



TRANSCRIPT

Q1 2025 Earnings Conference Call
WillScot Holdings Corp. (Nasdaq: WSC)
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Matt Jacobsen, Chief Financial Officer
Charlie Wohlhuter, Senior Director Investor Relations

MEETING PARTICIPANTS

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Angel Castillo, Morgan Stanley
Jean Ramirez, D.A. Davidson & Co
Faiza Alwy, Deutsche Bank
Philip Ng, Jefferies LLC
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Steven Ramsey, Thompson Research Group, LLC
Timothy Mulrooney, William Blair & Company LLC

TRANSCRIPT

Operator

Welcome to the first-quarter 2025 WillScot earnings conference call. My name is Sherri, and I will be your operator for today's call. (Operator Instructions) Please note this conference is being recorded. I will now turn the call over to Charlie Wohlhuter. Charlie, you may begin.

Charlie Wohlhuter

All right. Thank you, Sherri. Good afternoon, everyone, and welcome to the WillScot First Quarter 2025 Earnings Call. Participants on today's call include Brad Soultz, Chief Executive Officer; Tim Boswell, President and Chief Operating Officer; and Matt Jacobsen, Chief Financial Officer. Today's presentation material may be found on the Investor Relations section of the WillScot website.

I'd like now to direct your attention to slide number 2 containing our safe harbor statements. We will be making forward-looking statements during the presentation and our Q&A session. Our business and operations are subject to a variety of risks and uncertainties, many of which are beyond our control. As a result, our actual results may differ materially from today's comments. For a more complete description of the factors that could cause actual results to differ and other possible risks, please refer to the safe harbor statements in our presentation and our filings with the SEC.

With that, I'll turn the call over to Brad Soultz to begin.

Brad Soultz

Thanks, Charlie. Good afternoon, everyone, and thank you for joining us today. I'm Brad Soultz, CEO of WillScot. Please turn to slide 7 of our Q1 earnings release deck.

Our first quarter financial results were consistent with our expectation and support reaffirming our full year 2025 outlook. While there remains macro-related end market uncertainty, our current pending order book is up 7% year-over-year for both modular and storage products. These pending order levels should support our expected new lease activation levels in the second quarter.

In Q1, our team delivered adjusted EBITDA margins of 41%, yielding \$145 million of adjusted free cash flow at a 26% margin. We returned \$45 million to shareholders, and we progressed our acquisition pipeline. On an LTM basis, our adjusted EBITDA margins are 44%; adjusted free cash flow margins are 23%; ROIC is at 16%, yielding \$3 of free cash flow per share. We expect to build on these metrics to drive shareholder value through our margin expansion initiatives in our portfolio of \$2.5 billion of growth levers. Importantly, we believe our portfolio of growth levers provides multiple paths to achieve our goals through different end market backdrops.

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The Board and I have confidence in our team's ability to achieve our 3 to 5 year financial milestones of \$3 billion in revenue, \$1.5 billion in adjusted EBITDA and \$700 million in adjusted free cash flow. Additionally, we have multiple paths to drive free cash flow per share from \$3 today to the top end of our revised 3 to 5 year range of \$4 to \$6 per share. Now before I turn it over to Tim and Matt for additional context, I'd like to thank our team for their steadfast commitment to our customers, to each other and to our business. On behalf of our Board of Directors, I'd like to thank Eric Olson for his years of stewardship and Worthing Jackman, as he succeeds Eric as our non-Executive Independent Chairman. And finally, I would like to welcome Nick Zarcone, who, in June, will represent the fourth new independent director added to the Board in the past 3 years and is indicative of our commitment to enhance our large-scale industrial operational expertise.

We collectively believe that we have the right strategy and, as important, the right team to achieve our goals for 2025 and beyond, creating multiple paths to shareholder value creation along the way. Tim?

Tim Boswell

Thanks, Brad, and good afternoon and good evening, everybody. We, of course, just met to discuss strategy and operations in detail at the March Investor Day. So thank you again to those of you who made the trip and hopefully enjoyed what is our peak tourism season here in Phoenix.

Relative to what we discussed in March, we continue to see stability commercially and progress across all of the internal initiatives that we prioritized. So altogether, on track with what we presented at Investor Day, with a variety of levers to improve growth and returns in our business.

Let's start commercially. When we met in March, our total pending order book was up 6% year-over-year, and that has remained consistent through the end of April and is up 7% year-over-year today, as Brad mentioned, so progressing generally in line with our original volume expectations for the year. That order growth is coming entirely from our larger accounts, offsetting continued weakness in our local accounts, which is consistent with the mix of end market activity that we've been discussing for some time.

Headlines related to trade policy change daily, creating a level of uncertainty that is greater than we expected 2 months ago. The Architectural Billings Index was 44 in March, and Q1 nonresidential construction square footage starts were down 17% year-over-year. So we remain cautious for all of those reasons. That said, we also have internal initiatives in flight to drive performance across our local and enterprise accounts, which we think can allow the order book to continue to outperform those market data points, and we're pleased with the build in the order book year-to-date.

We are actively adding sales resources across our local and enterprise teams, increasing sales headcount sequentially by 4% in the quarter, and still expecting to increase the sales team by 10% to 20% overall through the course of the year. And in May, we're rolling out both our enhanced sales HQ workbench in our CRM and our new pricing engine as planned. Those of you in Phoenix got a glimpse of these tools in March. So we expect to have both greater overall resources and productivity levers in place heading into the second half of the year.

Unit pricing on new contracts across all product categories has been stable for several quarters now. We have deployed enhanced segmentation methodologies for our out-of-term pricing and expect targeted increases on new

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contracts once we've stabilized in the new pricing engine. And value-added products and services continue to grow relative to the overall business, representing over 17% of revenue in the quarter, which Matt will touch on later.

In terms of field operations, logistics continue to be our biggest area of focus, with delivery and installation margins contracting year-over-year in Q1 driven by a combination of lower margin, seasonal transportation activity and insourcing initiatives that are not yet at full productivity. As we discussed in March, this is an area where we see opportunity for significant margin expansion and competitive differentiation.

Fleet availability and production continue to be key advantages for WillScot, especially in all of the larger project activity that we're seeing, and we saw solid expansion in year-over-year leasing margins in the quarter. We know that our in-house production, transportation, setup and service capabilities are best-in-class in the market and will become more valuable by the day with continued uncertainty around labor and inputs. We are uniquely positioned without any significant supply chain constraints while ready to unlock significant operating leverage within our fleet and field operations.

And in our centralized operations, we saw encouraging improvements in performance levels by the team and a \$30 million reduction of accounts receivable in the quarter, which is a good first step towards realizing the longer-term working capital and earnings opportunities that we discussed in March. So overall, we have clear initiatives and performance levers that are within our control and give us confidence in the outlook for the year. So we're staying focused on those, and I'd like to thank the entire team for their solid execution in Q1. Matt?

Matt Jacobsen

Thank you, Tim. Turning to slide 22, I'll provide a brief overview of the quarter. As Brad noted, Q1 results were in line with our expectations to begin the year and support our reaffirmed full year outlook for 2025.

Looking at the first quarter, total revenue of \$560 million declined 5% year-over-year or mid-single digits as we had expected due to lower volumes. Average units on rent were down 5% year-over-year for modular and down 16% year-over-year for storage, broadly in line with our expectations. Pricing and VAPS continue to help mitigate some of the impact from the volume declines in the quarter. Average monthly rental rates were up 5% year-over-year for modular and up 2% year-over-year for storage. I'll touch on VAPS in a bit more detail shortly.

Total leasing revenue was down \$26 million or 6% year-over-year, while delivery and installation revenue was down \$12 million or 12%. This was partially offset by higher sales, which increased \$10 million or 39%, most of which was driven by increased new sales activity.

Adjusted EBITDA for the quarter amounted to \$229 million at a margin of 40.9%. The margin decline year-over-year of 130 basis points was generally in line with our expectations but impacted slightly more due to a greater mix of new sales in the quarter versus 2024. The increase in sales mix drove approximately 40 basis points of the margin compression year-over-year in the quarter.

Turning back up to slide 20. This is a new addition to our quarterly earnings presentation, introduced to align the discussion we had during our March 2025 Investor Day. Tim mentioned VAPS briefly in his remarks, but this slide highlights the percentage of revenue contributed by value-added products and services on a quarterly basis back to

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2022. This quarter, we surpassed the 17% mark, moving steadily towards our long-term goal of generating 20% to 25% of total revenue for VAPS over a 3 to 5 year horizon. This achievement is particularly noteworthy given the 11.5% decline in consolidated units on rent, underscoring the strength and the resilience of our VAPS portfolio. It reflects deeper penetration of these offerings across our core product lines and reinforces our ability to drive growth through levers within our control.

Turning to cash flows on slide 23. We generated \$145 million of adjusted free cash flow at a 26% margin in the quarter, which was 120 basis points higher year-over-year. This equates to adjusted free cash flow per share of \$0.79 at our current share count or \$3.02 over the last 12 months. The stability of our cash flows continues to be a compelling part of our business model and afford great optionality to allocate our capital, allowing us to reinvest at strong returns for continued value creation.

Moving on to slide 24. We successfully refinanced our 2025 senior secured notes during the quarter, extending the maturity to 2030 at a fixed interest rate of 6.625%. Given the current interest rate environment, we view this as a proactive step to further strengthen our balance sheet to preserve ample liquidity in our ABL, which remained at over \$1.6 billion as of March 31. It also increases our financial flexibility, allowing us to allocate capital towards accretive investments and future growth initiatives, including both organic growth and potential M&A opportunities. We appreciate the continued support and confidence of our debt investors in our long-term strategy and our operational execution.

Moving on to slide 25. We continue to prioritize our capital investments first towards organic growth, and we invested \$62 million of net CapEx in the quarter, which was down just slightly to the prior year of \$65 million. We continue to invest in fleet refurbishments and new fleet in select categories to meet demand, including office complexes, FLEX, VAPS and also into growth CapEx into our newer product categories such as climate controlled units, clearspan and perimeter solutions. We will also continue pursuing acquisitions that fit our criteria, and that pipeline continues to develop.

Lastly, in Q1, we returned \$45 million to shareholders by repurchasing approximately 1.1 million shares of common stock and paying our first quarterly cash dividend of \$13 million. Given the recent trading activity, we continue to be opportunistic with repurchases and repurchased an additional 741,000 shares for \$18.1 million during April. Our leverage during the quarter remained flat at 3.5x. We expect our leverage to naturally decrease largely through earnings growth from 3.5x currently into our 3 to 5 year target range of 2.5 to 3.25x.

And finally, on slide 27, as Brad mentioned, we are reaffirming our 2025 financial outlook. As discussed during our Investor Day on March 7, we anticipated year-over-year unit-on-rent headwinds would persist into the first quarter before beginning to ease over the remainder of the fiscal year. First quarter results were consistent with those expectations, and our current pending orders support the underlying volume assumptions in our second quarter outlook.

Looking ahead to the rest of the year, we expect continued easing of volume headwinds such that rate and VAPS growth, along with our expanded product offerings, will drive modest top line year-over-year growth in the second half of the year.

What that means for the second quarter is that we expect total revenues to improve sequentially such that revenue will be down approximately 2.5% year-over-year rather than nearly 5% as they were in the first quarter. From an

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EBITDA margin perspective, we expect margins in the second quarter to expand sequentially similar to or slightly better than they did in the prior year, and we expect flattish adjusted EBITDA margins year-over-year in the second half of the year.

We remain poised to invest in our fleet, which will drive higher net CapEx versus last year as we continue fleet refurbishments and fleet repurchases in select categories to meet demand, including, again, some of our newer product categories that are driving the incremental spend year-over-year. At the midpoint of our guidance, we still expect to deliver \$2.375 billion in revenue, \$1.045 billion in adjusted EBITDA, and \$265 million in net CapEx for full year 2025. This is no change to the base case of our 2025 outlook from when we first provided back in late February, and we continue to have opportunities that could take us up in the range and additional risks that could take us lower in the range.

We're cognizant of concerns over the broader market right now, driven by tariffs, labor and other evolving policies. We're closely monitoring these trends and the potential impact on the broader American economy and the indirect impact on our business. The midpoint of our revenue guidance assumes that demand remains consistent with our original expectations for the year, supported by our first quarter results and by our current pending order book, which is up 7% versus last year, as Brad noted earlier.

We see little direct impact from tariffs within our P&L, but there remains uncertainty about how these could influence demand in the second half of the year. As a result, we've maintained a wider revenue outlook range than we generally would sitting here on May 1. To move up from the midpoint of the revenue range, we would expect to see a combination of increased demand, incremental pricing performance and/or greater VAPS penetration. Downside risks primarily include unit-on-rent deterioration in the second half of the year should customer demand reduce meaningfully due to economic uncertainty, which could move revenues below the midpoint. Should the demand environment change, we can quickly adapt by flexing our variable cost base to match demand levels as we have in the past to support margins while still supporting our customers.

But as of today, we continue to see an order book that supports continued investment both in the form of our fleet and our sales organization, as Tim noted earlier.

As a reminder, 95% of our revenues are generated by maintaining and re-leasing our existing owned assets. Our views related to the direct impact from tariffs haven't changed much from when we spoke at Investor Day back in March. Based on our supply chain across our entire expense base, both in the P&L within CapEx, we estimate about a 2% to 4% annual direct impact from tariffs with the vast majority of the increase in costs impacting our net CapEx.

Generally, these pressures will impact competitors as well. And as such, as we have historically, we've been able to price through cost increases to help mitigate the impact. Based on all of this, we expect the direct tariff-related impacts to be quite manageable.

While tariffs might create demand uncertainty in the near term, if the intended impacts are successful balancing trade and spurring increased investment in domestic manufacturing and other industries, our business could benefit from the multiyear tailwinds as we partner with our customers to transition their operations in the future. Transition is generally good for our business and supportive of increased demand for our solutions.

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Wrapping things up, our start to the year was in line with our expectations, and our pending order book should support our expected new lease activation levels in the second quarter. Customer demand will continue to guide our 90-day zero-based planning process, including appropriate adjustments in our cost structure and our capital spending, and we have great flexibility to adjust to changing demand, which leaves us very comfortable with our current outlook ranges.

I will now hand it back to Brad for some closing remarks.

Brad Soultz

Thank you, Tim and Matt. Thank you to our customers for your continued business, and thank you to our team for their focus on safety and customer satisfaction. And thank you to our shareholders for your trust with your capital. We look forward to connecting with you over the course of the quarter at various conferences and meetings. I wish all of you listening today continued safety and good health.

This concludes our prepared remarks. Operator, would you please open the line for questions?

Operator

(Operator Instructions) Andrew Wittmann, Baird.

Andrew Wittmann - Robert W. Baird & Co. Incorporated

I guess just on the order book, plus 7%, I think good result considering everything that's going on out there. These are the order book. And so I was just wondering if you would comment a little bit about the conversion time. Is the order to delivery time expanding given some of the economic uncertainty? Are there pauses, delays, cancellations?

Are things coming in and out of the order book and netting to plus 7%? Maybe just some of the characteristics that underpin that, that might give us a flavor for the overall demand environment that resides under that nice 7% level that you're highlighting today.

Tim Boswell

Andy, this is Tim. It's a great question. It might be a little bit too soon to observe some of the concerns that you're raising. So we're watching it carefully. I can say that quoting activity, for example, over the last 30 days since Liberation Day has been up – it's about 10% year-over-year across all product categories.

So you're continuing to see healthy new customer inquiries coming into the funnel. We have not observed any change in conversion rates or cancellation rates. I mean, cancellation rates through Q2 so far are actually down slightly relative to prior year, so you're raising the logical concerns that are on our mind, but we just haven't observed any data yet that tells us those things are happening.

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And in terms of the progress through the course of the year, as long as we see this type of progress in our leading indicators, we have added to the sales force. We've got some productivity tools in the CRM and the pricing engine that should allow our teams to be more effective in the field. But to the extent we see any slowdowns or changes in customer behavior, those things are all levers that we can pull in the other direction, if necessary. So we're watching it carefully, though, encouraged with the order book build year-to-date.

Andrew Wittmann - Robert W. Baird & Co. Incorporated

Great. That's really helpful color. And then for my follow-up question, I guess it's probably for Matt. Matt, I wanted to ask about the VAPS. Just historically, you've provided kind of average and spot VAPS and kind of use that to talk about your goal of getting up to \$600 per unit per month, at least on the modular side there.

I didn't see that here, so I thought I would ask if you could provide the average and spot VAPs for modular and the portable storage segments so we can understand the underpinning dynamics to that 17% of total revenue that you articulated here already.

Matt Jacobsen

Yes. Sure, Andy. So I think the biggest reason for that, and we went through this a little bit at the Investor Day, was more around as we've expanded the overall portfolio of VAPS, we've added in perimeter solutions, you would have seen some of the solar product that's out there and some of these other products, those orders go out kind of separately now.

Sometimes the timing is different than our modular and our storage and attributing those to one or the other just doesn't really work anymore with the overall product portfolio that we're operating. That's why we've moved to this percentage of revenue because, ultimately, what matters is that as we grow the business, as we put more units on rent, as we drive rate, we're also loading each of those customers or job sites up with a full site solution.

And that's where the percentage kind of came in. It's a much better way to capture all that.

Operator

Sherif El-Sabbahy, Bank of America.

Sherif El-Sabbahy - Bank of America Securities

I just wanted to touch on the Q2 top line outlook. Obviously, with the guidance down 2.5%, it's improving sequentially notably. Within that, historically, Q2 volumes have come down sequentially, is that do you still expect to happen in the second quarter?

Matt Jacobsen

Generally, no. That's typically in a normal seasonal -- because of the normal seasonal cadence of our business, you do bottom typically in kind of in Q1 time frame, and things start to build through the busier Q2, Q3 season. So no, our outlook would not expect that as we continue to see the orders in our book moving forward, especially in modular, right? That's the typical busy season for modular. There's those different seasonal patterns within storage with the Q4 piece. So that is a little bit different. But modular definitely not. That should drive forward as we go forward, and we expect stable kind of through the year.

Sherif El-Sabbahy - Bank of America Securities

Understood. And looking just at the modular delivery installation, obviously, it's varied a little bit with the change in volumes. Could you give us an idea of what cadence you expect for that side of the business?

Matt Jacobsen

Sorry, for the delivery and installation you're asking about?

Sherif El-Sabbahy - Bank of America Securities

Correct.

Matt Jacobsen

Yes. So it'll grow with that increase in activity, right? In the second quarter, we would expect growth, I don't know, maybe somewhere in that 10-ish percentage range as you start to get more activity there in the second quarter. So not to nail down maybe specific numbers. But yes, definitely, the D&I will grow into the second quarter as we have more activity.

Operator

Scott Schneeberger, Oppenheimer.

Scott Schneeberger - Oppenheimer & Co. Inc.

I guess to start, I'm curious, I want to talk about the end markets served. And there's, on slide 13, a quote about retail. And I just wanted to delve in there. It's anticipating improvement in retail customer segment this year. And I think

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you've been speaking about that, has the Liberation Day updates or anything like, affected your view for the back half of the season on that, midyear and back half.

Tim Boswell

Scott, this is Tim. I think the short answer is no, there hasn't been a real change in our view as to retail-related demand over the last 30 days. We've had pretty in-depth conversations with some of the larger accounts within that sector, and those conversations predate Liberation Day, and they're ongoing.

And they're certainly contributing to the year-over-year growth in the order book, particularly in the storage side of the business, which we're very encouraged about, and some of that we expected, if you rewind where we were maybe a year ago, given the pause in some of the store remodel activity among some of the larger retailers, which we do see coming back. So we haven't seen any incremental or decrement specific to the tariff policy. But again, we're deeply engaged in those conversations.

Encouragingly, in the retail sector. Historically, as you'll know, that's primarily been a storage clientele. And we are seeing better cross-selling activity with climate-controlled storage and some of the rest of the offering as we engage those accounts a bit more strategically.

Scott Schneeberger - Oppenheimer & Co. Inc.

Appreciate that, Tim. And then you guys were active with share repurchases in the quarter and that appears to be a very logical move. Just curious, I guess, Matt, for you, how are you thinking about continued stock buybacks assuming current levels versus M&A, maybe a little bit of discussion about what you're looking at there and the ripeness of such a pipeline.

Matt Jacobsen

Yes, Scott, I don't think it's any different than the way we've approached it the last few years. As you know, M&A can be, it's going to transact when it transacts. So that can be a little bit bumpy, but we'll continue to work that pipeline. And for those deals that come to us and make sense, we'll absolutely transact.

And then we'll continue to be active with our, or consistent with our kind of long-term capital allocation framework, sorry, as it relates to repurchases. And you saw again today that we announced the second dividend, the dividend for Q2, which is another way for us to return capital to shareholders.

Operator

Manav Patnaik, Barclays.

Ronan Kennedy - Barclays Bank PLC

This is Ronan Kennedy, on for Manav. Can I just dive a little deeper in relation to the quote on the pending orders as follow up to Andy's question? What's the historic correlation there, say, to activations, actual delivery and installation and, ultimately, UOR? How should we think that, as for the reliability of that as a leading indicator?

Tim Boswell

Ronan, this is Tim. So we're talking about net orders, right? So that'll take out cancellations, right? When we're thinking about the net order rates that we're seeing in the business, there can be a timing element. So depending on how much lead time a customer is giving us between the time of order and delivery.

It does appear if you look at the order book that the timing weighting is shorter or near term this year relative to last year, which is just more confidence in the activation levels that we're expecting for Q2 specific to that guidance. So relative to last year, all else equal, the book is weighted a little bit more towards the next 4 or 5 weeks relative to where we would have been last year. Flip side of that is maybe not as much visibility into the second half. But as you know, with our lead times, that's almost always the case. And we're kind of forecasting 90 days out on a rolling basis.

So yes, absent any change in cancellation rate or a project time line, those orders convert to deliveries. And as you know, given you've got about 3 year lease duration in the business, you need several quarters of sustained year-over-year delivery growth to cause a unit-on-rent portfolio to inflect.

Ronan Kennedy - Barclays Bank PLC

Okay. And then for the guidance at the midpoint, can I confirm what the underlying expectation is with regards to volume inflection, if and when that's expected to happen? And if you're able to give a reminder on the contemplated AMR growth and UOR growth for both segments to the extent possible, please?

Matt Jacobsen

Yes, Ronan, just maybe I'll just hit it kind of broadly. I think consistent with the outlook we would have given at the beginning of the year, not a whole lot has really changed. We're expecting to continue to kind of eat into that volume headwind as we move throughout the year sequentially. And so by the end of the year, you're kind of maybe getting close to flattish, right, pick your point. That's kind of the way that we view the volume side of things.

On rates, I think it's consistent with what we've been seeing here recently. So if you're looking at our modular units, you're starting to grow that a little bit more as you get a bit more contribution from some of the expansions we're doing in VAPS and those things. So you might start to move up in that range that we provided, the 5 to 10. And then on storage, you'll see a similar move from where we are today, the 2% in the first quarter. As mix moves a little bit more again to the cold storage or temperature-controlled storage, you'll continue to see positive contributions from that as you move throughout the year. So we expect some further progress there, I guess, is what I'm saying.

Operator

Faiza Alwy, Deutsche Bank.

Faiza Alwy - Deutsche Bank

Yes. Tim, you talked about logistics is the biggest area of focus, and we did see delivery and installation margins contracting. You mentioned sort of lower-margin seasonal transportation activity. So just talk a little bit more about that, sort of what does that really mean and how quickly do you think we can see margins improve in that sort of area.

Tim Boswell

Yes, Faiza, a couple of different things going on there. And I do think these margins can move relatively quickly. We did have a stronger seasonal storage quarter in Q4 last year than in recent years, which is a good thing. And the return activity on much of that volume did stretch into January and February.

And on certain of those contracts, we did have flat mileage-based pricing, which, in some cases, came in at a lower margin. Overall, from a cash contribution on that business, we were actually really, really happy with the season, but it put some pressure on the margin in the quarter.

You also have heard us talk about in-sourcing activity, and we are bringing more of that fixed cost in-house to eliminate third-party trucking. That is a work in progress. And I'd say we added more of those resources in the quarter in anticipation of volume pickups going into Q2 and Q3. So maybe a temporary burden in the quarter that we expect to get some operating leverage out of as we progress into the second half of the year.

So across logistics, the types of initiatives that we have in place once you have those resources in-house, we talked about it in March, the cross-training of those resources to work across both the storage and modular product lines as well as climate controlled storage, we are actively pursuing a new scheduling capability that will allow our dispatchers to utilize those resources more efficiently. And then route optimization is kind of the last piece of that puzzle as we look forward into 2026. So those are all things that the team is working on to drive profitability at the delivery and installation level.

Faiza Alwy - Deutsche Bank

Great. And then I wanted to follow up on pricing. I know you usually give us the difference or the gap between LTM delivered and reported pricing for storage and modular, if you could just give us that, that would be really helpful. But then more broadly, I wanted to ask about, if we do go into a more inflationary environment, like historically, what we saw last time, post-COVID, like you really benefited from that.

And we saw much higher pricing from you, but I'm curious if we should think about that differently this time just given, I'm wondering if that was more a function of higher demand and just some of the early initiatives that you have taken

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on pricing as opposed to inflation, yes, as opposed to just more broad inflation. So just would love your big-picture thoughts on that.

Tim Boswell

Faiza, this is Tim. I'll start, and then I'll look to the rest of the team here to jump in. And I would tend to agree with you that inflationary environment used to be supportive for our business. Obviously, many input costs continue to inflate in this environment. When it comes to our biggest cost, which is a fleet, we already own it, and that's the nice thing about how we're positioned.

On top of that, we have the in-house capability to ready, remanufacture, deliver, install, which is pretty unique in our industry. So we feel like we've got our piece of the cost puzzle under control, which I think is a relative advantage in the marketplace for others who might need to either source new equipment or use third parties to deploy that equipment.

The analysis is maybe a little bit different on the container side of the business. But certainly, at a high level, I think we've demonstrated in the past that we can take advantage of the inflationary environments and pass those costs through.

As I said at the outset, unclear what the implications are from a demand standpoint. And ultimately, that's where the rubber meets the road, and that's where we're being most vigilant. But activity year-to-date has been encouraging.

Faiza Alwy - Deutsche Bank

All right. If you don't mind, Tim or Matt, if you could just give us a difference between the...

Matt Jacobsen

Yes. On the VAPS side, Faiza, I don't think I have anything really to add from what Andy had asked. I mean, given the portfolio that we've expanded, it's just you can't attribute everything to 1 unit or the other, and that's why we provided the update the way that we're reporting it so that everybody can understand how that grows as the business grows.

Tim Boswell

I'll give you a good example on that one, Faiza. So think about climate-controlled storage. The majority of the value-added services that we build on climate-controlled storages actually come either during the course of the rental or towards the end, not at the outset, in the form of a delivered rate. So think about run time charges on refrigeration equipment or telematics services and things like that. So it's really just not conducive to thinking about, okay, what's

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the VAPS billing at the activation of a contract versus the overall portfolio average, which is how we've talked about it in the past.

In the past, we would have said we don't have the ability to deploy value-added services after the delivery of a unit. Well, it's just not true anymore. We actually do, and that's a good thing, and that's the reason to look at it a bit differently.

Operator

Phil Ng, Jefferies.

Philip Ng - Jefferies LLC

Any color on new activations in the quarter for modular and storage? It was a helpful data point on pending orders being up 7% in the quarter? Any color on how that has progressed? Last few quarters, has it been generally positive? Has it been negative? Directionally, it would be helpful.

Matt Jacobsen

Yes, Phil, this is Matt. I can hit that. I think we gave some of that information through February, at the Investor Day. I think modular was kind of low single digits down, and storage was higher single digits down. What's been nice to see is over the last couple of months, modular activations have really been flat year-over-year, so very, very stable there and encouraging.

And then on storage, up about 3% collectively between March and April. So we have seen an uptick there. And obviously, given where the current order book is, we are feeling good about our Q2 outlook and what that looks like. But some positive results here in the last couple of months since we last spoke.

Philip Ng - Jefferies LLC

And in the order book, how that's trended in the last few quarters?

Matt Jacobsen

The order book has been very consistent since March, the 6% as of end of March and 7% as we kind of sit here today.

Tim Boswell

It really fell off towards the end of last year. I mean, the build year-to-date has been certainly steeper than it would have been to start last year. So that piece has been encouraging.

Philip Ng - Jefferies LLC

That's great. And then you guys talked about how perhaps you're seeing broader strength or your order book particularly, for some of these larger customers relative to smaller customers. Can you expand on that? And what's driving that? Is that some of the go-to-market strategy you guys have talked about that's a WillScot initiative or just your scale or just the customer mix is a little different in terms of liquidity?

Tim Boswell

Phil, I think this has been going on for the better part of the last 18 months in terms of the composition of end market activity and the nonres construction sector, whether it's large mega projects, reshoring, things like that, that we've been talking about for a while now. And I think the larger the project, generally, those are going to go to the larger Pan-North American general contractors who, in all cases, are enterprise accounts of us, and we're disproportionately well positioned to compete and win for that, win that business. And that's really all we're seeing right now.

As we talked about in March when we were together, we are taking a fresh look at our approach to enterprise accounts and really allocating talent and resources in that area. I think it's a great growth opportunity for the company. I can't say that any of those efforts have manifested themselves yet in the results. But certainly, as we look through to the end of the year and into 2026, I think that's an area where we can really drive some traction.

Philip Ng - Jefferies LLC

Is there any nuance in terms of the margins between these bigger customers versus smaller customers?

Tim Boswell

On the margins, the larger the customer, the longer the duration, the fewer turns you've got on your equipment. Pricing, it's hard to really generalize. This is not a business where your largest customers necessarily get the best price, right? Sometimes the larger customers have other purchasing criteria like being on time, being on budget, no project delays, product quality, service levels, et cetera. So we do see pricing and VAPS opportunities on these larger projects. So it's a bit hard to make that generalization, Phil.

Operator

Angel Castillo, Morgan Stanley.

Angel Castillo - Morgan Stanley

Just wanted to ask a little bit about maybe some of the divergence that you're seeing with good quoting activity, good levels of kind of pending orders, and yet you kind of talked about ABI earlier, how that's kind of ticked lower, and we've seen some of the construction-type data remaining a little bit more hesitant, but it doesn't seem to be showing up in terms of your quoting and what you're seeing from your customers.

So just curious, anything you can kind of glean from your conversations as to maybe what's driving that divergence? Is it just level of expectations, kind of near term or improvement? Or is it more the kind of verticals that you might be exposed to, where you're seeing kind of that demand offset other areas?

Tim Boswell

Angel, it's Tim. Certainly, the larger project activity that you're very familiar with continues to drive the order book. I said in my prepared remarks, all of the year-over-year growth in the order book is coming from our enterprise accounts. So we still see weakness across local accounts. We're trying to attack both sides of the market.

I talked about sales resources and productivity tools, those are largely directed at local market penetration, which we talked about when we were together in March. And I just mentioned efforts that we're putting behind the enterprise side of the business. So I think these dynamics have been going on for some time. We haven't seen any significant changes yet. But as I mentioned earlier, we're quite vigilant given all the data points that you just referenced and which we watch carefully.

Angel Castillo - Morgan Stanley

Maybe just one quick clarifier and then a follow-up just on the local markets. I guess is the right way to read that is that it's not getting worse, you're just not seeing maybe an improvement? And then maybe on the follow-up side, you noted some improvement there on the accounts receivable. That was one area that I think really gone into a little bit more detail at the Investor Day. Could you just talk about kind of the progress that you're seeing there towards your kind of 65 days sales outstanding and just how that's kind of progressing overall?

Tim Boswell

I'll talk about the local account piece. We haven't seen any market data points that tell us that the local market segments are getting any better. To the extent we get any traction there, I think it's going to be through our own

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internal initiatives and just frankly being better organized going into 2025 than we were going into 2024. And we talked about sales coverage and roles at the Investor Day. We talked about the productivity tools.

And frankly, just good old-fashioned performance management, that's another lever that's being pulled pretty strongly here. So we haven't assumed any recovery of any type in terms of the local market conditions and the guidance. And I'll let Matt maybe talk about working capital and back office more broadly.

Matt Jacobsen

Yes. I think on the working capital side, it's early days, right, but definitely saw some progress here in the first quarter as the team's gotten to organize and started to really work through some of these things. And it's something that obviously is a focus for this year. So we'll continue to see progress as we go. But we did see a \$30 million reduction in total AR during the period, which is an encouraging start.

So it'll continue to be a focus for us as we go forward, and we look forward to providing continued updates as we move along.

Operator

Tim Mulrooney, William Blair.

Tim Mulrooney - William Blair & Company L.L.C.

I've been bouncing around conference calls, so I apologize if you answered this already. But your comments on the order book are helpful, but I was wondering if you could comment on how actual activations have trended in recent months, if it's been following a normal level of seasonality that you'd expect for March and April, better or worse?

Matt Jacobsen

Yes. Tim, I think what we've seen is, I'll talk maybe first order book. We have seen the order book kind of ramp up a bit more this year towards normal seasonality than last year. Last year, didn't really see the normal Q2 ramp that we had historically seen. So that part has been normal.

I'm not sure if you caught this piece or not. But when we spoke last in March, we had said that modular activations had been down kind of low single digits year-over-year, and storage was higher single digits year-over-year. In March and April, modular activations were roughly flat with last year, so that's encouraging. And for storage, it was up 3%, March and April combined over last year. So progress from where we were beginning of March and kind of consistent with what we're seeing as the order book has improved here from the beginning of the year.

Tim Mulrooney - William Blair & Company L.L.C.

Okay. So seeing some improvement from earlier. That's helpful. And then just real quick on pricing. As I look at average modular monthly rental rate that we have here in the model, it looks like in the first quarter, both modular and storage a little bit lower in the first quarter relative to what you had in the fourth quarter.

And I'm used to that number just compounding and going up every quarter. And I think this might be the first quarter where we've kind of seen it tick down a little bit sequentially. But I also know there's noise in the numbers, right? There's seasonality, there's mix, there's VAPs, there's a lot of things here. But I was just wondering if you could help us understand, like did you lower prices on your base units?

Is it lower spot pricing that's driving it? Or is it activation, returns, mix, other things that I may not be thinking about? And how should we think about pricing particularly in storage as you move through the year?

Tim Boswell

Yes, Tim, this is Tim Boswell. It's a fair observation. If you just think about spot rates across all major product categories, single-wide mobile offices, ground-level offices, complexes, FLEX, dry storage, climate-controlled storage, they're sequentially flat effectively for the last several quarters with a little variation here and there, but there's been no meaningful reductions of spots as we've progressed through the last couple of quarters. And we do see some targeted opportunities to be a bit more aggressive there as we progress through 2025, which we will get after once we're stabilized in the new pricing engine.

Certainly, in terms of the sequential progression of storage, you have a fairly pronounced impact of climate-controlled storage in Q4 of 2024, just because the percentage unit on rent growth in climate controlled relative to dry was much higher. And as that seasonal business came off in Q1, it results in that change in AMR and storage.

I think the best way to think about pricing through the course of 2025 is to assume that we can deliver kind of modest sequential gains across both of those major product categories as we progress through the year. In modular, that'll be driven by just the fact that spots continue to be comfortably above the portfolio average. And in storage, that'll be more driven by the ongoing mix benefit of climate controlled as that portfolio actually continues to perform quite well.

Operator

Brent Thielman with D.A. Davidson.

Jean Ramirez - D.A. Davidson & Co

This is Jean Ramirez on for Brent. Regarding your initiatives, can you talk about your ability to stay on the construction side or, as you spoke, I think, in the Analyst Day, being able to capture more momentum and stay at a, beyond Phase 1 and 2. Yes, could you talk about that both at the local regional level and at the enterprise level?

Tim Boswell

Yes, this is Tim. It's an important opportunity that we need to get better at as a commercial team. We are excellent at winning these larger projects, and that's just a testament to the relationships that we have with the larger North American general contractors who are most likely to be leading these projects. But to your point, these tend to be a long duration. We're seeing 3, 5, 7 year mega projects, and the challenge to our team is how do we be present through the course of that project's duration and to ensure that our local sales teams are incentivized to capture all of that subcontractor activity, all of that transactional activity rather than just being satisfied with the large GC relationship.

So that's an ongoing focus and initiative here. It requires close collaboration between our enterprise accounts team, the local leadership and sales team. And it's certainly an opportunity for us given the mix of activity that we're seeing in the end markets.

Jean Ramirez - D.A. Davidson & Co

And as a follow-up, given with what's going on at the commercial level and private being down and all the noise that's going on, are you guys able to increase your market share at the local or regional level perhaps as some of your competitors might not have the balance sheet or maybe the capacity to withstand some of these headwinds? Yes, any color on that, that would be helpful.

Tim Boswell

I'll start. This is Tim. I think the build in the order book relative to some of the third-party market data points that we pointed to, I think, tells us that we are more than holding our own when it comes to market share. And I think that's, again, the mix of activity favoring the larger projects and larger GCs works in our favor in this environment.

Certainly, in terms of the ability to deploy incremental capacity into the market, nobody is better positioned than WillScot, and nobody has a lower marginal cost than WillScot. And that's just an advantage of having the largest fleet in the industry and having all of the in-house capabilities to deploy that fleet efficiently into the market.

I can't say sitting here today that the supply side of the industry has seen meaningful incremental constraints since Liberation Day, but that's certainly a possibility if inputs, labor, materials, et cetera, get more constrained due to the trade environment as we progress through the year, but that's more of a hypothetical right now.

Brad Sultz

The only thing I would add to that for folks, this is Brad, is Tim mentioned the leverage we have in our operating platform as volumes come back, that's absolutely the case locally on the commercial side. So the team has never been better equipped with tools and technology and never more stable. So as and when those markets come back, we're going to be equally well positioned to outperform locally as we're already seeing at the enterprise level.

Jean Ramirez - D.A. Davidson & Co

And if I could sneak one more, and I apologize if perhaps you already touched on it, but among the different categories, which vertical is providing your ability to withstand some of these headwinds between construction, energy and so forth?

Matt Jacobsen

Just as we look at kind of year-over-year revenues from that perspective, it's pretty consistent with what we've said. We've seen increases from our large GCs. We've seen some increases in infrastructure, a little bit manufacturing actually. And then as we talked about earlier, we do expect sequential growth in the retail and wholesale side related to some of the retail remodels we've been talking about.

And some of the areas like subcontractors, which are on some of the smaller projects, we've continued to see that be a bit more challenged. So no different than kind of what we've said from the incoming demand that we're seeing.

Operator

Steven Ramsey, Thompson Research Group.

Steven Ramsey - Thompson Research Group, LLC

With the order book ramping up given it's totally large projects driving that, does it reflect any improvement of cross-selling a larger portfolio of your products into these projects? Or is there any way to think about WillScot's density on large projects and if there's a long-term upward trend now maybe compared to the last 1 or 2 years?

Tim Boswell

Steven, this is Tim. It's an outstanding question because this is one of the primary commercial strategies that we are focused on across the sales organization right now. I think we've got a pretty good system in place where we've got clear visibility across all project activity in North America. We're absolutely looking at product penetration across all of those projects. And when we go out to do market visits or branch visits, project penetration and then cross-selling within those projects is a core focus at the market level.

I will not say that we're satisfied with where we're at yet, right? So I think that this is a prospective opportunity for the company and not reflected in the activity that we've seen to date, but we are laser-focused on it.

Steven Ramsey - Thompson Research Group, LLC

Okay. That's helpful. And maybe if there's another way to think about this topic, your VAPS as a percentage of revenue for the company, can you isolate VAPS as a percentage of revenue on these large projects? Basically, the VAPS penetration on large projects, is it better than local market projects?

Tim Boswell

I can't say that, Steven. If you look at VAPS penetration by product, that's another way to think about it. And this is where mix starts to come into play. Again, we actually have some of our best VAPS penetration on a per square foot basis on our FLEX product, which is the fastest-growing product within our modular portfolio and highly conducive to these larger sites that require complexes. On the flip side, single-wide mobile offices are an area where historically, they're a transactional category, they're very common for local clientele, we get very good VAPS penetration on those, and that category has been struggling just given the end market mix.

So during the Investor Day, we talked about selling value and the different levers that we have to pull there. Pricing engine has been deployed. FLEX, a totally differentiated product, fastest-growing in our modular portfolio with the highest per square foot VAPS penetration than some of the newer categories like temperature-controlled storage also performing quite well. So we're seeing momentum across a number of those levers.

Operator

I'm showing no further questions in the queue at this time. I would now like to turn the call back over to Charlie for any closing remarks.

Charlie Wohlhuter

All right. Well, thank you very much, everyone, for your interest and participation in the call today. As Brad said, we look forward to connecting with you over the course of the quarter at various conferences and meetings. Hope you have a good night, and we'll talk soon.

Operator

This concludes today's program. Thank you, all, for participating. You may now disconnect.