MOBILE MINI INC
Form 10-Q
October 19, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-12804

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 86-0748362 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 4646 E. Van Buren Street, Suite 400 | |
| Phoenix, Arizona | 85008 |
| (Address of principal executive offices) | (Zip Code) |

(480) 894-6311

(Registrant’s telephone number, including area code)

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or 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

At October 12, 2018, there were outstanding 44,692,446 shares of the registrant's common stock, par value $.01.

MOBILE MINI, INC.

INDEX TO FORM 10-Q FILING

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MOBILE MINI, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value data)

| | September 30, 2018 (unaudited) | December 31, 2017 (audited) |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $4,935 | $13,451 |
| Receivables, net of allowance for doubtful accounts of $5,028 and $6,250 at September 30, 2018 and December 31, 2017, respectively | 118,101 | 111,562 |
| Inventories | 13,444 | 15,671 |
| Rental fleet, net | 925,956 | 989,154 |
| Property, plant and equipment, net | 155,621 | 157,304 |
| Other assets | 17,586 | 15,334 |
| Intangibles, net | 57,164 | 62,024 |
| Goodwill | 706,768 | 708,907 |
| Total assets | $1,999,575 | $2,073,407 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Accounts payable | $32,610 | $26,955 |
| Accrued liabilities | 80,114 | 78,084 |
| Lines of credit | 610,223 | 634,285 |
| Obligations under capital leases | 61,853 | 52,791 |
| Senior notes, net of deferred financing costs of $3,671 and $4,150 at September 30, 2018 and December 31, 2017, respectively | 246,329 | 245,850 |
| Deferred income taxes | 158,758 | 173,754 |
| Total liabilities | 1,189,887 | 1,211,719 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock $.01 par value, 20,000 shares authorized, none issued | — | — |
| Common stock $.01 par value, 95,000 shares authorized, 49,987 issued and 44,692 outstanding at September 30, 2018 and 49,658 issued and 44,380 outstanding at December 31, 2017 | 500 | 497 |
| Additional paid-in capital | 616,850 | 605,369 |
| Retained earnings | 407,559 | 463,322 |
| Accumulated other comprehensive loss | (67,387) | (60,334) |

| | | |
|---|---|---|
| Treasury stock, at cost, 5,295 and 5,278 shares at September 30, 2018 and December 31, 2017, respectively | (147,834 ) | (147,166 ) |
| Total stockholders' equity | 809,688 | 861,688 |
| Total liabilities and stockholders' equity | $1,999,575 | $2,073,407 |

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Rental | $140,924 | $127,695 | $406,149 | $360,288 |
| Sales | 8,716 | 8,438 | 25,700 | 24,817 |
| Other | 67 | 503 | 511 | 1,748 |
| Total revenues | 149,707 | 136,636 | 432,360 | 386,853 |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | 90,764 | 87,745 | 269,033 | 248,954 |
| Cost of sales | 5,770 | 5,519 | 16,925 | 16,039 |
| Restructuring expenses | — | 625 | 1,306 | 2,062 |
| Asset impairment charge and loss on divestiture, net | 98,278 | — | 98,278 | — |
| Depreciation and amortization | 16,191 | 15,935 | 50,206 | 46,941 |
| Total costs and expenses | 211,003 | 109,824 | 435,748 | 313,996 |
| (Loss) income from operations | (61,296) | 26,812 | (3,388) | 72,857 |
| Other income (expense): | | | | |
| Interest income | — | 4 | 6 | 20 |
| Interest expense | (10,487) | (9,203) | (30,179) | (26,412) |
| Foreign currency exchange | 24 | (2) | 69 | (29) |
| (Loss) income before income tax provision | (71,759) | 17,611 | (33,492) | 46,436 |
| Income tax (benefit) provision | (19,594) | 6,383 | (11,182) | 16,279 |
| Net (loss) income | $(52,165) | $11,228 | $(22,310) | $30,157 |
| (Loss) earnings per share: | | | | |
| Basic | $(1.18) | $0.25 | $(0.50) | $0.68 |
| Diluted | (1.18) | 0.25 | (0.50) | 0.68 |
| Weighted average number of common and common share equivalents outstanding: | | | | |
| Basic | 44,323 | 44,039 | 44,275 | 44,030 |
| Diluted | 44,323 | 44,206 | 44,275 | 44,190 |
| Cash dividends declared per share | $0.25 | $0.23 | $0.75 | $0.68 |

See accompanying notes to condensed consolidated financial statements (unaudited).

MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net (loss) income | $(52,165) | $11,228 | $(22,310) | $30,157 |
| Foreign currency translation adjustment | (2,696) | 7,566 | (7,053) | 19,165 |
| Comprehensive (loss) income | $(54,861) | $18,794 | $(29,363) | $49,322 |

See accompanying notes to condensed consolidated financial statements (unaudited).

MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Nine Months Ended September 30, 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net (loss) income | $(22,310) | $30,157 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Asset impairment charge and loss on divestiture, net | 98,278 | — |
| Provision for doubtful accounts | 1,980 | 3,176 |
| Amortization of deferred financing costs | 1,545 | 1,545 |
| Amortization of long-term liabilities | 109 | 98 |
| Share-based compensation expense | 7,866 | 5,890 |
| Depreciation and amortization | 50,206 | 46,941 |
| Gain on sale of rental fleet | (4,523) | (4,273) |
| Loss on disposal of property, plant and equipment | 548 | 472 |
| Deferred income taxes | (12,891) | 15,167 |
| Foreign currency exchange | (69) | 29 |
| Changes in certain assets and liabilities: | | |
| Receivables | (9,029) | (3,183) |
| Inventories | (922) | (1,443) |
| Other assets | 1,875 | (497) |
| Accounts payable | 3,217 | (3,200) |
| Accrued liabilities | 340 | 4,953 |
| Net cash provided by operating activities | 116,220 | 95,832 |
| Cash flows from investing activities: | | |
| Proceeds from sale of assets held for sale | 3,508 | — |
| Additions to rental fleet, excluding acquisitions | (65,620) | (45,945) |
| Proceeds from sale of rental fleet | 11,447 | 9,602 |
| Additions to property, plant and equipment, excluding acquisitions | (14,635) | (12,816) |
| Proceeds from sale of property, plant and equipment | 603 | 780 |
| Net cash used in investing activities | (64,697) | (48,379) |
| Cash flows from financing activities: | | |
| Net repayments under lines of credit | (24,062) | (281) |
| Deferred financing costs | — | (12) |
| Principal payments on capital lease obligations | (6,683) | (5,526) |
| Issuance of common stock | 3,617 | 4,685 |
| Dividend payments | (33,312) | (30,120) |
| Purchase of treasury stock | (668) | (8,359) |
| Net cash used in financing activities | (61,108) | (39,613) |

| | | |
|---|---|---|
| Effect of exchange rate changes on cash | 1,069 | 632 |
| Net (decrease) increase in cash | (8,516 ) | 8,472 |
| Cash and cash equivalents at beginning of period | 13,451 | 4,137 |
| Cash and cash equivalents at end of period | $4,935 | $12,609 |

See accompanying notes to condensed consolidated financial statements (unaudited).

MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

(In thousands)

(Unaudited)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | $31,753 | $30,379 |
| Cash paid for income and franchise taxes | 2,346 | 1,313 |
| Equipment and other acquired through capital lease obligations | 15,746 | 6,610 |
| Capital expenditures accrued or payable | 9,774 | 8,931 |

See accompanying notes to condensed consolidated financial statements (unaudited).

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

## (1) Mobile Mini, Inc. - Organization and Description of Business

Mobile Mini, Inc., a Delaware corporation, is a leading provider of portable storage solutions and tank and pump solutions. In these notes, the terms "Mobile Mini" the "Company," "we," "us," and "our" refer to Mobile Mini, Inc.

At September 30, 2018, we had a fleet of storage solutions units operating throughout the United States (the "U.S."), Canada and the United Kingdom (the "U.K."), serving a diversified customer base, including construction companies, large and small retailers, medical centers, schools, utilities, distributors, the military, hotels, restaurants, entertainment complexes and households. These customers rent our products for a wide variety of applications, including the storage of construction materials and equipment, retail and manufacturing inventory, documents and records and other goods. We also have a fleet of tank and pump solutions products, concentrated in the U.S. Gulf Coast, including liquid and solid containment units, serving a specialty sector in the industry. Our tank and pump products are rented primarily to chemical, refinery, oil and natural gas drilling, mining and environmental service customers.

### Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of Mobile Mini and our wholly owned subsidiaries. We do not have any subsidiaries in which we do not own 100% of the outstanding stock. All significant intercompany balances and transactions have been eliminated. The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") applicable to interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management of Mobile Mini, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. The results of operations for the three and nine months ended September 30, 2018 and 2017, respectively, are not necessarily indicative of the results to be expected for the full year. During the current year, we changed the classification of certain ancillary revenues that were previously reported in rental and other revenues to sales revenues, and the corresponding expenses are now being classified in cost of sales on the accompanying condensed consolidated statements of operations for the three and nine months ended September 30, 2018. As the amounts are immaterial, reclassifications were not made in the corresponding period of the prior year.

These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the Securities and Exchange Commission ("SEC") on February 2, 2018.

### 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 accompanying condensed consolidated financial statements and the notes to those statements. Actual results could differ from those estimates. Significant estimates affect the calculation of depreciation and amortization, the calculation of the allowance for doubtful accounts, the analysis of goodwill and long-lived assets for potential impairment and certain accrued liabilities.

(2) Impact of Recently Issued Accounting Standards

Intangibles – Goodwill and Other – Internal-Use Software.  In August 2018, the Financial Accounting Standards Board (“FASB”) issued a standard that provides guidance on accounting for implementation costs incurred in a cloud computing arrangement that is a service contract.  The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, and hosting arrangements that include an internal-use software license.

This guidance also requires entities to present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the statement of financial position in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented.  This standard is effective for annual and interim periods beginning after December 15, 2019.  We are currently evaluating the effect the standard will have on our financial statements.

Share-Based Compensation – Modifications. In May 2017, the FASB issued a standard which clarifies what constitutes a modification of a share-based payment award.  This standard is effective for annual and interim periods beginning after December 15, 2017.  We implemented this standard on January 1, 2018 and will apply the guidance to future modifications.

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

Business Combinations. In January 2017, the FASB issued a standard which clarifies the definition of a business and provides a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This standard is effective for annual and interim periods beginning after December 15, 2017. We implemented this standard on January 1, 2018 and will apply the guidance to future transactions.

Intangibles – Goodwill and Other. In January 2017, the FASB issued a standard requiring an entity to no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. This standard is effective for annual and interim periods beginning after December 15, 2019. Entities may early adopt the guidance. We have not determined an adoption date and do not expect the adoption of this standard to have a material effect on our consolidated financial statements.

Leases. In February 2016, the FASB issued a standard on lease accounting requiring a lessee to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. This standard is effective for annual and interim periods beginning after December 15, 2018.

We expect to adopt this standard effective January 1, 2019. A modified retrospective transition approach is required. Entities may choose between applying the new standard as of the date of initial application, or applying the standard to all leases existing as of the earliest comparative period and recasting its comparative period financial statements. We expect to use the effective date as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

While we are continuing to evaluate all potential impacts of the standard, we do not believe the accounting for our contractual rental revenue will be materially affected by the adoption of this standard. The standard includes optional transition practical expedients intended to simplify its adoption. We intend to elect to use certain of these expedients including, among other things, the ability to retain lease classification determined under legacy GAAP as well as a relief from reviewing expired or existing contracts to determine if they contain leases. We anticipate the lessee accounting for operating leases under the standard will have a material effect on our statement of financial position.

Upon adoption, we currently expect to recognize additional operating liabilities totaling between $75 million to $85 million, with corresponding right of use assets. The liabilities will be calculated as the present value of the remaining minimum rental payments for existing operating leases.

Revenue from Contracts with Customers. In May 2014, the FASB issued an accounting standard on revenue from contracts with customers. The standard provides a single model for revenue arising from contracts with customers and supersedes previous revenue recognition guidance. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services and is effective for annual and interim periods beginning after December 15, 2017. We adopted this guidance with a date of initial application of January 1, 2018.

The majority of our revenue, as it relates to contractual rental revenue, is excluded from the scope of this standard, and the accounting for the remaining revenue streams were not affected. We utilized the modified retrospective adoption and there was no impact on our consolidated financial statements, nor was there a cumulative effect of initially applying the standard. For more information regarding our revenue from contracts with customers, see the disclosure in Note 4.

(3) Fair Value Measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement determined by assumptions that market participants would use in pricing an asset or liability. We categorize each of our fair value measurements in one of the following three levels based on the lowest level of input that is significant to the fair value measurement:

Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 — Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

At September 30, 2018 and December 31, 2017, we did not have any financial instruments required to be recorded at fair value on a recurring basis.

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

The carrying amounts of cash, cash equivalents, receivables, accounts payable and accrued liabilities approximate fair values based on their short-term nature. The fair values of our revolving credit facility and capital leases are estimated using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements. Based on the borrowing rates currently available to us for bank loans with similar terms and average maturities, the fair value of our revolving credit facility debt and capital leases, which are measured using Level 2 inputs, at September 30, 2018 and December 31, 2017 approximated their respective book values.

The fair value of our $250.0 million aggregate principal amount of 5.875% senior notes due July 1, 2024 (the "Senior Notes" or "2024 Notes") is based on their latest sales price at the end of each period obtained from a third-party institution and is Level 2 in the fair value hierarchy as there is not an active market for the Senior Notes.  The Senior Notes are presented on the balance sheet net of deferred financing costs. The gross carrying value and the fair value of our Senior Notes are as follows:

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (In thousands) | |
| Carrying value | $250,000 | $250,000 |
| Fair value | 253,200 | 262,500 |

(4) Revenue from Contracts with Customers

Revenue Recognition

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer.  A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Rental contracts with our customers may have multiple performance obligations including the direct rental of fleet to our customers, fleet delivery and pickup.  Also included in rental revenues are ancillary fees including late charges and charges for damages.  For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using the contractually stated price as our best estimate of the standalone selling price of each distinct promise in the contract.  Our prices are determined using methods and assumptions developed consistently across similar customers and markets.

We enter into contracts with our customers to rent equipment based on a monthly rate for our Storage Solutions fleet and a daily, weekly or monthly rate for our Tank & Pump Solutions fleet.  Revenues from renting are recognized ratably over the rental period. The rental continues until cancelled by the customer or the Company. If equipment is returned prior to the end of the contractually obligated period, the excess, if any, between the amount the customer is contractually required to pay, over the cumulative amount of revenue recognized to date, is recognized as incremental revenue upon return. Customers may utilize our equipment delivery and pick-up services in conjunction with the rental of equipment, but it is not required. Revenue pursuant to the delivery or pick up of a rented unit is recognized in rental revenue upon completion of the service.

Sales revenue is primarily generated by the sale of new and used units, and to a lesser extent, parts and supplies sold to Tank & Pump Solutions customers. Sales contracts generally have a single performance obligation that is satisfied at the time of delivery. Sales revenue is measured based on the consideration specified in the contract and recognized when the customer takes possession of the unit or other sale items.

Our Storage Solutions rental customers are generally billed in advance. Additionally, we may bill our customers in advance for fleet pickup. Tank & Pump Solutions rental customers are typically billed in arrears, a minimum of once per month. Sales transactions are generally billed in advance or upon transfer of the sold items. Payments from customers are generally due upon receipt of the invoice. Certain customers have extended terms for payment, but no terms are greater than one year following the invoice date.

Taxes assessed by a governmental authority that are both imposed and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

As disclosed in Note 2, we adopted new guidance related to revenue from contracts with customers. The adoption did not have a significant impact on our revenue, nor did it result in a cumulative effect adjustment as of January 1, 2018. We have consistently applied our accounting policies to all periods presented in these consolidated financial statements.

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

Contract Costs and Liabilities

We incur commission costs to obtain rental contracts and for sales of fleet inventory. We expect the period benefitted by each commission to be less than one year. As a result, we have applied the practical expedient for incremental costs of obtaining a contract and expense commissions as incurred.

When customers are billed in advance, we defer recognition of revenue and reflect unearned rental revenue at the end of the period. As of September 30, 2018 and December 31, 2017, we had approximately $39.9 million and $38.3 million, respectively, of unearned rental revenue included in accrued liabilities in the condensed consolidated balance sheets for September 30, 2018 and December 31, 2017. We expect to perform the remaining performance obligations and recognize the unearned rental revenue within the next twelve months. Accordingly, we have applied the practical expedient available, under which we do not disclose the amount of consideration allocable to different performance obligations.

Disaggregated Rental Revenue

In the following table, rental revenue is disaggregated by the nature of the underlying service provided and for the periods indicated. The table also includes a reconciliation of the disaggregated rental revenue to our reportable segments.

| | For the Three Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Storage Solutions | | | | |
| | North America | United Kingdom | Total | Tank & Pump Solutions | Consolidated |
| | (In thousands) | | | | |
| Direct rental revenue | $68,073 | $ 14,068 | $82,141 | $ 19,461 | $ 101,602 |
| Delivery, pickup and similar revenue | 21,671 | 5,118 | 26,789 | 8,329 | 35,118 |
| Ancillary rental revenue | 2,497 | 1,212 | 3,709 | 495 | 4,204 |
| Total rental revenues | $92,241 | $ 20,398 | $112,639 | $ 28,285 | $ 140,924 |

| | For the Three Months Ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Storage Solutions | | | | |
| | North America | United Kingdom | Total | Tank & Pump Solutions | Consolidated |
| | (In thousands) | | | | |
| Direct rental revenue | $61,681 | $ 14,163 | $75,844 | $ 16,231 | $ 92,075 |

| | | | | | |
|---|---|---|---|---|---|
| Delivery, pickup and similar revenue | 19,686 | 4,922 | 24,608 | 6,341 | 30,949 |
| Ancillary rental revenue | 2,882 | 1,154 | 4,036 | 635 | 4,671 |
| Total rental revenues | $84,249 | $20,239 | $104,488 | $23,207 | $ 127,695 |

| | For the Nine Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Storage Solutions | | | | |
| | North America | United Kingdom | Total | Tank & Pump Solutions | Consolidated |
| | (In thousands) | | | | |
| Direct rental revenue | $196,029 | $42,684 | $238,713 | $57,301 | $ 296,014 |
| Delivery, pickup and similar revenue | 59,893 | 14,822 | 74,715 | 21,970 | 96,685 |
| Ancillary rental revenue | 8,305 | 3,560 | 11,865 | 1,585 | 13,450 |
| Total rental revenues | $264,227 | $61,066 | $325,293 | $80,856 | $ 406,149 |

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

| | For the Nine Months Ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Storage Solutions | | | | |
| | North America | United Kingdom | Total | Tank & Pump Solutions | Consolidated |
| | (In thousands) | | | | |
| Direct rental revenue | $176,013 | $39,999 | $216,012 | $47,205 | $263,217 |
| Delivery, pickup and similar revenue | 51,712 | 14,035 | 65,747 | 17,699 | 83,446 |
| Ancillary rental revenue | 8,601 | 3,420 | 12,021 | 1,604 | 13,625 |
| Total rental revenues | $236,326 | $57,454 | $293,780 | $66,508 | $360,288 |

(5) Earnings Per Share

Basic earnings per share (“EPS”) is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Restricted stock awards are subject to the risk of forfeiture and are not included in the calculation of basic weighted average number of common shares outstanding until vested. Diluted EPS is calculated under the treasury stock method. Potential common shares included restricted common stock and incremental shares of common stock issuable upon the exercise of stock options.

The following table is a reconciliation of net income and weighted-average shares of common stock outstanding for purposes of calculating basic and diluted EPS:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands, except per share data) | | | |
| Numerator: | | | | |
| Net (loss) income | $(52,165) | $11,228 | $(22,310) | $30,157 |
| Denominator: | | | | |
| Weighted average shares outstanding - basic | 44,323 | 44,039 | 44,275 | 44,030 |
| Dilutive effect of share-based awards | — | 167 | — | 160 |
| Weighted average shares outstanding - diluted | 44,323 | 44,206 | 44,275 | 44,190 |
| Earnings per share: | | | | |
| Basic | $(1.18) | $0.25 | $(0.50) | $0.68 |
| Diluted | (1.18) | 0.25 | (0.50) | 0.68 |

There were approximately 0.8 million and 0.7 million of common stock equivalents that would have been included in the diluted EPS denominator for the three and nine month periods ended September 30, 2018, respectively, had there not been a net loss. These common stock equivalents were excluded because their inclusion would reduce the net loss per share. In addition, the following table represents the effect of stock options and restricted share awards that were issued or outstanding but excluded in calculating diluted EPS because their effect would have been anti-dilutive for the periods indicated, or the underlying performance criteria had not yet been met:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands) | | | |
| Stock options | 691 | 2,185 | 724 | 2,213 |
| Restricted share awards | 42 | 1 | 27 | 4 |
| Total | 733 | 2,186 | 751 | 2,217 |

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

(6) Inventories

Inventories are valued at the lower of cost (principally on a standard cost basis which approximates the first-in, first-out method) or net realizable value. Raw materials and supplies principally consist of raw steel, glass, paint, vinyl and other assembly components used in manufacturing and remanufacturing processes and, to a lesser extent, parts used for internal maintenance and ancillary items held for sale in our Tank & Pump Solutions segment. Work-in-process primarily represents partially assembled units. Finished units primarily represent purchased or assembled containers held in inventory until the container is either sold as is, remanufactured and sold, or remanufactured and deployed as rental fleet. Inventories at September 30, 2018 and December 31, 2017 consisted of the following:

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (In thousands) | |
| Raw materials and supplies | $9,892 | $ 11,732 |
| Work-in-process | — | 50 |
| Finished units | 3,552 | 3,889 |
| Inventories | $13,444 | $ 15,671 |

(7) Rental Fleet

Rental fleet is capitalized at cost and depreciated over the estimated useful life of the unit using the straight-line method. Rental fleet is depreciated whether or not it is out on rent. Capitalized cost of rental fleet includes the price paid to acquire the unit and freight charges to the location when the unit is first placed in service, and when applicable, the cost of manufacturing or remanufacturing, which includes the cost of customizing units. Ordinary repair and maintenance costs are charged to operations as incurred.

We periodically review depreciable lives and residual values against various factors, including the results of our lenders' independent appraisal of our rental fleet, practices of our competitors in comparable industries and profit margins achieved on sales of depreciated units. See Note 17 for information regarding the impairment charge and loss on divestiture, net related to certain of our fleet during the current period.

Appraisals on our rental fleet are required by our lenders on a regular basis. The appraisal typically reports no difference in the value of the unit due to the age or length of time it has been in our fleet. Based in part upon our lender's third-party appraiser who evaluated our fleet as of September 30, 2017, management estimates that the net orderly liquidation appraisal value as of September 30, 2018 was approximately $1.1 billion. Our net book value for this fleet as of September 30, 2018 was $0.9 billion.

Depreciation expense related to our rental fleet for the nine months ended September 30, 2018 and 2017 was $23.9 million and $23.1 million, respectively. At September 30, 2018, all rental fleet units were pledged as collateral under our Amended and Restated ABL Credit Agreement, dated December 14, 2015, with Deutsche Bank AG New York Branch, as administrative agent, and the other lenders party thereto (the “Credit Agreement”).

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

Rental fleet consisted of the following at September 30, 2018 and December 31, 2017:

| | Residual Value as Percentage of Original Cost (1) | Estimated Useful Life in Years | September 30, 2018 | December 31, 2017 |
|---|---|---|---|---|
| | | | (In thousands) | |
| Storage Solutions: | | | | |
| Steel storage containers | 55% | 30 | $596,403 | $ 655,553 |
| Steel ground level offices | 55 | 30 | 342,712 | 374,836 |
| Other | | | 7,530 | 8,290 |
| Total | | | 946,645 | 1,038,679 |
| Accumulated depreciation | | | (149,158) | (168,112) |
| Total Storage Solutions fleet, net | | | $797,487 | $ 870,567 |
| Tank & Pump Solutions: | | | | |
| Steel tanks | | 25 | $68,689 | $ 64,254 |
| Roll-off boxes | | 15 - 20 | 33,887 | 29,897 |
| Stainless steel tank trailers | | 25 | 28,969 | 28,871 |
| Vacuum boxes | | 20 | 16,790 | 12,700 |
| Dewatering boxes | | 20 | 8,250 | 6,361 |
| Pumps and filtration equipment | | 7 | 14,239 | 12,680 |
| Other | | | 7,512 | 7,088 |
| Total | | | 178,336 | 161,851 |
| Accumulated depreciation | | | (49,867) | (43,264) |
| Total Tank & Pump Solutions fleet, net | | | $128,469 | $ 118,587 |
| Total rental fleet, net | | | $925,956 | $ 989,154 |

(1) Tank & Pump Solutions fleet has been assigned zero residual value.

(8) Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is recorded using the straight-line method over the assets' estimated useful lives. Our depreciation expense related to property, plant and equipment for the nine months ended September 30, 2018 and 2017 was $21.4 million and $19.0 million, respectively. Normal repairs and maintenance to property, plant and equipment are expensed as incurred. When property or equipment is retired or sold, the net book value of the asset, reduced by any proceeds, is charged to gain or loss on the disposal of property, plant and equipment and is included in rental, selling and general expenses in the condensed consolidated statements of operations.

Property, plant and equipment at September 30, 2018 and December 31, 2017 consisted of the following:

| | Residual Value as Percentage of Original Cost | Estimated Useful Life in Years | September 30, 2018 | December 31, 2017 |
|---|---|---|---|---|
| | | | (In thousands) | |
| Land | | | $2,954 | $ 2,970 |
| Vehicles and machinery | 0 - 55% | 5 - 30 | 152,782 | 151,937 |
| Buildings and improvements (1) | 0 - 25 | 3 - 30 | 26,779 | 25,079 |
| Furniture, office and computer equipment | — | 3 - 10 | 75,966 | 73,416 |
| Property, plant and equipment | | | 258,481 | 253,402 |
| Accumulated depreciation | | | (102,860) | (96,098) |
| Property, plant and equipment, net | | | $155,621 | $ 157,304 |

(1) Improvements made to leased properties are depreciated over the lesser of the estimated remaining life or the remaining term of the respective lease.

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As of September 30, 2018 and December 31, 2017, we had $40.4 million and $39.5 million, respectively, of capitalized software, net of accumulated depreciation, included in property, plant and equipment.

## (9) Goodwill and Intangibles

For acquired businesses, we record assets acquired and liabilities assumed at their estimated fair values on the respective acquisition dates. Based on these values, the excess purchase prices over the fair value of the net assets acquired is recorded as goodwill. Of the $706.8 million total goodwill at September 30, 2018, $468.7 million related to the North America Storage Solutions segment, $56.9 million related to the U.K. Storage Solutions segment and $181.2 million related to the Tank & Pump Solutions segment.

The following table shows the activity and balances related to goodwill from January 1, 2018 to September 30, 2018 (in thousands):

| | |
|---|---|
| Balance at January 1, 2018 | $708,907 |
| Foreign currency | (2,139) |
| Balance at September 30, 2018 | $706,768 |

Intangible assets are amortized over the estimated useful life of the asset utilizing a method which reflects the estimated pattern in which the economic benefits will be consumed. Customer relationships are amortized based on the estimated attrition rates of the underlying customer base. Other intangibles are amortized using the straight-line method.

The following table reflects balances related to intangible assets for the periods presented:

| | | September 30, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|---|
| | Estimated Useful Life in Years | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In thousands) | | | | | |
| Customer relationships | 15 - 20 | $92,946 | $ (38,342) | $54,604 | $93,235 | $ (34,660) | $58,575 |
| Trade names/trademarks | 5 - 10 | 5,929 | (3,826) | 2,103 | 5,954 | (3,312) | 2,642 |
| Non-compete agreements | 5 | 1,888 | (1,459) | 429 | 1,890 | (1,114) | 776 |
| Other | 20 | 59 | (31) | 28 | 60 | (29) | 31 |
| Total | | $100,822 | $ (43,658) | $57,164 | $101,139 | $ (39,115) | $62,024 |

Amortization expense for amortizable intangibles was approximately $4.8 million and $4.9 million for the nine-month periods ended September 30, 2018 and 2017, respectively. Based on the carrying value at September 30, 2018, future amortization of intangible assets is expected to be as follows for the years ended December 31 (in thousands):

| | |
|---|---|
| 2018 (remaining) | $1,603 |
| 2019 | 6,304 |
| 2020 | 5,143 |
| 2021 | 4,907 |
| 2022 | 4,606 |
| Thereafter | 34,601 |
| Total | $57,164 |

(10) Debt

Lines of Credit

On December 14, 2015, we entered into the Credit Agreement with Deutsche Bank AG New York Branch, as administrative agent, and other lenders party thereto. The Credit Agreement provides for a five-year, $1.0 billion first lien senior secured revolving credit facility maturing on or before the earlier of (i) December 14, 2020 and (ii) the date that is 90 days prior to the final maturity date of the Senior Notes, if such Senior Notes remain outstanding on such date. The Credit Agreement also provides for the issuance of irrevocable standby letters of credit by U.S.-based lenders in amounts totaling up to $50.0 million, by U.K.-based lenders in amounts totaling up to $20.0 million, and by Canadian-based lenders in amounts totaling up to $20.0 million. The obligations of Mobile Mini and its subsidiary guarantors under the Credit Agreement are secured by a blanket lien on substantially all of our assets.

Amounts borrowed under the Credit Agreement and repaid or prepaid during the term may be reborrowed. Outstanding amounts under the Credit Agreement bear interest at our option at either: (i) the London interbank offered rate (“LIBOR”) plus an applicable margin (“LIBOR Loans”), or (ii) the prime rate plus an applicable margin (“Base Rate Loans”). The applicable margin for each type of loan is based on an availability-based pricing grid and ranges from 1.25% to 1.75% for LIBOR Loans and 0.25% to 0.75% for Base Rate Loans at each measurement date. As of September 30, 2018, the applicable margins are 1.50% for LIBOR Loans and 0.50% for Base Rate Loans.

Availability of borrowings under the Credit Agreement is subject to a borrowing base calculation based upon a valuation of the Company’s eligible accounts receivable, eligible fleet (including units held for sale, work-in-process and raw materials) and machinery and equipment, each multiplied by an applicable advance rate or limit. The rental fleet is appraised at least once annually by a third-party appraisal firm and up to 90% of the net orderly liquidation value, as defined in the Credit Agreement, is included in the borrowing base to determine the amount the Company may borrow under the Credit Agreement. At September 30, 2018, we had $610.2 million of borrowings outstanding and $386.4 million of additional borrowing availability under the Credit Agreement.

The Credit Agreement provides for U.K. borrowings, which are, at the Company’s option, denominated in either Pounds Sterling or Euros, by its U.K. subsidiary based upon a U.K. borrowing base; Canadian borrowings, which are denominated in Canadian dollars, by its Canadian subsidiary based upon a Canadian borrowing base; and U.S. borrowings, which are denominated in U.S. dollars, by the Company based upon a U.S. borrowing base along with any Canadian assets not included in the Canadian subsidiary.

The Credit Agreement also contains customary negative covenants, including covenants that restrict or limit the Company’s ability to, among other things: (i) allow certain liens to attach to the Company’s or its subsidiaries’ assets, (ii) repurchase or pay dividends or make certain other restricted payments on capital stock and certain other securities, or prepay certain indebtedness, (iii) incur additional indebtedness or engage in certain other types of financing transactions, and (iv) make acquisitions or other investments. In addition, we must comply with a minimum fixed charge coverage ratio of 1.00 to 1.00 as of the last day of each quarter, upon the minimum availability amount under the Credit Agreement falling below the greater of (y) $90 million and (z) 10% of the lesser of the then total revolving loan commitment and aggregate borrowing base. As of September 30, 2018, we were in compliance with the minimum borrowing availability threshold set forth in the Credit Agreement and, therefore, are not subject to any financial maintenance covenants.

Senior Notes

We have outstanding $250.0 million aggregate principal amount of 2024 Notes issued at their face value on May 9, 2016. The 2024 Notes bear interest at a rate of 5.875% per year, have an eight-year term and mature on July 1, 2024. Interest on the 2024 Notes is payable semiannually in arrears on January 1 and July 1. The 2024 Notes are senior unsecured obligations of the Company and are unconditionally guaranteed on a senior unsecured basis by certain of our existing and future domestic subsidiaries.

Obligations Under Capital Leases

At September 30, 2018 and December 31, 2017, obligations under capital leases for certain real property and transportation related equipment were $61.9 million and $52.8 million, respectively. Certain of the lease agreements provide us with a purchase option at the end of the lease term.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

Future Debt Obligations

The scheduled maturity for debt obligations for balances outstanding at September 30, 2018 are as follows:

| | Lines of Credit | Senior Notes | Capital Lease Obligations | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| 2018 (remaining) | $— | $— | $ 2,572 | $2,572 |
| 2019 | — | — | 10,070 | 10,070 |
| 2020 | 610,223 | — | 11,208 | 621,431 |
| 2021 | — | — | 11,258 | 11,258 |
| 2022 | — | — | 9,869 | 9,869 |
| Thereafter | — | 250,000 | 16,876 | 266,876 |
| Total | $610,223 | $250,000 | $ 61,853 | $922,076 |

(11) Income Taxes

We are subject to taxation in the U.S. federal jurisdiction, as well as various U.S. state and foreign jurisdictions. We have identified our U.S. federal tax return as our “major” tax jurisdiction. As of September 30, 2018, we are no longer subject to examination by U.S. federal tax authorities for years prior to 2014, to examination for any U.S. state taxing authority prior to 2012, or to examination for any foreign jurisdictions prior to 2013. All subsequent periods remain open to examination.

Our effective income tax rate decreased to 33.4% for the nine months ended September 30, 2018, compared to 35.1% for the prior-year period. The current period effective tax rate was affected by the reduction of the U.S. federal tax rate from 35% to 21%, which was partially offset by the increase in disallowed deductions for officers’ compensation, both of which are a result of the Tax Cuts and Jobs Act (the “Tax Act”) enacted on December 22, 2017. Additionally, income tax benefits were recognized due to state tax rate changes enacted in the third quarter and for adjustments made to provisional amounts related to repatriation of foreign earnings, which had the effect of increasing the effective tax rate due to the $33.5 million pre-tax loss recognized during the nine month period.

In December 2017, we recorded $3.1 million of provisional tax expense related to the repatriation of foreign earnings attributable to the impact of the Tax Act. We have not yet finalized these calculations, however an adjustment to the provisional amount has been made in the current nine-month period of a $2.9 million benefit, reducing this provisional amount to $0.2 million. The adjustment was primarily due to additional analysis of historical ownership and financial information, including depreciation estimates, as well as state responses to tax reform enacted in the period. We continue to obtain and analyze information related to the depreciation estimates impacting the deemed repatriation of foreign earnings and will finalize the provisional amounts within one year from the date of enactment.

Our policy for recording interest and penalties associated with audits is to record such items as a component of income before taxes. Penalties and associated interest costs, if any, are recorded in rental, selling and general expenses in our condensed consolidated statements of operations.

As of September 30, 2018, we no longer have unrecognized tax benefits. The reduction to our unrecognized tax benefits in the period had no effect on our effective tax rate. A reconciliation of the beginning and ending balance of our unrecognized tax position is as follows (in thousands):

| | Gross Position | Tax Effect |
|---|---|---|
| Balance as of January 1, 2018 | $14,140 | $3,521 |
| Additions based on tax positions related to the current year | — | — |
| Additions for tax positions of prior years | — | — |
| Reduction for settlements | (14,140) | (3,521) |
| Balance as of September 30, 2018 | $— | $— |

(12) Share-Based Compensation

We have historically awarded stock options and restricted stock awards for employees and non-employee directors as a means of attracting and retaining quality personnel and to align employee performance with stockholder value. Share-based compensation plans are approved by our stockholders and administered by the stock compensation committee of the Company's Board of Directors (the "Board"). The current plan allows for a variety of equity programs designed to provide flexibility in implementing equity and

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cash awards, including incentive stock options, nonqualified stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance stock, performance units and other stock-based awards. Participants may be granted any one of the equity awards or any combination. We do not award stock options with an exercise price below the market price of the underlying securities on the date of grant. As of September 30, 2018, 1.6 million shares are available for future grants, assuming performance-based awards vest at their target amount. Generally, stock options have contractual terms of ten years. Expense related to performance-based awards is recognized based upon anticipated attainment.

The following table summarizes the Company's share-based compensation for the three and nine months ended September 30:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands) | | | |
| Share-based compensation expense included in: | | | | |
| Rental, selling and general expenses | $2,230 | $2,071 | $7,503 | $5,890 |
| Restructuring expenses | — | — | 363 | — |
| Total share-based compensation | $2,230 | $2,071 | $7,866 | $5,890 |

During the nine months ended September 30, 2017, the final vesting dates were accelerated for certain share-based compensation awards to an executive departing the Company. The vesting dates were adjusted to correspond to the executive's departure date, resulting in expense of $0.2 million in the quarter ended September 30, 2017 and a total of $1.2 million in the nine month period ended September 30, 2017. The expense related to the acceleration is included in rental, selling and general expenses in the condensed consolidated statements of operations for the three and nine months ended September 30, 2017.

As of September 30, 2018, total unrecognized compensation cost related to stock option awards assuming achievement at target was approximately $0.8 million and the related weighted-average period over which it is expected to be recognized is approximately 0.7 years. As of September 30, 2018, the unrecognized compensation cost related to restricted stock awards assuming achievement at target was approximately $8.2 million, which is expected to be recognized over a weighted-average period of approximately 1.9 years.

Stock Options. The fair value of each stock option award is estimated on the date of the grant using the Black-Scholes-Merton option pricing model which requires the input of assumptions. We estimate the risk-free interest rate based on the U.S. Treasury security rate in effect at the time of the grant. The expected life of the options, volatility and dividend rates are estimated based on our historical data. No new stock options were issued in 2018. The following are the key assumptions used for the nine-month period ended September 30, 2017:

| | |
|---|---|
| Risk-free interest rate | 1.7% - 1.9% |
| Expected life of the options (years) | 5 |
| Expected stock price volatility | 33.4% - 35.4% |
| Expected dividend rate | 2.8% - 3.1% |

The following table summarizes stock option activity for the nine months ended September 30, 2018:

| | Number of Shares (In thousands) | Weighted Average Exercise Price |
|---|---|---|
| Options outstanding, beginning of period | 3,169 | $ 32.49 |
| Additional options granted based upon achievement of specified performance criteria | 81 | 32.42 |
| Canceled/Expired | (174) | 27.75 |
| Exercised | (118) | 30.86 |
| Options outstanding, end of period | 2,958 | 32.70 |

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The beginning balance of options outstanding in the table above includes approximately 0.7 million unvested performance-based stock options granted in 2017 and 2016, for which the targets were set at the time of the grant. For options granted in both 2017 and 2016, vesting conditions were related to the Company’s return on capital employed.

Certain options granted in 2017 vested contingent upon 2017 performance targets. Actual performance exceeded targets for these shares. As a result, in the first quarter of 2018, in addition to the target options included in the beginning balance, additional options were vested. Certain options granted in 2016 also vested contingent upon 2017 performance targets. Actual performance did not achieve the minimum vesting requirements for these shares. As a result, shares totaling 0.1 million are included in the canceled/expired shares in the above table.

Included in the options outstanding at the end of the period are approximately 0.5 million of unvested performance-based stock options granted in 2017 and 2016 for which the performance criteria relates to fiscal years 2018 and 2019. These stock options are included in the table at the target amount; however, the terms of these awards provide that the number of options that ultimately vest may vary between 50% and 200% of the target award, or may be zero.

A summary of stock options outstanding as of September 30, 2018 is as follows:

| | Number of Shares (In thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Terms (In years) | Aggregate Intrinsic Value (In thousands) |
|---|---|---|---|---|
| Outstanding | 2,958 | $ 32.70 | 5.29 | $ 33,534 |
| Exercisable | 2,593 | 33.01 | 4.90 | 28,662 |

The aggregate intrinsic value of options exercised during the nine months ended September 30, 2018 was approximately $1.4 million.

Restricted Stock Awards. The fair value of restricted stock awards is estimated as the closing price of our common stock on the date of grant. A summary of restricted stock award activity is as follows:

| | Shares | Weighted |
|---|---|---|

| | (In thousands) | Average Grant Date Fair Value |
|---|---|---|
| Restricted stock awards at beginning of period | 234 | $ 31.42 |
| Awarded | 225 | 38.45 |
| Released | (106 ) | 34.30 |
| Forfeited | (13 ) | 36.67 |
| Restricted stock awards at end of period | 340 | 34.99 |

Included in the restricted stock awarded in 2018 are 0.1 million shares that vest based upon the achievement of specified performance criteria related to fiscal years 2018, 2019 and 2020. Such awards have been granted assuming a target number of shares. However, the terms of these awards provide that the number of shares that ultimately vest may vary between 50% and 200% of the target award, or may be zero. The table presents the awards at their target amount.

The restricted stock awards that vested during the nine months ended September 30, 2018 had an aggregate grant date fair value of $3.6 million and an aggregate vesting date fair value of $4.3 million.

(13) Restructuring

We have undergone restructuring actions to align our business operations. Of the $1.3 million of restructuring expenses recognized in the nine months ended September 30, 2018, $0.9 million related to the restructuring of our corporate service center, including the severance of an executive. The remainder primarily related to projects initiated in prior years that were not accruable during such periods.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

Of the $2.1 million of restructuring expense recognized in the nine months ended September 30, 2017, approximately $0.8 million of expenses largely related to the abandonment of yards, or portions of yard, as well as related fleet and other costs due to the divestiture of our wood mobile office business. Additionally, $1.3 million related to activities associated with the continued integration of Evergreen Tank Solutions ("ETS") into the existing Mobile Mini infrastructure.

The following table details accrued restructuring obligations (included in accrued liabilities in the Condensed Consolidated Balance Sheets) and related activity for the fiscal year ended December 31, 2017 and the nine-month period ended September 30, 2018:

| | Severance and Benefits | Lease Abandonment Costs | Other Costs | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| Accrued obligations as of January 1, 2017 | $395 | $ 368 | $— | $763 |
| Restructuring expense | 931 | 900 | 1,055 | 2,886 |
| Settlement of obligations | (787) | (1,086) | (1,019) | (2,892) |
| Accrued obligations as of December 31, 2017 | 539 | 182 | 36 | 757 |
| Restructuring expense | 948 | 125 | 233 | 1,306 |
| Settlement of obligations | (1,353) | (247) | (261) | (1,861) |
| Accrued obligations as of September 30, 2018 | $134 | $ 60 | $8 | $202 |

The following amounts are included in restructuring expenses for the periods indicated:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands) | | | |
| Severance and benefits | $— | $277 | $948 | $277 |
| Lease abandonment costs | — | 105 | 125 | 810 |
| Other costs | — | 243 | 233 | 975 |
| Restructuring expenses | $— | $625 | $1,306 | $2,062 |

(14) Commitments and Contingencies

We are a party to various claims and litigation in the normal course of business. Our current estimated range of liability related to various claims and pending litigation is based on claims for which our management can determine that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Because of the uncertainties related to both the probability of incurred and possible range of loss on pending claims and litigation, management must use considerable judgment in making reasonable determination of the liability that could result from an unfavorable outcome. As additional information becomes available, we will assess the potential liability related to our pending litigation and revise our estimates. Such revisions in our estimates of the potential liability could materially impact our results of operation. We do not anticipate the resolution of such matters known at this time will have a material adverse effect on our business or consolidated financial position.

(15) Stockholders' Equity

Dividends

The Board authorized and declared cash dividends to all of our common stockholders as follows:

| Declaration Date | Payment Date | Record Date (close of business) | Dividend Amount Per Share of Common Stock |
|---|---|---|---|
| January 31, 2018 | March 14, 2018 | February 28, 2018 | $ 0.250 |
| April 19, 2018 | May 30, 2018 | May 16, 2018 | 0.250 |
| July 18, 2018 | August 29, 2018 | August 15, 2018 | 0.250 |

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Treasury Stock

On November 6, 2013, the Board approved a share repurchase program authorizing up to $125.0 million of our outstanding shares of common stock to be repurchased. On April 17, 2015, the Board authorized up to an additional $50.0 million of our outstanding shares of common stock to be repurchased, for a total of $175.0 million under the share repurchase program. The shares may be repurchased from time to time in the open market or in privately negotiated transactions. The share repurchases are subject to prevailing market conditions and other considerations. The share repurchase program does not have an expiration date and may be suspended or terminated at any time by the Board. All shares repurchased are held in treasury.

During the nine months ended September 30, 2018, we did not purchase shares of our common stock under the authorized share repurchase program. Approximately $70.8 million is available for repurchase as of September 30, 2018. We withheld approximately 17,000 shares of stock from employees, for an approximate value of $0.7 million, upon vesting of share awards to satisfy minimum tax withholding obligations during the nine months ended September 30, 2018. These shares were not acquired pursuant to the share repurchase program.

(16) Segment Reporting

Our operations are comprised of three reportable segments: North American Storage Solutions, U.K. Storage Solutions and Tank & Pump Solutions. Discrete financial data on each of our products is not available and it would be impractical to collect and maintain financial data in such a manner. The results for each segment are reviewed discretely by our chief operating decision maker.

We operate in the U.S., the U.K. and Canada. All of our locations operate in their local currency. Although we are exposed to foreign exchange rate fluctuation in foreign markets where we rent and sell our products, we do not believe such exposure will have a significant impact on our results of operations. Revenues recognized by our U.S. locations were $125.8 million and $113.1 million for the three months ended September 30, 2018 and 2017, respectively, and were $362.0 million and $320.5 million for the nine months ended September 30, 2018 and 2017, respectively.

The following tables set forth certain information regarding each of the Company's segments for the three-month periods indicated:

| | For the Three Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Storage Solutions | | | Tank & Pump Solutions | Consolidated |
| | North America | United Kingdom | Total | | |
| | (In thousands) | | | | |
| Revenues: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Rental | $92,241 | $ 20,398 | $112,639 | $ 28,285 | $ 140,924 |
| Sales | 5,103 | 2,593 | 7,696 | 1,020 | 8,716 |
| Other | — | 40 | 40 | 27 | 67 |
| Total revenues | 97,344 | 23,031 | 120,375 | 29,332 | 149,707 |
| Costs and expenses: | | | | | |
| Rental, selling and general expenses | 57,662 | 13,459 | 71,121 | 19,643 | 90,764 |
| Cost of sales | 3,178 | 2,048 | 5,226 | 544 | 5,770 |
| Asset impairment charge and loss on divestiture, net | 87,658 | 8,434 | 96,092 | 2,186 | 98,278 |
| Depreciation and amortization | 7,892 | 1,866 | 9,758 | 6,433 | 16,191 |
| Total costs and expenses | 156,390 | 25,807 | 182,197 | 28,806 | 211,003 |
| (Loss) income from operations | $(59,046 ) | $ (2,776 ) | $(61,822 ) | $ 526 | $ (61,296 ) |
| Interest expense, net of interest income | $7,589 | $ 200 | $7,789 | $ 2,698 | $ 10,487 |
| Income tax benefit | (16,699 ) | (454 ) | (17,153 ) | (2,441 ) | (19,594 ) |
| Capital expenditures for additions to rental fleet, excluding acquisitions | 18,290 | 1,243 | 19,533 | 7,611 | 27,144 |

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| | For the Three Months Ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Storage Solutions | | | | |
| | North America | United Kingdom | Total | Tank & Pump Solutions | Consolidated |
| | (In thousands) | | | | |
| Revenues: | | | | | |
| Rental | $84,249 | $20,239 | $104,488 | $23,207 | $127,695 |
| Sales | 4,503 | 2,240 | 6,743 | 1,695 | 8,438 |
| Other | 274 | 127 | 401 | 102 | 503 |
| Total revenues | 89,026 | 22,606 | 111,632 | 25,004 | 136,636 |
| Costs and expenses: | | | | | |
| Rental, selling and general expenses | 57,327 | 12,868 | 70,195 | 17,550 | 87,745 |
| Cost of sales | 2,657 | 1,820 | 4,477 | 1,042 | 5,519 |
| Restructuring expenses | 500 | — | 500 | 125 | 625 |
| Depreciation and amortization | 8,052 | 1,784 | 9,836 | 6,099 | 15,935 |
| Total costs and expenses | 68,536 | 16,472 | 85,008 | 24,816 | 109,824 |
| Income from operations | $20,490 | $6,134 | $26,624 | $188 | $26,812 |
| Interest expense, net of interest income | $6,370 | $125 | $6,495 | $2,704 | $9,199 |
| Income tax provision (benefit) | 6,280 | 981 | 7,261 | (878) | 6,383 |
| Capital expenditures for additions to rental fleet, excluding acquisitions | 16,629 | 4,509 | 21,138 | 1,780 | 22,918 |

The following tables set forth certain information regarding each of the Company's segments for the nine-month periods indicated:

| | For the Nine Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Storage Solutions | | | | |
| | North America | United Kingdom | Total | Tank & Pump Solutions | Consolidated |
| | (In thousands) | | | | |
| Revenues: | | | | | |
| Rental | $264,227 | $61,066 | $325,293 | $80,856 | $406,149 |
| Sales | 15,211 | 6,574 | 21,785 | 3,915 | 25,700 |
| Other | 238 | 161 | 399 | 112 | 511 |
| Total revenues | 279,676 | 67,801 | 347,477 | 84,883 | 432,360 |
| Costs and expenses: | | | | | |
| Rental, selling and general expenses | 171,182 | 41,066 | 212,248 | 56,785 | 269,033 |

| | | | | | |
|---|---|---|---|---|---|
| Cost of sales | 9,401 | 5,294 | 14,695 | 2,230 | 16,925 |
| Restructuring expenses | 1,306 | — | 1,306 | — | 1,306 |
| Asset impairment charge and loss on divestiture, net | 87,658 | 8,434 | 96,092 | 2,186 | 98,278 |
| Depreciation and amortization | 25,349 | 6,049 | 31,398 | 18,808 | 50,206 |
| Total costs and expenses | 294,896 | 60,843 | 355,739 | 80,009 | 435,748 |
| (Loss) income from operations | $(15,220) | $6,958 | $(8,262) | $4,874 | $(3,388) |
| Interest expense, net of interest income | $21,443 | $631 | $22,074 | $8,099 | $30,173 |
| Income tax (benefit) provision | (8,876) | 1,269 | (7,607) | (3,575) | (11,182) |
| Capital expenditures for additions to rental fleet, excluding acquisitions | 39,400 | 5,805 | 45,205 | 20,415 | 65,620 |

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

| | For the Nine Months Ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Storage Solutions | | | Tank & Pump Solutions | Consolidated |
| | North America | United Kingdom | Total | | |
| | (In thousands) | | | | |
| Revenues: | | | | | |
| Rental | $236,326 | $57,454 | $293,780 | $66,508 | $360,288 |
| Sales | 14,407 | 6,356 | 20,763 | 4,054 | 24,817 |
| Other | 1,109 | 309 | 1,418 | 330 | 1,748 |
| Total revenues | 251,842 | 64,119 | 315,961 | 70,892 | 386,853 |
| Costs and expenses: | | | | | |
| Rental, selling and general expenses | 161,122 | 37,429 | 198,551 | 50,403 | 248,954 |
| Cost of sales | 8,727 | 5,081 | 13,808 | 2,231 | 16,039 |
| Restructuring expenses | 1,933 | — | 1,933 | 129 | 2,062 |
| Depreciation and amortization | 23,316 | 5,180 | 28,496 | 18,445 | 46,941 |
| Total costs and expenses | 195,098 | 47,690 | 242,788 | 71,208 | 313,996 |
| Income (loss) from operations | $56,744 | $16,429 | $73,173 | $(316) | $72,857 |
| Interest expense, net of interest income | $17,897 | $377 | $18,274 | $8,118 | $26,392 |
| Income tax provision (benefit) | 16,593 | 2,629 | 19,222 | (2,943) | 16,279 |
| Capital expenditures for additions to rental fleet, excluding acquisitions | 31,833 | 9,037 | 40,870 | 5,075 | 45,945 |

Assets related to the Company’s reportable segments include the following:

| | Storage Solutions | | | Tank & Pump Solutions | Consolidated |
|---|---|---|---|---|---|
| | North America | United Kingdom | Total | | |
| | (In thousands) | | | | |
| As of September 30, 2018: | | | | | |
| Goodwill | $468,656 | $56,896 | $525,552 | $181,216 | $706,768 |
| Intangibles, net | 974 | 415 | 1,389 | 55,775 | 57,164 |
| Rental fleet, net | 652,677 | 144,810 | 797,487 | 128,469 | 925,956 |
| As of December 31, 2017: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Goodwill | $468,785 | $58,906 | $527,691 | $181,216 | $ 708,907 |
| Intangibles, net | 1,314 | 642 | 1,956 | 60,068 | 62,024 |
| Rental fleet, net | 714,154 | 156,413 | 870,567 | 118,587 | 989,154 |

Included in the table above are assets in the U.S. of $1.5 billion as of both September 30, 2018 and December 31, 2017.

(17) Held for Sale Assets

Consistent with our strategy to focus on high returning assets, during the second quarter of 2018 we initiated an organization-wide project to assess the economic and operational status of our fleet and other assets as well as an in depth analysis of our fleet management process to identify inefficiencies. The task encompassed an intensive review of underperforming assets throughout North America and the United Kingdom using our recently implemented enterprise resource planning system and sophisticated work order system that allows specific identification of the status of each unit and facilitates deeper analysis of repair and maintenance costs. The result of this review was the identification of specific assets over which a further determination as to the economics of continued retention and repair could be made.

In July 2018 management presented a proposed plan of sale for certain identified assets to the Board of Directors, and on July 24, 2018 the Board of Directors made the strategic decision to approve the plan and authorized management to begin actively marketing the assets for sale. As a result, we placed these assets as held for sale and recognized a $98.3 million loss on divestiture, which consisted of a non-cash loss of $106.2 million, net of estimated proceeds. The majority of the assets will be sold as scrap metal.

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

Proceeds were primarily estimated by obtaining quotes from regional scrapping companies based on the net tonnage of the fleet to be scrapped. The assets represent a subset of larger asset groups held by the Company and we expect to complete the sale of the assets by December 31, 2018. In addition to rental fleet, we also identified and placed for sale, property, plant and equipment and inventory that were not being used efficiently.

In conjunction with this project, we evaluated the assigned depreciable lives and salvage values of our fleet. We believe that the assigned lives and salvage values discussed in Note 7 continue to be appropriate for our fleet. As a result of the reduction to our fleet and property, plant and equipment we expect depreciation expense to decrease approximately $0.9 million per quarter.

Related to this activity, the Company expects to recognize exit costs as positions are eliminated and yards, or portions of yards are exited.

The estimated loss as adjusted is set forth below:

| | Net Book Value (In thousands) | Units |
|---|---|---|
| North America Storage Solutions Fleet: | | |
| Steel storage containers | $ 56,986 | 19,718 |
| Steel ground level offices | 29,969 | 3,459 |
| Other | 346 | 275 |
| United Kingdom Storage Solutions Fleet | 8,027 | 1,482 |
| Tank & Pump Solutions Fleet | 1,223 | 472 |
| Other | 9,644 | n/a |
| Total | 106,195 | 25,406 |
| Estimated net proceeds | (8,008 ) | |
| Initial estimated net loss on impairment and divestiture | 98,187 | |
| Net proceeds received (above) below impaired value | 91 | |
| Estimated net loss on impairment and divestiture | $ 98,278 | |

The table below sets forth the activity related to the assets held for sale subsequent to the initial impairment:

| | North America Storage | United Kingdom Storage | Tank & Pump Solutions | Other Assets | Total |
|---|---|---|---|---|---|

| | Solutions Fleet | Solutions Fleet | Fleet | | |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Value of assets upon initial impairment | $5,876 | $ 333 | $ 161 | $1,638 | $8,008 |
| Impaired value of sold assets | (2,776) | (34) | (65) | (504) | (3,379) |
| Effect of exchange rates | (1) | (1) | — | 1 | (1) |
| Other | (57) | 8 | — | 57 | 8 |
| Balance of held for sale assets | $3,042 | $ 306 | $ 96 | $1,192 | $4,636 |

Held for sale assets are included in other assets in the accompanying condensed consolidated balance sheet.

(18) Subsequent Events

Declaration of Quarterly Dividend

On October 17, 2018, the Company's Board authorized and declared a quarterly dividend to all of our common stockholders of $0.250 per share of common stock, payable on November 28, 2018, to all stockholders of record as of the close of business on November 14, 2018.

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

(19) Condensed Consolidating Financial Information

The following tables reflect the condensed consolidating financial information of the Company's subsidiary guarantors of the Senior Notes and its non-guarantor subsidiaries. Separate financial statements of the subsidiary guarantors are not presented because the guarantee by each 100% owned subsidiary guarantor is full and unconditional, joint and several, subject to customary exceptions, and management has determined that such information is not material to investors.

MOBILE MINI, INC.

CONDENSED CONSOLIDATING BALANCE SHEETS

As of September 30, 2018

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | $ 1,795 | $ 3,140 | $ — | $ 4,935 |
| Receivables, net | 100,273 | 17,828 | — | 118,101 |
| Inventories | 11,449 | 1,995 | — | 13,444 |
| Rental fleet, net | 773,823 | 152,133 | — | 925,956 |
| Property, plant and equipment, net | 131,802 | 23,819 | — | 155,621 |
| Other assets | 14,906 | 2,680 | — | 17,586 |
| Intangibles, net | 56,734 | 430 | — | 57,164 |
| Goodwill | 645,126 | 61,642 | — | 706,768 |
| Intercompany receivables | 148,005 | 34,508 | (182,513) | — |
| Total assets | $ 1,883,913 | $ 298,175 | $ (182,513) | $ 1,999,575 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 26,150 | $ 6,460 | $ — | $ 32,610 |
| Accrued liabilities | 71,431 | 8,683 | — | 80,114 |
| Lines of credit | 599,470 | 10,753 | — | 610,223 |
| Obligations under capital leases | 61,738 | 115 | — | 61,853 |
| Senior notes, net | 246,329 | — | — | 246,329 |
| Deferred income taxes | 139,931 | 18,827 | — | 158,758 |

| | | | | |
|---|---|---|---|---|
| Intercompany payables | 29,583 | 4,931 | (34,514 ) | — |
| Total liabilities | 1,174,632 | 49,769 | (34,514 ) | 1,189,887 |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Common stock | 500 | — | — | 500 |
| Additional paid-in capital | 616,850 | 147,999 | (147,999 ) | 616,850 |
| Retained earnings | 239,765 | 167,794 | — | 407,559 |
| Accumulated other comprehensive loss | — | (67,387 ) | — | (67,387 ) |
| Treasury stock, at cost | (147,834 ) | — | — | (147,834 ) |
| Total stockholders' equity | 709,281 | 248,406 | (147,999 ) | 809,688 |
| Total liabilities and stockholders' equity | $ 1,883,913 | $ 298,175 | $ (182,513 ) | $ 1,999,575 |

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING BALANCE SHEETS

As of December 31, 2017

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | $ 803 | $ 12,648 | $ — | $ 13,451 |
| Receivables, net | 91,624 | 19,938 | — | 111,562 |
| Inventories | 13,471 | 2,200 | — | 15,671 |
| Rental fleet, net | 823,997 | 165,157 | — | 989,154 |
| Property, plant and equipment, net | 133,919 | 23,385 | — | 157,304 |
| Other assets | 13,324 | 2,010 | — | 15,334 |
| Intangibles, net | 61,360 | 664 | — | 62,024 |
| Goodwill | 645,126 | 63,781 | — | 708,907 |
| Intercompany receivables | 145,855 | 4,806 | (150,661) | — |
| Total assets | $ 1,929,479 | $ 294,589 | $ (150,661) | $ 2,073,407 |
| | | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 21,004 | $ 5,951 | $ — | $ 26,955 |
| Accrued liabilities | 71,298 | 6,786 | — | 78,084 |
| Lines of credit | 634,285 | — | — | 634,285 |
| Obligations under capital leases | 52,648 | 143 | — | 52,791 |
| Senior notes, net | 245,850 | — | — | 245,850 |
| Deferred income taxes | 153,345 | 20,409 | — | 173,754 |
| Intercompany payables | 1,437 | 1,225 | (2,662) | — |
| Total liabilities | 1,179,867 | 34,514 | (2,662) | 1,211,719 |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Common stock | 497 | — | — | 497 |
| Additional paid-in capital | 605,369 | 147,999 | (147,999) | 605,369 |
| Retained earnings | 290,912 | 172,410 | — | 463,322 |
| Accumulated other comprehensive loss | — | (60,334) | — | (60,334) |
| Treasury stock, at cost | (147,166) | — | — | (147,166) |
| Total stockholders' equity | 749,612 | 260,075 | (147,999) | 861,688 |
| Total liabilities and stockholders' equity | $ 1,929,479 | $ 294,589 | $ (150,661) | $ 2,073,407 |

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three Months Ended September 30, 2018

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|
| Revenues: | | | | |
| Rental | $ 119,697 | $ 21,227 | $ — | $ 140,924 |
| Sales | 6,063 | 2,653 | — | 8,716 |
| Other | 25 | 42 | — | 67 |
| Total revenues | 125,785 | 23,922 | — | 149,707 |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | 76,522 | 14,242 | — | 90,764 |
| Cost of sales | 3,681 | 2,089 | — | 5,770 |
| Restructuring expenses | — | — | — | — |
| Asset impairment charge and loss on divestiture, net | 88,822 | 9,456 | — | 98,278 |
| Depreciation and amortization | 14,241 | 1,950 | — | 16,191 |
| Total costs and expenses | 183,266 | 27,737 | — | 211,003 |
| Loss from operations | (57,481) | (3,815) | — | (61,296) |
| Other income (expense): | | | | |
| Interest expense | (10,287) | (200) | | (10,487) |
| Foreign currency exchange | — | 24 | | 24 |
| Loss before income tax provision | (67,768) | (3,991) | — | (71,759) |
| Income tax benefit | (18,864) | (730) | — | (19,594) |
| Net loss | $ (48,904) | $ (3,261) | $ — | $ (52,165) |

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Three Months Ended September 30, 2018

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Net loss | $ (48,904 ) | $ (3,261 ) | $ — | $ (52,165 ) |
| Foreign currency translation adjustment | — | (2,696 ) | — | (2,696 ) |
| Comprehensive loss | $ (48,904 ) | $ (5,957 ) | $ — | $ (54,861 ) |

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Three Months Ended September 30, 2017

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|
| Revenues: | | | | |
| Rental | $ 106,593 | $ 21,102 | $ — | $ 127,695 |
| Sales | 6,176 | 2,262 | — | 8,438 |
| Other | 371 | 132 | — | 503 |
| Total revenues | 113,140 | 23,496 | — | 136,636 |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | 74,194 | 13,551 | — | 87,745 |
| Cost of sales | 3,686 | 1,833 | — | 5,519 |
| Restructuring expenses | 625 | — | — | 625 |
| Depreciation and amortization | 14,065 | 1,870 | — | 15,935 |
| Total costs and expenses | 92,570 | 17,254 | — | 109,824 |
| Income from operations | 20,570 | 6,242 | — | 26,812 |
| Other income (expense): | | | | |
| Interest income | 2,652 | 2 | (2,650) | 4 |
| Interest expense | (11,727) | (126) | 2,650 | (9,203) |
| Foreign currency exchange | — | (2) | — | (2) |
| Income before income tax provision | 11,495 | 6,116 | — | 17,611 |
| Income tax provision | 5,402 | 981 | — | 6,383 |
| Net income | $ 6,093 | $ 5,135 | $ — | $ 11,228 |

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Three Months Ended September 30, 2017

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Net income | $ 6,093 | $ 5,135 | $ — | $ 11,228 |
| Foreign currency translation adjustment | — | 7,566 | — | 7,566 |
| Comprehensive income | $ 6,093 | $ 12,701 | $ — | $ 18,794 |

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Nine Months Ended September 30, 2018

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|
| Revenues: | | | | |
| Rental | $ 342,783 | $ 63,366 | $ — | $ 406,149 |
| Sales | 18,864 | 6,836 | — | 25,700 |
| Other | 342 | 169 | — | 511 |
| Total revenues | 361,989 | 70,371 | — | 432,360 |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | 225,844 | 43,189 | — | 269,033 |
| Cost of sales | 11,448 | 5,477 | — | 16,925 |
| Restructuring expenses | 1,306 | — | — | 1,306 |
| Asset impairment charge and loss on divestiture, net | 88,822 | 9,456 | — | 98,278 |
| Depreciation and amortization | 43,902 | 6,304 | — | 50,206 |
| Total costs and expenses | 371,322 | 64,426 | — | 435,748 |
| (Loss) income from operations | (9,333) | 5,945 | — | (3,388) |
| Other income (expense): | | | | |
| Interest income | 3 | 3 | — | 6 |
| Dividend income | 8,983 | — | (8,983) | — |
| Interest expense | (29,545) | (634) | — | (30,179) |
| Foreign currency exchange | 48 | 21 | — | 69 |
| (Loss) income before income tax provision | (29,844) | 5,335 | (8,983) | (33,492) |
| Income tax (benefit) provision | (12,152) | 970 | — | (11,182) |
| Net (loss) income | $ (17,692) | $ 4,365 | $ (8,983) | $ (22,310) |

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS

Nine Months Ended September 30, 2018

(In thousands)

| | Guarantors | Non- | Eliminations | Consolidated |
|---|---|---|---|---|

| | | Guarantors | | |
|---|---|---|---|---|
| Net (loss) income | $ (17,692 ) | $ 4,365 | $ (8,983 ) | $ (22,310 ) |
| Foreign currency translation adjustment | — | (7,053 ) | — | (7,053 ) |
| Comprehensive loss | $ (17,692 ) | $ (2,688 ) | $ (8,983 ) | $ (29,363 ) |

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Nine Months Ended September 30, 2017

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|
| Revenues: | | | | |
| Rental | $ 300,751 | $ 59,537 | $ — | $ 360,288 |
| Sales | 18,339 | 6,478 | — | 24,817 |
| Other | 1,432 | 316 | — | 1,748 |
| Total revenues | 320,522 | 66,331 | — | 386,853 |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | 209,574 | 39,380 | — | 248,954 |
| Cost of sales | 10,873 | 5,166 | — | 16,039 |
| Restructuring expenses | 2,062 | — | — | 2,062 |
| Depreciation and amortization | 41,503 | 5,438 | — | 46,941 |
| Total costs and expenses | 264,012 | 49,984 | — | 313,996 |
| Income from operations | 56,510 | 16,347 | — | 72,857 |
| Other income (expense): | | | | |
| Interest income | 7,966 | 4 | (7,950) | 20 |
| Interest expense | (33,981) | (381) | 7,950 | (26,412) |
| Foreign currency exchange | — | (29) | — | (29) |
| Income before income tax provision | 30,495 | 15,941 | — | 46,436 |
| Income tax provision | 13,650 | 2,629 | — | 16,279 |
| Net income | $ 16,845 | $ 13,312 | $ — | $ 30,157 |

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Nine Months Ended September 30, 2017

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Net income | $ 16,845 | $ 13,312 | $ — | $ 30,157 |
| Foreign currency translation adjustment | — | 19,165 | — | 19,165 |
| Comprehensive income | $ 16,845 | $ 32,477 | $ — | $ 49,322 |

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2018

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Net (loss) income | $ (17,692) | $ 4,365 | $ (8,983) | $ (22,310) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | | |
| Asset impairment charge and loss on divestiture, net | 88,822 | 9,456 | — | 98,278 |
| Provision for doubtful accounts | 1,884 | 96 | — | 1,980 |
| Amortization of deferred financing costs | 1,545 | — | — | 1,545 |
| Amortization of long-term liabilities | 109 | — | — | 109 |
| Share-based compensation expense | 7,704 | 162 | — | 7,866 |
| Depreciation and amortization | 43,902 | 6,304 | — | 50,206 |
| Gain on sale of rental fleet units | (3,949) | (574) | — | (4,523) |
| Loss on disposal of property, plant and equipment | 525 | 23 | — | 548 |
| Deferred income taxes | (12,152) | (739) | — | (12,891) |
| Foreign currency exchange | (48) | (21) | — | (69) |
| Changes in certain assets and liabilities, net of effect of businesses acquired: | | | | |
| Receivables | (10,533) | 1,504 | — | (9,029) |
| Inventories | (605) | (317) | — | (922) |
| Other assets | 2,233 | (358) | — | 1,875 |
| Accounts payable | 2,482 | 735 | — | 3,217 |
| Accrued liabilities | (1,898) | 2,238 | — | 340 |
| Intercompany | 26,039 | (26,039) | — | — |
| Net cash provided by (used in) operating activities | 128,368 | (3,165) | (8,983) | 116,220 |
| Cash flows from investing activities: | | | | |
| Proceeds from sale of assets held for sale | 3,416 | 92 | — | 3,508 |
| Additions to rental fleet, excluding acquisitions | (59,506) | (6,114) | — | (65,620) |
| Proceeds from sale of rental fleet | 8,885 | 2,562 | — | 11,447 |
| Additions to property, plant and equipment, excluding acquisitions | (8,923) | (5,712) | — | (14,635) |

| | | | | |
|---|---|---|---|---|
| Proceeds from sale of property, plant and equipment | 585 | 18 | — | 603 |
| Net cash used in investing activities | (55,543) | (9,154) | — | (64,697) |
| Cash flows from financing activities: | | | | |
| Net (repayments) borrowings under lines of credit | (34,814) | 10,752 | — | (24,062) |
| Principal payments on capital lease obligations | (6,656) | (27) | — | (6,683) |
| Issuance of common stock | 3,617 | — | — | 3,617 |
| Dividend payments | (33,312) | — | — | (33,312) |
| Purchase of treasury stock | (668) | — | — | (668) |
| Intercompany | — | (8,983) | 8,983 | — |
| Net cash (used in) provided by financing activities | (71,833) | 1,742 | 8,983 | (61,108) |
| Effect of exchange rate changes on cash | — | 1,069 | — | 1,069 |
| Net increase (decrease) in cash | 992 | (9,508) | — | (8,516) |
| Cash and cash equivalents at beginning of period | 803 | 12,648 | — | 13,451 |
| Cash and cash equivalents at end of period | $ 1,795 | $ 3,140 | $ — | $ 4,935 |

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2017

(In thousands)

| | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Net income | $ 16,845 | $ 13,312 | $ — | $ 30,157 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Provision for doubtful accounts | 2,839 | 337 | — | 3,176 |
| Amortization of deferred financing costs | 1,545 | — | — | 1,545 |
| Amortization of long-term liabilities | 98 | — | — | 98 |
| Share-based compensation expense | 5,671 | 219 | — | 5,890 |
| Depreciation and amortization | 41,503 | 5,438 | — | 46,941 |
| Gain on sale of rental fleet units | (4,014) | (259) | — | (4,273) |
| Loss on disposal of property, plant and equipment | 105 | 367 | — | 472 |
| Deferred income taxes | 13,649 | 1,518 | — | 15,167 |
| Foreign currency exchange | — | 29 | — | 29 |
| Changes in certain assets and liabilities, net of effect of businesses acquired: | | | | |
| Receivables | (2,153) | (1,030) | — | (3,183) |
| Inventories | (232) | (1,211) | — | (1,443) |
| Other assets | 728 | (1,225) | — | (497) |
| Accounts payable | (2,961) | (239) | — | (3,200) |
| Accrued liabilities | 3,772 | 1,181 | — | 4,953 |
| Intercompany | 274 | (274) | — | — |
| Net cash provided by operating activities | 77,669 | 18,163 | — | 95,832 |
| Cash flows from investing activities: | | | | |
| Additions to rental fleet, excluding acquisitions | (36,757) | (9,188) | — | (45,945) |
| Proceeds from sale of rental fleet | 8,599 | 1,003 | — | 9,602 |
| Additions to property, plant and equipment, excluding acquisitions | (10,010) | (2,806) | — | (12,816) |
| Proceeds from sale of property, plant and equipment | 78 | 702 | — | 780 |
| Net cash used in investing activities | (38,090) | (10,289) | — | (48,379) |

| | | | | |
|---|---|---|---|---|
| Cash flows from financing activities: | | | | |
| Net repayments under lines of credit | (96 ) | (185 ) | — | (281 ) |
| Deferred financing costs | (12 ) | — | — | (12 ) |
| Principal payments on capital lease obligations | (5,481 ) | (45 ) | — | (5,526 ) |
| Issuance of common stock | 4,685 | — | — | 4,685 |
| Dividend payments | (30,120 ) | — | — | (30,120 ) |
| Purchase of treasury stock | (8,359 ) | — | — | (8,359 ) |
| Net cash used in financing activities | (39,383 ) | (230 ) | — | (39,613 ) |
| Effect of exchange rate changes on cash | — | 632 | — | 632 |
| Net increase in cash | 196 | 8,276 | — | 8,472 |
| Cash and cash equivalents at beginning of period | 1,260 | 2,877 | — | 4,137 |
| Cash and cash equivalents at end of period | $ 1,456 | $ 11,153 | $ — | $ 12,609 |

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and the accompanying notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC. This discussion contains forward-looking statements. Forward-looking statements are based on current expectations and assumptions that involve risks and uncertainties. Our actual results may differ materially from those anticipated in our forward-looking statements. The tables and information in this “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” section were derived from exact numbers and may have immaterial rounding differences.

### Overview

### Executive Summary

We believe we are the world’s leading provider of portable storage solutions, maintaining a strong leadership position in virtually all markets served. Our mission is to be the leader in portable storage solutions to customers throughout North America and the U.K. and tank and pump solutions in the U.S. We are committed to providing our customers with superior service and access to a high-quality and diverse fleet. In managing our business, we focus on renting rather than selling our units, with rental revenues representing approximately 94% of our total revenues for the nine months ended September 30, 2018. We believe this strategy is highly attractive and provides predictable, recurring revenue. Additionally, our assets have long useful lives and relatively low maintenance costs. We also sell new and used units and provide delivery, and other ancillary products and value-added services.

We operate our portable storage business in North America as “Mobile Mini Storage Solutions” and our tank and pump business as “Mobile Mini Tank + Pump Solutions”. As of September 30, 2018, our network of locations included 119 Storage Solutions locations, 21 Tank & Pump Solutions locations and 17 combined locations. Our Storage Solutions fleet consisted of approximately 194,300 units and our Tank & Pump Solutions fleet consisted of approximately 12,600 units.

Asset impairment charge and loss on divestiture, net. Consistent with our strategy to focus on high returning assets, during the second quarter of 2018 we initiated an organization-wide project to assess the economic and operational status of our fleet and other assets as well as an in depth analysis of our fleet management process to identify inefficiencies. The result of this review was the identification of specific assets over which a further determination as to the economics of continued retention and repair could be made. In July 2018 management presented a proposed plan of sale for certain identified assets to the Board of Directors, and on July 24, the Board of Directors made the strategic decision to approve the plan and authorized management to begin actively marketing the assets for sale. As a result, we have classified these assets, which were primarily rental fleet, as held for sale and recognized a loss of $98.3 million in the third quarter of 2018. The assets represent a subset of larger asset groups held by the Company and we expect to complete the sale of the assets by December 31, 2018. We also identified and placed as held for sale, property, plant and equipment and inventory that were not being used efficiently.

Because the majority of these units were not producing revenue we do not anticipate the disposal of these assets to have any impact on our ability to generate revenue or to meet customer demand, nor do we expect a material impact on our liquidity or free cash flow, including planned capital expenditures. Overall, between the disposal of fleet and our strengthened processes, we expect operating expense savings of approximately $5 million to $7 million annually. The savings includes reductions in labor, repairs and maintenance and lease costs. In the third quarter we realized savings of approximately $0.6 million related to the fleet divestiture and new strengthened processes around fleet management. We expect to implement all costs savings measures by the end of the first quarter of 2019. In addition, as a result of the reduction to our fleet and property, plant and equipment we expect depreciation expense to decrease approximately $0.9 million per quarter. We are currently reviewing our labor force and our lease contracts and expect to recognize exit costs of approximately $0.5 million to $1.0 million as we eliminate unnecessary positions and exit yards, or portions of yards that we no longer need.

Business Environment and Outlook. Approximately 65% of our consolidated rental revenue during the twelve-month period ended September 30, 2018 was derived from our North American Storage Solutions business, 15% was derived from our U.K. Storage Solutions business and 20% was derived from the Tank & Pump Solutions business. Our business is subject to the general health of the economy and we utilize a variety of general economic indicators to assess market trends and determine the direction of our business. On June 23, 2016, the U.K. voted to leave the European Union (the "E.U.") in a referendum vote, which may have currently unknown social, geopolitical and economic impacts. The withdrawal negotiations began in 2017, and are still continuing. The date of the U.K.'s departure from the E.U. is set for March 29, 2019. As developments and their impact become more clear, we may adjust our strategy and operations accordingly.

Based on our assessment, we expect that the majority of our end markets will continue to drive demand for our products. In particular, construction, which represents approximately 37% of our consolidated rental revenue, is forecasted to continue to show growth. Economic indicators related to our industrial and commercial end-segment are also favorable. Industrial and commercial customers, which comprise approximately 25% of rental revenue, generally operate in industries such as: large processing plants for organic and inorganic chemicals, refineries, distributors and trucking and utility companies. Our national retail accounts typically involve seasonal demand in the third and fourth quarter during the holiday season. Retail and consumer service customers comprise approximately 25% of our revenue and include department, drug, grocery and strip mall stores as well as hotels, restaurants, service stations and dry cleaners.

Accounting and Operating Overview

Our principal operating revenues and expenses are:

Revenues:

- Rental revenues include all rent and ancillary revenues we receive for our rental fleet.
- Sales revenues consist primarily of sales of new and used fleet and, to a lesser extent, parts and supplies sold to customers.

Costs and expenses:

- Rental, selling and general expenses include, among other expenses, payroll and payroll-related costs (including share-based compensation and commissions for our sales team), fleet transportation and fuel costs, repair and maintenance costs for our rental fleet and transportation equipment, real estate lease expense, insurance costs, and general corporate expenses.
- Cost of sales is the net book value of the units that were sold during the reported period and includes both our cost to buy, transport, remanufacture and modify used containers and our cost to manufacture Storage Solutions units and other structures.
- Depreciation and amortization includes depreciation on our rental fleet, our property, plant and equipment, and amortization of definite-lived intangible assets.

Our principal asset is our rental fleet, which is capitalized at cost and depreciated over the estimated useful life of the unit using the straight-line method. Rental fleet is depreciated whether or not it is out on rent. Capitalized cost of rental fleet includes the price paid to acquire the unit and freight charges to the location when the unit is first placed in service and, when applicable, the cost of manufacturing or remanufacturing, which includes the cost of customizing units. Ordinary repair and maintenance costs are charged to operations as incurred.

The table below outlines the composition of our Storage Solutions rental fleet at September 30, 2018:

| | Rental Fleet (In thousands) | Number of Units | Percentage of Gross Fleet in Dollars | Percentage of Units |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Steel storage containers | $ 596,403 | 165,559 | 63 % | 85 % |
| Steel ground level offices | 342,712 | 27,865 | 36 | 14 |
| Other | 7,530 | 863 | 1 | 1 |
| Storage Solutions rental fleet | 946,645 | 194,287 | 100 % | 100 % |
| Accumulated depreciation | (149,158 ) | | | |
| Storage Solutions rental fleet, net | $ 797,487 | | | |

The table below outlines the composition of our Tank & Pump Solutions rental fleet at September 30, 2018:

| | Rental Fleet (In thousands) | Number of Units | Percentage of Gross Fleet in Dollars | Percentage of Units |
|---|---|---|---|---|
| Steel tanks | $ 68,689 | 3,046 | 39 % | 24 % |
| Roll-off boxes | 33,887 | 5,763 | 19 | 46 |
| Stainless steel tank trailers | 28,969 | 644 | 16 | 5 |
| Vacuum boxes | 16,790 | 1,557 | 9 | 12 |
| Dewatering boxes | 8,250 | 810 | 5 | 6 |
| Pumps and filtration equipment | 14,239 | 758 | 8 | 7 |
| Other | 7,512 | n/a | 4 | |
| Tank & Pump Solutions rental fleet | 178,336 | 12,578 | 100 % | 100 % |
| Accumulated depreciation | (49,867 ) | | | |
| Tank & Pump Solutions rental fleet, net | $ 128,469 | | | |

We are a capital-intensive business. Therefore, in addition to focusing on measurements calculated in accordance with GAAP, we focus on EBITDA, adjusted EBITDA and free cash flow to measure our operating results. EBITDA, adjusted EBITDA and the resultant margins, and free cash flow are non-GAAP financial measures. As such, we include in this Quarterly Report on Form 10-Q reconciliations to their most directly comparable GAAP financial measures. We also evaluate our operations on a constant currency basis. These reconciliations and a description of the limitations of these measures are included below.

Non-GAAP Data and Reconciliations

EBITDA and Adjusted EBITDA. EBITDA is defined as net income before discontinued operation, net of tax (if applicable), interest expense, income taxes, depreciation and amortization, and debt restructuring or extinguishment expense (if applicable), including any write-off of deferred financing costs. Adjusted EBITDA further excludes certain non-cash expenses, as well as transactions that management believes are not indicative of our ongoing business. Because EBITDA and adjusted EBITDA, as defined, exclude some but not all items that affect our cash flow from operating activities, they may not be comparable to similarly titled performance measures presented by other companies.

We present EBITDA and adjusted EBITDA because we believe they provide an overall evaluation of our financial condition and useful information regarding our ability to meet our future debt payment requirements, capital expenditures and working capital requirements. EBITDA and adjusted EBITDA have certain limitations as analytical tools and should not be used as substitutes for net income, cash flows, or other consolidated income or cash flow data prepared in accordance with GAAP. EBITDA and adjusted EBITDA margins are calculated as EBITDA and adjusted EBITDA divided by total revenues expressed as a percentage.

Reconciliation of net income, the most directly comparable GAAP measure, to EBITDA and adjusted EBITDA is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands, except percentages) | | | |
| Net (loss) income | $(52,165) | $11,228 | $(22,310) | $30,157 |
| Interest expense | 10,487 | 9,203 | 30,179 | 26,412 |
| Income tax (benefit) provision | (19,594) | 6,383 | (11,182) | 16,279 |
| Depreciation and amortization | 16,191 | 15,935 | 50,206 | 46,941 |
| EBITDA | (45,081) | 42,749 | 46,893 | 119,789 |
| Share-based compensation expense (1) | 2,230 | 1,920 | 7,503 | 4,705 |
| Restructuring expenses (2) | — | 625 | 1,306 | 2,062 |
| Asset impairment charge and loss on divestiture, net (3) | 98,278 | — | 98,278 | — |
| Acquisition-related expenses (4) | — | 26 | — | 123 |
| Other (5) | — | 211 | — | 2,500 |
| Adjusted EBITDA | $55,427 | $45,531 | $153,980 | $129,179 |
| EBITDA margin | (30.1)% | 31.3% | 10.8% | 31.0% |
| Adjusted EBITDA margin | 37.0 | 33.3 | 35.6 | 33.4 |

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Reconciliation of net cash provided by operating activities to EBITDA is as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands) | | | |
| Net cash provided by operating activities | $46,268 | $32,611 | $116,220 | $95,832 |
| Interest paid | 13,576 | 12,192 | 31,753 | 30,379 |
| Income and franchise taxes paid | 939 | 213 | 2,346 | 1,313 |
| Share-based compensation expense (1) | (2,230) | (2,070) | (7,866) | (5,890) |
| Asset impairment charge and loss on divestiture, net (3) | (98,278) | — | (98,278) | — |
| Gain on sale of rental fleet | 1,263 | 1,447 | 4,523 | 4,273 |
| Loss on disposal of property, plant and equipment | (71) | (190) | (548) | (472) |
| Change in certain assets and liabilities, net of effect of businesses acquired: | | | | |
| Receivables | 6,034 | 7,794 | 7,049 | 7 |
| Inventories | 127 | 539 | 922 | 1,443 |
| Other assets | (1,479) | (2,297) | (1,875) | 497 |
| Accounts payable and accrued liabilities | (11,230) | (7,490) | (7,353) | (7,593) |
| EBITDA | $(45,081) | $42,749 | $46,893 | $119,789 |

(1) Share-based compensation represents non-cash compensation expense associated with the granting of equity instruments. See additional information in Note 12 “Share-Based Compensation” to the accompanying condensed consolidated financial statements.

(2) The Company has undergone restructuring actions to align its business operations. These activities materially change the scope of the business or the manner in which the business is conducted. For more information, see Note 13 “Restructuring” to the accompanying condensed consolidated financial statements.

(3) Loss resulting from the impairment of assets placed as held for sale including subsequent adjustments to the loss upon the sale. For more information, see Note 17 “Held for Sale Assets” to the accompanying condensed consolidated financial statements.

(4) Incremental costs associated with acquisitions.

(5) Other expenses include severance and transition expenses for senior executives.

Free Cash Flow. Free cash flow is defined as net cash provided by operating activities, minus or plus, net cash used in or provided by investing activities, excluding acquisitions and certain transactions. Free cash flow is a non-GAAP financial measure and is not intended to replace net cash provided by operating activities, the most directly comparable financial measure prepared in accordance with GAAP. We present free cash flow because we believe it provides useful information regarding our liquidity and ability to meet our short-term obligations. In particular, free cash flow indicates the amount of cash available after capital expenditures for, among other things, investments in our existing business, debt service obligations, payment of authorized quarterly dividends, repurchase of our common stock and strategic small acquisitions.

Reconciliation of net cash provided by operating activities to free cash flow is as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands) | | (In thousands) | |
| Net cash provided by operating activities | $46,268 | $32,611 | $116,220 | $95,832 |
| Additions to rental fleet, excluding acquisitions | (27,144) | (22,918) | (65,620) | (45,945) |
| Proceeds from sale of rental fleet | 3,770 | 3,319 | 11,447 | 9,602 |
| Additions to property, plant and equipment, excluding acquisitions | (5,554) | (4,109) | (14,635) | (12,816) |
| Proceeds from sale of property, plant and equipment | 136 | 12 | 603 | 780 |
| Net capital expenditures, excluding acquisitions | (28,792) | (23,696) | (68,205) | (48,379) |
| Free cash flow | $17,476 | $8,915 | $48,015 | $47,453 |

Constant Currency. We calculate the effect of currency fluctuations on current periods by translating the results for our business in the U.K. during the current periods using the average exchange rates from the same period in the prior year. We present constant currency information to provide useful information to assess our underlying business excluding the effect of material foreign currency rate fluctuations. The table below shows certain financial information as calculated on a constant currency basis:

| | Three Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Calculated in Constant Currency | As Reported | Difference |
| | (In thousands) | | |
| Rental revenues | $141,025 | $140,924 | $ 101 |
| Rental, selling and general expenses | 90,829 | 90,764 | 65 |
| Adjusted EBITDA | 55,466 | 55,427 | 39 |

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Calculated in Constant Currency | As Reported | Difference |
| | (In thousands) | | |
| Rental revenues | $402,785 | $406,149 | $ (3,364) |
| Rental, selling and general expenses | 266,747 | 269,033 | (2,286) |
| Adjusted EBITDA | 152,821 | 153,980 | (1,159) |

RESULTS OF OPERATIONS

Three Months Ended September 30, 2018, Compared to Three Months Ended September 30, 2017

| | Three Months Ended September 30, 2018 | Three Months Ended September 30, 2017 | Percentage of Revenue Three Months Ended September 30, 2018 | Percentage of Revenue Three Months Ended September 30, 2017 | Increase (Decrease) 2018 versus 2017 | Increase (Decrease) 2018 versus 2017 (%) |
|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | |
| Revenues: | | | | | | |
| Rental | $140,924 | $127,695 | 94.1 % | 93.5 % | $13,229 | 10.4 % |
| Sales | 8,716 | 8,438 | 5.8 | 6.2 | 278 | 3.3 |
| Other | 67 | 503 | 0.0 | 0.4 | (436) | (86.7) |
| Total revenues | 149,707 | 136,636 | 100.0 | 100.0 | 13,071 | 9.6 |
| Costs and expenses: | | | | | | |
| Rental, selling and general expenses | 90,764 | 87,745 | 60.6 | 64.2 | 3,019 | 3.4 |
| Cost of sales | 5,770 | 5,519 | 3.9 | 4.0 | 251 | 4.5 |
| Restructuring expenses | — | 625 | n/a | 0.5 | (625) | n/a |
| Asset impairment charge and loss on divestiture, net | 98,278 | — | 65.6 | n/a | 98,278 | n/a |
| Depreciation and amortization | 16,191 | 15,935 | 10.8 | 11.7 | 256 | 1.6 |
| Total costs and expenses | 211,003 | 109,824 | 140.9 | 80.4 | 101,179 | 92.1 |
| (Loss) income from operations | (61,296) | 26,812 | (40.9) | 19.6 | (88,108) | (328.6) |
| Other income (expense): | | | | | | |
| Interest income | — | 4 | — | — | (4) | n/a |
| Interest expense | (10,487) | (9,203) | (7.0) | (6.7) | (1,284) | 14.0 |
| Foreign currency exchange | 24 | (2) | — | — | 26 | n/a |
| (Loss) income before income tax provision | (71,759) | 17,611 | (47.9) | 12.9 | (89,370) | |
| Income tax (benefit) provision | (19,594) | 6,383 | (13.1) | 4.7 | (25,977) | |
| Net (loss) income | $(52,165) | $11,228 | (34.8)% | 8.2 % | $(63,393) | |

| | Three Months Ended September 30, 2018 | Three Months Ended September 30, 2017 | Percentage of Revenue Three Months Ended September 30, 2018 | Percentage of Revenue Three Months Ended September 30, 2017 | Increase (Decrease) 2018 versus 2017 | Increase (Decrease) 2018 versus 2017 (%) |
|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | |
| EBITDA | $(45,081) | $42,749 | (30.1)% | 31.3 % | $(87,830) | (205.5)% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Adjusted EBITDA | 55,427 | 45,531 | 37.0 | 33.3 | 9,896 | 21.7 |
| Free Cash Flow | 17,476 | 8,915 | 11.7 | 6.5 | 8,561 | 96.0 |

Total Revenues. The following table depicts revenues by type of business for the three-month periods ended September 30:

| | Storage Solutions Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | | | Increase (Decrease) | |
| | | | 2018 versus | |
| | 2018 | 2017 | 2017 | |
| | (In thousands, except percentages) | | | |
| Revenues: | | | | |
| Rental | $112,639 | $104,488 | $8,151 | 7.8 % |
| Sales | 7,696 | 6,743 | 953 | 14.1 |
| Other | 40 | 401 | (361 ) | (90.0) |
| Total revenues | $120,375 | $111,632 | $8,743 | 7.8 |

| | Tank & Pump Solutions Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | | | Increase (Decrease) | |
| | 2018 | 2017 | 2018 versus 2017 | |
| | (In thousands, except percentages) | | | |
| Revenues: | | | | |
| Rental | $28,285 | $23,207 | $5,078 | 21.9 % |
| Sales | 1,020 | 1,695 | (675 ) | (39.8) |
| Other | 27 | 102 | (75 ) | (73.5) |
| Total revenues | $29,332 | $25,004 | $4,328 | 17.3 |

Of the $149.7 million of total revenues for the three months ended September 30, 2018, $120.4 million, or 80.4%, related to the Storage Solutions business and $29.3 million, or 19.6%, related to the Tank & Pump Solutions business. Of the $136.6 million of total revenues for the three-month period ended September 30, 2017, $111.6 million, or 81.7%, related to the Storage Solutions business and $25.0 million, or 18.3%, related to the Tank & Pump Solutions business.

Rental Revenues. Storage Solutions rental revenues increased 7.8% during the three-month period ended September 30, 2018, as compared to the prior-year period. This increase was driven by a 2.4% increase in year-over-year rental rates and a 2.6% increase in units on rent, as well as favorable mix and increases in delivery and pickup revenue. Beginning in the second half of 2017, we have successfully leveraged our technology, footprint and fleet capacity to partner with our national account customers, which has continued to drive growth. Yield (calculated as rental revenues divided by average units on rent and adjusted to a 28 day period) increased 5.1% as compared to the prior-year period, due to increased rates, favorable mix and increased delivery and pickup revenue.

Rental revenues within the Tank & Pump Solutions business increased $5.1 million, or 21.9%, for the three-month period ended September 30, 2018, as compared to the prior-year period. This increase was driven by an approximately 19.4% increase in fleet on rent for the current quarter, as well as favorable mix and increases in delivery and pickup revenue, partially offset by slight rate decreases. Demand from our downstream customers is increasing overall and maintenance projects that were postponed throughout much of 2017 are returning to normalized levels. We believe we are performing better than the market by leveraging our superior service and national footprint with our larger customers. Additionally, upstream business is seeing a year-over-year uptick due to increasing activity in the oil and gas segment. Our salesforce has also successfully pursued new diversified customers in local geographies and we are beginning to gain traction on several new or extended customer contracts signed late in 2017 and early 2018.

Sales Revenues. We focus on rental revenues. In general, sales of units from our fleet occur due to a particular customer need, or due to having fleet in excess of demand at a particular location. Storage Solutions sales revenue of $7.7 million for the quarter ended September 30, 2018 increased $1.0 million, or 14.1%, compared to the prior-year period. This increase was primarily driven by a one-time sale in the U.K. Tank & Pump Solutions sales revenue of $1.0 million for the quarter ended September 30, 2018 decreased $0.7 million from the prior-year period.

Costs and expenses. The following table depicts costs and expenses by type of business for the three-month periods ended September 30:

| | Storage Solutions Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | | | Increase (Decrease) | |
| | 2018 | 2017 | 2018 versus 2017 | |
| | (In thousands, except percentages) | | | |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | $71,121 | $70,195 | $926 | 1.3 % |
| Cost of sales | 5,226 | 4,477 | 749 | 16.7 |
| Restructuring expenses | — | 500 | (500) | n/a |
| Asset impairment charge and loss on divestiture, net | 96,092 | — | 96,092 | n/a |
| Depreciation and amortization | 9,758 | 9,836 | (78) | (0.8) |
| Total costs and expenses | $182,197 | $85,008 | $97,189 | 114.3 |

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| | Tank & Pump Solutions Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | | | Increase (Decrease) | |
| | 2018 | 2017 | 2018 versus 2017 | |
| | (In thousands, except percentages) | | | |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | $19,643 | $17,550 | $2,093 | 11.9 % |
| Cost of sales | 544 | 1,042 | (498 ) | (47.8) |
| Restructuring expenses | — | 125 | (125 ) | n/a |
| Asset impairment charge and loss on divestiture, net | 2,186 | — | 2,186 | n/a |
| Depreciation and amortization | 6,433 | 6,099 | 334 | 5.5 |
| Total costs and expenses | $28,806 | $24,816 | $3,990 | 16.1 |

Rental, Selling and General Expenses. Rental, selling and general expenses for the three months ended September 30, 2018 of $90.8 million increased $3.0 million, or 3.4%, as compared to the prior-year period. As a percentage of total revenues, rental, selling and general expenses were 60.6% for the three months ended September 30, 2018, which was a decrease from 64.2% in the prior-year period.

Storage Solutions business rental, selling and general expenses for the three months ended September 30, 2018 increased $0.9 million, a 1.3% increase from the prior-year period. The increase was primarily due to higher transportation costs, as well as increased re-rent costs required to support the additional rental activity. These increases were largely offset by decreased variable compensation costs within this segment.

Rental, selling and general expenses for the Tank & Pump Solutions business increased $2.1 million, or 11.9%, in the current-year quarter, as compared to the prior-year quarter. The increase was largely due to increased transportation costs to support the additional rental activity as well as an increase in variable compensation in the current-year period, as compared to the prior-year period.

Cost of Sales. Cost of sales is the cost related to our sales revenue only. Within the Storage Solutions business, cost of sales was $5.2 million and $4.5 million for the three months ended September 30, 2018 and 2017, respectively. Storage Solutions sales revenue, less cost of sales (sales profit), was $2.5 million and $2.3 million for the three-month periods ended September 30, 2018 and 2017, respectively. Sales profit expressed as a percentage of sales revenue (sales profit margin) was 32.1% in the quarter ended September 30, 2018 and 33.6% in the prior-year quarter.

Within the Tank & Pump Solutions business, cost of sales was $0.5 million and $1.0 million in the quarters ended September 30, 2018 and 2017, respectively. Tank & Pump Solutions sales profit was $0.5 million and $0.6 million for the three-month periods ended September 30, 2018 and 2017, respectively.

Restructuring. Of the $0.6 million of restructuring expense recognized in the three months ended September 30, 2017, approximately $0.1 million of expenses largely related to the abandonment of yards, or portions of yard, as well as related fleet and other costs due to the divestiture of our wood mobile office business. The remaining expense is related primarily to the integration of our wholly owned subsidiary, ETS, into our existing infrastructure.

Asset impairment charge and loss on divestiture, net. As discussed in the overview section of this management's discussion and analysis of financial conditions and results of operations, during the quarter we identified specific underperforming assets to classify as held for sale. As a result, we recognized a loss of $98.3 million in the third quarter of 2018.

Depreciation and Amortization Expense. Total depreciation and amortization expense of $16.2 million for the three months ended September 30, 2018 increased $0.3 million, or 1.6%, as compared to the prior-year period.

Interest Expense. Interest expense was $10.5 million for the three months ended September 30, 2018 and $9.2 million in the prior-year period. This increase is due to a higher effective interest rate on our lines of credit, slightly offset by an overall decrease in debt outstanding. Our average debt outstanding in the quarter ended September 30, 2018 was $923.4 million, compared to $935.9 million in the prior-year quarter. The weighted average interest rate on our debt was 4.3% and 3.7% for the three-month periods ended September 30, 2018 and 2017, respectively, excluding the amortization of deferred financing costs. Taking into account the amortization of deferred financing costs, the weighted average interest rate was 4.5% and 3.9% for the three-month periods ended September 30, 2018 and 2017, respectively.

Provision for Income Taxes. During the quarter ended September 30, 2018, we had a $19.6 million benefit for income taxes, compared to a $6.4 million provision in the prior-year quarter. Our effective income tax rate decreased to 27.3% for the three months ended September 30, 2018, compared to 36.2% for the prior-year quarter. During the quarter ended September 30, 2018 we recognized a $2.6 million reduction in our provisional tax expense related to the repatriation of foreign earnings for the impact of the U.S. federal tax reform enacted in the fourth quarter of 2017.

Excluding the tax effect of the $98.3 million asset impairment charge and loss on divestiture discussed above, as well as the $2.6 million reduction to our provisional tax expense, our income tax provision was $7.4 million and the tax rate was 28.0%. The decrease in the effective tax rate as compared to the 2017 effective rate was primarily due to the reduction of the U.S. federal tax rate from 35% to 21%, partially offset by the increase in disallowed deductions for officers' compensation, both of which are a result of the U.S. federal tax reform enacted in the fourth quarter of 2017. Additionally, income tax expense was recognized due to state tax rate changes enacted in the third quarter of 2018.

Net Income. For the three months ended September 30, 2018 we had net loss of $52.5 million. The loss was driven by our asset impairment charge and loss on divestiture, which more than offset our increased revenues. This loss compares to prior-year net income of $11.2 million.

Adjusted EBITDA. For the three-month period ended September 30, 2018, we realized adjusted EBITDA of $55.4 million, an increase of $9.9 million, or 21.7%, as compared to adjusted EBITDA of $45.5 million in the prior-year period. The increase was generated by strong growth in both our Storage Solutions and Tank & Pump Solutions business, and was partially offset by overall increased rental, selling and general costs. Our adjusted EBITDA margins were 37.0% and 33.3% for the quarters ended September 30, 2018 and 2017, respectively. The increase in adjusted EBITDA margin is due to increased efficiencies and our ability to leverage our infrastructure to grow revenue at a higher rate than expense.

During the three months ended September 30, 2018, adjusted EBITDA related to the Storage Solutions business increased $7.1 million, or 18.2%, to $46.2 million from $39.1 million in the prior-year period. Adjusted EBITDA related to the Tank & Pump Solutions business increased $2.8 million, or 42.8%, to $9.2 million during the three months ended September 30, 2018 from $6.5 million during the prior-year period. Adjusted EBITDA margins for the quarter ended September 30, 2018 were 38.4% for the Storage Solutions business and 31.5% for the Tank & Pump Solutions business.

Nine Months Ended September 30, 2018, Compared to Nine Months Ended September 30, 2017

| | Nine Months Ended September 30, 2018 | Nine Months Ended September 30, 2017 | Percentage of Revenue Nine Months Ended September 30, 2018 | Percentage of Revenue Nine Months Ended September 30, 2017 | Increase (Decrease) 2018 versus 2017 | |
|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | |
| Revenues: | | | | | | |
| Rental | $406,149 | $360,288 | 93.9 % | 93.1 % | $45,861 | 12.7 % |
| Sales | 25,700 | 24,817 | 5.9 | 6.4 | 883 | 3.6 |
| Other | 511 | 1,748 | 0.1 | 0.5 | (1,237 ) | (70.8 ) |
| Total revenues | 432,360 | 386,853 | 100.0 | 100.0 | 45,507 | 11.8 |
| Costs and expenses: | | | | | | |
| Rental, selling and general expenses | 269,033 | 248,954 | 62.2 | 64.4 | 20,079 | 8.1 |
| Cost of sales | 16,925 | 16,039 | 3.9 | 4.1 | 886 | 5.5 |
| Restructuring expenses | 1,306 | 2,062 | 0.3 | 0.5 | (756 ) | n/a |
| Asset impairment charge and loss on divestiture, net | 98,278 | — | 22.7 | n/a | 98,278 | n/a |
| Depreciation and amortization | 50,206 | 46,941 | 11.6 | 12.1 | 3,265 | 7.0 |
| Total costs and expenses | 435,748 | 313,996 | 100.8 | 81.2 | 121,752 | 38.8 |
| (Loss) income from operations | (3,388 ) | 72,857 | (0.8 ) | 18.8 | (76,245 ) | (104.7) |
| Other income (expense): | | | | | | |
| Interest income | 6 | 20 | — | — | (14 ) | n/a |
| Interest expense | (30,179 ) | (26,412 ) | (7.0 ) | (6.8 ) | (3,767 ) | 14.3 |
| Foreign currency exchange | 69 | (29 ) | — | — | 98 | n/a |
| (Loss) income before income tax provision | (33,492 ) | 46,436 | (7.7 ) | 12.0 | (79,928 ) | |
| Income tax (benefit) provision | (11,182 ) | 16,279 | (2.6 ) | 4.2 | (27,461 ) | |
| Net (loss) income | $(22,310 ) | $30,157 | (5.2 )% | 7.8 % | $(52,467 ) | |

| | Nine Months Ended September 30, 2018 | Nine Months Ended September 30, 2017 | Percentage of Revenue Nine Months Ended September 30, 2018 | Percentage of Revenue Nine Months Ended September 30, 2017 | Increase (Decrease) 2018 versus 2017 | |
|---|---|---|---|---|---|---|
| | (In thousands, except percentages) | | | | | |
| EBITDA | $46,893 | $119,789 | 10.8 % | 31.0 % | $(72,896) | (60.9)% |
| Adjusted EBITDA | 153,980 | 129,179 | 35.6 | 33.4 | 24,801 | 19.2 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Free Cash Flow | 48,015 | 47,453 | 11.1 | 12.3 | 562 | 1.2 |

Total Revenues. The following table depicts revenues by type of business for the nine-month periods ended September 30:

| | Storage Solutions Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | | | Increase (Decrease) | |
| | | | 2018 versus | |
| | 2018 | 2017 | 2017 | |
| | (In thousands, except percentages) | | | |
| Revenues: | | | | |
| Rental | $325,293 | $293,780 | $31,513 | 10.7 % |
| Sales | 21,785 | 20,763 | 1,022 | 4.9 |
| Other | 399 | 1,418 | (1,019 ) | (71.9) |
| Total revenues | $347,477 | $315,961 | $31,516 | 10.0 |

| | Tank & Pump Solutions | | | |
|---|---|---|---|---|
| | Nine Months Ended September 30, | | | |
| | | | Increase (Decrease) | |
| | | | 2018 versus 2017 | |
| | 2018 | 2017 | | |
| | (In thousands, except percentages) | | | |
| Revenues: | | | | |
| Rental | $80,856 | $66,508 | $14,348 | 21.6 % |
| Sales | 3,915 | 4,054 | (139 ) | (3.4 ) |
| Other | 112 | 330 | (218 ) | (66.1) |
| Total revenues | $84,883 | $70,892 | $13,991 | 19.7 |

Of the $432.4 million of total revenues for the nine months ended September 30, 2018, $347.5 million, or 80.4%, related to the Storage Solutions business and $84.9 million, or 19.6%, related to the Tank & Pump Solutions business. Of the $386.9 million of total revenues for the nine-month period ended September 30, 2017, $316.0 million, or 81.7%, related to the Storage Solutions business and $70.9 million, or 18.3%, related to the Tank & Pump Solutions business.

Rental Revenues. Storage Solutions rental revenues increased 9.6% during the nine-month period ended September 30, 2018, as compared to the prior-year period, and adjusted for constant currency. This increase was driven by a 2.6% increase in year-over-year rental rates and a 3.8% increase in units on rent, as well as favorable mix and increases in delivery and pickup revenue. Beginning in the second half of 2017, we have successfully leveraged our technology, footprint and fleet capacity to partner with our national account customers, which has continued to drive growth in 2018. Yield increased 6.7% as compared to the prior-year period, due to increased rates, favorable mix and increased delivery and pickup revenue. In constant currency, yield increased 5.6%.

Rental revenues within the Tank & Pump Solutions business increased $14.3 million, or 21.6%, for the nine-month period ended September 30, 2018, as compared to the prior-year period. The increase was driven by an approximately 22.2% increase in fleet on rent for the current period, partially offset by decreased rates. Demand from our downstream customers is increasing overall and maintenance projects that were postponed throughout much of 2017 are returning to normalized levels. We believe we are performing better than the market by leveraging our superior service and national footprint with our larger customers. Additionally, upstream business is seeing a year-over-year uptick due to increasing activity in the oil and gas segment. Our salesforce has also successfully pursued new diversified customers in local geographies and we are beginning to gain traction on several new or extended customer contracts signed late in 2017 and early 2018.

Sales Revenues. In general, sales of units from our fleet occur due to a particular customer need, or due to having fleet in excess of demand at a particular location. Storage Solutions sales revenue of $21.8 million for the nine months ended September 30, 2018 increased $1.0 million, or 4.9%, compared to the prior-year period. Tank & Pump Solutions sales revenue of $3.9 million for the nine months ended September 30, 2018 decreased $0.1 million from the prior-year period.

Costs and expenses. The following table depicts costs and expenses by type of business for the nine-month periods ended September 30:

| | Storage Solutions Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2018 | 2017 | Increase (Decrease) 2018 versus 2017 | |
| | (In thousands, except percentages) | | | |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | $212,248 | $198,551 | $13,697 | 6.9 % |
| Cost of sales | 14,695 | 13,808 | 887 | 6.4 |
| Restructuring expenses | 1,306 | 1,933 | (627) | n/a |
| Asset impairment charge and loss on divestiture, net | 96,092 | — | 96,092 | n/a |
| Depreciation and amortization | 31,398 | 28,496 | 2,902 | 10.2 |
| Total costs and expenses | $355,739 | $242,788 | $112,951 | 46.5 |

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| | Tank & Pump Solutions | | | |
|---|---|---|---|---|
| | Nine Months Ended September 30, | | | |
| | | | Increase (Decrease) | |
| | | | 2018 versus | |
| | 2018 | 2017 | 2017 | |
| | (In thousands, except percentages) | | | |
| Costs and expenses: | | | | |
| Rental, selling and general expenses | $56,785 | $50,403 | $6,382 | 12.7 % |
| Cost of sales | 2,230 | 2,231 | (1 ) | (0.0 ) |
| Restructuring expenses | — | 129 | (129 ) | n/a |
| Asset impairment charge and loss on divestiture, net | 2,186 | — | 2,186 | n/a |
| Depreciation and amortization | 18,808 | 18,445 | 363 | 2.0 |
| Total costs and expenses | $80,009 | $71,208 | $8,801 | 12.4 |

Rental, Selling and General Expenses. Rental, selling and general expenses for the nine months ended September 30, 2018 of $269.0 million increased $20.1 million, or 8.1%, as compared to the prior-year period. As a percentage of total revenues, rental, selling and general expenses were 62.2% for the nine months ended September 30, 2018, which was a decrease from 64.4% in the prior-year period.

Within the Storage Solutions business rental, selling and general expenses in the prior-year period was $2.6 million of expense related to the severance and transition of an executive. Excluding this expense, rental, selling and general expenses for the nine months ended September 30, 2018 increased $16.3 million, an 8.3% increase from the prior-year period. Excluding the prior-year executive transition expenses and adjusting for the effect of changes in currency exchange rates, rental, selling and general expenses increased 7.2% over the prior-year period. The increase was primarily due to higher transportation, salary and re-rent costs required to support the additional rental activity as well as an increase in variable compensation in the current-year period, as compared to the prior-year period. Also contributing to the year-over-year difference is increased stock-based compensation expense due to the anticipated achievement of certain goals related to our performance-based stock award plan.

Rental, selling and general expenses for the Tank & Pump Solutions business increased $6.4 million, or 12.7%, in the first nine months of 2018, as compared to the same period in the prior-year. The increase was largely due to increased transportation costs to support the additional rental activity as well as an increase in variable compensation in the current-year period, as compared to the prior-year period.

Cost of Sales. Cost of sales is the cost related to our sales revenue only. Within the Storage Solutions business, cost of sales was $14.7 million and $13.8 million for the nine months ended September 30, 2018 and 2017, respectively. Sales profit was $7.1 million and $7.0 million for the nine-month periods ended September 30, 2018 and 2017, respectively. Sales profit expressed as a percentage of sales revenue (sales profit margin) was 32.5% for the nine months ended September 30, 2018 and 33.5% in the prior-year period.

Within the Tank & Pump Solutions business, cost of sales was $2.2 million for both nine-month periods ended September 30, 2018 and 2017. Tank & Pump Solutions sales profit was $1.7 million and $1.8 million for the nine-month periods ended September 30, 2018 and 2017, respectively.

Restructuring. Of the $1.3 million of restructuring expenses recognized in the nine months ended September 30, 2018, $0.9 million related to the restructuring of our corporate service center, including the severance of an executive. The remainder primarily related to projects initiated in prior years that were not accruable during such period. Of the $2.1 million of restructuring expense recognized in the nine months ended September 30, 2017 approximately $0.8 million of expenses largely related to the abandonment of yards, or portions of yard, as well as related fleet and other costs due to the divestiture of our wood mobile office business. The remaining $1.2 million of expense is related to the integration of our wholly owned subsidiary, ETS, into our existing infrastructure.

Asset impairment charge and loss on divestiture, net. As discussed in the overview section of this management's discussion and analysis of financial conditions and results of operations, during the current period we identified specific underperforming assets to classify as held for sale. As a result, we recognized a loss of $98.3 million in the current period.

Depreciation and Amortization Expense. Total depreciation and amortization expense of $50.2 million for the nine months ended September 30, 2018 increased $3.3 million, or 7.0%, as compared to the prior-year period. The majority of this increase relates to depreciation on property, plant and equipment.

Interest Expense. Interest expense was $30.2 million for the nine months ended September 30, 2018 and $26.4 million in the prior-year period. This increase is due to a higher effective interest rate on our lines of credit, partially offset by an overall decrease in debt outstanding. Our average debt outstanding in the nine months ended September 30, 2018 was $921.5 million, compared to $933.6 million in the prior-year period. The weighted average interest rate on our debt was 4.1% and 3.5% for the nine-month periods ended September 30, 2018 and 2017, respectively, excluding the amortization of deferred financing costs. Taking into account the amortization of deferred financing costs, the weighted average interest rate was 4.4% and 3.8% for the nine-month periods ended September 30, 2018 and 2017, respectively.

Provision for Income Taxes. During the nine months ended September 30, 2018, we had an $11.2 million benefit for income taxes, compared to a $16.3 million provision in the prior-year period. Our effective income tax rate decreased to 33.4% for the nine months ended September 30, 2018, compared to 35.1% for the prior-year period. During the current-year period we recognized a $2.9 million reduction in our provisional tax expense related to the repatriation of foreign earnings for the impact of the U.S. federal tax reform enacted in the fourth quarter of 2017.

Excluding the tax effects of the $98.3 million asset impairment charge and loss on divestiture and the $1.3 million of restructuring expenses discussed above, as well as the $2.9 million reduction to our provisional tax expense, our income tax provision was $16.2 million and the tax rate was 24.4%. The decrease in the effective tax rate as compared to the 2017 effective rate was primarily due to the reduction of the U.S. federal tax rate from 35% to 21%, partially offset by the increase in disallowed deductions for officers' compensation, both of which are a result of the U.S. federal tax reform enacted in the fourth quarter of 2017. Additionally, income tax benefits were recognized due to state tax rate changes enacted in the period.

Net (Loss) Income. For the nine months ended September 30, 2018 we had a net loss of $22.3 million. The loss was driven by our impairment charge and loss on divestiture, which more than offset our increased revenues. This loss compares to net income of $30.2 million for the nine months ended September 30, 2017.

Adjusted EBITDA. For the nine-month period ended September 30, 2018, we realized adjusted EBITDA of $154.0 million, an increase of $24.8 million, or 19.2%, as compared to adjusted EBITDA of $129.2 million in the prior-year period. Excluding the favorable effect of currency translation rates, adjusted EBITDA increased 18.3%. The increase was generated by strong growth in both our Storage Solutions and Tank & Pump Solutions business, and was partially offset by overall increased rental, selling and general costs. Our adjusted EBITDA margins were 35.6% and 33.4% for the nine-month periods ended September 30, 2018 and 2017, respectively. The increase in adjusted EBITDA margin is due to increased efficiencies and our ability to leverage our infrastructure to grow revenue at a higher rate than expense.

During the nine months ended September 30, 2018, adjusted EBITDA related to the Storage Solutions business increased $17.1 million, or 15.4%, to $127.8 million from $110.7 million in the prior-year period. Excluding the favorable effect of currency translation rates, adjusted EBITDA related to the Storage Solutions business increased 14.4%. Adjusted EBITDA related to the Tank & Pump Solutions business increased $7.7 million, or 41.9%, to $26.2 million during the nine months ended September 30, 2018 from $18.4 million during the prior-year period. Adjusted EBITDA margins for the nine months ended September 30, 2018 were 36.8% for the Storage Solutions business and 30.8% for the Tank & Pump Solutions business.

LIQUIDITY AND CAPITAL RESOURCES

Renting is a capital-intensive business that requires us to acquire assets before they generate revenues, cash flow and earnings. The majority of the assets that we rent have very long useful lives and require relatively little maintenance expenditures. Most of the capital we have deployed in our rental business historically has been used to expand our operations geographically, execute opportunistic acquisitions, increase the number of units available for rent at our existing locations, and add to the mix of products we offer. During recent years, our operations have generated annual cash flow that exceeds our pre-tax earnings, particularly due to cash flow from operations and the deferral of income taxes caused by accelerated depreciation of our fixed assets in our tax return filings. Our strong cash flows from operating activities for the nine-month periods ended September 30, 2018 and 2017 of $116.2 million and $95.8 million, respectively, resulted in free cash flow of $48.0 million and $47.5 million, respectively.  In addition to free cash flow, our principal current source of liquidity is our Credit Agreement, as described below.

Revolving Credit Facility. The Credit Agreement provides for a five-year, $1.0 billion first lien senior secured revolving credit facility maturing on or before December 14, 2020. The Credit Agreement also provides for the issuance of irrevocable standby letters of credit by U.S.-based lenders in amounts totaling up to $50.0 million, by U.K.-based lenders in amounts totaling up to $20.0 million, and by Canadian-based lenders in amounts totaling up to $20.0 million.

Our and our subsidiary guarantors' obligations under the Credit Agreement are secured by a blanket lien on substantially all of our assets. At September 30, 2018, we had $610.2 million of borrowings outstanding and $386.4 million of additional borrowing availability under the Credit Agreement. We were in compliance with the terms of the Credit Agreement as of September 30, 2018 and were above the minimum borrowing availability threshold and, therefore, are not subject to any financial maintenance covenants.

We believe our cash provided by operating activities will provide for our normal capital needs for the next twelve months. If not, we have sufficient borrowings available under our Credit Agreement to meet any additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we do not presently believe that there is a likelihood that any of our lenders will be unable to honor their respective commitments under the Credit Agreement.

Senior Notes. The 2024 Notes, issued on May 9, 2016, bear interest at a rate of 5.875% per year, have an eight-year term and mature on July 1, 2024. Interest on the 2024 Notes is payable semiannually in arrears on January 1 and July 1. The 2024 Notes are senior unsecured obligations of the Company and are unconditionally guaranteed on a senior unsecured basis by certain of our existing and future domestic subsidiaries.

Cash Flow Summary.

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands) | |
| Net (loss) income | $(22,310 ) | $30,157 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Asset impairment charge and loss on divestiture, net | 98,278 | — |
| Deferred income taxes | (12,891 ) | 15,167 |
| Other adjustments | 57,662 | 53,878 |
| Total adjustments to reconcile net (loss) income to net cash provided by operating activities: | 143,049 | 69,045 |
| Changes in certain assets and liabilities | (4,519 ) | (3,370 ) |
| Net cash provided by operating activities | 116,220 | 95,832 |
| Net cash used in investing activities | (64,697 ) | (48,379) |
| Net cash used in financing activities | (61,108 ) | (39,613) |
| Effect of exchange rate changes on cash | 1,069 | 632 |
| Net (decrease) increase in cash | $(8,516 ) | $8,472 |

Operating Activities. Net cash provided by operating activities was $116.2 million for the nine months ended September 30, 2018, compared to $95.8 million in the prior-year period, an increase of $20.4 million. The increase was driven by growth in our underlying business. Although we had a net loss for the nine months ended September 30, 2018 compared to net income of $30.2 million in the prior-year period, the loss was driven by non-cash items. Net cash provided by operating activities was reduced by $4.5 million and $3.4 million related to changes in certain assets and liabilities for the nine months ended September 30, 2018 and 2017, respectively.

Investing Activities. Net cash used in investing activities was $64.7 million in the nine months ended September 30, 2018, compared to $48.4 million in the prior-year period.  Rental fleet expenditures were as follows for the periods indicated:

| | Additions to Rental Fleet, Excluding Acquisitions For the Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands) | |
| North America Storage Solutions | $39,400 | $31,833 |
| United Kingdom Storage Solutions | 5,805 | 9,037 |
| Tank & Pump Solutions | 20,415 | 5,075 |
| Consolidated additions to rental fleet, excluding acquisitions | 65,620 | 45,945 |
| Proceeds from sale of rental fleet | (11,447) | (9,602) |
| Rental fleet net capital expenditures | $54,173 | $36,343 |

Rental fleet expenditures were $65.6 million in the nine months ended September 30, 2018, an increase of $19.7 million compared to the prior-year period.  Expenditures for rental fleet were made to meet overall increases in Tank & Pump Solutions demand as well as for Storage Solutions demand in geographic areas of high utilization for which it did not make economic sense to reposition our fleet, as well as to meet customer demand for specific types of units.  Proceeds from the sale of rental fleet units increased $1.8 million in the first nine months of 2018, compared to the prior-year period.  In general, sales of units from our fleet occur due to a particular customer need, or due to having fleet in excess of demand at a particular location; as such, the proceeds from sale of rental units will normally fluctuate from period to period.

Gross capital expenditures for property, plant and equipment were $14.6 million for the nine months ended September 30, 2018, compared to $12.8 million for the nine-month period ended September 30, 2017.  The current and prior-year periods include hardware and software-related costs of approximately $5.6 million and $6.8 million, respectively largely driven by our ongoing technology innovations.  Also during the current-year period, we received $3.5 million in proceeds related to the assets held for sale.

Financing Activities. Net cash used in financing activities during the nine months ended September 30, 2018 was $61.1 million, compared to $39.6 million for the prior-year period.  In the current-year period, we repaid $24.1 million under our lines of credit. Also in the nine months ended September 30, 2018, we paid $33.3 million of dividends. We did not repurchase any treasury stock under our repurchase program in the current nine-month period. In the prior-year period, we repaid $0.3 million under our lines of credit. Also in the nine months ended September 30, 2017, we paid $30.1 million of dividends and purchased $8.4 million of treasury stock.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our contractual obligations primarily consist of our outstanding balance under the Credit Agreement, the principal amount of the 2024 Notes and obligations under capital leases. We also have operating lease commitments for: (i) real estate properties for the majority of our locations with remaining lease terms typically ranging from one to five years, (ii) delivery, transportation and yard equipment, typically under a seven-year lease with purchase options at the end of the lease term at a stated or fair market value price, and (iii) office related equipment.

At September 30, 2018, primarily in connection with securing our insurance policies, we have provided certain insurance carriers and others with approximately $3.4 million in letters of credit. We currently do not have any obligations under purchase agreements or commitments.

OFF-BALANCE SHEET TRANSACTIONS

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

SEASONALITY

Demand from our Storage Solutions customers is somewhat seasonal. Construction customers typically reflect higher demand during months with more temperate weather, while demand for our Storage Solutions units by large retailers is stronger from September through December because these retailers need to store more inventories for the holiday season. Our retail customers usually return these rented units to us in December and early in the following year. In the Tank & Pump Solutions business, demand from customers is typically higher in the middle of the year from March to October, driven by the timing of customer maintenance projects. The demand for rental of our pumps may also be impacted by weather, specifically when temperatures drop below freezing.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

A comprehensive discussion of our critical accounting policies and management estimates and significant accounting policies are included in the "Management's Discussion and Analysis of Financial Conditions and Results of Operations' section and in Note 2 "Summary of Significant Accounting Policies" to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

There have been no significant changes in our critical accounting policies, estimates and judgments during the nine-month period ended September 30, 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

For discussions of the adoption and potential impacts of recently issued accounting standards, refer to Note 2 "Impact of Recently Issued Accounting Standards" to the accompanying condensed consolidated financial statements.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This section and other sections of this Quarterly Report on Form 10-Q contain forward-looking information about our financial results and estimates and our business prospects that involve substantial risks and uncertainties. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Forward-looking statements are expressions of our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They include words such as "may," "plan," "seek," "will," "expect," "intend," "estimate," "anticipate," "believe," "continue," "project," "should," "likely," "future "goal," "observe," and "strategy" or the negative thereof or variations thereon or similar terminology in connection with any discussion of future operating or financial performance. The forward-looking statements in this Quarterly Report on Form 10-Q reflect management's beliefs, plans, objectives, goals, expectations, anticipations and intentions with respect to our financial condition, results of operations, future performance and business, and include statements regarding, among other things, our future actions; financial position; management forecasts; efficiencies; impacts on our liquidity or free cash flow; planned capital expenditures; cost savings, synergies and opportunities to increase productivity and profitability; our plans and expectations regarding acquisitions; income and margins; liquidity; anticipated growth; the economy; business strategy; budgets; projected costs and plans and objectives of management for future operations; sales efforts; taxes; refinancing of existing debt; and the outcome of contingencies such as legal proceedings and financial results. Factors that could cause actual results to differ materially from projected results include, without limitation:

- an economic slowdown in the U.S. and/or the U.K. that affects any significant portion of our customer base, or the geographic regions where we operate in those countries;
- our ability to manage growth at existing or new locations;
-

our ability to obtain borrowings under our revolving credit facility or additional debt or equity financings on acceptable terms;

- changes in the supply and price of new and used products we lease;
- our ability to increase revenue and control operating costs;
- our ability to raise or maintain rental rates;
- our ability to leverage and protect our information technology systems;
- our ability to protect our patents and other intellectual property;
- oil and gas prices;
- currency exchange and interest rate fluctuations;

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- governmental laws and regulations affecting domestic and foreign operations, including tax obligations, environmental, and labor laws;
- changes in the supply and cost of the raw materials we use in refurbishing or remanufacturing Storage Solutions units;
- competitive developments affecting our industry, including pricing pressures or new entrants;
- the timing, effectiveness and number of new markets we enter;
- changes impacting our customers in their respective industries;
- our ability to integrate acquisitions;
- our ability to optimize our scalable ERP system;
- changes in GAAP;
- changes in local zoning laws affecting either our ability to operate in certain areas or our customer's ability to use our products;
- any changes in business, political and economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas; and
- our ability to utilize our deferred tax assets.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 under the heading "Risk Factors."

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. As of September 30, 2018, we had $610.2 million of indebtedness under our Credit Agreement, which bears interest at variable rates. The average interest rate applicable to our Credit Agreement was 3.4% for the nine months ended September 30, 2018. Based upon the average amount of our variable rate debt of $619.4 million outstanding during the nine months ended September 30, 2018, our annual interest expense would increase by approximately $6.2 million for each one percentage point increase in the interest rate of our lines of credit.

Impact of Foreign Currency Rate Changes. We currently have operations outside the U.S., and we bill those customers primarily in their local currency, which is subject to foreign currency rate changes. Our operations in Canada are billed in the Canadian Dollar, and our operations in the U.K. are billed in Pound Sterling. We are exposed to foreign exchange rate fluctuations as the financial results of our non-U.S. operations are translated into U.S. dollars. The impact of foreign currency rate changes has historically been insignificant with our Canadian operations, but we have more exposure to volatility with our U.K. operations. Based on the level of our U.K. operations during the nine months ended September 30, 2018, a 10% change in the value of the Pound Sterling as compared to the U.S. dollar would have changed net income by approximately $0.5 million for the nine months ended September 30, 2018. We do not currently hedge our currency transaction or translation exposure, nor do we have any current plans to do so.

On June 23, 2016, the U.K. held a referendum in which British citizens approved an exit from the E.U., commonly referred to as "Brexit." As a result of the referendum, the global markets and currencies have been adversely impacted, including volatility in the value of the Pound Sterling as compared to the U.S. dollar. Volatility in exchange rates is expected to continue in the short term as the U.K. negotiates its exit from the E.U. In order to help minimize our exchange rate gain and loss volatility, we finance our U.K. entities through our revolving credit facility, which allows us, at our option, to borrow funds locally in Pound Sterling denominated debt. In the longer term, any impact from Brexit on us will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. Although it is unknown what the result of those negotiations will be, it is possible that new terms may adversely affect our operations and financial results.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's disclosure controls and procedures were effective such that the information relating to the Company required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) is accumulated and communicated to the Company's management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarterly period ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

We refer you to documents filed by us with the SEC, specifically “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled “Cautionary Statements Regarding Forward-looking Statements” in “Item 2. Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q, including the accompanying condensed consolidated financial statements and related notes, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

We are including the below risk factor regarding tariffs on steel imports. Except for the update set forth below, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10 K for the fiscal year ended December 31, 2017.

Any tariffs on steel imports could result in increased container prices and adversely affect our results of operations.

On June 15, 2018, the U.S. government issued part 2 of the 25% ad valorem tariff that will be applied to Chinese exports to the U.S. The list of proposed commodities that would be subject to this 25% tariff included intermodal containers. While this was later reversed and containers were removed from the list of items subject to the tariffs, there cannot be any guarantee that they will not later be subject to future tariffs. Because most portable storage containers currently in the United States are originally manufactured in China to transport goods before eventually being sold for domestic use, any proposed future tariff would immediately increase the cost of new and used containers being sold into the U.S. If such a tariff were to be enacted, steel container prices would increase. We may not be able to pass such price increases on to our customers and may not be able to secure adequate alternative sources of containers on a timely or cost-effective basis. Either of these occurrences could adversely affect our results of operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below summarizes the information about purchases of our common stock during the quarterly period ended September 30, 2018:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share (2) | Total Number of Shares Purchased as | Approximate Dollar Value of Shares That |
|---|---|---|---|---|

| | | | Part of Publicly Announced Plans or Programs (3) | May Yet be Purchased Under the Plans or Programs (In thousands) |
|---|---|---|---|---|
| July 2018 | 68 | $ 47.75 | — | $ 70,837 |
| August 2018 | 1,077 | 42.84 | — | 70,837 |
| September 2018 | — | — | — | 70,837 |
| Total | 1,145 | | — | |

(1) The shares purchased during the quarter were withheld from employees to satisfy minimum tax withholding obligations upon the vesting of restricted stock and were not purchased as part of a publicly announced plan or program.

(2) The weighted average price paid per share of common stock does not include the cost of commissions.

(3) In November 2013, the Board approved a share repurchase program authorizing up to $125.0 million of the Company's outstanding shares of common stock to be repurchased. In April 2015, the Board approved an increase of $50.0 million to the share repurchase program. The shares may be repurchased from time to time in the open market or in privately negotiated transactions. The share repurchase program does not have an expiration date and may be suspended or terminated at any time by the Board.

ITEM 6. EXHIBITS

| Number | Description |
| --- | --- |
| 31.1* | Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K |
| 31.2* | Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K |
| 32.1** | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Item 601(b)(32) of Regulation S-K |
| 101.INS* | XBRL Instance 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 herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | MOBILE MINI, INC. |
| Date: October 19, 2018 | /s/ Van A. Welch<br>Van A. Welch<br>Chief Financial Officer<br>(Principal Financial Officer) |