



United Rentals®

2018

ANNUAL REPORT



The New NY Bridge Project



Letter to our Stockholders

Our record performance in 2018 underscored our ability to capitalize on demand through a combination of scale, technology and other sustainable competitive advantages. This is how we best serve our customers and create value for our investors.

We entered 2018 from a position of strength, with a large and diversified presence in North America. During the year, we acquired BakerCorp, a fluid solutions specialist business, and BlueLine, a national construction equipment rental company, as well as several smaller operations. These transactions helped us reach a new milestone of over \$8 billion in annual revenue.

For the full year 2018, United Rentals delivered GAAP earnings per diluted share of \$13.12, compared with \$15.73 for the full year 2017. On an adjusted basis¹, EPS was \$16.26, compared with \$18.64 the prior year. GAAP EPS and adjusted EPS for 2017 include a net income benefit estimated at \$689 million, or \$8.05 per diluted share, from the enactment of U.S. tax reform.

The company generated \$1.1 billion of net income in 2018. Adjusted EBITDA¹ was \$3.9 billion, free cash flow¹ was \$1.3 billion after capex, and return on invested capital was 11% — all three were company records.

Although we had the tailwind of a favorable macro, our results also reflect our proficiency in capitalizing on demand. The timing of our M&A activity gave us widespread capabilities to

serve customers in a growth environment. We increased rental revenue across all our regions and verticals, and we continued to foster organic growth through cross-selling. This was aided by the expansion of our specialty segment to 323 locations.

Furthermore, while the U.S. equipment rental industry grew by a solid 8% in 2018, we grew faster. Our rental revenue, pro-forma for 2017 acquisitions, increased 10.5% year-over-year. Growth is synergistic for us: it creates the potential for greater efficiency and generates cash that we use to advance our strategy.

In 2018, in addition to allocating capital for M&A, rental fleet, technology and productivity initiatives, we embarked on a \$1.25 billion share repurchase program to provide further value for our stockholders. We intend to complete the program in 2019.

Value through Productivity

Our entire organization remains focused on balancing growth, margins, returns and free cash flow to maximize value for our shareholders. The three keynotes of our strategy are:

Capacity for growth. Our base is well-diversified by customers, geographies, end markets and solutions. We'll continue to evolve our business model to withstand cyclicity by deepening our penetration in traditional markets, assessing new verticals and exploring new product applications.

Optimization. Operational excellence helps us transform our volume into profits and returns. The team we've built, and the platform we've created, unlock value from our investments in company initiatives and operations.

Disciplined fleet management. Our \$14 billion rental fleet represents a key opportunity to generate returns. This includes our strategically important Trench, Power and Fluid Solutions specialty business, which grew by over 40% year-over-year in 2018.

Our efforts in all three areas are underpinned by strong business logistics that are essential to our success, second only to our people.

2019 and Beyond

Today, United Rentals is a very different company than it was a decade ago, with a more resilient business model, stronger differentiation and more ways to create value for our customers and shareholders. We're also defined by the caliber of our people, our strong safety record and our reputation as an innovator. In 2019, our employees will leverage their collective strength and continue to drive measurable improvements in customer service through 1UR collaboration.

We expect to see favorable macro conditions continue in 2019, giving us significant headroom for profitable growth. External indicators for construction and industrial activity are positive — and importantly, our customers remain confident about their business prospects. This is borne out by healthy construction backlogs and new project startups across the geographies we serve.

Our guidance for full year 2019 is for total revenue in a range of \$9.15 billion to \$9.55 billion, and adjusted EBITDA of \$4.35 billion to \$4.55 billion. We expect net rental capex to be between \$1.4 billion and \$1.55 billion for the year, after gross purchases of \$2.15 billion to \$2.3 billion. We're guiding to net cash provided by operating activities in a range of \$2.85 billion to \$3.2 billion. Free cash flow, excluding merger and restructuring-related payments, is expected to be between \$1.3 billion and \$1.5 billion.

On May 8, 2019, Dr. Jenne Britell will step down as Chairman of the Board, and CEO Michael Kneeland will become Non-Executive Chairman. Director Bobby Griffin will become Lead Independent Director. Matthew Flannery, currently President and Chief Operating Officer, will become President and Chief Executive Officer.

The upcoming leadership transition will be the culmination of a comprehensive planning process undertaken by our Board of Directors over several years. Matt is the ideal choice to lead our more than 18,000 employees to new accomplishments. He believes, as we do, that there is enormous shareholder value to be derived from continually setting the bar higher.

Looking forward, United Rentals is poised to do more for customers and investors than at any time in its history. This is how the best companies endure — by continually positioning for profitable growth well into the future. We're very proud to have led this remarkable business through a decade of transformation. It's been a great journey, and the journey continues.

March 26, 2019

Michael J. Kneeland	Jenne K. Britell
Chief Executive Officer	Chairman of the Board

¹ Adjusted EPS, adjusted EBITDA and free cash flow are non-GAAP measures. Please see the reconciliation of these measures to the comparable GAAP measures contained in the "Management Discussion and Analysis of Financial Condition and Results of Operations" section in the accompanying Annual Report on Form 10-K for the year ended December 31, 2018, and in our fiscal 2018 earnings press release furnished on Form 8-K with the Securities and Exchange Commission on January 23, 2019.



Shiv Singh José B. Alvarez Gracia Martore Kim Harris Jones Marc A. Bruno Michael J. Kneeland Jason D. Papastavrou Jenne K. Britell Bobby J. Griffin Terri L. Kelly Donald C. Roof Filippo Passerini

Directors and Officers

Board of Directors

Jenne K. Britell, Ph.D.
Chairman

José B. Alvarez ^(3, 4)
Senior Lecturer
Harvard Business School

Marc A. Bruno ^(2, 3)
Chief Operating Officer
Sports, Leisure, Corrections,
Facilities, and K-12
Aramark Corporation

Bobby J. Griffin ^(1, 3, 4)
Director

Kim Harris Jones ^(1, 2)
Director

Terri L. Kelly ^(2, 4)
Director

Michael J. Kneeland ⁽⁴⁾
Chief Executive Officer
United Rentals, Inc.

Gracia Martore ^(2, 3)
Director

Jason D. Papastavrou, Ph.D. ⁽¹⁾
Founder and
Chief Executive Officer
ARIS Capital Management

Filippo Passerini ^(1, 2)
Operating Executive
U.S. Buyouts,
The Carlyle Group

Donald C. Roof ^(1, 2, 3)
Director

Siv Singh ^(1, 4)
Founder and
Chief Executive Officer
Savvy Matters

Executive Officers

Michael J. Kneeland
Chief Executive Officer

Matthew J. Flannery
President and
Chief Operating Officer

Jessica T. Graziano
Executive Vice President
and Chief Financial Officer

Dale A. Asplund
Executive Vice President
Business Services and
Chief Information Officer

Paul I. McDonnell
Executive Vice President
Sales and Specialty
Operations

Craig A. Pintoff
Executive Vice President
Chief Administrative and
Legal Officer

Jeffrey J. Fenton
Senior Vice President
Business Development

Andrew B. Limoges
Vice President, Controller
and Principal Accounting
Officer

Senior Vice Presidents

Michael D. Durand
Senior Vice President
Operations

Joli L. Gross
Senior Vice President
General Counsel
and Corporate Secretary

David A. Hobbs
Senior Vice President
Operations

Christopher K. Hummel
Senior Vice President
Chief Marketing Officer

Kenneth B. Mettel
Senior Vice President
Performance Analytics

Irene Moshouris
Senior Vice President
Treasurer

Kevin C. Parr
Senior Vice President
Operations

Corporate Vice Presidents

Tomer Barkan
Vice President
Planning and Analysis

Christopher P. Carmolingo
Vice President
Service Operations

Gregg L. Christensen
Vice President
National Accounts

James A. Dorris
Vice President
Environmental, Health
and Safety

John J. Fahey
Vice President
Internal Audit

William "Ted" Grace
Vice President
Investor Relations

Homer "Ned" Graham
Vice President
Operations Excellence

Daniel T. Higgins
Vice President
Technology and Operations

Mitchell J. Holder
Vice President
Total Rewards

Helge Jacobsen
Vice President
Operations Excellence

Brent R. Kuchynka
Vice President
Corporate Fleet
Management

Ty "TJ" Mahoney
Vice President
Supply Chain

Gordon McDonald
Vice President
Managed Services

Joseph W. Pledger
Vice President
Finance Operations

Timothy S. Rule
Vice President
Market Development

Daniel C. Sparks
Vice President
Sales Operations and
Support

Michael L. Zea
Vice President
Strategy

Regional Vice Presidents

Jason C. Barba
Vice President
Carolinas Region

Robert C. Bower
Vice President
Pacific West Region

Chris A. Burlog
Vice President
Midwest Region

Michael G. Cloer
Vice President
Southeast Region

John "Scott" Fisher
Vice President
Western Canada Region

Joshuah P. Flores
Vice President
Tools and Industrial
Solutions

Todd M. Hayes
Vice President
Trench Safety Region

John J. Humphrey
Vice President
Mid-Atlantic Region

Thomas P. Jones
Vice President
Onsite Services

William A. Kiker
Vice President
Pump Solutions

John "Eddie" King
Vice President
Gulf South Region

Donald "Chad" Matter
Vice President
Industrial Region

Jeffrey S. McGinnis
Vice President
South Region

Kevin M. O'Brien
Vice President
Mid-Central Region

Craig A. Schmidt
Vice President
Northeast Region

David C. Scott
Vice President
Power & HVAC Region

Committees of the Board

- (1) Audit Committee, Jason D. Papastavrou, Chair
- (2) Compensation Committee, Donald C. Roof, Chair
- (3) Nominating and Corporate Governance Committee, José B. Alvarez, Chair
- (4) Strategy Committee, Bobby J. Griffin, Chair



 **United
Rentals**
800.UR.RENTS
Safety 1st

⚠️ WARN

TOTAL RETURN TO STOCKHOLDERS

The following tables and graph compare the cumulative total return of United Rentals common stock with the cumulative total returns of the Standard & Poor's 500 Index ("S&P 500 Index") and an industry peer group index comprised of publicly traded companies participating in the construction and distribution industries (the "New Peer Group Index"). The industry peer group comprised of publicly traded companies participating in the construction and distribution industries used in 2017 (the "Old Peer Group Index") is also included for comparative purposes. We changed the members of our peer group for 2018 to parallel the group of publicly traded companies currently used by our Compensation Committee for benchmarking the total compensation package of our chief executive officer, our chief financial officer and our chief operating officer. We also believe that the new peer group represents a more relevant group of comparably sized companies in the broader industry in which United Rentals participates. The table and graph assume that \$100 was invested on December 31, 2013 in shares of our common stock, shares of stock comprising the S&P 500 Index, shares comprising the Old Peer Group Index and shares comprising the New Peer Group Index, and the reinvestment of any dividends. The returns of each company within each of the S&P 500 Index, the Old Peer Group Index and the New Peer Group Index have been weighted annually for their respective stock market capitalization.

Total Cumulative Return

(Includes reinvestment of dividends)

Annual Return Percentage Years Ending

Company Name / Index	Dec14	Dec15	Dec16	Dec17	Dec18
United Rentals, Inc.	30.87	-28.89	45.55	62.82	-40.36
S&P 500 Index	13.69	1.38	11.96	21.83	-4.38
New Peer Group Index	11.26	-5.64	29.53	26.33	-4.74
Old Peer Group Index	12.62	-10.77	23.30	17.55	-2.08

Indexed Returns Years Ending

Company Name / Index	Base Period Dec13	Dec14	Dec15	Dec16	Dec17	Dec18
United Rentals, Inc.	100	130.87	93.06	135.45	220.54	131.53
S&P 500 Index	100	113.69	115.26	129.05	157.22	150.33
New Peer Group Index	100	111.26	104.99	135.99	171.80	163.65
Old Peer Group Index	100	112.62	100.49	123.90	145.64	142.61

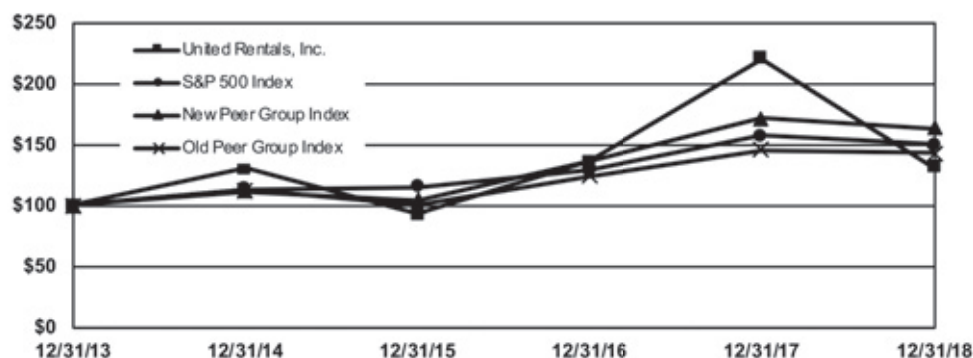
New Peer Group

Avis Budget Group, Inc.
C.H. Robinson Worldwide, Inc.
Cintas Corporation
Dover Corporation
Fortive Corporation
(included from 6/13/16 when it began trading)
HD Supply Holdings, Inc.
Ingersoll-Rand PLC
J.B. Hunt Transport Services, Inc.
Masco Corporation
Republic Services, Inc.

Rockwell Automation, Inc.
Ryder System, Inc.
Waste Management, Inc.
WESCO International, Inc.
W.W. Grainger, Inc.
Xylem, Inc.

Old Peer Group

Avis Budget Group, Inc.
Cintas Corporation
HD Supply Holdings, Inc.
Hertz Global Holdings, Inc.
J.B. Hunt Transport Services, Inc.
MSC Industrial Direct Co., Inc.
Pitney Bowes, Inc.
Republic Services, Inc.
Ryder System, Inc.
Trinity Industries, Inc.
Waste Management, Inc.
WESCO International, Inc.
W.W. Grainger, Inc.



The comparisons in the graph and tables above are not intended to forecast or be indicative of future performance of our common stock, either of the indices or any of the companies comprising them. Data source: Standard & Poor's Compustat.

**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, 2018

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
Delaware**
(States of Incorporation)
100 First Stamford Place, Suite 700,
Stamford, Connecticut
(Address of Principal Executive Offices)

**06-1522496
86-0933835**
(I.R.S. Employer Identification Nos.)

06902
(Zip Code)

Registrants' Telephone Number, Including Area Code: (203) 622-3131

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

Title of Each Class

Name of Each Exchange on
Which Registered

Common Stock, \$.01 par value, of United Rentals, Inc.

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 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
Emerging Growth Company

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2018 there were 82,895,244 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, 2018 was approximately \$10.80 billion, calculated by using the closing price of the common stock on such date on the New York Stock Exchange of \$147.62.

As of January 21, 2019, there were 79,591,082 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 2019 Annual Meeting of Stockholders, which is expected to be filed with the Securities and Exchange Commission on or before March 26, 2019, 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 possibility that companies that we have acquired or may acquire, including NES Rentals Holdings II, Inc. (“NES”), Neff Corporation (“Neff”), BakerCorp International Holdings, Inc. (“BakerCorp”) and Vander Holding Corporation and its subsidiaries (“BlueLine”), could have undiscovered liabilities or involve other unexpected costs, may strain our management capabilities or may be difficult to integrate;
- 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;
- our significant indebtedness (which totaled \$11.7 billion at December 31, 2018) 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, 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;
- overcapacity of fleet in the equipment rental industry;
- 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;
- trends in oil and natural gas could adversely affect the demand for our services and products;
- 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;
- 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;
- the costs of complying with environmental, safety and foreign law 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;
- 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;
- increases in our maintenance and replacement costs and/or decreases in the residual value of our equipment;
- the effect of changes in tax law; and
- other factors discussed under Item 1A-Risk Factors, and elsewhere in this annual report.

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, 2019.

Item 1. Business

United Rentals is the largest equipment rental company in the world, and 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, 2018 and 2017. 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. As discussed in note 4 to the consolidated financial statements, we completed the acquisitions of NES Rentals Holdings II, Inc. (“NES”), Neff Corporation (“Neff”), BakerCorp International Holdings, Inc. (“BakerCorp”) and Vander Holding Corporation and its subsidiaries (“BlueLine”) in April 2017, October 2017, July 2018 and October 2018, respectively. The results of NES, Neff, BakerCorp and BlueLine subsequent to their acquisition dates are reflected in the table below.

	<u>2018</u>	<u>2017</u>
PERFORMANCE MEASURES		
Total revenues (in millions)	\$ 8,047	\$ 6,641
Equipment rental revenue percent of total revenues	86%	86%
Year-over-year increase (decrease) in rental rates	2.2%	(0.2)%
Year-over-year increase in the volume of equipment on rent	18.8%	18.2%
Time utilization	68.6%	69.5%
Key account percent of equipment rental revenue	71%	69%
National account percent of equipment rental revenue	44%	43%
FLEET		
Fleet original equipment cost (“OEC”) (in billions)	\$ 14.18	\$ 11.51
Equipment classes	3,800	3,400
Equipment units	660,000	520,000
Fleet age in months	47.9	47.0
Percent of fleet that is current on manufacturer’s recommended maintenance	82%	86%
Equipment rental revenue percent by fleet type:		
General construction and industrial equipment	44%	43%
Aerial work platforms	28%	32%
General tools and light equipment	8%	7%
Power and HVAC (heating, ventilating and air conditioning) equipment	8%	7%
Trench safety equipment	6%	6%
Fluid solutions equipment	6%	5%
LOCATIONS/PERSONNEL		
Rental locations	1,197	997
Approximate number of branches per district	5-10	5-10
Approximate number of districts per region	6-10	6-10
Total employees	18,500	14,800
INDUSTRY		
Estimated North American market share (1)	13.3%	11.4%
Estimated North American equipment rental industry revenue growth	7.4%	4.2%
United Rentals equipment rental revenue increase	21.4%	15.7%
2019 projected North American industry equipment rental revenue growth	5.9%	—
CUSTOMERS/SUPPLIERS		
Largest customer percent of total revenues	1%	1%
Top 10 customers percent of total revenues	5%	5%
Largest supplier percent of capital expenditures	15%	18%
Top 10 supplier percent of capital expenditures	53%	57%

(1) As discussed above, we completed the acquisitions of BakerCorp and BlueLine in July 2018 and October 2018, respectively. Estimated market share as of December 31, 2018 includes the standalone,

pre-acquisition revenues of BakerCorp and BlueLine. As discussed above, we completed the acquisitions of NES and Neff in April 2017 and October 2017, respectively. Estimated market share as of December 31, 2017 includes the standalone, pre-acquisition revenues of NES and Neff. Estimated market share as of December 31, 2017 does not include BakerCorp and BlueLine because we had not acquired them as of December 31, 2017. If the standalone, pre-acquisition revenues of BakerCorp and BlueLine were included for the year ended December 31, 2017, estimated market share as of December 31, 2017 would have been 12.9 percent.

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.

In 2019, we expect to continue our disciplined focus on increasing our profitability and return on invested capital. In particular, our strategy calls for:

- *A consistently superior standard of service to customers*, often provided through a single point of contact;
- *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;
- *A continued focus on Project XL*, which is a set of eight specific work streams focused on driving profitable growth through revenue opportunities and generating incremental profitability through cost savings across our business;
- *The continued expansion of our trench, power and fluid solutions footprint, as well as our tools offering, and the cross-selling of these services throughout our network*, as exhibited by our recently completed acquisition of BakerCorp. We plan to open at least 25 specialty rental branches/tool hubs in 2019 and continue to invest in specialty rental fleet to 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*, as exhibited by our recently completed acquisitions of NES, Neff and BlueLine. 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. As discussed in note 4 to the consolidated financial statements, 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 2018, based on an analysis of our charge account customers' Standard Industrial Classification ("SIC") codes:

- Industrial and other non-construction rentals represented approximately 50 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 46 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"), 2018 North American equipment rental industry revenue grew approximately 7 percent year-over-year, with higher growth, on a constant currency basis, in the U.S. than Canada. In 2018, our full year rental revenue increased by 21.4 percent year-over-year, including the impact of the NES, Neff, BakerCorp and BlueLine acquisitions. On a pro forma basis including the standalone, pre-acquisition results of NES, Neff, BakerCorp and BlueLine, equipment rental revenue increased 10.5 percent year-over-year.

In 2019, based on our analyses of industry forecasts and macroeconomic indicators, we expect that the majority of our end markets will continue to experience solid demand for equipment rental services. Specifically, we expect that North American industry equipment rental revenue will increase approximately 6 percent, with slightly higher growth, on a constant currency basis, in the U.S. than Canada.

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”) with locations in Tampa, Florida and 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 1,197 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 recently completed BakerCorp acquisition 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 5 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.

Employee Training Programs. We are dedicated to providing training and development opportunities to our employees. In 2018, our employees enhanced their skills through approximately 670,000 hours of training, including safety training, sales and leadership training, equipment-related training from our suppliers and online courses covering a variety of relevant subjects.

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 5 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 3,800 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. 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 13.3 percent market share in North America based on 2018 total equipment rental industry revenues as measured by the ARA. As discussed above, we completed the acquisitions of BakerCorp and BlueLine in July 2018 and October 2018, respectively. Estimated market share includes the standalone, pre-acquisition revenues of BakerCorp and BlueLine, and is calculated by dividing total 2018 rental revenue, calculated using ARA's constant currency methodology, by ARA's forecasted 2018 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.

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 above-ground storage tanks located at certain of our 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 of our locations.

Employees

Approximately 5,700 of our employees are salaried and approximately 12,800 are hourly. Collective bargaining agreements relating to approximately 120 separate locations cover approximately 1,350 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. 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.

Our business is cyclical in nature. An economic slowdown or a decrease in general economic activity could cause weakness in our end markets and have adverse effects on our revenues and operating results.

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. Our industry

experienced a decline in construction and industrial activity as a result of the economic downturn that commenced in the latter part of 2008 and continued through 2010. The weakness in our end markets 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;
- an overcapacity of 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; or
- terrorism or hostilities involving the United States, Canada or Europe.

Our significant indebtedness exposes us to various risks.

At December 31, 2018, our total indebtedness was \$11.7 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;
- 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 tangible 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, 2018, we had \$3.5 billion of indebtedness that bears interest at variable rates. Our variable rate indebtedness currently represents 30 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, if 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. We are not fully restricted under the terms of the indentures or other agreements governing our current indebtedness

from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking 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.

If we are unable to satisfy the financial and 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.

The only financial maintenance covenant that currently exists under our 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, 2018, specified availability under the ABL facility exceeded the required threshold and, as a result, this financial maintenance 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 these or 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, term loan facility, accounts receivable securitization facility and/or the other agreements governing our debt, 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.

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) sale-leaseback transactions; (iii) indebtedness; (iv) mergers, consolidations and acquisitions; (v) sales, transfers and other dispositions of assets; (vi) loans and other investments; (vii) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (viii) dividends, other payments and other matters affecting subsidiaries; (ix) transactions with affiliates; and (x) 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.

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.

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;
- an overcapacity of 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 April 2018, our Board of Directors authorized a share repurchase program. Under the program, we are authorized to repurchase shares of common stock for an aggregate purchase price not to exceed \$1.25 billion, excluding fees, commissions and other ancillary expenses. We have completed \$420 million of repurchases under the program as of December 31, 2018.

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.

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.

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.

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

At December 31, 2018, we had \$5.1 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.

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. Factors affecting the prices of oil and natural gas include:

- the level of supply and demand for oil and natural gas;
- governmental regulations, including the policies of governments regarding the exploration for, and production and development of, oil and natural gas reserves;
- weather conditions and natural disasters;
- worldwide political, military and economic conditions;
- the level of oil production by non-OPEC countries and the available excess production capacity within OPEC;
- oil refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- the cost of producing and delivering oil and natural gas; and
- potential acceleration of the development of alternative fuels.

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.

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.

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 September 2011, we still have in place certain charter provisions, such as the inability for stockholders to act by written consent, 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.

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 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 2019 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.

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.

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. 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”), which took full effect on May 25, 2018, 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. 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.

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 or environmental and safety requirements become more stringent. 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.

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 1,038 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 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 1,350 employees who are represented by unions and covered by collective bargaining agreements and approximately 17,150 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.

Fluctuations 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 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.

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, including in 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, on March 29, 2017, the United Kingdom (the “UK”) government triggered article 50 of the Treaty on European Union (“Brexit”). This officially confirmed the UK’s intention to withdraw its membership from the EU and the start for a two year negotiation process where the UK and the EU need to agree the terms of the withdrawal and potentially give consideration to the future of the relationship between the parties. Current uncertainty over whether the UK will ultimately leave the EU, as well as the final outcome of the negotiations between the UK and the EU, could have an adverse effect on our business and financial results. The long-term effects of Brexit will depend on the terms negotiated between the UK and the EU, which may take years to complete 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, 2018.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of January 1, 2019, we operated 1,197 rental locations. 1,038 of these locations are in the United States, 148 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 24, TPF 7)
- Alaska (GR 2)
- Arizona (GR 18, TPF 4)
- Arkansas (GR 16, TPF 1)
- California (GR 83, TPF 26)
- Colorado (GR 14, TPF 4)
- Connecticut (GR 6, TPF 2)
- Delaware (GR 2, TPF 1)
- Florida (GR 46, TPF 16)
- Georgia (GR 35, TPF 7)
- Idaho (GR 2)
- Illinois (GR 14, TPF 5)
- Indiana (GR 5, TPF 1)
- Iowa (GR 9, TPF 2)
- Kansas (GR 12, TPF 1)
- Kentucky (GR 9)
- Louisiana (GR 36, TPF 14)
- Maine (GR 4)
- Maryland (GR 14, TPF 5)
- Massachusetts (GR 13, TPF 3)
- Michigan (GR 8, TPF 3)
- Minnesota (GR 10, TPF 3)
- Mississippi (GR 14)
- Missouri (GR 15, TPF 5)
- Montana (GR 1)
- Nebraska (GR 2, TPF 1)
- Nevada (GR 6, TPF 3)
- New Hampshire (GR 1, TPF 1)
- New Jersey (GR 11, TPF 6)
- New Mexico (GR 9)
- New York (GR 22, TPF 1)
- North Carolina (GR 29, TPF 7)
- North Dakota (GR 5)
- Ohio (GR 15, TPF 9)
- Oklahoma (GR 29, TPF 5)
- Oregon (GR 10, TPF 4)
- Pennsylvania (GR 20, TPF 7)
- Puerto Rico (GR 2)
- Rhode Island (GR 1)
- South Carolina (GR 20, TPF 5)
- South Dakota (GR 2)
- Tennessee (GR 22, TPF 8)
- Texas (GR 131, TPF 37)
- Utah (GR 4, TPF 3)
- Vermont (GR 2)
- Virginia (GR 22, TPF 6)
- Washington (GR 20, TPF 7)
- West Virginia (GR 5, TPF 1)
- Wisconsin (GR 8, TPF 1)
- Wyoming (GR 6)

Canada

- Alberta (GR 29, TPF 10)
- British Columbia (GR 23, TPF 5)
- Manitoba (GR 5)
- New Brunswick (GR 6, TPF 1)
- Newfoundland (GR 6)
- Nova Scotia (GR 4, TPF 1)
- Ontario (GR 31, TPF 6)
- Prince Edward Island (GR 1)
- Quebec (GR 7, TPF 3)
- Saskatchewan (GR 7, TPF 3)

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 119 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 11,900 vehicles. These vehicles are used for delivery, maintenance, management and sales functions. Approximately 36 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 shared-service facilities in Tampa, Florida, where we occupy approximately 31,000 square feet under a lease that expires in 2020 and in Charlotte, North Carolina, where we occupy approximately 55,000 square feet under a lease that expires in 2025.

Item 3. Legal Proceedings

A description of legal proceedings can be found in note 14 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, 2019, there were 64 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 2018:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)</u>	<u>Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Program (2)</u>
October 1, 2018 to October 31, 2018	1,308,811 (1)	\$129.98	1,307,648	—
November 1, 2018 to November 30, 2018	1,103 (1)	\$121.53	—	—
December 1, 2018 to December 31, 2018	398,390 (1)	\$103.00	389,197	—
Total	<u>1,708,304</u>	\$123.68	<u>1,696,845</u>	<u>\$830,071,148</u>

(1) In October 2018, November 2018 and December 2018, 1,163, 1,103 and 9,193 shares, respectively, 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 April 17, 2018, our Board authorized a \$1.25 billion share repurchase program which commenced in July 2018. The program was temporarily paused in November 2018 following the completion of the BlueLine acquisition discussed in note 4 to the consolidated financial statements. We intend to complete the program in 2019.

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, 2014 to 2018. The following acquired companies are reflected in our results of operations for all periods subsequent to the noted acquisition dates:

- In April 2014, we acquired certain assets of the following entities: National Pump & Compressor, Ltd., Canadian Pump and Compressor Ltd., GulfCo Industrial Equipment, LP and LD Services, LLC (collectively “National Pump”). National Pump had annual revenues of approximately \$210;
- 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.

See note 4 to the consolidated financial statements for additional detail on the NES, Neff, BakerCorp and BlueLine acquisitions. 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,				
	2018	2017	2016	2015	2014
	(in millions, except per share data)				
Income statement data:					
Total revenues	\$8,047	\$6,641	\$5,762	\$5,817	\$5,685
Total cost of revenues	4,683	3,872	3,359	3,337	3,253
Gross profit	3,364	2,769	2,403	2,480	2,432
Selling, general and administrative expenses	1,038	903	719	714	758
Merger related costs	36	50	—	(26)	11
Restructuring charge	31	50	14	6	(1)
Non-rental depreciation and amortization	308	259	255	268	273
Operating income	1,951	1,507	1,415	1,518	1,391
Interest expense, net	481	464	511	567	555
Other income, net	(6)	(5)	(5)	(12)	(14)
Income before provision (benefit) for income taxes	1,476	1,048	909	963	850
Provision (benefit) for income taxes (1)	380	(298)	343	378	310
Net income (1)	1,096	1,346	566	585	540
Basic earnings per share (1)	\$13.26	\$15.91	\$ 6.49	\$ 6.14	\$ 5.54
Diluted earnings per share (1)	\$13.12	\$15.73	\$ 6.45	\$ 6.07	\$ 5.15

- (1) 2017 includes the significant impact of the enactment of the Tax Cuts and Jobs Act (the “Tax Act”) discussed further in note 13 to the consolidated financial statements. 2018 reflects a lower effective tax rate than the years prior to the enactment of the Tax Act. The Tax Act reduced the U.S. federal statutory tax rate from 35 percent to 21 percent.

	December 31,				
	2018	2017	2016	2015	2014
	(in millions)				
Balance sheet data:					
Total assets	\$18,133	\$15,030	\$11,988	\$12,083	\$12,129
Total debt	11,747	9,440	7,790	8,162	7,962
Stockholders’ equity	3,403	3,106	1,648	1,476	1,796

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)

Executive Overview

United Rentals is the largest equipment rental company in the world. Our customer service network consists of 1,197 rental locations in the U.S., Canada and Europe, as well as centralized call centers and online capabilities. With the recently completed acquisition of BakerCorp discussed in note 4 to the consolidated financial statements, which added 11 European locations in France, Germany, the United Kingdom and the Netherlands to our branch network, we entered 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 compelling competitive advantages. These include a fleet of rental equipment with a total original equipment cost (“OEC”), based on the initial consideration paid, of \$14.2 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. In addition, our size 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 3,800 classes of equipment for rent to construction and industrial companies, manufacturers, utilities, municipalities, homeowners, government entities and other customers. 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 2018, equipment rental revenues represented 86 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.

In 2019, we expect to continue our disciplined focus on increasing our profitability and return on invested capital. In particular, our strategy calls for:

- *A consistently superior standard of service to customers, often provided through a single point of contact;*
- *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;*
- *A continued focus on Project XL, which is a set of eight specific work streams focused on driving profitable growth through revenue opportunities and generating incremental profitability through cost savings across our business;*
- *The continued expansion of our trench, power and fluid solutions footprint, as well as our tools offering, and the cross-selling of these services throughout our network, as exhibited by our recently completed*

acquisition of BakerCorp. We plan to open at least 25 specialty rental branches/tool hubs in 2019 and continue to invest in specialty rental fleet to 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*, as exhibited by our recently completed acquisitions of NES, Neff and BlueLine. Strategic acquisitions allow us to invest our capital to expand our business, further driving our ability to accomplish our strategic goals.

In 2019, based on our analyses of industry forecasts and macroeconomic indicators, we expect that the majority of our end markets will continue to experience solid demand for equipment rental services. Specifically, we expect that North American industry equipment rental revenue will increase approximately 6 percent, with slightly higher growth, on a constant currency basis, in the U.S. than Canada.

We use the American Rental Association criteria for reporting rental rates, time utilization and OEC. As discussed above, we completed the acquisitions of NES, Neff, BakerCorp and BlueLine in April 2017, October 2017, July 2018 and October 2018, respectively. The pro forma metrics below include the standalone, pre-acquisition results of NES, Neff, BakerCorp and BlueLine. For the full year 2018:

- Rental rates increased 2.2 percent and 2.6 percent year-over-year, on an actual and a pro forma basis, respectively;
- The volume of OEC on rent increased 18.8 percent and 6.9 percent year-over-year, on an actual and a pro forma basis, respectively;
- Time utilization was 68.6 percent and 68.4 percent on an actual and a pro forma basis, respectively, reflecting a decrease of 90 basis points and an increase of 20 basis points year-over-year, respectively;
- 71 percent of equipment rental revenue was derived from key accounts, as compared to 69 percent in 2017. Key accounts are each managed by a single point of contact to enhance customer service; and
- The number of rental locations in our higher margin trench, power and fluid solutions (also referred to as “specialty”) segment increased by 68 year-over-year primarily due to the BakerCorp acquisition and cold starts.

Financial Overview

In 2018 and 2017, we took a number of actions related to our capital structure that have improved our financial flexibility and liquidity, including:

- Redeemed all of our 7 ⁵/₈ percent Senior Notes and 6 ¹/₈ percent Senior Notes;
- Issued \$750 principal amount of 4 ⁵/₈ percent Senior Notes due 2025;
- Issued \$250 principal amount of 5 ⁷/₈ percent Senior Notes due 2026, as an add-on to our existing 5 ⁷/₈ percent Senior Notes due 2026;
- Issued \$250 principal amount of 5 ¹/₂ percent Senior Notes due 2027, as an add-on to our existing 5 ¹/₂ percent Senior Notes due 2027;
- Issued \$1.675 billion principal amount of 4 ⁷/₈ percent Senior Notes due 2028, comprised of separate issuances of \$925 in August 2017 and \$750 in September 2017. Following the issuances, we consummated an exchange offer pursuant to which most of the 4 ⁷/₈ percent Senior Notes issued in September 2017 were exchanged for additional notes fungible with the 4 ⁷/₈ percent Senior Notes issued in August 2017;
- Issued \$1.1 billion principal amount of 6 ¹/₂ percent Senior Notes due 2026;

- Entered into a \$1 billion term loan facility;
- Amended our ABL facility, including an increase in the facility size from \$2.5 billion to \$3.0 billion; and
- Amended and extended our accounts receivable securitization facility, including an increase in the facility size from \$625 to \$975.

These actions have improved our financial flexibility and liquidity and positioned us to invest the necessary capital to take advantage of business opportunities. As of December 31, 2018, we had available liquidity of \$1.432 billion, including cash of \$43.

Net income. Net income and diluted earnings per share for each of the three years in the period ended December 31, 2018 are presented below. Net income and diluted earnings per share for the year ended December 31, 2017 include a substantial benefit associated with 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, which contributed an estimated \$2.36 to diluted earnings per share for the year ended December 31, 2018. The Tax Act is discussed further in note 13 to the consolidated financial statements.

	Year Ended December 31,		
	2018	2017	2016
Net income	\$1,096	\$1,346	\$ 566
Diluted earnings per share	\$13.12	\$15.73	\$6.45

Net income and diluted earnings per share for each of the three years in the period ended December 31, 2018 include the after-tax impacts of the items below. The tax rates applied to the adjustments items below reflect the statutory rates in the applicable entity. The reduction in the tax rate for 2018 reflects the enactment of the Tax Act.

	Year Ended December 31,					
	2018		2017		2016	
Tax rate applied to items below	25.5%		38.5%		38.2%	
	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)	\$ (27)	\$(0.32)	\$ (31)	\$(0.36)	\$ —	\$ —
Merger related intangible asset amortization (2)	(147)	(1.76)	(99)	(1.15)	(99)	(1.12)
Impact on depreciation related to acquired fleet and property and equipment (3)	(16)	(0.19)	(5)	(0.05)	—	—
Impact of the fair value mark-up of acquired fleet (4)	(49)	(0.59)	(50)	(0.59)	(22)	(0.25)
Impact on interest expense related to fair value adjustment of acquired RSC indebtedness (5)	—	—	—	—	1	0.01
Restructuring charge (6)	(23)	(0.28)	(31)	(0.36)	(9)	(0.11)
Asset impairment charge (7)	—	—	(1)	(0.01)	(2)	(0.03)
Loss on extinguishment of debt securities and amendment of ABL facility	—	—	(33)	(0.39)	(62)	(0.70)

- (1) This reflects transaction costs associated with the NES, Neff, BakerCorp and BlueLine acquisitions discussed in note 4 to the consolidated financial statements. 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) This reflects the amortization of the intangible assets acquired in the RSC, National Pump, NES, Neff, BakerCorp and BlueLine acquisitions.
- (3) 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.
- (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 reflects a reduction of interest expense associated with the fair value mark-up of debt acquired in the RSC acquisition.
- (6) As discussed in note 6 to our consolidated financial statements, this primarily reflects severance costs and branch closure charges associated with our restructuring programs.
- (7) This reflects write-offs of leasehold improvements and other fixed assets in connection with our restructuring programs.

EBITDA GAAP Reconciliations. EBITDA represents the sum of net income, provision (benefit) 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 EBITDA and adjusted EBITDA margins represent EBITDA or adjusted EBITDA divided by total revenue. Management believes that EBITDA and adjusted EBITDA, when viewed with the Company's results under 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,		
	2018	2017	2016
Net income	\$1,096	\$1,346	\$ 566
Provision (benefit) for income taxes	380	(298)	343
Interest expense, net	481	464	511
Depreciation of rental equipment	1,363	1,124	990
Non-rental depreciation and amortization	308	259	255
EBITDA	<u>3,628</u>	<u>2,895</u>	<u>2,665</u>
Merger related costs (1)	36	50	—
Restructuring charge (2)	31	50	14
Stock compensation expense, net (3)	102	87	45
Impact of the fair value mark-up of acquired fleet (4)	66	82	35
Adjusted EBITDA	<u>\$3,863</u>	<u>\$3,164</u>	<u>\$2,759</u>

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

	Year Ended December 31,		
	2018	2017	2016
Net cash provided by operating activities	\$2,853	\$2,209	\$1,941
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	(12)	(9)	(9)
Gain on sales of rental equipment	278	220	204
Gain on sales of non-rental equipment	6	4	4
Gain on insurance proceeds from damaged equipment	22	21	12
Merger related costs (1)	(36)	(50)	—
Restructuring charge (2)	(31)	(50)	(14)
Stock compensation expense, net (3)	(102)	(87)	(45)
Loss on extinguishment of debt securities and amendment of ABL facility	—	(54)	(101)
Excess tax benefits from share-based payment arrangements	—	—	58
Changes in assets and liabilities	124	129	101
Cash paid for interest	455	357	415
Cash paid for income taxes, net	71	205	99
EBITDA	<u>3,628</u>	<u>2,895</u>	<u>2,665</u>
Add back:			
Merger related costs (1)	36	50	—
Restructuring charge (2)	31	50	14
Stock compensation expense, net (3)	102	87	45
Impact of the fair value mark-up of acquired fleet (4)	66	82	35
Adjusted EBITDA	<u>\$3,863</u>	<u>\$3,164</u>	<u>\$2,759</u>

- (1) This reflects transaction costs associated with the NES, Neff, BakerCorp and BlueLine acquisitions discussed in note 4 to the consolidated financial statements. 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 6 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.

For the year ended December 31, 2018, EBITDA increased \$733, or 25.3 percent, and adjusted EBITDA increased \$699, or 22.1 percent. For the year ended December 31, 2017, EBITDA margin increased 150 basis points to 45.1 percent, and adjusted EBITDA margin increased 40 basis points to 48.0 percent. As discussed above, we completed the acquisitions of NES, Neff, BakerCorp and BlueLine in April 2017, October 2017, July 2018 and October 2018, respectively, and EBITDA and adjusted EBITDA for 2018 include the impact of these acquisitions. The increase in the EBITDA margin primarily reflects i) a decrease in selling, general and administrative (“SG&A”) expense as a percentage of revenue primarily due to a reduction in salaries and bonuses as a percentage of revenue and ii) reduced merger related costs and restructuring charges. The increase in the adjusted EBITDA margin primarily reflects a decrease in SG&A expense as a percentage of revenue primarily due to a reduction in salaries and bonuses as a percentage of revenue.

For the year ended December 31, 2017, EBITDA increased \$230, or 8.6 percent, and adjusted EBITDA increased \$405, or 14.7 percent. The EBITDA increase primarily reflects increased profit from equipment rentals, partially offset by i) increased SG&A compensation costs, including stock compensation costs, largely due to the impact of the NES and Neff acquisitions, increased revenue, improved profitability, and increases in our stock price and in the volume of stock awards, and ii) increased merger related costs and restructuring charges associated with the NES and Neff acquisitions. The adjusted EBITDA increase primarily reflects increased profit from equipment rentals and sales of rental equipment, partially offset by increased SG&A compensation costs, largely due to the impact of the NES and Neff acquisitions, increased revenue and improved profitability. For the year ended December 31, 2017, EBITDA margin decreased 270 basis points to 43.6 percent, and adjusted EBITDA margin decreased 30 basis points to 47.6 percent. The decrease in the EBITDA margin primarily reflects i) increased SG&A compensation costs, including stock compensation costs, largely due to the impact of the NES and Neff acquisitions, increased revenue, improved profitability, and increases in our stock price and in the volume of stock awards, and ii) increased merger related costs and restructuring charges associated with the NES and Neff acquisitions. The decrease in the adjusted EBITDA margin primarily reflects increased SG&A compensation costs largely due to the impact of the NES and Neff acquisitions, increased revenue and improved profitability, partially offset by increased profit from sales of rental equipment.

Revenues. Revenues for each of the three years in the period ended December 31, 2018 were as follows:

	Year Ended December 31,			Change	
	2018	2017	2016	2018	2017
Equipment rentals*	\$6,940	\$5,715	\$4,941	21.4%	15.7%
Sales of rental equipment	664	550	496	20.7%	10.9%
Sales of new equipment	208	178	144	16.9%	23.6%
Contractor supplies sales	91	80	79	13.8%	1.3%
Service and other revenues	144	118	102	22.0%	15.7%
Total revenues	\$8,047	\$6,641	\$5,762	21.2%	15.3%
*Equipment rentals metrics:					
Year-over-year increase (decrease) in rental rates (1)				2.2%	(0.2)%
Year-over-year increase in the volume of equipment on rent				18.8%	18.2%
Time utilization (2)	68.6%	69.5%	67.9%	(90) bps	160 bps
*Pro forma equipment rentals information (3):					
Equipment rentals variance				10.5%	
Year-over-year increase in rental rates (1)				2.6%	
Year-over-year increase in the volume of equipment on rent				6.9%	
Time utilization (2)	68.4%	68.2%		20 bps	

- (1) Rental rate changes are calculated based on the year-over-year variance in average contract rates, weighted by the prior period revenue mix.
- (2) 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.
- (3) As discussed in note 4 to the consolidated financial statements, we completed the acquisitions of NES, Neff, BakerCorp and BlueLine in April 2017, October 2017, July 2018 and October 2018, respectively. The pro forma information includes the standalone, pre-acquisition results of NES, Neff, BakerCorp and BlueLine.

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 12 percent of equipment rental revenue in 2018. Delivery and pick-up revenue, which represented approximately seven percent of equipment rental revenue in 2018, 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.

2018 total revenues of \$8.0 billion increased 21.2 percent compared with 2017. On a pro forma basis including the standalone, pre-acquisition results of NES, Neff, BakerCorp and BlueLine, 2018 total revenues increased 10.7 percent. The revenue increase primarily reflects i) a 21.4 percent increase in equipment rental revenue, primarily due to an 18.8 percent increase in the volume of OEC on rent, which includes the impact of the NES, Neff, BakerCorp and BlueLine acquisitions, and a 2.2 percent rental rate increase and ii) a 20.7 percent increase in sales of rental equipment. On the pro forma basis including the standalone, pre-acquisition results of NES, Neff, BakerCorp and BlueLine, equipment rental revenue increased 10.5 percent year-over-year, primarily reflecting a 6.9 percent increase in the volume of OEC on rent and a 2.6 percent rental rate increase. We believe that the increases in the volume of OEC on rent and rental rates reflect improving demand in many of our core markets. Sales of rental equipment increased primarily due to increased volume, driven by a significantly larger fleet size, in a strong used equipment market. Average OEC for the year ended December 31, 2018 increased 20.3 percent year-over-year. The increase in average OEC includes the impact of the NES, Neff, BakerCorp and BlueLine acquisitions.

2017 total revenues of \$6.6 billion increased 15.3 percent compared with 2016. On a pro forma basis including the standalone, pre-acquisition results of NES and Neff, 2017 total revenues increased 7.7 percent. The revenue increase primarily reflected a 15.7 percent increase in equipment rental revenue, primarily due to an 18.2 percent increase in the volume of OEC on rent, which includes the impact of the NES and Neff acquisitions, partially offset by a 0.2 percent rental rate decrease. On the pro forma basis including the standalone, pre-acquisition results of NES and Neff, equipment rental revenue increased 7.6 percent year-over-year, primarily reflecting a 7.1 percent increase in the volume of OEC on rent and a 0.4 percent rental rate increase. We believe that the increase in the volume of OEC on rent reflected improving demand in many of our core markets. Sales of rental equipment increased 10.9 percent primarily due to increased volume. Sales of new equipment increased 23.6 percent primarily due to increased volume and increased sales of larger equipment.

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.

Revenue Recognition. We recognize revenues from renting equipment on a straight-line basis. We account for such rentals as operating leases. 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 of \$56 and \$46 as of December 31, 2018 and 2017, respectively. Equipment rentals include our revenues from renting equipment, as well as revenue related to the “ancillary 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. Delivery and pick-up revenue is the most significant ancillary revenue component and is recognized when the service is performed.

Revenues from the sale of rental equipment and new equipment are recognized at the time of delivery to, or pick-up by, the customer and when collectibility is reasonably assured. Sales of contractor supplies are also recognized at the time of delivery to, or pick-up by, the customer. Service revenue is recognized as the services are performed.

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

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. 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. During the years ended December 31, 2018, 2017 and 2016, we recognized expenses of \$45, \$40 and \$24, respectively, primarily within selling, general and administrative expenses in our consolidated statements of income, associated with our allowances for doubtful accounts.

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 \$150 or \$189, 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 \$16. 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 \$28 or \$43, 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 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. We review goodwill for impairment utilizing a two-step process. The first step of the impairment test requires a comparison of the fair value of each of our reporting units' net assets to the respective carrying value of net assets. If the carrying value of a reporting unit's net assets is less than its fair value, no indication of impairment exists and a second step is not performed. If the carrying amount of a reporting unit's net assets is higher than its fair value, there is an indication that an impairment may exist and a second step must be performed. In the second step, the impairment is calculated 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. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess and charged to operations.

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.

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 as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. As discussed in note 2 to our consolidated financial statements, we are currently assessing whether we will early adopt accounting guidance that eliminates the second step from the goodwill impairment test (this guidance becomes effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and is not expected to have a significant impact on our financial statements).

In connection with our goodwill impairment test that was conducted as of October 1, 2017, 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 had estimated fair values which exceeded their respective carrying amounts by at least 45 percent.

In connection with our goodwill impairment test that was conducted as of October 1, 2018, 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 52 percent. As discussed in note 4 to the consolidated financial statements, in July 2018, we completed the acquisition of BakerCorp, which added 11 European locations to our branch network. The European locations are in our Fluid Solutions Europe reporting unit. 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 7 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. We recognized immaterial asset impairment charges during the years ended December 31, 2018, 2017 and 2016.

In support of our review for indicators of impairment, we perform a review of all assets at the district level relative to district performance. We also review the financial performance of our rental equipment. In our rental equipment review, we estimate 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.

The Tax Act discussed above, which was enacted in December 2017, had a substantial impact on our income tax benefit for the year ended December 31, 2017. The Tax Act reduced the U.S. federal statutory tax rate from 35 percent to 21 percent and the year ended December 31, 2018 reflects the decreased tax rate. See note 13 to the consolidated financial statements for further detail.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and, accordingly, no taxes have been provided on such earnings. We continue to evaluate our plans for reinvestment or repatriation of unremitted foreign earnings and have not changed our previous indefinite

reinvestment determination following the enactment of the Tax Act. We have not repatriated funds to the U.S. to satisfy domestic liquidity needs, nor do we anticipate the need to do so. The Tax Act requires a one-time transition tax for deemed repatriation of accumulated undistributed earnings of certain foreign investments. As of December 31, 2018, we have computed a transition tax amount payable of \$62, of which \$14 was included in other long-term liabilities on our consolidated balance sheet (we expect to settle the remaining payable amount by applying an overpayment of federal taxes).

We regularly review our cash positions and our determination of permanent reinvestment of foreign earnings. 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, beyond the Tax Act's one-time transition tax.

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.

Legal Contingencies. We are involved in a variety of claims, lawsuits, investigations and proceedings, as described in note 14 to our consolidated financial statements. We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with outside counsel handling our defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in our determination such that we expect an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for a significant amount, they could have a material adverse effect on our results of operations in the period or periods in which such change in determination, judgment or settlement occurs.

Results of Operations

As discussed in note 5 to our consolidated financial statements, our two reportable segments are (i) general rentals and (ii) 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. The general rentals 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 5 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. 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. 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, 2018, three of our general rentals' regions had an equipment rentals gross margin that varied by between 10 percent and 13 percent from the equipment rentals gross margins of the aggregated general rentals' regions over the same period. 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.

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 discussed in note 4 to the consolidated financial statements. 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 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:

	<u>General rentals</u>	<u>Trench, power and fluid solutions</u>	<u>Total</u>
Year Ended December 31, 2018			
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	<u>\$6,550</u>	<u>\$1,497</u>	<u>\$8,047</u>
Year Ended December 31, 2017			
Equipment rentals	\$4,727	\$ 988	\$5,715
Sales of rental equipment	509	41	550
Sales of new equipment	159	19	178
Contractor supplies sales	65	15	80
Service and other revenues	105	13	118
Total revenue	<u>\$5,565</u>	<u>\$1,076</u>	<u>\$6,641</u>
Year ended December 31, 2016			
Equipment rentals	\$4,166	\$ 775	\$4,941
Sales of rental equipment	459	37	496
Sales of new equipment	128	16	144
Contractor supplies sales	64	15	79
Service and other revenues	91	11	102
Total revenue	<u>\$4,908</u>	<u>\$ 854</u>	<u>\$5,762</u>

Equipment rentals. 2018 equipment rentals of \$6.9 billion increased \$1.2 billion, or 21.4 percent, as compared to 2017, primarily reflecting an 18.8 percent increase in the volume of OEC on rent, which includes the impact of the NES, Neff, BakerCorp and BlueLine acquisitions, and a 2.2 percent rental rate increase. On a pro forma basis including the standalone, pre-acquisition results of NES, Neff, BakerCorp and BlueLine, equipment rental revenue increased 10.5 percent year-over-year, primarily reflecting a 6.9 percent increase in the volume of OEC on rent and a 2.6 percent rental rate increase. We believe that the increases in the volume of OEC on rent and rental rates reflect improving demand in many of our core markets. Equipment rentals represented 86 percent of total revenues in 2018.

On a segment basis, equipment rentals represented 85 percent and 93 percent of total revenues for general rentals and trench, power and fluid solutions, respectively. General rentals equipment rentals increased \$823, or 17.4 percent, as compared to 2017, primarily reflecting a 16.5 percent increase in the volume of OEC on rent, which includes the impact of the NES, Neff and BlueLine acquisitions, and increased rental rates. On a pro forma basis including the standalone, pre-acquisition results of NES, Neff and BlueLine, the volume of OEC on rent increased 5.5 percent. We believe that the increases in the volume of OEC on rent and rental rates reflect improving demand in many of our core markets. Trench, power and fluid solutions equipment rentals increased \$402, or 40.7 percent, primarily reflecting a 46.5 percent increase in the volume of OEC on rent. On a pro forma basis including the standalone, pre-acquisition results of BakerCorp, the volume of OEC on rent increased 23.3 percent. The increase in the volume of OEC on rent reflects improved performance in our Fluid Solutions and Power and HVAC regions. The improvement in the Fluid Solutions region reflects growth in revenue from upstream oil and gas customers, which have experienced significant volatility in recent years. Additionally, due in part to the upstream oil and gas volatility, we have sought to diversify our revenue mix to achieve a reduced portion of business tied to oil and gas. We have diversified outside of oil and gas, and have grown our revenue from most of our non oil and gas customers (for example, industrial, construction and mining customers). The

Power and HVAC region experienced growth in revenue from oil and gas, and non-residential construction, customers.

2017 equipment rentals of \$5.7 billion increased \$774, or 15.7 percent, as compared to 2016, primarily reflecting an 18.2 percent increase in the volume of OEC on rent, which includes the impact of the NES and Neff acquisitions, partially offset by a 0.2 percent rental rate decrease. On a pro forma basis including the standalone, pre-acquisition results of NES and Neff, equipment rental revenue increased 7.6 percent year-over-year, primarily reflecting a 7.1 percent increase in the volume of OEC on rent and a 0.4 percent rental rate increase. We believe that the increase in the volume of OEC on rent reflected improving demand in many of our core markets. Equipment rentals represented 86 percent of total revenues in 2017. On a segment basis, equipment rentals represented 85 percent and 92 percent of total revenues for general rentals and trench, power and fluid solutions, respectively. General rentals equipment rentals increased \$561, or 13.5 percent, as compared to 2016, primarily reflecting a 16.9 percent increase in the volume of OEC on rent, which includes the impact of the NES and Neff acquisitions. On a pro forma basis including the standalone, pre-acquisition results of NES and Neff, the volume of OEC on rent increased 5.5 percent. We believe that the increase in the volume of OEC on rent reflected improving demand in many of our core markets. Trench, power and fluid solutions equipment rentals increased \$213, or 27.5 percent, primarily reflecting a 34.9 percent increase in the volume of OEC on rent. Trench, power and fluid solutions average OEC increased 14.3 percent. The increase in the volume of OEC on rent significantly exceeded the increase in average OEC primarily due to improved performance in our Fluid Solutions region. The improvement in the Fluid Solutions region primarily reflected growth in revenue from i) upstream oil and gas customers, which have experienced significant volatility in recent years, and ii) construction and mining customers.

Sales of rental equipment. For the three years in the period ended December 31, 2018, sales of rental equipment represented approximately 8 percent of our total revenues. Our general rentals segment accounted for most of these sales. 2018 sales of rental equipment of \$664 increased 20.7 percent from 2017 primarily reflecting increased volume, driven by a significantly larger fleet size, in a strong used equipment market. Average OEC for the year ended December 31, 2018 increased 20.3 percent year-over-year. 2017 sales of rental equipment of \$550 increased 10.9 percent from 2016 primarily reflecting increased volume.

Sales of new equipment. For the three years in the period ended December 31, 2018, sales of new equipment represented approximately 3 percent of our total revenues. Our general rentals segment accounted for most of these sales. 2018 sales of new equipment of \$208 increased 16.9 percent from 2017 primarily reflecting increased volume driven partially by some larger sales. 2017 sales of new equipment of \$178 increased 23.6 percent from 2016 primarily reflecting increased volume and increased sales of larger equipment.

Sales of contractor supplies. For the three years in the period ended December 31, 2018, sales of contractor supplies represented approximately 1 percent of our total revenues. Our general rentals segment accounted for most of these sales. 2018 sales of contractor supplies did not change materially from 2017, and 2017 sales of contractor supplies were flat with 2016.

Service and other revenues. For the three years in the period ended December 31, 2018, service and other revenues represented approximately 2 percent of our total revenues. Our general rentals segment accounted for most of these sales. 2018 service and other revenues of \$144 increased 22.0 percent from 2017 primarily reflecting an increased emphasis on this line of business. 2017 service and other revenues of \$118 increased 15.7 percent from 2016 primarily reflecting the impact of the NES acquisition and an increased emphasis on this line of business.

Fourth Quarter 2018 Items. The fourth quarter of 2018 includes \$22 of merger related costs and \$16 of restructuring charges primarily associated with the BakerCorp and BlueLine acquisitions discussed in note 4 to our consolidated financial statements. As discussed in note 12 to our consolidated financial statements, in the fourth quarter of 2018, we entered into a \$1 billion senior secured term loan facility and issued \$1.1 billion

principal amount of 6 1/2 percent Senior Notes due 2026. As discussed in note 4 to the consolidated financial statements, the proceeds from the 6 1/2 percent Senior Notes and borrowings under the term loan facility were used to finance the acquisition of BlueLine in October 2018.

Fourth Quarter 2017 Items. The fourth quarter of 2017 includes an estimated benefit of \$689 associated with the enactment of the Tax Act discussed further in note 13 to our consolidated financial statements. The fourth quarter of 2017 also includes \$18 of merger related costs and \$22 of restructuring charges primarily associated with the NES and Neff acquisitions discussed in note 4 to our consolidated financial statements. Additionally, in the fourth quarter of 2017, we redeemed the remaining \$225 principal amount of our 7 5/8 percent Senior Notes due 2022. Upon the redemption of these notes, we recognized a loss of \$11 in interest expense, net. The loss represented the difference between the net carrying amount and the total purchase price of the redeemed notes. The fourth quarter of 2017 also reflects a year-over-year increase of \$11 in stock compensation expense primarily due to the impact of increased revenue, improved profitability, and increases in our stock price and in the volume of stock awards.

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, 2018 were as follows:

	<u>General rentals</u>	<u>Trench, power and fluid solutions</u>	<u>Total</u>
2018			
Equipment Rentals Gross Profit	\$2,293	\$ 670	\$2,963
Equipment Rentals Gross Margin	41.3%	48.2%	42.7%
2017			
Equipment Rentals Gross Profit	\$1,950	\$ 490	\$2,440
Equipment Rentals Gross Margin	41.3%	49.6%	42.7%
2016			
Equipment Rentals Gross Profit	\$1,725	\$ 364	\$2,089
Equipment Rentals Gross Margin	41.4%	47.0%	42.3%

General rentals. For the three years in the period ended December 31, 2018, general rentals accounted for 80 percent of our total equipment rentals gross profit. This contribution percentage is consistent with general rentals' equipment rental revenue contribution over the same period. General rentals' equipment rentals gross profit in 2018 increased \$343, and equipment rentals gross margin was flat with 2017. Time utilization was 69.4 percent and 70.2 percent for the years ended December 31, 2018 and 2017, respectively. The decrease in time utilization primarily reflected the impact of the NES, Neff and BlueLine acquisitions. The impact of the decreased time utilization on equipment rentals gross margin was offset by the impact of increased rental rates. The volume of OEC on rent increased 16.5 percent, including the impact of the NES, Neff and BlueLine acquisitions. On a pro forma basis including the standalone, pre-acquisition results of NES, Neff and BlueLine, the volume of OEC on rent increased 5.5 percent and time utilization was flat. We believe that the increases in the volume of OEC on rent and rental rates reflect improving demand in many of our core markets.

General rentals' equipment rentals gross profit in 2017 increased \$225 and equipment rentals gross margin decreased 10 basis points. Time utilization increased 90 basis points, and was 70.2 percent and 69.3 percent for the years ended December 31, 2017 and 2016, respectively. In 2017, we saw improving demand in many of our core markets, as evidenced by a 16.9 percent increase in the volume of OEC on rent, which includes the impact of the NES and Neff acquisitions. On a pro forma basis including the standalone, pre-acquisition results of NES and Neff, the volume of OEC on rent increased 5.5 percent.

Trench, power and fluid solutions. For the year ended December 31, 2018, equipment rentals gross profit increased by \$180 and equipment rentals gross margin decreased 140 basis points from 2017. 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 40.7 percent, average OEC increased 43.0 percent and the volume of OEC on rent increased 46.5 percent. The decrease in the equipment rentals gross margin includes the impact of the BakerCorp acquisition and mix changes (in particular, fuel revenue, which generates lower margins, increased). 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.

For the year ended December 31, 2017, equipment rentals gross profit increased by \$126 and equipment rentals gross margin increased 260 basis points from 2016, primarily reflecting increased equipment rentals revenue on a larger fleet. Year-over-year, trench, power and fluid solutions equipment rentals increased 27.5 percent, average OEC increased 14.3 percent and the volume of OEC on rent increased 34.9 percent. The increase in the volume of OEC on rent significantly exceeded the increase in average OEC primarily due to improved performance in our Fluid Solutions region. The improvement in the Fluid Solutions region primarily reflected growth in revenue from i) upstream oil and gas customers, which have experienced significant volatility in recent years, and ii) construction and mining customers.

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

	Year Ended December 31,			Change	
	2018	2017	2016	2018	2017
Total gross margin	41.8%	41.7%	41.7%	10 bps	— bps
Equipment rentals	42.7%	42.7%	42.3%	— bps	40 bps
Sales of rental equipment	41.9%	40.0%	41.1%	190 bps	(110) bps
Sales of new equipment	13.9%	14.6%	17.4%	(70) bps	(280) bps
Contractor supplies sales	34.1%	30.0%	30.4%	410 bps	(40) bps
Service and other revenues	43.8%	50.0%	59.8%	(620) bps	(980) bps

2018 gross margin of 41.8 percent increased 10 basis points. Equipment rentals gross margin was flat with 2017, primarily reflecting a 2.2 percent rental rate increase offset by a 90 basis point decrease in time utilization. Time utilization was 68.6 percent and 69.5 percent for the years ended December 31, 2018 and 2017, respectively. The decrease in time utilization primarily reflected the impact of the NES, Neff, BakerCorp and BlueLine acquisitions. The volume of OEC on rent increased 18.8 percent, including the impact of the NES, Neff, BakerCorp and BlueLine acquisitions. On a pro forma basis including the standalone, pre-acquisition results of NES, Neff, BakerCorp and BlueLine, the volume of OEC on rent increased 6.9 percent, rental rates increased 2.6 percent and time utilization increased 20 basis points. We believe that the increases in the volume of OEC on rent and rental rates reflect improving demand in many of our core markets. Gross margin from sales of rental equipment increased 190 basis points, primarily reflecting improved pricing and changes in the mix of equipment sold. 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, 2018).

2017 gross margin of 41.7 percent was flat with 2016. Equipment rentals gross margin increased 40 basis points, primarily reflecting a 160 basis point increase in time utilization partially offset by a 0.2 percent rental rate decrease. Time utilization was 69.5 percent and 67.9 percent for the years ended December 31, 2017 and 2016, respectively. Time utilization for 2017 was a full-year record. The volume of OEC on rent increased 18.2 percent, including the impact of the NES and Neff acquisitions. On a pro forma basis including the standalone, pre-acquisition results of NES and Neff, the volume of OEC on rent increased 7.1 percent and rental rates increased 0.4 percent. We believe that the increase in the volume of OEC on rent reflected improving demand in many of our core markets. Gross margin from sales of new equipment decreased 280 basis points. Sales of new equipment increased 23.6 percent, primarily reflecting increased volume and increased sales of

larger equipment, some of which were at lower margins. Gross margin from service and other revenues decreased 980 basis points. In 2017, as a result of our increased focus on the service line of business, we increased the allocation of labor to it. Such labor costs were formerly included in cost of equipment rentals.

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, 2018:

	Year Ended December 31,			Change	
	2018	2017	2016	2018	2017
Selling, general and administrative (“SG&A”) expense	\$1,038	\$ 903	\$ 719	15.0%	25.6%
<i>SG&A expense as a percentage of revenue</i>	12.9%	13.6%	12.5%	(70) bps	110 bps
Merger related costs	36	50	—	(28.0)%	—
Restructuring charge	31	50	14	(38.0)%	257.1%
Non-rental depreciation and amortization	308	259	255	18.9%	1.6%
Interest expense, net	481	464	511	3.7%	(9.2)%
Other income, net	(6)	(5)	(5)	20.0%	— %
Provision (benefit) for income taxes	380	(298)	343	(227.5)%	(186.9)%
<i>Effective tax rate</i>	25.7%	(28.4)%	37.7%	5,410 bps	(6,610) 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, 2018 primarily reflects a reduction in salaries and bonuses as a percentage of revenue.

The increase in SG&A expense as a percentage of revenue for the year ended December 31, 2017 primarily reflects increased compensation costs, including stock compensation costs, largely due to the impact of the NES and Neff acquisitions discussed in note 4 to the consolidated financial statements, improved profitability, and increases in our stock price and in the volume of stock awards.

The ***merger related costs*** reflect transaction costs associated with the NES, Neff, BakerCorp and BlueLine acquisitions discussed in note 4 to the consolidated financial statements. We have made a number of acquisitions in the past and may continue to make acquisitions in the future. Merger related costs only include costs associated with major acquisitions that significantly impact our operations. The historic acquisitions that have included merger related costs are RSC, which had annual revenues of approximately \$1.5 billion prior to the acquisition, and National Pump, which had annual revenues of over \$200 prior to the acquisition. As discussed in note 4 to the consolidated financial statements, NES had annual revenues of approximately \$369, Neff had annual revenues of approximately \$413, BakerCorp had annual revenues of approximately \$295 and BlueLine had annual revenues of approximately \$786.

The ***restructuring charges*** for the years ended December 31, 2018, 2017 and 2016 primarily reflect severance costs and branch closure charges associated with our restructuring programs. In the third quarter of 2018, we initiated a restructuring program following the closing of the BakerCorp acquisition discussed in note 4 to the consolidated financial statements. The restructuring program also includes actions undertaken associated with the BlueLine acquisition that is discussed in note 4 to the consolidated financial statements. See note 6 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, 2018 primarily reflects the impact of the Neff, BakerCorp and BlueLine acquisitions discussed in note 4 to the consolidated financial statements.

Interest expense, net for the years ended December 31, 2017 and 2016 included aggregate losses of \$54 and \$101, respectively, associated with debt redemptions and the amendments of our ABL facility. Excluding the impact of these losses, interest expense, net for the year ended December 31, 2018 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 NES, Neff, BakerCorp and BlueLine acquisitions discussed in note 4 to the consolidated financial statements. Excluding the impact of these losses, interest expense, net, for the year ended December 31, 2017 was flat year-over-year as the impact of higher average debt was offset by a lower average cost of debt.

A detailed reconciliation of the **effective tax rates** to the U.S. federal statutory income tax rate is included in note 13 to our consolidated financial statements. As discussed further in note 13, the income tax benefit for the year ended December 31, 2017 includes the substantial impact of the enactment of the Tax Act discussed above. The Tax Act reduced the U.S. federal statutory tax rate from 35 percent to 21 percent and the year ended December 31, 2018 reflects the decreased tax rate.

Balance sheet. Accounts receivable, net increased by \$312, or 25.3 percent, from December 31, 2017 to December 31, 2018 primarily due to increased revenue, which included the impact of the BakerCorp and BlueLine acquisitions discussed in note 4 to the consolidated financial statements. Rental equipment, net increased by \$1.776 billion, or 22.7 percent, and property and equipment, net increased by \$147, or 31.5 percent, from December 31, 2017 to December 31, 2018, primarily due to the impact of the BakerCorp and BlueLine acquisitions and increased capital expenditures in response to a strong operating environment. Accounts payable increased by \$127, or 31.1 percent, from December 31, 2017 to December 31, 2018 primarily due to the timing of payments (in December 2018, we had one fewer check-paying days than in December 2017, and December 2018 also included one less pay period than December 2017). Accrued expenses and other liabilities increased by \$141, or 26.3 percent, from December 31, 2017 to December 31, 2018 primarily due to (i) increased income taxes payable due to an overpayment of federal taxes that significantly reduced taxes payable as of December 31, 2017, and (ii) increased interest payable due in part to the debt used to finance the BakerCorp and BlueLine acquisitions. See notes 9, 12 and 13 to the consolidated financial statements for discussions addressing our goodwill and other intangible assets, debt and deferred tax liability, respectively.

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 capital structure actions taken in 2018 and 2017 to improve our financial flexibility and liquidity.

Since 2012, we have repurchased a total of \$2.45 billion of Holdings’ common stock under four completed share repurchase programs. Additionally, in April 2018, our Board authorized a \$1.25 billion share repurchase program which commenced in July 2018. As of December 31, 2018, we have repurchased \$420 of Holdings’ common stock under the \$1.25 billion share repurchase program, which we intend to complete in 2019.

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, 2018, we had cash and cash equivalents of \$43. Cash equivalents at December 31, 2018 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, 2018:

ABL facility:

Borrowing capacity, net of letters of credit	\$1,264
Outstanding debt, net of debt issuance costs	1,685
Interest rate at December 31, 2018	4.0%
Average month-end principal amount of debt outstanding (1)	1,607
Weighted-average interest rate on average debt outstanding	3.5%
Maximum month-end principal amount of debt outstanding (1)	2,189

Accounts receivable securitization facility:

Borrowing capacity	125
Outstanding debt, net of debt issuance costs	850
Interest rate at December 31, 2018	3.3%
Average month-end principal amount of debt outstanding	796
Weighted-average interest rate on average debt outstanding	2.9%
Maximum month-end principal amount of debt outstanding	870

- (1) The maximum month-end principal amount of debt outstanding under the ABL facility exceeded the average month-end principal amount of debt outstanding during the year ended December 31, 2018 primarily due to the use of borrowings to fund the BakerCorp acquisition discussed in note 4 to the consolidated financial statements.

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 21, 2019 were as follows:

	<u>Corporate Rating</u>	<u>Outlook</u>
Moody’s	Ba2	Stable
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 \$1.44 billion and 1.22 billion in 2018 and 2017, respectively.

Loan Covenants and Compliance. As of December 31, 2018, 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 maintenance 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, 2018, specified availability under the ABL facility exceeded the required threshold and, as a result, this financial maintenance 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 facility, the term loan facility 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 2018, we (i) generated cash from operating activities of \$2.85 billion, (ii) generated cash from the sale of rental and non-rental equipment of \$687 and (iii) received cash from debt proceeds, net of payments, of \$2.24 billion. We used cash during this period principally to (i) purchase rental and non-rental equipment of \$2.29 billion, (ii) purchase other companies for \$2.97 billion and (iii) purchase shares of our common stock for \$817. During 2017, we (i) generated cash from operating activities of \$2.21 billion, (ii) generated cash from the sale of rental and non-rental equipment of \$566 and (iii) received cash from debt proceeds, net of payments, of \$1.59 billion. We used cash during this period principally to (i) purchase rental and non-rental equipment of \$1.89 billion, (ii) purchase other companies for \$2.38 billion, (iii) purchase shares of our common stock for \$56 and (iv) pay financing costs of \$44.

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, and plus excess tax benefits from share-based payment arrangements. 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,		
	2018	2017	2016
Net cash provided by operating activities	\$ 2,853	\$ 2,209	\$ 1,941
Purchases of rental equipment	(2,106)	(1,769)	(1,246)
Purchases of non-rental equipment	(185)	(120)	(93)
Proceeds from sales of rental equipment	664	550	496
Proceeds from sales of non-rental equipment	23	16	14
Insurance proceeds from damaged equipment	22	21	12
Excess tax benefits from share-based payment arrangements (1)	—	—	58
Free cash flow	\$ 1,271	\$ 907	\$ 1,182

- (1) We adopted accounting guidance in 2017 that changed the cash flow presentation of excess tax benefits from share-based payment arrangements. In the table above, the excess tax benefits from share-based payment arrangements for 2018 and 2017 are presented as a component of net cash provided by operating activities, while they are presented as a separate line item for 2016. Because we historically included the excess tax benefits from share-based payment arrangements in the free cash flow calculation, the adoption of this guidance did not change the calculation of free cash flow.

Free cash flow for the year ended December 31, 2018 was \$1.27 billion, an increase of \$364 as compared to \$907 for the year ended December 31, 2017. Free cash flow increased primarily due to increased cash provided by operating activities and increased proceeds from sales of rental equipment, partially offset by increased purchases of rental and non-rental equipment. Net rental capital expenditures (purchases of rental equipment less the proceeds from sales of rental equipment) increased \$223, or 18 percent, year-over-year. Free cash flow for the year ended December 31, 2017 was \$907, a decrease of \$275 as compared to \$1.18 billion for the year ended December 31, 2016. Free cash flow decreased primarily due to increased purchases of rental equipment partially offset by increased cash provided by operating activities.

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, 2018:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>	<u>Total</u>
Debt and capital leases (1)	\$ 903	\$ 42	\$1,733	\$ 19	\$1,011	\$8,126	\$11,834
Interest due on debt (2)	568	553	513	483	461	1,133	3,711
Operating leases (1):							
Real estate	148	125	102	71	43	47	536
Equipment	45	39	30	23	17	17	171
Service agreements (3)	18	18	18	—	—	—	54
Purchase obligations (4)	1,875	—	—	—	—	—	1,875
Transition tax on unremitted foreign earnings and profits (5)	—	—	—	—	—	14	14
Total (6)	<u>\$3,557</u>	<u>\$777</u>	<u>\$2,396</u>	<u>\$596</u>	<u>\$1,532</u>	<u>\$9,337</u>	<u>\$18,195</u>

- (1) The payments due with respect to a period represent (i) in the case of debt and capital leases, the scheduled principal payments due in such period, and (ii) in the case of operating leases, the minimum lease payments due in such period under non-cancelable operating leases.
- (2) Estimated interest payments have been calculated based on the principal amount of debt and the applicable interest rates as of December 31, 2018.
- (3) These primarily represent service agreements with third parties to provide wireless and network services.
- (4) As of December 31, 2018, we had outstanding purchase orders, which were negotiated in the ordinary course of business, with our equipment and inventory suppliers. These purchase commitments can generally be cancelled by us with 30 days notice and without cancellation penalties. The equipment and inventory receipts from the suppliers for these purchases and related payments to the suppliers are expected to be completed throughout 2019.
- (5) As discussed further in note 13 to the consolidated financial statements, the Tax Act, which was enacted in December 2017, included a transition tax on unremitted foreign earnings and profits. As of December 31, 2018, we have computed a transition tax amount payable of \$62, which we have elected to pay 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 \$9 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.

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.

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, 2018, we had an aggregate of \$3.5 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, 2018 under these facilities. As of December 31, 2018, based upon the amount of our variable rate debt outstanding, our annual after-tax earnings would decrease by approximately \$26 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, 2018, we had an aggregate of \$8.2 billion of indebtedness that bears interest at fixed rates. A one percentage point decrease in market interest rates as of December 31, 2018 would increase the fair value of our fixed rate indebtedness by approximately six 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. As discussed in note 4 to the consolidated financial statements, in July 2018, we completed the acquisition of BakerCorp, which allowed for our entry into select European markets. During the year ended December 31, 2018, our foreign subsidiaries accounted for \$660, or 8 percent, of our total revenue of \$8.047 billion, and \$71, or 5 percent, of our total pretax income of \$1.476 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, 2018 and 2017, 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, 2018, 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 referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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, 2018, 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 23, 2019 expressed an unqualified opinion thereon.

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.

/s/ Ernst & Young LLP

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

Stamford, Connecticut
January 23, 2019

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

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 43	\$ 352
Accounts receivable, net of allowance for doubtful accounts of \$93 at December 31, 2018 and \$68 at December 31, 2017	1,545	1,233
Inventory	109	75
Prepaid expenses and other assets	64	112
Total current assets	1,761	1,772
Rental equipment, net	9,600	7,824
Property and equipment, net	614	467
Goodwill	5,058	4,082
Other intangible assets, net	1,084	875
Other long-term assets	16	10
Total assets	\$18,133	\$15,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt and current maturities of long-term debt	\$ 903	\$ 723
Accounts payable	536	409
Accrued expenses and other liabilities	677	536
Total current liabilities	2,116	1,668
Long-term debt	10,844	8,717
Deferred taxes	1,687	1,419
Other long-term liabilities	83	120
Total liabilities	14,730	11,924
Common stock—\$0.01 par value, 500,000,000 shares authorized, 112,907,209 and 79,872,956 shares issued and outstanding, respectively, at December 31, 2018 and 112,394,395 and 84,463,662 shares issued and outstanding, respectively, at December 31, 2017	1	1
Additional paid-in capital	2,408	2,356
Retained earnings	4,101	3,005
Treasury stock at cost—33,034,253 and 27,930,733 shares at December 31, 2018 and December 31, 2017, respectively	(2,870)	(2,105)
Accumulated other comprehensive loss	(237)	(151)
Total stockholders' equity	3,403	3,106
Total liabilities and stockholders' equity	\$18,133	\$15,030

See accompanying notes.

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

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:			
Equipment rentals	\$6,940	\$5,715	\$4,941
Sales of rental equipment	664	550	496
Sales of new equipment	208	178	144
Contractor supplies sales	91	80	79
Service and other revenues	144	118	102
Total revenues	<u>8,047</u>	<u>6,641</u>	<u>5,762</u>
Cost of revenues:			
Cost of equipment rentals, excluding depreciation	2,614	2,151	1,862
Depreciation of rental equipment	1,363	1,124	990
Cost of rental equipment sales	386	330	292
Cost of new equipment sales	179	152	119
Cost of contractor supplies sales	60	56	55
Cost of service and other revenues	81	59	41
Total cost of revenues	<u>4,683</u>	<u>3,872</u>	<u>3,359</u>
Gross profit	<u>3,364</u>	<u>2,769</u>	<u>2,403</u>
Selling, general and administrative expenses	1,038	903	719
Merger related costs	36	50	—
Restructuring charge	31	50	14
Non-rental depreciation and amortization	308	259	255
Operating income	1,951	1,507	1,415
Interest expense, net	481	464	511
Other income, net	(6)	(5)	(5)
Income before provision (benefit) for income taxes	1,476	1,048	909
Provision (benefit) for income taxes (note 13)	380	(298)	343
Net income	<u>\$1,096</u>	<u>\$1,346</u>	<u>\$ 566</u>
Basic earnings per share	\$13.26	\$15.91	\$ 6.49
Diluted earnings per share	\$13.12	\$15.73	\$ 6.45

See accompanying notes.

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

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net income	\$1,096	\$1,346	\$566
Other comprehensive income (loss):			
Foreign currency translation adjustments	(84)	67	28
Fixed price diesel swaps	(2)	—	4
Other comprehensive (loss) income (1)	<u>(86)</u>	<u>67</u>	<u>32</u>
Comprehensive income	<u>\$1,010</u>	<u>\$1,413</u>	<u>\$598</u>

- (1) There were no material reclassifications from accumulated other comprehensive loss reflected in other comprehensive income (loss) during the years ended December 31, 2018, 2017 or 2016. There is no tax impact related to the foreign currency translation adjustments, as the earnings are considered permanently reinvested (see note 13 to the consolidated financial statements for further discussion addressing this determination). There were no material taxes associated with other comprehensive income (loss) during the years ended December 31, 2018, 2017 or 2016.

See accompanying notes.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)
	Number of Shares	Amount			Number of Shares	Amount	
Balance at January 1, 2016	92	\$1	\$2,197	\$1,088	20	\$(1,560)	\$(250)
Net income				566			
Foreign currency translation adjustments							28
Fixed price diesel swaps							4
Stock compensation expense, net			45				
Exercise of common stock options	—		1				
Shares repurchased and retired	(8)		(11)		8	(517)	
Repurchase of common stock			56				
Excess tax benefits from share-based payment arrangements, net							
Balance at December 31, 2016	84	\$1	\$2,288	\$1,654	28	\$(2,077)	\$(218)

UNITED RENTALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income
	Number of Shares	Amount	Amount	Number of Shares	Amount
Balance at December 31, 2016	84	\$1	\$1,654	28	\$(2,077)
Net income			1,346		
Foreign currency translation adjustments					67
Net acquisition					
Stock compensation expense, net (1)		7			
Exercise of common stock options		91			
Cumulative effect of a change in accounting for share-based payments		3	5		
Shares repurchased and retired					
Repurchase of common stock				—	(28)
Other					
		(5)			
Balance at December 31, 2017	84	\$1	\$3,005	28	\$(2,105)

(1) Includes net stock compensation expense as reported as a separate component in our consolidated statements of cash flows, and net stock compensation expense included in "Restructuring charge" as reported in our consolidated statements of cash flows.

UNITED RENTALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(In millions)

	Common Stock	Additional	Retained	Treasury Stock	Accumulated
	Number of	Paid-in	Earnings	Number of	Other
	Shares	Capital		Shares	Comprehensive
				Amount	Loss (1)
Balance at December 31, 2017	84	\$2,356	\$3,005	28	\$(151)
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	(5)	(52)		5	
Repurchase of common stock				\$ (765)	
Balance at December 31, 2018	80	\$2,408	\$4,101	33	\$(237)

(1) As of December 31, 2018, 2017 and 2016, the Accumulated Other Comprehensive Loss balance primarily reflects foreign currency translation adjustments.

UNITED RENTALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2018	2017	2016
	(In millions)		
Cash Flows From Operating Activities:			
Net income	\$ 1,096	\$ 1,346	\$ 566
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,671	1,383	1,245
Amortization of deferred financing costs and original issue discounts	12	9	9
Gain on sales of rental equipment	(278)	(220)	(204)
Gain on sales of non-rental equipment	(6)	(4)	(4)
Gain on insurance proceeds from damaged equipment	(22)	(21)	(12)
Stock compensation expense, net	102	87	45
Merger related costs	36	50	—
Restructuring charge	31	50	14
Loss on repurchase/redemption of debt securities and amendment of ABL facility	—	54	101
Excess tax benefits from share-based payment arrangements	—	—	(58)
Increase (decrease) in deferred taxes (note 13)	257	(533)	123
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(115)	(184)	15
(Increase) decrease in inventory	(20)	1	1
Decrease (increase) in prepaid expenses and other assets	75	(20)	77
Increase (decrease) in accounts payable	49	141	(29)
(Decrease) increase in accrued expenses and other liabilities	(35)	70	52
Net cash provided by operating activities	2,853	2,209	1,941
Cash Flows From Investing Activities:			
Purchases of rental equipment	(2,106)	(1,769)	(1,246)
Purchases of non-rental equipment	(185)	(120)	(93)
Proceeds from sales of rental equipment	664	550	496
Proceeds from sales of non-rental equipment	23	16	14
Insurance proceeds from damaged equipment	22	21	12
Purchases of other companies, net of cash acquired	(2,966)	(2,377)	(28)
Purchases of investments	(3)	(5)	(2)
Net cash used in investing activities	(4,551)	(3,684)	(847)
Cash Flows From Financing Activities:			
Proceeds from debt	12,178	11,801	8,752
Payments of debt	(9,942)	(10,207)	(9,223)
Payments of financing costs	(24)	(44)	(24)
Proceeds from the exercise of common stock options	2	3	1
Common stock repurchased	(817)	(56)	(528)
Excess tax benefits from share-based payment arrangements	—	—	58
Net cash provided by (used in) financing activities	1,397	1,497	(964)
Effect of foreign exchange rates	(8)	18	3
Net (decrease) increase in cash and cash equivalents	(309)	40	133
Cash and cash equivalents at beginning of year	352	312	179
Cash and cash equivalents at end of year	\$ 43	\$ 352	\$ 312
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 455	\$ 357	\$ 415
Cash paid for income taxes, net	71	205	99

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. As discussed in note 4 to the consolidated financial statements, with the recently completed 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.

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, 2018 and 2017 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. 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. Costs we incur in connection with refurbishment programs that extend the life of our equipment are capitalized and amortized over the remaining useful life of the equipment. The costs incurred under these refurbishment programs were \$14, \$10 and \$18 for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in purchases of rental equipment in our consolidated statements of cash flows. Ordinary repair and maintenance costs are charged to operations as incurred. Repair and maintenance costs are included in cost of revenues on our consolidated statements of income. Repair and maintenance expense (including both labor and parts) for our rental equipment was \$864, \$714 and \$629 for the years ended December 31, 2018, 2017 and 2016, respectively.

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. We review goodwill for impairment utilizing a two-step process. The first step of the impairment test requires a comparison of the fair value of each of our reporting units' net assets to the respective carrying value of net assets. If the carrying value of a reporting unit's net assets is less than its fair value, no indication of impairment exists and a second step is not performed. If the carrying amount of a reporting unit's net assets is higher than its fair value, there is an indication that an impairment may exist and a second step must be performed. In the second step, the impairment is calculated 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. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess and charged to operations.

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 as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. As discussed below (see "New Accounting Pronouncements-Simplifying the Test for Goodwill Impairment"), we are currently assessing whether we will early adopt accounting guidance that eliminates the second step from the goodwill impairment test when it becomes effective (for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019).

In connection with our goodwill impairment test that was conducted as of October 1, 2017, 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 had estimated fair values which exceeded their respective carrying amounts by at least 45 percent.

In connection with our goodwill impairment test that was conducted as of October 1, 2018, 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 52 percent. As discussed in note 4 to the consolidated financial statements, in July 2018, we completed the acquisition of BakerCorp, which added 11 European locations to our branch network. The European locations are in our Fluid Solutions Europe reporting unit. 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 7 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, in 2018, we adopted updated FASB revenue recognition guidance ("Topic 606"). Topic 606 replaced Topic 605, which was the revenue recognition accounting standard in effect for the years ended December 31, 2017 and 2016. For each of the three years in the period ended December 31, 2018, we additionally recognized revenue in accordance with Topic 840, which is the lease accounting standard. The discussion below addresses our primary revenue types based on the accounting standard used to determine the accounting.

Lease revenues (Topic 840)

The accounting for the significant types of revenue that are accounted for under Topic 840 is discussed below. As discussed below (see "New Accounting Pronouncements-Leases"), we will adopt Topic 842, which replaces Topic 840, on January 1, 2019. We have concluded that no significant changes are expected to our revenue accounting upon adoption of Topic 842.

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 reasonably assured.

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, 2018, 2017 and 2016.

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 \$41, \$35 and \$19 for the years ended December 31, 2018, 2017 and 2016, 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. The Company is also self-insured for group medical claims but purchases "stop loss" insurance to protect itself from 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.

The Tax Cuts and Jobs Act (the “Tax Act”), which was enacted in December 2017, had a substantial impact on our income tax benefit for the year ended December 31, 2017. The Tax Act reduced the U.S. federal statutory tax rate from 35 percent to 21 percent and the year ended December 31, 2018 reflects the decreased tax rate. See note 13 to the consolidated financial statements for further detail.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and, accordingly, no taxes have been provided on such earnings. We continue to evaluate our plans for reinvestment or repatriation of unremitted foreign earnings and have not changed our previous indefinite reinvestment determination following the enactment of the Tax Act. We have not repatriated funds to the U.S. to satisfy domestic liquidity needs, nor do we anticipate the need to do so. The Tax Act requires a one-time transition tax for deemed repatriation of accumulated undistributed earnings of certain foreign investments. As of December 31, 2018, we have computed a transition tax amount payable of \$62, of which \$14 was included in other long-term liabilities on our consolidated balance sheet (we expect to settle the remaining payable amount by applying an overpayment of federal taxes).

We regularly review our cash positions and our determination of permanent reinvestment of foreign earnings. 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, beyond the Tax Act’s one-time transition tax.

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, reserves for claims, loss contingencies (including legal contingencies) and the fair values of financial instruments. 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, forfeiture rates 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. We adopted accounting guidance in 2017 that changed the cash flow presentation of

excess tax benefits from share-based payment arrangements. For 2017 and 2018, the excess tax benefits from share-based payment arrangements are presented as a component of net cash provided by operating activities, while they are presented as a separate line item for 2016.

New Accounting Pronouncements

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. Topic 842 is effective for fiscal years and interim periods beginning after December 15, 2018. A modified retrospective approach is required for adoption for all leases that exist at or commence after the date of initial application with an option to use certain practical expedients. We expect to use the package of practical expedients that allows 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 expect to use the practical expedient that allows lessees to treat the lease and non-lease components of leases as a single lease component. We will adopt this guidance at the adoption date of January 1, 2019, using the transition method that allows 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 do not expect to recognize a material adjustment to retained earnings upon adoption. We are additionally assessing the impact of Topic 842 on our internal controls over financial reporting.

As discussed in note 3 to the consolidated financial statements, most of our equipment rental revenues, which accounted for 86 percent of total revenues for the year ended December 31, 2018, were accounted for under the current lease accounting standard (“Topic 840”) through December 31, 2018 and will be accounted for under Topic 842 upon adoption. We have concluded that no significant changes are expected to our revenue accounting upon adoption of Topic 842. See note 3 to the consolidated financial statements for a discussion of our revenue accounting (such discussion addresses our lease revenues).

We determine if an arrangement is a lease at inception. 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 current capital lease obligations consist primarily of vehicle and building leases. The capital leases addressed in note 14 to the consolidated financial statements are expected to be accounted for as finance leases upon adoption of Topic 842, and we do not expect any significant changes to the accounting for such leases upon adoption. Under Topic 842, operating leases result in the recognition of right-of-use (“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. Under Topic 842, 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, upon adoption of Topic 842, we will use our estimated incremental borrowing rate at the commencement date to determine the present value of lease payments. The operating lease ROU assets will also include any lease payments made and exclude lease incentives. Our lease terms may include options to extend or terminate the lease that we are reasonably certain to exercise. Lease expense under Topic 842 will be recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, and we expect to account for the lease and non-lease components as a single lease component under Topic 842.

The adoption of Topic 842 will have a material impact on our consolidated balance sheet due to the recognition of the ROU assets and lease liabilities. The adoption of Topic 842 is not expected to have a material impact on our consolidated income statement (as noted above, although a significant portion of our revenue will be accounted for under Topic 842 upon adoption, no significant changes to our revenue accounting are expected upon adoption) or our consolidated cash flow statement. Because of the transition method we will use to adopt

Topic 842, Topic 842 will not be applied to periods prior to adoption and the adoption of Topic 842 will have no impact on our previously reported results. The future minimum lease payments for our operating leases as of December 31, 2018 are discussed in note 14 to the consolidated financial statements. The undiscounted total of such payments was \$707. Upon adoption of Topic 842, we expect to recognize operating lease ROU assets and lease liabilities that reflect the present value of these future payments. After the adoption of Topic 842, we will first report the operating lease ROU assets and lease liabilities as of March 31, 2019 based on our lease portfolio as of that date.

The components of our historic lease expense and the future lease payments are discussed in note 14 to the consolidated financial statements. The capital leases addressed in note 14 are expected to be accounted for as finance leases upon adoption of Topic 842, and we do not expect any significant changes to the accounting for such leases upon adoption.

Measurement of Credit Losses on Financial Instruments. In June 2016, the FASB issued guidance that will require companies to present assets held at amortized cost and available for sale debt securities net of the amount expected to be collected. 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. The guidance will be effective for fiscal years and interim periods beginning after December 15, 2019 and early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Different components of the guidance require modified retrospective or prospective adoption. This guidance does not apply to receivables arising from operating leases. As discussed in note 3 to our consolidated financial statements, most of our equipment rental revenue is accounted for as lease revenue (such revenue represented 79 percent of our total revenues for the year ended December 31, 2018). We are currently assessing whether we will early adopt this guidance, and the impact on our financial statements, while limited to our non-operating lease receivables, is not currently estimable, as it will depend on market conditions and our forecast expectations upon, and following, adoption.

Simplifying the Test for Goodwill Impairment. In January 2017, the 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 and will be effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption of this guidance is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently assessing whether we will early adopt. The guidance is not expected to have a significant impact on our financial statements.

Derivatives and Hedging. In August 2017, the FASB issued guidance with the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The guidance is additionally intended to simplify hedge accounting, and no longer requires separate measurement and reporting of hedge ineffectiveness. For cash flow and net investment hedges existing at the date of adoption, entities must apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings. The amended presentation and disclosure guidance is required prospectively. The guidance will be effective for fiscal years and interim periods beginning after December 15, 2018, and we expect to adopt this guidance when effective. Given our currently limited use of derivative instruments, the guidance is not expected to have a significant impact on our financial statements.

Guidance Adopted in 2018

Revenue from Contracts with Customers. See note 3 to our consolidated financial statements for a discussion of our revenue recognition accounting following our adoption in 2018 of FASB guidance addressing the principles for recognizing revenue.

Statement of Cash Flows. In 2018, we retrospectively adopted guidance that was issued to reduce the diversity in the presentation of certain cash receipts and cash payments presented and classified in the statement of cash flows. The guidance addresses the following specific cash flow issues: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (6) distributions received from equity method investees, (7) beneficial interests in securitization transitions and (8) separately identifiable cash flows and application of predominance principle. The adoption of this guidance did not have a significant impact on our financial statements.

Intra-Entity Transfers of Assets Other Than Inventory. In 2018, we adopted guidance that requires companies to recognize the income tax effects of intra-entity sales and transfers of assets other than inventory in the period in which the transfer occurs. The adoption of this guidance did not have a significant impact on our financial statements.

Clarifying the Definition of a Business. In 2018, we adopted guidance that was issued to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is intended to make determining when a set of assets and activities is a business more consistent and cost-efficient. The future impact of this guidance will depend on the nature of our future activities, and fewer transactions may be treated as acquisitions (or disposals) of businesses after adoption.

Stock Compensation: Scope of Modification Accounting. In 2018, we prospectively adopted guidance that was issued to provide clarity and reduce both the (1) diversity in practice and (2) cost and complexity when changing the terms or conditions of share-based payment awards. Under the updated guidance, a modification is defined as a change in the terms or conditions of a share-based payment award, and an entity should account for the effects of a modification unless all of the following are met:

1. The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation techniques that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification.

2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified.

3. The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified.

The majority of our modifications relate to the acceleration of vesting conditions. The accounting for such modifications did not change under the adopted guidance, which did not have a significant impact on our financial statements.

3. Revenue Recognition

Adoption of Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers”

In May 2014, and in subsequent updates, the FASB issued guidance (“Topic 606”) to clarify the principles for recognizing revenue. Topic 606 replaced Topic 605, which was the revenue recognition standard in effect through December 31, 2017. Topic 606 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. We adopted Topic 606 on January 1, 2018, using the modified retrospective method. The adoption of Topic 606 did not result in any significant changes to our historic revenue accounting under Topic 605. Results for 2018 are presented under Topic 606, while results for 2017 and 2016 continue to reflect our historic accounting under Topic 605. No cumulative change to retained earnings was required upon adoption of Topic 606.

We applied the Topic 606 practical expedient that allows entities to not restate contracts that begin and are completed within the same annual reporting period. No other practical expedients associated with the adoption of Topic 606 were applied.

As discussed below, following the adoption of Topic 606, we recognized revenue in accordance with two different accounting standards: 1) Topic 606 and 2) Topic 840 (which addresses lease accounting. As discussed below, we will adopt an update to this standard on January 1, 2019). 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. 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.

As reflected below, most of our revenue is accounted for under Topic 840. Our contracts with customers generally do not include multiple performance obligations.

Nature of goods and services

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

	Year Ended December 31,								
	2018			2017			2016		
	Topic 840	Topic 606	Total	Topic 840	Topic 605	Total	Topic 840	Topic 605	Total
Revenues:									
Owned equipment rentals . . .	\$5,946	\$ —	\$5,946	\$4,928	\$ —	\$4,928	\$4,273	\$ —	\$4,273
Re-rent revenue	138	—	138	106	—	106	93	—	93
Ancillary and other rental revenues:									
Delivery and pick-up	—	477	477	—	389	389	—	340	340
Other	287	92	379	228	64	292	186	49	235
Total ancillary and other rental revenues	287	569	856	228	453	681	186	389	575
Total equipment rentals . . .	6,371	569	6,940	5,262	453	5,715	4,552	389	4,941
Sales of rental equipment . . .	—	664	664	—	550	550	—	496	496
Sales of new equipment	—	208	208	—	178	178	—	144	144
Contractor supplies sales . . .	—	91	91	—	80	80	—	79	79
Service and other revenues	—	144	144	—	118	118	—	102	102
Total revenues	\$6,371	\$1,676	\$8,047	\$5,262	\$1,379	\$6,641	\$4,552	\$1,210	\$5,762

Revenues by reportable segment and geographical market are presented in note 5 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, 2018, 81 percent and 92 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 5, depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Lease revenues (Topic 840)

The accounting for the types of revenue that are accounted for under Topic 840 is discussed below. As discussed in note 2 to the consolidated financial statements, we will adopt Topic 842, which will replace Topic 840, on January 1, 2019. We have concluded that no significant changes are expected to our revenue accounting upon adoption of Topic 842.

Owned equipment rentals represent our most significant revenue type (they accounted for 74 percent of total revenues for the year ended December 31, 2018) 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 840 and Topic 606/605) of \$56 and \$46 as of December 31, 2018 and 2017, 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 manage our rental fleet utilizing a life-cycle approach that focuses on satisfying customer demand and optimizing utilization levels. We use this approach to manage residual value risk upon disposition of our rental equipment. 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. We generally expect to recognize significant future equipment rental revenue from our equipment following the end of the rental term. Additionally, we 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 reasonably assured.

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 840 (such revenue represented 79 percent of our total revenues for the year ended December 31, 2018). 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 840, the discussions below on credit risk and our allowances for doubtful accounts address our total revenues from Topic 606 (Topic 605 for 2017 and 2016) and Topic 840.

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 2018, 2017, and 2016. Our customer with the largest receivable balance represented approximately one percent of total receivables at December 31, 2018 and 2017. 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. 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. During the years ended December 31, 2018, 2017 and 2016, we recognized expenses of \$45, \$40 and \$24, respectively, primarily within selling, general and administrative expenses in our consolidated statements of income, associated with our allowances for doubtful accounts.

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 year ended December 31, 2018 that was included in the contract liability balance as of the beginning of such period.

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 amount of such revenue recognized during the year ended December 31, 2018 was not material. We also do not expect to recognize material revenue in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2018.

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 on 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.

We monitor and review our estimated standalone selling prices on a regular basis.

4. Acquisitions

NES Acquisition

In April 2017, we completed the acquisition of NES Rentals Holdings II, Inc. (“NES”). NES was a provider of rental equipment with 73 branches located throughout the eastern half of the U.S., and had approximately 1,100 employees and approximately \$900 of rental assets at original equipment cost as of December 31, 2016. NES had annual revenues of approximately \$369. The acquisition:

- Increased our density in strategically important markets, including the East Coast, Gulf States and the Midwest;
- Strengthened our relationships with local and strategic accounts in the construction and industrial sectors, which we expect will enhance cross-selling opportunities and drive revenue synergies; and
- Created meaningful opportunities for cost synergies in areas such as corporate overhead, operational efficiencies and purchasing.

The aggregate consideration paid to holders of NES common stock and options was approximately \$960. The acquisition and related fees and expenses were funded through drawings on our senior secured asset-based revolving credit facility (“ABL facility”) and new debt issuances.

The following table summarizes the fair values of the assets acquired and liabilities assumed.

Accounts receivable, net of allowance for doubtful accounts (1)	\$ 49
Inventory	4
Rental equipment	571
Property and equipment	48
Intangibles (2)	139
Other assets	<u>7</u>
Total identifiable assets acquired	818
Short-term debt and current maturities of long-term debt (3)	(3)
Current liabilities	(33)
Deferred taxes	(15)
Long-term debt (3)	(11)
Other long-term liabilities	<u>(5)</u>
Total liabilities assumed	<u>(67)</u>
Net identifiable assets acquired	751
Goodwill (4)	<u>209</u>
Net assets acquired	<u>\$960</u>

- (1) The fair value of accounts receivables acquired was \$49, and the gross contractual amount was \$53. We estimated that \$4 would 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:

	<u>Fair value</u>	<u>Life (years)</u>
Customer relationships	\$138	10
Non-compete agreements	<u>1</u>	1
Total	<u>\$139</u>	

- (3) The acquired debt reflects capital lease obligations.
- (4) All of the goodwill was assigned to our general rentals segment. The level of goodwill that resulted from the acquisition is primarily reflective of NES’s going-concern value, the value of NES’s assembled workforce, new customer relationships expected to arise from the acquisition, and operational synergies that we expect to achieve that are not associated with the identifiable assets. \$1 of goodwill is expected to be deductible for income tax purposes.

The years ended December 31, 2018 and 2017 include NES acquisition-related costs which are included in “Merger related costs” in our consolidated statements of income. The merger related costs are comprised of financial and legal advisory fees. In addition to the acquisition-related costs reflected in our consolidated statements of income, the debt issuance costs and the original issue premiums associated with the issuance of debt to fund the acquisition are reflected, net of amortization subsequent to the acquisition date, in long-term debt in our consolidated balance sheets.

Since the acquisition date, significant amounts of fleet have been moved between URI locations and the acquired NES locations, and it is not practicable to reasonably estimate the amounts of revenue and earnings of NES since the acquisition date. The impact of the NES acquisition on our equipment rentals revenue is primarily

reflected in the increase in the volume of OEC on rent of 18.8 percent for the year ended December 31, 2018 (such increase also includes the impact of the acquisitions of Neff Corporation (“Neff”), BakerCorp and Vander Holding Corporation and its subsidiaries (“BlueLine”) discussed below).

Neff Acquisition

In October 2017, we completed the acquisition of Neff. Neff was a provider of earthmoving, material handling, aerial and other equipment, and had 69 branches located in 14 states, with a concentration in southern geographies. Neff had approximately 1,100 employees and approximately \$860 of rental assets at original equipment cost as of September 30, 2017. Neff had annual revenues of approximately \$413. The acquisition augmented our earthmoving capabilities and efficiencies of scale in key market areas, particularly fast-growing southern geographies, and created opportunities for revenue synergies through the cross-selling of our broader fleet.

The aggregate consideration paid to holders of Neff common stock and options was approximately \$1.316 billion (including \$7 of stock consideration associated with Neff stock options and restricted stock units which were converted into United Rentals stock options). The acquisition and related fees and expenses were primarily funded through new debt issuances.

The following table summarizes the fair values of the assets acquired and liabilities assumed.

Accounts receivable, net of allowance for doubtful accounts (1)	\$ 72
Inventory	5
Rental equipment	550
Property and equipment	45
Intangibles (customer relationships) (2)	153
Other assets	<u>5</u>
Total identifiable assets acquired	830
Current liabilities	(62)
Deferred taxes	(36)
Other long-term liabilities	<u>(3)</u>
Total liabilities assumed	(101)
Net identifiable assets acquired	729
Goodwill (3)	<u>587</u>
Net assets acquired	<u>\$1,316</u>

- (1) The fair value of accounts receivables acquired was \$72, and the gross contractual amount was \$74. We estimated that \$2 would be uncollectible.
- (2) The customer relationships are being amortized over a 10 year life.
- (3) All of the goodwill was assigned to our general rentals segment. The level of goodwill that resulted from the acquisition is primarily reflective of Neff’s going-concern value, the value of Neff’s assembled workforce, new customer relationships expected to arise from the acquisition, and operational synergies that we expect to achieve that are not associated with the identifiable assets. \$320 of goodwill is expected to be deductible for income tax purposes.

The years ended December 31, 2018 and 2017 include Neff acquisition-related costs which are included in “Merger related costs” in our consolidated statements of income. The merger related costs are primarily comprised of financial and legal advisory fees, and also include a termination fee we paid associated with a merger agreement Neff entered into with a prior bidder. In addition to the acquisition-related costs reflected in our consolidated statements of income, the debt issuance costs and the original issue premiums associated with the issuance of debt to fund the acquisition are reflected, net of amortization subsequent to the acquisition date, in long-term debt in our consolidated balance sheets.

Since the acquisition date, significant amounts of fleet have been moved between URI locations and the acquired Neff locations, and it is not practicable to reasonably estimate the amounts of revenue and earnings of Neff since the acquisition date. The impact of the Neff acquisition on our equipment rentals revenue is primarily reflected in the increase in the volume of OEC on rent of 18.8 percent for the year ended December 31, 2018 (such increase also includes the impact of the acquisition of NES discussed above and the acquisitions of BakerCorp and BlueLine discussed below).

BakerCorp Acquisition

In July 2018, we completed the acquisition of BakerCorp. BakerCorp was a leading multinational provider of tank, pump, filtration and trench shoring rental solutions for a broad range of industrial and construction applications. BakerCorp had approximately 950 employees, and its operations were primarily concentrated in the United States and Canada, where it had 46 locations. BakerCorp also had 11 locations in France, Germany, the United Kingdom and the Netherlands. BakerCorp had annual revenues of approximately \$295. The acquisition is expected to:

- Augment our bundled solutions for fluid storage, transfer and treatment;
- Expand our strategic account base; and
- Provide a significant opportunity to increase revenue and enhance customer service by cross-selling to our broader customer base.

The aggregate consideration paid was approximately \$720. The acquisition and related fees and expenses were funded through drawings on our ABL facility.

The following table summarizes the fair values of the assets acquired and liabilities assumed. 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)	\$ 74
Inventory	5
Rental equipment	268
Property and equipment	25
Intangibles (2)	171
Other assets	4
Total identifiable assets acquired	<u>547</u>
Current liabilities	(61)
Deferred taxes	<u>(13)</u>
Total liabilities assumed	<u>(74)</u>
Net identifiable assets acquired	473
Goodwill (3)	<u>247</u>
Net assets acquired	<u>\$720</u>

(1) The fair value of accounts receivables acquired was \$74, and the gross contractual amount was \$80. We estimated that \$6 would be uncollectible.

(2) The following table reflects the fair values and useful lives of the acquired intangible assets identified based on our purchase accounting assessments:

	<u>Fair value</u>	<u>Life (years)</u>
Customer relationships	\$166	8
Trade names and associated trademarks	<u>5</u>	5
Total	\$171	

- (3) All of the goodwill was assigned to our trench, power and fluid solutions segment. The level of goodwill that resulted from the acquisition is primarily reflective of BakerCorp's going-concern value, the value of BakerCorp's assembled workforce, new customer relationships expected to arise from the acquisition, and operational synergies that we expect to achieve that are not associated with the identifiable assets. \$6 of goodwill is expected to be deductible for income tax purposes.

The year ended December 31, 2018 includes BakerCorp acquisition-related costs which are included in "Merger related costs" in our condensed consolidated statements of income. The merger related costs are comprised of financial and legal advisory fees.

Since the acquisition date, significant amounts of fleet have been moved between URI locations and the acquired BakerCorp locations, and it is not practicable to reasonably estimate the amounts of revenue and earnings of BakerCorp since the acquisition date. The impact of the BakerCorp acquisition on our equipment rentals revenue is primarily reflected in the increase in the volume of OEC on rent of 18.8 percent for the year ended December 31, 2018 (such increase also includes the impact of the acquisition of NES and Neff discussed above and the acquisition of BlueLine discussed below).

BlueLine Acquisition

In October 2018, we completed the acquisition of BlueLine. BlueLine was one of the ten largest equipment rental companies in North America and served customers in the construction and industrial sectors with a focus on mid-sized and local accounts. BlueLine had 114 locations and over 1,700 employees based in 25 U.S. states, Canada and Puerto Rico. BlueLine had annual revenues of approximately \$786. The acquisition is expected to:

- Expand our equipment rental capacity in many of the largest metropolitan areas in North America, including both U.S. coasts, the Gulf South and Ontario;
- Provide a well-diversified customer base with a balanced mix of commercial construction and industrial accounts;
- Add more mid-sized and local accounts to our customer base; and
- Provide a significant opportunity to increase revenue and enhance customer service by cross-selling to our broader customer base.

The aggregate consideration paid was approximately \$2.068 billion. The acquisition and related fees and expenses were funded through borrowings under a new \$1 billion senior secured term loan credit facility (the "term loan facility") and the issuance of \$1.1 billion principal amount of 6 1/2 percent Senior Notes due 2026.

The following table summarizes the fair values of the assets acquired and liabilities assumed. 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)	\$ 117
Inventory	8
Rental equipment	1,081
Property and equipment	72
Intangibles (customer relationships) (2)	230
Other assets	<u>39</u>
Total identifiable assets acquired	1,547
Short-term debt and current maturities of long-term debt (3)	(12)
Current liabilities	(124)
Deferred taxes	(4)
Long-term debt (3)	(25)
Other long-term liabilities	<u>(4)</u>
Total liabilities assumed	(169)
Net identifiable assets acquired	1,378
Goodwill (4)	<u>690</u>
Net assets acquired	<u>\$2,068</u>

- (1) The fair value of accounts receivables acquired was \$117, and the gross contractual amount was \$125. We estimated that \$8 would be uncollectible.
- (2) The customer relationships are being amortized over a 5 year life.
- (3) The acquired debt reflects capital lease obligations.
- (4) All of the goodwill was assigned to our general rentals segment. The level of goodwill that resulted from the acquisition is primarily reflective of BlueLine’s going-concern value, the value of BlueLine’s assembled workforce, new customer relationships expected to arise from the acquisition, and operational synergies that we expect to achieve that are not associated with the identifiable assets. \$17 of goodwill is expected to be deductible for income tax purposes.

The year ended December 31, 2018 includes BlueLine acquisition-related costs which are included in “Merger related costs” in our condensed consolidated statements of income. The merger related costs are comprised of financial and legal advisory fees. In addition to the acquisition-related costs reflected in our consolidated statements of income, the debt issuance costs associated with the issuance of debt to fund the acquisition are reflected, net of amortization subsequent to the acquisition date, in long-term debt in our consolidated balance sheets.

Since the acquisition date, significant amounts of fleet have been moved between URI locations and the acquired BlueLine locations, and it is not practicable to reasonably estimate the amounts of revenue and earnings of BlueLine since the acquisition date. The impact of the BlueLine acquisition on our equipment rentals revenue is primarily reflected in the increase in the volume of OEC on rent of 18.8 percent for the year ended December 31, 2018 (such increase also includes the impact of the acquisitions of NES, Neff and BakerCorp discussed above).

Pro forma financial information

The pro forma information below gives effect to the NES, Neff, BakerCorp and BlueLine acquisitions as if they had been completed on January 1, 2017 (“the pro forma acquisition date”). The pro forma information is not necessarily indicative of our results of operations had the acquisitions 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 acquisitions, and also does not reflect additional revenue opportunities following the acquisitions. The pro forma information includes adjustments to record the assets and liabilities of NES, Neff, BakerCorp and BlueLine at their respective fair values based on available information and to give effect to the financing for the acquisitions and related transactions. The pro forma adjustments reflected in the table below are subject to change as additional analysis is performed. The acquisition measurement periods for NES and Neff have ended and the values assigned to the NES and Neff assets acquired and liabilities assumed are final. The opening balance sheet values assigned to the BakerCorp and BlueLine assets acquired and liabilities assumed are based on preliminary valuations and are subject to change as we obtain additional information during the acquisition measurement periods. Increases or decreases in the estimated fair values of the net assets acquired may impact our statements of income in future periods. The table below presents unaudited pro forma consolidated income statement information as if NES, Neff, BakerCorp and BlueLine had been included in our consolidated results for the entire periods reflected. NES and Neff are excluded from the 2018 presentation because they were included in our results for the entire year ended December 31, 2018.

	Year Ended December 31, 2018				Year Ended December 31, 2017					
	United Rentals	BakerCorp	BlueLine	Total	United Rentals	NES	Neff	BakerCorp	BlueLine	Total
Historic/pro forma revenues	\$8,047	\$184	\$ 665	\$8,896	\$6,641	\$ 81	\$312	\$276	\$ 727	\$8,037
Historic/combined pretax income (loss)	1,476	(84)	(169)	1,223	1,048	(12)	38	(69)	(132)	873
Pro forma adjustments to pretax income (loss):										
Impact of fair value mark-ups/ useful life changes on depreciation (1)		(8)	(60)	(68)		(9)	(8)	(13)	(72)	(102)
Impact of the fair value mark-up of acquired fleet on cost of rental equipment sales (2)		—	(19)	(19)		(1)	(1)	—	(25)	(27)
Intangible asset amortization (3) . . .		(18)	(49)	(67)		(6)	(21)	(41)	(77)	(145)
Goodwill impairment (4)		—	—	—		—	—	32	—	32
Interest expense (5)		(14)	(92)	(106)		(9)	(51)	(19)	(103)	(182)
Elimination of historic interest (6)		30	106	136		12	34	41	154	241
Elimination of merger related costs (7)		67	166	233		17	33	—	—	50
Restructuring charges (8)		9	13	22		(3)	(6)	(9)	(13)	(31)
Pro forma pretax income				\$1,354						\$ 709

- (1) Depreciation of rental equipment and non-rental depreciation were adjusted for the fair value mark-ups, and the changes in useful lives and salvage values, of the equipment acquired in the NES, Neff, BakerCorp and BlueLine acquisitions.
- (2) Cost of rental equipment sales was adjusted for the fair value mark-ups of rental equipment acquired in the NES, Neff and BlueLine acquisitions. BakerCorp did not historically recognize a material amount of rental equipment sales, and accordingly no adjustment was required for BakerCorp.
- (3) The intangible assets acquired in the NES, Neff, BakerCorp and BlueLine acquisitions were amortized.
- (4) The goodwill impairment charge that BakerCorp recognized during the year ended December 31, 2017 was eliminated. If the acquisition had occurred as of the pro forma acquisition date, this impairment charge would not have been recognized (instead, we would have tested for goodwill impairment based on the post-acquisition reporting unit structure).

- (5) As discussed above, we issued debt to partially fund the NES, Neff, BakerCorp and BlueLine acquisitions. Interest expense was adjusted to reflect these changes in our debt portfolio.
- (6) Historic interest, including losses on repurchase/redemption of debt securities, on debt that is not part of the combined entity was eliminated.
- (7) Merger related costs primarily comprised of financial and legal advisory fees associated with the NES, Neff, BakerCorp and BlueLine were eliminated as they were assumed to have been recognized prior to the pro forma acquisition date. The merger related costs also include a termination fee we paid associated with a merger agreement Neff entered into with a prior bidder. The adjustment for BakerCorp for the year ended December 31, 2018 includes \$57 of merger related costs recognized by BakerCorp prior to the acquisition. The adjustment for BlueLine for the year ended December 31, 2018 includes \$142 of merger related costs recognized by BlueLine prior to the acquisition.
- (8) We expect to recognize restructuring charges primarily comprised of severance costs and branch closure charges associated with the acquisitions over a period of approximately one year following the acquisition dates, which, for the pro forma presentation, was January 1, 2017. The adjustments above reflect the timing of the actual restructuring charges following the acquisitions (the pro forma restructuring charges above for the year ended December 31, 2017 reflect the actual restructuring charges recognized during year following the acquisitions). The restructuring charges reflected in our consolidated statements of income also include non acquisition-related restructuring charges, as discussed in note 6 to the consolidated financial statements. We do not expect to recognize significant additional restructuring charges associated with the NES and Neff acquisitions. We expect to recognize additional restructuring charges associated with the BakerCorp and BlueLine acquisition, however the total costs expected to be incurred are not currently estimable, as we are still identifying the actions that will be undertaken.

5. Segment Information

Our two reportable segments are i) general rentals and ii) trench, power and fluid solutions. 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. 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 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, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
<i>Primarily rented by our general rentals segment:</i>			
General construction and industrial equipment	44%	43%	43%
Aerial work platforms	28%	32%	32%
General tools and light equipment	8%	7%	8%
<i>Primarily rented by our trench, power and fluid solutions segment:</i>			
Power and HVAC equipment	8%	7%	7%
Trench safety equipment	6%	6%	6%
Fluid solutions equipment	6%	5%	4%

These segments align our external segment reporting with how management evaluates business performance and allocates resources. We evaluate segment performance based on segment equipment rentals gross profit.

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, 2018, 2017 and 2016:

	<u>General rentals</u>	<u>Trench, power and fluid solutions</u>	<u>Total</u>
2018			
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	<u>6,550</u>	<u>1,497</u>	<u>8,047</u>
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
2017			
Equipment rentals	\$ 4,727	\$ 988	\$ 5,715
Sales of rental equipment	509	41	550
Sales of new equipment	159	19	178
Contractor supplies sales	65	15	80
Service and other revenues	105	13	118
Total revenue	<u>5,565</u>	<u>1,076</u>	<u>6,641</u>
Depreciation and amortization expense	1,188	195	1,383
Equipment rentals gross profit	1,950	490	2,440
Capital expenditures	1,675	214	1,889
Total assets	\$13,351	\$1,679	\$15,030
2016			
Equipment rentals	\$ 4,166	\$ 775	\$ 4,941
Sales of rental equipment	459	37	496
Sales of new equipment	128	16	144
Contractor supplies sales	64	15	79
Service and other revenues	91	11	102
Total revenue	<u>4,908</u>	<u>854</u>	<u>5,762</u>
Depreciation and amortization expense	1,066	179	1,245
Equipment rentals gross profit	1,725	364	2,089
Capital expenditures	1,189	150	1,339
Total assets	\$10,496	\$1,492	\$11,988

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 (benefit) for income taxes:

	Year Ended December 31,		
	2018	2017	2016
Total equipment rentals gross profit	\$ 2,963	\$2,440	\$2,089
Gross profit from other lines of business	401	329	314
Selling, general and administrative expenses	(1,038)	(903)	(719)
Merger related costs	(36)	(50)	—
Restructuring charge	(31)	(50)	(14)
Non-rental depreciation and amortization	(308)	(259)	(255)
Interest expense, net	(481)	(464)	(511)
Other income, net	<u>6</u>	<u>5</u>	<u>5</u>
Income before provision (benefit) for income taxes	<u>\$ 1,476</u>	<u>\$1,048</u>	<u>\$ 909</u>

We operate in the United States, Canada and Europe. As discussed in note 4 to the consolidated financial statements, 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, 2018, 2017 and 2016, except for balance sheet information, which is presented as of December 31, 2018 and 2017:

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
2018			
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
Total revenue	<u>7,387</u>	<u>660</u>	<u>8,047</u>
Rental equipment, net	8,910	690	9,600
Property and equipment, net	559	55	614
Goodwill and other intangibles, net	\$5,665	\$477	\$6,142
2017			
Equipment rentals	\$5,253	\$462	\$5,715
Sales of rental equipment	494	56	550
Sales of new equipment	157	21	178
Contractor supplies sales	70	10	80
Service and other revenues	102	16	118
Total revenue	<u>6,076</u>	<u>565</u>	<u>6,641</u>
Rental equipment, net	7,264	560	7,824
Property and equipment, net	425	42	467
Goodwill and other intangibles, net	\$4,642	\$315	\$4,957
2016			
Equipment rentals	\$4,524	\$417	\$4,941
Sales of rental equipment	444	52	496
Sales of new equipment	129	15	144
Contractor supplies sales	68	11	79
Service and other revenues	87	15	102
Total revenue	<u>\$5,252</u>	<u>\$510</u>	<u>\$5,762</u>

6. Restructuring Charges

Restructuring charges primarily include severance costs associated with headcount reductions, as well as branch closure charges which principally relate to continuing lease obligations at vacant facilities. 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 restructuring program was initiated in 2008, we have completed three programs and have incurred total restructuring charges of \$315.

Closed Restructuring Programs

We have three closed restructuring programs. The first was initiated in 2008 in recognition of a challenging economic environment and was completed in 2011. The second was initiated following the April 30, 2012 acquisition of RSC Holdings Inc. (“RSC”), and was completed in 2013. The third was initiated in the fourth quarter of 2015 in response to challenges in our operating environment. In particular, during 2015, we

experienced volume and pricing pressure in our general rental business and our Fluid Solutions region associated with upstream oil and gas customers. Additionally, our Lean initiatives did not fully generate the anticipated cost savings due to lower than expected growth. In 2016, we achieved the anticipated run rate savings from the Lean initiatives, and this restructuring program was completed in 2016.

The table below provides certain information concerning our restructuring charges under the closed restructuring programs:

Description	Beginning Reserve Balance	Charged to Costs and Expenses (1)	Payments and Other	Ending Reserve Balance
Year ended December 31, 2016:				
Branch closure charges	\$ 13	\$ 10	\$ (7)	\$ 16
Severance costs	<u>3</u>	<u>4</u>	<u>(6)</u>	<u>1</u>
Total	\$ 16	\$ 14	\$ (13)	\$ 17
Year ended December 31, 2017:				
Branch closure charges	\$ 16	\$ 2	\$ (5)	\$ 13
Severance costs	<u>1</u>	<u>—</u>	<u>(1)</u>	<u>—</u>
Total	\$ 17	\$ 2	\$ (6)	\$ 13
Year ended December 31, 2018:				
Branch closure charges	\$ 13	\$ 1	\$ (6)	\$ 8
Severance costs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	\$ 13	\$ 1	\$ (6)	\$ 8

(1) Reflected in our consolidated statements of income as “Restructuring charge.” The restructuring charges are not allocated to our segments.

As of December 31, 2018, we have incurred total restructuring charges under the closed restructuring programs of \$237, comprised of \$163 of branch closure charges and \$74 of severance costs.

NES/Neff/Project XL Restructuring Program

In the second quarter of 2017, we initiated a restructuring program following the closing of the NES acquisition discussed in note 4 to the consolidated financial statements. The restructuring program also includes actions undertaken associated with Project XL, which is a set of eight specific work streams focused on driving profitable growth through revenue opportunities and generating incremental profitability through cost savings across our business, and the Neff acquisition that is discussed in note 4 to the consolidated financial statements. We completed this restructuring program in 2018.

The table below provides certain information concerning our restructuring charges under the NES/Neff/Project XL restructuring program:

Description	Beginning Reserve Balance	Charged to Costs and Expenses (1)	Payments and Other	Ending Reserve Balance
Year ended December 31, 2017:				
Branch closure charges	\$—	\$ 9	\$ (1)	\$ 8
Severance costs	<u>—</u>	<u>39</u>	<u>(27)</u>	<u>12</u>
Total	<u>\$—</u>	<u>\$ 48</u>	<u>\$(28)</u>	<u>\$20</u>
Year ended December 31, 2018:				
Branch closure charges	\$ 8	\$—	\$ (4)	\$ 4
Severance and other	<u>12</u>	<u>8</u>	<u>(13)</u>	<u>7</u>
Total	<u>\$ 20</u>	<u>\$ 8</u>	<u>\$(17)</u>	<u>\$11</u>

(1) Reflected in our consolidated statements of income as “Restructuring charge.” The restructuring charges are not allocated to our segments.

As of December 31, 2018, we have incurred total restructuring charges under the NES/Neff/Project XL restructuring program of \$56, comprised of \$9 of branch closure charges and \$47 of severance and other costs.

BakerCorp/BlueLine Restructuring Program

In the third quarter of 2018, we initiated a restructuring program following the closing of the BakerCorp acquisition discussed in note 4 to the consolidated financial statements. The restructuring program also includes actions undertaken associated with the BlueLine acquisition discussed in note 4 to the consolidated financial statements. We expect to complete the restructuring program in 2019. 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 BakerCorp/BlueLine restructuring program:

Description	Beginning Reserve Balance	Charged to Costs and Expenses (1)	Payments and Other	Ending Reserve Balance
Year ended December 31, 2018:				
Branch closure charges	\$—	\$ 4	\$ (1)	\$ 3
Severance and other	<u>—</u>	<u>18</u>	<u>(9)</u>	<u>9</u>
Total	<u>\$—</u>	<u>\$22</u>	<u>\$(10)</u>	<u>\$12</u>

(1) Reflected in our consolidated statements of income as “Restructuring charge.” The restructuring charges are not allocated to our segments. The above charges reflect the cumulative restructuring charges recognized associated with the BakerCorp/BlueLine restructuring program.

7. Rental Equipment

Rental equipment consists of the following:

	December 31,	
	2018	2017
Rental equipment	\$13,962	\$11,571
Less accumulated depreciation	(4,362)	(3,747)
Rental equipment, net	<u>\$ 9,600</u>	<u>\$ 7,824</u>

For additional detail on the acquisitions of BakerCorp and BlueLine in July 2018 and October 2018, respectively, which accounted for a significant portion of the 2018 increase in rental equipment, see note 4 to our consolidated financial statements.

8. Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2018	2017
Land	\$ 103	\$ 102
Buildings	277	238
Non-rental vehicles	200	112
Machinery and equipment	135	103
Furniture and fixtures	240	204
Leasehold improvements	272	245
	1,227	1,004
Less accumulated depreciation and amortization	(613)	(537)
Property and equipment, net	<u>\$ 614</u>	<u>\$ 467</u>

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, 2018:

	General rentals	Trench, power and fluid solutions	Total
Balance at January 1, 2016 (1)	\$2,786	\$457	\$3,243
Goodwill related to acquisitions (2)	5	4	9
Foreign currency translation and other adjustments	6	2	8
Balance at December 31, 2016 (1)	<u>2,797</u>	<u>463</u>	<u>3,260</u>
Goodwill related to acquisitions (2) (3)	797	8	805
Foreign currency translation and other adjustments	13	4	17
Balance at December 31, 2017 (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)	<u>\$4,342</u>	<u>\$716</u>	<u>\$5,058</u>

(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) For additional detail on the acquisitions of NES, Neff, BakerCorp and BlueLine in April 2017, October 2017, July 2018 and October 2018, respectively, which accounted for most of the 2017 and 2018 goodwill related to acquisitions, see note 4 to our consolidated financial statements.

Other intangible assets were comprised of the following at December 31, 2018 and 2017:

December 31, 2018				
	Weighted- Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Amount
Non-compete agreements	31 months	\$ 24	\$ 16	\$ 8
Customer relationships	7 years	\$2,148	\$1,076	\$1,072
Trade names and associated trademarks	5 years	\$ 5	\$ 1	\$ 4
December 31, 2017				
	Weighted- Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Amount
Non-compete agreements	31 months	\$ 71	\$ 62	\$ 9
Customer relationships	9 years	\$1,750	\$884	\$866

Our other intangibles assets, net at December 31, 2018 include the following assets associated with the acquisitions of BakerCorp and BlueLine discussed in note 4 to our consolidated financial statements. No residual value has been assigned to these assets which are being amortized using the sum of the years' digits method, which we believe best reflects the estimated pattern in which the economic benefits will be consumed.

December 31, 2018		
	Weighted- Average Remaining Amortization Period	Net Carrying Amount
BakerCorp:		
Customer relationships	7 years	\$149
Trade names and associated trademarks	5 years	\$ 4
BlueLine:		
Customer relationships	5 years	\$217

Amortization expense for other intangible assets was \$213, \$173 and \$174 for the years ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018, estimated amortization expense for other intangible assets for each of the next five years and thereafter was as follows:

2019	\$ 268
2020	232
2021	190
2022	149
2023	106
Thereafter	139
Total	<u>\$1,084</u>

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

Accrued expenses and other liabilities consist of the following:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Self-insurance accruals	\$ 46	\$ 42
Accrued compensation and benefit costs	127	128
Property and income taxes payable	103	25
Restructuring reserves (1)	31	33
Interest payable	147	131
Deferred revenue (2)	56	46
National accounts accrual	69	50
Other (3)	98	81
Accrued expenses and other liabilities	<u>\$677</u>	<u>\$536</u>

(1) Primarily relates to branch closure charges and severance costs. See note 6 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:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Self-insurance accruals	\$60	\$ 58
Income taxes payable	14	52
Accrued compensation and benefit costs	9	10
Other long-term liabilities	<u>\$83</u>	<u>\$120</u>

11. Fair Value Measurements

As of December 31, 2018 and 2017, 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 and liabilities include:

- a) quoted prices for similar assets or liabilities in active markets;
- b) quoted prices for identical or similar assets or liabilities in inactive markets;
- c) inputs other than quoted prices that are observable for the asset or liability;
- d) 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 capital leases approximated their book values as of December 31, 2018 and 2017. 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, 2018 and 2017 have been calculated based upon available market information, and were as follows:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Senior and senior subordinated notes	\$8,102	\$7,632	\$7,008	\$7,340

12. Debt

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

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Accounts receivable securitization facility expiring 2019 (1)	\$ 850	\$ 695
\$3.0 billion ABL facility expiring 2021 (1)	1,685	1,670
Term loan facility expiring 2025 (1) (2)	988	—
4 ⁵ / ₈ percent Senior Secured Notes due 2023	994	992
5 ³ / ₄ percent Senior Notes due 2024	842	841
5 ¹ / ₂ percent Senior Notes due 2025	794	793
4 ⁵ / ₈ percent Senior Notes due 2025	741	740
5 ⁷ / ₈ percent Senior Notes due 2026	999	998
6 ¹ / ₂ percent Senior Notes due 2026 (2)	1,087	—
5 ¹ / ₂ percent Senior Notes due 2027	991	990
4 ⁷ / ₈ percent Senior Notes due 2028 (3)	1,650	1,648
4 ⁷ / ₈ percent Senior Notes due 2028 (3)	4	6
Capital leases	122	67
Total debt	11,747	9,440
Less short-term portion	(903)	(723)
Total long-term debt	\$10,844	\$8,717

- (1) The table below presents financial information associated with our variable rate indebtedness as of and for the year ended December 31, 2018. We have borrowed the full available amount under the term loan facility. The principal obligations under the term loan facility are 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.

	<u>ABL facility</u>	<u>Accounts receivable securitization facility</u>	<u>Term loan facility</u>
Borrowing capacity, net of letters of credit	\$1,264	\$125	\$ —
Letters of credit	45		
Interest rate at December 31, 2018	4.0%	3.3%	4.3%
Average month-end debt outstanding	1,607	796	999
Weighted-average interest rate on average debt outstanding	3.5%	2.9%	4.1%
Maximum month-end debt outstanding	2,189	870	1,000

- (2) In 2018, URNA i) entered into a \$1 billion senior secured term loan facility and ii) issued \$1.1 billion principal amount of 6 1/2 percent Senior Notes due 2026. As discussed in note 4 to the consolidated financial statements, the proceeds from the 6 1/2 percent Senior Notes and borrowings under the term loan facility were used to finance the acquisition of BlueLine in October 2018. See below for additional detail on the issued debt.
- (3) URNA separately issued 4 7/8 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 7/8 percent Senior Notes issued in September 2017 were exchanged for additional notes fungible with the 4 7/8 percent Senior Notes issued in August 2017.

Short-term debt

As of December 31, 2018, our short-term debt primarily reflects \$850 of borrowings under our accounts receivable securitization facility. See the table above for financial information associated with the accounts receivable securitization facility.

Accounts receivable securitization facility. In 2018, the accounts receivable securitization facility was amended, primarily to increase the facility size and to extend the maturity date. The amended facility expires on June 29, 2019, has a facility size of \$975, 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, 2018, there were \$1.158 billion 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).

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. The size of the ABL facility was \$3.0 billion as of December 31, 2018. 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 June 2021. 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, or (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. 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 maintenance covenant that currently exists in the ABL facility is the fixed charge coverage ratio. As of December 31, 2018, availability under the ABL facility has exceeded the required threshold and, as a result, this financial maintenance 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. 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.

4 5/8 percent Senior Secured Notes due 2023. In March 2015, URNA issued \$1.0 billion aggregate principal amount of 4 5/8 percent Senior Secured Notes (the “4 5/8 percent Notes”), which are due July 15, 2023. The net proceeds from the issuance were approximately \$990 (after deducting offering expenses). The 4 5/8 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, subject to certain exceptions. The 4 5/8 percent Notes may be redeemed on or after July 15, 2018, at specified redemption prices that range from 103.469 percent in 2018, to 100 percent in 2021 and thereafter, plus accrued and unpaid interest, if any. The indenture governing the 4 5/8 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. The indenture also includes covenants relating to the grant of and maintenance of liens for the benefit of the notes collateral agent. 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 4 5/8 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.

5 3/4 percent Senior Notes due 2024. In March 2014, URNA issued \$850 aggregate principal amount of 5 3/4 percent Senior Notes (the “5 3/4 percent Notes”), which are due November 15, 2024. The net proceeds from the issuance were approximately \$837 (after deducting offering expenses). The 5 3/4 percent Notes are unsecured and are guaranteed by Holdings and, subject to limited exceptions, URNA’s domestic subsidiaries. The 5 3/4 percent Notes may be redeemed on or after May 15, 2019, at specified redemption prices that range from 102.875 percent in the 12-month period commencing on May 15, 2019, to 100 percent in the 12-month period commencing on May 15, 2022 and thereafter, plus accrued and unpaid interest. The indenture governing the 5 3/4 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 these 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 3/4 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.

5 1/2 percent Senior Notes due 2025. In March 2015, URNA issued \$800 aggregate principal amount of 5 1/2 percent Senior Notes which are due July 15, 2025 (the “2025 5 1/2 percent Notes”). The net proceeds from the issuance were approximately \$792 (after deducting offering expenses). The 2025 5 1/2 percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The 2025 5 1/2 percent Notes may be redeemed on or after July 15, 2020, at specified redemption prices that range from 102.75 percent in 2020, to 100 percent in 2023 and thereafter, plus accrued and unpaid interest, if any. The indenture governing the 2025 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 2025 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.

4 5/8 percent Senior Notes due 2025. In September 2017, URNA issued \$750 principal amount of 4 5/8 percent Senior Notes (the “4 5/8 percent Notes”) which are due October 15, 2025. The net proceeds from the issuance were approximately \$741 (after deducting offering expenses). The 4 5/8 percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The 4 5/8 percent Notes may be redeemed on or after October 15, 2020, at specified redemption prices that range from 102.313 percent in 2020, to 100 percent in 2022 and thereafter, in each case, plus accrued and unpaid interest, if any. The indenture governing the 4 5/8 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 4 5/8 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 4 5/8 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.

5 7/8 percent Senior Notes due 2026. In May 2016, URNA issued \$750 aggregate principal amount of 5 7/8 percent Senior Notes (the “5 7/8 percent Notes”) which are due September 15, 2026. In February 2017, URNA issued \$250 aggregate principal amount of 5 7/8 percent Notes as an add-on to the existing 5 7/8 percent Notes, after which the aggregate principal amount of outstanding 5 7/8 percent Notes was \$1.0 billion. The notes issued in February 2017 have identical terms, and are fungible, with the existing 5 7/8 percent Notes. The net proceeds from the issuances were approximately \$999 (including the original issue premium and after deducting offering expenses). The 5 7/8 percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The 5 7/8 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 7/8 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 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 carrying value of the 5 7/8 percent Notes includes the \$10 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 7/8 percent Notes is 5.7 percent.

6 1/2 percent Senior Notes due 2026. In October 2018, URNA issued \$1.1 billion aggregate principal amount of 6 1/2 percent Senior Notes (the “6 1/2 percent Notes”) which are due December 15, 2026. The net proceeds from the issuance were approximately \$1.089 billion (after deducting offering expenses). The 6 1/2 percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The 6 1/2 percent Notes may be redeemed on or after December 15, 2021, at specified redemption prices that range from 103.250 percent

in 2021, to 100 percent in 2024 and thereafter, in each case, plus accrued and unpaid interest, if any. The indenture governing the 6 1/2 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 6 1/2 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 6 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.

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 \$3 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.

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 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 ⁷/₈ percent Senior Notes (the "Subsequent 4 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 ⁷/₈ percent Notes represent a separate a distinct series of notes from the Initial 4 ⁷/₈ percent Notes. The Subsequent 4 ⁷/₈ percent Notes are unsecured and are guaranteed by Holdings and certain domestic subsidiaries of URNA. The Subsequent 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 Subsequent 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 Subsequent 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 Subsequent 4 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 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 ⁷/₈ percent Notes were exchanged for additional Initial 4 ⁷/₈ percent Notes issued under the indenture governing the Initial 4 ⁷/₈ percent Notes and fungible with the Initial 4 ⁷/₈ percent Notes. As of December 31, 2018, the principal amounts outstanding were \$1.669 billion for the Initial 4 ⁷/₈ percent Notes and \$4 for the Subsequent 4 ⁷/₈ percent Notes. The carrying value of the Initial 4 ⁷/₈ percent Notes includes \$2 of the unamortized original issue premium, which is being amortized through the maturity date in 2028. The effective interest rate on the Initial 4 ⁷/₈ percent Notes is 4.86 percent.

Loan Covenants and Compliance

As of December 31, 2018, 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 maintenance 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, 2018, specified availability under the ABL facility exceeded the required threshold and, as a result, this financial maintenance 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, 2018 are as follows:

2019	\$ 903
2020	42
2021	1,733
2022	19
2023	1,011
Thereafter	<u>8,126</u>
Total	<u>\$11,834</u>

13. Income Taxes

The Tax Act was enacted in December 2017. The Tax Act reduced the U.S. federal corporate tax rate from 35 percent to 21 percent, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign earnings. As of December 31, 2018, we have completed our accounting for the tax effects of enactment of the Tax Act. During the year ended December 31, 2017, we recognized the reasonably estimated (i) effects on our existing deferred tax balances and (ii) one-time transition tax. During the year ended December 31, 2018, we finalized the accounting for the enactment of the Tax Act. The following table presents the impact of the accounting for the enactment of the Tax Act on our provision (benefit) for income taxes for the years ended December 31, 2018 and 2017:

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Revaluation of deferred tax balances (1)	\$1	\$(746)
One-time transition tax (2)	5	57
Total provision (benefit) for income taxes impact	\$6	\$(689)

- (1) Reflects the revaluation of our net deferred tax liability based on a U.S. federal tax rate of 21 percent.
(2) Reflects a one-time transition tax on our unremitted foreign earnings and profits. See below for further discussion addressing our unremitted foreign earnings and profits.

The substantial 2017 impact of the enactment of the Tax Act discussed above is reflected in the tables below. The components of the provision (benefit) for income taxes for each of the three years in the period ended December 31, 2018 are as follows:

	Year ended December 31,		
	2018	2017	2016
Current			
Federal	\$ 47	\$ 190	\$186
Foreign	18	15	10
State and local	<u>58</u>	<u>30</u>	<u>24</u>
	<u>123</u>	<u>235</u>	<u>220</u>
Deferred			
Federal	243	(580)	119
Foreign	3	(2)	(1)
State and local	<u>11</u>	<u>49</u>	<u>5</u>
	<u>257</u>	<u>(533)</u>	<u>123</u>
Total	<u>\$380</u>	<u>\$(298)</u>	<u>\$343</u>

A reconciliation of the provision (benefit) for income taxes and the amount computed by applying the statutory federal income tax rates (21 percent for the year ended December 31, 2018 and 35 percent for the years ended December 31, 2017 and 2016) to the income before provision (benefit) for income taxes for each of the three years in the period ended December 31, 2018 is as follows:

	Year ended December 31,		
	2018	2017	2016
Computed tax at statutory tax rate	\$310	\$ 367	\$318
State income taxes, net of federal tax benefit	54	34	21
Non-deductible expenses and other	6	(3)	9
Enactment of the Tax Act	6	(689)	—
Foreign taxes	<u>4</u>	<u>(7)</u>	<u>(5)</u>
Total	<u>\$380</u>	<u>\$(298)</u>	<u>\$343</u>

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

	December 31,	December 31,
	2018	2017
Reserves and allowances	\$ 126	\$ 87
Debt cancellation and other	11	13
Net operating loss and credit carryforwards	<u>435</u>	<u>192</u>
Total deferred tax assets	<u>572</u>	<u>292</u>
Property and equipment	(1,976)	(1,498)
Intangibles	(237)	(174)
Valuation allowance	<u>(46)</u>	<u>(39)</u>
Total deferred tax liability	<u>(2,259)</u>	<u>(1,711)</u>
Total deferred income tax liability	<u>\$(1,687)</u>	<u>\$(1,419)</u>

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 2010.

For financial reporting purposes, income before provision for income taxes for our foreign subsidiaries was \$71, \$48 and \$29 for the years ended December 31, 2018, 2017 and 2016, respectively.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and, accordingly, no taxes have been provided on such earnings. We continue to evaluate our plans for reinvestment or repatriation of unremitted foreign earnings and have not changed our previous indefinite reinvestment determination following the enactment of the Tax Act. We have not repatriated funds to the U.S. to satisfy domestic liquidity needs, nor do we anticipate the need to do so. The Tax Act requires a one-time transition tax for deemed repatriation of accumulated undistributed earnings of certain foreign investments (as reflected above, as of December 31, 2018, we have computed a transition tax amount payable of \$62). If we determine that all or a portion of our foreign earnings are no longer indefinitely reinvested, we may be subject to additional foreign withholding taxes and U.S. state income taxes, beyond the Tax Act's one-time transition tax. At December 31, 2018, unremitted earnings of foreign subsidiaries of \$651 have been included in our computation of the Tax Act transition tax.

We have net operating loss carryforwards ("NOLs") of \$1.468 billion for federal income tax purposes that expire from 2022 through 2038, \$29 for foreign income tax purposes that expire from 2024 through 2037 and \$1.180 billion for state income tax purposes that expire from 2018 through 2038. We have recorded valuation allowances against these deferred assets of \$46 and \$39 as of December 31, 2018 and 2017, respectively. The valuation allowance balances as of December 31, 2018 and 2017 include full valuation allowances associated with foreign tax credits of \$32 and \$26, respectively. In 2018, the Company utilized \$386 of existing NOLs to offset federal and state tax liabilities.

14. 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.

Operating Leases

We lease real estate and equipment under operating leases. Certain real estate leases require us to pay maintenance, insurance, taxes and certain other expenses in addition to the stated rental payments. Future minimum lease payments by year and in the aggregate, for non-cancelable operating leases with initial or remaining terms of one year or more are as follows at December 31, 2018:

	<u>Real Estate Leases</u>	<u>Equipment Leases</u>
2019	\$148	\$ 45
2020	125	39
2021	102	30
2022	71	23
2023	43	17
Thereafter	47	17
Total	<u>\$536</u>	<u>\$171</u>

Our equipment leases are primarily comprised of service and delivery vehicles. Our real estate leases provide for varying terms, including customary escalation clauses. Our leases generally include default provisions that are customary, and do not contain material adverse change clauses, cross-default provisions or subjective default provisions. In these leases, the occurrence of an event of default is objectively determinable based on predefined criteria. Based on the facts and circumstances that existed at lease inception and with consideration of our history as a lessee, we believe that it is reasonable to assume that an event of default will not occur.

As discussed in note 2 to the consolidated financial statements (see “New Accounting Pronouncements- Leases”), we will adopt a new lease accounting standard on January 1, 2019. Upon adoption of the new standard, our operating leases will result in lease assets and lease liabilities being recognized on the balance sheet.

Rent expense under all non-cancelable operating leases totaled \$179, \$160 and \$149 for the years ended December 31, 2018, 2017 and 2016, respectively.

Capital Leases

Capital lease obligations consist primarily of vehicle, building and equipment leases with periods expiring at various dates through 2028. Capital lease obligations were \$122 and \$67 at December 31, 2018 and 2017, respectively. The following table presents capital lease financial statement information for the years ended December 31, 2018, 2017 and 2016, except for balance sheet information, which is presented as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Depreciation of rental equipment	\$ 22	\$ 21	\$20
Non-rental depreciation and amortization	1	2	3
Rental equipment	257	203	
Less accumulated depreciation	<u>(86)</u>	<u>(80)</u>	
Rental equipment, net	<u>171</u>	<u>123</u>	
Property and equipment, net:			
Non-rental vehicles	6	2	
Buildings	16	21	
Less accumulated depreciation and amortization	<u>(12)</u>	<u>(14)</u>	
Property and equipment, net	<u>\$ 10</u>	<u>\$ 9</u>	

Future minimum lease payments for capital leases for each of the next five years and thereafter at December 31, 2018 are as follows:

2019	\$ 47
2020	34
2021	33
2022	9
2023	2
Thereafter	<u>6</u>
Total	131
Less amount representing interest (1)	<u>(9)</u>
Capital lease obligations	<u>\$122</u>

(1) The weighted average interest rate on our capital lease obligations as of December 31, 2018 was approximately 4.7 percent.

As noted above, we will adopt a new lease accounting standard on January 1, 2019. Upon adoption of the new standard, the capital leases above are expected to be accounted for as finance leases. We do not expect any significant changes to the accounting upon this change in classification.

Employee Benefit Plans

We currently sponsor three 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 \$31, \$26 and \$23 in the years ended December 31, 2018, 2017 and 2016, 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.

15. Common Stock

We have 500 million authorized shares of common stock, \$0.01 par value. At December 31, 2018 and 2017, there were 0.5 million shares of common stock reserved for issuance pursuant to options granted under our stock option plans.

As of December 31, 2018, there were an aggregate of 1.0 million outstanding time and performance-based RSUs and 2.0 million shares available for grants of stock and options under our 2010 Long Term Incentive Plan.

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

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding at December 31, 2017	549	26.80
Granted	—	—
Exercised	(85)	23.26
Canceled	<u>(1)</u>	19.67
Outstanding at December 31, 2018	463	27.47
Exercisable at December 31, 2018	433	\$25.38

The following table presents information associated with stock options as of December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Intrinsic value of options outstanding as of December 31	\$ 35	\$ 80	
Intrinsic value of options exercisable as of December 31	33	72	
Intrinsic value of options exercised	13	6	4
Weighted-average grant date fair value per option	\$—	\$84.60	\$—

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 428 thousand shares of common stock issued upon vesting of RSUs during 2018, net of 280 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):

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
RSUs granted	566	809	901
Weighted-average grant date price per unit	\$175.79	\$130.96	\$60.55

As of December 31, 2018, the total pretax compensation cost not yet recognized by the Company with regard to unvested RSUs was \$42. The weighted-average period over which this compensation cost is expected to be recognized is 1.9 years.

A summary of RSU activity for the year ended December 31, 2018 follows (RSUs in thousands):

	<u>Stock Units</u>	<u>Weighted-Average Grant Date Fair Value</u>
Nonvested as of December 31, 2017	756	\$ 94.07
Granted	566	175.79
Vested	(638)	141.89
Forfeited	<u>(35)</u>	132.14
Nonvested as of December 31, 2018	<u>649</u>	\$116.26

The total fair value of RSUs vested during the fiscal years ended December 31, 2018, 2017 and 2016 was \$114, \$101, and \$39, 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 on September 27, 2011. Our Board of Directors elected not to renew or extend the plan.

16. Quarterly Financial Information (Unaudited)

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Full Year</u>
For the year ended December 31, 2018 (1):					
Total revenues	\$1,734	\$1,891	\$2,116	\$2,306	\$8,047
Gross profit	646	782	938	998	3,364
Operating income	340	470	578	563	1,951
Net income (1)	183	270	333	310	1,096
Earnings per share—basic	2.18	3.22	4.05	3.84	13.26
Earnings per share—diluted (3)	2.15	3.20	4.01	3.80	13.12
For the year ended December 31, 2017 (2):					
Total revenues	\$1,356	\$1,597	\$1,766	\$1,922	\$6,641
Gross profit	514	655	773	827	2,769
Operating income	257	340	448	462	1,507
Net income (2)	109	141	199	897	1,346
Earnings per share—basic	1.29	1.67	2.36	10.60	15.91
Earnings per share—diluted (3)	1.27	1.65	2.33	10.45	15.73

(1) As discussed in note 13 to our consolidated financial statements, the Tax Act was enacted in December 2017. The Tax Act reduced the U.S. federal corporate tax rate from 35 percent to 21 percent, and net income for 2018 reflects the decreased tax rate. The fourth quarter of 2018 includes \$22 of merger related costs and \$16 of restructuring charges primarily associated with the BakerCorp and BlueLine acquisitions discussed in note 4 to our consolidated financial statements.

(2) Net income for the fourth quarter and full year 2017 includes a benefit of \$689, or \$8.03 and \$8.05 per diluted share for the fourth quarter and full year 2017, respectively, associated with the enactment of the

Tax Act discussed further in note 13 to our consolidated financial statements. The fourth quarter of 2017 includes \$18 of merger related costs and \$22 of restructuring charges primarily associated with the NES and Neff acquisitions discussed in note 4 to our consolidated financial statements. Additionally, in the fourth quarter of 2017, we redeemed the remaining \$225 principal amount of our 7 ⁵/₈ percent Senior Notes due 2022. Upon the redemption of these notes, we recognized a loss of \$11 in interest expense, net. The loss represented the difference between the net carrying amount and the total purchase price of the redeemed notes. The fourth quarter of 2017 also reflects a year-over-year increase of \$11 in stock compensation expense primarily due to the impact of increased revenue, improved profitability, and increases in our stock price and in the volume of stock awards.

- (3) Diluted earnings per share includes the after-tax impacts of the following:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Full Year</u>
For the year ended December 31, 2018:					
Merger related costs (4)	\$(0.01)	\$(0.02)	\$(0.09)	\$(0.21)	\$(0.32)
Merger related intangible asset amortization (5)	(0.39)	(0.37)	(0.42)	(0.58)	(1.76)
Impact on depreciation related to acquired fleet and property and equipment (6)	(0.09)	(0.08)	(0.02)	—	(0.19)
Impact of the fair value mark-up of acquired fleet (7)	(0.21)	(0.15)	(0.11)	(0.11)	(0.59)
Restructuring charge (8)	(0.02)	(0.03)	(0.09)	(0.15)	(0.28)
For the year ended December 31, 2017:					
Merger related costs (4)	\$(0.02)	\$(0.09)	\$(0.12)	\$(0.13)	\$(0.36)
Merger related intangible asset amortization (5)	(0.28)	(0.30)	(0.27)	(0.32)	(1.15)
Impact on depreciation related to acquired fleet and property and equipment (6)	—	0.03	(0.07)	(0.01)	(0.05)
Impact of the fair value mark-up of acquired fleet (7)	(0.06)	(0.13)	(0.17)	(0.23)	(0.59)
Restructuring charge (8)	—	(0.14)	(0.07)	(0.15)	(0.36)
Asset impairment charge (9)	—	—	—	—	(0.01)
Loss on extinguishment of debt securities and amendment of ABL facility	—	(0.09)	(0.22)	(0.08)	(0.39)

- (4) This reflects transaction costs associated with the NES, Neff, BakerCorp and BlueLine acquisitions discussed in note 4 to our consolidated financial statements.
- (5) This reflects the amortization of the intangible assets acquired in the RSC, National Pump, NES, Neff, BakerCorp and BlueLine acquisitions.
- (6) 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.
- (7) 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.
- (8) As discussed in note 6 to our consolidated financial statements, this primarily reflects severance costs and branch closure charges associated with our restructuring programs.
- (9) This reflects write-offs of leasehold improvements and other fixed assets in connection with our restructuring programs.

17. 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. Net income and earnings per share for 2017 include the significant impact of the enactment of the Tax Act discussed further in note 13 to the consolidated

financial statements. Net income and earnings per share for 2018 reflect a reduction in the U.S. federal statutory tax rate from 35 percent to 21 percent following enactment of the Tax Act. The following table sets forth the computation of basic and diluted earnings per share (shares in thousands):

	Year Ended December 31,		
	2018	2017	2016
Numerator:			
Net income available to common stockholders	\$ 1,096	\$ 1,346	\$ 566
Denominator:			
Denominator for basic earnings per share—weighted-average common shares ...	82,652	84,599	87,217
Effect of dilutive securities:			
Employee stock options and warrants	379	403	277
Restricted stock units	499	560	281
Denominator for diluted earnings per share—adjusted weighted-average common shares	83,530	85,562	87,775
Basic earnings per share	\$ 13.26	\$ 15.91	\$ 6.49
Diluted earnings per share	\$ 13.12	\$ 15.73	\$ 6.45

18. Condensed Consolidating Financial Information of Guarantor Subsidiaries

URNA is 100 percent owned by Holdings (“Parent”) and has certain outstanding indebtedness that is guaranteed by both Parent 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 certain Canadian subsidiaries 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 Parent’s other subsidiaries. The guarantor subsidiaries are all 100 percent-owned and the guarantees are made on a joint and several basis. The guarantees 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, other than with respect to the guarantees of the 5 3/4 percent Senior Notes due 2024, 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. The 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 each guarantor will not exceed the maximum amount that can be guaranteed without making the guarantee void under fraudulent conveyance laws. Based on our understanding of Rule 3-10 of Regulation S-X (“Rule 3-10”), we believe that the guarantees of the guarantor subsidiaries comply with the conditions set forth in Rule 3-10 and therefore continue to utilize Rule 3-10 to present condensed consolidating financial information for Holdings, URNA, the guarantor subsidiaries and the non-guarantor subsidiaries. Separate consolidated financial statements of the guarantor subsidiaries have not been presented because management believes that such information would not be material to investors. However, condensed consolidating financial information is presented.

URNA covenants in the ABL facility, accounts receivable securitization facility, term loan facility and the other agreements governing our debt impose operating and financial restrictions on URNA, Parent and the guarantor subsidiaries, including limitations on the ability to make share repurchases and dividend payments. As of December 31, 2018, the amount available for distribution under the most restrictive of these covenants was \$583. The Company’s total available capacity for making share repurchases and dividend payments includes the

intercompany receivable balance of Parent. As of December 31, 2018, 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 Parent, was \$2.117 billion.

The condensed consolidating financial information of Parent and its subsidiaries is as follows:

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2018

	<u>Pattrent</u>	<u>URNA</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>		<u>Eliminations</u>	<u>Total</u>
				<u>Foreign</u>	<u>SPV</u>		
ASSETS							
Cash and cash equivalents	\$ —	\$ 1	\$—	\$ 42	\$ —	\$ —	\$ 43
Accounts receivable, net	—	—	—	159	1,386	—	1,545
Intercompany receivable (payable)	1,534	(1,423)	(96)	(15)	—	—	—
Inventory	—	96	—	13	—	—	109
Prepaid expenses and other assets	—	60	—	4	—	—	64
Total current assets	1,534	(1,266)	(96)	203	1,386	—	1,761
Rental equipment, net	—	8,910	—	690	—	—	9,600
Property and equipment, net	57	462	40	55	—	—	614
Investments in subsidiaries	1,826	1,646	980	—	—	(4,452)	—
Goodwill	—	4,661	—	397	—	—	5,058
Other intangibles, net	—	1,004	—	80	—	—	1,084
Other long-term assets	9	7	—	—	—	—	16
Total assets	\$3,426	\$15,424	\$924	\$1,425	\$1,386	\$(4,452)	\$18,133
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)							
Short-term debt and current maturities of							
long-term debt	\$ 1	\$ 50	\$—	\$ 2	\$ 850	\$ —	\$ 903
Accounts payable	—	481	—	55	—	—	536
Accrued expenses and other liabilities	—	619	14	42	2	—	677
Total current liabilities	1	1,150	14	99	852	—	2,116
Long-term debt	—	10,778	9	57	—	—	10,844
Deferred taxes	22	1,587	—	78	—	—	1,687
Other long-term liabilities	—	83	—	—	—	—	83
Total liabilities	23	13,598	23	234	852	—	14,730
Total stockholders' equity (deficit)	3,403	1,826	901	1,191	534	(4,452)	3,403
Total liabilities and stockholders' equity (deficit)	\$3,426	\$15,424	\$924	\$1,425	\$1,386	\$(4,452)	\$18,133

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2017

	Parent	URNA	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		Eliminations	Total
				Foreign	SPV		
ASSETS							
Cash and cash equivalents	\$ —	\$ 23	\$ —	\$ 329	\$ —	\$ —	\$ 352
Accounts receivable, net	—	56	—	119	1,058	—	1,233
Intercompany receivable (payable)	887	(677)	(198)	(124)	—	112	—
Inventory	—	68	—	7	—	—	75
Prepaid expenses and other assets	4	219	111	2	—	(224)	112
Total current assets	891	(311)	(87)	333	1,058	(112)	1,772
Rental equipment, net	—	7,264	—	560	—	—	7,824
Property and equipment, net	41	352	32	42	—	—	467
Investments in subsidiaries	2,194	1,148	1,087	—	—	(4,429)	—
Goodwill	—	3,815	—	267	—	—	4,082
Other intangibles, net	—	827	—	48	—	—	875
Other long-term assets	3	7	—	—	—	—	10
Total assets	\$3,129	\$13,102	\$1,032	\$1,250	\$1,058	\$(4,541)	\$15,030
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)							
Short-term debt and current maturities of							
long-term debt	\$ 1	\$ 25	\$ —	\$ 2	\$ 695	\$ —	\$ 723
Accounts payable	—	366	—	43	—	—	409
Accrued expenses and other liabilities	—	477	17	41	1	—	536
Total current liabilities	1	868	17	86	696	—	1,668
Long-term debt	1	8,596	117	3	—	—	8,717
Deferred taxes	21	1,324	—	74	—	—	1,419
Other long-term liabilities	—	120	—	—	—	—	120
Total liabilities	23	10,908	134	163	696	—	11,924
Total stockholders' equity (deficit)	3,106	2,194	898	1,087	362	(4,541)	3,106
Total liabilities and stockholders' equity (deficit)	\$3,129	\$13,102	\$1,032	\$1,250	\$1,058	\$(4,541)	\$15,030

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

For the Year Ended December 31, 2018

	Parent	URNA	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		Eliminations	Total
				Foreign	SPV		
Revenues:							
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
Total revenues	—	7,387	—	660	—	—	8,047
Cost of revenues:							
Cost of equipment rentals, excluding							
depreciation	—	2,370	—	244	—	—	2,614
Depreciation of rental equipment	—	1,258	—	105	—	—	1,363
Cost of rental equipment sales	—	358	—	28	—	—	386
Cost of new equipment sales	—	159	—	20	—	—	179
Cost of contractor supplies sales	—	52	—	8	—	—	60
Cost of service and other revenues	—	71	—	10	—	—	81
Total cost of revenues	—	4,268	—	415	—	—	4,683
Gross profit	—	3,119	—	245	—	—	3,364
Selling, general and administrative							
expenses	25	860	—	96	57	—	1,038
Merger related costs	—	36	—	—	—	—	36
Restructuring charge	—	29	—	2	—	—	31
Non-rental depreciation and amortization	17	266	—	25	—	—	308
Operating (loss) income	(42)	1,928	—	122	(57)	—	1,951
Interest (income) expense, net	(39)	497	—	—	24	(1)	481
Other (income) expense, net	(657)	742	—	51	(142)	—	(6)
Income before provision for income							
taxes	654	689	—	71	61	1	1,476
Provision for income taxes	164	181	—	20	15	—	380
Income before equity in net earnings							
(loss) of subsidiaries	490	508	—	51	46	1	1,096
Equity in net earnings (loss) of subsidiaries	606	98	47	—	—	(751)	—
Net income (loss)	1,096	606	47	51	46	(750)	1,096
Other comprehensive (loss) income	(86)	(86)	(82)	(105)	—	273	(86)
Comprehensive income (loss)	\$1,010	\$ 520	\$(35)	\$(54)	\$ 46	\$(477)	\$1,010

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

For the Year Ended December 31, 2017

	Parent	URNA	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		Eliminations	Total
				Foreign	SPV		
Revenues:							
Equipment rentals	\$ —	\$5,253	\$—	\$462	\$ —	\$ —	\$5,715
Sales of rental equipment	—	494	—	56	—	—	550
Sales of new equipment	—	157	—	21	—	—	178
Contractor supplies sales	—	70	—	10	—	—	80
Service and other revenues	—	102	—	16	—	—	118
Total revenues	—	6,076	—	565	—	—	6,641
Cost of revenues:							
Cost of equipment rentals, excluding							
depreciation	—	1,933	—	218	—	—	2,151
Depreciation of rental equipment	—	1,033	—	91	—	—	1,124
Cost of rental equipment sales	—	302	—	28	—	—	330
Cost of new equipment sales	—	134	—	18	—	—	152
Cost of contractor supplies sales	—	49	—	7	—	—	56
Cost of service and other revenues	—	51	—	8	—	—	59
Total cost of revenues	—	3,502	—	370	—	—	3,872
Gross profit	—	2,574	—	195	—	—	2,769
Selling, general and administrative							
expenses	103	682	—	80	38	—	903
Merger related costs	—	50	—	—	—	—	50
Restructuring charge	—	49	—	1	—	—	50
Non-rental depreciation and amortization	15	223	—	21	—	—	259
Operating (loss) income	(118)	1,570	—	93	(38)	—	1,507
Interest (income) expense, net	(15)	469	3	—	12	(5)	464
Other (income) expense, net	(543)	596	—	45	(103)	—	(5)
Income (loss) before provision (benefit)							
for income taxes	440	505	(3)	48	53	5	1,048
Provision (benefit) for income taxes	144	(469)	—	12	15	—	(298)
Income (loss) before equity in net							
earnings (loss) of subsidiaries	296	974	(3)	36	38	5	1,346
Equity in net earnings (loss) of subsidiaries	1,050	76	36	—	—	(1,162)	—
Net income (loss)	1,346	1,050	33	36	38	(1,157)	1,346
Other comprehensive income (loss)	67	67	67	55	—	(189)	67
Comprehensive income (loss)	\$1,413	\$1,117	\$100	\$ 91	\$ 38	\$(1,346)	\$1,413

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

For the Year Ended December 31, 2016

	Parent	URNA	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		Eliminations	Total
				Foreign	SPV		
Revenues:							
Equipment rentals	\$ —	\$4,524	\$—	\$417	\$—	\$ —	\$4,941
Sales of rental equipment	—	444	—	52	—	—	496
Sales of new equipment	—	129	—	15	—	—	144
Contractor supplies sales	—	68	—	11	—	—	79
Service and other revenues	—	87	—	15	—	—	102
Total revenues	—	5,252	—	510	—	—	5,762
Cost of revenues:							
Cost of equipment rentals, excluding depreciation	—	1,669	—	193	—	—	1,862
Depreciation of rental equipment	—	900	—	90	—	—	990
Cost of rental equipment sales	—	265	—	27	—	—	292
Cost of new equipment sales	—	107	—	12	—	—	119
Cost of contractor supplies sales	—	47	—	8	—	—	55
Cost of service and other revenues	—	35	—	6	—	—	41
Total cost of revenues	—	3,023	—	336	—	—	3,359
Gross profit	—	2,229	—	174	—	—	2,403
Selling, general and administrative expenses	43	579	—	72	25	—	719
Restructuring charge	—	7	—	7	—	—	14
Non-rental depreciation and amortization	15	216	—	24	—	—	255
Operating (loss) income	(58)	1,427	—	71	(25)	—	1,415
Interest (income) expense, net	(6)	509	3	2	8	(5)	511
Other (income) expense, net	(471)	521	—	40	(95)	—	(5)
Income (loss) before provision for income taxes	419	397	(3)	29	62	5	909
Provision for income taxes	154	157	—	8	24	—	343
Income (loss) before equity in net earnings (loss) of subsidiaries	265	240	(3)	21	38	5	566
Equity in net earnings (loss) of subsidiaries	301	61	21	—	—	(383)	—
Net income (loss)	566	301	18	21	38	(378)	566
Other comprehensive income (loss)	32	32	28	22	—	(82)	32
Comprehensive income (loss)	\$ 598	\$ 333	\$ 46	\$ 43	\$ 38	\$(460)	\$ 598

CONDENSED CONSOLIDATING CASH FLOW INFORMATION

For the Year Ended December 31, 2018

	<u>Parent</u>	<u>URNA</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>		<u>Eliminations</u>	<u>Total</u>
				<u>Foreign</u>	<u>SPV</u>		
Net cash provided by (used in) operating activities	\$ 36	\$ 3,116	\$ (1)	\$ (16)	\$(282)	\$—	\$ 2,853
Net cash used in investing activities	(36)	(4,308)	—	(207)	—	—	(4,551)
Net cash provided by (used in) financing activities	—	1,170	1	(56)	282	—	1,397
Effect of foreign exchange rates	—	—	—	(8)	—	—	(8)
Net decrease in cash and cash equivalents	—	(22)	—	(287)	—	—	(309)
Cash and cash equivalents at beginning of period	—	23	—	329	—	—	352
Cash and cash equivalents at end of period	\$—	\$ 1	\$—	\$ 42	\$—	\$—	\$ 43

CONDENSED CONSOLIDATING CASH FLOW INFORMATION

For the Year Ended December 31, 2017

	<u>Parent</u>	<u>URNA</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>		<u>Eliminations</u>	<u>Total</u>
				<u>Foreign</u>	<u>SPV</u>		
Net cash provided by (used in) operating activities	\$ 21	\$ 2,291	\$ (3)	\$ 132	\$(232)	\$—	\$ 2,209
Net cash used in investing activities	(21)	(3,554)	—	(109)	—	—	(3,684)
Net cash provided by (used in) financing activities	—	1,265	3	(3)	232	—	1,497
Effect of foreign exchange rates	—	—	—	18	—	—	18
Net increase in cash and cash equivalents	—	2	—	38	—	—	40
Cash and cash equivalents at beginning of period	—	21	—	291	—	—	312
Cash and cash equivalents at end of period	\$—	\$ 23	\$—	\$ 329	\$—	\$—	\$ 352

CONDENSED CONSOLIDATING CASH FLOW INFORMATION

For the Year Ended December 31, 2016

	<u>Parent</u>	<u>URNA</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>		<u>Eliminations</u>	<u>Total</u>
				<u>Foreign</u>	<u>SPV</u>		
Net cash provided by (used in) operating activities	\$ 9	\$1,762	\$ (3)	\$136	\$ 37	\$—	\$1,941
Net cash used in investing activities	(9)	(832)	—	(6)	—	—	(847)
Net cash (used in) provided by financing activities	—	(927)	3	(3)	(37)	—	(964)
Effect of foreign exchange rate	—	—	—	3	—	—	3
Net increase in cash and cash equivalents	—	3	—	130	—	—	133
Cash and cash equivalents at beginning of period	—	18	—	161	—	—	179
Cash and cash equivalents at end of period	<u>\$—</u>	<u>\$ 21</u>	<u>\$—</u>	<u>\$291</u>	<u>\$—</u>	<u>\$—</u>	<u>\$ 312</u>

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

UNITED RENTALS, INC.

(In millions)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Acquired</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions</u>		<u>Balance at End of Period</u>
Year ended December 31, 2018:						
Allowance for doubtful accounts	\$ 68	\$ 14	\$ 45	\$ 34	(a)	\$ 93
Reserve for obsolescence and shrinkage	7	1	26	29	(b)	5
Self-insurance reserve	100	5	144	143	(c)	106
Year ended December 31, 2017:						
Allowance for doubtful accounts	\$ 54	\$ 6	\$ 40	\$ 32	(a)	\$ 68
Reserve for obsolescence and shrinkage	3	2	20	18	(b)	7
Self-insurance reserve	94	6	122	122	(c)	100
Year ended December 31, 2016:						
Allowance for doubtful accounts	\$ 55	\$—	\$ 24	\$ 25	(a)	\$ 54
Reserve for obsolescence and shrinkage	4	—	17	18	(b)	3
Self-insurance reserve	90	—	108	104	(c)	94

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) Represents write-offs of accounts, net of recoveries.
- (b) Represents write-offs.
- (c) 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 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, 2018. 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, 2018.

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, 2018. 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, 2018.

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, 2018, 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, 2018, 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, 2018 and 2017, 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, 2018 of the Company and our report dated January 23, 2019 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 23, 2019

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2018 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 2019 Annual Meeting of Stockholders (the “2019 Proxy Statement”), which is expected to be filed with the SEC on or before March 26, 2019.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference to the applicable information in the 2019 Proxy Statement, which is expected to be filed with the SEC on or before March 26, 2019.

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 2019 Proxy Statement, which is expected to be filed with the SEC on or before March 26, 2019.

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 2019 Proxy Statement, which is expected to be filed with the SEC on or before March 26, 2019.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated by reference to the applicable information in the 2019 Proxy Statement, which is expected to be filed with the SEC on or before March 26, 2019.

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, 2018 and 2017

United Rentals, Inc. Consolidated Statements of Income for the years ended December 31, 2018, 2017 and 2016

United Rentals, Inc. Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016

United Rentals, Inc. Consolidated Statements of Stockholders' Equity for the years ended December 2018, 2017 and 2016

United Rentals, Inc. Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016

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

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
2(a)	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)
2(b)	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)
2(c)	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 & Compressor, Ltd., Canadian Pump & 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)

Exhibit Number	Description of Exhibit
2(d)	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)
2(e)	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)
2(f)	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)
2(g)	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)
3(a)	Fourth Restated Certificate of Incorporation of United Rentals, Inc., dated June 1, 2017 (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 June 2, 2017)
3(b)	Amended and Restated By-laws of United Rentals, Inc., amended as of May 4, 2017 (incorporated by reference to Exhibit 3.4 of the United Rentals, Inc. and United Rentals (North America), Inc. Current Report on Form 8-K filed on May 4, 2017)
3(c)	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)
3(d)	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)
4(a)	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)
4(b)	Indenture for the 5 3/4 percent Notes due 2024, dated as of March 26, 2014, among United Rentals (North America), Inc., United Rentals, Inc., United Rentals (North America), Inc.'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. and United Rentals (North America), Inc. Report on Form 8-K filed on March 26, 2014)
4(c)	Indenture for the 4 5/8 percent Notes due 2023, dated as of March 26, 2015, 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 and Notes Collateral Agent (including form of note) (incorporated by reference to Exhibit 4.1 of the United Rentals, Inc. Report on Form 8-K filed on March 26, 2015)

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4(d)	Indenture for the 5 1/2 percent Notes due 2025, dated as of March 26, 2015, 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 March 26, 2015)
4(e)	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)
4(f)	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)
4(g)	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)
4(h)	Indenture for the 4 5/8 percent Notes due 2025, 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 4.1 of the United Rentals, Inc. Report on Form 8-K filed on September 22, 2017)
4(i)	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)
4(j)	Indenture for the 6 1/2 percent Notes due 2026, dated as of October 30, 2018, 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 October 30, 2018)
10(a)	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)‡
10(b)	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)‡
10(c)	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>Exhibit Number</u>	<u>Description of Exhibit</u>
10(d)	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)‡
10(e)	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)‡
10(f)	United Rentals, Inc. 2014 Annual Incentive Compensation Plan, (incorporated by reference to Appendix B of the United Rentals, Inc. Proxy Statement on Schedule 14A filed on March 26, 2014)‡
10(g)	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)‡
10(h)	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)‡
10(i)	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)‡
10(j)	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)‡
10(k)	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)‡
10(l)	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)‡
10(m)	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)‡
10(n)	Form of United Rentals, Inc. Restricted Stock Unit Agreement for Non-Employee Directors (incorporated by reference to United Rentals, Inc. Report on Form 10-Q for the quarter ended June 30, 2017)
10(o)	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)‡
10(p)	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)‡

Exhibit Number	Description of Exhibit
10(q)	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) on Form 10-Q for the quarter ended March 31, 2015)‡
10(r)*	Form of United Rentals, Inc. Performance-Based Restricted Stock Unit Agreement for Chief Executive Officer; effective for grants beginning in 2017‡
10(s)	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) on Form 10-Q for the quarter ended March 31, 2015)‡
10(t)*	Form of United Rentals, Inc. Restricted Stock Unit Agreement for Chief Executive Officer; effective for grants beginning in 2017‡
10(u)	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 26, 2019
10(v)	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)‡
10(w)	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)‡
10(x)	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)‡
10(y)	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)‡
10(z)	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)‡
10(aa)	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)‡
10(bb)	Employment Agreement, dated as of December 1, 2008, between United Rentals, Inc. and William B. Plummer (including Restricted Stock Unit Agreement) (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K, Commission File No. 001-14387, filed on November 25, 2008)‡
10(cc)	Second Amendment, effective as of December 1, 2008, to the Employment Agreement between United Rentals, Inc. and William B. Plummer (incorporated by reference to Exhibit 10(gg) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2010)‡
10(dd)	Third Amendment, dated as of December 22, 2011, to the Employment Agreement between United Rentals, Inc. and William B. Plummer (incorporated by reference to Exhibit 10(hh) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2011)‡

Exhibit Number	Description of Exhibit
10(ee)	Fourth Amendment, dated as of March 28, 2012, to the Employment Agreement between United Rentals, Inc. and William B. Plummer (incorporated by reference to Exhibit 10(g) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2012)‡
10(ff)	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)‡
10(gg)	Employment Agreement, dated as of March 12, 2010, between United Rentals, Inc. and Matthew Flannery (incorporated by reference to Exhibit 10(b) of the United Rentals, Inc. Report on Form 10-Q for the quarter ended March 31, 2010)‡
10(hh)	First Amendment, effective as of March 12, 2010, to the Employment Agreement between United Rentals, Inc. and Matthew Flannery (incorporated by reference to Exhibit 10(rr) of the United Rentals, Inc. Annual Report on Form 10-K for the year ended December 31, 2010)‡
10(ii)	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)‡
10(jj)	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)‡
10(kk)	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)‡
10(ll)	Employment Agreement, effective as of January 20, 2016 between United Rentals, Inc. and Jeffrey Fenton‡
10(mm)	Employment Agreement, effective as of January 20, 2016 between United Rentals, Inc. and Craig Pintoff‡
10(nn)	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)
10(oo)*	Employment Agreement, dated October 31, 2018, between United Rentals, Inc. and Paul McDonnell‡
10(pp)	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)‡
10(qq)	Second Amended and Restated Credit Agreement, dated as of March 31, 2015, among United Rentals, Inc., United Rentals (North America), Inc., certain subsidiaries of United Rentals, Inc. and United Rentals (North America), Inc. referred to therein, United Rentals of Canada, Inc., United Rentals Financing Limited Partnership, Bank of America, N.A., and the other financial institutions referred to therein (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on April 1, 2015)

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10(rr)	Amendment No.1 to Second Amended and Restated Credit Agreement, dated as of June 8, 2016, among United Rentals, Inc., United Rentals (North America) Inc., certain subsidiaries of United Rentals (North America), Inc. referred to therein, United Rentals of Canada, Inc., United Rentals Financing Limited Partnership, Bank of America, N.A., and the other financial institutions referred to therein (incorporated by reference to Exhibit 10.1 of the United Rentals, Inc. Report on Form 8-K filed on June 8, 2016)
10(ss)	Second Amended and Restated U.S. Security Agreement, dated as of March 31, 2015, among United Rentals, Inc., United Rentals (North America), Inc., certain subsidiaries of United Rentals, Inc. and United Rentals (North America), 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 April 1, 2015)
10(tt)	Amended and Restated U.S. Intellectual Property Security Agreement, dated as of October 14, 2011, by and 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 10.3 of the United Rentals, Inc. Report on Form 8-K filed on October 17, 2011)
10(uu)	Supplement to the Intellectual Property Security Agreement, dated as of April 30, 2012, among InfoManager, Inc., United Rentals Realty, LLC and Wynne Systems, Inc. (incorporated by reference to Exhibit 10.9 of the United Rentals, Inc. Report on Form 8-K filed on May 3, 2012)
10(vv)	Second Amended and Restated U.S. Guarantee Agreement, dated as of March 31, 2015, among United Rentals, Inc., United Rentals (North America), Inc., and certain subsidiaries of United Rentals, Inc. and United Rentals (North America), Inc. 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. Report on Form 8-K filed on April 1, 2015)
10(ww)	Second Amended and Restated Canadian Security Agreement, dated as of March 31, 2015, among United Rentals of Canada, Inc., certain subsidiaries of United Rentals, Inc. and United Rentals (North America), Inc. referred to therein and Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.4 of the United Rentals, Inc. Report on Form 8-K filed on April 1, 2015)
10(xx)	Second Amended and Restated Canadian Guarantee Agreement, dated as of March 31, 2015, by United Rentals of Canada, Inc. and certain subsidiaries of United Rentals, Inc. and United Rentals (North America), Inc. referred to therein in favor of the Canadian secured parties referred to therein (incorporated by reference to Exhibit 10.6 of the United Rentals, Inc. Report on Form 8-K filed on April 1, 2015)
10(yy)	Amended and Restated Security Agreement, dated as of March 26, 2015, 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 March 26, 2015)
10(zz)	Intellectual Property Security Agreement, dated as of July 23, 2012, 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 Collateral Agent (incorporated by reference to Exhibit 10.2 of the United Rentals, Inc. Report on Form 8-K filed on July 23, 2012)

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10(aaa)	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)
10(bbb)	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)
10(ccc)	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)
10(ddd)	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)
10(eee)	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)
10(fff)	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)

Exhibit Number	Description of Exhibit
10(ggg)	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)
10(hhh)	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)
10(iii)	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)
10(jjj)	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)
10(kkk)	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)
10(III)	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)
10(mmm)	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)

Exhibit Number	Description of Exhibit
10(nnn)	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)
10(ooo)	Intercreditor Agreement, dated as of March 9, 2012 among Bank of America, N.A. as credit agreement agent and Wells Fargo Bank, National Association as notes trustee and second lien collateral agent, acknowledged by UR Merger Sub Corporation, the Company and certain other grantors (incorporated by reference to Exhibit 10.5 of the United Rentals, Inc. Report on Form 8-K filed on March 12, 2012)
21*	Subsidiaries of United Rentals, Inc.
23*	Consent of Ernst & Young LLP
31(a)*	Rule 13a-14(a) Certification by Chief Executive Officer
31(b)*	Rule 13a-14(a) Certification by Chief Financial Officer
32(a)**	Section 1350 Certification by Chief Executive Officer
32(b)**	Section 1350 Certification by Chief Financial Officer
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.

Date: January 23, 2019

UNITED RENTALS, INC.

By: /s/ MICHAEL J. KNEELAND

Michael J. Kneeland, 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:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JENNE K. BRITELL</u> Jenne K. Britell	Chairman	January 23, 2019
<u>/s/ JOSÉ B. ALVAREZ</u> José B. Alvarez	Director	January 23, 2019
<u>/s/ MARC A. BRUNO</u> Marc A. Bruno	Director	January 23, 2019
<u>/s/ BOBBY J. GRIFFIN</u> Bobby J. Griffin	Director	January 23, 2019
<u>/s/ KIM H. JONES</u> Kim H. Jones	Director	January 23, 2019
<u>/s/ TERRI L. KELLY</u> Terri L. Kelly	Director	January 23, 2019
<u>/s/ GRACIA MARTORE</u> Gracia Martore	Director	January 23, 2019
<u>/s/ JASON D. PAPASTAVROU</u> Jason D. Papastavrou	Director	January 23, 2019
<u>/s/ FILIPPO PASSERINI</u> Filippo Passerini	Director	January 23, 2019
<u>/s/ DONALD C. ROOF</u> Donald C. Roof	Director	January 23, 2019
<u>/s/ SHIV SINGH</u> Shiv Singh	Director	January 23, 2019
<u>/s/ MICHAEL J. KNEELAND</u> Michael J. Kneeland	Director and Chief Executive Officer (Principal Executive Officer)	January 23, 2019
<u>/s/ JESSICA T. GRAZIANO</u> Jessica T. Graziano	Chief Financial Officer (Principal Financial Officer)	January 23, 2019
<u>/s/ ANDREW B. LIMOGES</u> Andrew B. Limoges	Vice President, Controller (Principal Accounting Officer)	January 23, 2019

CORPORATE INFORMATION

Investor Information

For investor information, including our 2018 Form 10-K, our quarterly earnings releases and our other Securities Exchange Act reports, please visit our website:

unitedrentals.com

Investment professionals may contact:

Ted Grace
(203) 618-7122
tgrace@ur.com

2019 ANNUAL MEETING

Wednesday, May 8, 2019
at 9:00 am Eastern Time.

Hyatt Regency Greenwich
1800 East Putnam Avenue
Old Greenwich, CT 06870

Stockholder Information

For stockholder services 24 hours a day:
Call toll-free
(800) 937-5449
in the United States
and Canada, or
(718) 921-8200.

E-mail:
investors@unitedrentals.com

To speak to a stockholder services representative, please call between 8:00 am and 6:00 pm Eastern Time, Monday through Friday.

- Account information
- Transfer requirements
- Lost certificates
- Change of address
- Tax forms

Write:
American Stock Transfer
& Trust Company
6201 15th Avenue
Brooklyn, NY 11219

www.amstock.com

URI LISTED NYSE

United Rentals Stock Listing

United Rentals common stock is listed on the New York Stock Exchange under the symbol "URI." The common stock is included in the Standard & Poor's 500 Index and the Russell 3000 Index®.

The following table sets forth, for the periods indicated, the intra-day high and low sale prices and close prices for our common stock, as reported by the New York Stock Exchange.

United Rentals Common Stock Prices

	2018	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
High		\$190.74	\$181.66	\$173.00	\$167.29
Low		156.01	143.40	142.61	94.28
Close		172.73	147.62	163.60	102.53
2017					
High		\$134.28	\$126.76	\$139.98	\$174.40
Low		105.33	100.62	106.52	136.84
Close		125.05	112.71	138.74	171.91
2016					
High		\$71.51	\$76.04	\$84.63	\$109.90
Low		41.90	56.01	61.92	70.58
Close		62.19	67.10	78.49	105.58

As of January 1, 2019, there were approximately 66 holders of record of our common stock. We believe that 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 "street name."

We have not paid dividends on our common stock since inception. However, the payment of any future dividends will be determined by our Board of Directors in light of conditions then existing. The terms of certain of our indebtedness contain certain limitations on our ability to pay dividends.

Corporate Headquarters

United Rentals, Inc.
100 First Stamford Place, Suite 700
Stamford, CT 06902
Phone: (203) 622-3131
Fax: (203) 622-6080
unitedrentals.com

Independent Auditors

Ernst & Young LLP
5 Times Square
New York, NY 10036
(212) 773-3000

Our mission is to deploy the best people, equipment and solutions to enable our customers to safely build a better and stronger future. In furthering this mission, we are committed to the highest standards of ethics, business integrity, governance, innovation and good corporate citizenship. Our longstanding legacy as a purpose-driven company continues to shape how we think and operate today.

Governance

- As of March 2019, the company's 12-member Board of Directors includes 11 independent directors, including the Chairman, with four female directors and three ethnically diverse male directors
- In 2018, three new directors were appointed to the Board and one retired as part of an ongoing refreshment initiative
- In 2018, the company conducted a proactive outreach to 13 of its largest stockholders, representing 34% of total shares outstanding; this followed a comprehensive stockholder outreach in 2017

Other governance practices in place include:

- Separation of Chairman and CEO roles
- Voluntary Board adoption of a proxy access bylaw provision
- Voluntary Board adoption of a formal retirement age policy for directors
- Stockholders' right to call special meetings

Technology and Customer Service

- In 2018, the company realized more than 50% year-over-year growth in self-service e-commerce revenue from UR One®, its digital platform launched in 2017 to provide always-on, one-stop access to the industry's largest range of rental equipment and tools, and related information and services
- The company continues to be the only equipment rental provider in the industry to offer a fully-confirmed equipment rental order capability online, with no human interaction
- In 2018, the company's digital commerce across all channels attracted over 30,000 net new customers, resulting in a 45% increase in digitally generated revenue year-over-year
- The company's proprietary Total Control® and UR Control® technologies are widely recognized as industry-leading innovations that support equipment renters in reducing overall costs by optimizing how, and how often, equipment is utilized
- The company's ongoing investment in telematics is a widespread efficiency initiative with substantial benefits, including visibility into equipment runtime and utilization, geo-location, proactive fuel alerts and business intelligence for customers

Safety, Community and Engagement

- 92% of the company's branches were injury-free in 2018, reflecting the importance of safety as a core value
- The company was ranked in the top quartile for safety across all industry sectors in 2018, and continues to lead the industry in safety performance
- The company was ranked #7 across all U.S. industries as a Top Military-Friendly Employer by GI Jobs magazine for 2018
- \$993,400 in employee donations were made to the United Compassion Fund in 2018, and 129 colleagues were assisted through the employee-funded and administered 501(c)(3) organization
- 97% of employee respondents in the latest Engagement Survey said they work beyond what is required to help the company
- The company uses safety performance as a qualitative goal in assessing bonuses for the CEO and other senior executives
- The company uses recruitment of diverse employees as a qualitative goal in assessing bonuses for the CEO and other senior executives
- The Board of Directors has instituted a formal schedule for consideration of safety and diversity matters
- Employee resource groups (Together United, Women United, Veterans United) and many other initiatives fuel diversity and inclusion
- Over \$570,000 has been donated to date to SoldierStrong through the company's Turns for Troops sponsorship of Rahal Letterman Lanigan Racing
- The company has over 125,000 followers on major social media channels, and lively internal engagement on Workplace®

Environmental Stewardship

- In 2018, the Board's Nominating and Corporate Governance Committee amended its charter to take formal responsibility for oversight of the company's environmental, social and governance policies and practices
- All company branches use a scorecard to track energy use and identify potential areas of improvement
- The FAST (field automation systems technology) initiative helps to optimize delivery and pickup routes and loads, reducing fuel consumption
- An ongoing lighting retrofit program aims at reducing energy use at branches while improving working conditions for employees
- Each company driver's idling time is measured and documented as a component of the performance evaluation process tied to compensation
- The company's primary business of equipment rental is environmentally friendly by nature, reducing ownership of equipment assets and optimizing the utilization of assets that have been manufactured and brought into the economy



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The covers and narrative portions of this annual report are printed on papers containing 10% post-consumer fiber. The 10K is printed on paper containing 10% post-consumer recycled fiber.



United Rentals®

Total 2018 revenues: \$8.047 billion

Market coverage: 1,186 rental branches in North America and 11 in Europe

Customers: Primarily industrial and construction companies and utilities

Employees: Approximately 18,500

Rental fleet original cost: \$14.18 billion

Rental range: Approximately 3,800 equipment classes

United Rentals, Inc.
100 First Stamford Place, Suite 700
Stamford, CT 06902
UnitedRentals.com

Front Cover:

United Rentals was the primary rental equipment provider as the New York State Thruway Authority replaced the Tappan Zee Bridge with a new 3.1-mile state-of-the-art, twin-span bridge across the Hudson River 20 miles north of New York City. The \$3.98 billion Governor Mario M. Cuomo Bridge is one of the largest single design-build contracts for a transportation project in the United States.

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