

MOBILE MINI INC
Form 10-Q
August 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended June 30, 2013

or

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-12804

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	86-0748362 (I.R.S. Employer Identification No.)
7420 S. Kyrene Road, Suite 101 Tempe, Arizona (Address of principal executive offices)	85283 (zip code)
(480) 894-6311 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes ☐ No ☒

At July 26, 2013, there were outstanding 46,299,175 shares of the registrant's common stock, par value \$.01.

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MOBILE MINI, INC.

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FOR THE QUARTER ENDED JUNE 30, 2013

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MOBILE MINI, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands except par value data)**

	December 31, 2012 (See Note A)	June 30, 2013 (Unaudited)
ASSETS		
Cash	\$ 1,937	\$ 634
Receivables, net of allowance for doubtful accounts of \$2,675 and \$2,099 at December 31, 2012 and June 30, 2013, respectively	50,644	50,431
Inventories	19,534	19,634
Lease fleet, net	1,031,589	974,486
Property, plant and equipment, net	80,822	77,403
Assets held for sale		8,312
Deposits and prepaid expenses	6,858	7,193
Other assets and intangibles, net	17,868	15,502
Goodwill	518,308	514,034
Total assets	\$ 1,727,560	\$ 1,667,629
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable	\$ 18,287	\$ 19,493
Accrued liabilities	58,485	56,086
Lines of credit	442,391	389,263
Notes payable	310	45
Obligations under capital leases	642	451
Senior Notes	200,000	200,000
Deferred income taxes	197,926	195,959
Total liabilities	918,041	861,297
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: \$.01 par value, 20,000 shares authorized, none issued		
Common stock: \$.01 par value, 95,000 shares authorized, 48,211 issued and 46,036 outstanding at December 31, 2012 and 48,475 issued and 46,300 outstanding at June 30, 2013	482	485
Additional paid-in capital	522,372	534,293
Retained earnings	343,782	341,443
Accumulated other comprehensive loss	(17,817)	(30,589)
Treasury stock, at cost, 2,175 shares	(39,300)	(39,300)
Total stockholders' equity	809,519	806,332
Total liabilities and stockholders' equity	\$ 1,727,560	\$ 1,667,629

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents**MOBILE MINI, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands except per share data)****(Unaudited)**

	Three Months Ended June 30,	
	2012	2013
Revenues:		
Leasing	\$ 81,924	\$ 88,224
Sales	10,749	8,850
Other	547	448
Total revenues	93,220	97,522
Costs and expenses:		
Cost of sales	6,580	5,668
Leasing, selling and general expenses	55,377	57,477
Merger and restructuring expenses	267	343
Asset impairment charge		40,277
Depreciation and amortization	9,131	8,833
Total costs and expenses	71,355	112,598
Income (loss) from operations	21,865	(15,076)
Other expense:		
Interest income	1	
Interest expense	(10,182)	(7,455)
Foreign currency exchange loss	(2)	
Income (loss) before provision for (benefit from) income taxes	11,682	(22,531)
Provision for (benefit from) income taxes	4,370	(8,150)
Net income (loss)	\$ 7,312	\$ (14,381)
Earnings (loss) per share:		
Basic	\$ 0.16	\$ (0.32)
Diluted	\$ 0.16	\$ (0.32)
Weighted average number of common and common share equivalents outstanding:		
Basic	44,627	45,420
Diluted	44,952	45,420

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30,	
	2012	2013
Net income (loss)	\$ 7,312	\$ (14,381)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(4,673)	(587)
Other comprehensive loss	(4,673)	(587)
Comprehensive income (loss)	\$ 2,639	\$ (14,968)

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents**MOBILE MINI, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands except per share data)****(Unaudited)**

	Six Months Ended June 30,	
	2012	2013
Revenues:		
Leasing	\$ 160,368	\$ 173,290
Sales	20,554	21,312
Other	1,048	861
Total revenues	181,970	195,463
Costs and expenses:		
Cost of sales	12,478	14,352
Leasing, selling and general expenses	108,964	110,610
Merger and restructuring expenses	763	718
Asset impairment charge		40,277
Depreciation and amortization	18,145	17,644
Total costs and expenses	140,350	183,601
Income from operations	41,620	11,862
Other expense:		
Interest income	1	
Interest expense	(20,799)	(15,006)
Deferred financing costs write-off	(692)	
Foreign currency exchange loss	(3)	(1)
Income (loss) before provision for (benefit from) income taxes	20,127	(3,145)
Provision for (benefit from) income taxes	7,605	(806)
Net income (loss)	\$ 12,522	\$ (2,339)
Earnings (loss) per share:		
Basic	\$ 0.28	\$ (0.05)
Diluted	\$ 0.28	\$ (0.05)
Weighted average number of common and common share equivalents outstanding:		
Basic	44,558	45,334
Diluted	45,006	45,334

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2012	2013
Net income (loss)	\$ 12,522	\$ (2,339)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	1,388	(12,772)
Other comprehensive income (loss)	1,388	(12,772)
Comprehensive income (loss)	\$ 13,910	\$ (15,111)

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents**MOBILE MINI, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Six Months Ended June 30,	
	2012	2013
Cash Flows From Operating Activities:		
Net income (loss)	\$ 12,522	\$ (2,339)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred financing costs write-off	692	
Asset impairment charge		39,704
Provision for doubtful accounts	562	715
Amortization of deferred financing costs	1,779	1,405
Amortization of debt issuance discount	42	
Amortization of long-term liabilities	84	86
Share-based compensation expense	3,586	5,379
Depreciation and amortization	18,145	17,644
Gain on sale of lease fleet units	(6,556)	(5,448)
(Gain) loss on disposal of property, plant and equipment	(44)	62
Deferred income taxes	7,605	(980)
Foreign currency transaction loss	3	1
Changes in certain assets and liabilities, net of business acquired:		
Receivables	(167)	(1,537)
Inventories	(937)	(1,602)
Deposits and prepaid expenses	(109)	(417)
Other assets and intangibles	(105)	(7)
Accounts payable	1,813	1,433
Accrued liabilities	(5,342)	(2,085)
Net cash provided by operating activities	33,573	52,014
Cash Flows From Investing Activities:		
Cash paid for business acquired	(3,563)	
Additions to lease fleet	(19,326)	(14,297)
Proceeds from sale of lease fleet units	16,117	15,929
Additions to property, plant and equipment	(8,555)	(9,654)
Proceeds from sale of property, plant and equipment	315	458
Net cash used in investing activities	(15,012)	(7,564)
Cash Flows From Financing Activities:		
Net repayments under lines of credit	(11,614)	(53,128)
Deferred financing costs	(7,507)	
Principal payments on notes payable	(238)	(265)
Principal payments on capital lease obligations	(547)	(191)
Issuance of common stock	1,846	6,395
Net cash used in financing activities	(18,060)	(47,189)

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Effect of exchange rate changes on cash	(414)	1,436
Net increase (decrease) in cash	87	(1,303)
Cash at beginning of period	2,860	1,937
Cash at end of period	\$ 2,947	\$ 634

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE A Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) applicable to interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management of Mobile Mini, Inc. (referred to herein as Mobile Mini, us, we, our or the Company), all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. All significant inter-company balances and transactions have been eliminated.

The local currency of the Company s foreign operations is translated to U.S. currency for the Company s condensed consolidated financial statements for each period being presented, and the Company is subject to foreign exchange rate fluctuations in connection with the Company s European and Canadian operations.

The Condensed Consolidated Balance Sheet at December 31, 2012 was derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

The results of operations for the three- and six-month periods ended June 30, 2013 are not necessarily indicative of the operating results that may be expected for the full fiscal year ending December 31, 2013 or any future period. Demand from certain of the Company s customers is somewhat seasonal. Demand for leases of the Company s portable storage units by large retailers is stronger from September through December because these retailers need to store additional inventory for the holiday season. These retailers usually return these leased units to the Company in December or early in the following year. This seasonality has historically caused lower utilization rates for the Company s lease fleet and a marginal decrease in its operating cash flow during the first quarter of the year.

These condensed consolidated financial statements should be read in conjunction with the Company s December 31, 2012 audited consolidated financial statements and accompanying notes thereto, which are included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 1, 2013.

NOTE B Recent Accounting Pronouncements

Comprehensive Income. In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to the existing guidance on the presentation of comprehensive income. Under the amended guidance, an entity is required to present the effect of reclassification adjustments out of accumulated other comprehensive income in both net income and other comprehensive income in the financial statements. In February 2013, the FASB issued an amendment to this provision which is effective on a prospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this amendment did not have a material impact on the Company s consolidated financial statements and related disclosures.

NOTE C Fair Value Measurements

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company adopted the suggested accounting guidance for the three levels of inputs that may be used to measure fair value:

Level 1 Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

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Level 3 Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions. At December 31, 2012 and June 30, 2013, the Company did not have any financial instruments required to be recorded at fair value on a recurring basis.

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued**

The following table summarizes our non-financial assets measured at fair value on a non-recurring basis:

<u>Assets Held for Sale</u>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1) (In thousands)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
December 31, 2012	\$	\$	\$	\$	n/a
June 30, 2013	\$ 8,312	\$	\$	\$ 8,312	(1)

- (1) Assets held for sale primarily represent portable storage and office units and some transportation equipment. The carrying value at June 30, 2013 of \$47.1 million was written down to fair value, less costs to sell, resulting in an impairment loss of \$38.8 million. The loss was recorded in asset impairment charge in the Condensed Consolidated Statements of Operations. Our estimate of the fair value of the assets held for sale is based on our understanding of market prices to be paid by third parties (See Note O).

NOTE D Fair Value of Financial Instruments

The Company determines the estimated fair value of financial instruments using available market information and valuation methodologies. Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Company could realize in current market exchanges.

The carrying amounts of cash, receivables, accounts payable and accrued liabilities approximate fair values based on the liquidity of these financial instruments or based on their short-term nature. The carrying amounts of the Company's borrowings under its revolving credit facility, notes payable and capital leases approximate fair value. The fair values of the Company's revolving credit facility, notes payable and capital leases are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of the Company's revolving credit facility debt, notes payable and capital leases at December 31, 2012 and June 30, 2013 approximated their respective book values and are considered Level 2 in the fair value hierarchy described in Note C.

The fair value of the Company's \$200.0 million aggregate principal amount of 7.875% senior notes due 2020 (the Senior Notes) is \$219.0 million and \$215.0 million as of December 31, 2012 and June 30, 2013, respectively. The fair value is based on the latest sales price of such notes at the end of each period obtained from a third-party institution and is considered Level 2 in the fair value hierarchy described in Note C, as there is not an active market for such notes.

NOTE E Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated under the treasury stock method. Potential common shares include restricted common stock, which is subject to risk of forfeiture, incremental shares of common stock issuable upon the exercise of stock options and vesting of nonvested stock awards.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

The following is a reconciliation of weighted-average shares of common stock outstanding for purposes of calculating basic and diluted EPS for the three- and six-month periods ended June 30, 2012 and 2013:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2013	2012	2013
	(In thousands except per share data)		(In thousands except per share data)	
Numerator:				
Net income (loss)	\$ 7,312	\$ (14,381)	\$ 12,522	\$ (2,339)
Basic EPS Denominator:				
Common shares outstanding beginning of period	44,617	45,351	44,432	45,194
Effect of weighting shares:				
Weighted shares issued during the period ended June 30	10	69	126	140
Denominator for basic earnings per share	44,627	45,420	44,558	45,334
Diluted EPS Denominator:				
Common shares outstanding beginning of period	44,617	45,351	44,432	45,194
Effect of weighting shares:				
Weighted shares issued during the period ended June 30	10	69	126	140
Dilutive effect of stock options and nonvested share-awards during the period ended June 30 (1)	325		448	
Denominator for diluted earnings per share	44,952	45,420	45,006	45,334
Basic earnings (loss) per share	\$ 0.16	\$ (0.32)	\$ 0.28	\$ (0.05)
Diluted earnings (loss) per share	\$ 0.16	\$ (0.32)	\$ 0.28	\$ (0.05)

- (1) Due to the loss in 2013, potential diluted securities are not included in the calculation of diluted loss per share as their impact would be anti-dilutive.

Basic weighted average number of common shares outstanding does not include nonvested share-awards that had not vested of 1.1 million and 0.8 million for the three- and six-month periods ended June 30, 2012 and 2013, respectively.

The following table represents the number of stock options and nonvested share-awards that were issued or outstanding but were excluded in calculating diluted EPS because their effect would have been anti-dilutive:

Three Months Ended June 30		Six Months Ended June 30	
2012	2013	2012	2013
(In thousands)		(In thousands)	

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Stock option awards	933	2,407	942	1,598
Nonvested share-awards	326	388	28	355
Total anti-dilutive shares	1,259	2,795	970	1,953

NOTE F Share-Based Compensation

At June 30, 2013, the Company had one active share-based employee compensation plan. There are two expired compensation plans, one of which still has outstanding options subject to exercise or termination. No additional options can be granted under the expired plans.

Stock option awards under these plans were granted with an exercise price per share equal to the fair market value of the Company's common stock on the date of grant. Each outstanding option must expire no later than ten years from the date it was granted, unless exercised or forfeited before the expiration date, and are granted with vesting periods ranging from three to four and a half years. The total value of the Company's stock option awards is expensed over the related employee's service period on a straight-line basis, or if subject to performance conditions, the expense is recognized using the accelerated attribution method. The service period is the time during which the employees receiving the awards must remain employed for the shares granted to fully vest.

The Company also awards restricted stock, also called nonvested share-awards in this discussion, under the existing share-based compensation plan. The majority of the Company's nonvested share-awards vest in equal annual installments over a four- to five-year period. The total value of these time-based awards is expensed on a straight-line basis over the service period of the employees receiving the awards.

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued**

The Company also grants certain executive officers stock options and nonvested share-awards with vesting subject to performance conditions. Vesting of these grants is dependent upon the respective officers fulfilling the service period requirements as well as the Company achieving certain yearly adjusted EBITDA targets in each of the performance periods (three to four years) after the grant is awarded. EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization and debt restructuring or extinguishment expense, including any write-off of deferred financing costs, and further adjusted for specific transactions, to arrive at adjusted EBITDA. For performance-based grants, the Company is required to assess the probability that such performance conditions will be met. If the likelihood of the performance conditions being met is deemed probable, the Company will recognize the expense using the accelerated attribution method. The accelerated attribution method could result in as much as 60% of the total value of the shares being recognized in the first year of the service period if the future performance-based targets are assessed as probable of being met.

The following table sets forth unrecognized compensation costs related to the Company's share-based compensation plan as of June 30, 2013:

	June 30, 2013 (In thousands)	Weighted Average Recognition Period (Years)
Stock option awards	\$ 21,424	2.21
Nonvested share-awards	\$ 12,552	2.87

The following table summarizes the share-based compensation expense and capitalized amounts for the three-month and six-month periods ended June 30, 2012 and 2013:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2013	2012	2013
	(In thousands)		(In thousands)	
Gross share-based compensation	\$ 1,777	\$ 3,840	\$ 3,678	\$ 5,528
Capitalized share-based compensation	(47)	(97)	(92)	(149)
Share-based compensation expense	\$ 1,730	\$ 3,743	\$ 3,586	\$ 5,379

A summary of stock option activity within the Company's share-based compensation plans and changes for the six months ended June 30, 2013 is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price
Balance at December 31, 2012	1,099	\$ 20.02
Granted	2,193	\$ 34.63
Exercised	(289)	\$ 22.13
Canceled/Expired	(132)	\$ 15.28
Balance at June 30, 2013	2,871	\$ 28.56

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The intrinsic value of options exercised during the six months ended June 30, 2013 was approximately \$2.5 million.

A summary of nonvested share-awards activity within the Company's share-based compensation plans and changes for the six months ended June 30, 2013 is as follows:

	Number of Shares (In thousands)	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2012	843	\$ 17.27
Awarded	120	\$ 28.43
Released	(15)	\$ 16.84
Forfeited	(145)	\$ 14.61
Nonvested at June 30, 2013	803	\$ 19.42

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued**

A summary of fully vested stock options and stock options expected to vest, as of June 30, 2013, is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Values (In thousands)
Outstanding	2,872	\$ 28.56	8.59	\$ 14,974
Vested and expected to vest	2,710	\$ 28.46	8.52	\$ 14,396
Exercisable	407	\$ 20.51	2.58	\$ 5,148

The fair value of each stock option award is estimated on the date of the option grant using the Black-Scholes option pricing model.

NOTE G Inventories

Inventories are valued at the lower of cost (principally on a standard cost basis that approximates the first-in, first-out, or FIFO, method) or market. Market is the lower of replacement cost or net realizable value. Inventories primarily consist of raw materials and supplies, work-in-process and finished portable storage units, all related to manufacturing, remanufacturing and maintenance, primarily for the Company's lease fleet and its units held for sale. Raw materials and supplies principally consist of raw steel, wood, glass, paint and other assembly components used in manufacturing and remanufacturing processes. Work-in-process primarily represents units being built that are either pre-sold or being built to add to the Company's lease fleet upon completion. Finished portable storage units primarily represent ISO, or International Organization for Standardization, containers held in inventory until the containers are either sold as is, remanufactured and sold, or units in the process of being remanufactured to be compliant with the Company's lease fleet standards before transferring the units to its lease fleet. There is no certainty when the Company purchases the containers whether they will ultimately be sold, remanufactured and sold, or remanufactured and moved into its lease fleet. Units that are placed into the Company's lease fleet undergo an extensive remanufacturing process that includes installing its proprietary locking system, signage, painting and sometimes its proprietary security doors. Inventories consisted of the following at the dates indicated:

	December 31 2012 (In thousands)	June 30, 2013 (In thousands)
Raw material and supplies	\$ 14,654	\$ 15,422
Work-in-process	336	243
Finished portable storage units	4,544	3,969
Inventories (1)	\$ 19,534	\$ 19,634

(1) Includes an impairment charge of \$1.2 million at June 30, 2013 (See Note O).

NOTE H Lease Fleet

The Company has a lease fleet primarily consisting of remanufactured and modified steel portable storage containers, steel security offices, steel combination offices and wood mobile offices that are leased to customers under short-term operating lease agreements with varying terms. Depreciation is calculated using the straight-line method over the estimated useful life of the Company's units, after the date the units are placed in service, and are depreciated down to their estimated residual values. The Company's steel units are depreciated over 30 years with an

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estimated residual value of 55%. Wood office units are depreciated over 20 years with an estimated residual value of 50%. Van trailers, which are a small part of the Company's fleet, are depreciated over seven years to an estimated residual value of 20%. The Company has other non-core products that have various other measures of useful lives and residual values. Van trailers and other non-core assets are typically only added to the fleet as a result of acquisitions of portable storage businesses.

In the opinion of management, estimated residual values do not cause carrying values to exceed net realizable value. The Company continues to evaluate these depreciation policies as more information becomes available from other comparable sources and the Company's own historical experience. Normal repairs and maintenance to the portable storage containers and mobile office units are expensed as incurred.

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued**

Lease fleet consisted of the following at the dates indicated:

	December 31, 2012	June 30, 2013
	(In thousands)	
Steel storage containers	\$ 630,760	\$ 593,632
Offices	549,730	531,332
Van trailers	3,011	2,245
Other	3,332	3,307
	1,186,833	1,130,516
Accumulated depreciation	(155,244)	(156,030)
Lease fleet, net (1)	\$ 1,031,589	\$ 974,486

(1) Includes an impairment charge of \$33.7 million at June 30, 2013 (See Note O).

NOTE I Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Residual values are determined when the property is constructed or acquired and range up to 25%, depending on the nature of the asset. In the opinion of management, estimated residual values do not cause carrying values to exceed net realizable value. Normal repairs and maintenance to property, plant and equipment are expensed as incurred. When property or equipment is retired or sold, the net book value of the asset, reduced by any proceeds, is charged to gain or loss on the retirement of fixed assets and is included in leasing, selling and general expenses in the accompanying Condensed Consolidated Statements of Income. Property, plant and equipment consisted of the following at the dates indicated:

	December 31, 2012	June 30, 2013
	(In thousands)	
Land	\$ 11,153	\$ 11,054
Vehicles and equipment (1)	90,657	76,370
Buildings and improvements (2)	18,464	18,545
Office fixtures and equipment	30,743	33,320
	151,017	139,289
Accumulated depreciation	(70,195)	(61,886)
Property, plant and equipment, net	\$ 80,822	\$ 77,403

(1) Includes an impairment charge of \$3.9 million at June 30, 2013 (See Note O).

(2)

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Improvements made to leased properties are depreciated over the lesser of the estimated remaining life or the remaining term of the respective lease.

NOTE J Lines of Credit

The Company has a \$900.0 million ABL Credit Agreement with Deutsche Bank AG New York Branch and other lenders party thereto (the Credit Agreement). The Credit Agreement provides for a five-year revolving credit facility and matures on February 22, 2017. The obligations of Mobile Mini and its subsidiary guarantors under the Credit Agreement are secured by a blanket lien on substantially all of its assets.

Amounts borrowed under the Credit Agreement and repaid or prepaid during the term may be reborrowed. Outstanding amounts under the Credit Agreement bear interest at the Company's option at either: (i) LIBOR plus a defined margin, or (ii) the Agent bank's prime rate plus a margin. The applicable margin for each type of loan is based on an availability-based pricing grid and ranges from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans at each measurement date. As of June 30, 2013, the applicable margins were 2.00% for LIBOR loans and 1.00% for base rate loans and will be remeasured at the end of the next measurement date, which is within 10 days following the end of each fiscal quarter.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

Availability of borrowings under the Credit Agreement is subject to a borrowing base calculation based upon a valuation of the Company's eligible accounts receivable, eligible container fleet (including containers held for sale, work-in-process and raw materials) and machinery and equipment, each multiplied by an applicable advance rate or limit. The lease fleet is appraised at least once annually by a third-party appraisal firm and up to 90% of the net orderly liquidation value, as defined in the Credit Agreement, is included in the borrowing base to determine how much the Company may borrow under the Credit Agreement.

The Credit Agreement provides for U.K. borrowings, which are, at the Company's option, denominated in either Pounds Sterling or Euros, by its U.K. subsidiary based upon a U.K. borrowing base; Canadian borrowings, which are denominated in Canadian dollars, by its Canadian subsidiary based upon a Canadian borrowing base; and U.S. borrowings, which are denominated in U.S. dollars, by the Company based upon a U.S. borrowing base.

The Credit Agreement also contains customary negative covenants, including covenants that restrict the Company's ability to, among other things: (i) allow certain liens to attach to the Company or its subsidiary assets; (ii) repurchase or pay dividends or make certain other restricted payments on capital stock and certain other securities, prepay certain indebtedness or make acquisitions or other investments subject to Payment Conditions (as defined in the Credit Agreement); and (iii) incur additional indebtedness or engage in certain other types of financing transactions. Payment Conditions allow restricted payments and acquisitions to occur without financial covenants as long as the Company has \$225.0 million of pro forma excess borrowing availability under the Credit Agreement. The Company must also comply with specified financial maintenance covenants and affirmative covenants if the Company falls below \$90.0 million of borrowing availability levels with set permitted values for the Debt Ratio and Fixed Charge Coverage Ratio (each as defined in the Credit Agreement). The Company was in compliance with the terms of the Credit Agreement as of June 30, 2013 and was above the minimum borrowing availability threshold and therefore not subject to any financial maintenance covenants.

NOTE K Income Taxes

The Company files U.S. Federal tax returns, U.S. state tax returns and foreign tax returns. The Company has identified its U.S. Federal tax return as its major tax jurisdiction. For the U.S. Federal return, its tax years for 2009, 2010 and 2011 are subject to tax examination by the U.S. Internal Revenue Service through September 15, 2013, 2014 and 2015, respectively. The Company does not anticipate that the total amount of unrecognized tax benefit related to any particular tax position will change significantly within the next 12 months.

The Company uses a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

The Company's policy for recording interest and penalties associated with audits is to record such items as a component of income before taxes. Penalties and associated interest costs, if any, are recorded in leasing, selling and general expenses in its Condensed Consolidated Statements of Income.

NOTE L Accumulated Other Comprehensive Loss

At December 31, 2012 and June 30, 2013, the Company did not have any transactions that required reclassification adjustments out of accumulated other comprehensive loss.

The components of accumulated other comprehensive loss, net of tax, consisted of the following at the dates indicated:

December 31,	June 30,
2012	2013

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	(In thousands)	
Foreign currency translation adjustment	\$ (17,817)	\$ (30,589)
Total accumulated other comprehensive loss	\$ (17,817)	\$ (30,589)

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

NOTE M Segment Reporting

The Company has operations in North America, the U. K. and The Netherlands. The Company's operating segments are similarly defined geographically. Discrete financial data on each of the Company's products is not available and it would be impractical to collect and maintain financial data in such a manner. Financial results of the three operating segments are aggregated into two reportable segments, North America and Europe, based on quantitative thresholds. All of the Company's locations operate in their local currency and, although the Company is exposed to foreign exchange rate fluctuation in other foreign markets where the Company leases and sells its products, the Company does not believe such exposure will have a significant impact on its results of operations.

In managing the Company's business, management focuses on growing leasing revenues, particularly in existing markets where it can take advantage of the operating leverage inherent in its business model, EBITDA and consolidated EPS.

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued**

The following tables set forth certain information regarding each of the Company's segments for the three- and six-month periods ended June 30, 2012 and 2013:

	Three Months Ended June 30,	
	2012	2013
	(In thousands)	
Revenues:		
North America:		
Leasing	\$ 66,859	\$ 72,224
Sales	9,806	7,672
Other	479	347
Total North America (1)	77,144	80,243
Europe:		
Leasing	15,065	16,000
Sales	943	1,178
Other	68	101
Total Europe	16,076	17,279
Total Revenues	\$ 93,220	\$ 97,522
Depreciation and amortization:		
North America	\$ 7,122	\$ 7,093
Europe	2,009	1,740
Total depreciation and amortization	\$ 9,131	\$ 8,833
Operating income (loss):		
North America	\$ 19,488	\$ (11,436)
Europe	2,377	(3,640)
Total operating income (loss)	\$ 21,865	\$ (15,076)
Interest expense:		
North America	\$ 9,694	\$ 7,171
Europe	488	284
Total interest expense	\$ 10,182	\$ 7,455
Income tax provision (benefit):		
North America	\$ 3,887	\$ (7,346)
Europe	483	(804)

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Total income tax provision (benefit)	\$ 4,370	\$ (8,150)
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- (1) Includes revenues in the United States of \$75.3 million and \$78.7 million for the three-month period ended June 30, 2012 and 2013, respectively.

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued**

	Six Months Ended June 30,	
	2012	2013
	(In thousands)	
Revenues:		
North America:		
Leasing	\$ 130,864	\$ 141,985
Sales	18,568	14,713
Other	919	684
Total North America (1)	150,351	157,382
Europe:		
Leasing	29,504	31,305
Sales	1,986	6,599
Other	129	177
Total Europe	31,619	38,081
Total Revenues	\$ 181,970	\$ 195,463
Depreciation and amortization:		
North America	\$ 14,181	\$ 14,163
Europe	3,964	3,481
Total depreciation and amortization	\$ 18,145	\$ 17,644
Operating income (loss):		
North America	\$ 37,388	\$ 12,191
Europe	4,232	(329)
Total operating income	\$ 41,620	\$ 11,862
Interest expense:		
North America	\$ 19,816	\$ 14,390
Europe	983	616
Total interest expense	\$ 20,799	\$ 15,006
Income tax provision (benefit):		
North America	\$ 6,762	\$ (756)
Europe	843	(50)
Total income tax provision (benefit)	\$ 7,605	\$ (806)

(1) Includes revenues in the United States of \$147.1 million and \$154.4 million for the six-month period ended June 30, 2012 and 2013, respectively.

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The tables below represent the Company's long-lived assets, which consist of lease fleet and property, plant and equipment at the dates indicated:

	December 31, 2012	June 30, 2013
	(In thousands)	
North America (1)	\$ 947,074	\$ 901,524
Europe	165,337	150,365
Total long-lived assets	\$ 1,112,411	\$ 1,051,889

(1) Includes long-lived assets of \$928.2 million and \$883.6 million in the United States at December 31, 2012 and June 30, 2013, respectively.

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued****NOTE N Merger and Restructuring Expenses**

In 2008, the Company completed the acquisition of Mobile Storage Group, Inc. (MSG), which became a wholly-owned subsidiary of Mobile Mini, Inc. In connection with the acquisition of MSG, the Company recorded accruals for costs to be incurred to exit overlapping MSG lease properties, property shut down costs, costs of MSG's severance agreements, costs for asset verification and for damaged assets. As a result of the acquisition, the Company leveraged the combined fleet and restructured the manufacturing operations and reduced overhead and capital expenditures for the lease fleet. In connection with these activities, the Company recorded costs for severance agreements and recorded impairment charges to write down certain assets previously used in conjunction with the manufacturing operations and inventories.

In addition, the Company has undergone other restructuring actions to align its business operations, including the termination of its consumer initiative program in August 2012 and the transition of leadership for the Company's President and Chief Executive Officer position.

The majority of accrued merger and restructuring obligations are related to the Company's operations in North America. The following table details these accrued obligations (included in accrued liabilities in the accompanying Condensed Consolidated Balance Sheets) and related activity for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

	Severance and Benefits	Lease Abandonment Costs (In thousands)	Merger Costs	Total
Accrued obligations as of January 1, 2012	\$	\$ 2,129	\$	\$ 2,129
Merger and restructuring expenses	5,986	1,007	140	7,133
Cash paid	(3,442)	(1,566)	(140)	(5,148)
Accrued obligations as of December 31, 2012	2,544	1,570		4,114
Merger and restructuring expenses	409	239	70	718
Cash paid	(422)	(523)	(70)	(1,015)
Accrued obligations as of June 30, 2013	\$ 2,531	\$ 1,286	\$	\$ 3,817

The \$2.4 million of accrued obligations remaining at June 30, 2013, which relate to the transition of leadership plan discussed above, will be paid out in 2013. All other accrued obligations are expected to be paid out through the year 2014.

The following amounts are included in merger and restructuring expenses for the periods indicated:

	Three Months Ended June 30 2012 2013 (In thousands)		Six Months Ended June 30 2012 2013 (In thousands)	
Severance and benefits	\$ 29	\$ 167	\$ 348	\$ 409
Lease abandonment costs	200	141	321	239
Merger costs	38	35	94	70
Merger and restructuring expenses	\$ 267	\$ 343	\$ 763	\$ 718

NOTE O Assets Held for Sale

In the second quarter of 2013, the Company conducted field inspections of lease fleet units and other assets. A review was performed to determine the economic feasibility to repair certain assets. The analysis included the determination of fair market value of those assets using a cash flow analysis, less the cost of liquidation, and the current net carrying value. The Company's senior management reviewed the analysis, the fair value of the assets, the current economy, along with present and projected utilization levels, and determined to place the assets for sale that were deemed to be either non-core to the Company's leasing strategy or uneconomic to repair. The Company plans to sell these assets within a year. In connection with this action, the Company recorded an asset impairment charge of \$40.3 million in the second quarter of 2013, of which \$39.7 million was non-cash. The impairment charge also includes approximately \$0.5 million related to the Company's re-evaluation of its depreciation policies, which management undertook in connection with the asset review, and modified the useful life and residual values on its forklifts and non-core aluminum containers. It is anticipated this change will result in additional depreciation expense through the end of 2013 of approximately \$0.9 million, which will be partially offset by a decrease in depreciation expense of approximately \$0.5 million as a result of the asset impairment write down.

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued**

At June 30, 2013, after the asset impairment charge, the Company's borrowing availability under the Credit Agreement remained unchanged at \$503.1 million.

The following table sets forth the information on the assets held for sale as of June 30, 2013:

	North America	Europe	Total
Lease fleet:			
Net book value	\$ 33,427	\$ 7,341	\$ 40,768
Impairment	(27,660)	(6,028)	(33,688)
Fair market value	\$ 5,767	1,313	\$ 7,080
Property, plant & equipment:			
Net book value	\$ 4,660	\$ 304	\$ 4,964
Impairment	(3,744)	(183)	(3,927)
Fair market value	\$ 916	\$ 121	\$ 1,037
Inventories:			
Net book value	\$ 1,048	\$ 346	\$ 1,394
Impairment	(854)	(345)	(1,199)
Fair market value	\$ 194	\$ 1	\$ 195
Assets held for sale:			
Net book value	\$ 39,135	\$ 7,991	\$ 47,126
Impairment	(32,258)	(6,556)	(38,814)
Fair market value	\$ 6,877	\$ 1,435	\$ 8,312

NOTE P Condensed Consolidating Financial Information

The following tables reflect the condensed consolidating financial information of the Company's subsidiary guarantors of the Senior Notes and its non-guarantor subsidiaries. Separate financial statements of the subsidiary guarantors are not presented because the guarantee by each 100% owned subsidiary guarantor is full and unconditional, joint and several, subject to customary exceptions, and management has determined that such information is not material to investors. On December 31, 2012, the assets and liabilities of our Toronto, Canada location, which was part of the U.S. guarantor Company, were transferred to our Canadian subsidiary, Mobile Mini Canada ULC, which is a non-guarantor subsidiary of the Senior Notes.

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued****MOBILE MINI, INC.****CONDENSED CONSOLIDATING BALANCE SHEETS****As of December 31, 2012****(In thousands)**

	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS				
Cash	\$ 1,009	\$ 928	\$	\$ 1,937
Receivables, net	34,708	15,936		50,644
Inventories	17,263	2,320	(49)	19,534
Lease fleet, net	867,295	164,294		1,031,589
Property, plant and equipment, net	60,904	19,918		80,822
Deposits and prepaid expenses	5,296	1,562		6,858
Other assets and intangibles, net	15,874	1,994		17,868
Goodwill	445,138	73,170		518,308
Intercompany	140,958	27,383	(168,341)	
Total assets	\$ 1,588,445	\$ 307,505	\$ (168,390)	\$ 1,727,560
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Accounts payable	\$ 10,331	\$ 7,956	\$	\$ 18,287
Accrued liabilities	52,854	5,631		58,485
Lines of credit	395,613	46,778		442,391
Notes payable	310			310
Obligations under capital leases	642			642
Senior Notes	200,000			200,000
Deferred income taxes	184,430	14,345	(849)	197,926
Intercompany	7,515	(2,594)	(4,921)	
Total liabilities	851,695	72,116	(5,770)	918,041
Commitments and contingencies				
Stockholders' equity:				
Common stock	482	18,434	(18,434)	482
Additional paid-in capital	522,372	144,985	(144,985)	522,372
Retained earnings	253,196	89,787	799	343,782
Accumulated other comprehensive loss		(17,817)		(17,817)
Treasury stock, at cost	(39,300)			(39,300)
Total stockholders' equity	736,750	235,389	(162,620)	809,519
Total liabilities and stockholders' equity	\$ 1,588,445	\$ 307,505	\$ (168,390)	\$ 1,727,560

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued****MOBILE MINI, INC.****CONDENSED CONSOLIDATING BALANCE SHEETS****As of June 30, 2013****(In thousands)**

	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS				
Cash	\$ 265	\$ 369	\$	\$ 634
Receivables, net	34,574	15,857		50,431
Inventories	16,995	2,639		19,634
Lease fleet, net	824,887	149,599		974,486
Property, plant and equipment, net	58,738	18,665		77,403
Assets held for sale	6,877	1,435		8,312
Deposits and prepaid expenses	5,461	1,732		7,193
Other assets and intangibles, net	14,003	1,499		15,502
Goodwill	445,132	68,902		514,034
Intercompany	157,945	34,334	(192,279)	
Total assets	\$ 1,564,877	\$ 295,031	\$ (192,279)	\$ 1,667,629
LIABILITIES AND STOCKHOLDERS EQUITY				
Liabilities:				
Accounts payable	\$ 9,599	\$ 9,894	\$	\$ 19,493
Accrued liabilities	51,044	5,042		56,086
Lines of credit	371,953	17,310		389,263
Notes payable	45			45
Obligations under capital leases	451			451
Senior Notes	200,000			200,000
Deferred income taxes	183,396	13,433	(870)	195,959
Intercompany	23	4,734	(4,757)	
Total liabilities	816,511	50,413	(5,627)	861,297
Commitments and contingencies				
Stockholders' equity:				
Common stock	485	18,434	(18,434)	485
Additional paid-in capital	534,293	169,039	(169,039)	534,293
Retained earnings	252,888	87,734	821	341,443
Accumulated other comprehensive loss		(30,589)		(30,589)
Treasury stock, at cost	(39,300)			(39,300)
Total stockholders' equity	748,366	244,618	(186,652)	806,332

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Total liabilities and stockholders' equity	\$ 1,564,877	\$ 295,031	\$ (192,279)	\$ 1,667,629
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Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued****MOBILE MINI, INC.****CONDENSED CONSOLIDATING STATEMENTS OF INCOME****Three Months Ended June 30, 2012****(In thousands)**

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	\$ 66,525	\$ 15,399	\$	\$ 81,924
Sales	8,311	2,440	(2)	10,749
Other	466	81		547
Total revenues	75,302	17,920	(2)	93,220
Costs and expenses:				
Cost of sales	5,739	843	(2)	6,580
Leasing, selling and general expenses	43,119	12,258		55,377
Merger and restructuring expenses	62	205		267
Depreciation and amortization	6,975	2,156		9,131
Total costs and expenses	55,895	15,462	(2)	71,355
Income from operations	19,407	2,458		21,865
Other income (expense):				
Interest income	151		(150)	1
Interest expense	(9,471)	(862)	151	(10,182)
Dividend income	220		(220)	
Foreign currency exchange		(2)		(2)
Income before provision for income taxes	10,307	1,594	(219)	11,682
Provision for income taxes	3,945	447	(22)	4,370
Net income	\$ 6,362	\$ 1,147	\$ (197)	\$ 7,312

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Three Months Ended June 30, 2012

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	\$ 6,362	\$ 1,147	\$ (197)	\$ 7,312
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment		(4,673)		(4,673)
Other comprehensive loss		(4,673)		(4,673)
Comprehensive income (loss)	\$ 6,362	\$ (3,526)	\$ (197)	\$ 2,639

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MOBILE MINI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued
MOBILE MINI, INC.
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Three Months Ended June 30, 2013
(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	\$ 70,820	\$ 17,404	\$	\$ 88,224
Sales	7,506	1,344		8,850
Other	339	109		448
Total revenues	78,665	18,857		97,522
Costs and expenses:				
Cost of sales	4,724	944		5,668
Leasing, selling and general expenses	43,834	13,643		57,477
Merger and restructuring expenses	343			343
Asset impairment charge	33,551	6,726		40,277
Depreciation and amortization	6,958	1,875		8,833
Total costs and expenses	89,410	23,188		112,598
Loss from operations	(10,745)	(4,331)		(15,076)
Other income (expense):				
Interest income	61		(61)	
Interest expense	(7,014)	(502)	61	(7,455)
Loss before benefit from income taxes	(17,698)	(4,833)		(22,531)
Benefit from income taxes	(7,323)	(817)	(10)	(8,150)
Net loss	\$ (10,375)	\$ (4,016)	\$ 10	\$ (14,381)

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS

Three Months Ended June 30, 2013

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net loss	\$ (10,375)	\$ (4,016)	\$ 10	\$ (14,381)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment		(587)		(587)
Other comprehensive loss		(587)		(587)
Comprehensive loss	\$ (10,375)	\$ (4,603)	\$ 10	\$ (14,968)

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued****MOBILE MINI, INC.****CONDENSED CONSOLIDATING STATEMENTS OF INCOME****Six Months Ended June 30, 2012****(In thousands)**

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	\$ 130,385	\$ 29,983	\$	\$ 160,368
Sales	15,810	4,746	(2)	20,554
Other	904	144		1,048
Total revenues	147,099	34,873	(2)	181,970
Costs and expenses:				
Cost of sales	10,782	1,698	(2)	12,478
Leasing, selling and general expenses	84,663	24,301		108,964
Merger and restructuring expenses	385	378		763
Depreciation and amortization	13,906	4,239		18,145
Total costs and expenses	109,736	30,616	(2)	140,350
Income from operations	37,363	4,257		41,620
Other income (expense):				
Interest income	286		(285)	1
Interest expense	(19,378)	(1,707)	286	(20,799)
Dividend income	436		(436)	
Deferred financing costs write-off	(692)			(692)
Foreign currency exchange		(3)		(3)
Income before provision for income taxes	18,015	2,547	(435)	20,127
Provision for income taxes	6,872	772	(39)	7,605
Net income	\$ 11,143	\$ 1,775	\$ (396)	\$ 12,522

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Six Months Ended June 30, 2012

(In thousands)

	Guarantors	Non- Guarantors	Eliminations	Consolidated
Net income	\$ 11,143	\$ 1,775	\$ (396)	\$ 12,522
Other comprehensive income, net of tax:				
Foreign currency translation adjustment		1,388		1,388
Other comprehensive income		1,388		1,388
Comprehensive income	\$ 11,143	\$ 3,163	\$ (396)	\$ 13,910

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued****MOBILE MINI, INC.****CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS****Six Months Ended June 30, 2013****(In thousands)**

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	\$ 139,218	\$ 34,072	\$	\$ 173,290
Sales	14,504	6,808		21,312
Other	673	188		861
Total revenues	154,395	41,068		195,463
Costs and expenses:				
Cost of sales	9,029	5,323		14,352
Leasing, selling and general expenses	84,591	26,019		110,610
Merger and restructuring expenses	718			718
Asset impairment charge	33,551	6,726		40,277
Depreciation and amortization	13,890	3,754		17,644
Total costs and expenses	141,779	41,822		183,601
Income (loss) from operations	12,616	(754)		11,862
Other income (expense):				
Interest income	130		(130)	
Interest expense	(14,075)	(1,061)	130	(15,006)
Dividend income	274		(274)	
Foreign currency exchange		(1)		(1)
Loss before benefit from income taxes	(1,055)	(1,816)	(274)	(3,145)
Benefit from income taxes	(707)	(78)	(21)	(806)
Net loss	\$ (348)	\$ (1,738)	\$ (253)	\$ (2,339)

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS

Six Months Ended June 30, 2013

(In thousands)

	Guarantors	Non- Guarantors	Eliminations	Consolidated
Net loss	\$ (348)	\$ (1,738)	\$ (253)	\$ (2,339)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment		(12,772)		(12,772)
Other comprehensive loss		(12,772)		(12,772)
Comprehensive loss	\$ (348)	\$ (14,510)	\$ (253)	\$ (15,111)

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued****MOBILE MINI, INC.****CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS****Six Months Ended June 30, 2012****(In thousands)**

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Flows From Operating Activities:				
Net income	\$ 11,143	\$ 1,775	\$ (396)	\$ 12,522
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred financing costs write-off	692			692
Provision for doubtful accounts	288	274		562
Amortization of deferred financing costs	1,739	40		1,779
Amortization of debt issuance discount	42			42
Amortization of long-term liabilities	78	6		84
Share-based compensation expense	3,287	299		3,586
Depreciation and amortization	13,906	4,239		18,145
Gain on sale of lease fleet units	(5,981)	(575)		(6,556)
Gain on disposal of property, plant and equipment	(36)	(8)		(44)
Deferred income taxes	6,864	773	(32)	7,605
Foreign currency exchange loss		3		3
Changes in certain assets and liabilities, net of effect of business acquired:				
Receivable	1,928	(2,095)		(167)
Inventories	554	(1,491)		(937)
Deposits and prepaid expenses	229	(338)		(109)
Other assets and intangibles	(89)	(16)		(105)
Accounts payable	2,195	(382)		1,813
Accrued liabilities	(5,526)	184		(5,342)
Intercompany	(4,453)	4,542	(89)	
Net cash provided by operating activities	26,860	7,230	(517)	33,573
Cash Flows From Investing Activities:				
Cash paid for business acquired		(3,563)		(3,563)
Additions to lease fleet	(8,403)	(10,923)		(19,326)
Proceeds from sale of lease fleet units	14,328	1,789		16,117
Additions to property, plant and equipment	(5,644)	(2,911)		(8,555)
Proceeds from sale of property, plant and equipment	90	225		315
Net cash provided by (used in) investing activities	371	(15,383)		(15,012)
Cash Flows From Financing Activities:				
Net (repayments) borrowings under lines of credit	(20,826)	9,212		(11,614)
Deferred financing costs	(7,507)			(7,507)

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Principal payments on notes payable	(238)			(238)
Principal payments on capital lease obligations	(547)			(547)
Issuance of common stock, net	1,846			1,846
Intercompany		(438)	438	
Net cash (used in) provided by financing activities	(27,272)	8,774	438	(18,060)
Effect of exchange rate changes on cash		(493)	79	(414)
Net (decrease) increase in cash	(41)	128		87
Cash at beginning of period	1,444	1,416		2,860
Cash at end of period	\$ 1,403	\$ 1,544	\$	\$ 2,947

Table of Contents**MOBILE MINI, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued****MOBILE MINI, INC.****CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS****Six Months Ended June 30, 2013****(In thousands)**

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Flows From Operating Activities:				
Net loss	\$ (348)	\$ (1,738)	\$ (253)	\$ (2,339)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Asset impairment charge	33,021	6,683		39,704
Provision for doubtful accounts	340	375		715
Amortization of deferred financing costs	1,374	31		1,405
Amortization of long-term liabilities	81	5		86
Share-based compensation expense	5,039	340		5,379
Depreciation and amortization	13,890	3,754		17,644
Gain on sale of lease fleet units	(4,228)	(1,220)		(5,448)
Loss on disposal of property, plant and equipment	60	2		62
Deferred income taxes	(888)	(76)	(16)	(980)
Foreign currency exchange loss		1		1
Changes in certain assets and liabilities:				
Receivable	(260)	(1,277)		(1,537)
Inventories	(793)	(809)		(1,602)
Deposits and prepaid expenses	(174)	(243)		(417)
Other assets and intangibles	(311)	304		(7)
Accounts payable	(945)	2,378		1,433
Accrued liabilities	(1,872)	(213)		(2,085)
Intercompany	(22,846)	22,680	166	
Net cash provided by operating activities	21,140	30,977	(103)	52,014
Cash Flows From Investing Activities:				
Additions to lease fleet	(7,225)	(7,072)		(14,297)
Proceeds from sale of lease fleet units	10,346	5,583		15,929
Additions to property, plant and equipment	(7,718)	(1,936)		(9,654)
Proceeds from sale of property, plant and equipment	434	24		458
Net cash used in investing activities	(4,163)	(3,401)		(7,564)
Cash Flows From Financing Activities:				
Net repayments under lines of credit	(23,660)	(29,468)		(53,128)
Principal payments on notes payable	(265)			(265)
Principal payments on capital lease obligations	(191)			(191)
Issuance of common stock	6,395			6,395

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Intercompany		(279)	279	
Net cash used in financing activities	(17,721)	(29,747)	279	(47,189)
Effect of exchange rate changes on cash		1,612	(176)	1,436
Net decrease in cash	(744)	(559)		(1,303)
Cash at beginning of period	1,009	928		1,937
Cash at end of period	\$ 265	\$ 369	\$	\$ 634

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with our December 31, 2012 consolidated financial statements and the accompanying notes thereto which are included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 1, 2013. This discussion contains forward-looking statements. Forward-looking statements are based on current expectations and assumptions that involve risks and uncertainties. Our actual results may differ materially from those anticipated in our forward-looking statements.

Overview

General

We are the world's leading provider of portable storage solutions with a total portable storage and office fleet of over 215,000 units at June 30, 2013. As of June 30, 2013, we operated in 137 locations throughout North America and Europe, maintaining a strong leadership position in virtually all markets served. We offer a wide range of portable storage products in varying lengths and widths with an assortment of differentiated features such as our patented locking systems, premium doors, electrical wiring and shelving. Our portable storage units provide secure, accessible temporary storage for a diversified client base of over 83,000 customers across various industries, including construction, consumer services and retail, industrial, commercial and governmental. Our customers use our products for a wide variety of storage applications, including retail and manufacturing supplies, inventory and maintenance supplies, temporary offices, construction materials and equipment, documents and records and household goods.

We derive most of our revenues from the leasing of portable storage containers, security office units and mobile office units. In addition to our leasing business, we also sell new and used portable storage containers, security office units and mobile office units and provide delivery, installation and other ancillary products and services. Our sales revenues represented 11.3% and 10.9% of total revenues for the six months ended June 30, 2012 and 2013, respectively.

At June 30, 2013, we operated 114 locations in the U.S., four in Canada, 18 in the U.K., and one in The Netherlands. Traditionally, we have entered new markets through the acquisition of smaller local competitors and then implement our business model, which is typically more focused on customer service and marketing than the acquired business or other market competitors. We also enter new markets by migrating idle fleet to new locations. A new location will generally have fairly low operating margins during its early years, but as we penetrate the new market through our marketing efforts and increase the number of units on rent at the new location, we are typically able to reach company average levels of profitability after one to two years. In 2012, we combined two locations in the U.K. into one location and completed one acquisition, which became part of our Calgary, Canada location.

When we enter a new market, we incur certain costs in developing new infrastructure. For example, advertising and marketing costs are incurred and certain minimum levels of staffing and delivery equipment are put in place regardless of the new market's revenue base. Once we have achieved revenues that are sufficient to cover our fixed expenses, we are able to generate relatively high margins on incremental lease revenues. Therefore, each additional unit rented in excess of the break-even level contributes significantly to profitability. When we refer to our operating leverage in this discussion, we are describing the impact on margins once we either cover our fixed costs or if we incur additional fixed costs in a market.

We approach the market through a hybrid sales model consisting of a dedicated sales staff at our field locations as well as at our National Sales Center (NSC). Our local sales staff builds and strengthens relationships with customers in each market with particular emphasis on contractors and construction-related customers, who prefer a local salesperson presence. The NSC handles inbound calls and digital leads from new customers and leads outbound sales campaigns to new and existing customers not serviced by sales personnel at our field locations. Our sales staff at the NSC work with our local field managers, dispatchers and sales personnel to ensure customers receive integrated first class service from initial call to delivery. Our field location sales staff, NSC and sales management team at our headquarters conduct sales and marketing on a full-time basis. We believe that offering local salesperson presence for customers along with the efficiencies of a centralized sales operation for customers not needing a local sales contact will continue to allow us to provide high levels of customer service and serve all of our customers in a dedicated, efficient manner.

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The level of non-residential construction activity is an important external factor that we examine to assess market trends and determine the direction of our business. Because of the degree of operating leverage, increases or decreases in non-residential construction activity can have a significant effect on our operating margins and net income. Customers in the construction industry represented approximately 38.9% of our leased units at June 30, 2013.

In managing our business, we focus on growing leasing revenues, particularly in existing markets where we can take advantage of the high operating leverage inherent in our business model. Our goal is to increase operating margins as we continue to grow leasing revenues.

We are a capital-intensive business. Therefore, in addition to focusing on earnings per share (EPS), we focus on adjusted EBITDA to measure our operating results. We calculate this number by first calculating EBITDA, which we define as net income before interest expense, income taxes, depreciation and amortization and debt restructuring or extinguishment expense, including any write-off of deferred financing costs. This measure eliminates the effect of financing transactions that we enter into and it provides us with a means to track internally generated cash from which we can fund our interest expense and our lease fleet growth. In comparing EBITDA from year to year, we further adjust EBITDA to exclude non-cash share-based compensation expense and the effect of what we consider transactions or events not related to our core business operations to arrive at what we define as adjusted EBITDA. The U.S. generally accepted accounting principles (GAAP) financial measure that is most directly comparable to EBITDA is net cash provided by operating activities.

Because EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures as defined by the SEC, we include below in this report reconciliations of EBITDA to the most directly comparable financial measures calculated and presented in accordance with GAAP.

We present EBITDA and EBITDA margin because we believe these financial measures provide useful information regarding our ability to meet our future debt payment requirements, capital expenditures and working capital requirements and because EBITDA provides an overall evaluation of our financial condition. EBITDA margin is calculated by dividing consolidated EBITDA by total revenues. The GAAP financial measure that is most directly comparable to EBITDA margin is operating margin, which represents operating income divided by revenues. More emphasis should not be placed on EBITDA margin than the corresponding GAAP measure. In addition, EBITDA is also a component of certain financial covenants under our Credit Agreement (as defined herein). EBITDA has certain limitations as an analytical tool and should not be used as a substitute for net income, cash flows or other consolidated income or cash flow data prepared in accordance with GAAP or as a measure of our profitability or our liquidity. In particular, EBITDA, as defined, does not include:

Interest expense because we borrow money to partially finance our capital expenditures, interest expense is a necessary element of our cost to secure this financing to continue generating additional revenues.

Income taxes because we operate in jurisdictions subject to income taxation, income tax expense is a necessary element of our costs to operate.

Depreciation and amortization because we are a leasing company, our business is capital intensive and we hold acquired assets for a period of time before they generate revenues, cash flow and earnings; therefore, depreciation and amortization expense is a necessary element of our business.

Debt restructuring or extinguishment expense debt restructuring and debt extinguishment expenses, including any write-off of deferred financing costs, are not deducted in our various calculations made under our Credit Agreement and are treated no differently than interest expense. As discussed above, interest expense is a necessary element of our cost to finance a portion of the capital expenditures needed for the growth of our business.

When evaluating EBITDA as a performance measure, and excluding the above-noted charges, all of which have material limitations, investors should consider, among other factors, the following:

increasing or decreasing trends in EBITDA;

how EBITDA compares to levels of debt and interest expense; and

whether EBITDA historically has remained at positive levels.

Because EBITDA, as defined, excludes some but not all items that affect our cash flow from operating activities, EBITDA may not be comparable to similarly titled performance measures presented by other companies.

Adjusted EBITDA represents EBITDA plus the sum of certain transactions that are excluded when internally evaluating our operating performance. Management believes adjusted EBITDA is a more meaningful evaluation and comparison of our core business when comparing period over period results without regard to transactions that potentially distort the performance of our core business operating results.

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The table below is a reconciliation of EBITDA to net cash provided by operating activities for the periods indicated:

	Three Months Ended June 30		Six Months Ended June 30,	
	2012	2013	2012	2013
	(In thousands)		(In thousands)	
EBITDA	\$ 30,995	\$ (6,243)	\$ 59,763	\$ 29,505
Interest paid	(15,581)	(10,829)	(18,628)	(13,221)
Income and franchise taxes paid	(548)	(698)	(589)	(785)
Share-based compensation expense	1,730	3,743	3,586	5,379
Asset impairment charge		39,704		39,704
Gain on sale of lease fleet units	(3,442)	(2,381)	(6,556)	(5,448)
(Gain) loss on disposal of property, plant and equipment	(31)	90	(44)	62
Changes in certain assets and liabilities, net of effect of business acquired:				
Receivables	(2,568)	(1,712)	395	(822)
Inventories	365	(848)	(937)	(1,602)
Deposits and prepaid expenses	(303)	254	(109)	(417)
Other assets and intangibles	132	(103)	(105)	(7)
Accounts payable and accrued liabilities	3,977	4,440	(3,203)	(334)
Net cash provided by operating activities	\$ 14,726	\$ 25,417	\$ 33,573	\$ 52,014

The table below is a reconciliation of net income (loss) to EBITDA and adjusted EBITDA, for the periods indicated:

	Three Months Ended June 30		Six Months Ended June 30,	
	2012	2013	2012	2013
	(In thousands except percentages)		(In thousands except percentages)	
Net income (loss)	\$ 7,312	\$ (14,381)	\$ 12,522	\$ (2,339)
Interest expense	10,182	7,455	20,799	15,006
Income taxes	4,370	(8,150)	7,605	(806)
Depreciation and amortization	9,131	8,833	18,145	17,644
Deferred financing costs write-off			692	
EBITDA	30,995	(6,243)	59,763	29,505
Share-based compensation (1)	1,730	3,743	3,399	5,379
Merger and restructuring expenses (2)	267	343	763	718
Acquisition expenses (3)	45		139	
Asset impairment charge (4)		40,277		40,277
Adjusted EBITDA	\$ 33,037	\$ 38,120	\$ 64,064	\$ 75,879
EBITDA margin (5)	33.2%	(6.4)%	32.8%	15.1%
Adjusted EBITDA margin (5)	35.4%	39.1%	35.2%	38.8%

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- (1) Represents non-cash share-based compensation expense associated with the granting of equity instruments.
- (2) Merger and restructuring expenses primarily represent expenses incurred in conjunction with the restructuring of our operations and continuing costs incurred in connection with the Mobile Storage Group, Inc. (MSG) acquisition.
- (3) Acquisition expenses represent acquisition activity costs.
- (4) Primarily represents the non-cash impairment charges for the write down on certain assets classified as held for sale. See Note O to the accompanying condensed consolidated financial statements.
- (5) EBITDA margin and adjusted EBITDA margin are calculated as EBITDA and adjusted EBITDA, respectively, divided by total revenues, expressed as a percentage.

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In managing our business, we measure our adjusted EBITDA margins from year to year based on the size of the location. We define this margin as adjusted EBITDA divided by our total revenues, expressed as a percentage. We use this comparison, for example, to study internally the effect that increased costs have on our margins. As capital is invested in our established locations, we achieve higher adjusted EBITDA margins on that capital than we achieve on capital invested to establish a new location, because our fixed costs are already in place in connection with the established locations. The fixed costs are those associated with yard and delivery equipment, as well as advertising, sales, marketing and office expenses.

With a new location, we must first fund and absorb the start-up costs for setting up the new location, hiring and developing the management and sales teams and developing our marketing and advertising programs. A new location will have lower adjusted EBITDA margins in its early years until the location increases the number of units it has on rent. Because this operating leverage creates higher operating margins on incremental lease revenue, which we realize on a location-by-location basis when the location achieves leasing revenues sufficient to cover the location's fixed costs, leasing revenues in excess of the break-even amount produce large increases in profitability. Conversely, absent growth in leasing revenues, the adjusted EBITDA margin at a location will be expected to remain relatively flat on a period-by-period comparative basis if expenses remained the same or would decrease if fixed costs increased.

Accounting and Operating Overview

Our leasing revenues include all rent and ancillary revenues we receive for our portable storage containers and combination storage/office and mobile office units. Our sales revenues include sales of these units to customers. Our other revenues consist principally of charges for the delivery of the units we sell. Our principal operating expenses are (1) cost of sales, (2) leasing, selling and general expenses and (3) depreciation and amortization, primarily depreciation of the portable storage containers and mobile office units in our lease fleet. Cost of sales is the cost of the units that we sold during the reported period and includes both our cost to buy, transport, remanufacture and modify used ocean-going containers and our cost to manufacture portable storage units and other structures.

Leasing, selling and general expenses include, among other expenses, payroll and related payroll costs, advertising and other marketing expenses, real property lease expenses, commissions, repair and maintenance costs of our lease fleet and transportation equipment, stock-based compensation expense and corporate expenses for both our leasing and sales activities. Annual repair and maintenance expenses on our leased units have averaged approximately 3.5% of lease revenues over the last three fiscal years and are included in leasing, selling and general expenses. These expenses tend to increase during periods when utilization is increasing. We expense our normal repair and maintenance costs as incurred (including the cost of periodically repainting units).

Our principal asset is our container lease fleet, which has historically maintained an appraised value close to its original cost. Our lease fleet primarily consists of remanufactured and modified steel portable storage containers, steel security offices, steel combination offices and wood mobile offices that are leased to customers under short-term operating lease agreements with varying terms.

Depreciation is calculated using the straight-line method over the estimated useful life of our units, after the date that we put the unit in service, and are depreciated down to their estimated residual values. Our steel units are depreciated over 30 years with an estimated residual value of 55%. This depreciation policy is supported by our historical lease fleet data, which shows that we have been able to obtain comparable rental rates and sales prices irrespective of the age of our container lease fleet. Wood office units are depreciated over 20 years with an estimated residual value of 50%. Van trailers, which are a small part of our fleet, are depreciated over seven years to an estimated residual value of 20%. Van trailers, which are only added to the fleet as a result of acquisitions of portable storage businesses, are of much lower quality than storage containers and consequently depreciate more rapidly. We have other non-core products that have various other measures of useful lives and residual values.

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The table below summarizes those transactions that effectively maintained the net book value of our lease fleet at \$1.0 billion at December 31, 2012 and June 30, 2013:

	Dollars (In thousands)	Units
Lease fleet at December 31, 2012, net	\$ 1,031,589	234,728
Purchases, including freight:		
Containers	810	373
Steel offices	3,351	240
Manufactured units:		
Steel security offices	146	10
Remanufacturing and customization of units purchased or obtained in prior years	9,402(1)	351(2)
Other (3)	445	(22)
Cost of sales from lease fleet	(10,509)	(5,888)
Held for sale (4)	(40,768)	(14,765)
Effect of exchange rate changes	(9,429)	
Change in accumulated depreciation, excluding sales	(10,551)	
Lease fleet at June 30, 2013, net	\$ 974,486	215,027

- (1) Does not include any routine maintenance, which is expensed as incurred.
 - (2) These units include the net additional units that were the result of splitting steel containers into two or more shorter units, such as splitting a 40-foot container into two 20-foot units or one 25-foot unit and one 15-foot unit, and include units moved from finished goods to the lease fleet.
 - (3) Includes net transfers to and from property, plant and equipment and net non-sale disposals and recoveries of the lease fleet.
 - (4) See Note O to the accompanying condensed consolidated financial statements for a further discussion on assets held for sale.
- The table below outlines the composition of our lease fleet (by book value and unit count) at June 30, 2013:

	Book Value (In thousands)	Number of Units	Percentage of Units
Steel storage containers	\$ 593,632	174,637	81%
Offices	531,332	37,669	18%
Van trailers	2,245	2,721	1%
Other	3,307		
	1,130,516		
Accumulated depreciation	(156,030)		
Lease fleet, net (1)	\$ 974,486	215,027	100%

- (1) Includes an impairment charge of \$33.7 million at June 30, 2013 (See Note O to the accompanying condensed consolidated financial statements).

Appraisals on our fleet are conducted on a regular basis by an independent appraiser selected by our lenders. The appraiser does not differentiate in value based upon the age of the container or the length of time it has been in our fleet. The latest orderly liquidation value appraisal in September 2012 was conducted by AccuVal Associates, Incorporated. Based on the values assigned in this appraisal, on which our borrowings under our Credit Agreement are based, our lease fleet net liquidation appraisal value as of June 30, 2013 was approximately \$1.0 billion.

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Our average utilization rate for the second quarter of 2013 was 61.7%, compared to 57.7% in the second quarter of 2012. At June 30, 2013, our utilization rate increased to 63.1%, prior to classifying units to held for sale status, and to 67.4% afterwards. Historically, our utilization is somewhat seasonal, with the low normally being realized in the first quarter and the high realized in the fourth quarter of each year.

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RESULTS OF OPERATIONS

Three Months Ended June 30, 2013, Compared to

Three Months Ended June 30, 2012

Total revenues for the quarter ended June 30, 2013 increased \$4.3 million, or 4.6%, to \$97.5 million, compared to \$93.2 million for the same period in 2012. Leasing revenues for the quarter ended June 30, 2013 increased \$6.3 million, or 7.7%, to \$88.2 million, compared to \$81.9 million for the same period in 2012. This increase in leasing revenues was driven by an increase in the number of units on rent and higher trucking and ancillary revenues, which resulted in a 3.2% increase in our yield and includes a rental rate increase of 2.1% over the prior year. Revenue from the sales of portable storage and office units for the quarter ended June 30, 2013 decreased \$1.9 million, or 17.7%, to \$8.8 million due to a lower volume of units sold, driven by lower market demand, compared to the same period in 2012. Leasing revenues, as a percentage of total revenues for the quarters ended June 30, 2013 and 2012 were 90.5% and 87.9%, respectively. Our leasing business continues to be our primary focus and leasing revenues have and continue to be the predominant part of our revenue mix.

Cost of sales is the cost related to our sales revenues only. Cost of sales was 64.0% and 61.2% of sales revenue for the quarters ended June 30, 2013 and 2012, respectively. We sold fewer units and these sales, compared to the same period in 2012, were at slightly lower average selling margins.

Leasing, selling and general expenses for the quarter ended June 30, 2013 increased by \$2.1 million, or 3.8%, to \$57.5 million, compared to \$55.4 million for the same period in 2012. The increase in leasing, selling and general expenses was primarily related to payroll related costs, including stock compensation expense, and was partially offset by a reduction in advertising expense primarily related to our 2012 consumer initiative.

Merger and restructuring expenses for the quarters ended June 30 were \$0.3 million in both 2013 and 2012.

Asset impairment charge for the quarter ended June 30, 2013 was \$40.3 million and primarily relates to the write-down of certain assets we identified to be sold. See Note O to the accompanying condensed consolidated financial statements for a further discussion on assets held for sale.

Net income for the quarter ended June 30, 2013 decreased \$21.7 million to a loss of \$14.4 million, compared to net income of \$7.3 million for the same period in 2012. Net income in the second quarter of 2013 was negatively impacted by \$40.3 million (approximately \$25.8 million after tax, or approximately \$0.56 per diluted share) related to the asset impairment charge discussed above.

Adjusted EBITDA for the quarter ended June 30, 2013 increased \$5.1 million, or 15.4%, to \$38.1 million, compared to \$33.0 million for the same period in 2012. Adjusted EBITDA margins were 39.1% and 35.4% of total revenues for the three months ended June 30, 2013 and 2012, respectively. Adjusted EBITDA in 2012 was adversely impacted by approximately \$2.8 million of costs associated with our consumer initiative. Excluding this charge, adjusted EBITDA and adjusted EBITDA margins for 2012 would be approximately \$35.8 million and 38.5%, respectively.

Depreciation and amortization expense for the quarter ended June 30, 2013 was \$8.8 million, compared to \$9.1 million for the same period in 2012.

Interest expense for the quarter ended June 30, 2013 decreased \$2.7 million, or 26.8%, to \$7.5 million, compared to \$10.2 million for the same period in 2012. This decrease is primarily attributable to the August 2012 redemption of \$150.0 million aggregate principal amount outstanding of our 6.875% senior notes due 2015 by drawing down funds under our lower variable interest rate Credit Agreement. In addition, we had a lower average amount of debt outstanding during the quarter, principally due to the use of operating cash flow to reduce our debt over the last year, as well as a lower weighted average interest rate. The weighted average interest rate on our debt for the three months ended June 30, 2013 was 4.5%, compared to 5.4% for the same period in 2012, excluding amortization of debt issuance and other costs. Including the amortization of debt issuance and other costs, the weighted average interest rate for the three months ended June 30, 2013 was 5.0%, compared to 5.9% in the same period in 2012.

Provision (benefit) for income taxes was based on our annual estimated effective tax rate. The tax rate for the quarters ended June 30, 2013 and 2012 was (36.2%) and 37.4%, respectively. Our consolidated tax provision includes the expected tax rates for our operations in the U.S., Canada, U.K. and The Netherlands. See Note K to the accompanying condensed consolidated financial statements for a further discussion on income taxes.

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Six Months Ended June 30, 2013, Compared to

Six Months Ended June 30, 2012

Total revenues for the six months ended June 30, 2013 increased \$13.5million, or 7.4%, to \$195.5 million, compared to \$182.0 million for the same period in 2012. Leasing revenues for the six months ended June 30, 2013 increased \$12.9 million, or 8.1%, to \$173.3 million, compared to \$160.4 million for the same period in 2012. This increase in leasing revenues was driven by higher trucking revenues, increasing rental rates and an increase in the number of units on rent, which resulted in a 3.7% increase in our yield. Our sales of portable storage and office units for the six months ended June 30, 2013 increased 3.7% to \$21.3 million. The increase in sales revenues is primarily due to a sale to the U.K. military, partially offset by a lower volume of other units sold, driven by lower market demand, compared to the same period in 2012. Leasing revenues, as a percentage of total revenues for the six months ended June 30, 2013 and 2012 were 88.7% and 88.1%, respectively. Our leasing business continues to be our primary focus and leasing revenues have and continue to be the predominant part of our revenue mix.

Cost of sales is the cost related to our sales revenues only. Cost of sales was 67.3% and 60.7% of sales revenue for the six months ended June 30, 2013 and 2012, respectively. The increase in cost of sales was primarily related to the U.K military sale in the first quarter of 2013, which was at a lower than average selling margin.

Leasing, selling and general expenses for the six months ended June 30, 2013 increased by \$1.6 million, or 1.5%, to \$110.6 million, compared to \$109.0 million for the same period in 2012. The increase in leasing, selling and general expenses was primarily related to payroll related costs, including stock compensation expense, and was partially offset by a reduction in advertising expense primarily related to our 2012 consumer initiative.

Merger and restructuring expenses for the six months ended June 30 were approximately \$0.7 million in both 2013 and 2012.

Asset impairment charge for the six months ended June 30, 2013 was \$ 40.3 million and primarily relates to the write-down of certain assets we identified to be sold. See Note O to the accompanying condensed consolidated financial statements for a further discussion on assets held for sale.

Net income for the six months ended June 30, 2013 decreased \$14.9 million to a loss of \$2.3 million, compared to net income of \$12.5 million for the same period in 2012. Net income for the six months ended June 30, 2013 was negatively impacted by \$40.3 million (approximately \$25.8 million after tax, or approximately \$0.56 per diluted share) related to the asset impairment charge discussed above. Net income in 2012 for the same period was also negatively impacted by \$0.7 million in 2012 (approximately \$0.5 million after tax) related to deferred financing costs write-off discussed below.

Adjusted EBITDA for the six months ended June 30, 2013 increased \$11.8 million, or 18.4%, to \$75.9 million, compared to \$64.1 million for the same period in 2012. Adjusted EBITDA margins were 38.8% and 35.2% of total revenues for the six months ended June 30, 2013 and 2012, respectively. Adjusted EBITDA in 2012 was adversely impacted by approximately \$3.5 million of costs associated with our consumer initiative. Excluding this charge, adjusted EBITDA and adjusted EBITDA margins in 2012 would be approximately \$67.5 million and 37.1%, respectively.

Depreciation and amortization expense for the six months ended June 30, 2013 was \$17.6 million, compared to \$18.1 million for the same period in 2012.

Interest expense for the six months ended June 30, 2013 decreased \$5.8 million, or 27.9%, to \$150.0 million, compared to \$20.8 million for the same period in 2012. This decrease is primarily attributable to the August 2012 redemption of \$150.0 million aggregate principal amount outstanding of our 6.875% senior notes due 2015 by drawing down funds under our lower variable rate Credit Agreement. In addition, we had a lower average amount of debt outstanding during the period, principally due to the use of operating cash flow to reduce our debt over the last year, as well as a lower weighted average interest rate. The weighted average interest rate on our debt for the six months ended June 30, 2013 was 4.4%, compared to 5.5% for the same period in 2012, excluding amortization of debt issuance and other costs. Including the amortization of debt issuance and other costs, the weighted average interest rate for the six months ended June 30, 2013 was 4.9%, compared 6.0% in the same period in 2012.

Deferred financing costs write-off for the six months ended June 30, 2012 was \$0.7 million and represents a portion of the deferred financing costs associated with our prior \$850.0 million credit facility, which was replaced in February 2012 with our \$900.0 million Credit Agreement.

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Provision (benefit) for income taxes was based on our annual estimated effective tax rate. The tax rate for the six months ended June 30, 2013 was (25.6%), compared to 37.8% during the same period in 2012. The decrease in absolute rates is primarily due to our European operations contributing a higher ratio of the pretax loss at lower effective tax rates. Our consolidated tax provision includes the expected tax rates for our operations in the U.S., Canada, U.K. and The Netherlands. See Note K to the accompanying condensed consolidated financial statements for a further discussion on income taxes.

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LIQUIDITY AND CAPITAL RESOURCES

Leasing is a capital-intensive business that requires us to acquire assets before they generate revenues, cash flow and earnings. The assets that we lease have very long useful lives and require relatively little maintenance expenditures. Most of the capital we have deployed in our leasing business historically has been used to expand our operations geographically, to increase the number of units available for lease at our existing locations, and to add to the mix of products we offer. During recent years, our operations have generated annual cash flow that exceeds our pre-tax earnings, particularly due to cash flow from operations and the deferral of income taxes caused by accelerated depreciation of our fixed assets in our tax return filings. Our cash flow from operations has been positive, even after net capital expenditures for the past five years. This positive cash flow trend has continued for the six-month period ended June 30, 2013.

During the past four years, our capital expenditures and acquisitions have been funded by our cash flow from operations. Our cash flow from operations is generally weaker during the first quarter of each fiscal year, when customers who leased containers for holiday storage return the units and as a result of seasonal weather in certain of our markets. In addition to cash flow generated by operations, our principal current source of liquidity is our Credit Agreement described below.

Revolving Credit Facility. We have a \$900.0 million ABL Credit Agreement with Deutsche Bank AG New York Branch and other lenders party thereto (the "Credit Agreement"). The Credit Agreement provides for a five-year revolving credit facility and matures on February 22, 2017. The obligations of us and our subsidiary guarantors under the Credit Agreement are secured by a blanket lien on substantially all of our assets. At June 30, 2013, we had \$389.3 million of borrowings outstanding and \$503.1 million of additional borrowing availability under the Credit Agreement after the write down for the asset impairment charge, based upon borrowing base calculations as of such date. We were in compliance with the terms of the Credit Agreement as of June 30, 2013 and were above the minimum borrowing availability threshold and therefore not subject to any financial maintenance covenants.

Amounts borrowed under the Credit Agreement and repaid or prepaid during the term may be reborrowed. Outstanding amounts under the Credit Agreement bear interest at our option at either: (i) LIBOR plus a defined margin, or (ii) the Agent bank's prime rate plus a margin. The applicable margin for each type of loan is based on an availability-based pricing grid and ranges from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans at each measurement date. As of June 30, 2013, the applicable margins were 2.00% for LIBOR loans and 1.00% for base rate loans.

Availability of borrowings under the Credit Agreement is subject to a borrowing base calculation based upon a valuation of our eligible accounts receivable, eligible container fleet (including containers held for sale, work-in-process and raw materials) and machinery and equipment, each multiplied by an applicable advance rate or limit. The lease fleet is appraised at least once annually by a third-party appraisal firm and up to 90% of the net orderly liquidation value, as defined in the Credit Agreement, is included in the borrowing base to determine how much we may borrow under the Credit Agreement.

The Credit Agreement provides for U.K. borrowings, which are, at our option, denominated in either Pounds Sterling or Euros, by our U.K. subsidiary based upon a U.K. borrowing base; Canadian borrowings, which are denominated in Canadian dollars, by our Canadian subsidiary based upon a Canadian borrowing base; and U.S. borrowings, which are denominated in U.S. dollars, based upon a U.S. borrowing base.

The Credit Agreement also contains customary negative covenants, including covenants that restrict our ability to, among other things: (i) allow certain liens to attach to the Company or its subsidiary assets; (ii) repurchase or pay dividends or make certain other restricted payments on capital stock and certain other securities, prepay certain indebtedness or make acquisitions or other investments subject to Payment Conditions (as defined in the Credit Agreement); and (iii) incur additional indebtedness or engage in certain other types of financing transactions. Payment Conditions allow restricted payments and acquisitions to occur without financial covenants as long as we have \$225.0 million of pro forma excess borrowing availability under the Credit Agreement. We must also comply with specified financial maintenance covenants and affirmative covenants if we fall below \$90.0 million of borrowing availability levels.

We believe our cash provided by operating activities will provide for our normal capital needs for the next twelve months. If not, we have sufficient borrowings available under our Credit Agreement to meet any additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we do not presently believe that there is a likelihood that any of our lenders will be unable to honor their respective commitments under the Credit Agreement.

Senior Notes. At June 30, 2013, we had outstanding \$200.0 million aggregate principal amount of 7.875% senior notes due 2020 (the "Senior Notes"). The Senior Notes are more fully described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

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Operating Activities. Our operations provided net cash flow of \$52.0 million for the six months ended June 30, 2013, compared to \$33.6 million during the same period in 2012. The \$18.4 million increase in cash provided by operations is primarily attributable to an increase in net income after giving effect to non-cash items and the change in working capital. We used this net cash flow to fund operations and repay debt.

Investing Activities. Net cash used in investing activities was \$7.6 million for the six months ended June 30, 2013, compared to \$15.0 million for the same period in 2012. Capital expenditures for our lease fleet were \$14.3 million and proceeds from sale of lease fleet units were \$15.9 million for the six months ended June 30, 2013, compared to capital expenditures of \$19.3 million and proceeds of \$16.1 million for the same period in 2012. We anticipate our near-term investing activities will be primarily focused on remanufacturing units acquired in acquisitions to meet our lease fleet standards as these units are placed on lease as well as adding lease fleet in higher utilization markets, including the U.K. Capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment, for the six months ended June 30, 2013 were \$9.2 million, compared to \$8.2 million for the same period in 2012. The expenditures for property, plant and equipment in 2013 were primarily for replacement of our transportation equipment and upgrades to technology equipment. In 2012, cash used in investing activities also includes \$3.6 million for an acquisition in Canada. The amount of cash that we use during any period in investing activities is almost entirely within management's discretion. We have no contracts or other arrangements pursuant to which we are required to purchase a fixed or minimum amount of capital goods in connection with any portion of our business.

Financing Activities. Net cash used in financing activities during the six months ended June 30, 2013 was \$47.2 million, compared to \$18.1 million for the same period in 2012, which included \$7.5 million in financing costs related to our Credit Agreement in February 2012. In 2013, reductions to our net borrowings under our Credit Agreement were \$53.1 million, compared to \$19.1 million for the same period in 2012, before giving effect to \$7.5 million in financing costs. Additionally, we received \$6.4 million and \$1.8 million from the sale of employee stock options in 2013 and 2012, respectively.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our contractual obligations primarily consist of our outstanding balance under the Credit Agreement, \$200.0 million aggregate principal amount of the Senior Notes, together with other primarily unsecured notes payable obligations and obligations under capital leases. We also have operating lease commitments for: (i) real estate properties for the majority of our locations with remaining lease terms typically ranging from one to five years, (ii) delivery, transportation and yard equipment, typically under a five-year lease with purchase options at the end of the lease term at a stated or fair market value price, and (iii) office related equipment.

At June 30, 2013, primarily in connection with securing of our insurance policies, we have provided certain insurance carriers and others with approximately \$7.6 million in letters of credit.

We currently do not have any obligations under purchase agreements or commitments. Historically, we have entered into capital lease obligations from time to time. At June 30, 2013, we had \$0.5 million in outstanding capital lease obligations.

OFF-BALANCE SHEET TRANSACTIONS

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

SEASONALITY

Demand from certain of our customers is somewhat seasonal. Demand for leases of our portable storage units by large retailers is stronger from September through December because these retailers need to store more inventory for the holiday season. These retailers usually return these leased units to us in December or early in the following year. This seasonality historically has caused lower utilization rates for our lease fleet and a marginal decrease in our operating cash flow during the first quarter of each year.

EFFECTS OF INFLATION

Our results of operations for the periods discussed in this report have not been significantly affected by inflation.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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Our significant accounting policies are disclosed in Note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. The following discussion addresses our most critical accounting policies, some of which require significant judgment.

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Our consolidated financial statements have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. These estimates and assumptions are based upon our evaluation of historical results and anticipated future events, and these estimates may change as additional information becomes available. The SEC defines critical accounting policies as those that are, in management's view, most important to our financial condition and results of operations and those that require significant judgments and estimates. Management believes that our most critical accounting policies relate to:

Revenue Recognition. We recognize revenue, including multiple element arrangements, in accordance with the provisions of applicable accounting guidance. We generate revenue from the leasing of portable storage containers and office units, as well as other services such as pickup and delivery. In most instances, we provide some of the above services under the terms of a single customer lease agreement. We also generate revenue from the sale of containers and office units.

Our lease arrangements typically include lease deliverables such as the lease of a container or office unit and ancillary charges related to the leased container or office unit during the lease term. Arrangement consideration is allocated between lease deliverables and non-lease deliverables based on the relative estimated selling (leasing) price of each deliverable. Estimated selling (leasing) price of the lease deliverables is based on the price of those deliverables when sold separately (vendor-specific objective evidence). Because delivery and pick-up services are not sold separately by us, the estimated selling price of those deliverables is based on prices charged for similar services provided by other vendors (third party evidence of fair value).

The arrangement consideration allocated to lease deliverables is accounted for pursuant to accounting guidance on leases. Such revenues from leases are billed in advance and recognized as earned, on a straight line basis over the lease period specified in the associated lease agreement. Lease agreement terms typically span several months or longer. Because the term of the agreements can extend across financial reporting periods, when leases are billed in advance, we defer recognition of revenue and record unearned leasing revenue at the end of reporting periods so that rental revenue is included in the appropriate period. Transportation revenue from container and mobile office delivery service is recognized on the delivery date and is recognized for pick-up service when the container or office unit is picked-up.

We recognize revenues from sales of containers and office units upon delivery when the risk of loss passes, the price is fixed and determinable and collectability is reasonably assured. We sell our products pursuant to sales contracts stating the fixed sales price with our customers.

Share-Based Compensation. We account for share-based compensation using the modified-prospective-transition method and recognize the fair-value of share-based compensation transactions in the consolidated statements of income. The fair value of our share-based awards is estimated at the date of grant using the Black-Scholes option pricing model. The Black-Scholes valuation calculation requires us to estimate key assumptions such as future stock price volatility, expected terms, risk-free rates and dividend yield. Expected stock price volatility is based on the historical volatility of our stock. We use historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options granted is derived from an analysis of historical exercises and remaining contractual life of stock options, and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant. We historically have not paid cash dividends, and do not currently intend to pay cash dividends, and thus have assumed a 0% dividend rate. If our actual experience differs significantly from the assumptions used to compute our share-based compensation cost, or if different assumptions had been used, we may have recorded too much or too little share-based compensation cost. In the past, we have issued stock options and restricted stock, which we also refer to as nonvested share-awards. For stock options and nonvested share-awards subject solely to service conditions, we recognize expense using the straight-line method. For nonvested share-awards subject to service and performance conditions, we are required to assess the probability that such performance conditions will be met. If the likelihood of the performance condition being met is deemed probable, we will recognize the expense using the accelerated attribution method. In addition, for both stock options and nonvested share-awards, we are required to estimate the expected forfeiture rate of our stock grants and only recognize the expense for those shares expected to vest. If the actual forfeiture rate is materially different from our estimate, our share-based compensation expense could be materially different. We had approximately \$21.4 million of total unrecognized compensation costs related to stock options at June 30, 2013 that are expected to be recognized over a weighted average period of 2.2 years and \$12.6 million of total unrecognized compensation costs related to nonvested share-awards at June 30, 2013 that are expected to be recognized over a weighted average period 2.9 years. See Note F to the accompanying condensed consolidated financial statements for a further discussion of share-based compensation.

Allowance for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We establish and maintain reserves against estimated losses based upon historical loss experience and evaluation of past due accounts receivable. Management reviews the level of the allowances for doubtful accounts on a regular basis and adjusts the level of the allowances as needed. If we were to increase our reserve estimates by 25%, it would have the following approximate effect on our net income (loss) and diluted EPS:

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	Three Months Ended June 30		Six Months Ended June 30,	
	2012	2013	2012	2013
	(In thousands except per share data)		(In thousands except per share data)	
As Reported:				
Net income (loss)	\$ 7,312	\$ (14,381)	\$ 12,522	\$ (2,339)
Diluted earnings (loss) per share	\$ 0.16	\$ (0.32)	\$ 0.28	\$ (0.05)
As adjusted for change in estimates:				
Net income (loss)	\$ 7,257	\$ (14,475)	\$ 12,436	\$ (2,518)
Diluted earnings (loss) per share	\$ 0.16	\$ (0.32)	\$ 0.28	\$ (0.06)

If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required.

Impairment of Goodwill. We assess the impairment of goodwill and other identifiable intangibles on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Some factors we consider important that could trigger an impairment review include the following:

significant under-performance relative to historical, expected or projected future operating results;

significant changes in the manner of our use of the acquired assets or the strategy for our overall business;

our market capitalization relative to net book value; and

significant negative industry or general economic trends.

We operate in two reportable segments, which are comprised of three operating segments that also represent our reporting units (North America, the U.K. and The Netherlands). All of our goodwill was allocated among these three reporting units. At December 31, 2012, only North America and the U.K. had goodwill subject to impairment testing. We perform an annual impairment test on goodwill at December 31. In addition, we perform impairment tests during any reporting period in which events or changes in circumstances indicate that an impairment may have occurred.

In assessing the fair value of the reporting units, we consider both the market approach and the income approach. Under the market approach, the fair value of the reporting unit is based on quoted market prices of companies comparable to the reporting unit being valued. Under the income approach, the fair value of the reporting unit is based on the present value of estimated cash flows. The income approach is dependent on a number of significant management assumptions, including estimated future revenue growth rates, gross margins on sales, operating margins, capital expenditures, tax payments and discount rates. Each approach is given equal weight in arriving at the fair value of the reporting unit. As of December 31, 2012, management assessed qualitative factors and determined it is more likely than not each of our two reporting units assigned goodwill had estimated fair values greater than the respective reporting unit's individual net asset carrying values; therefore, the two step impairment test was not required.

At June 30, 2013, there were no significant negative changes to our future projected cash flows or to the general or specific economic trends since the last annual test that might indicate the need for testing goodwill recoverability.

Impairment of Long-Lived Assets. Our lease fleet, plant and equipment and intangibles with finite lives (those assets resulting from acquisitions) are reviewed for impairment when events or circumstances indicate these assets might be impaired. We test impairment using historical cash flows and other relevant facts and circumstances as the primary basis for our estimates of future cash flows. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. If these assumptions change in the future, whether due to new

information or other factors, we may be required to record impairment charges for these assets. Management evaluated its long-lived assets for impairment during the second quarter of 2013, and determined there was no impairment on a held-for-use basis. However, in the second quarter of 2013, with a strategic focus on increasing return on capital and a move toward a rent-ready business model, we conducted an assessment of our lease fleet and rolling stock equipment. Management determined that certain of these units were either non-core to our leasing strategy or were uneconomic to repair. In connection with this evaluation, management determined to place the assets for sale, resulting in a non-cash asset impairment charge on long-lived assets of \$37.6 million in the second quarter of 2013. See Note O to the accompanying condensed consolidated financial statements for a further discussion on the asset impairment.

Depreciation Policy. Our depreciation policy for our lease fleet uses the straight-line method over the estimated useful life of our units, after the date that we put the unit in service, and are depreciated down to their estimated residual values. Our steel units are depreciated over 30 years with an estimated residual value of 55%. Wood offices units are depreciated over 20 years with an estimated residual value of 50%. Van trailers, which are a small part of our fleet, are depreciated over seven years to an estimated residual value of 20%. We have other non-core products that have various other measures of useful lives and residual values. Van trailers and other non-core products are typically only added to the fleet as a result of acquisitions of portable storage businesses.

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We periodically review our depreciation policy against various factors, including the results of our lenders' independent appraisal of our lease fleet, practices of other competitors in our industry, profit margins we achieve on sales of depreciated units and lease rates we obtain on older units. At the end of the second quarter of 2013, in conjunction with our analysis of certain assets, we re-evaluated our depreciation policies and modified the useful life and residual values on our forklifts and non-core aluminum containers, which became effective on July 1, 2013. It is anticipated this change will result in additional depreciation expense through the end of 2013 of approximately \$0.9 million, which will be partially offset by a decrease in depreciation expense of approximately \$0.5 million as a result of the asset impairment write down.

If we were to change our depreciation policy on our steel units from a 55% residual value and a 30-year life to a lower or higher residual value and a shorter or longer useful life, such change could have a positive, negative or neutral effect on our earnings, with the actual effect being determined by the extent of the change. For example, a change in our estimates used in our residual values and useful life would have the following approximate effect on our net income (loss) and diluted EPS as reflected in the table below.

	Salvage Value	Useful Life in Years	Three Months Ended June 30 2012 2013 (In thousands except		Six Months Ended June 30, 2012 2013 (In thousands except	
			per share data)		per share data)	
As Reported:	55%	30				
Net income (loss)			\$ 5,211	\$ (14,381)	\$ 7,312	\$ (2,339)
Diluted earnings (loss) per share			\$ 0.12	\$ (0.31)	\$ 0.16	\$ (0.05)
As adjusted for change in estimates:	70%	20				
Net income (loss)			\$ 5,211	\$ (14,381)	\$ 7,312	\$ (2,339)
Diluted earnings (loss) per share			\$ 0.12	\$ (0.31)	\$ 0.16	\$ (0.05)
As adjusted for change in estimates:	62.5%	25				
Net income (loss)			\$ 5,211	\$ (14,381)	\$ 7,312	\$ (2,339)
Diluted earnings (loss) per share			\$ 0.12	\$ (0.31)	\$ 0.16	\$ (0.05)
As adjusted for change in estimates:	50%	20				
Net income (loss)			\$ 3,757	\$ (15,872)	\$ 4,381	\$ (5,813)
Diluted earnings (loss) per share			\$ 0.08	\$ (0.34)	\$ 0.10	\$ (0.13)
As adjusted for change in estimates:	47.5%	35				
Net income (loss)			\$ 5,211	\$ (14,381)	\$ 7,312	\$ (2,339)
Diluted earnings (loss) per share			\$ 0.12	\$ (0.31)	\$ 0.16	\$ (0.05)
As adjusted for change in estimates:	40%	40				
Net income (loss)			\$ 5,211	\$ (14,381)	\$ 7,312	\$ (2,339)
Diluted earnings (loss) per share			\$ 0.12	\$ (0.31)	\$ 0.16	\$ (0.05)
As adjusted for change in estimates:	30%	25				
Net income (loss)			\$ 3,321	\$ (16,319)	\$ 3,502	\$ (6,855)
Diluted earnings (loss) per share			\$ 0.07	\$ (0.35)	\$ 0.08	\$ (0.15)
As adjusted for change in estimates:	25%	25				
Net income (loss)			\$ 3,030	\$ (16,617)	\$ 2,916	\$ (7,550)
Diluted earnings (loss) per share			\$ 0.07	\$ (0.36)	\$ 0.06	\$ (0.16)

Insurance Reserves. We maintain insurance coverage for our operations and employees with appropriate aggregate, per occurrence and deductible limits, as we reasonably determine is necessary or prudent with current operations and historical experience. The majority of these coverages have large deductible programs which allow for potential improved cash flow benefits based on our loss control efforts.

Our worker's compensation, auto and general liability insurance are purchased under large deductible programs. Our current per incident deductibles are: worker's compensation \$250,000, auto \$500,000 and general liability \$100,000. We provide for the estimated expense relating to the deductible portion of the individual claims. However, we generally do not know the full amount of our exposure to a deductible in connection with any particular claim during the fiscal period in which the claim is incurred and for which we must make an accrual for the deductible expense. We make these accruals based on a combination of the claims development experience of our staff and our insurance companies. At year end, the accrual is reviewed and adjusted, in part, based on an independent actuarial review of historical loss data and using

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certain actuarial assumptions followed in the insurance industry. A high degree of judgment is required in developing these estimates of amounts to be accrued, as well as in connection with the underlying assumptions. In addition, our assumptions will change as our loss experience is developed. All of these factors have the potential for significantly impacting the amounts we have previously reserved in respect of anticipated deductible expenses, and we may be required in the future to increase or decrease amounts previously accrued.

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Our North America health benefits programs are considered to be self-insured products; however, we buy excess insurance coverage that limits our medical liability exposure on a per individual insured basis. Additionally, our medical program has a limitation on our total aggregate claim exposure and we accrue and reserve to the total projected losses. Our Canadian and European employees are primarily provided medical coverage through their governmental national insurance programs.

Contingencies. We are a party to various claims and litigation in the normal course of business. Management's current estimated range of liability related to various claims and pending litigation is based on claims for which our management can determine that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Because of the uncertainties related to both the probability of incurred and possible range of loss on pending claims and litigation, management must use considerable judgment in making a reasonable determination of the liability that could result from an unfavorable outcome. As additional information becomes available, we will assess the potential liability related to our pending litigation and revise our estimates. Such revisions in our estimates of the potential liability could materially impact our results of operation. We do not anticipate the resolution of such matters known at this time will have a material adverse effect on our business or consolidated financial position.

Deferred Taxes. In preparing our consolidated financial statements, we recognize income taxes in each of the jurisdictions in which we operate. For each jurisdiction, we estimate the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each jurisdiction. If we determine that we will not realize all or a portion of our deferred tax assets, we will increase our valuation allowance with a charge to income tax expense or offset goodwill if the deferred tax asset was acquired in a business combination. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced with a credit to income tax expense except if the valuation allowance was created in conjunction with a tax asset in a business combination.

Purchase Accounting. We account for acquisitions under the purchase method. Under the purchase method of accounting, the price paid by us, is allocated to the assets acquired and liabilities assumed based upon the estimated fair values of the assets and liabilities acquired at the date of acquisition. The excess of the purchase price over the fair value of the net assets and liabilities acquired represents goodwill that is subject to annual impairment testing.

Earnings Per Share. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated under the treasury stock method. Potential common shares include restricted common stock, which is subject to risk of forfeiture, incremental shares of common stock issuable upon the exercise of stock options and vesting of nonvested stock awards.

There have been no changes in our critical accounting policies, estimates and judgments during the six-month period ended June 30, 2013.

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RECENT ACCOUNTING PRONOUNCEMENTS

Comprehensive Income. In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to the existing guidance on the presentation of comprehensive income. Under the amended guidance, an entity is required to present the effect of reclassification adjustments out of accumulated other comprehensive income in both net income and other comprehensive income in the financial statements. In February 2013, the FASB issued an amendment to this provision which is effective on a prospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this amendment did not have a material impact on our consolidated financial statements and related disclosures.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This section and other sections of this report contain forward-looking information about our financial results and estimates and our business prospects that involve substantial risks and uncertainties. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Forward-looking statements are expressions of our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They include words such as anticipate, estimate, expect, project, intend, plan, believe, will, and other words and terms of similar meaning in connection with any discussion of operating or financial performance. In particular, these include statements relating to future actions, future performance or results, expenses, the outcome of contingencies, such as legal proceedings, and financial results. Factors that could cause actual results to differ materially from projected results include, without limitation:

an economic slowdown in the U.S. and/or the U.K. that affects any significant portion of our customer base, or the geographic regions where we operate in those countries;

changes in the supply and cost of the raw materials we use in refurbishing or remanufacturing storage units;

competitive developments affecting our industry, including pricing pressures;

the timing, effectiveness and number of new markets we enter;

our ability to manage growth or integrate acquisitions at existing or new locations;

our European operations may divert our resources from other aspects of our business;

our ability to obtain borrowings under our Credit Agreement or additional debt or equity financing on acceptable terms;

our ability to maintain continuous and secure information technology systems;

our ability to protect our patents and other intellectual property;

currency exchange and interest rate fluctuations;

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governmental laws and regulations affecting domestic and foreign operations, including tax obligations, union formation and zoning laws;

changes in generally accepted accounting principles;

changes in local zoning laws affecting either our ability to operate in certain areas or our customer's ability to use our products;

any changes in business, political and economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas; and

increases in costs and expenses, including the cost of raw materials, litigation, compliance obligations, real estate and employment costs.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q, 8-K and 10-K reports filed with the SEC. Our Form 10-K filing for the fiscal year ended December 31, 2012 listed various important factors that could cause actual results to differ materially from expected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995, as amended. Readers can find them in Item 1A. Risk Factors of that filing and under the same heading of this filing. You may obtain a copy of our Form 10-K by requesting it from our Investor Relations Department at (480) 894-6311 or by mail to Mobile Mini, Inc., 7420 S. Kyrene Road, Suite 101, Tempe, Arizona 85283. Our filings with the SEC, including the Form 10-K, may be accessed through Mobile Mini's website at www.mobilemini.com, and at the SEC's website at www.sec.gov. Material on our website is not incorporated into this report, except by express incorporation by reference herein.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Swap Agreements. At June 30, 2013, we did not have any outstanding interest rate swap agreements. In the past, we have entered into derivative financial agreements only to the extent that the arrangement was to reduce earnings and cash flow volatility associated with changes in interest rates, and we do not engage in such transactions for speculative purposes.

Impact of Foreign Currency Rate Changes. We currently have operations outside the U.S. and we bill those customers primarily in their local currency, which is subject to foreign currency rate changes. Our operations in Canada are billed in the Canadian Dollar, operations in the U.K. are billed in Pound Sterling and operations in The Netherlands are billed in the Euro. We are exposed to foreign exchange rate fluctuations as the financial results of our non-U.S. operations are translated into U.S. Dollars. The impact of foreign currency rate changes has historically been insignificant with our Canadian operations, but we have more exposure to volatility with our European operations. In order to help minimize our exchange rate gain and loss volatility, we finance our European entities through our Credit Agreement, which allows us, at our option, to borrow funds locally in Pound Sterling denominated debt.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this quarterly report on Form 10-Q, the Company's disclosure controls and procedures, subject to the limitations as noted below, were effective such that the information relating to the Company required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) is accumulated and communicated to the Company's management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls.

There were no changes in our internal controls over financial reporting that have occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

We refer you to documents filed by us with the SEC, specifically Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled Cautionary Statements Regarding Forward-looking Statements in Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations of this quarterly report on Form 10-Q. This quarterly report on Form 10-Q, including the accompanying condensed consolidated financial statements and related notes, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Form 10-K and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 have not materially changed.

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Number	Description
10.1	Employment Agreement, dated April 5, 2013, by and between Mobile Mini, Inc. and Phillip Hobson. (Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed on April 9, 2013).
23.2*	Consent of Independent Valuation Firm
31.1*	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K
31.2*	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to item 601(b)(32) of Regulation S-K
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

*** Furnished herewith. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOBILE MINI, INC.

Date: August 9, 2013

/s/ Mark E. Funk
Mark E. Funk
Chief Financial Officer