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TRANSCRIPT

Q4 2022 Earnings Conference Call

WillScot Mobile Mini Holdings Corp. (Nasdaq: WSC)

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TRANSCRIPT

Operator

Welcome to the Fourth Quarter 2022 WillScot Mobile Mini Earnings Conference Call. My name is Michelle, and I will be your operator for today's call. Please note that this conference is being recorded.

I will now turn the call over to Nick Girardi, Senior Director of Treasury and Investor Relations. Nick, you may begin.

Nick Girardi

Good morning, and welcome to the WillScot Mobile Mini Fourth Quarter 2022 Earnings Call. Participants on today's call include Brad Soultz, Chief Executive Officer; and Tim Boswell, President and Chief Financial Officer. Today's presentation material may be found on the Investor Relations section of the WillScot Mobile Mini website.

Slide 2 contains our safe harbor statement. 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 statement in our presentation and our filings with the SEC.

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

Brad Soultz

Thanks, Nick. Good morning, everyone, and thank you for joining us today. I'm Brad Soultz, CEO of WillScot Mobile Mini. First, a quick reminder that we've completed the divestiture of the Tank and Pump and the U.K. segments. Together, these discontinued operations had been contributing about $100 million of adjusted annual EBITDA. We are now focusing our human and financial capital with laser precision on further amplifying our pure-play position as the undisputed leader providing innovative modular space and storage solutions in North America.

We are excited to kick off 2023 with a streamlined focus, and we continue to get a lot of new interest in our company. Our strategy is simple and unchanged. We safely and frugally grow lease revenues by driving units on rent, rate optimization and value-added products and services, all to delight our customers, support our employees and deliver outstanding returns to our shareholders.

Those of you on the call who have followed us for some time know that we say what we do, we do what we say, and we reference our goals as milestones. That's because milestones are intended to be surpassed. In 2022, we achieved several key milestones that we had identified just over a year ago at our Investor Day.

Outperformance from continuing operations resulted in full year 2022 return on invested capital of 15% as well as revenue of $2.14 billion, up 28%; net income of $276 million, up 141%; and adjusted EBITDA of $884 million, up 36% year-over-year, respectively.

All of these are company records, and we'll continue to raise the bar. Given the trajectory on which we exited 2022, we will achieve the $1 billion adjusted EBITDA milestone already in 2023 based exclusively on our continuing operations.

Now beginning on Page 14, we're executing a portfolio of largely idiosyncratic initiatives representing over $1 billion of further growth opportunity. First, the largest and massive comparative advantage, Value-Added Products and Services, or VAPS, opportunities alone support $500 million of future growth, and we continue to make great progress.

Our Modular team exceeded $400 of VAPS revenue per month per modular unit delivered and are progressing towards our next milestone of $600 with enhanced penetration, selective new product introductions and better sales rep productivity. Modular VAPS alone represents over $300 million of growth, over half of which we will realize by simply holding penetration rates they've already achieved on units delivered in the last 12 months.

Our Storage team continued to expand VAPS and penetration across the ground-level office fleet and rolled out our basic storage offering across our branch network, including organizational solutions, security features and lighting options. And in 2023, we're introducing our premium offering, an innovative proprietary combination of highly efficient and reusable modules that can be configured for shelving, pipe racks, work benches, tool storage, et cetera. Customer support and feedback has been strong, and we're following the same proven playbook we've been executing for years in Modular. The growth potential associated with this initiative gets more exciting every time I revisit it.

Second, rate optimization initiatives continue to progress very well. Simply maintaining the rates that we've already achieved today represents over $200 million of future growth as our portfolio churns over its approximate 3-year lease duration. Our Modular team achieved an 18% year-over-year increase in average monthly rates in 2022, driven by consistent growth throughout the year.

Our Storage team delivered 24% year-over-year growth in 2022, accelerating throughout the year. And we have numerous levers to drive rate in our business, and our differentiated value proposition, product offering, best-in-class logistics and customer service allow us to deliver unrivaled value to our customers. We will continue to expand our value proposition and capture that value in rate.

Third, market penetration improved as we drove volume in both segments. I'm also thrilled to report that we went live on our new CRM system earlier this month, which allows all employees to see all customer activity across the entire company. This will enable more systematic lead sharing, more sophisticated digital marketing and ultimately will allow us to go to market as one company and provide a more seamless experience for our customers. We are booking orders and deliveries in the harmonized system as we speak. And I would like to extend my gratitude to the team and the dedicated countless hours that took to make this transition smooth and seamless.

Our fourth lever, our logistics teams have been hard at work as well. We improved delivery and installation margins in every quarter this year, already capturing over $50 million of incremental margin in the year 2022. We have many more opportunities to generate further value as we reduce cost, particularly as we improve our routing and delivery systems, invest in more efficient environmental-friendly trucks and in-source more delivery activity in Modular. So we've clearly already delivered, pun intended, on the $50 million milestone for this category and are confident there's another $50 million of further potential.

Finally, you'll note that we've expanded the title of our fifth growth level to include the scale efficiencies resulting from both M&A as well as optimization across the broader enterprise. In 2022, we continued our disciplined and programmatic tuck-in M&A strategy, closing and integrating 13 acquisitions of local and regional modular and storage companies, which extends our value proposition to both new and existing customers. And our current M&A pipeline supports the continuation of this cadence. The broader scale efficiencies will build over time, with initial benefits evidenced in our gross margin expansion and sequential improvements in SG&A, both of which Tim will unpack a bit further.

Our customer value proposition is equally simple: deliver turnkey space solutions so our customers are safe, comfortable and productivity from day 1. And while our value proposition is simple, execution is not. We leverage our market-leading and unparalleled scale with commercial, operational and technological sophistication. We are a small part of the total project cost for our customers and are typically the most cost-effective and convenient alternative. Our portfolio of idiosyncratic value drivers result in compounding cash flow, providing for full optionality with respect to capital allocation.

Our Modular and Storage fleet scale and associated operations are 5x larger than the next largest alternative provider, and over 75% of our revenues are driven by recurring, long-duration leases that generate consistent and profitable growth, altogether translating into attractive and expanding returns on capital.

At WillScot Mobile Mini, we deliver on our promises. I have no doubt that we'll achieve and surpass more milestones in 2023.

With that, I'll turn the call over to Tim for more detail on the year-end results and our exciting outlook.

Tim Boswell

Thank you, Brad, and good morning, everyone. I'm going to flip through a few pages, starting with Page 20 in the financial section, which shows a high-level summary of the quarter. Before I jump in, I will remind everyone that the results from the divested U.K. Storage segment are reported as discontinued operations in Q4 and all prior periods. And the results of the divested Tank and Pump segment are reported as discontinued operations in Q3 and all prior periods.

In certain analyses, we've added back U.K. Storage and Tank and Pump results for comparability purposes and footnoted those adjustments. As always, our goal is to be as transparent as possible about the run rate of our business, and we continue to be very excited about our trajectory.

In Q4, total revenues of $591 million were up 28%, driven by our trifecta of rate, value-added products and volume across both segments and supplemented by acquisitions. Adjusted EBITDA was up 43% to $268 million and adjusted EBITDA margin expanded by 480 basis points to over 45%, which is a company record and driven by very strong performance in our logistics function.

For the full year 2022, adjusted EBITDA margin of 41.3%, expanded by 250 basis points, which is exactly the midpoint of what we presented to you at Investor Day about 16 months ago while significantly exceeding those revenue and EBITDA targets.

Free cash flow accelerated as expected, generating $123 million in Q4 at a 20% margin and a 14% margin for the full year. Return on invested capital increased to over 15% for the year, which is also a company record and up 370 basis points year-over-year. Net debt to EBITDA has dropped to 3.1x pro forma for the U.K. divestiture, which is at the low end of our target range and the lowest level in the last 10 years, all while supporting the strongest reinvestment in the history of our business with $414 million of net CapEx, $221 million invested in 13 acquisitions and over $750 million of share repurchases, which reduced our economic share count by 8.2%.

We continue to execute across all of our idiosyncratic growth initiatives. And together, they comprise a powerful formula to deliver sustainable growth and returns.

Page 21 lays out revenue and adjusted EBITDA for the quarter. From continuing operations, revenue increased 28% to $591 million, and adjusted EBITDA increased 43% to $268 million, and margins expanded by 480 basis points to 45.4%. And these results exclude contribution from the divested segments. It's important to remember that Q4 is always our highest margin quarter due to the strong seasonal utilization in our Storage segment and seasonally lower work order activity in our Modular segment.

So while margins will obviously come down sequentially as we enter 2023, this was record profitability for the company in Q4 and indicative of where the business can go as it compounds predictably over time. We've been talking about the trifecta of rate, value-added products and volume all year, and they all contributed again in Q4 across both segments and provide clear tailwinds for leasing revenues into 2023. We also saw a 23% increase in delivery and installation revenue as a result of strong pricing and volumes as well as efficiency initiatives, which together drove over 550 basis points of gross margin expansion in the quarter and over 800 basis points for the year. The team did an extraordinary job managing the fuel and freight cost volatility last year, and we'll be focused on maintaining these gains in 2023.

Similarly, SG&A stabilized through the course of the year as we saw in Q3, and SG&A was down again sequentially in the fourth quarter and down approximately 130 basis points as a percentage of revenue for the year. And I fully expect that SG&A will be down again in 2023 as a percentage of revenue. So between the top line momentum, our cost efficiency initiatives and easing inflation, we are quite confident in our margin outlook heading into 2023 and beyond.

Turning to Page 22. Net cash provided by operating activities increased 36% year-over-year to $200 million. As I suggested on our last call, in Q4, we reduced net CapEx by almost $50 million sequentially and by almost $20 million year-over-year. Most of the fleet purchases in our Storage segment landed earlier in the year, and we saw a more normal seasonal reduction in Modular refurbishments relative to 2021. Recall that in Q4 2021, we maintained significant production in our Modular branches, given the extraordinarily tight labor market at the time and rebounding demand. So CapEx in Q4 2021 was unusually high, and 2022 reflects a more normal seasonal pattern.

Free cash flow increased sequentially by $40 million to $123 million, in line with the $500 million run rate that we were expecting. And free cash flow margin jumped back to 20% in the quarter and over 14% for the year. The cash flow metrics all include the divested Tank and Pump and U.K. segments for the periods in which they were owned. So that run rate will come down a bit entering 2023 and then rebuild through the course of the year. And consistent with our other margins, I expect free cash flow margin will compress meaningfully from Q4 into Q1 and then expand back into the high teens for the full year of 2023 as the business compounds predictably.

Turning to Page 23. Leverage declined to 3.3x last 12 months adjusted EBITDA as reported for purposes of Q4 and a 3.1x pro forma for the close of the U.K. divestiture on January 31, 2023. We are at the bottom of our target leverage range of 3.0 to 3.5x, with over $1 billion of availability in our asset-backed revolver. So we are unconstrained from a capital allocation standpoint with an extremely flexible debt structure.

Our weighted average cost of debt is 5.5%, and our debt structure is now 60% fixed rate after taking into account the $750 million floating-to-fixed SOFR swap that we executed in January 2023. And we entered the year with an annualized cash interest run rate of approximately $170 million. As always, we will be opportunistic in exploring ways to further optimize the balance sheet, but we are very happy with this debt structure.

Page 24 shows our capital allocation framework and our performance over the last 12 months. We created $1.6 billion of capital availability on a leverage-neutral basis over the last 12 months, and we allocated that capital consistent with our framework. 26% of our capital or $414 million went to net CapEx, including the divested segments, given the strong demand environment. As I'll talk about in a minute, I expect that comes down a bit in 2023.

We invested $221 million in 13 acquisitions in 2022, and the pipeline supports maintaining this cadence in 2023. We delevered to the low end of our range, both through growth and our divestitures, and we continue to see value in our own stock, repurchasing over $750 million of shares and equivalents and reducing our economic share count by 8.2% in 2022, representing a very strong return for our shareholders.

Page 25 reconciles our 2022 results with the guidance that we issued in Q3 following the divestiture of the Tank and Pump segment. On the left-hand side, our prior guidance was $910 million to $930 million of adjusted EBITDA for the year, inclusive of the U.K. operations. We ended 2022 with $933 million of adjusted EBITDA due to outperformance in our Modular and Storage segments, so above the range we shared in November. Moving to the right side of the page, removing the annual results from the U.K. as discontinued operations leaves $884 million of adjusted EBITDA, a run rate that supports over $1 billion of EBITDA in 2023 and generated by a stronger pure-play Modular space and Storage portfolio here in North America.

And last but not least, Page 26 details the guidance for the year. We expect that revenue will be up between 9% and 16% for the year, with stronger growth in our leasing revenues relative to delivery and installation and sales. Adjusted EBITDA of $1 billion to $1.05 billion will be up between 13% and 19% for the year. And this growth is nearly all organic with no assumed contribution from incremental acquisitions. We are assuming stable market conditions that support low single-digit volume growth but not the same demand environment that we saw in 2022. That said, we're not assuming a major demand contraction either given that we have end markets like infrastructure, manufacturing and reshoring and energy that are set up to perform this year regardless of a potential recession.

We are assuming that we continue to execute our pricing, value-added products and margin initiatives since these are all largely within our control. EBITDA margins should be up approximately 125 to 175 basis points this year. And we are not assuming further expansion of our delivery and installation gross margins. So the expansion is coming from rental gross margin and operating leverage in SG&A.

As I mentioned earlier, both revenue and margins will contract sequentially from Q4 into Q1 and then expand sequentially such that they are up meaningfully again for the year. This is normal and simply a combination of seasonal Storage volume coming off of rent and Modular work order volume beginning to ramp up in Q1. I would also expect SG&A to step up sequentially from Q4 to Q1 and then level off for the rest of the year and decline overall for the year as a percentage of revenue.

As I mentioned on our last call, net CapEx will remain at moderate levels in Q1 before ramping into the seasonally stronger Q2 and Q3 delivery periods. 2022 was a record year for fleet investment in our Storage business. So between fewer Storage fleet additions and more efficient Modular work order spending, partly offset by value-added products growth CapEx, our base case for CapEx is to be down about $25 million or 7% this year. That said, it will be demand-driven, and we'll invest more or less as we reset our zero-based fleet investment plan every quarter. But regardless, I think this sets up for a year of very strong free cash flow growth.

Looking at the guidance altogether, we would point investors to the lower end of the revenue and EBITDA ranges to start the year, given there's clearly some macroeconomic uncertainty out there. That said, at the lower end, we're comfortable that we can offset any risks related to volumes and any risks to delivery and installation margins or cost inflation. So the only question at the lower end of the range is how strongly is our run rate compounding into 2024, depending on how the second half of the year unfolds. And while we're not seeing any alarming deterioration in our metrics to start the year, we have considered a potential 2023 recession scenario in formulating the ranges and believe we can deliver the ranges regardless, which reflects the resilience of the business model and the strength of our own growth drivers.

In terms of variables that could take us to the higher end of these ranges, certainly, acquisitions would be incremental - this outlook is purely organic. A stronger demand environment supporting additional volume growth could push us toward the higher ends of all ranges and have great run rate implications for 2024. And further expansion of delivery and installation margins would be incremental, given the extraordinary gains and record levels achieved last year.

I'm sure there will be follow-up questions, so I'll leave it at that. In all of our scenarios, it will be another year of strong revenue, EBITDA and free cash flow growth and margin expansion. It's just a question of how strongly the business compounds into 2024, and we're highly confident that we have a portfolio of growth levers that will drive the business well beyond that horizon.

Thanks to our team for their execution and to our investors for your support as we continue the transformation of WillScot Mobile Mini.

With that, Brad, I'll hand it back to you.

Brad Soultz

Great. Thanks, Tim. And as Tim, I want to thank our team, our customers and our shareholders for their continued commitment to the WillScot team. We are extremely excited about our growth in 2023 and beyond given the trajectory at which we exited 2022. I do wish all of you listening today continued safety and good health.

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

Operator

Our first question comes from Manav Patnaik with Barclays.

Ronan Kennedy – Barclays Bank PLC

This is Ronan Kennedy on for Manav. May I just ask if you could kind of further elaborate with regards to demand? I know the commentary alluded to not seeing the same consistent levels of demand, contemplating a recession to start the year, being at the lower end of the guide. But what does that imply for the pace of compounding, you saw the order book, the conversations you're having and the leading indicators you have with regards to demand, if you could please just expand on that?

Brad Soultz

Yes, this is Brad. I'll start, and Tim will certainly jump in. First of all, we should remind ourselves the extremely robust environment we were experiencing a year ago. So there's nothing in the current demand outlook that gives me pause. We have moderated our growth expectations for the year. We still expect growth. And it's reflected in our capital guidance as well. So a fair bit more uncertainty, to be clear. The only leading indicator that's, let's say, of note that might be in the negative territory is the ABI, which we've now had only 4 months of below 50.

The inquiry index has remained very robust throughout that process. I do think there's still significant backlogs. The commentary from our end customers is still extremely robust expectations for the year. So -- and underpin all of that with certain tailwinds that we'll experience with respect to onshore and reshoring without regard and then further lifted by whatever materializes in terms of infrastructure, albeit that's going to be a second half '23 and '24 play.

Operator

Our next question comes from Tim Mulrooney with William Blair.

Tim Mulrooney – William Blair & Company, L.L.C.

Yes. It looks like you're expecting about 150 basis points EBITDA margin expansion in '23 on top of the significant expansion we've seen over the last few years. Can you just talk about how much of that you expect to come from the gross margin side versus getting leverage on fixed SG&A and how you're thinking about that gross margin between Modular and Storage?

Tim Boswell

Yes, Tim. This is Tim. And I would say it's going to be roughly half and half between SG&A, leverage. And as I said in my prepared remarks, I'm not assuming further expansion of delivery and installation margins. That would be upside. We certainly delivered a great result in 2022 on that line item. And I also said that leasing revenues are likely to grow faster than delivery and installation and sales. So you get some mix benefit to the margin -- the gross margin line in terms of the relative profitability of leasing revenues as compared to the other revenue streams.

So I think that's the best way to think about it. And it's really just predicated on a continuing predictable compounding of the portfolio. You've got very strong pricing and value-added products tailwinds that naturally drive gross margin expansion as well as the top line growth of the business, which then in turn delivers the operating leverage. So it's really just a continuation of the formula that's been working for some time now. And we haven't really assumed any heroic initiatives into -- in terms of delivering yet another year of pretty attractive margin expansion.

Tim Mulrooney – William Blair & Company, L.L.C.

I just want to follow up on that prior -- on the prior question. I thought it was a good one. Brad, you said you expect robust demand, but you've moderated your growth expectations a little for this year as a lot of us have given the uncertainty. Is your moderation -- when I think about -- when you say something like what we've moderated, is that more on the pricing side based on what you're seeing with spot rates? Or is it you just kind of expanded the range of volume possibilities? How do I think about when you say you've moderated your growth expectations a little bit?

Brad Soultz

I think the only moderation, if you will, is reflected in our capital guide. We're expecting to invest more in organic growth this year. But I will stress the word “expecting.” We don't know what the end markets will present in the end. If they accelerate and are as robust as we experienced last year, we'll be investing at the high end of our range. And if they're extremely robust, we'll invest ahead of that and reap the benefits in 2024 and beyond.

So this is the time of year where we will continue to see increased clarity with respect to the Modular, let's say, second and third quarter demand reality. We'll see the retail remodels become more apparent, if you will, throughout the year. So just early in the game. There's nothing that causes me any concern. And as always, we'll moderate our capital investments and our labor accordingly to whatever the markets present.

Tim Boswell

This is Tim. I'll just elaborate a little bit. And if you look at the CapEx range, the top end of the range is above what we invested this year in our core Modular and Storage segments. So that would be a very robust market investment if we're -- market scenario if we're investing at that level. But there's clearly more uncertainty going into the second half of the year than maybe we felt there was last year.

So we are assuming low single-digit volume growth in the Modular business, 3%, 4-ish percent volume growth in the Storage business. But remember, that's coming off of a year when we added 15,000 containers organically, right, and grew the Storage business organically in the 8% to 9% volume range on top of the pricing performance that we saw on Storage and on top of the rollout of value-added products. So we're just moderating off of a result that was pretty darn strong in the case of our Storage segment.

Operator

Our next question comes from Scott Schneeberger with Oppenheimer.

Scott Schneeberger – Oppenheimer & Co. Inc.

I have one on price and one on CapEx. So on pricing guys, it's been, I think, 8 consecutive quarters of accelerating price in North America Storage, up to 35% year-over-year, quite robust. Can you talk about how that occurred in the fourth quarter? Was it the base rentals or seasonal that had that impact? And how should we think about that metric looking in 2023?

Tim Boswell

Yes, there's certainly a strong seasonal impact to the year-over-year result that we delivered in Q4 in the Storage segment. We had some very meaningful rate adjustments across some of the national accounts and the major retailers that were probably just frankly a little bit overdue if we think back as to how those were handled historically.

Sequentially, in the Storage business, I would expect that to come off a bit as we move from Q4 into Q1. And I think we alluded to that possibility last quarter when we were talking about the performance of the seasonal business.

Brad Soultz

Scott, I would just add, if you go further afield in Storage rates kind of reflect on what's developed on the Modular side. So think of longer term, we can achieve double-digit rate growth. We're not going to achieve 35% year-over-year growth in core rate alone forever. But even if that moderates to low to mid-single digits, at the same time, we're bringing the VAPS portfolio into play there. So between rate and VAPS, I'm highly confident we can sustain double-digit rate growth for several years there.

Tim Boswell

And Scott, to be a little more specific in terms of the sequential potential contraction, you could be in the $10 to $15 range as you go from Q4 into Q1 as that seasonal volume comes off of rent.

Scott Schneeberger – Oppenheimer & Co. Inc.

Appreciate all that color. That follow-up I mentioned in CapEx, just curious, Tim, you mentioned it is a very wide range of the guidance for 2023. What are the asset classes that you're targeting? Just some color around that and some color around maintenance versus growth in 2023 after what was a very active CapEx here in 2022.

Tim Boswell

Yes. We've got a rule of thumb here that tends to be pretty consistent. If you look at our CapEx spend in a given -- over a given 12-month period, about half of it is going to be going into Modular refurbishment. About 1/4 of it is going to be going into new fleet, and about 1/4 of it's going into Value-Added Products and Services. And that's a pretty good assumption for this year. That implies that Modular refurbishment is coming down a bit year-over-year in this case. And that's due to roughly comparable work order volumes but also with 5% to 10% efficiency on the cost per work order, which we are seeing. We are seeing some interesting opportunities there coming out of the transition into SAP.

On the new Storage fleet side of things, as I mentioned a minute ago, we added about 15,000 containers organically last year. Our base case would assume roughly half of that. And then value-added products is going to be up meaningfully year-over-year in terms of -- just because of the growth in that revenue stream. At the midpoint of the guidance of like $340 million, you're almost right in line with depreciation and amortization in the P&L, which is about $335 million going into next year. So that would mean you're pretty much balance sheet-neutral in terms of the midpoint of that guidance range. At the high end, as I mentioned, that would be above last year. So a pretty robust demand environment. And we did introduce a lower range as well, recognizing that there's uncertainty in the second half of the year, and we have a demand-driven model. So if the demand isn't there, we have a very countercyclical cash flow model. And part of that is because we would pull down CapEx in that environment.

Operator

Our next question comes from Faiza Alwy with Deutsche Bank.

Avi Sharma – Deutsche Bank

This is Avi filling in for Faiza today. A quick question on some of the things that you had laid down back in your Investor Day. It looks like you're already there, especially looking from an EBITDA perspective. So as I look at -- forward, like what are the new sort of -- I'd just say, what's the next leg of growth for WillScot from here? Are there any adjacent sectors you could target? Just expand upon that, please.

Tim Boswell

This is Tim. Look, the Investor Day, $1 billion is one of those milestones among many that were in the Investor Day materials. And yes, we will be there in 2023. We also presented a bridge to $650 million of free cash flow and free cash flow per share between $2 and $4 as the business compounds predictably over time. So this is just one step on what was always going to be a pretty long and exciting journey from our perspective.

In Brad's prepared remarks, he referenced kind of the 5 major growth drivers in the business. We still have $500 million of growth opportunity in Value-Added Products and Services. Just by holding rates where they are today, we've got about $200 million of growth embedded in pricing. We continue to be acquisitive and acquisitive smartly in a very disciplined way in realizing cost and revenue synergies from those acquisitions at attractive valuations.

We've delivered on the logistics opportunity, and we think there's upside there over time. And we also see other scale efficiencies as the business grows. So that's not a rule to take other growth initiatives off the table, but let's also stay focused on the fact that there's still a tremendous amount of gas in the tank in terms of just executing the initiatives that have been propelling the business now for some time.

Avi Sharma – Deutsche Bank

And just a quick question on M&A. How does M&A look like to you in 2023, especially if there's a recession? And if there's not a recession, could we see sort of an upside to your revenue guidance?

Tim Boswell

If there is not a recession and we have a stronger demand environment throughout the year than our base case, then yes, that would be one of the factors that takes us to the higher end of the range. I think we said in our remarks that the acquisition pipeline, as we sit here today, certainly supports investing at the levels that we did in 2022, and that was over $220 million of enterprise value invested. And we -- again, we won't miss a quality deal, and quality deal to us is quality fleet, quality people and quality customer portfolio. And we see a pretty attractive pipeline ahead of us.

Operator

Our next question comes from Andrew Wittmann with Baird.

Andrew Wittmann – Robert W. Baird & Co. Incorporated

I guess I had a question on the logistics, the delivery and installation margins, I guess. Obviously, 2022 was a very strong year. You talked about some of the initiatives, and I am asking you to talk a little bit more about some of the things you've done on the cost side. I think you've also tried to price more for the value on that side as well that's helping that margin. So I guess if you could just give a little bit more detail about what kind of happened in 2022.

Brad, in your opening remarks, you also talked about that there's still some opportunity here on the delivery and installation, yet it sounds like your guidance is not expecting too much more contribution from that. So I was wondering if you could kind of -- maybe I heard that incorrectly, but I was wondering if you could kind of square that one off as to why that's the approach you've taken with the guidance.

Brad Soultz

Yes, I'm happy to. I mean the majority of the $50 million incremental we realized last year was rate-driven. The team did an outstanding job not only driving the value that we're delivering but also overcoming all the inflationary pressures in that front. So basically, the initiatives that we had in mind when we put the Investor Day material together, which were in-sourcing more Modular, route optimization, more fuel-efficient vehicles, et cetera, that's all still yet to be harvested, if you will. And that's why I did say in my prepared remarks, I think with those initiatives alone, there's still another $50 million of potential out there that we'll just continue to work on.

Andrew Wittmann – Robert W. Baird & Co. Incorporated

So I guess, why was that not included in the guidance for '23 then if there's that much opportunity?

Brad Soultz

Those are heavier lifts, if you will, right? As Tim said, we've kind of assume kind of moderation throughout the year. But to bring more in-house, you've got to source trucks, which have been hard to acquire. You've got to source drivers. We just undertook a massive integration on the CRM side. So looking forward, we've got to integrate and harmonize the logistics platforms, et cetera. So there will be a lot of work, if you will, next year, Andy, but those results are probably going to be materializing 2024 and beyond.

Andrew Wittmann – Robert W. Baird & Co. Incorporated

Okay. That's helpful. And then, I guess, just for my follow-up question here. With the rate approach that you've taken and have been taking in '22 on your Storage business, I was just wondering what the competitive response has been. We heard your confidence, Brad, in the outlook for double-digit growth for some time, certainly, VAPS being a contributor to that but just the raw price as well.

Has there been a competitive response that's either trying to obviously be underpriced? Or is the market coming your way and others are seeing the rising tide potential here and lifting all boats? So I'm just curious as to what your business is experiencing in that marketplace.

Tim Boswell

Andy, this is Tim. And as you know, we've been quite acquisitive on the Storage side of the business. And we do get feedback that our rate strategy is noted, and competitors are following, as you would expect them to. It's still a difficult environment out there for smaller competitors in terms of sourcing fleet and also the cost of capital, which, I think, is net supportive of the acquisition pipeline going forward.

But in the meantime, yes, we do see competitors raising rates, which is healthy for everybody and healthy for the industry. And meanwhile, it hasn't been an impediment to us growing our Storage volumes quite strongly in 2022 on an organic basis, again, up 8% or 9% in addition to the rate performance, which was pushing 30% in Q3 and Q4 year-over-year.

Operator

Our next question comes from Sherif El-Sabbahy with Bank of America.

Sherif El-Sabbahy – Bank of America

I just wanted to come back to the capital allocation framework. And just see -- just given the framework you have, is there any appetite for larger acquisitions or M&A activity? Or just given the CRM rollout, some of the additional headcount that's been brought in, is that something that you're not really looking to do right now or wouldn't have an appetite for in the coming years?

Tim Boswell

Sherif, it's Tim. We've had the appetite in the past, and we would certainly have it in the future. It's just always more difficult to predict the timing and probability of those types of transactions. So our approach since the Investor Day is to be -- talk about that which is within our control. We think the programmatic tuck-in pipeline is absolutely within our control and something we intend to continue to execute.

But to your point, at 3.1x of leverage, we've got plenty of capacity on the balance sheet for transactions really of any size as well as supporting our other capital allocations, like the share repurchase, which we still think is a very attractive capital deployment alternative. So appetite is there. It's just harder to predict timing and probability on the larger stuff.

Operator

Our next question comes from Stanley Elliott with Stifel.

Stanley Elliott – Stifel, Nicolaus, & Company

Quick question on the CapEx piece. Are you all seeing any deflation, be it lumber or steel prices kind of embedded in kind of your buys expected for the rest of the year?

Tim Boswell

Stanley, this is Tim. I would say not yet deflation. Certainly, in specific categories, yes. We track a basket of goods that is common in our Modular refurbishments. And what we've seen there is stabilization, which is a good first step. You have things like HVAC, which are still up significantly and other categories that are down. The basket that we track is stabilized over the last 2 or 3 quarters, which is a really good first step.

In our Modular refurbishments, I also noted in our remarks that on a per work order basis, we expect that spend to be down about 5% to 10% this year, and that's more just driven by our own -- using less material on a work order and being more efficient with that type of activity. And that is more a result of some of the benefits and visibility we have after moving the Modular business into SAP, but there's some work to do there. So we have not assumed deflationary benefits in the CapEx guidance, but there are some signs pointing in that direction.

Stanley Elliott – Stifel, Nicolaus, & Company

Yes. No, it just would seem like if -- down 7% probably is not really down 7%. It's probably down maybe low single digits and kind of more flattish would be my guess.

But switching gears on the VAPS Storage piece. You mentioned the security lighting options, the premium offering. I think it's very exciting and especially when you think about maybe it was more shelving kind of the way I had originally conceptualized all this. How quickly can you move this premium offering into the VAPS kind of offering as you're looking at now for the Storage side? I would love to get any color there.

Brad Soultz

Yes. This is Brad. I'll take that. First of all, the premium offering is just kind of further enhancement and upside. We're already offering lighting solutions. We're already offering shelving solutions, security solutions, et cetera. We do -- and we have referred to that as our basic offering. So -- and that was just rolled out last year and is just getting started. So I think the basic offering, if you will, is pretty comprehensive, will satisfy most of our customers' needs. The premium just takes it to another play.

Operator

Our next question comes from Phil Ng with Jefferies.

Philip Ng – Jefferies LLC

Well, congrats on another strong quarter. I appreciate all the color you provided, Tim. Just to make sure I heard you correctly, Tim. Your guidance to the low end of the sales range, but EBITDA, where do you think we're going to shake out, close to the low end or you have the ability to kind of get to the midpoint? And implicit in that, are you assuming low single-digit and mid-single-digit units on rent for Modular and Storage, if I heard you correctly? If that's the case, that's still pretty solid in the potential recession backdrop in the second half.

Tim Boswell

I think you got it mostly right there, Phil. I think to start -- given the uncertainties in the second half of the year, we were pointing to the lower end of the revenue and EBITDA ranges. But the entire range is in play, right? I said in my prepared remarks, even if we have a macroeconomic disruption this year, we can deliver the low ends. And if things are more favorable than maybe we're assuming right now, then the top end is definitely in play as well.

So I think this is just more of a function of where we are in the year. And the obvious uncertainties that are out there relative to maybe prior approaches to guidance, where we would have been to say, "Hey, just go straight to the midpoint and keep it simple."

In terms of the volume assumptions, yes, low single digit for Modular and a bit higher in the Storage segment. But again, 3% or 4% organic growth in Storage is not quite the 8% or 9% that we delivered last year organically. So it is a slight moderation.

Philip Ng – Jefferies LLC

Got you. That's really helpful color. And Brad, you talked about your confidence in kind of sustaining that double-digit AMR growth, I believe, on both businesses. Can you kind of remind us where spot and AMR prices are, what that spread is? And assuming we do head into recession, if that takes a step back, just given your long lease nature, I think you still have a pretty good runway. But just kind of help us think through that dynamic potentially going forward.

Tim Boswell

Yes. This is Tim. We still have very favorable spreads between spot and in the overall portfolio, average north of 30% in Modular and close to 30% across the ground-level office fleet. And given the massive increase that we just saw in the second half of the year, it's a little bit tighter, kind of low teens in the Storage business right now, and we'll see where that kind of stabilizes as the seasonal volume comes off rent, and we move into the busier quarters here. But the spreads are still very powerful tailwinds, which, to your point, allow us to deliver kind of the guidance ranges with confidence.

Operator

Our next question comes from Brent Thielman with D.A. Davidson.

Brent Thielman – D.A. Davidson & Co.

Brad, Tim, congrats, great year. Brad, in the past, you've talked about your Modular order book typically accelerating around February. And I guess, I'm just wondering how that's evolving relative to what you've seen over the past few years as we're sort of 2/3 through the month. Are you encouraged by what you're seeing in any underlying trends as you've seen that seasonal uptick in Modular?

Brad Soultz

Yes. In February, it's early in the play, right? We'll see more as we navigate March, April and May into that peak season. I will say there's nothing about it that's discouraging. And as I said before, it's not as robust as it was, let's say, 1 year ago when we'd actually been investing in the fourth quarter of the prior year at very high levels, right, as we were ramping into what we knew was very, very robust, if not record, demand levels. So nothing I'm seeing is of concern.

But as Tim and I have both said, we don't know in the end where the macro environment lands. We're highly confident we'll grow through it. We'll work within our ranges of guidance. And it's basically executing the playbook we've been executing for 5 to 10 years now.

Brent Thielman – D.A. Davidson & Co.

Yes. Okay. And then maybe just a question on the underlying trend you're seeing in VAPS. I mean, obviously, customers still very much prefer that total solution here, given the traction, penetration you're seeing. But are you finding customers seeking more ways to sort of minimize their all-in cost just given this macro inflationary environment? Are you having to pivot some of your offerings to support that? Just curious what you're seeing under the coverage there.

Brad Soultz

Yes, the inflationary environment and cost is definitely supportive. I still think the prevailing driver here is convenience, right? And I mentioned in the prepared remarks that we had eclipsed the $400 VAPS value per month. That was actually $447, so almost $450, which was just phenomenal. And it was not too long ago, we were at $100, if you will, and thought $400 was extremely aspirational.

So we're $447. We see upside. We're driving that side of the portfolio towards $600. And as you guys know, if we're saying $600 to you, we're driving north of that. And we're just like probably in the bullpen, if you will, warming up on the Storage play.

Operator

Our next question comes from Manav Patnaik with Barclays.

Ronan Kennedy – Barclays Bank PLC

It's Ronan again on for Manav. If I may, please confirm for the 13 acquisitions completed, the $220 million EV, I think it was. Could you please recap the units acquired by segment? And if there's any further insight you can offer on, say, financial contributions or impact for '22 and then anticipated for '23? And then also on the topic of M&A, I know it was discussed, competitive behavior in relation to Andy's question. But given recent acquisition in the space by comps, just your high-level thoughts on broader industry dynamics and your outlook for further consolidation, please?

Tim Boswell

Ronan, this is Tim. I'm not going to try to add up the acquired units during the course of last year. But we have said in the past that we're acquiring at or below kind of roughly 8x valuation multiples, and that's absolutely been consistent. And we haven't really seen much change in that department. And when we're acquiring at that level, it's with confidence that we're going to be able to exploit other types of synergies over time, whether it's cost or commercial upside.

Nobody else has a value-added products revenue stream, for example, like we do, and that creates visibility into predictable growth as those acquired portfolios churn. And we really haven't seen anything materially different in terms of the competitive landscape and the deals that we're looking at. I think it's safe to say that we know everybody and all the industry participants, and we take care in developing those relationships.

So we'll stick to the programmatic strategy that we've had for the last 18 months now. And like I said, the pipeline supports continued reinvestment at these levels.

Brad Soultz

Yes. The only thing I would add to that is we often say, inside, when things go well, it looks easy. It's not, but we're damn good at this, right? Since the ERP cutover, we've done over 20 acquisitions. And we quickly and seamlessly integrate them. So as Tim said, we're buying them at a great value, arbitrage where we are. We'll take cost and commercial synergies out, and the pipeline looking forward looks the same. So it's a great play, and it's a big thanks to the team that's able to pull this off. So I think it's a pretty unique aspect of the portfolio.

Operator

We have now reached the end of today's call. I will now turn the call back over to Nick.

Nick Girardi

Thank you, Michelle. Thank you all for your interest in WillScot Mobile Mini. If you have additional questions after today's call, please contact me.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. You may now disconnect.