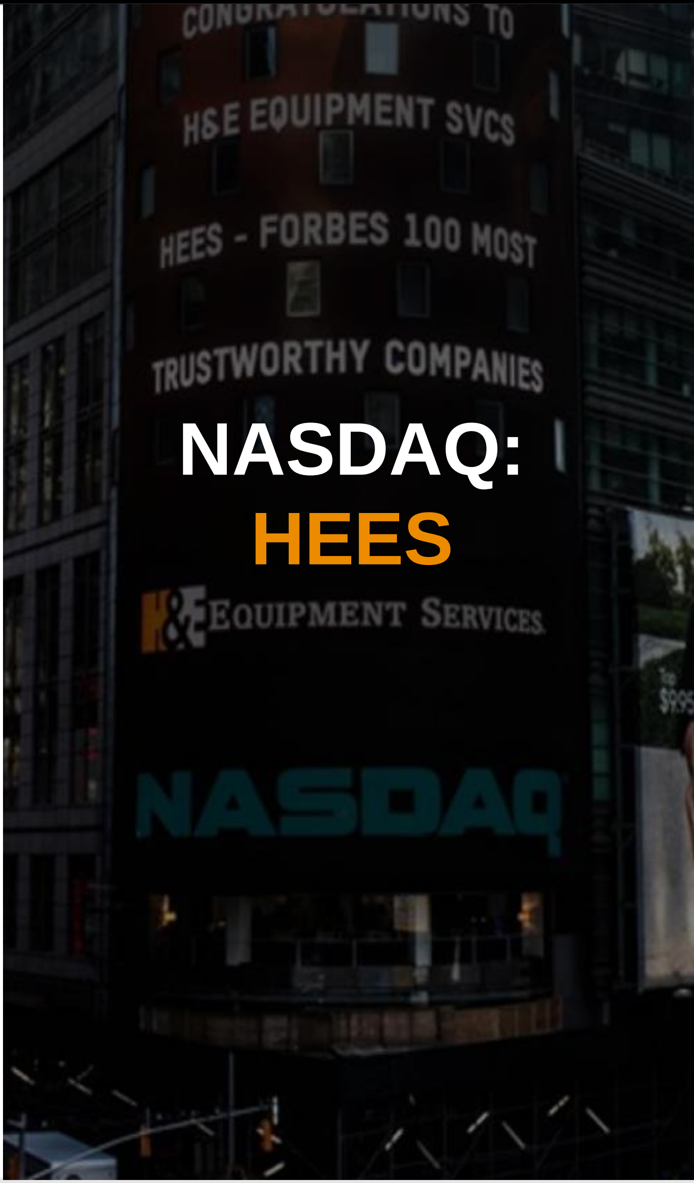
H&E Equipment Services®

Fourth Quarter 2019 Earnings Conference

Fourth Quarter 2019 Earnings Conference

John Engquist EXECUTIVE CHAIRMAN OF THE BOARD
Brad Barber CHIEF EXECUTIVE OFFICER AND PRESIDENT
Leslie Magee CHIEF FINANCIAL OFFICER
Kevin Inda VICE PRESIDENT OF INVESTOR RELATIONS

February 20, 2020



Forward-Looking Information

This presentation contains "forward-looking statements" within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. 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; (2) our ability to forecast trends in our business accurately, and the impact of economic downturns and economic uncertainty on the markets we serve; (3) the impact of conditions in the global credit and commodity markets and their effect on construction spending and the economy in general; (4) relationships with equipment suppliers; (5) increased maintenance and repair costs as we age our fleet and decreases in our equipment's residual value; (6) our indebtedness; (7) risks associated with the expansion of our business and any potential acquisitions we may make, including any related capital expenditures or our inability to consummate such acquisitions; (8) our possible inability to integrate any businesses we acquire; (9) competitive pressures; (10) security breaches and other disruptions in our information technology systems; (11) adverse weather events or natural disasters; (12) compliance with laws and regulations, including those relating to environmental matters, corporate governance matters and tax matters, as well as any future changes to such laws and regulations; and (13) 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, Adjusted EBITDA, Free Cash Flow, Adjusted Net Income, Adjusted Net Income per share and recasting of certain revenue and cost of revenue numbers). Please refer to Appendix A of this presentation for a description of these measures and a discussion 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 or operating 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.

Fourth Quarter Overview

- Q4 2019 Summary
- Rental Business Highlights
- Regional, Acquisitions and Greenfield Update
- End-User Markets/Fleet Update
- Current Market Conditions

Fourth Quarter Financial Overview

- Q4 2019 Results
- 2019 Fleet and Free Cash Flow Update
- Capital Structure Update
- 2019 Financial Results

Conclusion

Question and Answer Session

Brad Barber CHIEF EXECUTIVE OFFICER AND PRESIDENT

Fourth Quarter 2019 Overview

Fourth Quarter Summary

- Solid results including year-over-year increases in total revenue, gross profit and Adjusted EBITDA despite return to typical seasonality and tough year-ago comps.
- Rental business continuing to perform well, delivering year-over-year growth in rental revenues and rate.
- Double digit revenue growth in used equipment sales and service.

Revenue/Gross Margin

- Total revenue increased 0.6%, or $2.2 million, to $348.1 million vs. $346.0 million in Q4 2018.
- Gross margin was 36.9% vs. 35.6% in year ago quarter.

Adjusted EBITDA

- Adjusted EBITDA increased 10.7% to $126.8 million (36.4% margin) vs. Q4 2018 Adjusted EBITDA of $114.6 million (33.1% margin).

Net Income and Adjusted Net Income[1]

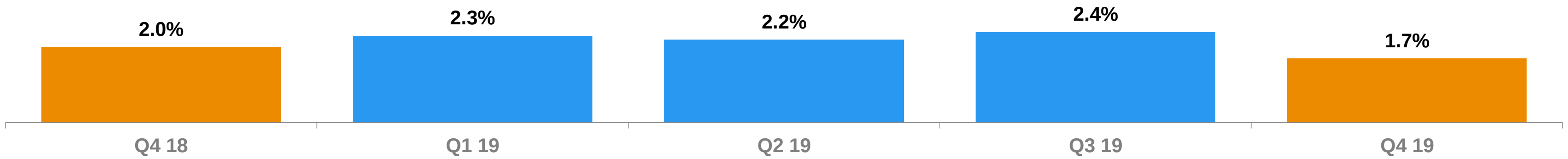
- Net income was $21.9 million vs. net income of $25.1 million in Q4 2018; excluding the impairment charge, net income was $31.9 million.
- Net income per diluted share was $0.61 vs. $0.70 in Q4 2018; excluding the impairment charge, net income per diluted share was $0.88 per share.
- Effective tax rate was 18.4% in Q4 2019 vs. 27.9% in Q4 2018.

[1] A non-cash goodwill impairment charge of $12.2 million was identified in connection with the Company's annual fourth quarter 2019 goodwill impairment test. The impairment charge will not result in any cash expenditures and will not affect the Company's cash position, liquidity, availability or covenant test under its senior secured credit facility.

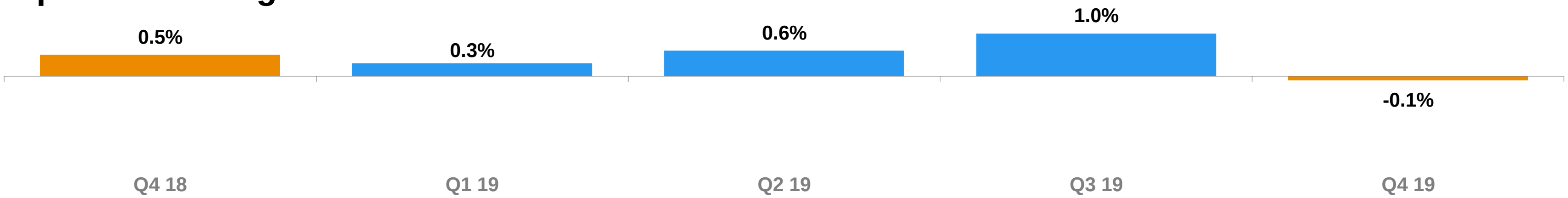
Rental Business Highlights

- Rental revenue increased 8.2% to $176.3 million compared to $163.0 million in Q4 2018.[1]
- Rental gross margins were 50.3% compared to 51.5% in Q4 2018.[1]
- Rental rates increased 1.7% over Q4 2018; rates decreased 0.1% sequentially.
- Time utilization (based on OEC) was 69.0% vs. 72.9% in Q4 2018.
- Dollar utilization was 36.0% vs. 37.0% in Q4 2018.

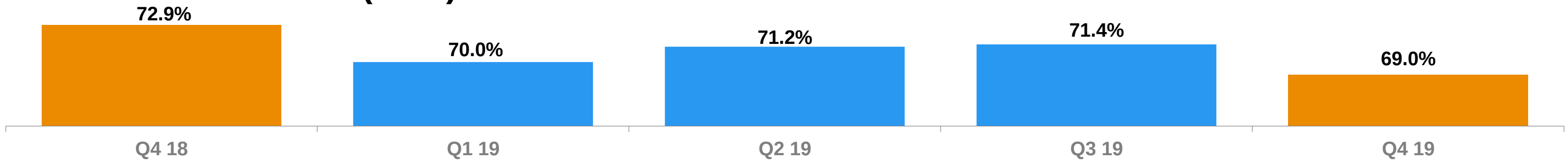
Year-Over-Year Average Rental Rate Trends



Sequential Average Rental Rate Trends



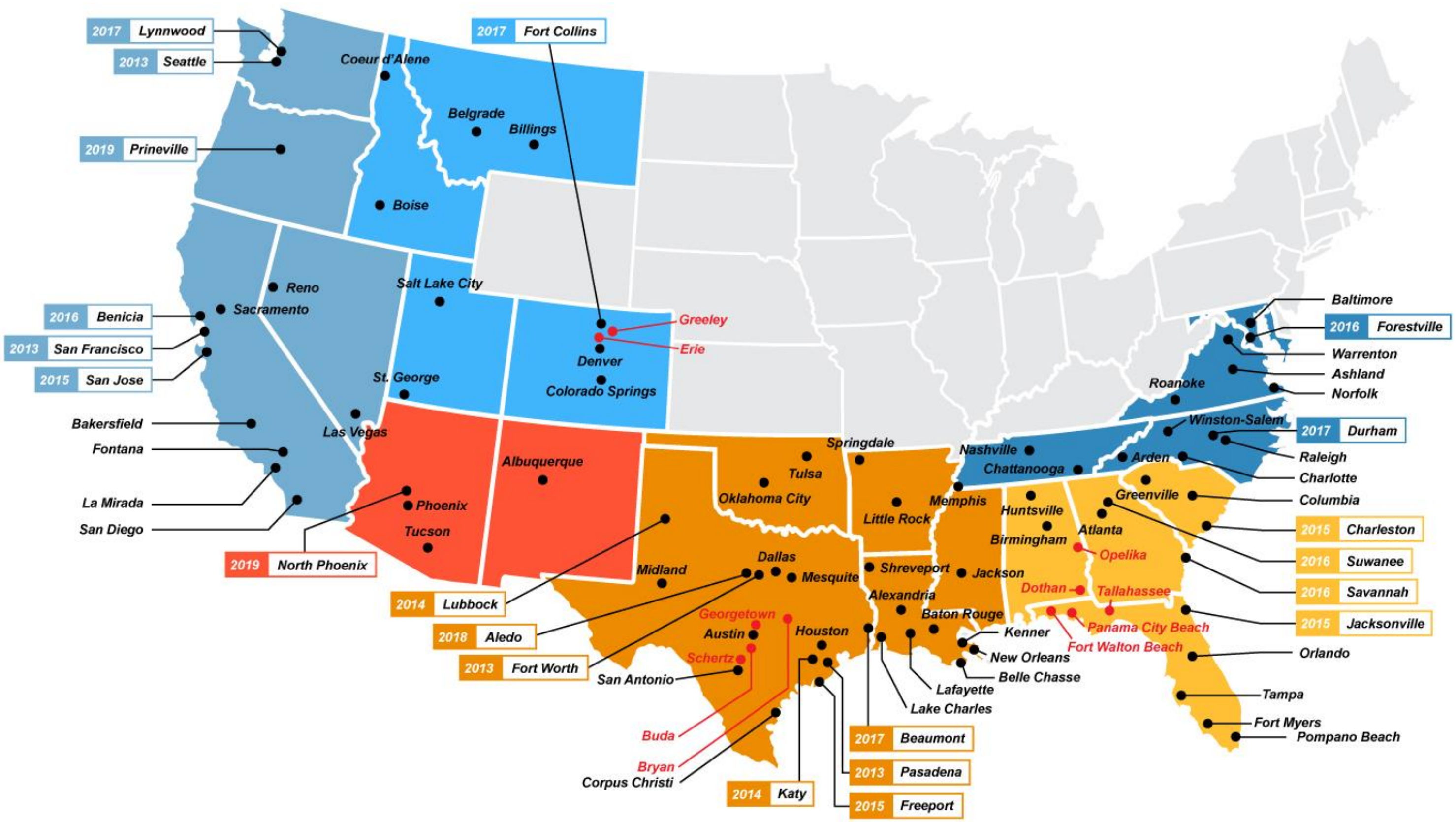
Time Utilization Trends (OEC)



[1] As detailed on slide 29.

Equipment Services

Regional Map - Greenfield and Acquisition Locations



94

Total Locations

Greenfield Opening Year and Count

2019	2
2018	1
2017	4
2016	4
2015	4
2014	2

Acquisitions and Location Count

2019	
We-Rent-It	4
2018	
Rental Inc	5
CEC	2

West Coast

12% Revenue
13% Gross Profit
13 Branches

Southwest

6% Revenue
6% Gross Profit
4 Branches

Intermountain

15% Revenue
17% Gross Profit
11 Branches

Gulf Coast

45% Revenue
41% Gross Profit
35 Branches

Southeast

10% Revenue
11% Gross Profit
18 Branches

Mid-Atlantic

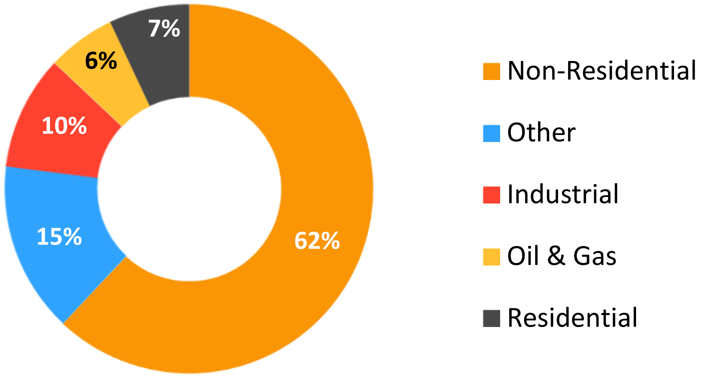
12% Revenue
12% Gross Profit
13 Branches

Revenue and gross profit data is as of LTM December 31, 2019..

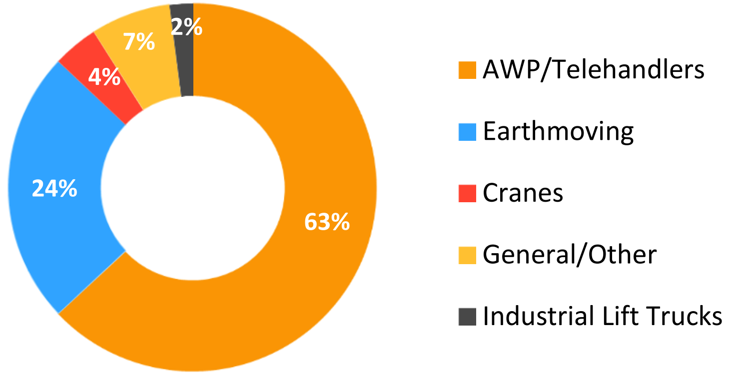
Well Diversified End-User Markets / Fleet

- **End-market exposure and fleet mix are strategic advantages for our business.**
- **Non-residential construction end market focus; equipment on wide variety type of non-residential projects.**
- **Well-diversified customer base.**
- **Total industrial end market exposure only 10%; majority of our industrial exposure is ongoing maintenance work.**
- **Young fleet; 36.3 months as of December 31, 2019 compared to industry average of 46.8 months.**
- **Fleet is well maintained.**
- **100% transferrable; no specialized fleet.**
- **Continue to increase exposure in earthmoving category; focused on adjusting fleet mix to maximize returns.**

Total Revenues by End Market[1]

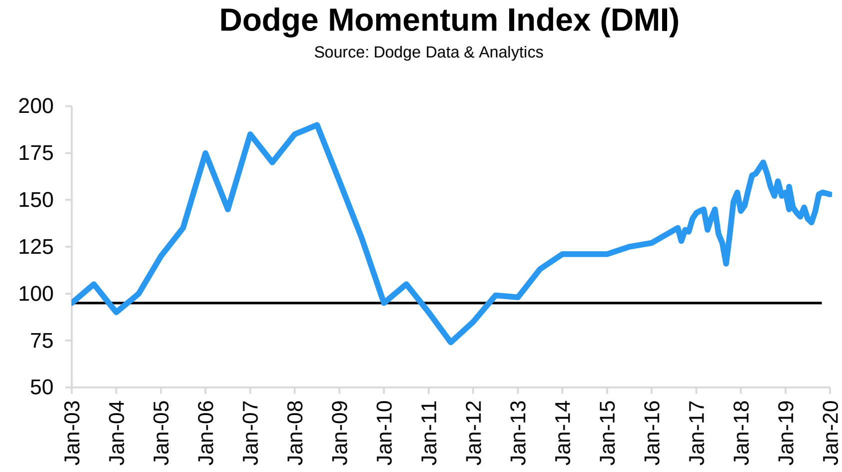


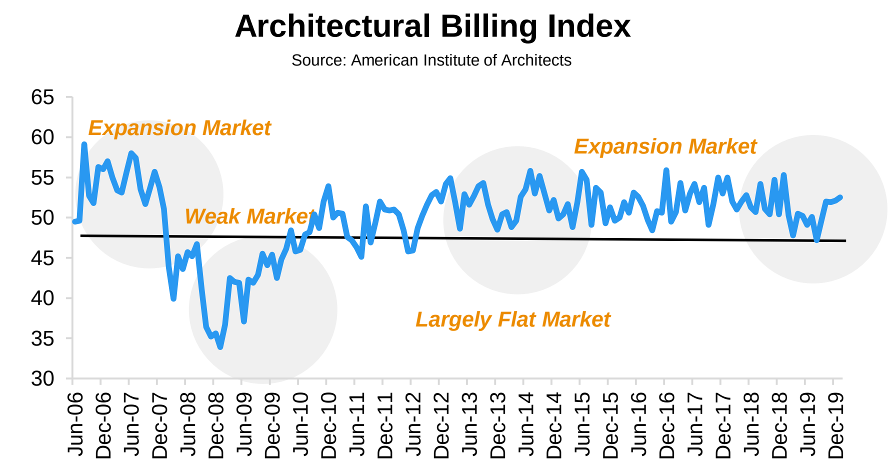
Fleet Mix[2]



1 – Company data for LTM December 31, 2019.
2 – As of December 31, 2019.

- **U.S. construction market forecast to be stable in 2020:**
  - **DMI and ABI remain positive.**
  - **American Rental Association forecasting total U.S. equipment and event rental revenue growth of 3.8% in 2020.**
  - **IHS Markit forecasting U.S. rental revenue growth of 3% in 2020.**
  - **Ongoing positive customer sentiment. Q419 TRG contractor and surety survey cites solid current non-residential activity, full backlogs, robust pipeline of new projects to bid on and 2020 expectations positive.**
  - **Non-residential construction starts in the Gulf Coast up 23% on a LTM basis as of December data.**



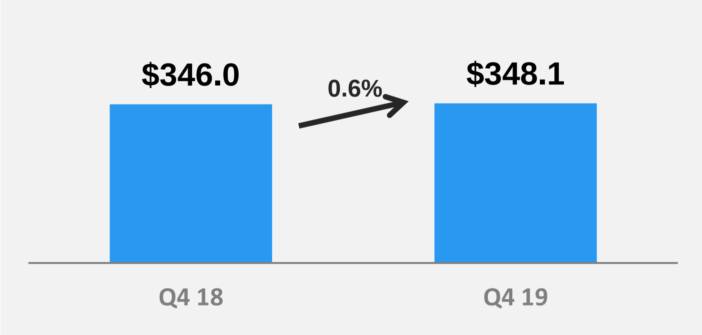


Sources: American Institute of Architects, American Rental Association, Dodge Data and Analytics, Houston Chronicle Fuel Fix, Industrial Info, IHS Markit, National Bureau of Economic Research and Thompson Research Group (TRG).

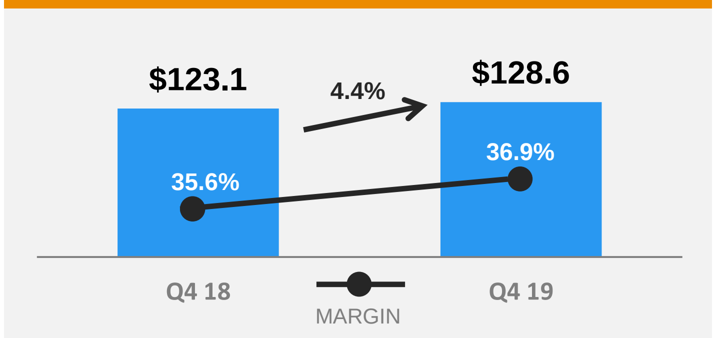
Leslie Magee CHIEF FINANCIAL OFFICER

Fourth Quarter 2019/Fiscal Year 2019 Financial Overview

Revenues ($MM)



Gross Profit ($MM)

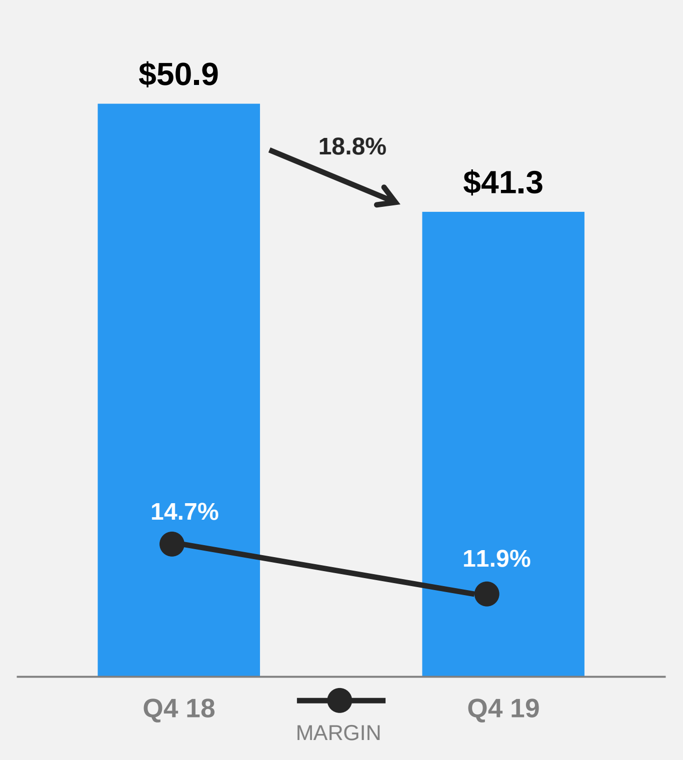


Key Takeaways

- **Revenues increased 0.6%, or $2.2 million.**
  - Strong growth in rentals; offset by large decline in new equipment sales.
  - One acquisition completed since 12/31/18: We-Rent-It (2/1/19).
- **Rental revenue increased 8.2% to $176.3 million vs. $163.0 million a year ago.[1]**
  - Average rates up 1.7% from a year ago; sequential rates down 0.1%.
  - Utilization at 69.0% (on an OEC basis).
  - Significantly larger fleet than a year ago.
- **New equipment sales decreased 23.0%, or $18.3 million, to $61.4 million.**
  - Decrease is primarily due to lower crane sales; all categories declined except earthmoving.
- **Used equipment sales increased 12.1%, or $4.6 million, to $42.4 million.**
  - Increase is primarily due to higher earthmoving and crane sales; all categories increased except aerial.
- **Gross profit increased 4.4%, or $5.4 million.**
  - Gross margin was 36.9% vs. 35.6%; Strong operating performance.
    - Margins by segments Q4 19 vs. Q4 18:
      - Equipment Rentals 45.6% vs. 46.7% as adjusted[1]
        - Rentals 50.3% vs. 51.5%[1]
      - New 10.8% vs. 12.7%
      - Used 33.3% vs. 29.1%
        - Fleet only 36.0% vs. 32.3%
      - Parts 26.1% vs. 26.0%; Service 67.6% vs. 67.9%

[1] As detailed on slide 29.

Income from Operations ($MM)

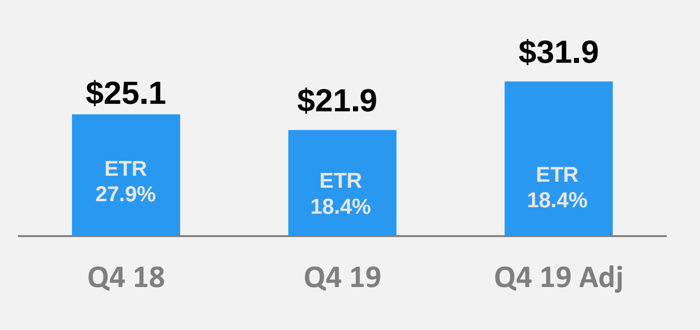


Key Takeaways

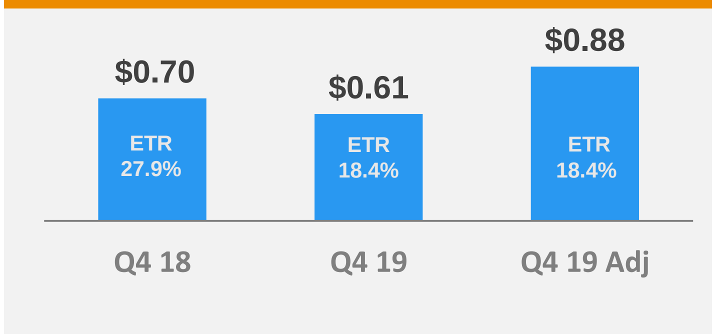
- **Income from operations was $41.3 million compared to $50.9 million a year ago, a decrease of 18.8% on a 0.6% increase in revenues.**
- **The Q4 19 period included a non-cash impairment charge of $12.2 million.**
- **Excluding this item, Q4 19 income from operations increased 5.1% to $53.5 million.**
- **Margins were 11.9% in Q4 19 vs. 14.7% in Q4 18; excluding the impairment charge, margins were 15.4%. The net increase in margin is primarily due to the following:**
  - Revenue mix shift to rentals.
  - Higher used equipment margins.
  - Partially offsetting these gains were lower margins in other business segments and higher SG&A costs.

Q4 2019 Net Income and Adjusted Net Income

Net Income ($MM)



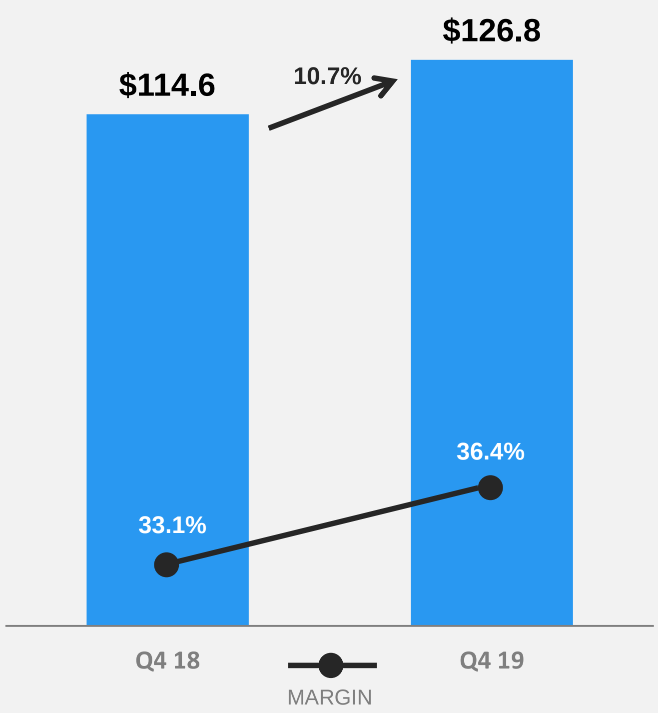
Net Income Per Share ($MM)



Key Takeaways

- **Net income of $21.9 million compared to net income of $25.1 million in Q4 18. Adjusted net income in Q4 19 was $31.9 million.**
- **Diluted net income per share was $0.61 vs. diluted net income per share of $0.70 a year ago. Adjusted diluted net income per share in Q4 19 was $0.88.**
  - Effective tax rate ("ETR") was 18.4% vs. 27.9% a year ago.

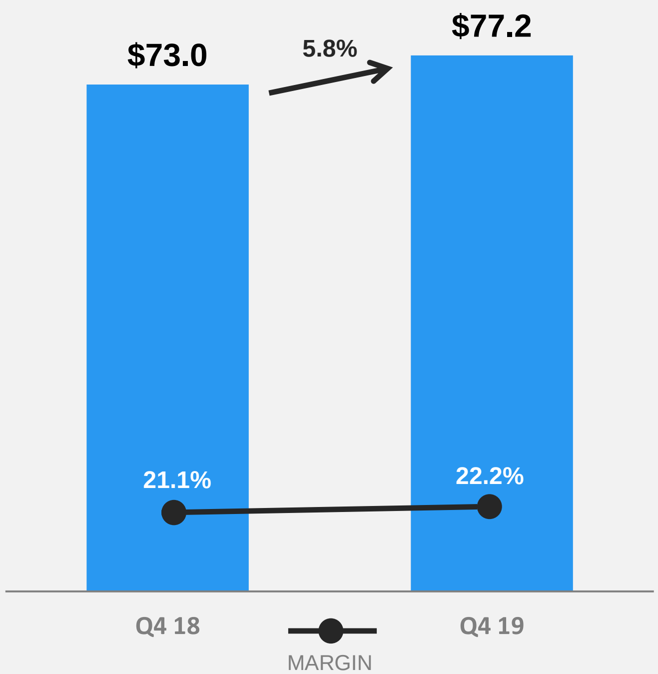
Adjusted EBITDA ($MM)



Key Takeaways

- **Results were Adjusted EBITDA of $126.8 million in Q4 19 compared to $114.6 million a year ago.**
  - Adjusted EBITDA increased 10.7% on a 0.6% increase in revenues.
- **Margin was 36.4% compared to 33.1% a year ago primarily due to the following:**
  - Revenue mix shifted to rentals.
  - Higher used equipment sales margins.
  - Higher gain on sale of property and equipment and increased other income.
  - Above gains partially offset by lower new sales margins and higher SG&A costs.

SG&A ($MM)



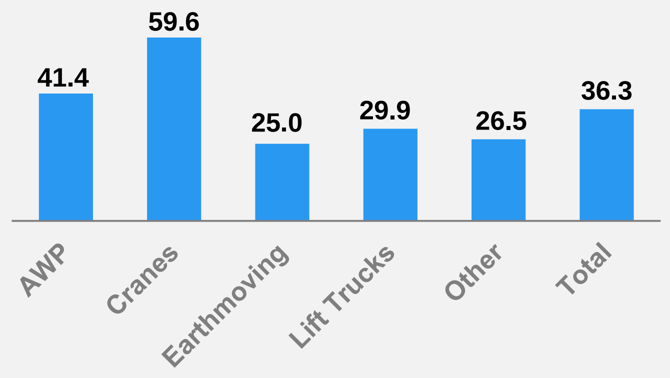
Key Takeaways

- **SG&A was $77.2 million compared to $73.0 million in Q4 18, a $4.2 million increase.**
  - SG&A as a percentage of revenues was 22.2% compared to 21.1% a year ago.
  - Net increase primarily a result of:
    - Higher labor, wages, incentives, related employee benefits costs and other employee expenses of $1.4 million due to acquisition since December 31, 2018, larger workforce and higher incentive compensation related to our improved profitability.
    - Facility related expenses increased $1.0 million.
    - Outside services increased $0.9 million.
    - Depreciation and amortization expenses increased $0.8 million.
    - Greenfield branch expansion costs increased $0.4 million compared to a year ago.

Rental Cap-Ex Summary ($MM)

	2013	2014	2015	2016	2017	2018	2019
Gross Rental CapEx[1]	$303.3	$412.7	$230.2	$218.2	$244.7	$ 440.9	$349.1
Sale of Rental Equipment	$(114.6)	$(101.4)	$ (99.5)	$ (84.4)	$(96.1)	$(112.0)	$(127.6)
Net Rental CapEx	$188.7	$311.3	$130.7	$133.8	$148.6	$328.9	$221.5

Fleet Age by Type (Months)

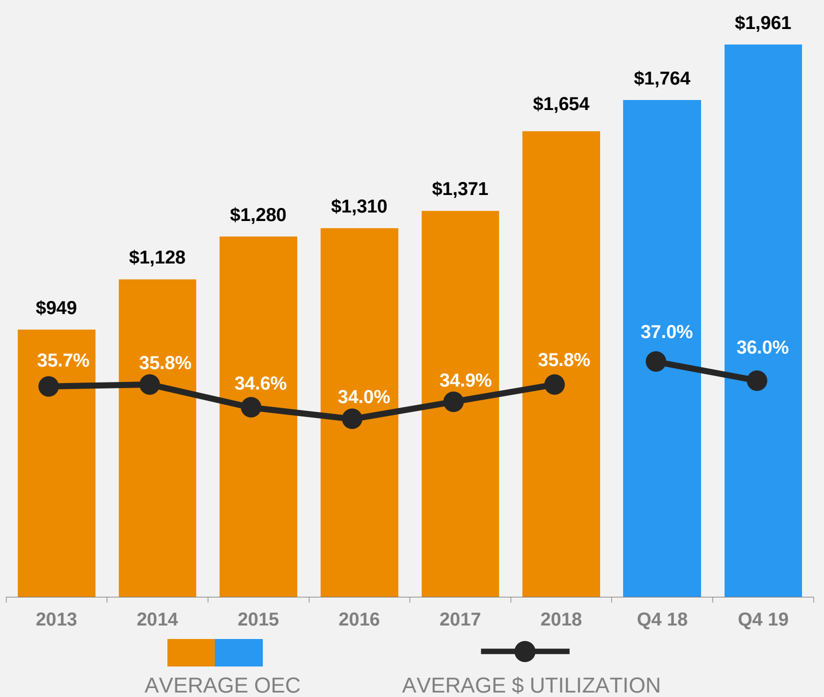


Free Cash Flow Summary ($MM)

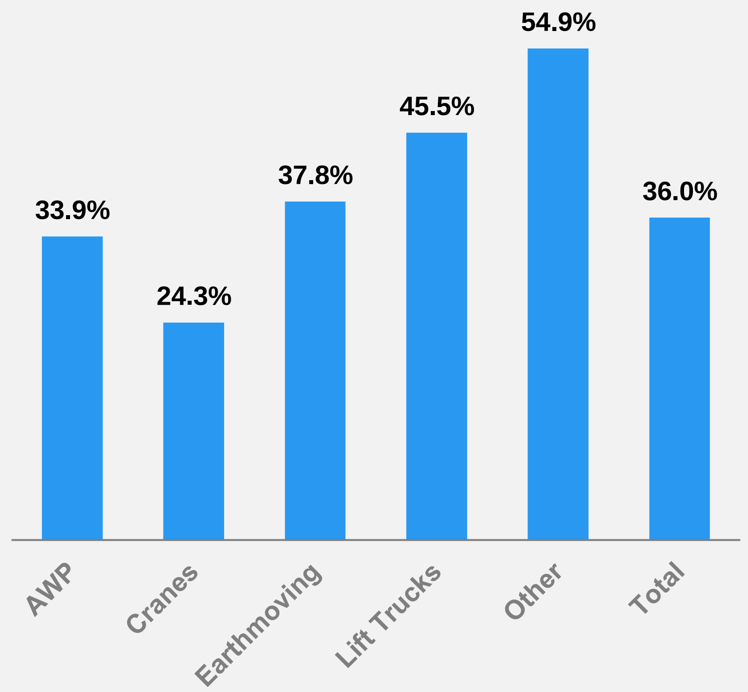
	2013	2014	2015	2016	2017	2018	2019
Free Cash Flow[2]	$ (40.9)	$ (138.3)	$104.9	$ 62.6	$ 73.1	$ (279.0)	$ (6.7)

NOTE: Fleet statistics as of December 31, 2019.
1 – Gross rental cap-ex includes amounts transferred from new and used inventory considered non-cash asset purchases for purposes of the Consolidated Statement of Cash Flows. Gross rental cap-ex does not include amounts acquired through acquisitions.
2 – We define Free Cash Flow as net cash provided by operating activities less (1) purchases of rental equipment, property and equipment, and acquisition of businesses, net of cash acquired plus (2) proceeds from sales of rental equipment and property and equipment. Please refer to Appendix A for a further description and reconciliation of net cash provided by operating activities to this Non-GAAP measure.

Rental Fleet Statistics[1] ($MM)



$ Utilization by Equipment Type[1]



Note: Fleet statistics as of December 31, 2019.
1 – Represents rental revenues annualized divided by the average original equipment cost.

Capital Structure ($MM)

12/31/19

Cash	**$14.2**
Debt:	
Sr. Sec'd Credit Facility (ABL)	**$216.9**
Senior Unsecured Notes[1]	**950.0**
Finance Lease Liabilities	**0.5**
Total Debt	**$1,167.4**
Shareholders' Equity	**307.5**
Total Book Capitalization	**$1,474.9**

Credit Statistics

	2013	2014	2015	2016	2017	2018	2019
Adj. EBITDA[2] /Total Interest Exp.	5.0x	6.0x	5.9x	5.6x	6.0x	6.4x	6.9x
Total Net Debt[3] /Adj. EBITDA[2]	2.8x	2.8x	2.6x	2.6x	2.4x	2.7x	2.4x
Total Debt /Total Capitalization	88.6%	87.0%	85.1%	84.8%	81.4%	81.4%	79.2%

1 – Senior Unsecured Notes exclude $8.7 million of unaccreted discount; $6.0 million of unamortized premium and $1.7 million of deferred financing costs.
2 – Excludes the impact of the $25.4 million non-recurring item associated with the premiums paid to repurchase and redeem previously outstanding 7% senior unsecured notes, the write-off of unamortized note discount and deferred transaction costs associated therewith and $5.8 million of merger breakup fee proceeds, net of merger costs, of the termination of the merger agreement with Neff Corporation in the third quarter of 2017, $0.7 million of other merger costs recorded in 2018 and $0.4 million in merger costs recorded in 2019, and a $12.2 million impairment charge in the fourth quarter of 2019. See Appendix A for a reconciliation of Non-GAAP measures.
3 – Net debt is defined as total debt less cash on hand.

Highlights

- Solid execution; strong financial and operating results.
- Capitalized on strong demand in non-residential construction markets; impressive rental results and metrics.

Revenue/Gross Profit

- Total revenue increased $109.4 million, or 8.8%, to $1.3 billion.
  - Rental revenue increased $102.4 million, or 17.3%, to $694.5 million.[1]
  - New equipment sales decreased $23.9 million, or 9.1%, to $239.1 million.
  - Used equipment sales increased $14.2 million, or 11.4%, to $139.3 million.
  - Combined parts and service revenue increased to $191.8 million from $183.9 million.
- Gross profit increased $60.6 million, or 13.8%, to $499.2 million; gross margin was 37.0% compared to 35.4% in 2018.

Adjusted EBITDA

- Adjusted EBITDA increased 16.7% to $473.2 million (35.1% margin) vs. Adjusted EBITDA of $405.4 million (32.7% margin) in 2018.

Net Income and Adjusted Net Income[2]; Free Cash Flow

- Net income was $87.2 million vs. net income of $76.6 million in 2018; adjusted net income was $96.4 million.
- Net income per diluted share was $2.42 vs. $2.13 in 2018; adjusted net income in 2019 was $2.67 per diluted share.
- Effective tax rate was 24.7% vs 26.8% a year ago.
- Free cash flow was a use of $6.7 million compared to a use of free cash flow of $279.0 million in 2018.

[1] As detailed on slide 30.
[2] Non-cash goodwill impairment charge in Q4 19 as explained on slide 6.

Brad Barber CHIEF EXECUTIVE OFFICER AND PRESIDENT

Conclusion

- **Solid 2019 performance; focused on driving solid returns for 2020.**
- **The non-residential construction markets we serve are expected to remain stable this year.**
- **Ongoing expansion of rental business through acquisitions and organic growth.**
- **Paid twenty-second consecutive quarterly cash dividend of $0.275 per share on December 13, 2019; paid total cash dividends of $1.10 per share in 2019.**

Appendix A-Unaudited Reconciliation of Non-GAAP Financial Measures

Unaudited Reconciliation of Non-GAAP Financial Measures

EBITDA, Adjusted EBITDA and Free Cash Flow are non-GAAP measures as defined under the rules of the SEC. We define EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization. For the year ended December 31, 2017, we define Adjusted EBITDA as EBITDA adjusted for (1) merger breakup fees, net of related merger costs, totaling $5.8 million related to the previously proposed acquisition of Neff Corporation and the previously mentioned CEC transaction costs; and (2) a non-recurring $25.4 million item associated with the premiums paid to repurchase and redeem previously outstanding 7% senior unsecured notes and the write-off of unamortized note discount and deferred transaction costs associated therewith. We define Adjusted EBITDA for the three month period and year ended December 31, 2018, as EBITDA adjusted for $0.3 million and $0.7 million, respectively, of recent acquisition costs. We define Adjusted EBITDA for the three month period ended December 31, 2019, and for the twelve months ended December 31, 2019, as EBITDA adjusted for the $12.2 million goodwill impairment charges recorded in the fourth quarter of 2019 and the $0.1 million and $0.4 million, respectively, of transaction costs related to recent acquisitions.

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 for the periods presented 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 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 consolidated 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.

The Company uses Free Cash Flow in our business operations to, among other things, evaluate the cash flow available to meet future debt service obligations and working capital requirements. However, this measure should not be considered as an alternative to cash flows from operating activities or any other measures derived in accordance with GAAP as indicators of operating performance or liquidity. Additionally, our definition of Free Cash Flow is limited, in that it does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations. Therefore, we believe it is important to view Free Cash Flow as a measure that provides supplemental information to our entire statement of cash flows. Further, the method used by our management to calculate Free Cash Flow may differ from the methods other companies use to calculate their Free Cash Flow.

Because EBITDA, Adjusted EBITDA and Free Cash Flow may not be calculated in the same manner by all companies, these measures may not be comparable to other similarly titled measures by other companies.

We use Adjusted Net Income and Adjusted Net Income per Share in our business operations to, among other things, analyze our financial performance on a comparative period basis without the effects of significant one-time, non-recurring items. Additionally, we believe Adjusted Net Income and Adjusted Net Income per Share provide useful information concerning future profitability. However, Adjusted Net Income and Adjusted Net Income per Share are not measures of financial performance under GAAP and, accordingly, these measures should not be considered as alternatives to GAAP Net Income and GAAP Net Income per Share. Because Adjusted Net Income and Adjusted Net Income per Share 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 have recast certain prior year period information to conform to the current year presentation of hauling fees and related cost of revenues included within Rentals Other rather than included within Other Revenues as previously reported. Upon our adoption of the new lease accounting guidance (ASC 842), certain ancillary fees associated with our equipment rental activities, such as damage waiver income, environmental fees and fuel and other recovery fees, are properly included within our Rental Revenue segment rather than Other Revenues as previously reported. Because we elected to not recast prior periods upon ASC 842 adoption, we recast and presented these amounts on an "As Adjusted" basis to conform to the current year presentation. We use these non-GAAP metrics to provide further detail to evaluate the period over period performance of the Company, and believe these may be useful to investors for this reason. However, you should not consider them in isolation, or as substitutes for analysis of our results as reported under GAAP.

For a reconciliation of historical non-GAAP financial measures to the nearest comparable GAAP measures, see the Non-GAAP reconciliations included further in this presentation.

EBITDA and Adjusted EBITDA GAAP Reconciliation ($ in thousands)

	2013	2014	2015	2016	2017	2018	Q4 2018	Q4 2019	2019
Net Income	$44,140	$55,139	$44,305	$37,172	$109,658	$76,623	$25,060	$21,923	$87,211
Interest expense	51,404	52,353	54,030	53,604	54,958	63,707	16,646	16,824	68,277
Provision (Benefit) for income taxes	21,007	37,545	31,371	21,858	(50,314)	28,040	9,695	4,931	28,650
Depreciation	138,903	166,514	186,457	189,697	193,245	233,046	61,979	69,758	272,368
Amortization of intangibles	-	-	-	-	-	3,320	905	1,041	4,132
EBITDA	$255,454	$311,551	$316,163	$302,331	$307,547	$404,736	$114,285	$114,477	$460,638
Loss on early extinguishment of debt[1]	-	-	-	-	25,363	-	-	-	-
Merger costs, net of merger breakup fee proceeds[1]	-	-	-	-	(5,782)	708	269	102	416
Impairment of goodwill[1]	-	-	-	-	-	-	-	12,184	12,184
Adjusted EBITDA	$255,454	$311,551	$316,163	$302,331	$327,128	$405,444	$114,554	$126,763	$473,238

1 Adjustments relate to loss from early extinguishment of debt incurred in the third quarter ended September 30, 2017. Adjustment also includes the net merger breakup fee proceeds associated with the terminated merger agreement with Neff Corporation and transaction costs associated with subsequent acquisitions. Adjustment includes $12.2 million impairment charge in the fourth quarter of 2019.

Adjusted Net Income and Adjusted Net Income per Share
($ in thousands, except share amounts)

	Three Month Period Ended December 31, 2019 As Reported	Adjustment[1]	2019 As Adjusted
Gross profit	$ 128,561	–	$ 128,561
Selling, general and administrative expenses	77,243	–	77,243
Impairment of goodwill	12,184	(12,184)	–
Gain on sale of property and equipment, net	2,278	–	2,278
Merger costs	102	–	102
Income from operations	41,310	12,184	53,494
Interest expense	(16,824)	–	(16,824)
Other income, net	2,368	–	2,368
Income before benefit for income taxes	26,854	12,184	39,038
Provision for income taxes	4,931	2,237	7,168
Net income	$ 21,923	$ 9,947	$ 31,870

	Three Month Period Ended December 31, 2019 As Reported	Adjustment[1]	2019 As Adjusted
NET INCOME PER SHARE[2]			
Basic – Net income per share	$ 0.61	$ 0.28	$ 0.89
Basic – Weighted average number of common shares outstanding	35,930	35,930	35,930
Diluted – Net income per share	$ 0.61	$ 0.28	$ 0.88
Diluted – Weighted average number of common shares outstanding	36,098	36,098	36,098

[1] Income from operations, provision for income taxes, net income and net income per share have been adjusted in the tables above to eliminate goodwill impairment charges taken in the fourth quarter of 2019.
[2] 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.

Adjusted Net Income and Adjusted Net Income per Share
($ in thousands, except share amounts)

	Twelve Month Period Ended December 31,		
	2019 As Reported	Adjustment[1]	2019 As Adjusted
Gross profit	$ 499,170	–	$ 499,170
Selling, general and administrative expenses	311,026	–	311,026
Impairment of goodwill	12,184	(12,184)	–
Gain on sale of property and equipment, net	4,617	–	4,617
Merger costs	416	–	416
Income from operations	180,161	12,184	192,345
Interest expense	(68,277)	–	(68,277)
Other income, net	3,977	–	3,977
Income before benefit for income taxes	115,861	12,184	128,045
Provision for income taxes	28,650	3,013	31,663
Net income	$ 87,211	$ 9,171	$ 96,382

	Twelve Month Period Ended December 31,		
	2019 As Reported	Adjustment[1]	2019 As Adjusted
NET INCOME PER SHARE[2]			
Basic – Net income per share	$ 2.43	$ 0.26	$ 2.69
Basic – Weighted average number of common shares outstanding	35,859	35,859	35,859
Diluted – Net income per share	$ 2.42	$ 0.25	$ 2.67
Diluted – Weighted average number of common shares outstanding	36,033	36,033	36,033

[1] Income from operations, provision for income taxes, net income and net income per share have been adjusted in the table above to eliminate goodwill impairment charges taken in the fourth quarter of 2019. [2] 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.

Free Cash Flow GAAP Reconciliation ($ in thousands)

	2013	2014	2015	2016	2017	2018	2019
Net cash provided by operating activities	$138,652	$158,318	$206,620	$176,979	$226,199	$247,211	$319,218
Acquisition of business, net of cash acquired	-	-	-	-	-	(196,027)	(106,746)
Purchases of property and equipment	(29,479)	(33,235)	(26,797)	(22,895)	(22,515)	(34,960)	(43,111)
Purchases of rental equipment[1]	(267,465)	(368,491)	(178,772)	(179,709)	(234,209)	(416,600)	(309,654)
Proceeds from sale of property and equipment	2,759	3,657	4,289	3,805	7,506	9,261	6,050
Proceeds from sale of rental equipment	114,595	101,426	99,521	84,389	96,143	112,086	127,558
Free cash flow	$(40,938)	$(138,325)	$104,861	$62,569	$73,124	$(279,029)	$(6,685)

1 – Purchases of rental equipment as reflected in the Consolidated Statement of Cash Flows exclude non-cash assets transferred from new and used inventory to rental. Transfers from new and used inventory to rental are included below and also shown in the supplemental schedule of non-cash investing and financing activities of the Consolidated Statement of Cash Flows. In addition, the amounts as detailed below are included in gross rental cap-ex on slide 17.

Transfers from New and Used Inventory ($MM)

	2013	2014	2015	2016	2017	2018	2019
Transfers of new and used inventory	$35.9	$44.2	$51.4	$38.5	$10.5	$24.3	$39.5

H&E Equipment Services, Inc.
Unaudited Reconciliation of Non-GAAP Financial Measures
(Amounts in thousands)

$'s in thousands	Quarter Ended 12/31/18[1]					Quarter Ended 12/31/19
	As Previously Reported	Hauling Fees[(a)]	As Currently Reported	Other Rental Fees[(b)]	As Adjusted	As Currently Reported
REVENUES						
Equipment rentals [2]						
Rentals	$ 162,966	$ -	$ 162,966	$ -	$ 162,966	$ 176,253
Rentals other	-	9,048	9,048	7,741	16,789	17,538
Total equipment rentals	162,966	9,048	172,014	7,741	179,755	193,791
New equipment sales	79,683	-	79,683	-	79,683	61,382
Used equipment sales	37,838	-	37,838	-	37,838	42,407
Parts sales	30,538	-	30,538	-	30,538	30,057
Services revenues	15,238	-	15,238	-	15,238	17,543
Other	19,711	(9,048)	10,663	(7,741)	2,922	2,953
Total revenues	345,974	-	345,974	-	345,974	348,133
COST OF REVENUES						
Rental depreciation	55,753	-	55,753	-	55,753	62,133
Rental expense	23,239	-	23,239	-	23,239	25,403
Rental other	-	14,812	14,812	1,932	16,744	17,871
	78,992	14,812	93,804	1,932	95,736	105,407
New equipment sales	69,592	-	69,592	-	69,592	54,734
Used equipment sales	26,831	-	26,831	-	26,831	28,279
Parts sales	22,586	-	22,586	-	22,586	22,213
Services revenues	4,898	-	4,898	-	4,898	5,685
Other	19,959	(14,812)	5,147	(1,932)	3,215	3,254
Total cost of revenues	222,858	-	222,858	-	222,858	219,572
GROSS PROFIT						
Equipment rentals						
Rentals	83,974	-	83,974	-	83,974	88,717
Rentals other	-	(5,764)	(5,764)	5,809	45	(333)
	83,974	(5,764)	78,210	5,809	84,019	88,384
New equipment sales	10,091	-	10,091	-	10,091	6,648
Used equipment sales	11,007	-	11,007	-	11,007	14,128
Parts sales	7,952	-	7,952	-	7,952	7,844
Services revenues	10,340	-	10,340	-	10,340	11,858
Other	(248)	5,764	5,516	(5,809)	(293)	(301)
Total gross profit	$ 123,116	$ -	$ 123,116	$ -	$ 123,116	$ 128,561
GROSS MARGIN						
Equipment rentals						
Rentals	51.5%	-	51.5%	-	51.5%	50.3%
Rentals other	-	-63.7%	-63.7%	75.0%	0.3%	-1.9%
	51.5%	-63.7%	45.5%	75.0%	46.7%	45.6%
New equipment sales	12.7%	-	12.7%	-	12.7%	10.8%
Used equipment sales	29.1%	-	29.1%	-	29.1%	33.3%
Parts sales	26.0%	-	26.0%	-	26.0%	26.1%
Services revenues	67.9%	-	67.9%	-	67.9%	67.6%
Other	-1.3%	63.7%	51.7%	-75.0%	-10.0%	-10.2%
Total gross margin	35.6%	-	35.6%	-	35.6%	36.9%

1 (a) We have recast the prior year period information to conform to the current year presentation of hauling fees and related cost of revenues included within Equipment Rentals rather than included within Other Revenues as previously reported.

(b) Upon our adoption of the new lease accounting guidance (ASC 842), certain ancillary fees associated with our equipment rental activities, such as damage waiver income, environmental fees and fuel and other recovery fees, are properly included within our Rental Revenue segment rather than Other Revenues as previously reported. Because we elected to not recast prior periods upon ASC 842 adoption, this table recasts these amounts on an "As Adjusted" basis to conform to the current year presentation.

2 Pursuant to SEC Regulation S-X, our equipment rental revenues are aggregated and presented in our unaudited consolidated statements of income in this press release as a single line item, "Equipment Rentals". This table disaggregates our equipment rental revenues for discussion and analysis purposes only.

H&E Equipment Services, Inc.
Unaudited Reconciliation of Non-GAAP Financial Measures
(Amounts in thousands)

$'s in thousands	Twelve Months Ended 12/31/18[1]					Twelve Months Ended 12/31/19
	As Previously Reported	Hauling Fees[(a)]	As Currently Reported	Other Rental Fees[(b)]	As Adjusted	As Currently Reported
REVENUES						
Equipment rentals [2]						
Rentals	$ 592,193	$ -	$ 592,193	$ -	$ 592,193	$ 694,547
Rentals other	-	34,988	34,988	28,152	63,140	71,807
Total equipment rentals	592,193	34,988	627,181	28,152	655,333	766,354
New equipment sales	262,948	-	262,948	-	262,948	239,091
Used equipment sales	125,125	-	125,125	-	125,125	139,349
Parts sales	120,454	-	120,454	-	120,454	123,855
Services revenues	63,488	-	63,488	-	63,488	67,941
Other	74,753	(34,988)	39,765	(28,152)	11,613	11,775
Total revenues	1,238,961	-	1,238,961	-	1,238,961	1,348,365
COST OF REVENUES						
Rental depreciation	208,453	-	208,453	-	208,453	243,780
Rental expense	89,520	-	89,520	-	89,520	105,079
Rental other	-	55,449	55,449	6,572	62,021	70,613
	297,973	55,449	353,422	6,572	359,994	419,472
New equipment sales	232,057	-	232,057	-	232,057	211,372
Used equipment sales	86,052		86,052		86,052	92,021
Parts sales	88,263	-	88,263	-	88,263	90,963
Services revenues	21,328	-	21,328	-	21,328	21,946
Other	74,754	(55,449)	19,305	(6,572)	12,733	13,421
Total cost of revenues	800,427	-	800,427	-	800,427	849,195
GROSS PROFIT						
Equipment rentals						
Rentals	294,220	-	294,220	-	294,220	345,688
Rentals other	-	(20,461)	(20,461)	21,580	1,119	1,194
	294,220	(20,461)	273,759	21,580	295,339	346,882
New equipment sales	30,891	-	30,891	-	30,891	27,719
Used equipment sales	39,073	-	39,073	-	39,073	47,328
Parts sales	32,191	-	32,191	-	32,191	32,892
Services revenues	42,160	-	42,160	-	42,160	45,995
Other	(1)	20,461	20,460	(21,580)	(1,120)	(1,646)
Total gross profit	$ 438,534	$ -	$ 438,534	$ -	$ 438,534	$ 499,170
GROSS MARGIN						
Equipment rentals						
Rentals	49.7%	-	49.7%	-	49.7%	49.8%
Rentals other	-	-58.5%	-58.5%	76.7%	1.8%	1.7%
	49.7%	-58.5%	43.6%	76.7%	45.1%	45.3%
New equipment sales	11.7%	-	11.7%	-	11.7%	11.6%
Used equipment sales	31.2%	-	31.2%	-	31.2%	34.0%
Parts sales	26.7%	-	26.7%	-	26.7%	26.6%
Services revenues	66.4%	-	66.4%	-	66.4%	67.7%
Other	0.0%	58.5%	51.5%	-76.7%	-9.6%	-14.0%
Total gross margin	35.4%	-	35.4%	-	35.4%	37.0%

1 (a) We have recast the prior year period information to conform to the current year presentation of hauling fees and related cost of revenues included within Equipment Rentals rather than included within Other Revenues as previously reported.

(b) Upon our adoption of the new lease accounting guidance (ASC 842), certain ancillary fees associated with our equipment rental activities, such as damage waiver income, environmental fees and fuel and other recovery fees, are properly included within our Rental Revenue segment rather than Other Revenues as previously reported. Because we elected to not recast prior periods upon ASC 842 adoption, this table recasts these amounts on an "As Adjusted" basis to conform to the current year presentation.

2 Pursuant to SEC Regulation S-X, our equipment rental revenues are aggregated and presented in our unaudited consolidated statements of income in this press release as a single line item, "Equipment Rentals". This table disaggregates our equipment rental revenues for discussion and analysis purposes only.

H&E Equipment Services®

RENTALS / SALES / PARTS / SERVICE