

WillScot Mobile Mini

Some areas to monitor but story remains intact

Reiterate Rating: BUY | PO: 56.00 USD | Price: 50.25 USD

Solid Q4, 2024 guide in line with the street

WSC delivered a slight beat (EBITDA \$288mn, +1% vs cons) & guided 2024 EBITDA largely in line with cons at the midpoint (\$1,125-\$1,200mn vs Cons \$1,160mn). While performance remained consistent, WillScot struck a more cautious tone on the macro environment given a sharp decline in Q4 non-resi starts (-29% YoY). Tailwinds from larger scale projects in industrial and manufacturing remain, as do headwinds from smaller projects, commercial office, warehousing, and retail. Through mid-February WSC saw Modular activations grow YoY, while Storage activations moved in line with non-resi starts. Overall, macro outlook for the year is consistent with that of others in the rental and non-residential space. Margin expansion is not dependent on volume recovery, spreads between spot and average rates are still wide, and VAPS penetration is growing. WillScot's story is intact.

Maintenance and delivery to impact Q1

WillScot guided to revenue of \$2,485-\$2,635mn, EBITDA of \$1,125-\$1,200mn, and net capex of \$250-\$300mn (up from maintenance levels in 2023). Outlook implies 50bps YoY margin expansion at the midpoint. Embedded in guidance is flat to down volumes (positive inflection in 2H24), pricing/VAPS growth, an incremental ~\$70mn of revenue/\$35mn of EBITDA from 2023 M&A rollover, and no rebound in retail market demand. WSC expects to see normal QoQ seasonal contraction in Q1, with revenue building through the year. EBITDA margin in Q1 is expected to compress on both a YoY and sequential basis (activations translate to upfront costs), expanding sequentially through the year with revenue.

Increasing estimates

We raise our 2024/25E estimates 2-3%, with revenue of \$2,560mn/\$2,750mn and EBITDA of \$1,162.5mn/\$1,280mn respectively. Our revised estimates leave us at the midpoint of 2024 outlook. We model in \$515/\$700mn of 2024/25 FCF. The acquisition of McGrath RentCorp (expected close in 2Q24) is not accounted for in our estimates. We maintain our PO of \$56 on the same 12.0x 2024E EBITDA, on our higher EBITDA and updated Net debt estimates. Our multiple leaves us in line with the ~5-year trading average. Our PO implies a 5% FCF yield. Reiterate Buy as the thesis remains intact despite more cautious near-term commentary. Risk-reward is still attractive.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.25	1.69	2.05	2.60	3.14
GAAP EPS	1.53	2.36	2.05	2.60	3.14
EPS Change (YoY)	155.1%	35.2%	21.3%	26.8%	20.8%
Consensus EPS (Bloomberg)			2.28	2.80	3.45
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	40.2x	29.7x	24.5x	19.3x	16.0x
GAAP P/E	32.8x	21.3x	24.5x	19.3x	16.0x
EV / EBITDA*	12.6x	10.8x	9.8x	8.9x	8.2x
Free Cash Flow Yield*	2.6%	5.2%	4.7%	6.6%	6.9%

* For full definitions of *IQmethod*SM measures, see page 4.

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Timestamp: 21 February 2024 05:00AM EST

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	2,500.0	2,560.0
2025E Rev (m)	2,675.0	2,750.0
2026E Rev (m)	NA	2,925.0
2024E EBITDA (m)	1,140.0	1,162.5
2025E EBITDA (m)	1,250.0	1,280.0
2026E EBITDA (m)	NA	1,385.0

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Stock Data

Price	50.25 USD
Price Objective	56.00 USD
Date Established	2-Nov-2023
Investment Opinion	B-1-9
52-Week Range	34.40 USD - 53.46 USD
Mkt Val (mn) / Shares Out (mn)	9,753 USD / 194.1
Free Float	97.4%
Average Daily Value (mn)	99.43 USD
BofA Ticker / Exchange	WSC / NAS
Bloomberg / Reuters	WSC US / WSC.OQ
ROE (2024E)	30.0%
Net Dbt to Eqty (Dec-2023A)	281.2%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

VAPS: Value Added Products & Services

iQprofileSM WillScot Mobile Mini

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	7.3%	9.0%	10.0%	11.6%	13.2%
Return on Equity	19.1%	33.7%	30.0%	33.1%	32.8%
Operating Margin	23.9%	28.5%	29.4%	30.9%	32.1%
Free Cash Flow	258	512	455	640	670

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.2x	1.6x	2.0x	1.9x	1.7x
Asset Replacement Ratio	1.4x	0.7x	0.9x	0.7x	0.8x
Tax Rate	24.3%	27.0%	26.0%	26.0%	26.0%
Net Debt-to-Equity Ratio	196.1%	281.2%	252.0%	190.2%	135.4%
Interest Cover	3.5x	3.3x	3.3x	4.2x	5.4x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,143	2,365	2,560	2,750	2,925
% Change	28.1%	10.4%	8.3%	7.4%	6.4%
Gross Profit	884	1,061	1,162	1,280	1,385
% Change	36.1%	20.1%	9.5%	10.1%	8.2%
EBITDA	908	1,061	1,162	1,280	1,385
% Change	32.2%	16.9%	9.5%	10.1%	8.2%
Net Interest & Other Income	(146)	(205)	(225)	(200)	(175)
Net Income (Adjusted)	340	476	390	481	566
% Change	112.0%	40.3%	-18.1%	23.2%	17.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	276	342	390	481	566
Depreciation & Amortization	344	339	370	385	395
Change in Working Capital	(54)	(92)	(10)	4	(34)
Deferred Taxation Charge	101	142	0	0	0
Other Adjustments, Net	78	31	40	45	50
Capital Expenditure	(487)	(249)	(335)	(275)	(307)
Free Cash Flow	258	512	455	640	670
% Change	11.7%	98.6%	-11.1%	40.7%	4.7%
Share / Issue Repurchase	(741)	(818)	(350)	(300)	(300)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	367	430	(160)	(400)	(430)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	7	11	16	16	16
Trade Receivables	410	451	480	446	485
Other Current Assets	104	107	107	107	107
Property, Plant & Equipment	3,382	3,722	3,627	3,457	3,309
Other Non-Current Assets	1,925	1,847	1,847	1,847	1,847
Total Assets	5,828	6,138	6,077	5,873	5,764
Short-Term Debt	13	19	19	19	19
Other Current Liabilities	549	543	562	532	537
Long-Term Debt	3,063	3,539	3,379	2,979	2,549
Other Non-Current Liabilities	637	776	776	776	776
Total Liabilities	4,262	4,877	4,736	4,305	3,881
Total Equity	1,565	1,261	1,342	1,568	1,884
Total Equity & Liabilities	5,828	6,138	6,077	5,873	5,764

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Industrial Services/Equipment Rental

Company Description

WillScot is a leading specialty rental services market leader providing innovative modular space and portable storage solutions across North America. WillScot has 120 branches and over 153k rental units encompassing over 77mn square feet. About 90% of sales come from the US, with over 90% of adjusted gross profit from the recurring lease business.

Investment Rationale

We expect WillScot to continue executing well and expect shares to see multiple re-rating as the company further demonstrates its ability to drive double digit rate growth through the cycle while also capturing various internal and inorganic growth opportunities. We also see the company showing progress on debt reduction and accelerating FCF generation.

Stock Data

Average Daily Volume 1,978,694

Quarterly Earnings Estimates

	2023	2024
Q1	0.36A	0.33E
Q2	0.43A	0.50E
Q3	0.46A	0.58E
Q4	0.44A	0.63E

Price objective basis & risk

WillScot Mobile Mini (WSC)

Our PO on WillScot Mobile Mini is at \$56 per share on 12.0x 2024E EV/EBITDA. While WillScot standalone did not have a long trading history, Mobile Mini's historical multiple was roughly 12x going back over a decade, and we expect the scale, technology, and optimizations made by WSC should command a premium to the historical multiple.

Risks are: 1) deterioration in rental rate environment for core mobile office business, 2) weaker than expected deleveraging effort, 3) botched integration, and 4) tightening of the credit markets

Analyst Certification

I, Sherif El-Sabbahy, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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US - Machinery Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AECOM	ACM	ACM US	Michael Feniger
	Blue Bird Corp	BLBD	BLBD US	Sherif El-Sabbahy
	Caterpillar Inc	CAT	CAT US	Michael Feniger
	CNH Industrial NV	CNHI	CNHI US	Michael Feniger
	Construction Partners Inc.	ROAD	ROAD US	Michael Feniger
	ESAB Corp	ESAB	ESAB US	Sherif El-Sabbahy
	Finning International Inc.	YFTT	FTT CN	Sherif El-Sabbahy
	H&E Equipment Services Inc	HEES	HEES US	Sherif El-Sabbahy
	Knife River Corp	KNF	KNF US	Sherif El-Sabbahy
	Republic Services	RSG	RSG US	Michael Feniger
	Techtronic Industries Co Ltd	TTNDF	669 HK	Michael Feniger
	Techtronic Industries Co Ltd	TTNDY	TTNDY US	Michael Feniger
	United Rentals Inc	URI	URI US	Michael Feniger
	Vulcan Materials	VMC	VMC US	Michael Feniger
	Waste Connections Inc	WCN	WCN US	Michael Feniger
	WillScot Mobile Mini	WSC	WSC US	Sherif El-Sabbahy



US - Machinery Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
NEUTRAL				
	AGCO Corp	AGCO	AGCO US	Michael Feniger
	Deere & Co	DE	DE US	Michael Feniger
	Fluor	FLR	FLR US	Michael Feniger
	GFL Environmental Inc	GFL	GFL US	Michael Feniger
	GFL Environmental Inc	YGFL	GFL CN	Michael Feniger
	Jacobs Eng.	J	J US	Michael Feniger
	Kennametal Inc.	KMT	KMT US	Michael Feniger
	Martin Marietta Materials	MLM	MLM US	Michael Feniger
	NV5 Global Inc.	NVEE	NVEE US	Michael Feniger
	PACCAR Inc	PCAR	PCAR US	Michael Feniger
	RB Global, Inc	RBA	RBA US	Michael Feniger
	Waste Management	WM	WM US	Michael Feniger
UNDERPERFORM				
	Allison Transmission Holdings Inc.	ALSN	ALSN US	Sherif El-Sabbahy
	Casella	CWST	CWST US	Michael Feniger
	Cummins Inc	CMI	CMI US	Michael Feniger
	Herc Holdings Inc	HRI	HRI US	Sherif El-Sabbahy
	IPG Photonics	IPGP	IPGP US	Michael Feniger
	Oshkosh Corp.	OSK	OSK US	Michael Feniger
	Terex Corp.	TEX	TEX US	Michael Feniger
	Timken Company	TKR	TKR US	Michael Feniger

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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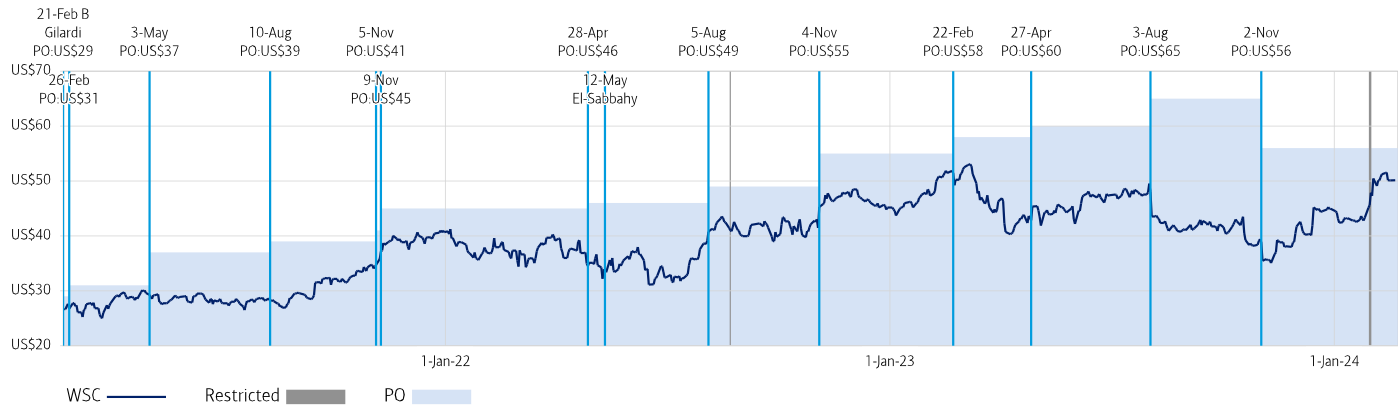
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WillScot (WSC) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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