UNITED RENTALS INC /DE
Form 10-Q
October 15, 2014
Table of Contents

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-14387
Commission File Number 1-13663

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

| | |
|---|---|
| Delaware | 06-1522496 |
| Delaware | 86-0933835 |
| (States of Incorporation) | (I.R.S. Employer Identification Nos.) |
| 100 First Stamford Place, Suite 700<br>Stamford, Connecticut | 06902 |
| (Address of Principal Executive Offices) | (Zip Code) |

Registrants' Telephone Number, Including Area Code: (203) 622-3131
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large Accelerated Filer | x | Accelerated Filer | o |
| Non-Accelerated Filer | o | Smaller Reporting Company | o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No
As of October 13, 2014, there were 99,808,171 shares of United Rentals, Inc. common stock, $0.01 par value, outstanding. There is no market for the common stock of United Rentals (North America), Inc., all outstanding shares

of which are owned by United Rentals, Inc.

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

Table of Contents

UNITED RENTALS, INC.
UNITED RENTALS (NORTH AMERICA), INC.
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014
INDEX

Table of Contents

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “should,” “seek,” “on-track,” “plan,” “project,” “fore 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 possibility that RSC Holdings Inc. ("RSC"), National Pump[1] or other companies that we have acquired or may acquire, in our specialty business or otherwise, could have undiscovered liabilities or involve other unexpected costs, may strain our management capabilities or may be difficult to integrate;
- a change in the pace of the recovery in our end markets; our business is cyclical and highly sensitive to North American construction and industrial activities as well as the energy sector, in general; although we have experienced an upturn in rental activity, there is no certainty this trend will continue; if the pace of the recovery slows or construction activity declines, our revenues and, because many of our costs are fixed, our profitability may be adversely affected;
- our significant indebtedness (which totaled $8.1 billion at September 30, 2014) 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 at terms that are favorable to us, or at all;
- incurrence of additional debt, which could exacerbate the risks associated with our current level of indebtedness;
- noncompliance with financial or other covenants in our debt agreements, which could result in our lenders terminating our credit facilities 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 benefit from government spending, including spending associated with infrastructure projects;
- fluctuations in the price of our common stock and inability to complete stock repurchases in the time frame and/or on the terms anticipated;
- rates we charge and time utilization we achieve being less than anticipated;
- inability to manage credit risk adequately or to collect on contracts with a large number of customers;
- inability to access the capital that our businesses or growth plans may require;
- incurrence of impairment charges;
- the fact that our holding company structure requires us to depend in part on distributions from subsidiaries and such distributions could be limited by contractual or legal restrictions;
- increases in our loss reserves to address business operations or other claims and any claims that exceed our established levels of reserves;
- incurrence of additional expenses (including indemnification obligations) and other costs in connection with litigation, regulatory and investigatory matters;
- the outcome or other potential consequences of regulatory matters and commercial litigation;
- shortfalls in our insurance coverage;
- our charter provisions as well as provisions of certain debt agreements and our significant indebtedness may have the effect of making more difficult or otherwise discouraging, delaying or deterring a takeover or other change of control of us;

- turnover in our management team and inability to attract and retain key personnel;
- costs we incur being more than anticipated, and the inability to realize expected savings in the amounts or time frames planned;
- dependence on key suppliers to obtain equipment and other supplies for our business on acceptable terms;
- inability to sell our new or used fleet in the amounts, or at the prices, we expect;
- competition from existing and new competitors;

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1. In April 2014, we acquired assets of the following four entities: National Pump & Compressor, Ltd., Canadian Pump and Compressor Ltd., GulfCo Industrial Equipment, LP and LD Services, LLC (collectively "National Pump").

Table of Contents

- risks related to security breaches, cybersecurity attacks and other significant disruptions in our information technology systems;
- the costs of complying with environmental, safety and foreign law and regulations;
- labor disputes, work stoppages or other labor difficulties, which may impact our productivity, and potential enactment of new legislation or other changes in law affecting our labor relations or operations generally; and
- increases in our maintenance and replacement costs and/or decreases in the residual value of our equipment.

For a more complete description of these and other possible risks and uncertainties, please refer to our Annual Report on Form 10-K for the year ended December 31, 2013, as well as to our subsequent filings with the SEC. Our forward-looking statements contained herein speak only as of the date hereof, and we make no commitment to update or publicly release any revisions to forward-looking statements in order to reflect new information or subsequent events, circumstances or changes in expectations.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | September 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $168 | $175 |
| Accounts receivable, net of allowance for doubtful accounts of $38 at September 30, 2014 and $49 at December 31, 2013 | 941 | 804 |
| Inventory | 112 | 70 |
| Prepaid expenses and other assets | 64 | 53 |
| Deferred taxes | 93 | 260 |
| Total current assets | 1,378 | 1,362 |
| Rental equipment, net | 6,146 | 5,374 |
| Property and equipment, net | 423 | 421 |
| Goodwill | 3,270 | 2,953 |
| Other intangible assets, net | 1,165 | 1,018 |
| Other long-term assets | 101 | 103 |
| Total assets | $12,483 | $11,231 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Short-term debt and current maturities of long-term debt | $618 | $604 |
| Accounts payable | 505 | 292 |
| Accrued expenses and other liabilities | 572 | 390 |
| Total current liabilities | 1,695 | 1,286 |
| Long-term debt | 7,477 | 6,569 |
| Deferred taxes | 1,412 | 1,459 |
| Other long-term liabilities | 83 | 69 |
| Total liabilities | 10,667 | 9,383 |
| Temporary equity (note 8) | 3 | 20 |
| Common stock—$0.01 par value, 500,000,000 shares authorized, 108,198,641 and 99,864,348 shares issued and outstanding, respectively, at September 30, 2014 and 97,966,802 and 93,288,936 shares issued and outstanding, respectively, at December 31, 2013 | 1 | 1 |
| Additional paid-in capital | 2,127 | 2,054 |
| Retained earnings (accumulated deficit) | 309 | (37) |
| Treasury stock at cost—8,334,293 and 4,677,866 shares at September 30, 2014 and December 31, 2013, respectively | (589) | (209) |
| Accumulated other comprehensive (loss) income | (35) | 19 |
| Total stockholders' equity | 1,813 | 1,828 |
| Total liabilities and stockholders' equity | $12,483 | $11,231 |

See accompanying notes.

Table of Contents

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Equipment rentals | $1,315 | $1,138 | $3,499 | $3,063 |
| Sales of rental equipment | 140 | 102 | 388 | 356 |
| Sales of new equipment | 42 | 29 | 105 | 74 |
| Contractor supplies sales | 23 | 23 | 64 | 66 |
| Service and other revenues | 24 | 19 | 65 | 58 |
| Total revenues | 1,544 | 1,311 | 4,121 | 3,617 |
| Cost of revenues: | | | | |
| Cost of equipment rentals, excluding depreciation | 480 | 422 | 1,336 | 1,214 |
| Depreciation of rental equipment | 236 | 219 | 682 | 629 |
| Cost of rental equipment sales | 82 | 62 | 227 | 232 |
| Cost of new equipment sales | 33 | 23 | 84 | 59 |
| Cost of contractor supplies sales | 16 | 15 | 44 | 44 |
| Cost of service and other revenues | 9 | 6 | 23 | 19 |
| Total cost of revenues | 856 | 747 | 2,396 | 2,197 |
| Gross profit | 688 | 564 | 1,725 | 1,420 |
| Selling, general and administrative expenses | 194 | 167 | 549 | 479 |
| Merger related costs | 4 | — | 13 | 8 |
| Restructuring charge | (2) | 1 | (2) | 12 |
| Non-rental depreciation and amortization | 70 | 59 | 200 | 185 |
| Operating income | 422 | 337 | 965 | 736 |
| Interest expense, net | 124 | 121 | 436 | 357 |
| Interest expense—subordinated convertible debentures | — | — | — | 3 |
| Other income, net | (5) | (2) | (10) | (3) |
| Income before provision for income taxes | 303 | 218 | 539 | 379 |
| Provision for income taxes | 111 | 75 | 193 | 132 |
| Net income | $192 | $143 | $346 | $247 |
| Basic earnings per share | $1.95 | $1.53 | $3.57 | $2.65 |
| Diluted earnings per share | $1.84 | $1.35 | $3.29 | $2.33 |

See accompanying notes.

Table of Contents

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net income | $192 | $143 | $346 | $247 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Foreign currency translation adjustments | (51) | 21 | (54) | (31) |
| Other comprehensive (loss) income | (51) | 21 | (54) | (31) |
| Comprehensive income (1) | $141 | $164 | $292 | $216 |

(1)There were no material reclassifications from accumulated other comprehensive (loss) income reflected in other comprehensive (loss) income during 2014 or 2013. There is no tax impact related to the foreign currency translation adjustments, as the earnings are considered permanently reinvested. There were no material taxes associated with other comprehensive (loss) income during 2014 or 2013.

See accompanying notes.

Table of Contents

UNITED RENTALS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In millions)

| | Common Stock | | | | Treasury Stock | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares (1) | Amount | Additional Paid-in Capital | (Accumulated Deficit) Retained Earnings | Number of Shares | Amount | Accumulated Other Comprehensive Income (Loss) (3) |
| Balance at December 31, 2013 | 93 | $1 | $ 2,054 | $ (37 ) | 5 | $(209 ) | $ 19 |
| Net income | | | | 346 | | | |
| Foreign currency translation adjustments | | | | | | | (54 ) |
| Stock compensation expense, net | | | 48 | | | | |
| Exercise of common stock options | | | 2 | | | | |
| 4 percent Convertible Senior Notes (2) | 10 | | 42 | | | | |
| Shares repurchased and retired | | | (19 ) | | | | |
| Repurchase of common stock | (3 ) | | | | 3 | (380 ) | |
| Balance at September 30, 2014 | 100 | $1 | $ 2,127 | $ 309 | $8 | $(589 ) | $ (35 ) |

(1) An aggregate of less than 1 million net shares were issued during the year ended December 31, 2013.
(2)Reflects amortization of the original issue discount on the 4 percent Convertible Senior Notes (an amount equal to the unamortized portion of the original issue discount is reflected as "temporary equity" in our consolidated balance sheet) and the conversion of a portion of the 4 percent Convertible Senior Notes during the nine months ended September 30, 2014, net of cash received from the option counterparties to our convertible note hedges upon the conversion. See note 8 to our condensed consolidated financial statements for additional detail.
(3)The Accumulated Other Comprehensive Income (Loss) balance primarily reflects foreign currency translation adjustments.

See accompanying notes.

Table of Contents

UNITED RENTALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In millions)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Cash Flows From Operating Activities: | | |
| Net income | $346 | $247 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 882 | 814 |
| Amortization of deferred financing costs and original issue discounts | 14 | 16 |
| Gain on sales of rental equipment | (161) | (124) |
| Gain on sales of non-rental equipment | (7) | (3) |
| (Gain) loss on sale of software subsidiary | — | 1 |
| Stock compensation expense, net | 48 | 34 |
| Merger related costs | 13 | 8 |
| Restructuring charge | (2) | 12 |
| Loss on extinguishment of debt securities | 80 | 1 |
| Loss on retirement of subordinated convertible debentures | — | 2 |
| Increase in deferred taxes | 134 | 97 |
| Changes in operating assets and liabilities, net of amounts acquired: | | |
| Increase in accounts receivable | (99) | (17) |
| Increase in inventory | (23) | (22) |
| Decrease (increase) in prepaid expenses and other assets | 10 | (7) |
| Increase in accounts payable | 197 | 82 |
| Increase (decrease) in accrued expenses and other liabilities | 34 | (26) |
| Net cash provided by operating activities | 1,466 | 1,115 |
| Cash Flows From Investing Activities: | | |
| Purchases of rental equipment | (1,484) | (1,499) |
| Purchases of non-rental equipment | (84) | (71) |
| Proceeds from sales of rental equipment | 388 | 356 |
| Proceeds from sales of non-rental equipment | 26 | 15 |
| Purchases of other companies, net of cash acquired | (752) | (9) |
| Net cash used in investing activities | (1,906) | (1,208) |
| Cash Flows From Financing Activities: | | |
| Proceeds from debt | 5,911 | 2,931 |
| Payments of debt, including subordinated convertible debentures | (5,082) | (2,681) |
| Proceeds from the exercise of common stock options | 2 | 5 |
| Common stock repurchased | (399) | (99) |
| Payments of financing costs | (22) | — |
| Cash received (paid) in connection with the 4 percent Convertible Senior Notes and related hedge, net | 31 | (40) |
| Net cash provided by financing activities | 441 | 116 |
| Effect of foreign exchange rates | (8) | (4) |
| Net (decrease) increase in cash and cash equivalents | (7) | 19 |
| Cash and cash equivalents at beginning of period | 175 | 106 |
| Cash and cash equivalents at end of period | $168 | $125 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for income taxes, net | $60 | $44 |

| | | |
|---|---|---|
| Cash paid for interest, including subordinated convertible debentures | 315 | 322 |

See accompanying notes.

Table of Contents

UNITED RENTALS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data, unless otherwise indicated)

1. Organization, Description of Business and Basis of Presentation

United Rentals, Inc. (“Holdings,” “URI” or the “Company”) 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 shareholder.

We rent equipment to a diverse customer base that includes construction and industrial companies, manufacturers, utilities, municipalities, homeowners and government entities in the United States and Canada. In addition to renting equipment, we sell new and used rental equipment, as well as related contractor supplies, parts and service.

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with the accounting policies described in our annual report on Form 10-K for the year ended December 31, 2013 (the “2013 Form 10-K”) and the interim reporting requirements of Form 10-Q. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the 2013 Form 10-K.

In our opinion, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of financial condition, operating results and cash flows for the interim periods presented have been made. Interim results of operations are not necessarily indicative of the results of the full year. Certain reclassifications of prior year's amounts have been made to conform to the current year’s presentation.

New Accounting Pronouncements

Revenue from Contracts with Customers. In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance to clarify the principles for recognizing revenue. This guidance includes the required steps to achieve the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is not permitted. We expect to adopt this guidance when effective, and the impact on our financial statements is not currently estimable.

2. Acquisitions

In April 2014, we completed the acquisition of assets of the following four entities: National Pump & Compressor, Ltd., Canadian Pump and Compressor Ltd., GulfCo Industrial Equipment, LP and LD Services, LLC (collectively “National Pump”). National Pump was the second largest specialty pump rental company in North America. National Pump was a leading supplier of pumps for energy and petrochemical customers, with upstream oil and gas customers representing about half of its revenue. National Pump had a total of 35 branches, including four branches in western Canada, and had annual revenues of approximately $210. The acquisition is expected to expand our product offering, and supports our strategy of expanding our presence in industrial and specialty rental markets.

The acquisition date fair value of the consideration transferred consisted of the following:

| | |
|---|---|
| Cash consideration (1) | $773 |
| Contingent consideration (2) | 76 |
| Total purchase consideration (3) | $849 |

(1) Consists of cash paid of $718 and a ‘hold back’ of $55, which is subject to a final working capital true-up.

(2) Reflects the acquisition date fair value of the following additional cash consideration to be paid based on the achievement of the following financial targets:

1.A maximum payout of $75 if National Pump's trailing twelve months adjusted EBITDA (as defined below in “Management’s Discussion and Analysis of Financial Condition and Results of Operations- Financial Overview”) reaches $134 twelve months post-closing; and

10

(Dollars in millions, except per share data, unless otherwise indicated)

2.An additional maximum payout of $50 if National Pump's trailing twelve months adjusted EBITDA reaches $161 eighteen months post-closing.
(3) Total purchase consideration excludes $15 of stock which was issued in connection with the acquisition and will be treated as compensation for book purposes but primarily represents deductible goodwill for income tax purposes.
The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date. The purchase price allocations for these assets and liabilities are based on preliminary valuations and are subject to change as we obtain additional information during the acquisition measurement period.

| | |
|---|---|
| Accounts receivable, net of allowance for doubtful accounts (1) | $44 |
| Inventory | 19 |
| Deferred taxes | 11 |
| Rental equipment | 178 |
| Property and equipment | 10 |
| Intangibles (2) | 289 |
| Other assets | 1 |
| Total identifiable assets acquired | 552 |
| Current liabilities | (25) |
| Total liabilities assumed | (25) |
| Net identifiable assets acquired | 527 |
| Goodwill (3) | 322 |
| Net assets acquired | $849 |

(1) The fair value of accounts receivables acquired was $44, and the gross contractual amount was $47. We estimated that $3 will be uncollectible.
(2) The following table reflects the estimated fair values and useful lives of the acquired intangible assets identified based on our purchase accounting assessments:

| | Fair value | Life (years) |
|---|---|---|
| Customer relationships | $274 | 10 |
| Non-compete agreements | 15 | 6 |
| Total | $289 | |

(3) $310 of the goodwill was assigned to our trench safety, power and HVAC ("heating, ventilating and air conditioning"), and pump solutions segment and $12 of the goodwill was assigned to our general rentals segment. The level of goodwill that resulted from the merger is primarily reflective of National Pump's going-concern value, the value of National Pump's assembled workforce, new customer relationships expected to arise from the merger, and operational synergies that we expect to achieve that would not be available to other market participants. $344 of goodwill is expected to be deductible for income tax purposes.
The three and nine months ended September 30, 2014 include National Pump acquisition-related costs of $4 and $13, respectively. The acquisition-related costs are reflected in our condensed consolidated statements of income as "Merger related costs" which also include costs associated with the 2012 acquisition of RSC Holdings Inc. ("RSC"). The merger related costs primarily relate to financial and legal advisory fees, and also include changes subsequent to the acquisition date to the fair value of the contingent cash consideration we expect to pay associated with the National Pump acquisition as discussed in note 7 to our condensed consolidated financial statements. We do not expect to incur significant additional charges in connection with the merger subsequent to September 30, 2014. In addition to the acquisition-related costs reflected in our condensed consolidated statements of income, we capitalized $22 of debt issuance costs associated with the issuance of debt to fund the acquisition, which are reflected, net of amortization subsequent to the acquisition date, in other long-term assets in our condensed consolidated balance sheets.

The pro forma information below has been prepared using the purchase method of accounting, giving effect to the National Pump acquisition as if it had been completed on January 1, 2013 ("the pro forma acquisition date"). The pro forma information is not necessarily indicative of our results of operations had the acquisition been completed on the above date, nor is it necessarily indicative of our future results. The pro forma information does not reflect any cost savings from operating efficiencies or synergies that could result from the acquisition, and also does not reflect additional revenue opportunities following the acquisition. The pro forma information includes adjustments to record the acquired assets and liabilities of National Pump at their respective fair values based on available information and to give effect to the financing for the acquisition. The pro forma adjustments reflected in the table below are subject to change as additional analysis is performed. The purchase price allocations for the assets acquired and liabilities assumed are based on preliminary valuations and are subject to change as we obtain additional information during the acquisition measurement period. Increases or decreases in the estimated fair values of the net assets acquired may impact our statements of income in future periods. We expect that the values assigned to the assets acquired and liabilities assumed will be finalized during the one-year measurement period following the acquisition date. The table below presents unaudited pro forma consolidated income statement information as if National Pump had been included in our consolidated results for the entire periods reflected:

(Dollars in millions, except per share data, unless otherwise indicated)

| | Three Months Ended September 30, | Nine Months Ended September 30, | |
|---|---|---|---|
| | 2013 | 2014 | 2013 |
| United Rentals historic revenues | $ 1,311 | $4,121 | $3,617 |
| National Pump historic revenues | 55 | 62 | 149 |
| Pro forma revenues | 1,366 | 4,183 | 3,766 |
| United Rentals historic pretax income | 218 | 539 | 379 |
| National Pump historic pretax income | 18 | 20 | 44 |
| Combined pretax income | 236 | 559 | 423 |
| Pro forma adjustments to combined pretax income: | | | |
| Impact of fair value mark-ups/useful life changes on depreciation (1) | (1) | (1) | (3) |
| Intangible asset amortization (2) | (13) | (12) | (39) |
| Interest expense (3) | (8) | 58 | (86) |
| Elimination of historic National Pump interest (4) | — | — | 1 |
| Elimination of merger costs (5) | — | 8 | — |
| Pro forma pretax income | $ 214 | $612 | $296 |

(1) Depreciation of rental equipment and non-rental depreciation were adjusted for the fair value mark-ups of equipment acquired in the National Pump acquisition. The useful lives assigned to such equipment didn't change significantly from the lives historically used by National Pump.
(2) The intangible assets acquired in the National Pump acquisition were amortized.
(3) In connection with the National Pump acquisition, URNA issued $525 principal amount of 6 $^{1}/_{8}$ percent Senior Notes (as an add on to our existing 6 $^{1}/_{8}$ percent Senior Notes) and $850 principal amount of 5 $^{3}/_{4}$ percent Senior Notes, and all our outstanding 9 $^{1}/_{4}$ percent Senior Notes were redeemed, as discussed in note 8 to the condensed consolidated financial statements. Interest expense was adjusted to reflect these changes in our debt portfolio. For the pro forma presentation, the $64 loss recognized upon redemption of the 9 $^{1}/_{4}$ percent Senior Notes discussed in note 8 to the condensed consolidated financial statements was moved from the nine months ended September 30, 2014 to the nine months ended September 30, 2013.
(4) Interest on National Pump historic debt was eliminated.
(5) Merger related costs, primarily comprised of financial and legal advisory fees, associated with the National Pump acquisition were eliminated as they were assumed to have been recognized prior to the pro forma acquisition date.
For the three months ended September 30, 2014, National Pump revenue and pretax income included in our condensed consolidated financial statements were $73 and $16, respectively. For the nine months ended

September 30, 2014, National Pump revenue and pretax income included in our condensed consolidated financial statements were $140 and $30, respectively. National Pump pretax income excludes merger related costs which are not allocated to our segments.

Table of Contents


3. Segment Information
Our reportable segments are general rentals and trench safety, power and HVAC, and pump solutions. The general rentals segment includes the rental of construction, infrastructure, 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. The general rentals segment comprises 12 geographic regions—Eastern Canada, Gulf South, Industrial (which serves the geographic Gulf region and has a strong industrial presence), Mid-Atlantic, Mid-Central, Midwest, Mountain West, Northeast, Pacific West, South, Southeast and Western Canada—and operates throughout the United States and Canada. The trench safety, power and HVAC, and pump solutions segment includes the rental of specialty construction products and related services. The trench safety, power and HVAC, and pump solutions segment is comprised of 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, 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 the Pump Solutions region, which rents pumps primarily used by energy and petrochemical customers. The trench safety, power and HVAC, and pump 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. These segments align our external segment reporting with how management evaluates and allocates resources. We evaluate segment performance based on segment equipment rentals gross profit.

The following tables set forth financial information by segment.

Table of Contents
UNITED RENTALS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data, unless otherwise indicated)

| | General rentals | Trench safety, power and HVAC, and pump solutions | Total |
|---|---|---|---|
| Three Months Ended September 30, 2014 | | | |
| Equipment rentals | $1,127 | $188 | $1,315 |
| Sales of rental equipment | 133 | 7 | 140 |
| Sales of new equipment | 31 | 11 | 42 |
| Contractor supplies sales | 19 | 4 | 23 |
| Service and other revenues | 21 | 3 | 24 |
| Total revenue | 1,331 | 213 | 1,544 |
| Depreciation and amortization expense | 267 | 39 | 306 |
| Equipment rentals gross profit | 496 | 103 | 599 |
| Three Months Ended September 30, 2013 | | | |
| Equipment rentals | $1,038 | $100 | $1,138 |
| Sales of rental equipment | 98 | 4 | 102 |
| Sales of new equipment | 27 | 2 | 29 |
| Contractor supplies sales | 21 | 2 | 23 |
| Service and other revenues | 18 | 1 | 19 |
| Total revenue | 1,202 | 109 | 1,311 |
| Depreciation and amortization expense | 261 | 17 | 278 |
| Equipment rentals gross profit | 445 | 52 | 497 |
| Nine Months Ended September 30, 2014 | | | |
| Equipment rentals | $3,079 | $420 | $3,499 |
| Sales of rental equipment | 371 | 17 | 388 |
| Sales of new equipment | 80 | 25 | 105 |
| Contractor supplies sales | 55 | 9 | 64 |
| Service and other revenues | 55 | 10 | 65 |
| Total revenue | 3,640 | 481 | 4,121 |
| Depreciation and amortization expense | 789 | 93 | 882 |
| Equipment rentals gross profit | 1,266 | 215 | 1,481 |
| Capital expenditures | 1,391 | 177 | 1,568 |
| Nine Months Ended September 30, 2013 | | | |
| Equipment rentals | $2,824 | $239 | $3,063 |
| Sales of rental equipment | 343 | 13 | 356 |
| Sales of new equipment | 69 | 5 | 74 |
| Contractor supplies sales | 60 | 6 | 66 |
| Service and other revenues | 54 | 4 | 58 |
| Total revenue | 3,350 | 267 | 3,617 |
| Depreciation and amortization expense | 771 | 43 | 814 |
| Equipment rentals gross profit | 1,106 | 114 | 1,220 |
| Capital expenditures | 1,461 | 109 | 1,570 |

Table of Contents
UNITED RENTALS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data, unless otherwise indicated)

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Total reportable segment assets | | |
| General rentals | $10,747 | $10,677 |
| Trench safety, power and HVAC, and pump solutions (1) | 1,736 | 554 |
| Total assets | $12,483 | $11,231 |

(1) The increase in the trench safety, power and HVAC, and pump solutions assets primarily reflects the impact of the National Pump acquisition discussed in note 2 to the condensed consolidated financial statements.

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:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Total equipment rentals gross profit | $599 | $497 | $1,481 | $1,220 |
| Gross profit from other lines of business | 89 | 67 | 244 | 200 |
| Selling, general and administrative expenses | (194) | (167) | (549) | (479) |
| Merger related costs | | | | |