**TRANSCRIPT**

Q2 2026 Earnings Conference Call

WillScot Holdings Corp. (Nasdaq: WSC)

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Timothy Mulrooney, William Blair & Company LLC

**TRANSCRIPT**

**Operator**

Welcome to WillScot's Second Quarter 2026 Earnings Conference Call. My name is Cherie, 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 Charlie Wohlhuter, Senior Director of Investor Relations. Charlie, you may begin.

**Charlie Wohlhuter**

All right. Thank you, Cherie. Good afternoon, and welcome to our second quarter 2026 earnings call. With me in the room today are Worthing Jackman, our Executive Chairman; Tim Boswell, President and Chief Executive Officer; and Matt Jacobsen, our Chief Financial Officer. Today's presentation material may be found on our Investor Relations website at investors.willscot.com.

Before we begin, I'd like to direct your attention to Slide 2 of our posted presentation containing 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 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 now, it's my pleasure to turn the call over to our President and Chief Executive Officer, Tim Boswell, to begin today's discussion.

**Tim Boswell**

Thank you, Charlie, and good afternoon, everyone. We appreciate you joining us on today's call for a discussion of the operating environment, our second quarter 2026 results, strategic priorities, and expectations for the remainder of the year. Our second quarter results reflect steady progress across both our commercial and operational initiatives, and highlight the capabilities that continue to position us well to serve our customers and create long-term value for shareholders.

A top priority this year has been returning to organic top-line growth, which we achieved in the second quarter and are positioned to sustain through the remainder of the year. Matt will provide additional detail on the quarter's financial results, but the key takeaways are that activation volumes in our order book continue to be quite strong in certain segments. We are increasing variable expenses and fleet investments to support that demand. And the combination makes us more confident in our outlook for the remainder of the year and sustained lease revenue growth.

Total revenue of $612 million was up 4% year-over-year in the quarter, driven by leasing and services revenue growth of 6%. Within that, delivery and installation revenue increased by over 25%, which is extraordinary and builds upon the strong growth we were seeing in Q1. Matt will touch on the impact of the World Cup, but modular activations were up 16% year-over-year in the quarter, and modular pending orders are up 13% year-over-year sitting here today.

In a backdrop where overall non-residential construction square footage is still declining, I'm really encouraged by the opportunities our team is finding across our target verticals as well as our win rates. And there is clear progress supporting these results across each of our commercial priorities to improve local market execution, expand our enterprise accounts and verticals, and grow our value-added space solutions.

Staffing is up approximately 5% across our sales organization, with initiatives in place to continue improving their productivity. Our enterprise accounts and vertical strategies are still in their early innings from an execution standpoint, though showing great traction with enterprise account revenue up 21% year-over-year in the quarter.

And we expect that revenue from our newer offerings, such as climate-controlled storage, clear-span industrial tenting, and perimeter solutions will exit 2026 on roughly a 20% growth rate, supplementing the strength we are seeing in our modular space offering. So our commercial strategy is focused, execution is improving, it's driving a higher quality revenue mix long-term, and it is allowing us to be highly competitive in the segments of the market where we're seeing the biggest opportunities.

And the opportunities we're seeing are diverse across verticals. We continue to support critical infrastructure investments, manufacturing projects, power generation facilities, data centers, large scale retail operations, and special events of all sizes. We believe our expanded offering of space solutions, our operational capabilities, and our scale where we specialize continue to differentiate us in these environments, and that distinction is becoming increasingly clear, particularly at the enterprise account level.

In our field operations, it's been an extremely dynamic year, and I've been very impressed by how our teams have rallied together and are executing across multiple priorities. Our branch network is advancing our fleet readiness initiatives with modular work order and refurbishment activity up 17% year-over-year in the quarter supporting elevated activation levels. At the same time, our team is on track executing our fleet and real estate disposition plan. And taken together with the planned new fleet investments this year, 2026 will likely represent the most significant upgrade to our modular fleet in company history.

With all of that going on, we moved over 2,000 fleet units in and out of World Cup host cities over the last three months and are redeploying them to new customer opportunities. And our safety performance continues to improve year-over-year with fewer recordable incidents, despite increased activity levels. So, we are executing in the right way, consistent with our culture and company values.

Looking to the second half of the year, our commercial pipeline suggests that these activity levels will continue. We are rolling out our route optimization and dispatch software platform, which will be a benefit heading into 2027. And we're continuing to make improvements in other business processes within our shared services, which again, have potential benefit to both margins and the customer experience.

Together, all these initiatives improve execution, enhance customer outcomes, and further differentiate WillScot's long-term competitive positioning. And I'd like to thank all of our team members who are aligned and executing against these priorities.

Looking over the remainder of the year and how we thought about the guidance, we’re still very conscious of the bifurcation in demand levels between large and small projects and recognize that we continue to face headwinds among our more transactional product lines. But we're also seeing a lot of strength across the business, much of which is internally driven. So, we're continuing to take a balanced approach with our updated outlook, while remaining squarely focused on executing the commercial and operational priorities that are within our control.

We are modestly increasing our previously issued full-year 2026 outlook for revenue and adjusted EBITDA. The rationale for the revenue increase I covered in the commentary. Matt will discuss the margin cadence through the remainder of the year. So, the margin impacts we see in Q2 and in the outlook are normal in our business and to be expected in periods with sharp changes in activity. So, I think we've got different pathways to meet the forecast that would set us up well for 2027 with a solid lease revenue trajectory and margin expansion opportunity.

And lastly, on capital allocation the business continues to be highly cash generative and capital efficient on a relative basis even in periods of significant investment. Those who have followed us for a while know that our capital investments are entirely demand driven and that agility is an important attribute of the business. We have few long-term supply commitments or constraints, and our ability to ramp up our own work order production volumes rapidly is a significant competitive advantage.

We increased our outlook for net CapEx based on the reality that we're seeing a lot of interesting opportunities. Utilization levels are rising in key product categories. The commercial pipeline is stretching into 2027, and we remain very confident in the returns we can generate on organic investment. So this level of investment is higher than we would expect over time in our long-term capital allocation framework, but it's the best possible allocation both for the business and shareholders right now.

Overall, I'm pleased with the start to the year and the continued momentum we are seeing across the business and our internal initiatives. It's been several years since we've seen these activity levels, and based on the improvements to the business over that period, we're extremely well-positioned to execute and win in this environment. The dedication, focus, and capability of our team have been humbling, and I am incredibly proud of what we're building together and excited about our prospects. Every day, we're discovering new commercial opportunities, strengthening our already differentiated capabilities, and reinvesting strategically in the business with a focus on long-term value creation.

Thank you again to the entire WillScot team for the nice work in the first half of the year. And I'll now turn the call over to Matt to discuss our financial results and outlook in more detail.

**Matt Jacobsen**

Thanks, Tim.

Our second quarter results exceeded our expectations entering the quarter and reflected continued progress against our objective of returning the business to sustainable leasing revenue growth. Large project demand remained strong, the order book continued to grow, and we saw further evidence that the commercial initiatives we've discussed over the past several quarters are translating into improved underlying activity levels.

Total revenue for the quarter was $612 million, up 4% year-over-year and surpassing our expectation of approximately $585 million. Leasing and services revenue increased 6% year-over-year, driven by continued strength and modular activation activity that drove delivery and installation revenue up 25% year-over-year. This was supported in part by activity related to the World Cup event, but even more so by other large project deployments. And lastly, leasing revenue increased 2% year-over-year to approximately $450 million, marking an important milestone as we continue to progress towards broader leasing revenue growth across the portfolio. I'll touch on this a bit more in a moment.

Net income in the quarter was $47 million and diluted earnings per share was $0.26, which was flat to the prior year. Adjusted net income in the quarter was $52 million and adjusted diluted earnings per share was $0.28. Adjusted EBITDA for the quarter was $228 million, exceeding our outlook of $223 million. Adjusted EBITDA margin came in at 37.2%, reflecting continued investment to support elevated activation volumes and large project activity, as Tim mentioned.

Margins compressed sequentially from Q1 as we anticipated and communicated in our last call, compressing by about 500 basis points year-over-year. Margins are temporarily pressured primarily because modular activation activity accelerated. We invested approximately $17 million more in cost of leasing and unit transfer costs during the second quarter, compared to the same period last year, which helped drive 16% year-over-year growth in modular activations.

These upfront costs weighed on margins by about 250 basis points, but support growth and our future leasing revenue. Another 160 basis points of the impact is purely revenue-mixed driven resulting from the higher delivery and installation revenues we had in the quarter. Lastly, the remaining 100 basis points of impact was primarily driven by SG&A. Higher sales headcount, increased variable compensation, in addition to our provisions for credit losses offset by savings and other SG&A categories as we continue to drive cost opportunities in the business.

As we look forward to Q3 and Q4, we expect to see significant sequential margin expansion as many of these drivers moderate and lease revenues continue to build, potentially resulting in flat to positive year-over-year EBITDA margin comparisons by the fourth quarter.

Circling back now to leasing revenue. We continue to see stabilization in the overall portfolio. Modular activations increased the third consecutive quarter and combined with our current order book gives us increased confidence in our organic growth outlook. Average modular units on rent in the second quarter were within 450 units of the prior year. The World Cup contributed about 750 units on rent growth in modular year-over-year, while we continue to make significant progress towards volume inflection in modular units on rent.

Activations in portable storage were again slightly positive year-over-year with the World Cup being the driver of those results. While we continue to see year-over-year unit on rent headwinds in our portable storage portfolio, growth in climate-controlled storage continues to partially offset those headwinds and remains one of our strongest performing product categories, supporting both revenue growth and portfolio diversification.

Value-added product leasing revenues increased 3% year-over-year to approximately $103 million in the quarter. While total reported leasing revenue was up 1.5% year-over-year, this includes the shorter-term contribution from the World Cup event. Excluding this event, combined leasing revenue for modular storage and VAPS was essentially flat year-over-year in Q2. Even with the benefit of the World Cup event behind us, we expect continued year-over-year leasing revenue growth throughout the rest of 2026. So, our outlook on leasing revenue has continued to improve, given the positive activation trends we're seeing over the last three quarters.

Cash flow in the second quarter reflects further reinvestments in our business. Net cash provided by operating activities was $162 million in the quarter, we invested $114 million of net CapEx in Q2, reflecting increased investment in higher value product lines and differentiated offerings based on our demand outlook. Adjusted free cash flow for the quarter was $55 million, primarily reflecting the increased level of organic reinvestment in the business with very strong unit economics and underlying project activity.

In the past 12 months, we have used just over half of our capital generation to support large project demand by reinvesting in the business, which we believe drives the highest incremental returns. Remaining free cash flow in the quarter was used to fund returns to shareholders through our quarterly dividend program and paid down $27 million of outstanding debt. We ended the quarter with net debt of approximately $3.5 billion and leverage of 3.7x last 12 months adjusted EBITDA and maintain substantial financial flexibility with roughly $1.5 billion of available liquidity under the ABL facility. Our debt structure remains highly favorable with no maturities until August of 2028.

Moving now to our updated outlook. Based on first half performance and continued momentum in commercial demand, we are increasing our full-year 2026 outlook, which reflects the year-over-year leasing revenue inflection that we saw in Q2, sustained through the remainder of the year. Importantly, our outlook recognizes the top-line momentum we've generated, while remaining mindful of the continued economic uncertainty.

With our Q2 beat and continuing momentum through year-end, we now expect revenue for 2026 of approximately $2.3 billion, or a $50 million increase from our prior outlook, broken down by roughly $25 million of higher leasing revenue and $25 million more of delivery and installation revenue. We've increased our adjusted EBITDA outlook to approximately $920 million, which reflects the continued up-front investments in cost of leasing and transfer costs to support the opportunities that we're seeing, but limits the up-front flow through to EBITDA. Remember, this follows the normal sequential progression that we've seen in prior periods of growth, where we invest today to drive leasing revenue and free cash flow growth in future periods.

Looking at Q3 specifically, we expect total revenues of approximately $585 million, up about 3% year-over-year, driven primarily by increased leasing and services revenues as a result of continued strong demand in our large project pipeline. Adjusted EBITDA for the quarter is expected to be approximately $232 million, or about a 39.7% margin, reflecting the expected sequential margin expansion, I discussed earlier.

Looking at a few other items for Q3, we expect depreciation and amortization expense in the period to be approximately $100 million, interest expense to be about $54 million, and our effective tax rate to remain around 27%. In support of the large project demand momentum, we are increasing our net CapEx outlook for the year to approximately $375 million with the incremental dollars exclusively for new units and refurbishment of highly utilized fleet to support our large-scale project pipeline of known opportunities into early 2027. And although these large-scale projects may not have significant impact in our 2026 adjusted EBITDA results, it improves the quality of our revenue over time and supports growth.

In summary, we delivered another solid quarter with revenue, adjusted EBITDA, and commercial activity levels all outperforming our expectations. Leasing revenue is inflected to growth in the quarter, and as we look toward the back half of the year, we remain focused on converting growing activation volumes into sustained leasing revenue growth and positioning the business for continued improvement through 2026 and into 2027.

With that, I'll hand it back to Tim.

**Tim Boswell**

Thank you, Matt. We are encouraged by the commercial momentum we're seeing across the business, though are mindful of the mixed demand environment. We are laser focused on executing the internal commercial and operational initiatives that are starting to flow through to our results. And we're investing behind attractive opportunities where our differentiated capabilities continue to win in the market, providing us confidence in our outlook.

Most importantly, I want to thank our team again for their focus on improving execution, for executing in the right way, consistent with our values, and for our shared commitment to create long-term value for our customers and shareholders.

With that, operator, we can open the line for questions.

**Operator**

Thank you. (Operator Instructions). Please stand by, while we compile the Q&A roster. Our first question comes from the line of Kyle Menges with Citigroup. Your line is open.

**Kyle Menges - Citi**

Great. Thank you, guys. It sounds like a lot of the momentum is being driven by large projects. So I'm just curious, starting to think about 2027, just is there any risk of modular rates turning negative at some point, just maybe from a mix of larger projects driving the growth in 2027?

**Tim Boswell**

Hi, Kyle. It's Tim, and Matt can follow-up with any color commentary. But I think the short answer there is, no. No risk driven by the large project mix. And to the extent there are newer and differentiated fleet products coming into the mix over the next six months, they are supportive of higher modular rates. We do still see very strong growth across our panelized and FLEX fleet, which could present -- isn't that mixed headwind, but overall we're really encouraged by the large project activity. You're getting very strong rate, very good VAPS penetration in most cases, and better duration as well. So, when we're talking about the higher quality revenue and fleet mix, it's all of those things that we see when we look at the opportunity pipeline.

**Matt Jacobsen**

Yeah. Nothing really to add there. I mean, these are good investment opportunities for us to support that growth with high returns, and that's why we're making the investments.

**Kyle Menges - Citi**

Great. So maybe just to put a finer point on it, thinking about maybe more like-for-like rate on products, is the understanding then that rate that you're getting today on activations is higher than whatever rate you're getting on current units on rent like-for-like?

**Tim Boswell**

I mean, there's quite a few dynamics there, and mix can have some pretty big impacts there, Kyle, but I mean, I think what you saw in the quarter was that the whole blend of that was an increase of 3% in the portfolio. So -- and I think, as we look at these projects and these opportunities where we're making incremental investments. I think that those are opportunities where the returns are probably a little bit better than like an average potential unit that we may already have in some of the other categories. So, no, I don't see risk there. I think it could be a potential opportunity, but we'll stay measured there.

**Matt Jacobsen**

The other aspect to that, Kyle, is that we wouldn't be making some of these investments unless we were seeing increasing fleet constraints across certain categories. And whenever that's the case, that's also suggesting that you've got a strong rate environment.

**Kyle Menges - Citi**

Great. Appreciate the color.

**Operator**

Thank you. One moment for our next question. And that will come from the line of Tim Mulrooney with William Blair. Your line is open.

**Timothy Mulrooney - William Blair & Company LLC**

Hey, Tim and Matt. Thanks for taking my questions. I kind of want to build on that a little bit, looking at your CapEx. It looks like free cash flow was down versus last year in the second quarter due to the step up in CapEx as your activations ramp. Should we expect a similar dynamic in the second half of the year here with free cash flow being down year-over-year in the second half?

**Matt Jacobsen**

Yeah. I think that's right, Tim. I mean, we're going to continue to make investments as we get to kind of that guide of $375 million. I mean, you can look at what we've spent year-to-date, but we'll see a similar dynamic, I think, into the third quarter. And then, obviously, the fourth quarter, we'll continue to monitor things. And we can impact refurbishment and some of the activity there, if something were to change, but based on what we're seeing right now, pretty strong activity. So I think you continue to reinvest in the business and really focus on driving that recurring lease revenue.

**Timothy Mulrooney - William Blair & Company LLC**

Yeah. Okay. Thanks, Matt. I mean, you noted in your slides that that step up in CapEx is due to increased investments in these higher value product categories that you guys have been discussing today. I mean, just stepping back, do these higher value product categories, do they require more CapEx as a percentage of sales? In other words, how do you think about the IRR on those product categories versus your more traditional offerings?

**Matt Jacobsen**

Yeah, it's some of these, I mean, these are units, the higher differentiated units are also units that we've had in our fleet for a very long time. So think of units that couple together to make a complex, for example. There's no change there, Tim. So yeah, these are still getting very good returns. And I think the focus has been on more of those, where there's some capabilities required to help kind of plan and execute on those projects, rather than maybe some of the single wides and containers, which are a bit simpler and not as differentiated.

**Tim Boswell**

From an ROIC standpoint, though, Tim, we haven't changed any like underwriting thresholds or anything like that. So we're still holding a pretty high bar on these. And really, I think the differentiators are attractive return on capital, long duration, and positioning as well for a lot of this more complex project activity that we're seeing in the market. And as you know, market activity has kind of shifted in that direction, which is creating more constraints in those types of areas, as well as the services required to install and set up and transport and deliver. And those are all things that are fundamental that are fundamental to our value proposition and are allowing us to see increasing win rates across the commercial organization. So, all of this is a net positive from my perspective and really focused on setting up a more attractive trajectory for 2027.

**Timothy Mulrooney - William Blair & Company LLC**

Understood. Okay. So, higher CapEx, but good pricing, better pricing, better sell through longer duration. Good ROI. All right. Thanks, Tim.

**Operator**

Thank you. One moment for our next question. And that will come from the line of Scott Schneeberger with Oppenheimer. Your line is open.

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

Thanks very much. Good afternoon. I'd like to ask about, if you guys could just go over, I think you said the World Cup units. I thought I heard 2,000 overall and 750 modular. If you did say, or open to, could you please clarify that? And then where the question is in that is just, how should we think about that, maybe with the dismantling of units, the cost pressure, you've given us a third quarter guidance, so we get the sense, but of what that impact will be, but kind of that impact this year, how are you thinking about the comp next year, or how should we think about it? I know, you're not giving guidance for next year, but it seems pretty meaningful in size, I'm just curious, if you guys could just kind of discuss this once every four year event.

**Matt Jacobsen**

Well, unfortunately, I don't think it'll be here in North America every four years, but Scott, this is Matt, yeah, I can give you a little bit more there. So there's about 2,000 units that we put out at the various sites, that's roughly kind of half and half between modular and storage. The revenue in the quarter was kind of around $13 million or so, that's not the entire project, but as we're looking at Q2, what that looked like. And that's split about 40% towards rental and about 60% to D&I.

And really what's left in the third quarter is primarily some of that dismantle that you talked about. So roughly $5 million or so maybe of D&I primarily that would be there. So you will have kind of a little bit of a step down from that project. Obviously, we're still driving a lot of other underlying activity from the large project demand and those activations to drive leasing revenue growth year-over-year still in the third quarter. And that's kind of why we called out what the underlying excluding that was. We were basically kind of flat in the quarter in leasing revenue, excluding the World Cup, but that's helpful. So that's kind of a run rate to build off of. But I think that probably gives you what you need for next year. Obviously, we don't have that project don't know of a project similar to that, but we're focused, obviously, on the large project demand and driving overall unit on rent sequential growth in the future.

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

Thanks, Matt, that helps, just the clarification, I appreciate it. From a follow-up, I want to discuss, it sounds like you have great momentum with large projects. And I want to ask just about the sustainability, the demand environment, sounds like the order book is very good, and there was a quote in the release about win rate being strong. So, I kind of want to get an idea of the demand environment and sustainability? And then also how you all are doing within the demand that's there, just following up on that win rate, how competitive is it out there on those larger projects? And with separation of module versus storage in that discussion? Thanks.

**Tim Boswell**

All right. I'll take that one, Scott. This is Tim. So, when you look at the modular activations in order book, they're up double digits across both enterprise customers and non-enterprise. So, we're seeing pretty good success there across the modular business. If you look at storage activations, so think over the last 13 weeks were up about 2% year-over-year, but there's a big enterprise component there. So our local customers would still be down on the storage business, but still stabilizing.

When you look at the major project activity in the sustainability of it, we don't have a crystal ball, but we do have a large volume of opportunities that we're juggling. It does seem that weekly, one big project pushes to the right, but another one pops up and surprises us in its place, and that's a bit of an unusual environment to be in.

The other thing that's a little different is we are seeing opportunities that stretch into 2027 from a start standpoint, our lead times typically correlate positively with size of projects. So that's why we're seeing that extension in lead time.

And then the comment on win rates, it's been an encouraging trend in the business. We started to see some of this changing towards the second half of last year, but it's continued to improve through the course of the first half of 2026. And I think it comes down to operational capability at the end of the day. As without going into too much detail on it, as project complexity goes up, our win rates have gone up.

I think that's a reflection of the service levels that we're able to provide, of course, in the field, but also from our shared services resources. And because of that, we are changing a bit how we deploy our commercial resources, we've been adding to the enterprise team, and also the types of things that we're going to reinvest in the fleet. So we are letting that commercial activity and some of those nuances help us reallocate resources as we look forward.

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

Thanks, Tim. Sounds encouraging for next year.

**Operator**

One moment for our next question. And that will come from the line of Angel Castillo with Morgan Stanley. Your line is open.

**Angel Castillo - Morgan Stanley**

Hi. Good evening, and thanks for taking my question. Just wanted to go back to that discussion around the kind of key end markets and a lot of what you're seeing, I think a lot of positive trends. Just was hoping to get a little bit more color specifically on rates. I think you gave some mentions earlier, but just any discounting activity and just kind of rental rate kind of incremental, I guess, quantification that you could provide across modular and particularly, also storage where I think you're still seeing a little bit of pressure there, but just curious of any impact on margins from any of that and how you're kind of seeing it in the second half?

**Matt Jacobsen**

Yeah, I wouldn't say there's been really a change in like the transactional activity or environment there, Angel. We've continued to see pockets of areas where we do arm our teams to be able to look at each opportunity and we may take a different approach on certain projects than we do on other ones. But I wouldn't say there's been any marked change there.

I think the change has probably just been a little bit more, again, on the large projects where some of the fleet's getting a bit more constrained and we know that it's a bit more constrained kind of across the industry, right? So that's really the only piece I would talk to. There's not much else that's moved there.

**Angel Castillo - Morgan Stanley**

Yeah. No, that's helpful. And then just I wanted to maybe talk about the visibility aspects of maybe how you're running your business. I think, Tim, you kind of touched on it, but just to the degree that you're now investing given visibility into 2027 due to some of these kind of mega projects. Just curious, one, what gives you confidence I guess, that there's not going to be push outs on some of these? And just as you think about the strategy of how you run the business and that degree of visibility, perhaps extending how is that kind of changing ultimately, your underlying appetite for CapEx, it sounds like you're early moving forward a little bit more with that. But just as we look forward, how do you kind of mitigate risk of projects moving around?

**Tim Boswell**

Yeah, it's a good question. And we as a team are talking about that definitely weekly, if not daily at this point. And the reality is the project pipeline probability adjusted supports the CapEx levels that we are deploying this year. It is absolutely the case that it's the norm for major projects to delay, and we are seeing that across the business. But there's enough activity that where one delays, one also starts. And it's that dynamic that has us comfortable with these investment levels.

The second piece I kind of alluded to earlier is kind of the win rates and the probabilities that we're attaching to it. And then third is the investments we're making are in some of the most versatile fleet categories that are available in the industry. And when I look at the type of major project activity, it's continuing to increase as we look at just the opportunities that are kind of coming into our project database. The large and mega projects that we're seeing were up another 14% year-over-year in terms of new opportunities coming into the pipeline. And data centers are only about a quarter of that project activity. So, when I talked about diversity across end markets, it's not like it's all one vertical. We're actually seeing interesting stuff across all the different categories that I mentioned.

The other piece of this is the kind of where we're at with the enterprise account and vertical strategy. I said in my commentary, it's early innings. I think that momentum is still building. And all else equal, we're going to have more larger project activity coming from that team. So, it's a combination of these things that we're taking into account that have us quite comfortable with the approach here.

**Angel Castillo - Morgan Stanley**

Very helpful. Thank you.

**Operator**

Thank you. One moment for our next question. And that will come from the line of Andrew Wittman with Baird. Your line is open.

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

Yeah. Great. Good evening. Thanks for taking my question, guys. So, the questions on kind of the status of the demand environment have been asked in a couple of different ways, obviously you talked about ex-World Cup revenue was kind of flattish, and that's good. I wanted to look specifically or talk more concretely about orders and activation. So, I think this quarter you said order book was plus 13%. I think last quarter, 14%. So, kind of the same number. That metric tells us kind of pretty stable maybe sequentially. The one number that I try to think would be helpful to understand would be the activations this quarter without the World Cup. You gave us some moving pieces there. I don't know, if we can totally back into it. I think last quarter you said it was high single digits-ish, and was it better than that this quarter on the activations?

**Tim Boswell**

Yeah, we would have been somewhere around 10%, excluding the modular. This is for modular. Excluding the World Cup units, it would have been somewhere around 10%, Andy. So, the 16% was inclusive of. So, circa 10%.

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

Okay. So, it seems like kind of sequentially a little bit better than the last quarter there, then. And then so, my other question is, like this strength in the mega projects has been in place for some time, and it feels like to get the engine going to even the next year, it's going to need that transactional, that more local business to come around. Is there anything besides like basically the rate cycle coming down to drive more demand there that you guys are looking for? Or what do you think that it's going to take to get that piece of the business to come back based on what you're seeing out there today?

**Tim Boswell**

Yeah, that's kind of the first prong of the commercial strategy that I alluded to, improving local execution, driving enterprise accounts, and then expanding the value added offering, and that's been the mantra here for a few quarters now internally. I mentioned staffing across that team is up. There are certainly opportunities to continue improving productivity there and as recently, as last week we were having a conversation about pricing and value-added products as other areas of focus in this environment. So, we still have work to do on that piece of the puzzle. It's nice to have momentum in two of the other pieces in addition to some of the things that the team is working on operationally behind the scenes here.

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

Okay. So that's a good sense of kind of what you guys are trying to do to control what you can control. But just from a macro perspective, Tim, what do you think it takes?

**Tim Boswell**

It's a good question. I'm a believer that there probably is some crowding out effect that's going on just given the magnitude of some of what's happening out there in the market. I was with a major customer last week, and I mentioned project delays are the norm. Labor and supply chain constraints are very real. Inflationary pressures are also real, we're not immune to any of that, but I do think, given our scale and what we do, we are best positioned to navigate those on behalf of our customers. And I think that's one of the reasons that win rates go up. But if some of the largest contractors in the world are feeling those pressures, I do think it must be creating pressure in other segments of the market.

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

Okay. Good context. Thank you, guys.

**Operator**

One moment for our next question. And that will come from the line of Philip Ng with Jefferies. Your line is open.

**Maggie Miller - Jefferies LLC**

Hey, guys. This is Maggie on for Philip. Thanks for taking my questions. I guess, first, it was really encouraging to see both modular and storage units on rent inflect sequentially this quarter. And I think, if I back out the World Cup impact, they were still up quarter-over-quarter. So, I guess, is that -- am I doing the math right there? And then is the expectation embedded in the guide that we continue to see quarter-over-quarter improvement through the back half in both of those segments or was there anything else in 2Q that could be throwing that off?

**Matt Jacobsen**

Yeah. No, I think you're making a fair point there, Maggie. So, of the call it roughly 2,000 unit growth in modular sequentially, about half of that was World Cup. And will come off rent here. Year-over-year, on the average, that was the 750, that I talked about. But if you're just looking sequentially, the entire amount is pretty much embedded there. So, we will drop that 1,000 from a modular standpoint.

And so, as you look forward, we potentially could get to that. I don't think that would be my base assumption that it would be flat sequentially on average just given that drop of the thousand as those go off. And then for the back half of the year, if we got to inflection here I think we would be pretty excited and it's definitely a potential, I don't think that would be embedded in our base guide just quite yet, but we're absolutely making progress there each quarter. There is a normal seasonality, right, as you get to fourth quarter especially on the transactional you do typically shed a little bit of units on rent just from that. So we'd have to fully offset that to stay flat.

On the storage side, we do have some of the business that is a little bit front-loaded in the year, separate from the World Cup. So some store remodels and things that typically does wrap up before you get into the fourth quarter, which will come down a little bit now much of that is offset by normal fourth quarter seasonality. So, I don't think we would assume those will fully stay flat sequentially for the year in our base guide, but definitely opportunity, probably more on the modular side.

**Maggie Miller - Jefferies LLC**

Okay. All of that is really helpful. And then, I think taking a step back, looking at broader market dynamics and especially in this environment where growth is really being driven by these larger projects and enterprise accounts. I was wondering, if you could talk about if there's been any shift in competitive dynamics with potentially more national players active in the space. I think we've seen some of your larger national competitors kind of bulking up in your category. So, how are you differentiating in this market environment?

**Tim Boswell**

Yeah. It's all comes down to operational capabilities and ability to service the customer at the end of the day. We are obviously aware of all kind of changes in the competitive landscape. But at the same time, we're seeing ourselves be disproportionately successful in this environment. And that's the most important thing at the end of the day.

So that's when I talk about, hey, our own strategic focus, where we're allocating resources, the efforts we've made to improve both field operations capability as well as our support capabilities. All of that is geared towards the value proposition that resonates both with the enterprise account level customers, but also our transactional customers. At the end of the day, ease of doing business and customer service are key decision points for really all of our clientele. So encouraged by the mix of market activity is playing to our strengths. And at the end of the day, I just look at our kind of win rates as the evidence of our ability to kind of compete in this environment.

**Maggie Miller - Jefferies LLC**

All right. Perfect. Thanks, guys.

**Operator**

And our next question will come from the line of Manav Patnaik with Barclays. Your line is open.

**Ronan Kennedy - Barclays Bank PLC**

Hi. This is Ronan Kennedy on for Manav. Thank you for taking our questions. Can you just speak to VAPS trends in terms of penetration, pricing, attach rates? And then specifically for attach rates on the large projects today that are driving the demand or the attach rates materially higher than our tradition modular deployment?

**Tim Boswell**

Ronan, you were asking about attach rates on value-added products and whether those are materially different in larger projects versus other parts of the business? And I would say no, not material. I think VAPS revenue was up 3%-ish year-over-year for the quarter, so continuing to see growth there. Penetration rates historically have been highest in our single wide mobile office category, which has been one of the weaker categories from a mixed standpoint. So, there is that mixed impact that's been a headwind for value added products penetration. But I wouldn't attribute that to the mix of large versus smaller projects necessarily.

But it is an area of focus for the team, right? So it's an area where I look across execution in the business, both commercially and operationally. There are always things we can improve. And we had a lengthy discussion on this particular topic on Tuesday morning with the team about some initiatives to reinvigorate aspects of the value-added products portfolio.

On the other hand, we've got some new product introductions, like the Perimeter Solutions offering, which is deploying across the country, growing quite well, and along with climate-controlled storage and industrial tenting, that's becoming a more meaningful contributor to our lease revenue and should have roughly a 20% CAGR going into next year. So, whether it's VAPS specifically or expansions to the offering more generally, we are making some progress there.

**Ronan Kennedy - Barclays Bank PLC**

Thank you for that, Tim. That's very helpful. And if I may, as a follow-up, a two-parter, please. On margin, I think of there was 250 basis points activation impact, 160 basis points mix, 100 SG&A. Which of those components reversed most meaningfully to support that expectation for the guided margin? And then assuming volume trends continue as you expect, how should we think about '27 margin opportunity? If there's activation cost normalization, operating leverage or something else that could potentially be a key driver.

**Matt Jacobsen**

Yeah. I think, the comments for Q3 and Q4 obviously, kind of carry into next year a little bit too, just depending on the overall demand market. But as we look into Q3, for example I think the biggest we'll see some impact from the D&I revenue mix subsiding a little bit. Our large event had a very high component of logistics as we were moving units in and out over a three-month period. So you'll see improvement there.

And then I think the outsized kind of increase that we saw in the second quarter in our cost of leasing, I think we'll still be up year-over-year to support higher activity, but it won't be quite as big of a drag in the third quarter as we saw in the second quarter. So that's how you kind of get the probably 200 basis points to 300 basis point of expansion into Q3.

And then in the Q4, pretty significant expansion, I think, again, you'll have, again, some more maybe 150 or so, roughly of revenue mix improvement as you get to that Q4 kind of lower D&I activity. I think we will get some leverage within SG&A as we continue to build the top-line. And then the last piece will be a little bit dependent on how much activity we see in Q4.

We've got good visibility into large projects. If we see the more transactional things kind of stay where they're at, or if we see a seasonal decline as you usually see in fourth quarter, that's probably the one that you're going to see a range of outcomes. I think you probably still get 150 or so either way. You could get more, if you see the normal kind of Q4 slow down on that side of it. So pretty significant expansion 200 basis points to 300 basis points in Q3, and I think 300 basis points to 500 basis points probably again into Q4 to kind of get you to the full-year margin guide that we've given.

**Tim Boswell**

Looking into next year, obviously we're not going to give you firm guidance, but it's kind of a mix of all the same levers. Obviously, if we enter on a growing lease revenue run rate, there's a positive operating leverage benefit there. If activation activity is still growing, but maybe not at the same rate next year, you get a benefit from work order costs and D&I mix.

I mentioned the route optimization platform that we are rolling out currently. That is one of the objectives there is improving D&I profitability, as well as customer communications and the customer experience. I think we've got opportunities in back office and bad debt. And sales work productivity is probably the other area where I think we've got some opportunities. So, you're not going to get a win out of every one of those, but it's nice to have optionality and we'll be managing the mix of those options as best we can.

**Ronan Kennedy - Barclays Bank PLC**

Great. Thank you both very much. Appreciate it.

**Operator**

Thank you. One moment for our next question. That will come from the line of Josh Chan with UBS. Your line is open.

**Joshua Chan - UBS Securities**

Hi. Good afternoon. Thanks for taking my question. I was wondering in past periods of kind of activity elevation, I guess, do you usually see a prolonged period of higher activity such that you will be spending more into a very strong recovery or can that be kind of lumpy in terms of how much activation spike you get?

**Tim Boswell**

Hi, Josh. It's Tim. And no cycle is ever the same, right? So, there is the potential for it to be lumpy. There's the potential for it to be sustained, and time will tell, right? The point in our business is the flexibility we have around the timing with which we can kind of flex on and flex off those investments. While CapEx is up, a big chunk of it is our own refurbishment activity, which as you know, we kind of revisit those work order production volumes at least every 90 days.

And if we wanted to shut them down, we can shut them down in about two weeks' time, and we have no intention of doing that. But in this environment, as we progress through the second half, we're going to watch it really carefully to make sure that we're not overproducing going into next year. I'd be happy to continue with today's production rates, because that'll just benefit the long-term lease revenue run rate in the business. So, I would focus more on the agility that we have to turn this on and off, and control a big chunk of it in-house through the refurbishment process, and we will have that be entirely demand-driven based on the activity we're seeing from the commercial organization.

**Joshua Chan - UBS Securities**

That's great. Okay. So, thanks for that's color, Tim. And then maybe one follow-up on guidance. I guess, suppose you keep this leasing revenue momentum into Q3 and Q4, why wouldn't the full-year revenue be a bit stronger than what you said? Is it just rounding, or how should we think about kind of the cadence there?

**Matt Jacobsen**

Yeah. No, I think we're getting to year-over-year growth in both quarters for leasing revenue. To your point, if activity remains elevated over what our base assumption is here, then yes, you could do a little bit better. Some of this may depend on timing of some of these projects starting and more pulls in, you could be surprised to the positive there.

But I think right now, we're being prudent there's also the transactional activity that you don't know exactly how that's going to play out, right? So we're looking at kind of the different range of outcomes and we'll be nimble, as Tim was talking about.

**Tim Boswell**

Just remember there is going to be a sequential kind of step down from Q2 to Q3 due to the World Cup, right? So that's kind of the new baseline starting point, and we expect that will be up year-over-year and continue to grow sequentially. And really, D&I is the place where depending on new project starts and the volume of those, that can move obviously more quickly than the lease revenue line on the P&L.

**Joshua Chan - UBS Securities**

That makes a lot of sense, Tim. Thanks so much for the call, and congrats on a good quarter.

**Tim Boswell**

Great. Thanks, Josh.

**Operator**

Thank you. (Operator Instructions). Our next question will come from the line of Faiza Alwy with Deutsche Bank. Your line is now open.

**Faiza Alwy - Deutsche Bank**

Yes. Hi. Thank you. Tim, you alluded to sort of internal initiatives in your prepared remarks, and I think it's come up a little bit during the course of the call where you've talked about talked about, win rates, but it seems like you're attributing that more to your capabilities. So, I'm curious, if you can talk more about, which of these internal initiatives do you think have been most impactful?

**Tim Boswell**

Look, they're across both our kind of commercial organization and then also our field and shared services operations, right? So, I'd say in the field, commercial team, staffing, training, productivity, we've got a variety of initiatives kind of focused at that team, and I'd say we're making progress, but we're certainly not done.

Within the enterprise category, we did restructure that team and have been building out that team for the last 12 months. I mean, we really just started that at the end of Q2 last year and going into Q3. So there we're building momentum, and I think engaging with customers more effectively and being more successful. So that's good.

And then, as you know, we have been kind of gradually building out new product lines around cold storage and industrial tenting, which is starting to gain some traction, and then our Perimeter Solution. So across our go-to-market and commercial strategy, those are the things that we're working on.

Across our field organization, I mentioned field operations rather, the route optimization platform, the real estate and fleet disposition plan, both have kind of margin benefits as we look into 2027, we think. And then in shared services, there's a fair amount of business process improvement work going on behind the scenes. So, it's multi-pronged, but all for a reason, right, in terms of driving sustainable growth in the business and doing that in a really scalable way that pleases our customers. And if we do all those things well, we'll be on a positive trajectory for a long time, I think.

**Faiza Alwy - Deutsche Bank**

Great. Thank you for that. And then just to follow-up on some of the fleet constraints that you're talking about. How should we think about, like where we are from an industry utilization perspective? Because if I think back to '22 even '23, that was a big help in terms of rate increases, pricing, all of that, because we were constrained post-COVID. I guess, how -- and I know that there's a lot of demand generally for modular units, certainly with respect to what you're talking about, but then also in other areas where you're not participating in, like residential areas for data centers, remote residential units for data centers, remote workers and things like that. So just want to get your perspective on, like where in the supply constraint cycle we are and are you seeing higher costs for units overall?

**Tim Boswell**

It's definitely -- the market is definitely tightening in segments, right? It's not across the board and based on the type of project activity that we see I expect those constraints will persist for some time, is my expectation. All else equal that is supportive of the pricing environment and inflation is still a very real impact, not just to us and our business, but for our customers and many of their inputs and that is reflective in new product cost that we see across our supply base. And as you know, our supply base is a little bit different, we've got a variety of sources of new product, but we also have a very differentiated ability to reactivate and refurbish fleet that we already own. In many categories, though, we are looking at higher utilization levels and supplementing those categories with some new fleet.

**Faiza Alwy - Deutsche Bank**

Great. Thank you so much.

**Operator**

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

**Tim Boswell**

Great. Thank you for the questions, everybody. For those listening, thank you for your interest in WillScot. And again, to our team, thank you for taking care of each other and our customers and focusing on our execution plans for the second half of the year.

With that, we can conclude the call.

**Operator**

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