



Corporate Credit > U.S. High Yield

United Rentals Inc. (URI)

Updated: September 8, 2015

Trade Idea:

- Buy United Rentals 5.75% senior unsecured notes due 2024

Investment Rationale:

- Largest North American construction and industrial equipment rental company.
- Solid 50% EBITDA margin business with a current healthy 66% overall equipment utilization rate.
- URI has provided full year 2015 guidance for free cash flow of \$725MM to \$750MM before share repurchases.
- Moderate leverage profile at 2.9x total debt/EBITDA, with management's publicly articulated target leverage ratio of 2.5x – 3.5x, and publicly traded equipment rental company comparables trading at 5.0x - 6.0x EV/EBITDA multiples.
- Significant hard asset coverage with a total fleet original equipment cost of \$8.44Bn, at a 43-month average fleet age, relative to \$8.4Bn in total company debt.
- Publicly traded company with a \$6.4Bn equity market capitalization. 57% Total Debt / Enterprise Value
- The URI 5.75% senior unsecured notes due 2024, at the current offer price of \$100.0, provide a 5.75% YTW, 358 bps OAS, and a 5.75% current yield for a solid BB- rated company.

Recommendation(s):

Trade Horizon	Ticker	Cpn	Maturity	Ratings		Ccy	Issue			Cash			ISIN
				S&P	Moody's		Size	YTW	OAS	Price	Target	Loss	
12 Months	URI	5.75%	11/15/2024	BB-	B1	USD	850	5.75%	358	100.00	104.0	96.0	US911365BB94

* Levels as of 09/08/2015