or is it just more conservatism?

#### Dennis Kakures

Well it is a combination of iron's David. Certainly in our electronics business we have continued to see an erosion in the billing rate and so that has built in the projection. In the California market in particular, with the budget situation that only recently has been resolved. And then determining when there will be flow of monies to initiate new projects is as of the big question mark there. So, later in the year that comes into play or start that impacts new projects coming online in rental revenue billings for the year, so that is very difficult to judge at this point. So those are the two biggest items there. Those are, California is a very important market to us and electronics as a whole even though the pipeline has remained fairly good in the new year to conversion into order activity isn't occurring as we would like to see it. So, – but those are the two most important areas.

#### David Gold – Sidoti & Co.

I see. Okay. And then we dove down a little bit more by division, you obviously you commented that essentially you would expect some modest growth and it is really the contribution from Adler presumably, but –

**Keith Pratt**

Yes. Adler is actually offsetting weakness in the Modular and electronics businesses.

**David Gold – Sidoti & Co.**

Right. So when we look at though the two businesses presumably, can you give a sense Keith for, which do you expect to be more painful or painless here?

**Keith Pratt**

Yes we have looked that out and what I would say is both are feeling the pain. Yes if you look back in '08 it was really a tail of two businesses Modular has had a more flattish year, electronics taking the year as a whole had very nice growth in rental revenues. I think as we look into '09 for both of the businesses, we see pressure on the rental operations part of the business, pressure on the volume of sales, and also pressure on the gross margin structure. And I would say both business is in our efforts to forecast them are showing significant pressure.

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