



**TRANSCRIPT**

Q2 2025 Earnings Conference Call  
WillScot Holdings Corp. (Nasdaq: WSC)  
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Matt Jacobsen, Chief Financial Officer  
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Brent Thielman, D.A. Davidson & Co  
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Ronan Kennedy, Barclays Bank PLC  
Scott Schneeberger, Oppenheimer & Co. Inc.  
Steven Ramsey, Thompson Research Group, LLC  
Timothy Mulrooney, William Blair & Company LLC

### TRANSCRIPT

#### Operator

Welcome to the second-quarter 2025 WillScot earnings conference call. My name is Cherie, and I will be your operator for today's call. (Operator Instructions) Please note that 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, Cherie. Good afternoon, and welcome to the WillScot second-quarter 2025 earnings call. Participants on today's call include Brad Soultz chief Executive Officer; Tim Boswell, President and Chief Operating Officer; and Matthew Jacobsen, Chief Financial Officer.

Today's presentation material may be found on our Investor Relations website at [investors.willscot.com](https://investors.willscot.com). I'd like to direct your attention to slide 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. Therefore, our actual results may differ materially from comments made on today's call.

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.

And with that, it's my pleasure to 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, Chief Executive Officer of WillScot.

Please turn to slide 7 in our Q2 earnings release deck. Our second-quarter financial results were broadly in line with our expectations. We delivered adjusted EBITDA of \$249 million, representing a 42.3% margin or an increase of 140 basis points sequentially. On a trailing 12-month basis, our adjusted EBITDA margin stands at 43.8%.

I was pleased with both the sequential improvement in lease revenues and our continued robust adjusted free cash flow performance of \$130 million at 22.1% margin in the quarter and 23.6% margin over the past 12 months, which will continue to be supported by the impact of recent legislation changes, which Matt will discuss later.

During the quarter, we continued to execute against our long-term capital allocation framework, funding growth CapEx investments in our FLEX, complex fleet, and new adjacencies, and we deployed \$134 million towards tuck-in acquisitions, which included the addition of a leading regional climate-controlled temporary storage business. Customer demand for this product is high and fits well with our portfolio and service capabilities. We also continue to return value to shareholders through share repurchases and dividends.

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Our focus on further advancing service excellence is also showing positive signs in customer satisfaction as we optimize our platform. Addressing feedback from our customer base has been a major focal point for us and is being recognized through higher Net Promoter Scores, particularly in the work we're doing to improve our order to cash process, which Tim will further expand upon.

Both process-driven and technological enhancements are elevating the customer experience, increasing the ease of doing business with us and beginning to unlock some of our working capital opportunities we previously highlighted. This is just one of the many internal opportunities we have that set us up for achieving the milestones we outlined at our March 2025 Investor Day, achieving \$3 billion in revenue, \$1.5 billion in adjusted EBITDA and \$700 million in adjusted free cash flow all in the next three to five years.

Now, turning to the broader macroeconomic environment. Although large projects do continue to remain robust, we're expecting second half demand to be below our prior expectations, giving lingering questions around the ultimate implications from trade and US monetary policies, resulting in ongoing uncertainty in many of our end markets.

Many customers are continuing to take a wait-and-see approach, which is influencing current and near-term demand. This is generally contained among the smaller projects, which tend to be more interest rate and economic sensitive, unlike the larger projects where demand remains strong and our ability to serve is unmatched. Looking ahead, I'm very excited about how our strategic initiatives are evolving and set us up for continued success.

I'll now turn it over to Tim to discuss these initiatives in more detail.

### **Tim Boswell**

Thanks, Brad, and hello, everybody. I will pick up where Brad left off and provide a bit more color on commercial activity since that's probably the biggest variable impacting near-term results. The mix of end market activity favoring larger scale projects and larger customers has continued for some time now and remain consistent through Q2. So there's nothing new there to highlight.

In terms of the things that are within our control and which we talked about in March, we're taking specific actions to build our enterprise account relationships, improved execution across our field sales team and reposition our offering in favor of higher value-added services.

Starting with enterprise accounts, we added new leadership to the team in Q2 and made significant progress building out the organization to focus on developing underpenetrated industry verticals. The enterprise portfolio has been outperforming the overall business simply based on the mix of end market activity, and we expect to build on this strength by reallocating resources here.

Modular units on rent were up 4% year over year and storage units on rent were down only 1% year over year as of the end of Q2, which gives you a feel for the relative strength we see in the enterprise portfolio. Our value proposition resonates very well with these customers. And we announced deals with organizations like Penske and the FIFA Club World Cup in the quarter, just as examples of the success we see when we target these opportunities more proactively.

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Execution across our field sales organization is improving, although not yet to our target productivity levels. Overall, organizational stability and turnover has improved meaningfully into Q2, which is a good and necessary first step.

As we talked about in March, we rolled out our AI-enabled pricing engine as well as our enhanced Sales HQ platform in Q2 as planned. As we talked about in March, these are best-in-class tools to drive sales productivity, and our team is in the early stages of adopting and optimizing these.

Sales staffing increased by approximately 9% sequentially from Q1 to Q2, which is a somewhat slower pace than we originally planned for the year, just given we're still taking a cautious view on end markets. Whether or not we drive towards budgeted levels will be a function of both end market activity and our own productivity levels, all of which are contemplated in the guidance range that Matt will talk about.

Within the offering itself, we see some pockets of very strong performance within each of our core product categories, which validates our focus on our higher value-added offerings. Within storage, our climate-controlled units on rent are up 30% year over year, both organically and through the acquisition of Portable in April. We have very strong conviction in this area and are continuing to deploy capital across the network to build this portfolio.

Similarly, within Modular, our FLEX units on rent are also up by 30% year over year as of the end of June, primarily supporting large-scale longer-duration projects where we have a truly unrivaled value proposition. So within both the storage and modular categories, we are driving mix changes that are positive, both strategically and financially.

And Value-Added Products and Services remain an opportunity. VAPS revenues are up approximately 7% year-over-year on a per unit basis on modular units and about 12% on storage units, although slightly behind our plans for the year. So this remains an area of focus for the sales team.

And I'll highlight several of the other operational initiatives that are ongoing under the hood, and that are supporting margins and cash flows, both of which are outperforming our original plans through Q2.

In our field operations, we have a focus across our network on optimizing our logistics and field service resources, service call management and billing, and cross-training and dispatching of our drivers all support gross profit margins and the customer experience. We're making significant investments in these team members given the critical role they play in our business, especially relative to the competition who largely outsource these activities.

And in our centralized operations, we're seeing the impact of the organizational and operational changes that we made to start the year with an initial focus on the order-to-cash process. You will note modest improvement in days sales outstanding, progressing towards the low 70s and achieving an 18-month low as of June. If sustained, this will drive reductions in bad debt expense in the P&L as we head into 2026. So we're on track to unlock the working capital and margin opportunities that we highlighted in March.

You can see the impact in cash flow from operations, which were up 17% year over year in the second quarter despite a flat revenue environment. And you can see the impact in our Net Promoter and customer satisfaction scores which are up sequentially since we met in March, with the biggest improvements in our billing and collections functions.

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So overall, we'll remain focused on executing the plans we articulated in March, the team is aligned and energized around these plans. I'm humbled by the passion and urgency that the team brings to WillScot every day. And as we execute these building blocks, they put us on track to achieve the longer-term milestones that we have committed to.

With that, I'll pass it over to Matt to talk about Q2 financials and the outlook. Matt?

### **Matt Jacobsen**

Thanks, Tim. Hello, everyone. Before we dive in, I'll cover just a few highlights for the quarter.

Revenue and adjusted EBITDA performed just as we expected, and we continue to progress towards a return to revenue growth. Our cash from operations was up 17% year over year, as Tim noted, with free cash flow in the quarter of \$130 million, which were both above our expectations and reaffirm the strength and stability of our business model.

I'll begin my more detailed remarks on slide 22. Total revenue of \$589 million and leasing revenues of \$443 million were both in line with the expectations we laid out in our Q1 call. This represented a 3% year-over-year decline in leasing revenues and both delivery and installation and sales revenues were flat.

However, on a sequential basis, leasing revenues grew 2% in the second quarter versus a sequential decline of 0.4% in 2024. Importantly, this is the first quarter since Q3 of '23 of sequential leasing revenue growth, excluding Q4 seasonal impacts. So we're seeing our rental revenues beginning to inflect positive sequentially, which is an important first step in returning to year-over-year revenue growth.

Looking to our KPIs. Positive contributions from pricing and VAPS drove average monthly rental rate up 5% year-over-year for modular products and up 7% for storage products, driven by favorable mix from growth in our climate-controlled storage business.

That said, average monthly run rates for steel containers have held steady with growth in average monthly rental rate of approximately 2%, both year over year and sequentially. These benefits offset much of the impact from lower volumes as average units on rent for modular products were down 5.6% year over year and down 13.8% for storage.

Adjusted EBITDA was \$249 million and in line with our expectations and down 6% year over year. Adjusted EBITDA margin was 42.3%, an increase of 140 basis points sequentially from the first quarter as we had guided, with sequential improvements to delivery and installation margins, sales margins, and reductions in SG&A. Versus prior year, EBITDA margin was down 130 basis points, which is primarily driven by our delivery and installation margins.

As Tim touched on in his comments, we've been progressing our insourcing initiative, and there is up-front investment required to drive margin expansion in the medium term. But that investment, along with negative operating leverage in the business due to lower activity is creating some near-term margin compression year over year as we expected, though improving sequentially.

Flipping quickly back to slide 20. Our contributions from Value Added Products and Services in the quarter represented 17% of total revenue, with the last 12 months at 16.9%. VAPS as a percentage of revenue both in the

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quarter and over the last 12 months increased by 40 basis points year over year, underscoring the growing demand for VAPS and the opportunity that we see for this category going forward.

On slide 23, you'll see several charts detailing our cash flows for the quarter. Q2 was another strong quarter, with cash from operations increasing 17% year over year to \$205 million, including some early benefits from the increased focus on back-office productivity and working capital management, as Tim noted.

We continue to fund planned increases in net CapEx, which I'll touch on a bit more in a minute, and we delivered adjusted free cash flow of \$130 million in the quarter and an adjusted free cash flow margin of 22.1%, which was 80 basis points higher than the previous year.

Adjusted free cash flow per share was \$0.72 for the quarter. And over the past 12 months, we generated \$555 million of adjusted free cash flow, achieving a 24% margin and \$3.05 per share.

The recent tax legislation is another positive development for our business as well, which I'll touch on in a bit more detail in our outlook. The consistency of our cash flows remains a key strength of our business model, providing us with meaningful flexibility to deploy capital and reinvest at attractive returns.

Moving on to slide 25. We invested \$75 million in net CapEx in Q2, representing a 37% increase over the \$55 million invested in the prior year, driven largely by continued refurbishments and investments in our FLEX and larger complexes to support the strength in large projects that we're seeing and organic investments in VAPS, namely perimeter solutions and our new solar offering.

We completed two tuck-in acquisitions this quarter, Portabull, a climate controlled storage provider serving the Eastern US and Gulf region and a local market clear span provider to support our strategy around bringing more adjacent offerings to new and existing customers.

We continue to work the pipeline with a number of tuck-in opportunities that can still be actioned in the year. We returned \$53 million to shareholders during the quarter through share repurchases and our dividend. We repurchased approximately 1.5 million shares for \$40 million in Q2 and have reduced our share count by 3.4% over the last 12 months. Lastly, we issued \$13 million in dividends.

Given the M&A activity of \$134 million in the quarter, our leverage exiting Q2 was up slightly at 3.6x, and we're comfortable progressing gradually into our three- to five-year target range as the business inflects.

Now turning to our updated full year 2025 outlook on slide 27. As we said entering this year and with last quarter's results, we deliberately maintained wider guidance ranges for the year to account for the macroeconomic uncertainty and noted that non-residential construction starts activity remained a gating factor to near-term volume growth and a key factor in determining where results would fall within the range.

As Tim noted in his comments, demand from large projects continues to perform well, and we continue to see strong activity on our large complex product types. However, we have not seen improvement in small projects, and our smaller modular units and containers continue to face end market demand headwinds. This has resulted in lower units on rent exiting the second quarter than what was implied at the midpoint of our prior full year outlook.

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Due to the macroeconomic outlook, we do not expect an inflection in units on rent to occur by the end of the year, and have narrowed our revenue outlook to a range of \$2.3 billion to \$2.35 billion and adjusted EBITDA to a range of \$1 billion to \$1.02 billion.

As I noted earlier, we were pleased to see sequential leasing revenue inflect positively in the second quarter by 2%, which is the first step in a return to year-over-year revenue growth. We anticipate modest sequential rental revenue growth to continue in the third quarter as the headwinds continue to subside and expect total revenue in the third quarter to be down around 3% year over year.

It's important to note that we did have a very large project with the Rams last year in the third quarter that elevated our delivery and installation revenues pretty significantly. This project won't recur this year, and this accounts for a large portion of the year-over-year change in total revenues expected in Q3.

And for margins, we expect to see continued progress on a sequential basis of 50 to 100 basis points of expansion compared to Q2 as we continue our focus on optimizing our logistics and field service resources including further cross-training of our drivers and adjusting other variable costs in the business in line with demand.

And finally, year-to-date cash from operations of \$412 million and adjusted free cash flow of \$275 million have been continued strengths of the business, supported in part by modest improvements in days sales outstanding and working capital as our central operations team drives continued improvements.

Additionally, as a result of the corporate tax legislation enacted on July 4 that permanently extended 100% bonus depreciation and modified interest expense deductibility to EBITDA from EBIT, we no longer expect to pay meaningful US federal cash taxes this year. All of this together gives us confidence in raising our expectations for free cash flow for the year to a range of \$500 million to \$550 million.

Before I hand it back to Brad, I want to close and thank our team for a solid quarter performance in a tough economic environment. I'm encouraged by the sequential rental revenue growth that we delivered in the second quarter. Additionally, our adjusted free cash flow continues to be a positive attribute of the business, and we'll continue to drive the margin-enhancing initiatives that we laid out at our Investor Day to support margin expansion into our 45% to 50% EBITDA margin range.

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

Bradley Sultz - WillScot Holdings Corp - Chief Executive Officer, Director

Thank you, Charlie, Tim and Matt. Thank you to our customers for their continued business. Thank you to our team for their focus on each other, safety, and customer satisfaction; and thank you to our shareholders for their trust in their capital. 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) Angel Castillo, Morgan Stanley.

### **Angel Castillo - Morgan Stanley**

Hi, good evening. Thanks for taking my questions. Just wanted to touch base a little bit more, I guess, on the modular side. There were some kind of subtle improvements in the data there, both the rental rate and utilization on a sequential basis. Can you just help us unpack that a little bit or just what drove that? Was it just kind of seasonality mix? Or are there any other kind of inflections in what you're seeing?

And I thought it was notable, I think you called out 7% growth in VAPS. If I'm not mistaken, that's kind of the best we've seen in several quarters. So just, yes, if you could just kind of unpack that a little bit more, maybe why that doesn't give you maybe a little bit more confidence for the second half.

### **Tim Boswell**

Angel, this is Tim. And I'll let my colleagues jump in with anything they'd like to add. But this has been going on for some time now where we've seen kind of a bifurcation of performance within the overall portfolio with modular outperforming storage. And within the modular portfolio, I commented in my remarks that FLEX units on rent, for example, were up 30% year over year.

We've had very solid performance across all of the complex product line within the modular category. So there is an underlying mix shift in that category that is helpful in many ways, and that's a reflection of the nature of the project activity that we see in our end markets, and it's also highly levered to our enterprise accounts. And I noted that those modular units on rent are up 4% year over year as of June. So there is quite a bit of nuance in there.

If we break the modular portfolio down and just look at pricing and VAPS performance, largely flat from pricing in terms on new contracts. And when I was talking about Value-Added Products per modular unit on rent, that was up 7%. And we have kind of renewed our focus there across the sales organization to get that back on track.

So overall, I'm actually really happy with the modular trajectory. Sitting here today, the overall order book is up about 1% year over year, and it's been up all year really since we met together in March.

The order rates in the business did plateau in kind of the April, May timeframe kind of going into June, but have stabilized, in modular. So overall, that's a bright spot in the business, and we've kind of extrapolated that trend, I would say, in Matt's guidance.

### **Angel Castillo - Morgan Stanley**

That's very helpful. And then could you help us understand, I guess, the second half, I think, just maybe to what degree that's some amount of just kind of conservatism given, again, what we've seen thus far. You mentioned some of the kind of exit rate out of the second quarter. Because as we talk to other companies, you also hear, for instance, the One Big Beautiful Bill and potential inflection higher kind of in construction. So are you just -- is it simply you're not assuming any of that improvement happens?

Or is there something about the Portable storage business or other aspects of your business that maybe kind of makes it more of a muted impact the second half?

### **Matt Jacobsen**

Yes. No, Angel, this is Matt. I think that's some of the points you hit there are right on. Tim talked about the strength in the larger complexes. We're not seeing the same strength on the smaller projects and smaller units that we have in the modular business.

And so in aggregate, exiting the second quarter, modular units on rent were down a little bit from where we had anticipated in that original outlook. And so as you look at the second half, that's really bringing in kind of that change in the exit point.

But to your point around the Big Beautiful Bill and some of the investments there, similar to what could happen with changes in interest rates, those are all things that could stimulate incremental small project activity, which is very important to help drive the demand on some of our smaller projects.

So I would say that we've probably got some of that within the full range that we've anticipated. If that were to accelerate more quickly. Could that change something potentially? But right now, we don't see an immediate near-term impact of that.

### **Brad Soultz**

Angel, probably this is Brad. The only thing I would add just on the margin is, remember, there's a seasonality aspect of the modular. So you're typically not going to see improvements in demand until March, April of next year time frame, if you don't see it in the third quarter. So I am pretty optimistic in terms of the outlook going forward. I just think now we're not going to see much of it this year.

### **Operator**

Brent Thielman, D.A. Davidson.

### **Brent Thielman - D.A. Davidson & Co**

Matt, I was hoping to get a little more color or clarification on the drivers behind the sequential margin expansion you're looking for in the third quarter, just given some of the sustaining demand pressures that you're seeing on the business?

### **Matt Jacobsen**

Yes. So Q2 to Q3, you're asking, Brent?

**Brent Thielman - D.A. Davidson & Co**

Yes, yes.

**Matt Jacobsen**

Yes. No, I think that's, typically, it's pretty similar to what we actually saw from the first quarter to the second quarter. So as we went from Q1 to Q2, there's a little bit of seasonality in that as well. But the 140 basis point expansion we saw there. A good chunk of that was coming from our delivery and installation margins, so our logistics and like we talked about, the investments we've made up-front to in-source more of that activity to cross-train drivers.

That is a continued process. We're not done with that. And as we look forward in each quarter, that is an area we expect to continue to expand margins. So that's probably the first one I would point to. And there's a little bit of SG&A leverage as well that occurs here in the third quarter, going into it. So those are the two big ones that I would point to that kind of get you that 50 to 100 basis points of expansion that I talked about for Q3.

**Brent Thielman - D.A. Davidson & Co**

Okay. And then in context of some of the more I guess, complex solutions you offer? I mean you mentioned climate controlled up 30%. I think FLEX up 30%. Are those sort of sustaining run rates for those solutions into the second half of the year, even against this sort of backdrop of end markets?

Just curious because it's impressive growth there.

**Tim Boswell**

There are smaller and newer categories. This is Tim, and whether we sustain 30%, I don't know. I can say the pending order book for FLEX and just the backlog of larger project activity that's on the radar going into second half is very encouraging and supportive of continued FLEX unit on rent growth. I'm not going to estimate the exact magnitude. And sitting here right now, looking at order rates, for example, in our climate-controlled storage business, they're up about 60% year-over-year and an interesting level of seasonal demand for that product category as well in Q4.

So whether it stays at exactly that trajectory, Brent, I don't know, but we are seeing strong trends across those categories.

**Operator**

Steven Ramsey, Thompson Research Group.

**Steven Ramsey - Thompson Research Group, LLC**

I wanted to dig in on enterprise leasing revenue up 4%, first, can you clarify if that's Q2 or year-to-date? And then secondly, can you dissect the drivers of that, the units on rent and the pricing dynamics that support that result?

**Tim Boswell**

Steven, this is Tim. My comments in the prepared remarks was specific to volumes within the enterprise portfolio. And I mentioned that modular units on rent as of the end of June in the enterprise portfolio were up 4% year-over-year. And storage units on rent were down just 1% year-over-year. So I was just trying to contrast the activity levels that we're seeing among our enterprise customers with the rest of the portfolio.

And those enterprise customers tend to be focused on larger or longer-duration projects. They tend to be biased towards our modular complex fleet, and there are associated pricing and value-added products opportunities when you see projects of those -- of that nature. So just trying to compare and contrast a little bit where we're seeing strength in the business versus relative weakness.

And as we talked about in March, we're putting a lot of effort behind our enterprise strategy. This is something that we had kind of built out and developed through the second half of last year, and we've moved into execution mode in kind of the April, May time frame, bolstering kind of the leadership team there, adding resources.

So that's not just an account management function, but we actually have a proactive business development capability within each of our target verticals focused on penetrating sectors outside of construction and outside of the legacy retail relationships where the current enterprise portfolio is heavily weighted today. We see very interesting opportunities in energy and industrial, government, professional services and special events.

I mentioned FIFA, for example, is just one example of that, where we're serving a dozen locations across North America, all at once with all of our product offering, a very sophisticated way in terms of the logistics and service capabilities that are involved. So those are examples of areas where I think we've got opportunity over the next 3 to 5 years.

**Steven Ramsey - Thompson Research Group, LLC**

That's helpful. Super helpful. And then wanted to continue that line of thought on enterprise and large projects, which have been a good guy for now a couple of years while local markets have been weak now for a couple of years. Are you nearing a crossover point where that dynamic alone could stabilize the revenue base? Or do you really need local markets to come back to shift the units on rent upwards?

**Matt Jacobsen**

I mean I would look at it more from a revenue perspective, and we saw at least sequentially, right, we saw in the second quarter, that 2% increase sequentially. And that is our first step to get to year-over-year revenue growth. So I

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think we are seeing some of that stability here. We just got to sustain that going forward, and we'll flip to year-over-year growth here. So that's been going on, as you said, in the sense for quite some time and continues to be where we see the strength.

So if some of the local market stuff can increase as well that maybe gets us there quicker.

### **Operator**

Philip Ng, Jefferies.

### **Maggie Grady - Jefferies LLC**

It's Maggie on for Phil. I wanted to first dig into the storage side of the business. In the last few years, that retail remodel activity piece has been a little noisy. So just wondering if there's any update on what your conversations with those customers are like for the outlook? I think we're kind of past the plan in '25 where that would be a big impact, but maybe planning assumptions for '26, how that could factor into volumes next year.

### **Tim Boswell**

Maggie, it's Tim. I'll start. Matt, you can jump in. We have been seeing some of that activity this year. I wouldn't say not at the same scale that we may have experienced going back a few years.

Those tend to be shorter duration, right? They can be less than six months in duration. So at least the activity that we're seeing so far this year, we did have meaningful remodel demand in Q1, but a lot of that also cycled out in Q2 and heading into Q3, so it's generating revenue, right? It's not necessarily building the unit on rent base given the duration of that activity, but we're definitely seeing some of that come back. I can't really comment on remodel specifically for 2026.

I did mention in the remarks, we are engaged with many of the larger retailers right now as it relates to the seasonal storage demand, and that seems to be shaping up reasonably well, but there's definitely a range of potential outcomes around that given we're still pretty early in the order taking process as it relates to seasonal storage demand.

### **Matt Jacobsen**

Yes. I don't think I have much else to add there, Maggie, other than we haven't heard any change for '26 at this point regarding retail remodel activity. So that's one we'll just have to keep an eye on as we get later into the year.

**Maggie Grady - Jefferies LLC**

Okay. Okay. That's helpful. And then you've talked for several quarters now about the larger projects outperforming kind of that smaller transactional activity. And I think you talked about customers taking more of a wait-and-see approach on those transactional units.

Maybe if you could just give us more context around what they're looking for? Is it tariff uncertainty? Is it interest rates? What could happen that would, I guess, give them more clarity to make that decision? And how we should think about maybe that factoring into the back half of this year?

**Brad Soultz**

Yes, Maggie, this is Brad. I'll start. I think there's three factors that play with those smaller regional projects, and that's certainly clarity around monetary policy and interest rates, clarity around trade policy and such. And then as we've said, there's always an interplay of labor constraints here. So I think it's those 3 factors, and we see it as something that's kind of moving sideways, at a high level right now.

**Operator**

Scott Schneeberger, Oppenheimer.

**Scott Schneeberger - Oppenheimer & Co. Inc.**

I'm going to be asking first one on generation of cash and then second one on the use of capital. So first off, thanks, Matt, for the color on the new federal tax legislation. How much of that is driving the improved guidance and how much of it is the working capital? And then kind of the follow-up to that part is how much of that federal tax legislation benefit is going to carry over in the '26 and '27 that you can tell thus far?

**Matt Jacobsen**

Yes, I'll start with the tax legislation, Scott. Yes, so the, as you, if you recall back to our year-end call, in kind of our guidance at the beginning of the year, we did expect about \$50 million of federal cash taxes in the year. The 100% depreciation as well as some of the changes in the interest deductions, et cetera, is basically going to push all that out of 2025. So we don't expect any meaningful federal -- remaining federal cash taxes in 2025.

And we're still -- I got to work, there's still a lot of assumptions around this with acquisition levels and those types of things. But I think we probably see a similar type of benefit next year and even potentially for the next couple of years after that. So it does meaningfully push us to the right from a tax payment perspective, Scott. So I think there's kind of a three-, four-year impact of this for us to the net positive, which is great to see from a cash flow perspective.

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On the working capital piece, if I look at kind of where we've gone here from the end of the year, I think we're down around \$12 million-or-so in AR, and we've been working through some of the cleanup as well, right? We've had a reserve that's bigger. We've kept it open for longer than we would have if we hadn't had as much of the system changes that we've had. The team is really working through that. So we're making great progress there.

It's contributing somewhere in that kind of \$10 million to \$15 million, I think, in working capital on that piece, Scott, but it's one that also probably leaves our range of the \$500 million to \$550 million a little bit wider than it might have otherwise because I think there's really good potential for that to accelerate. But it's still early in that process, and we've got some other things that we're doing there with systems that will help us. So both very positive things for us are really driving cash from the business, and we're excited about what we can continue to do there over the next coming years.

### **Scott Schneeberger - Oppenheimer & Co. Inc.**

And on the follow-up on the use of capital. The M&A, it was big in the quarter, the largest in about a couple of years. So a couple of parts to this. One, what multiple -- it looks like you did two acquisitions and it looks like the climate controlled storage was probably the bigger, but could you give us a sense of size of each and then kind of multiple paid, which I'm, what I'm getting at is what is going to be the EBITDA contribution from those in this year and going forward? And then just as a follow-up to all of this is just, are we going to see a lot more M&A over the balance of the year? Or is it going to be buybacks? What's the decision process there?

### **Matt Jacobsen**

Yes. A couple of pieces to unpack there. So I'll just talk, portable was the bigger of the two by quite a bit. I'm not going to get into the specific multiple. But I can say in the quarter, it was about \$3 million of revenue contribution and maybe \$1 million of EBITDA, but that was only a partial piece.

And similar to A&M, so we talked about this at Investor Day, right, this product category is one where typically, logistic margins are kind of at a 0 breakeven margin. And we see really big opportunities here using our internal logistics network, to be able to really expand the margins in this business.

So it might be a little bit more than that average of 8. But when you take the whole thing into consideration and you know what that synergies, what you can do from a margin perspective, it kind of gets you back into a range that we've been comfortable with here in the past.

Related to, I'm trying, Scott, I'm sorry, I'm missing the second...

### **Scott Schneeberger - Oppenheimer & Co. Inc.**

No worries. Just, are we going to see a lot more acquisitions in the back half or buyback just use of capital for me.

### **Matt Jacobsen**

Yes. I think we'll look at all those capital allocation priorities. I mean I mentioned in my prepared comments, we continue to have a pipeline there, and there's several of those that could happen in the back half, but these things are never 100% predictable from a timing perspective. So we continue to look at all the options.

### **Operator**

Andrew Wittmann, Baird.

### **Andrew Wittmann - Robert W. Baird & Co. Incorporated**

I guess I wanted to drill in on the order book because I think this was one of the things that last quarter was seen as a positive. I think you were saying at the time that the order book was like plus 7%. And if I didn't hear you incorrectly, I think this quarter, you said it's plus 1%. So I guess, is this just a sign that the economy has given us kind of fits and starts? Or was there a seasonal dynamic going on there?

I guess it's probably just catching people a little bit off guard about kind of the change that happened there. And so I thought maybe I'd give you a forum to talk about that a little bit.

### **Tim Boswell**

Andy, it's Tim. I actually would tend to agree with the fits and starts comment. As we look at how the order book has trended through the course of the year, it actually built quite rapidly to start the year from January through March. And in the modular business, we saw those order rates kind of plateau in the April and May time frame.

So no deceleration, but no continued acceleration that you would typically expect in a seasonal Q2 construction season in our business. So a little unusual, but still, as I zoom out in aggregate, strong and remaining up year-over-year, again, with strength on the complex side, which we've already talked about.

Storage, a little bit different. You had the same acceleration to start the year. We did see the order rates decline from April into May, but have kind of stabilized from May into June. There's some noise in the storage side of the business, Andy, just due to the timing of seasonal orders, which last year would have started coming in throughout the course of July, is when they really started to build, and we're probably a few weeks behind that this year just based on some changes in the procurement process at a couple of the larger retailers, but I'm not really concerned about that just given the engagement level is super high there. So overall, yes, the magnitude of the difference versus prior year has come down a bit, but that's a function of kind of how the order rates have sequentially trended from January through July here.

**Andrew Wittmann - Robert W. Baird & Co. Incorporated**

Got it. I guess the other thing I wanted to talk about a little bit or have you talked about a little bit was this idea of the large projects. And there's been a lot of questions on it, but I want to ask it this way. It is now several years that the large projects have been the area of strength. And in fact, you said this quarter, they're still up.

But as you look at the phasing of these large projects, which you said are typically longer in duration, where are these in the large project cycle? Are we -- are they starting to ramp down? Or is the total number of units on rent for large projects still going up in total? Or are they starting to -- have they been in process long enough that some of these large projects are starting to roll off? I'm just trying to get a sense of where those are in the overall, I guess, you'd say cycle or I'd say, cycle.

**Tim Boswell**

Yes. It's hard to put a fine point on it, Andy. This is Tim. I would point to the enterprise book that we've talked about with modular units on rent still up 4% year-over-year. So yes, these projects are churning but there has been enough new project activity in that 20-ish percent of our book that is the enterprise portfolio to drive not only volume growth but overall revenue growth among those projects.

And as we go through our quarterly forecasting process that goes down to the region and market level, the point of strength that we see in the business persisting into the second half is still being drawn by these types of larger opportunities. So we haven't seen a deceleration there. We haven't seen a unit on rent inflection downwards there, and it's a stronger part of the outlook as we look into the second half of the year.

**Operator**

Manav Patnaik, Barclays.

**Ronan Kennedy - Barclays Bank PLC**

This is Ronan Kennedy on for Manav. The updated guide referenced more clarity on interest rate policy and trade, but interest rate policy is still pretty uncertain in trade policy volatile, I mean rate path policy is likely dependent on the effects of tariffs. I'm not asking you for a precise prognostication as to rates, but a two-part question, if I may.

What does your outlook contemplate, and what does your data tell you about the historical correlation between interest rates and demand? I guess third part, Matt said, if I'm not mistaken, rates could help stimulate some incremental project activity that was contemplated to a certain extent, but how should we think about it as we get outlook for a rate cut and more off to the races on the local projects? Or is there a lag? Just some help with that, please?

### **Matt Jacobsen**

I think there's, there's -- Ronan, thanks for the question. There's quite a bit of, some are saying one cut this year, some are saying, no cuts. I mean, I think it's, we'll see what it is. But I think the reality for this year is nobody -- not a huge change from a rate perspective. It's probably more into 2026, where some forecasts have 6, some have maybe more than that of rate cuts.

So it's not something, I think, that this year there might have been earlier in the year some thought that rates could come down, but it's not seeming like it's going to be a significant impact to some of those smaller projects. So we're looking more into next year probably where that's a stimulus.

But the tax piece is one that we don't know yet, right? But how quickly can the project start? I don't know if you have a shovel-ready project that you're just waiting for something, maybe that could go quickly, but that's probably not typically the case. I think these both probably take a few quarters to stimulate some of that smaller project demand if things keep moving in that direction.

### **Brad Soultz**

Yes. And the only bit I would add is back to my earlier comment about seasonality, right? We're already setting into the third quarter here, right? And we have the visibility or lack thereof that we have. So I think any improvement is likely to benefit 2026, potentially starting in kind of that March, April time frame, just given the normal kind of winter slowdown, if you will, with the construction starts.

### **Ronan Kennedy - Barclays Bank PLC**

Got it. And then I think it was indicated you no longer expect the positive inflection in UOR. So part on this, if I may as well. If I'm not mistaken, there's a new chart with what looks like a forecasted non-resi square footage starts for 2H, what informed forecast. Is that straight from Dodge's forecast? Is it a consensus?

### **Matt Jacobsen**

That's right.

### **Ronan Kennedy - Barclays Bank PLC**

Okay. And so when would you contemplate a potential inflection to positive UOR?

### **Matt Jacobsen**

Yes. Ronan, I don't think we have, not in the forecasting game related to nonres starts. And we know that these are forecasts. This is not necessarily exactly what's going to happen. But if you look at the 2025 levels, the second half is relatively consistent, at least from a forecast perspective from the last couple of years.

And we haven't yet seen that turn. So we don't think it's -- based on what we know now, we're pretty sure it probably doesn't happen by the end of the year this year, but we're going to have to wait and see until we have a bit more clarity into 2026 on some of the things we just talked about and if those will drive us to inflection.

### **Operator**

(Operator Instructions) Tim Mulrooney, William Blair.

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

One on storage, portable storage, we recently heard from another larger player in the space that shipment volumes on portable storage units were up think they said up meaningfully in June and showing positive trends heading into the second half of the year. I'm curious if you noticed similar trends in your own storage business in the latter half of the quarter and how we should think about UOR sequentially at the third quarter here? I'm talking specifically about portable storage.

### **Tim Boswell**

Tim, this is Tim Boswell, we did see sequential improvement in unit on rent across the storage portfolio within Q2. Order rates year-over-year are still down, right? So I'm not assuming that we see significant continued sequential growth in Q3 but it's a shorter sales cycle in that business. So it's certainly possible.

And Matt can take through kind of the puts and takes in the outlook if that's helpful, but -- and we saw a modest sequential unit on rent improvement in, up through June in the storage portfolio. So that not knowing exactly who you're referring to, that could be correlated.

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

Yes. Okay. Yes. No, that's helpful, Tim. And Tim, while I got you, just for my follow-up, bouncing around calls here. But I thought I heard you say in your prepared remarks or in your response to somebody else, something about pricing flat on new contracts.

And I didn't know if you were referring specifically to modular or new modular units on rent. Do you remember saying something along those lines, pricing flat on new contracts? And can you remind me what you were referring to, maybe flesh that out a little bit?

### **Tim Boswell**

I remember it very clearly. I was referring to the pricing on new contracts in the modular business being flat year over year, right, and actually Value-Added Products on new contracts are roughly flat as well. So I see that as stable for sure. There are some puts and takes as you zoom in by product category as there always are. FLEX, for example, volumes and spot rates are all up year-over-year.

Ground level offices, for example, we've got a little more spot rate pressure there. But when you mix all of the modular category together, you're in a flat spot rate environment, which is fine given the focus on driving organic volume across the business right now. So that's what we were referring to. And honestly, it's largely similar on the container side of the business also.

### **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 Wohlhuter for any closing remarks.

### **Charlie Wohlhuter**

All right. Thank you, Cherie. We appreciate your interest in WillScot and participation in today's call. If you have additional questions, please feel free to contact me. We look forward to connecting with you at upcoming investor conferences or on our next earnings call.

Thanks, and have a great day.

### **Operator**

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