

INVESTOR PRESENTATION

Fourth Quarter 2010



H&E | **EQUIPMENT
SERVICES, INC.**

NASDAQ: HEES

Management Presenters

John M. Engquist President, Chief Executive Officer

John M. Engquist has served as President, Chief Executive Officer and Director of the Company since its formation in September 2005. He had served as President, Chief Executive Officer and Director of H&E LLC from its formation in 2002 until its merger with and into the Company in February 2006. He served as President and Chief Executive Officer of Head & Engquist Equipment, LLC (“Head and Engquist”) from 1990 and Director of Gulf Wide Industries, LLC (“Gulf Wide”) from 1995, both predecessor companies of H&E LLC. From 1975 to 1990, he held various operational positions at Head & Engquist, starting as a mechanic’s helper. Mr. Engquist serves on the Leadership Council of St. Jude Children’s Research Hospital in Memphis, Tennessee; as well as on the Board of Directors for Business First Bancshares, Inc. in Baton Rouge, Louisiana. Mr. Engquist owns 50% of the membership interest in Old Towne Development Group, L.L.C., for which Mr. Engquist serves as the chairman of the Board of Managers. Mr. Engquist is a past Board member of Baton Rouge Business Bank and Cajun Constructors, Inc.

Leslie S. Magee Chief Financial Officer and Secretary

Leslie S. Magee has served as Chief Financial Officer and Secretary of the Company since its formation in September 2005. Ms. Magee served as Acting Chief Financial Officer of H&E LLC from December 2004 through August 2005, at which time she was appointed Chief Financial Officer and Secretary. She continued as Chief Financial Officer and Secretary until H&E LLC’s merger with and into the Company. Previously, Ms. Magee served as Corporate Controller for H&E LLC and Head & Engquist. Prior to joining Head & Engquist in 1995, Ms. Magee spent five years working for Hawthorn, Waymouth & Carroll, L.L.P, an accounting firm based in Baton Rouge, Louisiana. Ms. Magee is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants and the Louisiana Society of Certified Public Accountants.



Legal Disclaimers

FORWARD-LOOKING INFORMATION

This presentation contains "forward-looking statements" within the meaning of the federal securities laws. Statements about our beliefs and expectations and statements containing the words "may", "could", "would", "should", "believe", "expect", "anticipate", "plan", "estimate", "target", "project", "intend", "foresee" and similar expressions constitute forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, the following: (1) general economic conditions and construction and industrial activity in the markets where we operate in North America, as well as the depth and duration of the recent macroeconomic downturn related to decreases in construction and industrial activity, and the impact of conditions of the global credit markets and their effect on construction spending activity and the economy in general; (2) relationships with equipment suppliers; (3) increased maintenance and repair costs as we age our fleet, and decreases in our equipment's residual value; (4) our indebtedness; (5) the risks associated with the expansion of our business; (6) our possible inability to effectively integrate any businesses we acquire; (7) competitive pressures; (8) compliance with laws and regulations, including those relating to environmental matters and corporate governance matters; and (9) other factors discussed in our public filings, including the risk factors included in the Company's most recent Annual Report on Form 10-K. Investors, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we are under no obligation to publicly update or revise any forward-looking statements after the date of this presentation.

NON-GAAP FINANCIAL MEASURES

This presentation contains certain Non-GAAP measures (EBITDA and Adjusted EBITDA, net income (loss), income (loss) from operations and diluted earnings per share on an as adjusted basis). Please refer to Appendix A of this presentation for a description of our use of these measures. These Non-GAAP measures, as calculated by the Company, are not necessarily comparable to similarly titled measures reported by other companies. Additionally, these Non-GAAP measures are not a measurement of financial performance or liquidity under GAAP and should not be considered an alternative to the Company's other financial information determined under GAAP. See Appendix A for a reconciliation of these Non-GAAP measures.



COMPANY OVERVIEW



Investment Highlights

Integrated Business Model

- ▶ By providing equipment rental, sales, and on-site parts, repair and maintenance functions under one roof, the Company is a one-stop provider for its customers' varied equipment needs.

Geographic Diversity

- ▶ 67 full-service locations in 24 U.S. States.
- ▶ Significant presence in Gulf Coast and Intermountain Regions; also serve Mid-Atlantic, Southeast, Southwest and West Coast.

Specialized Fleet Focus

- ▶ Focus on non-residential heavy construction and industrial equipment.
- ▶ Significant exposure to petrochemical, oil patch, mining industries.

Well Maintained Young Fleet

- ▶ Fleet age at December 31, 2010, was 43.1 months; industry average near 53 months.
- ▶ Fleet is well maintained to maximize equipment life.

Strong Balance Sheet

- ▶ Protected balance sheet through economic downturn.
- ▶ Focused on asset management and debt reduction.
- ▶ Eliminated \$76.3 million of debt under revolving credit facility during late 2009.

Flexible Capital Structure with Abundant Liquidity

- ▶ Leverage was 2.8x at December 31, 2010 (on net debt and adjusted EBITDA¹).
- ▶ \$312.0 million available, net of \$8 million of letters of credit, at December 31, 2010 under \$320 million credit facility, maturities well into future.

Cash Flow Profile

- ▶ Counter cyclical free cash flow generation.
- ▶ Generated > \$100 million of free cash flow¹ in 2009.

¹See Appendix A for a reconciliation of Non-GAAP measures.



H&E Equipment Services - Snapshot

- ▶ Leading integrated equipment services company with \$574 million of revenue in 2010.
- ▶ Formed in 2002 through the merger of H&E and ICM – 50 years of operating history.
- ▶ Focused on heavy construction and industrial equipment and rents, sells and provides parts and service support for four core categories of specialized equipment:



- ▶ Integrated, full-service approach provides the Company with multiple points of customer contact, enabling it to maintain a high quality rental fleet, as well as an effective distribution channel for fleet disposal and provides cross-selling opportunities among its new and used equipment sales, rental, parts sales and service operations.
- ▶ \$685.1 million of rental fleet (original acquisition cost at December 31, 2010).
- ▶ Well diversified customer base.
- ▶ Highly experienced management team; more than 1,600 employees.

A Winning Business Model

Traditional Distribution Model

- ▶ New Equipment Sales
- ▶ Used Equipment Sales
- ▶ Parts & Service

Traditional Rental Model

- ▶ Rental Equipment

H&E Integrated Equipment Services Model

- ▶ New Equipment Sales
- ▶ Used Equipment Sales
- ▶ Parts & Service
- ▶ Rental Equipment

Key Advantages:

- ▶ Mix of business activities enables effective operation through economic cycles.
- ▶ Cross-selling opportunities among our rental, new and used equipment sales, parts sales and services operations.
- ▶ High-margin parts and service operations.
- ▶ Multiple points of contact with the customer.
- ▶ Difficult to replicate infrastructure and improved purchasing power.

Business Strategy

Leverage Integrated Business Model

- ▶ Provide our customers with a “one-stop” solution to our customers varied equipment needs and cross-sell our services to expand and deepen our customer relationships.

Manage Rental Equipment Life Cycle

- ▶ Actively manage the size, quality, age and composition of our rental fleet employing a “cradle through the grave” approach which allows us to purchase our rental equipment at competitive prices, optimally utilize our fleet, cost-effectively maintain our equipment quality and maximize equipment value.

Grow Parts and Service Operations

- ▶ Our parts and service operations are keystones of our integrated equipment services platform and provide a relatively stable high-margin revenue source.
- ▶ This business helps us develop strong, on-going customer relationships, attract new customers and maintain a high-quality rental fleet.

Enter Carefully Selected New Markets

- ▶ Intend to continue our strategy of selectively expanding our network to solidify our presence in attractive and contiguous regions where we operate.
- ▶ In 2009, opened branch facilities in Sacramento, Nashville and Baltimore; In 2010, opened new branch facilities in Indianapolis, Louisville, Pasco (WA), Huntsville and Chattanooga.

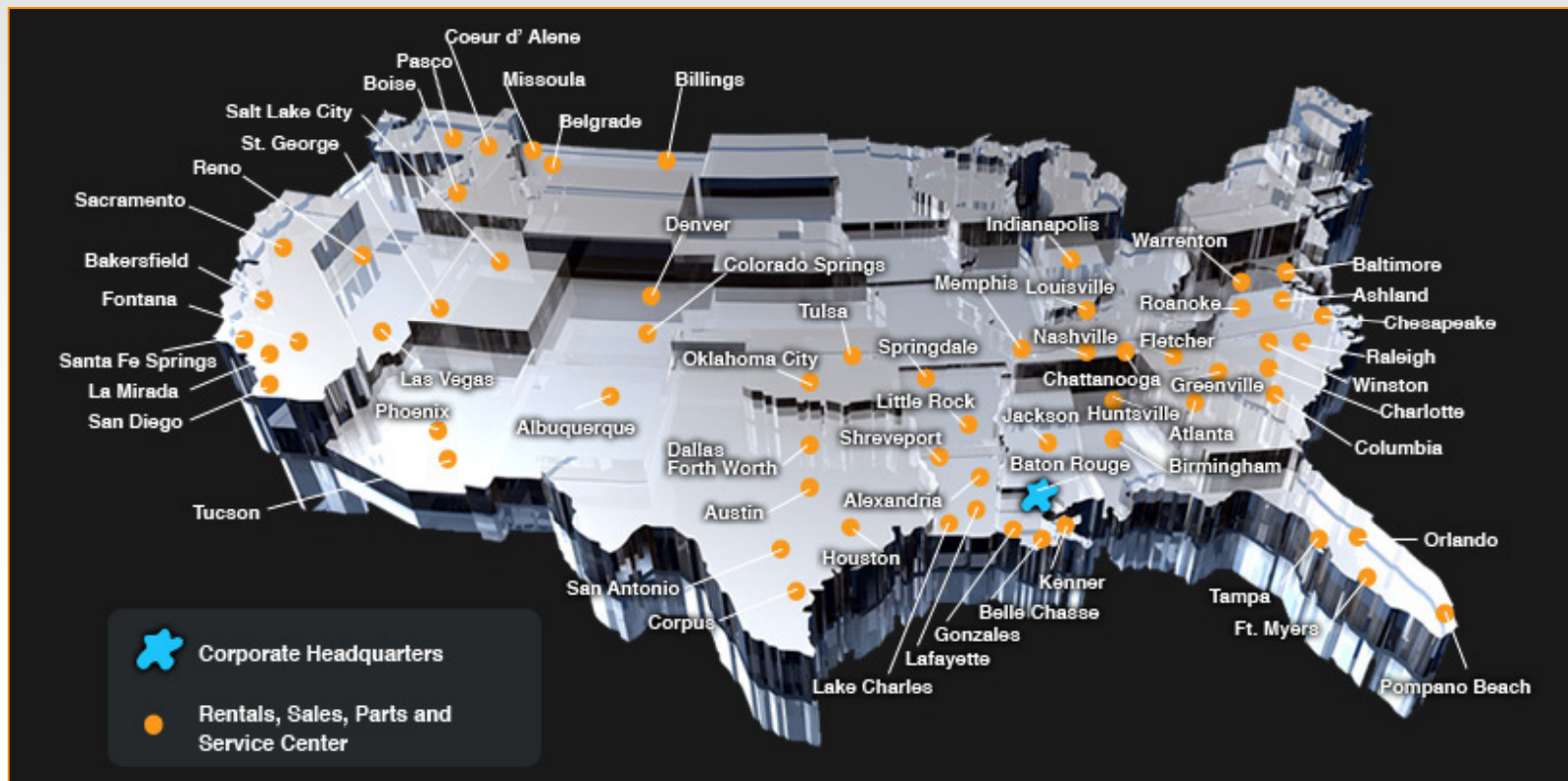
Make Selective Acquisitions

- ▶ Equipment industry is fragmented and includes a large number of relatively small, independent businesses serving discrete local markets.
- ▶ Intend to continue to evaluate and pursue acquisitions on an opportunistic basis.

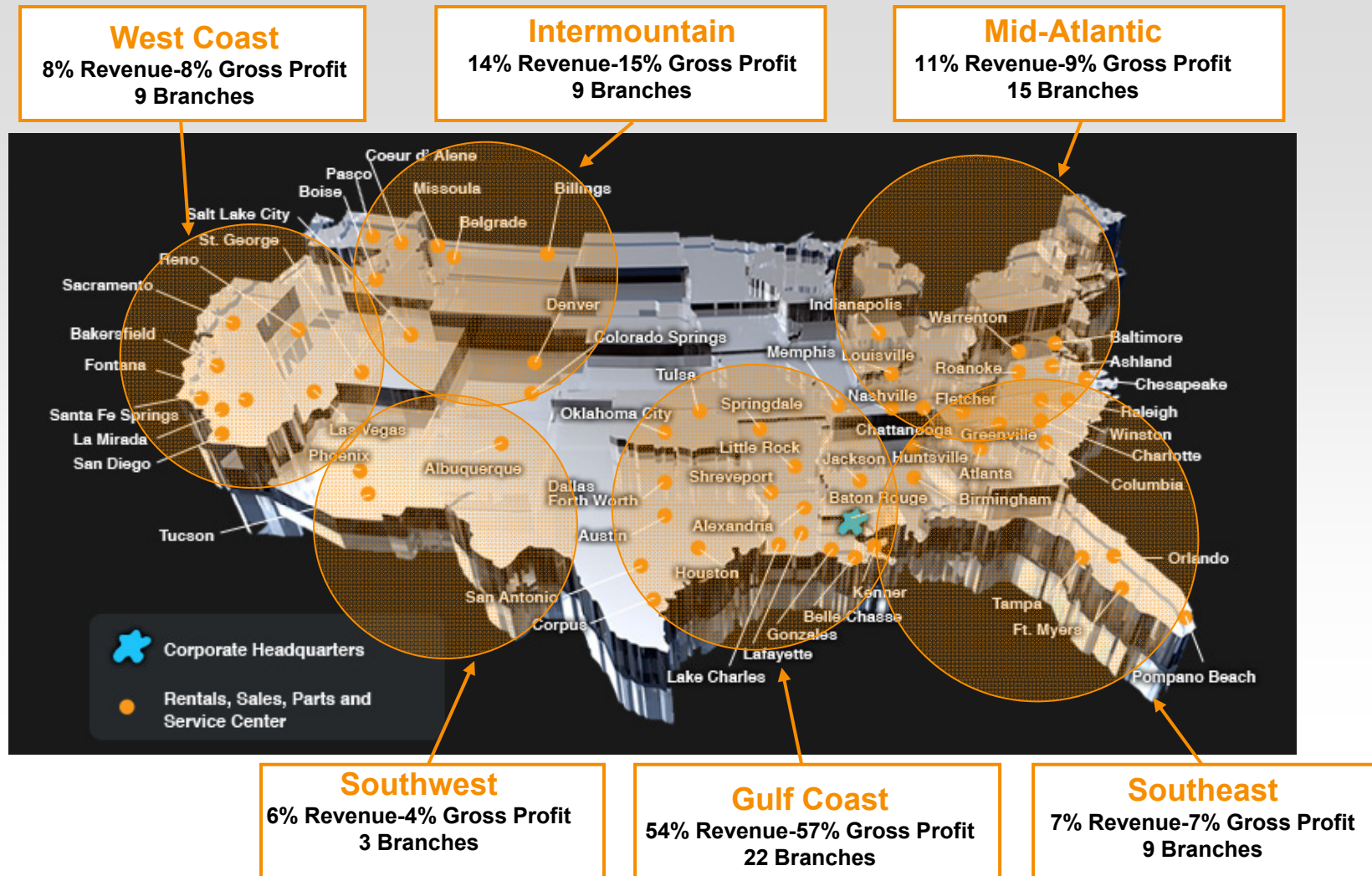


Footprint Provides Geographic Diversity

- ▶ **Geographic diversity and focus on industrial and commercial construction benefits Company.**
 - Demand remains stronger in Gulf Coast markets due to strong ties to petrochemical and oil and gas industries; region accounts for half of our LTM revenue and gross profit.
 - Intermountain region beginning to benefit from increased mining and oil patch activity due to solid commodity prices.
 - Customers in remaining regions are less industrial, more non-residential construction focused.



LTM Revenue and Gross Profit By Region



Note: Revenue and Gross Profit by region as of December 31, 2010. Opened Indianapolis, Louisville and Pasco in 1Q10; opened Huntsville in 2Q10; and opened Chattanooga in 3Q10.



Current Market Conditions

Market Negatives:

- ▶ Non-residential construction is still weak and this sector is expected to lag the recovery of the general economy.
- ▶ Lending for non-residential construction projects, equipment purchases remains tight.
- ▶ Seasonality could impact 1Q 2011 performance.
- ▶ Visibility is improving, but still limited.

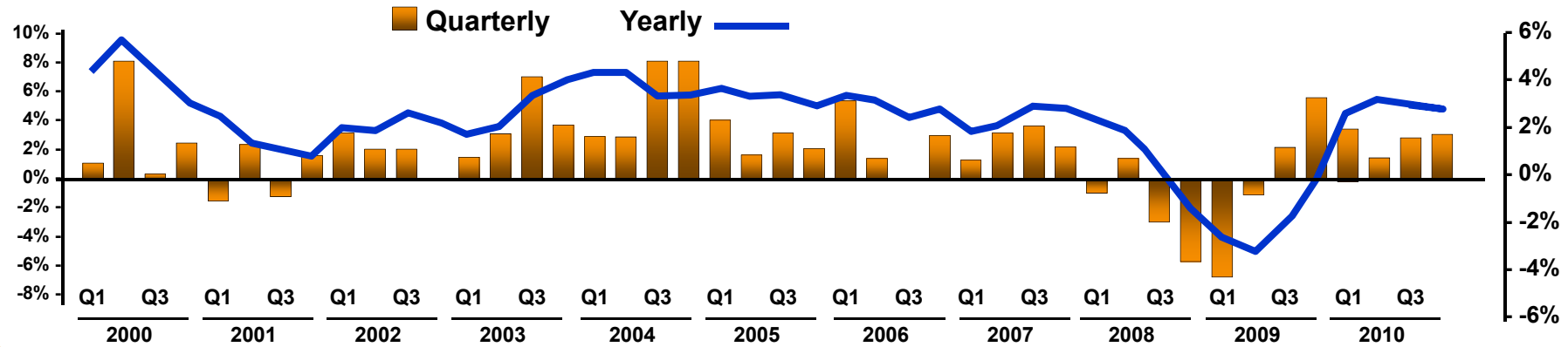
Market Positives:

- ▶ 2011 economic outlook is positive.
- ▶ Equipment manufacturers reporting positive results and better 2011 outlooks; seeing increased capital spending for equipment.
- ▶ Delivered solid year-over-year and sequential gains in major segments of business.
- ▶ Used equipment pricing continues to improve.
- ▶ Demand for earthmoving equipment increasing; early cycle product.
- ▶ Utilization trends, rental rates continue to improve.
- ▶ Parts and service appear to have stabilized with first sign of year-over-year improvement in Q4 service revenues.
- ▶ Industrial markets we serve remain strong and forecasted to grow.
- ▶ December Architectural Billings Index (ABI) rose to 54.2 (above November's 52 reading); highest reading since November 2007.



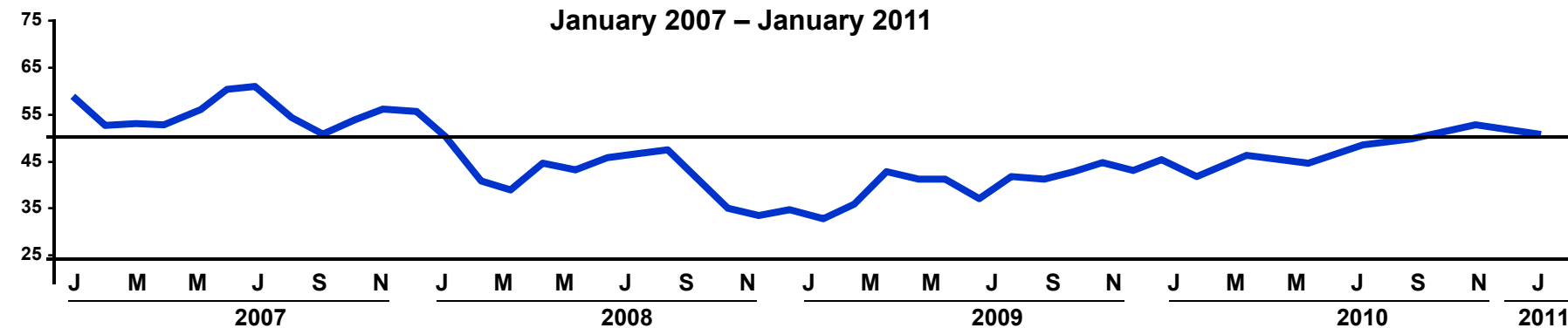
Market Indicators Are Improving

Real GDP Growth



Source: U.S. Census

Architecture Billing Index (ABI)



Source: The American Institute of Architects

Latest market indicators are positive.



2011 Outlook

- ▶ **Q4 performance and trends were positive, but with visibility still limited in 2011, not providing specific guidance.**
 - Expect year-over-year top-line revenue growth to continue, with improvements in other financial measures.
 - Expect year-over-year improvements in rental business to continue.
 - Year-over-year gains in other segments very possible, but current visibility is still limited.
 - Expect continued improvement in rates, although pressure remains.
 - Expect improving market environment will result in higher fleet investment.
 - Losses expected to continue to moderate on a year over year comparison. Bottom line profitability largely dependent on strength of improving market demand.
- ▶ **Strong balance sheet and solid capital structure with maturities well into future.**
- ▶ **Strong balance sheet provides flexibility to take advantage of improved market conditions and opportunities.**

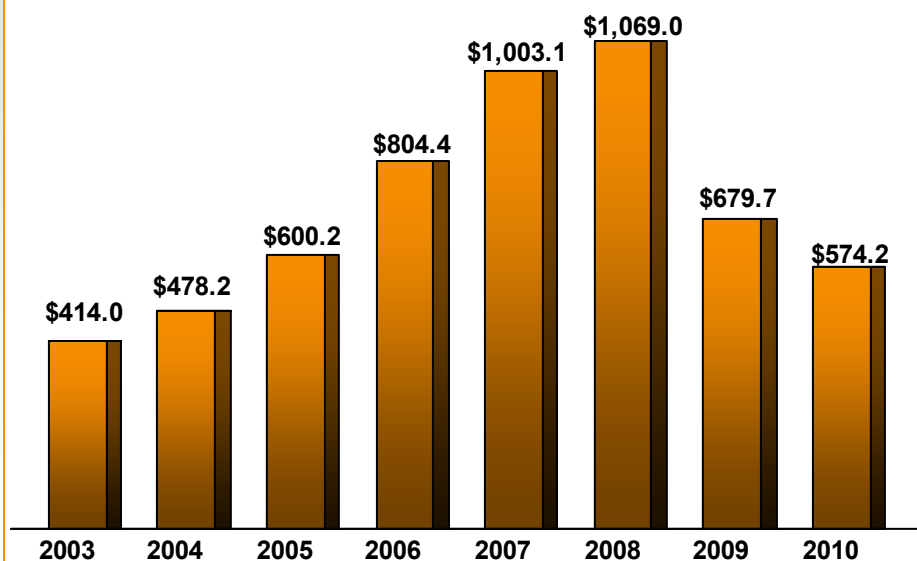


FINANCIAL OVERVIEW

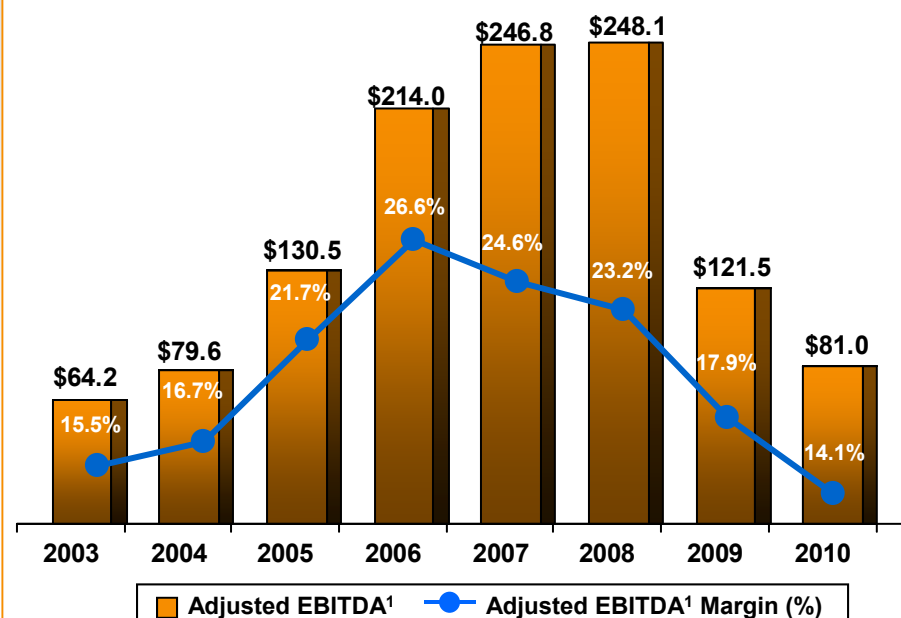


Demonstrated Financial Performance

Revenues (\$MM)



Adjusted EBITDA¹ (\$MM)



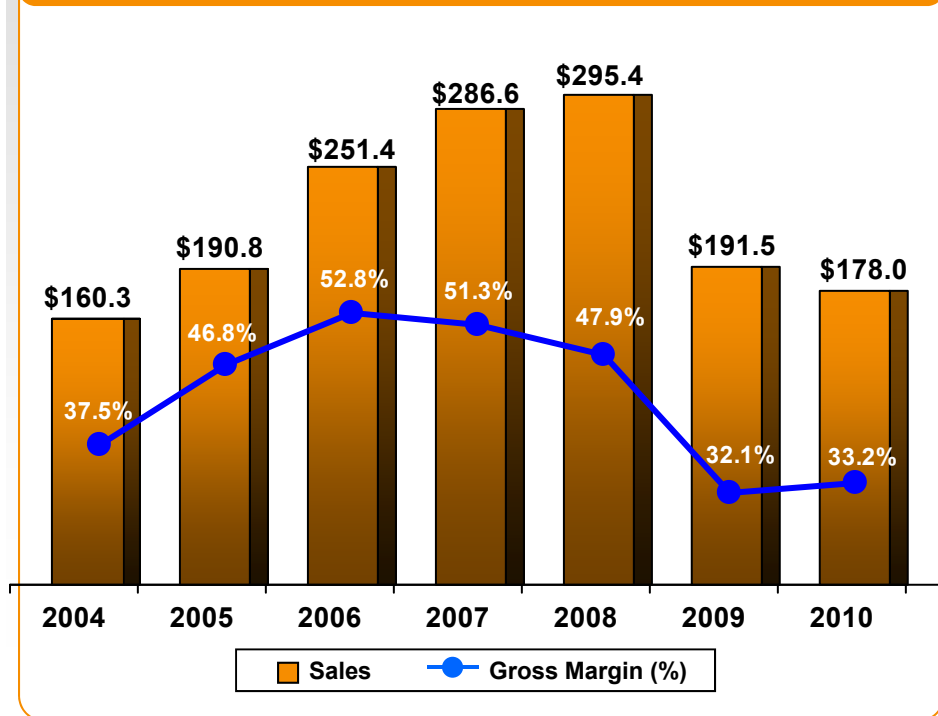
Results include operating results of acquisitions from the effective date of the acquisitions made in February 2006 and September 2007.

¹ See reconciliations of non-GAAP measures and adjustments in Appendix A. Adjusted EBITDA calculated as EBITDA adjusted for non-recurring items in years 2003, 2006, 2007, 2008 and 2009 as described in Appendix A.

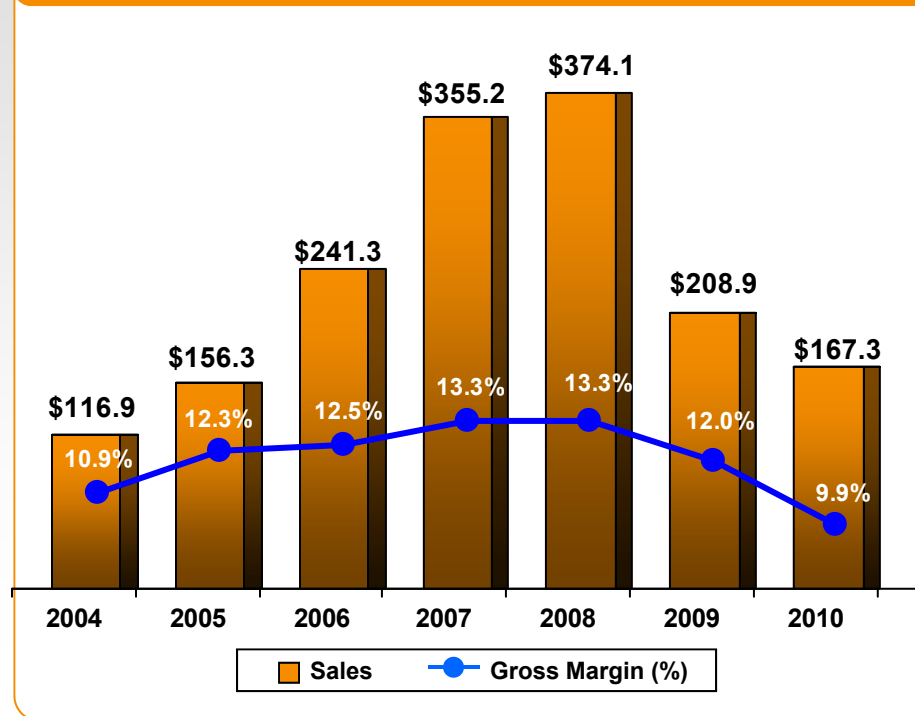


Summary Financial Performance by Segment

Equipment Rentals (\$MM)

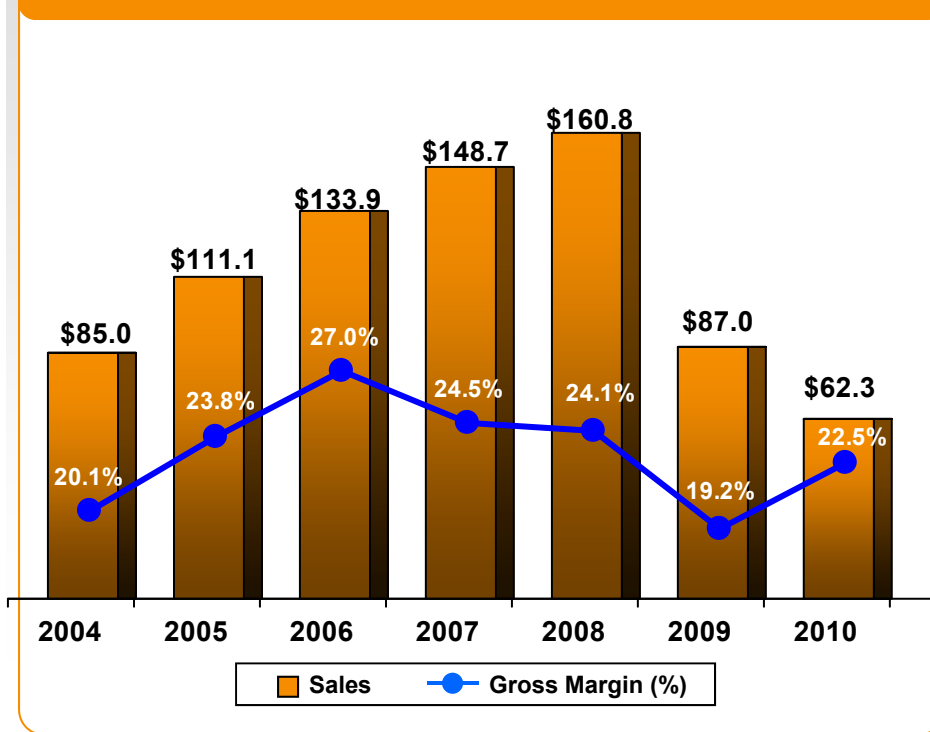


New Equipment Sales (\$MM)

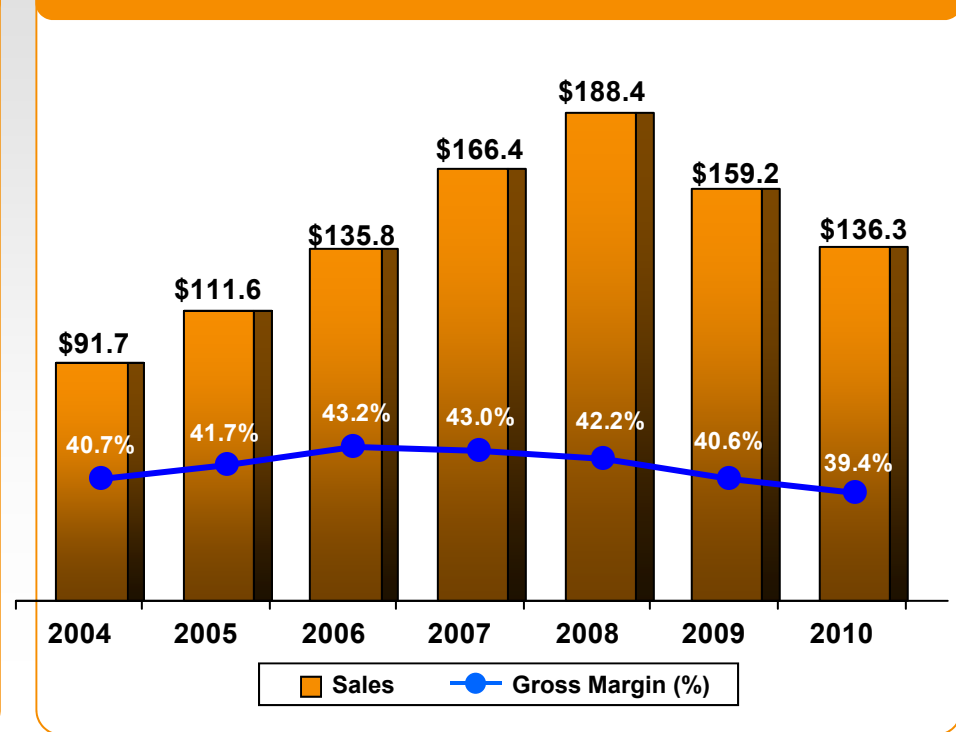


Summary Financial Performance by Segment

Used Equipment Sales (\$MM)



Parts and Service¹ (\$MM)

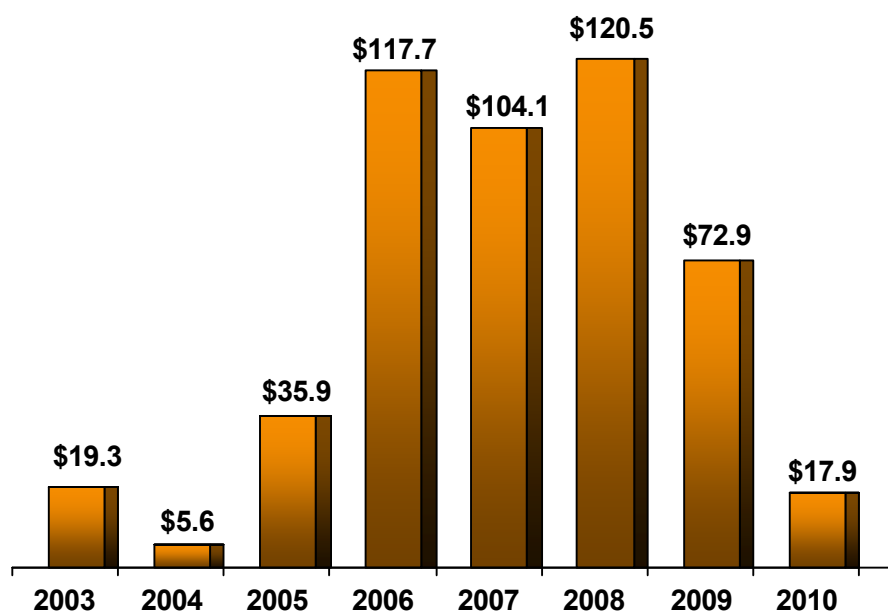


¹ Shows Parts and Service segments combined.

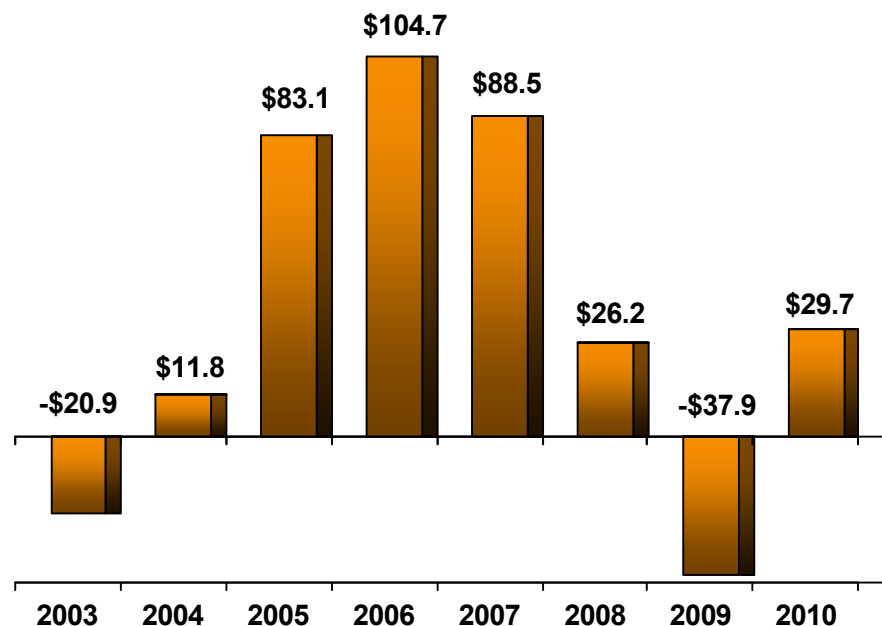


Free Cash Flow Profile

Cash Flow From Operations



Net Investment¹

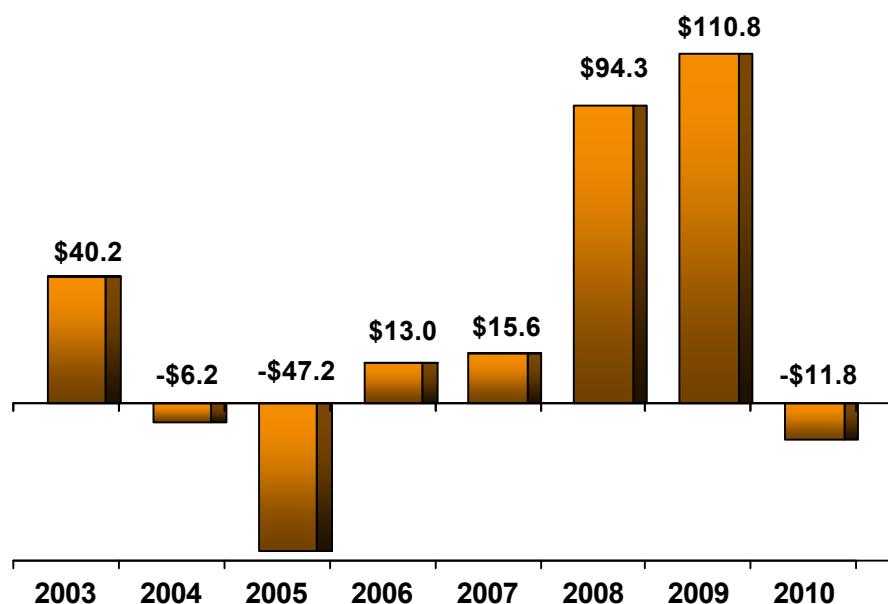


¹ Net investment is defined as purchases of rental equipment and property and equipment less the proceeds from sale of rental equipment and property and equipment. Net investment does not include non-cash transfers of inventory to the rental fleet. These amounts are included in cash flow from operating activities consistent with statement of cash flows. Does not include cash used in business acquisition related investments of \$57.0 million in 2006, \$100.2 million in 2007 and \$10.5 million in 2008. Also excludes \$30.3 million in purchases of equipment in 2006 previously held under operating lease and purchased with use of IPO proceeds.

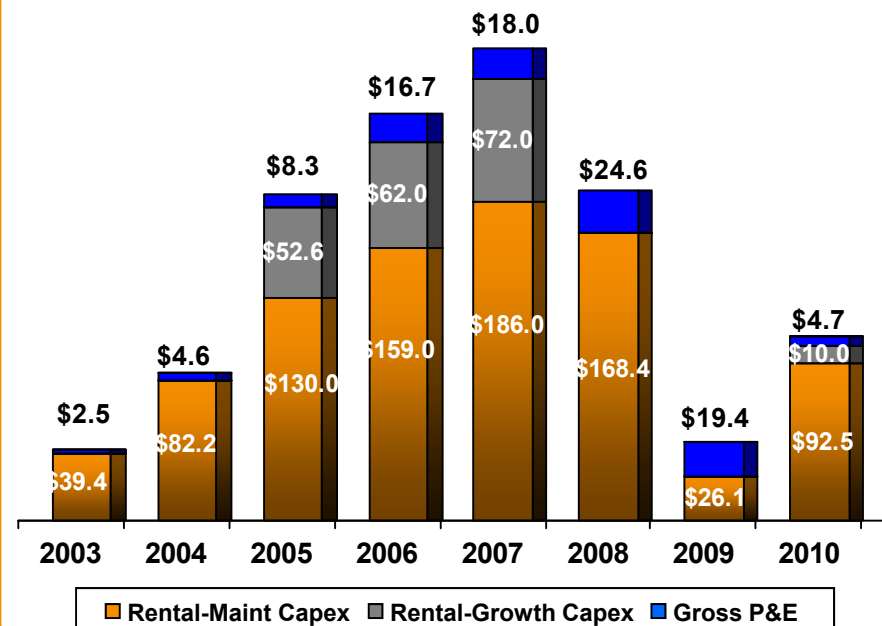


Free Cash Flow Profile

Free Cash Flow¹



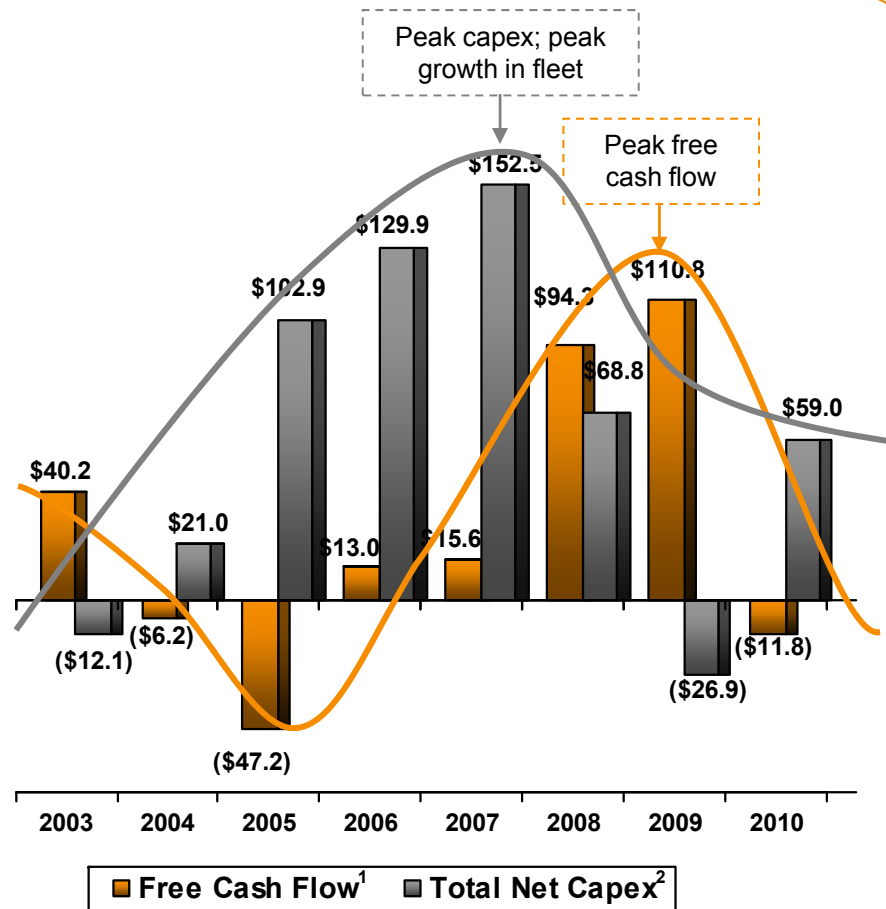
Gross Investment²



¹ Free cash flow defined as net cash provided by operations less net investment as in footnote 1 on slide 18. See Appendix A for non-GAAP measures and reconciliations.

² Gross investment defined as gross purchases of rental equipment (includes non-cash transfers from inventory) and property and equipment. Rental maintenance capex is defined as investment required to replace the original equipment cost of rental equipment sold during the period. Rental growth capex is defined as investment in growth of the original equipment cost of rental equipment during the period. Amounts exclude \$30.3 million in purchases of equipment in 2006 previously held under operating leases and purchased with use of IPO proceeds.

Cash Flow Generation - Counter Cyclical



Managing Cash Through The Cycle

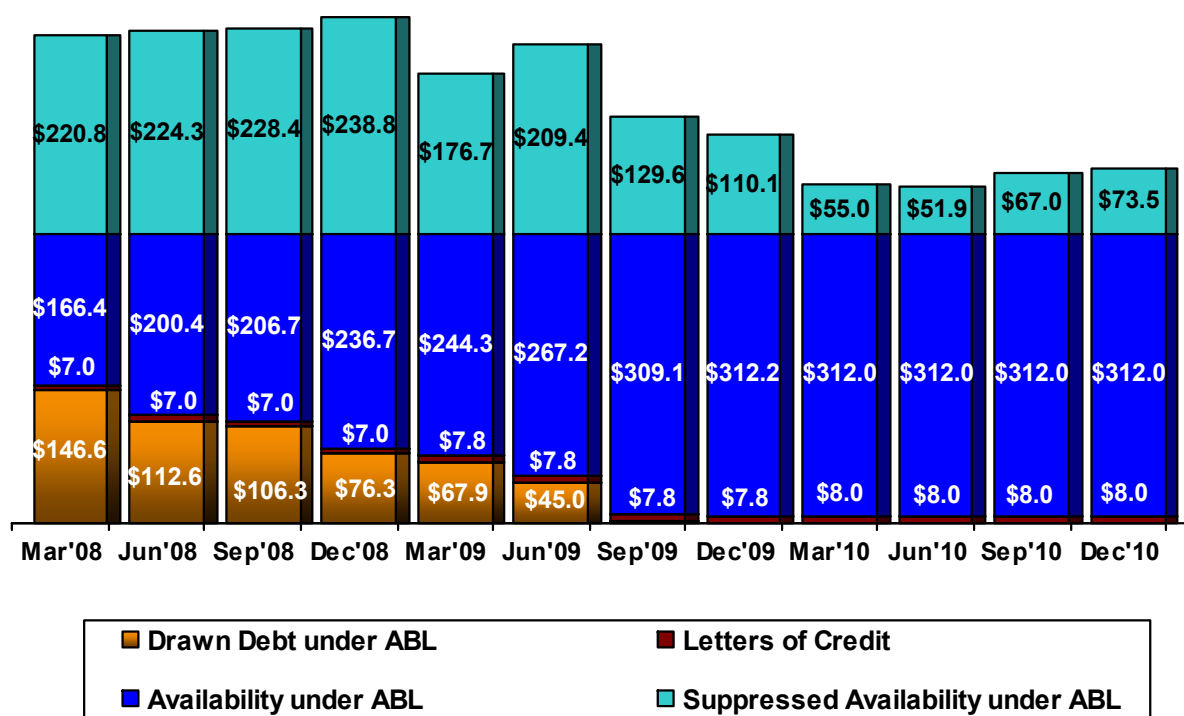
- ▶ **Reinvesting in our rental fleet with increased demand.**
 - Fleet increased \$19.6 million in Q410, and \$10 million from the beginning of the year.
 - Negative rental capex in 2009.
 - Eliminated rental growth capex in 2008.
 - Continued to reduce inventories and fleet during 2009.
 - Young fleet particularly when considering fleet mix and industry average.
- ▶ **Spending continues to be selective and near point of demand.**

¹ Free cash flow defined as net cash provided by operations less net investment as in footnote 1 on slide 18. See Appendix A for non-GAAP measures and reconciliations.

² Total Net Capex is defined as gross investment (see Slide 19; footnote 2) less proceeds from the sale of rental equipment and property and equipment.

Abundant Liquidity/Extended Maturity of ABL

Components of Asset-Backed Loan (ABL) Credit Facility



ABL Credit Facility:

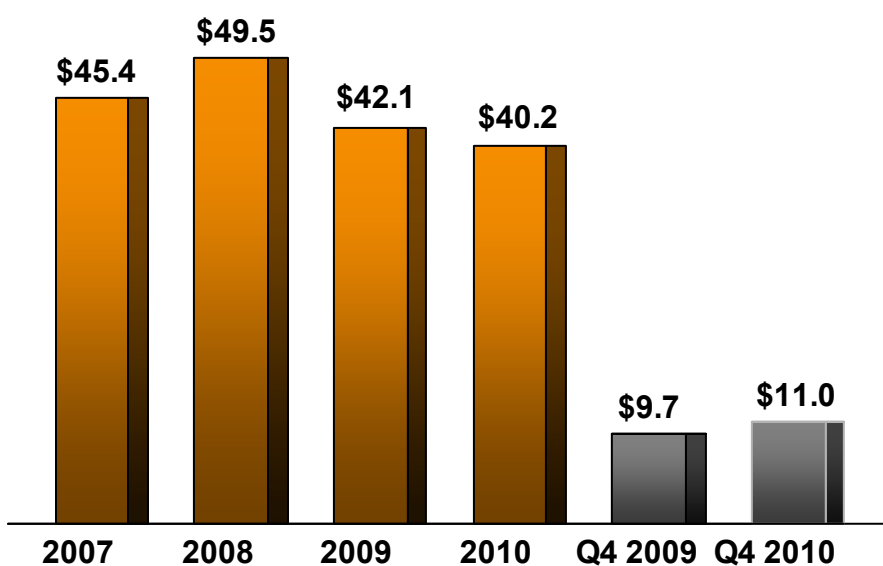
► Ample liquidity under ABL facility.

- \$0 drawn under ABL
- Reduced debt by \$76.3 million in 2009.
- Suppressed availability (supporting asset value in excess of facility size) under ABL borrowing base certificate was \$73.5 million at December 31, 2010.

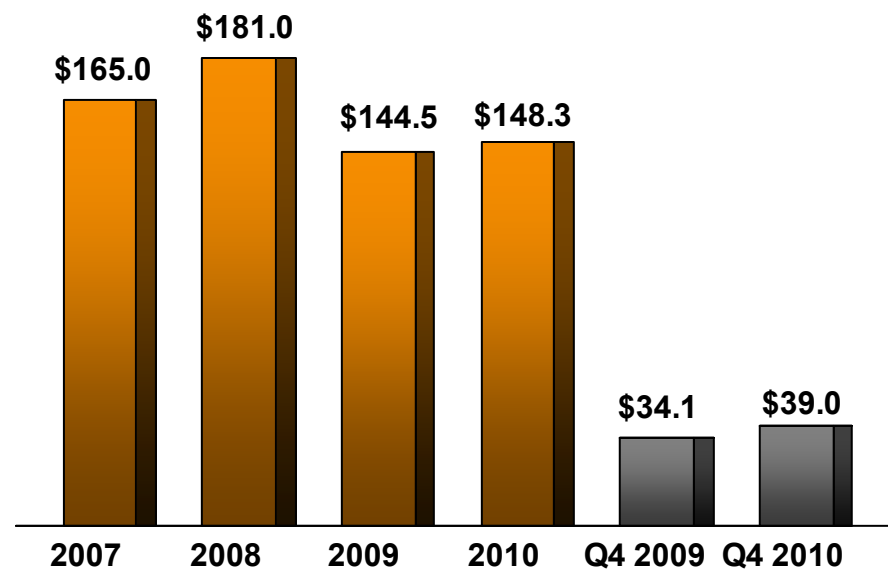
► Recently extended maturity to July 2015 with a 5 yr agreement.

Cost Structure

Cost of Rental Ex Depreciation (\$MM)



SG&A (\$MM)



- ▶ Rental expense was 21.4% of rental revenues in Q4 2010 compared to 23.6% in Q4 2009.
- ▶ SG&A decreased to 22.4% of total revenues in Q4 2010 compared to 24.8% in Q4 2009.

Q4 2010 Summary

Fourth Quarter

- ▶ Market conditions and results continued to improve.
- ▶ Significant year-over-year and continued sequential improvements.
- ▶ Rental business and new equipment sales were particularly strong.

Revenue

- ▶ Revenue increased 26.8% to \$174.6 million vs. Q4 2009.
- ▶ Revenue increased 13.5% from third quarter.

EBITDA

- ▶ EBITDA increased 37.1% to \$26.9 million (15.4% margin) vs. Q4 2009, adjusted¹, EBITDA of \$19.6 million (14.2% margin)
- ▶ EBITDA increased 9.9% from third quarter.

Net Income (Loss)

- ▶ Net loss was \$2.5 million compared to net loss of \$6.6 million (adjusted¹) in Q4 2009; loss per share was (\$0.07) versus (\$0.19), as adjusted¹.
- ▶ Net loss improved 34.2% from third quarter.

Improved Fleet Utilization

- ▶ Time utilization (based on units) was 62.7%, versus 53.3% in Q4 2009 and 62.3% in Q3 2010.
- ▶ Time utilization (based on OEC) was 67.0%, versus 55.4% in Q4 2009 and 65.9% in Q3 2010.

Rental Business Posted Y-O-Y Gains

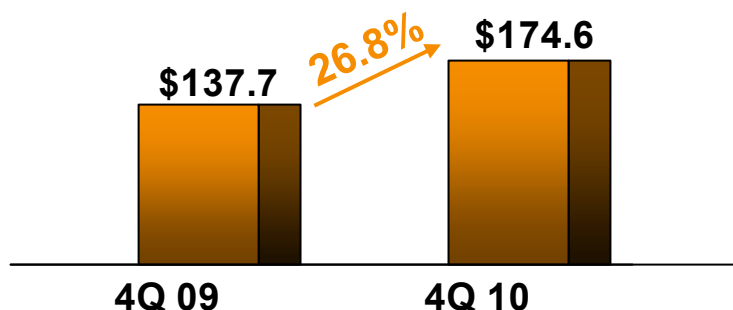
- ▶ 26.3% improvement in rental revenue.
- ▶ 82.4% gain in rental gross profit.
- ▶ Rental gross margins increased to 39.2% versus 27.1%.
- ▶ Dollar utilization increased to 30.2% versus 23.9%.

¹ Excludes non-cash goodwill impairment charges of \$9.0 million recorded in the fourth quarter of 2009. See Appendix A for a reconciliation of Non-GAAP measures.

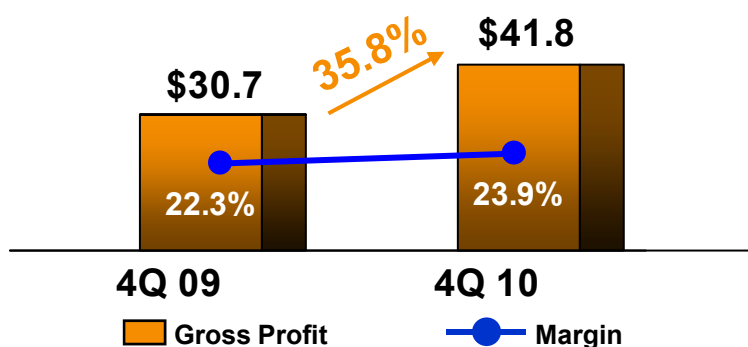


Q4 2010 Revenues and Gross Profit

Revenues (\$MM)



Gross Profit (\$MM)



Key Takeaways

► Revenues increased 26.8%.

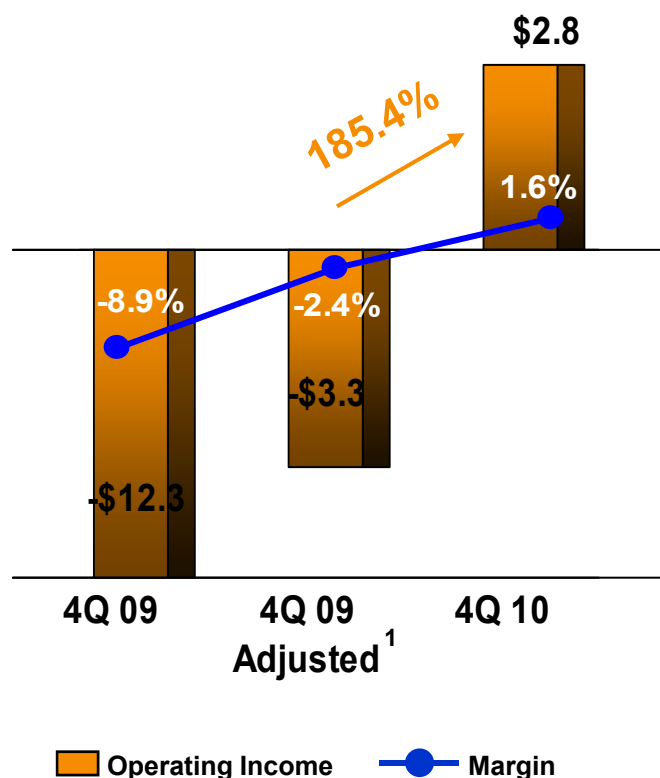
- Rentals increased 26.3%.
 - Earthmoving and aerials increased 38.3% and 22.5%, respectively.
- New equipment sales increased 71.7%.
 - Strong crane sales drove > 50% of increase.
 - Solid increased demand for new earthmoving and aerials continued.
- Sequential growth in nearly all segments.

► Gross profit increased 35.8%.

- Gross margin increased to 23.9% vs. 22.3%.
 - Margin expansion primarily due to:
 - Improved profitability in rental segment.
 - Rental margins were 39.2% vs. 27.1%.
 - Time utilization increased 940 basis points.
 - Lower rental cost of sales relative to comparative revenues.

Q4 2010 Income From Operations

Income From Operations (\$MM)



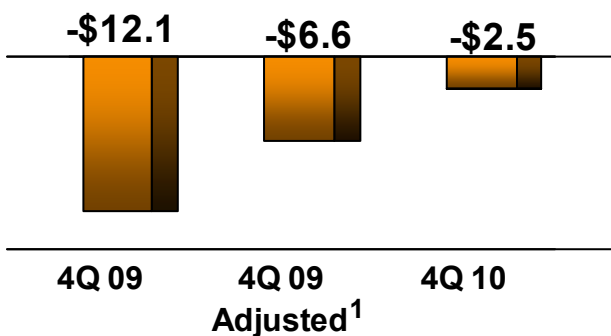
Key Takeaways

- ▶ Income from operations was \$2.8 million compared to a loss from operations, as adjusted¹, of \$3.3 million a year ago.
- 1.6% margin versus -2.4% margin as adjusted¹.
- Generated income from operations for second consecutive quarter.
- 4Q09 loss from operations, as adjusted¹, excludes the non-cash goodwill impairment charge of \$9.0 million recorded in 4Q09.

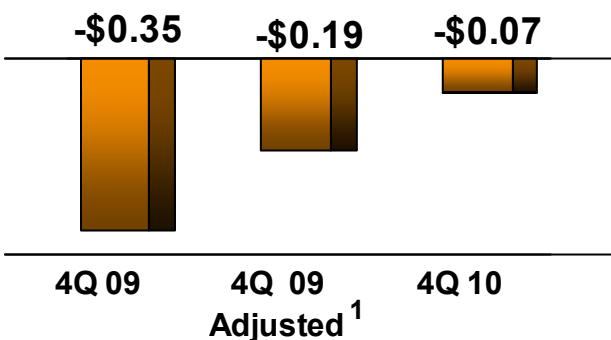
¹ Excludes non-cash goodwill impairment charges of \$9.0 million recorded in the fourth quarter of 2009. See Appendix A for a reconciliation of Non-GAAP measures.

Q4 2010 Net Loss

Net Loss (\$MM)



Net Loss Per Share



Key Takeaways

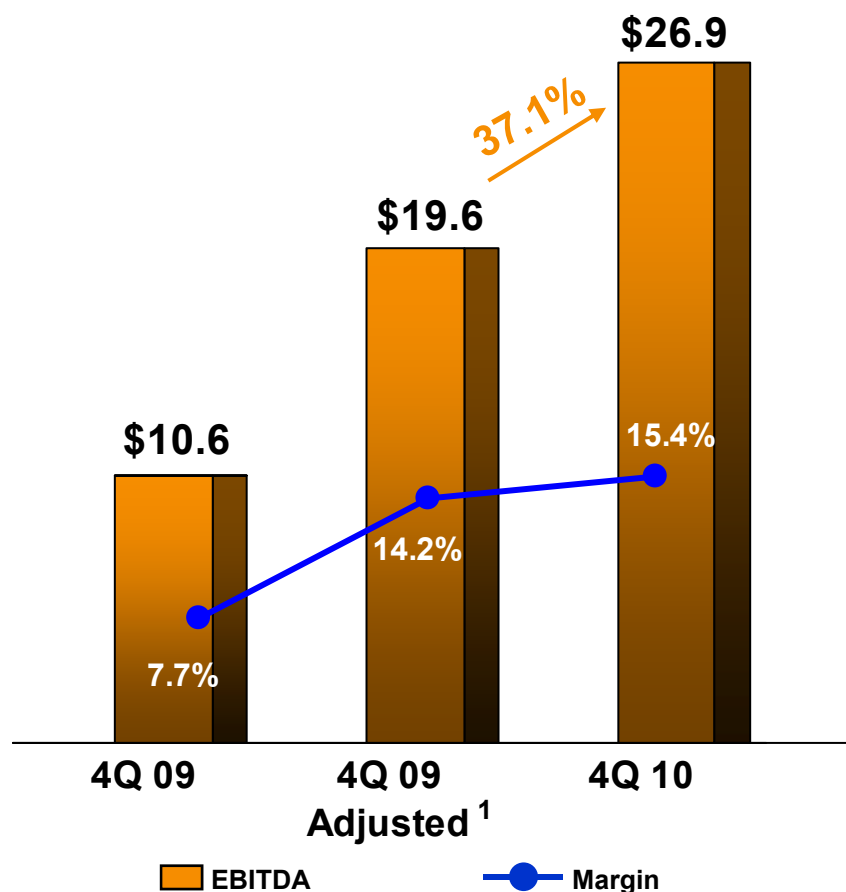
- ▶ **Net loss of \$2.5 million vs. net loss of \$6.6 million, as adjusted¹, in 4Q 09.**
 - Effective tax rate was 37.9% in 4Q10 vs. 36.9% (excluding impairment charges) in 4Q09.
- ▶ **Diluted net loss per share was \$(0.07) vs. net loss per share of \$(0.19) as adjusted¹, a year ago.**
 - Diluted weighted average share count of 34.7 million vs. 34.6 million a year ago.

¹ Excludes non-cash goodwill impairment charges of \$9.0 million recorded in the fourth quarter of 2009. See Appendix A for a reconciliation of Non-GAAP measures.



Q4 2010 EBITDA

EBITDA (\$MM)



Key Takeaways

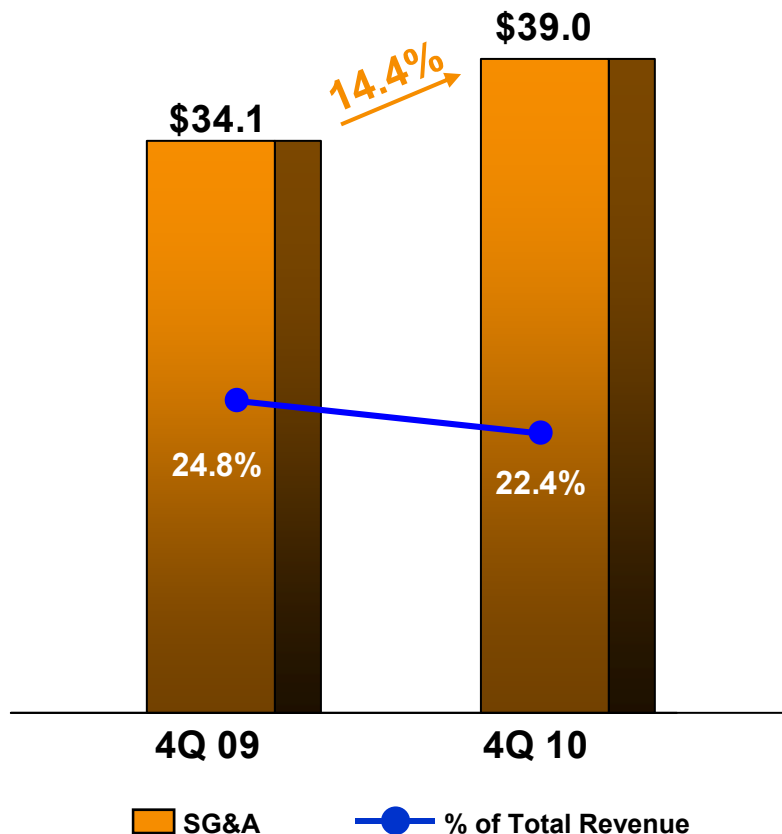
- ▶ EBITDA was \$26.9 million, or a 37.1% increase over Adjusted¹ EBITDA of \$19.6 million a year ago.
- ▶ EBITDA margin was 15.4% compared to 14.2% (adjusted¹).
 - Higher gross margins.
 - See slide 24 for discussion on gross margins.
 - Lower SG&A relative to comparative revenues.
- ▶ EBITDA improved sequentially 9.9%.

¹ Excludes non-cash goodwill impairment charges of \$9.0 million recorded in the fourth quarter of 2009. See Appendix A for a reconciliation of Non-GAAP measures.



Q4 2010 SG&A Expense

SG&A (\$MM)



Key Takeaways

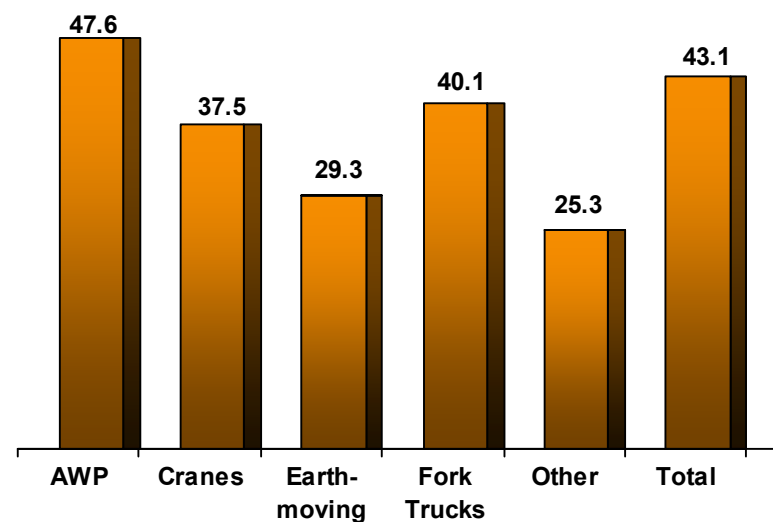
- ▶ **\$4.9 million, or 14.4%, increase.**
 - SG&A as a percentage of revenue was 22.4% compared to 24.8% in 4Q09 primarily as a result of higher revenues.
 - Higher costs associated with new ERP system of approximately \$1.9 million (depreciation, consulting fees and wages).
 - Increased salaries/wages/benefits of approximately \$1.3 million primarily due to higher commission/incentive pay and increased headcount.
 - Promotional/advertising cost increased approximately \$0.5 million.

2010 Fleet Update

Rental Cap-Ex Summary (\$MM)

	2007	2008	2009	2010
Gross Rental CapEx ¹	\$ 258.1	\$ 168.4	\$ 26.1	\$102.5
Sale of Rental Equipment	\$ (122.6)	\$ (123.1)	\$ (71.0)	\$ (47.6)
Net Rental CapEx	\$ 135.5	\$ 45.3	\$ (44.9)	\$ 54.9

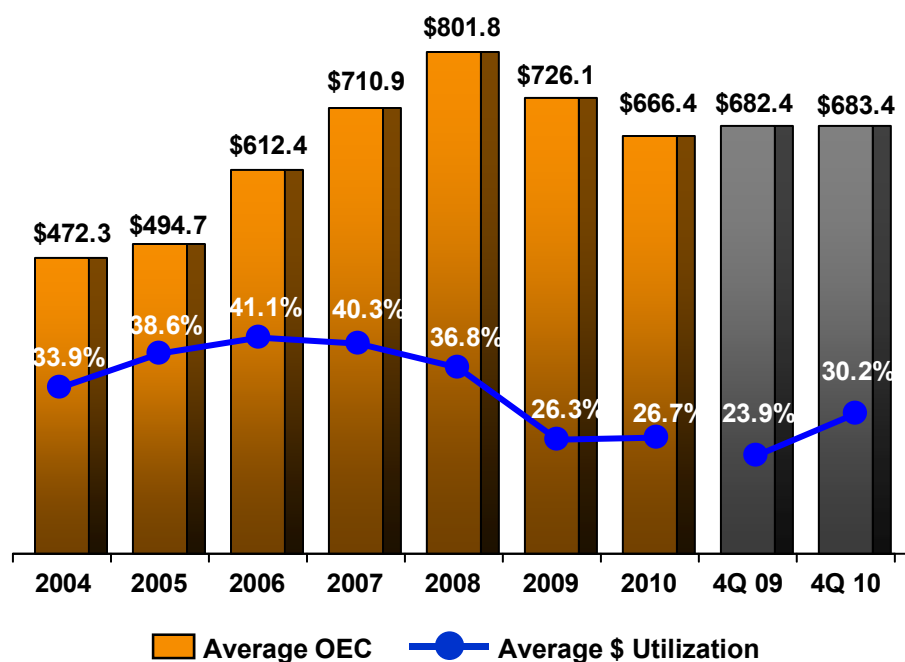
Fleet Age by Equipment Type (months)



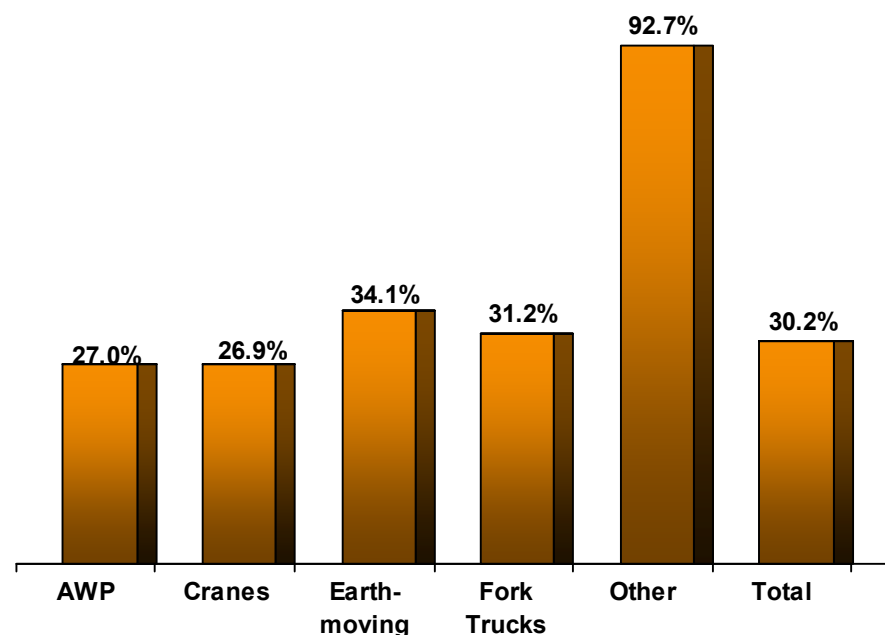
¹ Gross rental cap-ex includes amounts transferred from new and used inventory.

2010 Fleet Update

Rental Fleet Statistics¹ (\$MM)



\$ Utilization by Equipment Type¹



Note: Fleet statistics as of December 31, 2010.

¹ Represents rental revenues annualized divided by the average original equipment cost.



Current Capital Structure

Current Capital Structure (\$MM)

<u>12/31/10</u>	
Cash	\$ 29.1
Debt:	
Sr. Sec'd Credit Facility (ABL) due 2015	0.0
8.375% Senior Unsecured Notes due 2016	250.0
Capital Lease Payable	2.8
Total Debt	\$ 252.8
Shareholder's Equity	\$ 254.3
Total Book Capitalization	\$ 507.1

Credit Statistics

	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>
Adj. EBITDA ¹ / Total Interest Exp.	6.7x	6.5x	3.9x	2.8x
Total Net Debt ² / Adj. EBITDA ¹	1.5x	1.3x	1.7x	2.8x
Debt / Total Capitalization	56.6%	53.3%	47.7%	50.0%

¹ Excludes the impact of (i) the \$0.3 million loss on early extinguishment of debt recorded in the third quarter of 2007 and (ii) the fourth quarter 2008 and 2009 non-cash asset impairment charges of \$22.7 million and \$9.0 million, respectively. See Appendix A for a reconciliation of Non-GAAP measures.

² Net debt is defined as total debt less cash on hand.



Current Capital Structure

Current Ratings

Moody's:

(Ratings **AFFIRMED**;
outlook **UPGRADED**
Feb '10)

- ▶ Outlook = changed to positive
- ▶ Corporate Family Rating = B1
- ▶ Senior Unsecured Notes = B3

S&P:

(**AFFIRMED** Jan '11)

- ▶ Outlook = Stable
- ▶ Credit Rating = BB-
- ▶ Senior Unsecured Notes = BB-

Amended and Restated Sr. Secured Credit Facility (ABL) Financial Covenants¹

- ▶ Total facility size of \$320 million.
- ▶ 5 year agreement, maturing July 2015.
- ▶ Covenants spring only if excess availability is < \$40 million.
- ▶ Springing Minimum Fixed Charge Coverage Ratio ≥ 1.1 to 1.0.
- ▶ Springing Maximum Total Leverage Ratio ≤ 5.0 to 1.0.
- ▶ \$312 million of availability, net of \$8 million of letters of credit, at December 31st.

¹ Other exceptions exist in the credit agreement including, among other things, certain requirements, restrictions and negative covenants.



Year 2010 Financial Summary

- ▶ **Recessionary conditions continued during the first half of the year; very early signs of recovery began in second quarter with definite improved momentum in second half.**
- ▶ **Successful initiatives in scaling down and scaling up business in times of changing demand.**
- ▶ **Continued focus on asset management, balance sheet protection, and capital structure.**
 - **Amended and Restated Sr. Secured Credit Facility (ABL) extending maturity well into future.**
 - **\$320 million facility; five-year agreement maturing July 2015.**
 - **Covenants spring only if excess availability is less than \$40 million.**
 - **Since late 2009, have operated business with \$0 debt drawn on facility.**
- ▶ **Initiatives taken during downturn proven beneficial as demand environment improved and reinvestment in fleet began.**
 - **2010 YTD dollar utilization improved on lower rental revenues.**
- ▶ **Maintained very young fleet age.**
- ▶ **Revenue and gross profit:**
 - **Revenues decreased \$105.6 million, or 15.5%, to \$574.2 million. Closed year with Q4 year-over-year gains in excess of 25% following 8 consecutive quarters of year-over-year declines.**
 - **Gross profit decreased \$29.6 million, or 17.9%, to \$135.9 million. Closed year with Q4 year-over-year gains in excess of revenue growth following 9 consecutive quarters of declines.**
 - **Gross margin was 23.7% compared to 24.3%.**
- ▶ **Loss from operations was \$11.9 million or a -2.1% operating margin with return to income from operations in second half.**
- ▶ **Net loss was \$25.5 million.**
 - **Effective tax rate was 37.0% compared to 29.3% (adjusted¹).**
- ▶ **Diluted loss per share was (\$0.73) versus (\$0.19), as adjusted¹.**
- ▶ **EBITDA decreased \$40.5 million, to \$81.0 million compared to 2009 Adjusted EBITDA¹.**
 - **Margin was 14.1% compared with 17.9% (adjusted¹).**

¹ Excludes non-cash goodwill impairment charges of \$9.0 million recorded in the fourth quarter of 2009. See Appendix A for a reconciliation of Non-GAAP measures.



Appendix A-Unaudited Reconciliation of Non-GAAP Financial Measures



**EQUIPMENT
SERVICES, INC.**

Unaudited Reconciliation of Non-GAAP Financial Measures

We define EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization. We define Adjusted EBITDA for the periods presented as EBITDA adjusted for: (1) the \$9.0 million goodwill impairment charge recorded in 2009; (2) the \$22.7 million impairment of goodwill and intangible assets recorded in 2008; (3) the \$0.3 million loss and \$40.8 million loss on the early extinguishment of debt in connection with our refinancing recorded in 2007 and 2006, respectively; (4) the \$8.0 million fee paid for the termination of a management services agreement in connection with our Initial Public Offering in 2006; and (5) the \$17.4 million loss from litigation that was recorded in 2003.

We use EBITDA and Adjusted EBITDA in our business operations to, among other things, evaluate the performance of our business, develop budgets and measure our performance against those budgets. We also believe that analysts and investors use EBITDA and Adjusted EBITDA as supplemental measures to evaluate a company's overall operating performance. However, EBITDA and Adjusted EBITDA have material limitations as analytical tools and you should not consider them in isolation, or as substitutes for analysis of our results as reported under GAAP. We consider them useful tools to assist us in evaluating performance because they eliminate items related to capital structure, taxes and non-cash charges. The items that we have eliminated in determining EBITDA are interest expense, income taxes, depreciation of fixed assets (which includes rental equipment and property and equipment) and amortization of intangible assets and, in the case of Adjusted EBITDA, any goodwill and intangible asset impairment charges and the other items described above applicable to the particular period. However, some of these eliminated items are significant to our business. For example, (i) interest expense is a necessary element of our costs and ability to generate revenue because we incur a significant amount of interest expense related to our outstanding indebtedness; (ii) payment of income taxes is a necessary element of our costs; and (iii) depreciation is a necessary element of our costs and ability to generate revenue because rental equipment is the single largest component of our total assets and we recognize a significant amount of depreciation expense over the estimated useful life of this equipment. Any measure that eliminates components of our capital structure and costs associated with carrying significant amounts of fixed assets on our balance sheet has material limitations as a performance measure. In light of the foregoing limitations, we do not rely solely on EBITDA and Adjusted EBITDA as performance measures and also consider our GAAP results. EBITDA and Adjusted EBITDA are not measurements of our financial performance under GAAP and should not be considered alternatives to net income, operating income or any other measures derived in accordance with GAAP. Because EBITDA and Adjusted EBITDA are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

We define "free cash flow" as net cash provided by/used in operating activities less purchases of rental equipment and property and equipment plus proceeds from the sales of rental equipment and property and equipment.

We believe free cash flow provides useful additional information concerning cash flow available to meet future debt service obligations and working capital requirements. However, free cash flow is not a measure of financial performance or liquidity under GAAP. Accordingly, free cash flow should not be considered an alternative to net income or cash flow from operating activities as indicators of operating performance or liquidity. Because free cash flow may not be calculated in the same manner by all companies, free cash flow may not be comparable to other similarly titled measures used by other companies.



EBITDA and Adjusted EBITDA GAAP Reconciliation

(\$ in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	4Q09	4Q10
Net income (loss)	\$ (46,051)	\$ (13,737)	\$ 28,160	\$ 32,714	\$ 64,626	\$ 43,296	\$ (11,943)	\$ (25,460)	\$ (12,104)	\$ (2,509)
Interest expense	39,394	39,856	41,822	37,684	36,771	38,255	31,339	29,076	7,300	7,295
Provision (benefit) for income taxes	(5,694)	—	673	9,694	40,789	26,101	(6,178)	(14,920)	(7,379)	(1,531)
Depreciation	59,159	53,232	59,765	85,077	103,221	115,454	98,702	91,707	22,663	23,501
Amortization of intangibles	—	295	94	46	1,060	2,223	591	559	147	124
EBITDA	\$ 46,808	\$ 79,646	\$130,514	\$165,215	\$246,467	\$225,329	\$112,511	\$ 80,962	\$ 10,627	\$ 26,880
Loss from litigation	17,434	—	—	—	—	—	—	—	—	—
Loss on early extinguishment of debt ¹	—	—	—	40,771	320	—	—	—	—	—
Management services agreement termination fee ²	—	—	—	8,000	—	—	—	—	—	—
Impairment of goodwill and intangible asset ³	—	—	—	—	—	22,721	8,972	—	8,972	—
Adjusted EBITDA	\$ 64,242	\$ 79,646	\$130,514	\$213,986	\$246,787	\$248,050	\$121,483	\$ 80,962	\$ 19,599	\$ 26,880

¹ Adjustments relate to a loss on early extinguishment of the Company's Senior Secured and Senior Subordinated Notes.

² Adjustment relates to \$8.0 million of fees paid in connection with the termination of a management services agreement.

³ Adjustment relates to non-cash goodwill and intangible asset impairment charges of \$22.7 million in 2008 and non-cash goodwill impairment charges of \$9.0 million in 2009.



Free Cash Flow GAAP Reconciliation

(\$ in thousands)

	2004	2005	2006	2007	2008	2009	2010
Cash flows from operating activities	\$ 5.6	\$ 35.9	\$ 117.7	\$ 104.1	\$ 120.5	\$ 72.9	\$ 17.9
Net Investment (per cash flows from investing activities)							
Purchases of property and equipment	(4.6)	(8.3)	(16.7)	(18.0)	(24.6)	(19.4)	(4.7)
Purchases of rental equipment	(72.9)	(162.8)	(195.7)	(194.1)	(125.9)	(15.1)	(73.2)
Proceeds from sales of property and equipment	0.3	1.0	2.0	1.0	1.2	1.4	0.6
Proceeds from sales of rental equipment	65.4	87.0	105.7	122.6	123.1	71.0	47.6
Free cash flow	\$ (6.2)	\$ (47.2)	\$ 13.0	\$ 15.6	\$ 94.3	\$ 110.8	\$ (11.8)



Income (Loss) from Operations, Net Income (Loss) and Diluted Net Loss Per Share Reconciliation

(Amounts in thousands, except per share amounts)

	<u>Three Months Ended December 31,</u>		
	<u>2009</u>		<u>2009</u>
	<u>As Reported</u>	<u>Adjusted¹</u>	<u>As Adjusted¹</u>
Gross profit	\$ 30,745	\$ -	\$ 30,745
Selling, general and administrative expenses	34,118	-	34,118
Impairment of goodwill	8,972	(8,972)	-
Gain on sale of property and equipment	61	-	61
Loss from operations	(12,284)	8,972	(3,312)
Interest expense	(7,300)	-	(7,300)
Other income, net	101	-	101
Loss before benefit for income taxes	(19,483)	8,972	(10,511)
Benefit for income taxes	(7,379)	3,500	(3,879)
Net loss	\$ (12,104)	\$ 5,472	\$ (6,632)

	<u>Three Months Ended December 31,</u>		
	<u>2009</u>		<u>2009</u>
	<u>As Reported</u>	<u>Adjusted¹</u>	<u>As Adjusted¹</u>
NET LOSS PER SHARE			
Basic – Net loss per share	\$ (0.35)	\$ 0.16	\$ (0.19)
Basic – Weighted average number of common shares outstanding	34,625	34,625	34,625
Diluted – Net loss per share	\$ (0.35)	\$ 0.16	\$ (0.19)
Diluted – Weighted average number of common shares outstanding	34,625	34,625	34,625

¹ Loss from operations, effective tax rate, net loss and diluted net loss per share have been adjusted in the table above to eliminate asset impairment charges taken in the fourth quarter of 2009.



Income (Loss) from Operations, Net Income (Loss) and Diluted Net Loss Per Share Reconciliation

(Amounts in thousands, except per share amounts)

	<u>Twelve Months Ended December 31,</u>		
	<u>2009</u>		<u>2009</u>
	<u>As Reported</u>	<u>Adjusted¹</u>	<u>As Adjusted¹</u>
Gross profit	\$ 165,498	\$ -	\$ 165,498
Selling, general and administrative expenses	144,460	-	144,460
Impairment of goodwill	8,972	(8,972)	-
Gain on sale of property and equipment	533	-	533
Income from operations	12,599	8,972	21,571
Interest expense	(31,339)	-	(31,339)
Other income, net	619	-	619
Loss before benefit for income taxes	(18,121)	8,972	(9,149)
Benefit for income taxes	(6,178)	3,500	(2,678)
Net loss	\$ (11,943)	\$ 5,472	\$ (6,471)

	<u>Twelve Months Ended December 31,</u>		
	<u>2009</u>		<u>2009</u>
	<u>As Reported</u>	<u>Adjusted¹</u>	<u>As Adjusted¹</u>
NET LOSS PER SHARE			
Basic – Net loss per share	\$ (0.35)	\$ 0.16	\$ (0.19)
Basic – Weighted average number of common shares outstanding	34,607	34,607	34,607
Diluted – Net loss per share	\$ (0.35)	\$ 0.16	\$ (0.19)
Diluted – Weighted average number of common shares outstanding	34,607	34,607	34,607

¹ Income (loss) from operations, effective tax rate, net loss and diluted net loss per share have been adjusted in the table above to eliminate asset impairment charges taken in the fourth quarter of 2009. Because of the method used in calculating per share data, the summation of the above per share data may not necessarily total to the as adjusted per share data.



INVESTOR PRESENTATION

Fourth Quarter 2010



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