

United Rentals: Where Should the Next Fleet Dollar Go?

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A large fleet, several ways to grow

United Rentals entered 2024 with a broad rental network: 1,584 locations, about 4,800 equipment classes, and 995,000 equipment units. At year-end 2023, its fleet had \$20.66 billion of original equipment cost (OEC). Equipment rentals made up 84% of the company's \$14.332 billion in revenue. The company estimated that it held 15% of the North American equipment-rental market, using industry data from the American Rental Association. [P1]

The fleet serves two reportable segments. General Rentals supplies construction and industrial equipment, aerial work platforms, and general tools and light equipment. Specialty provides trench safety, power and HVAC, fluid solutions, and mobile storage and modular office products, along with related services. Specialty represented 25.4% of total company revenue in 2023, compared with 7.3% in 2013. [P1]

The scale creates a recurring strategy question: when should the company add equipment, and when should it improve the availability and productivity of equipment it already owns? Equipment can be transferred among locations, repaired, rented, sold, or replaced. Demand varies by equipment class, geography, customer, project, and time. Public filings do not show those patterns at the branch-and-class level.

For this case, assume you are preparing a recommendation for a hypothetical strategy discussion about sequencing fleet additions and operating initiatives across General Rentals and Specialty. This is a classroom decision exercise, not a disclosed management assignment. The company has not reported a single fixed pool to divide, a branch-level shortage, or a choice between fleet investment and repurchases.

Growth and productivity tell different stories

United Rentals' reported equipment-rental revenue grew 19.3% in 2023 while average OEC increased 21.9%. Company-defined fleet productivity declined 0.7%. Because its December 2022 Ahern Rentals acquisition affected year-over-year comparisons, the company also presented pro forma measures: rental revenue growth of 11.3%, average OEC growth of 10.4%, and fleet productivity growth of 2.8%. The company defines fleet productivity as a combination of rental rates, time utilization, and mix; it is not a pure measure of utilization. [P1]

The figures permit more than one interpretation. Added fleet and the Ahern acquisition accompanied higher reported rental revenue. On a pro forma comparison, productivity also

improved. Neither comparison identifies whether future demand is best served by additional units, by shifting existing assets across locations, or by reducing downtime.

Segment results add another dimension. General Rentals produced most of the rental revenue, while Specialty reported a higher equipment-rental gross margin. The segments contain different equipment and service mixes, so a margin comparison does not reveal the risk-adjusted return on a new unit in either segment.

FY2023 measure	General Rentals	Specialty	Scope
Equipment-rental revenue	\$8.803bn	\$3.261bn	Segment rental revenue
Equipment-rental gross profit	\$3.219bn	\$1.595bn	Management's primary segment performance measure
Equipment-rental gross margin	36.6%	48.9%	Reported segment measure; not asset-level return
Rental revenue growth	+19.9% reported; +9.1% pro forma	+17.7%	Company-reported 2023 comparison

Source: P1, Note 5, printed pp. 64-65; Item 7, "Segment Equipment Rentals Gross Profit," printed p. 38, including margin table. Growth rates use Item 7, printed pp. 35-36. Gross margin excludes capital deployed and should not be read as a return on a marginal equipment purchase.

The 2024 outlook

In January, United Rentals forecast 2024 revenue of \$14.65-\$15.15 billion and adjusted EBITDA of \$6.90-\$7.15 billion. It expected gross rental-equipment purchases of \$3.4-\$3.7 billion and net rental capital expenditures of \$1.9-\$2.2 billion. Net capex is gross equipment-purchase spending less anticipated proceeds from rental-equipment sales; it is not an additional spending pool. Management attributed its growth outlook in part to strength on large projects, but did not disclose a project-by-project equipment schedule. These are forecasts, not results. [P2]

The company also lowered its targeted full-cycle leverage range to 1.5x-2.5x from 2.0x-3.0x and said it intended to repurchase \$1.5 billion of shares in 2024. It increased its quarterly dividend by 10%. At year-end, reported net leverage was 1.6x and total liquidity was \$3.330 billion, including \$363 million of cash and availability under credit facilities. These policies provide context for capital planning, but do not establish that equipment purchases compete with shareholder returns for a binding pool. [P2]

What could guide the sequence?

The strategy team can consider several levers together:

- Add units where demand visibility, customer service requirements, and class-level economics support expansion.
- Redeploy equipment or adjust fleet mix when the existing network can cover needs more effectively.

- Improve repair, maintenance, transfer, and delivery processes where operational data indicate that availability can rise.
- Sell or replace equipment when lifecycle and customer-service evidence support changing the fleet.

The company's public reporting does not disclose utilization, availability, or turndowns by branch and equipment class; project booking duration; transfer economics; maintenance downtime and labor by class; customer impacts; or purchase and resale economics by segment. A recommendation therefore needs to identify which evidence should determine sequencing, what should be monitored, and what would justify changing course.

Assignment

Recommend how United Rentals should sequence fleet additions and operational initiatives across General Rentals and Specialty while pursuing its disclosed 2024 outlook. You may propose a blended approach. State the evidence that would support accelerating or staging each action, identify the key measures and decision gates, and explain the limits of the public data. Do not assume a fixed capital pool or calculate project ROI from information the company has not disclosed.

Source key

- **P1:** United Rentals, Inc., FY2023 Form 10-K, filed Jan. 24, 2024, SEC accession 0001067701-24-000007. Company/fleet profile and performance table: Item 1, printed pp. 1-8. 2023 operating results and productivity: Item 7, printed pp. 27-41, including "Segment Equipment Rentals Gross Profit," printed p. 38. Segment results and definitions: Note 5, printed pp. 63-65.
- **P2:** United Rentals, "Announces Record Fourth Quarter and Full-Year 2023 Results, Introduces 2024 Outlook and Enhanced Capital Allocation Strategy," Jan. 24, 2024. 2024 outlook: paragraphs 91-96; capital policy, repurchase, and leverage: paragraphs 113-129; CEO outlook comments: paragraphs 66-80.