

H&E EQUIPMENT SERVICES®

FOURTH QUARTER 2016 EARNINGS CONFERENCE

February 23, 2017



NASDAQ: HEES

*JOHN ENGQUIST - Chief Executive Officer
BRAD BARBER - President, Chief Operating Officer
LESLIE MAGEE - Chief Financial Officer
KEVIN INDA - Vice President of Investor Relations*

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 in 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; (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 other disasters; (12) compliance with laws and regulations, including those relating to environmental matters and corporate governance matters; 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 and Free Cash Flow). 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 2016 Summary
- Regional Update
- Oil & Gas Update
- Current Market Conditions

▶ **FOURTH QUARTER 2016 FINANCIAL OVERVIEW**

- Q4 2016 Results
- 2016 Fleet and Free Cash Flow Update
- Capital Structure Update
- 2016 Results Summary

▶ **CONCLUSION**

▶ **Q&A SESSION**



John Engquist
Chief Executive Officer

Fourth Quarter Summary

- ▶ Good finish to solid year in the non-residential construction markets.
- ▶ Rental demand remained strong, solid utilization despite seasonality.
- ▶ Distribution business, crane demand, remain weak.
- ▶ Energy activity in Permian and Eagle Ford Basins significantly improved.

Revenue/ Gross Margin

- ▶ Revenue was \$244.3 million vs. \$273.2 million in Q4 2015.
- ▶ Combined new and used equipment sales down \$28.1 million vs. Q4 2015.
- ▶ Gross margin was 34.6% vs. 33.0% a year ago.

Income from Operations/ EBITDA

- ▶ Income from operations was \$29.9 million (12.2% margin) vs. Q4 2015 income from operations of \$33.5 million (12.3% margin).
- ▶ EBITDA was \$78.9 million (32.3% margin) vs. Q4 2015 EBITDA of \$81.3 million (29.8% margin).

Net Income

- ▶ Net income was \$12.4 million vs. net income of \$12.0 million in Q4 2015.
- ▶ Net income per share was \$0.35 vs. \$0.34 a year ago.

Fleet Utilization

- ▶ Time utilization (based on OEC) was 70.3% vs. 72.0% in Q4 2015.
- ▶ Time utilization (based on units) was 67.6% vs. 69.3% in Q4 2015.

Rental Business Highlights

- ▶ Rental revenue was \$115.2 million compared to \$115.0 million in Q4 2015.
- ▶ Rental gross margins were 47.7% vs. 47.5% in Q4 2015.
- ▶ Rental rates decreased 1.1% over Q4 2015; rates increased 0.1% sequentially.
- ▶ Dollar utilization was 34.3% vs. 35.5% in Q4 2015.

West Coast
 11% Revenue - 14% Gross Profit
 13 Branches

Intermountain
 12% Revenue - 13% Gross Profit
 7 Branches

Mid-Atlantic
 16% Revenue - 16% Gross Profit
 12 Branches

78 Total Locations

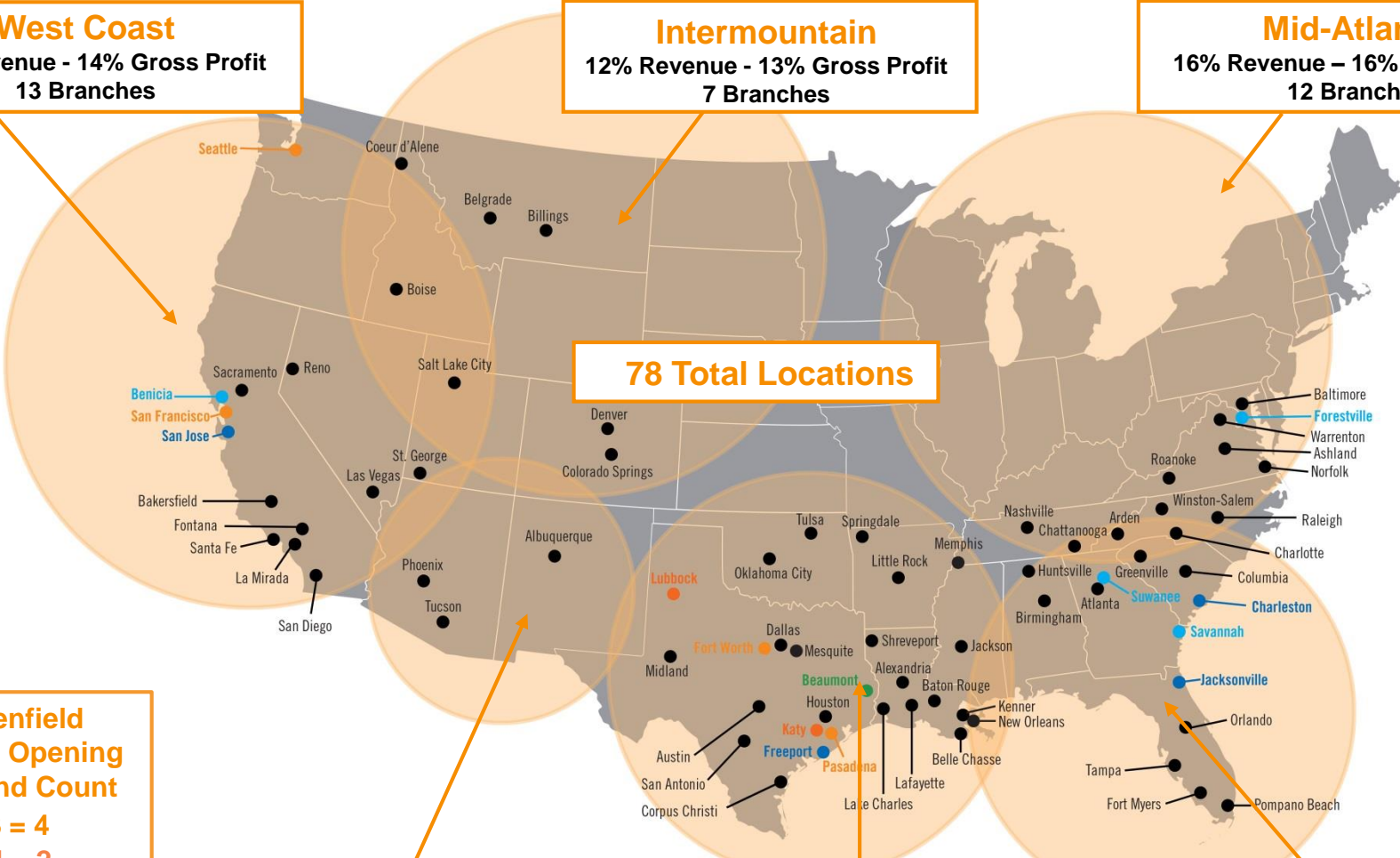
Greenfield Official Opening Year and Count

- 2013 = 4
- 2014 = 2
- 2015 = 4
- 2016 = 4
- 2017 = 1

Southwest
 5% Revenue - 5% Gross Profit
 3 Branches

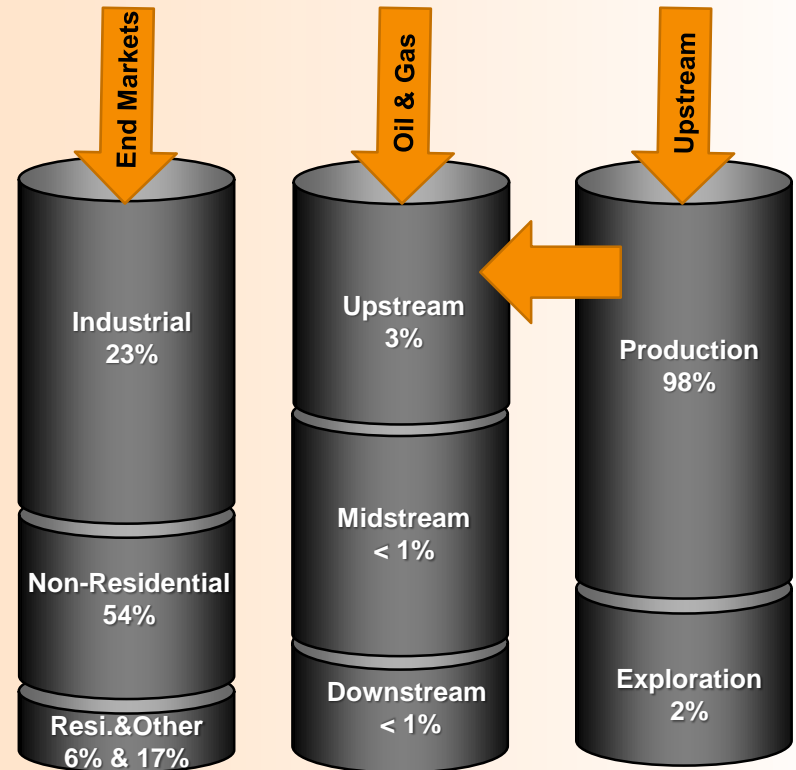
Gulf Coast
 47% Revenue - 42% Gross Profit
 30 Branches

Southeast
 9% Revenue - 10% Gross Profit
 13 Branches

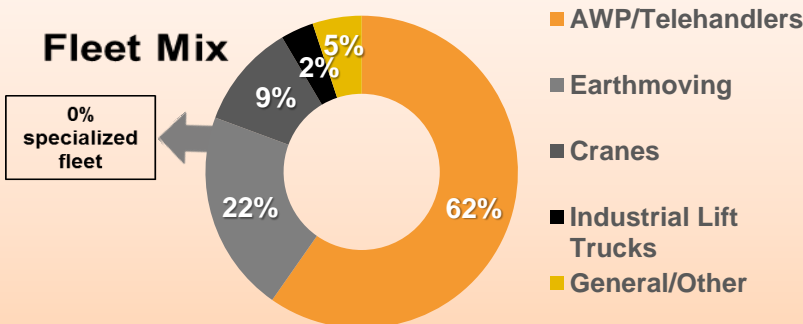


- ▶ Total revenue exposure to oil & gas was ~5% in Q4 16.
- ▶ Encouraged by oil patch activity for first time since price crash in 2014.
- ▶ Shale drillers in Permian and Eagle Ford Basins putting more rigs back to work.
- ▶ Moved fleet back into select energy focused markets.
- ▶ Majority of our O&G exposure is in Gulf Coast region at 83% of total ~5% exposure. Texas alone represents 51.0% of Gulf Coast O&G exposure.
- ▶ Time utilization in four Texas stores with heavy oil and gas markets averaged 71.7% during 4Q on a combined basis, up 170 basis points from 3Q.
- ▶ Fleet is 100% transferrable; no specialized fleet.

Oil & Gas Accounts for ~5% of Total Revenue in Q4 2016



Fleet Mix

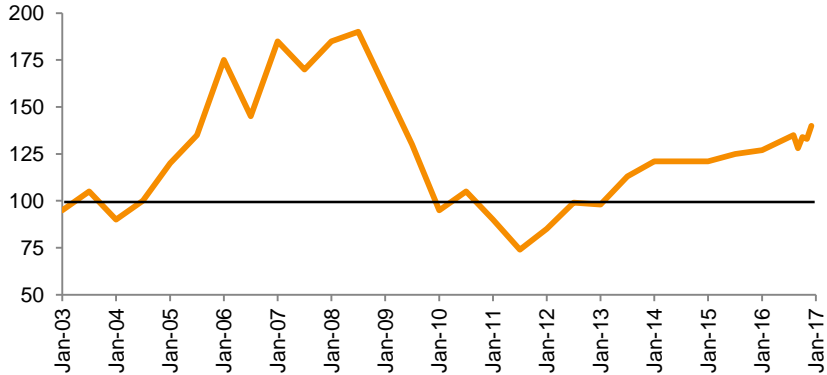


Projected Construction growth	2016	2017	2018
Dodge Data & Analytics	1.0%	5.0%	8.0%
IHS-Global Insight	4.0%	4.0%	4.0%

- ▶ **Non-residential construction activity remains healthy; significant optimism for 2017 and beyond.**
- ▶ **Key industry indicators remain positive:**
 - ▶ **DMI running at eight-year highs.**
 - ▶ **ABI hit 10-year high at 55.9 in December.**
 - ▶ **Non-residential construction starts and construction put in place continue to suggest an extended cycle.**
 - ▶ **Construction employment holding at high levels, forecast to grow in 2017.**
- ▶ **Customer sentiment even more positive post election.**
- ▶ **The New Administration: proposed significant infrastructure spending, pro-business policies, but uncertainty for now.**

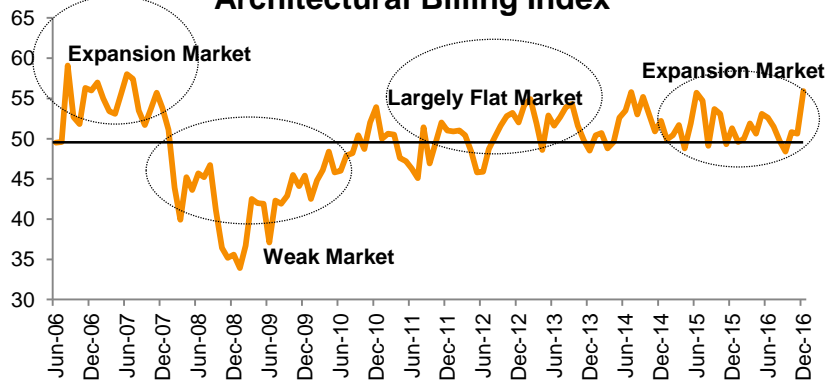
Source: Dodge Data & Analytics, American Institute of Architects, Bureau of Labor Statistics

Dodge Momentum Index (DMI)



Source: Dodge Data & Analytics

Architectural Billing Index

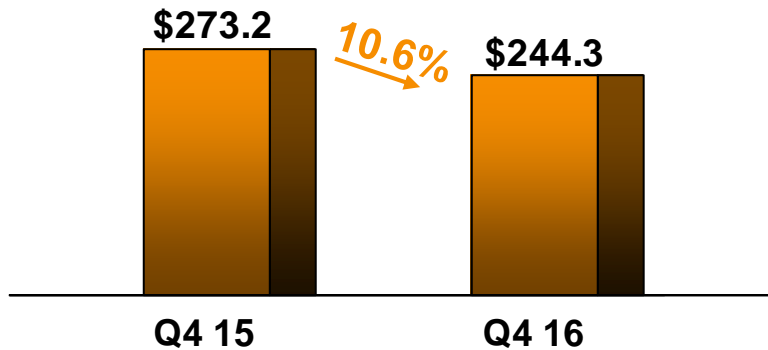


Source: American Institute of Architects

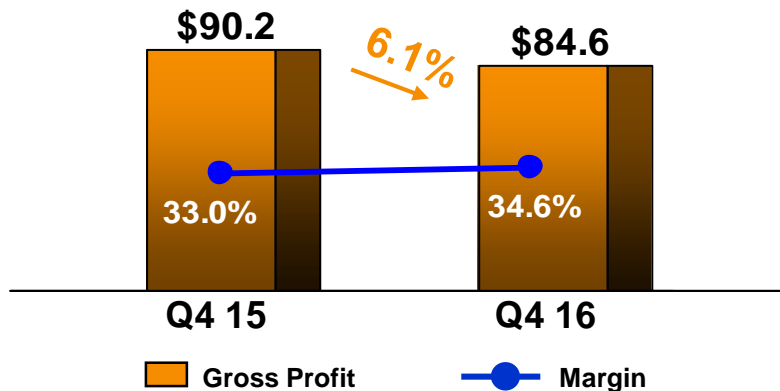


Leslie Magee
Chief Financial Officer

Revenues (\$MM)



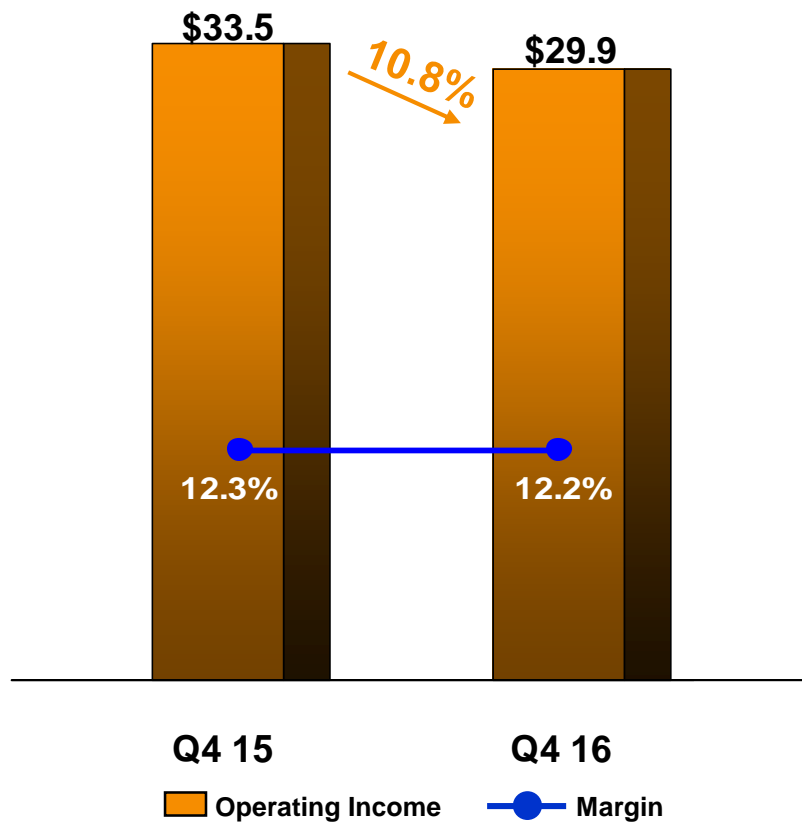
Gross Profit (\$MM)



Key Takeaways

- ▶ Revenues decreased 10.6%, or \$28.9 million.
- ▶ Rental revenue was comparable at \$115.2 million vs. \$115.0 million a year ago.
 - Average rates down 1.1% from a year ago but up 0.1% sequentially.
 - Utilization was 70.3% vs. 72.0% a year ago (on an OEC basis); AWP utilization was solid at 73.1% vs 73.0% a year ago.
- ▶ New equipment sales decreased 28.5%, or \$17.8 million.
 - New crane sales decreased 45.1%, or \$16.3 million.
- ▶ Gross profit decreased 6.1%.
 - Gross margin was 34.6% vs. 33.0%.
 - Margins by segments Q4 16 vs. Q4 15:
 - Rentals 47.7% vs. 47.5%
 - New 9.9% vs. 10.4%
 - Used 31.9% vs. 30.2%
 - Fleet only 34.1% vs 32.5%
 - Parts 27.2% vs. 26.7%
 - Service 66.8% vs. 65.6%

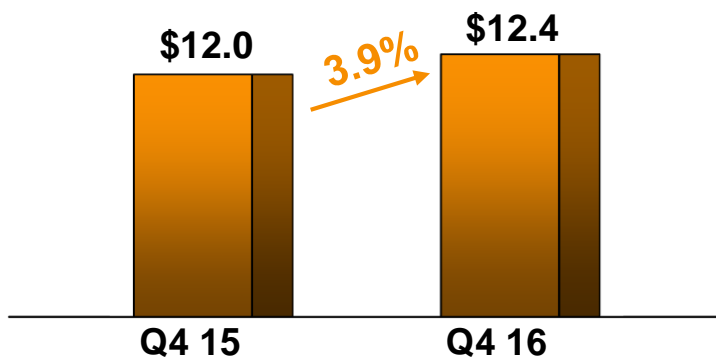
Income From Operations (\$MM)



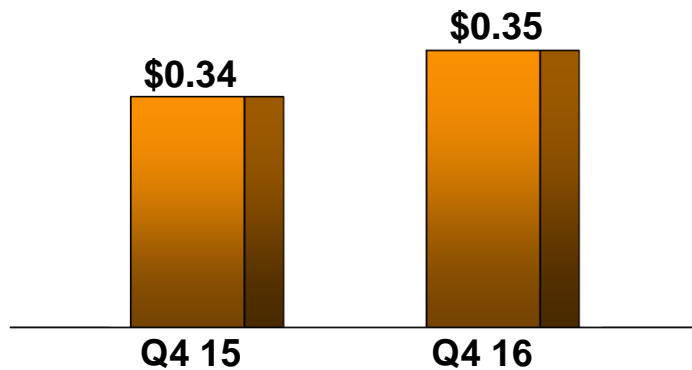
Key Takeaways

- ▶ Income from operations was \$29.9 million compared to \$33.5 million a year ago.
 - 12.2% margin in Q4 16 vs 12.3% in Q4 15.

Net Income (\$MM)



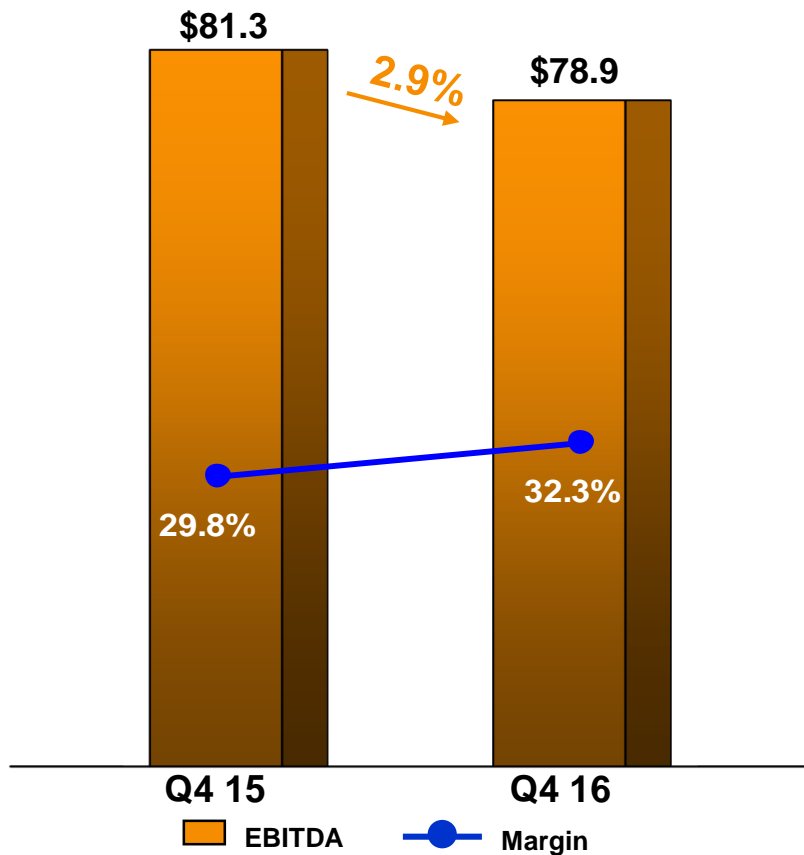
Net Income Per Share



Key Takeaways

- ▶ Net income of \$12.4 million compared to net income of \$12.0 million in Q4 15.
 - Effective tax rate was 26.3% vs. 41.6% a year ago.
- ▶ Diluted net income per share was \$0.35 vs. diluted net income per share of \$0.34 a year ago.

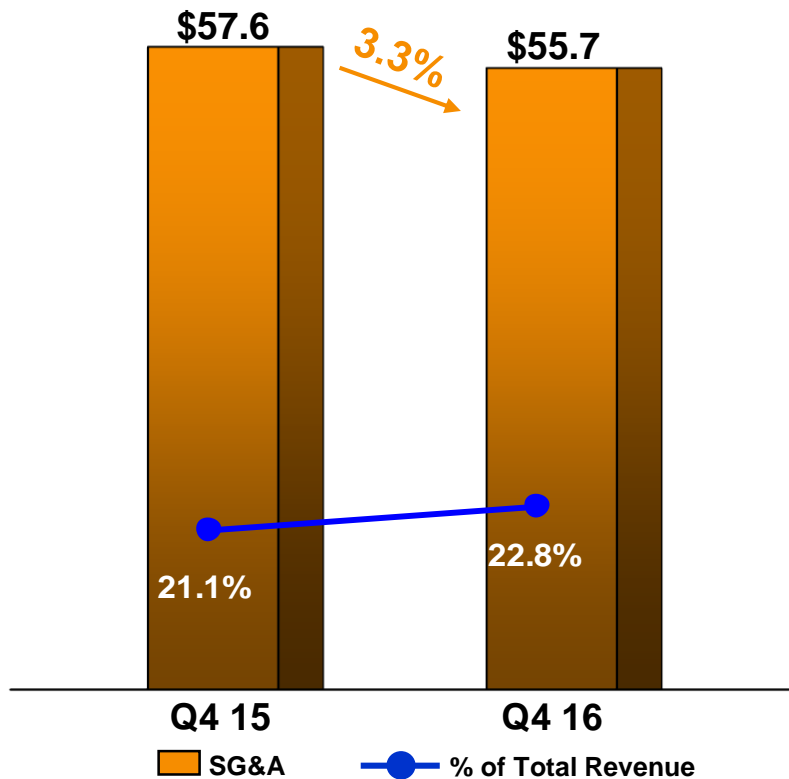
EBITDA (\$MM)



Key Takeaways

- ▶ EBITDA decreased 2.9% on a 10.6% decrease in revenue.
- ▶ Margin was 32.3% compared to 29.8% a year ago.

SG&A (\$MM)



Key Takeaways

- ▶ **\$1.9 million, or 3.3% decrease.**
 - SG&A as a percentage of revenue was 22.8% compared to 21.1% in Q4 15.
 - Expenses related to branch expansions increased \$0.9 million in the current quarter compared to a year ago.

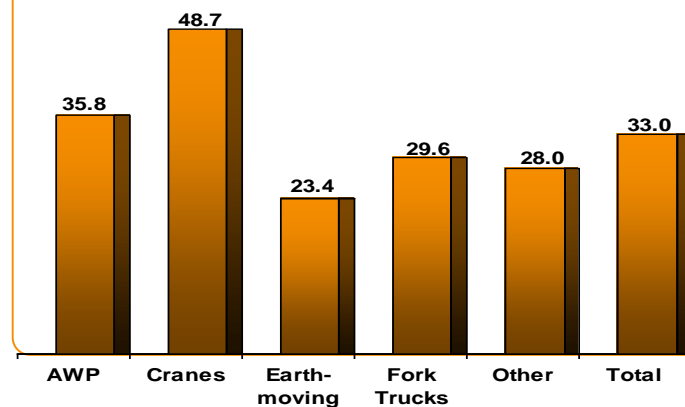
Rental Cap-Ex Summary (\$MM)

	2012	2013	2014	2015	2016
Gross Rental CapEx ¹	\$ 296.4	\$ 303.3	\$ 412.7	\$ 230.2	\$ 218.2
Sale of Rental Equipment	\$ (90.5)	\$ (114.6)	\$ (101.4)	\$ (99.5)	\$ (84.4)
Net Rental CapEx	\$ 205.9	\$ 188.7	\$ 311.3	\$ 130.7	\$ 133.8

Free Cash Flow Summary (\$MM)

	2012	2013	2014	2015	2016
Free Cash Flow ²	\$ (172.0)	\$ (40.9)	\$ (138.3)	\$ 104.9	\$ 62.6

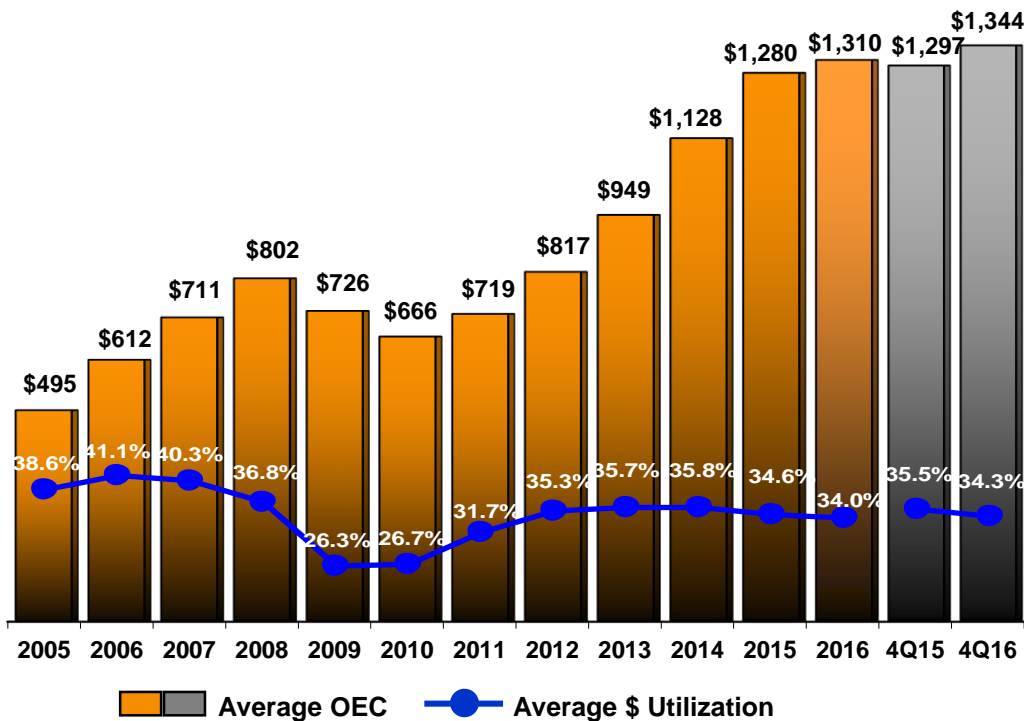
Fleet Age by Equipment Type (months)



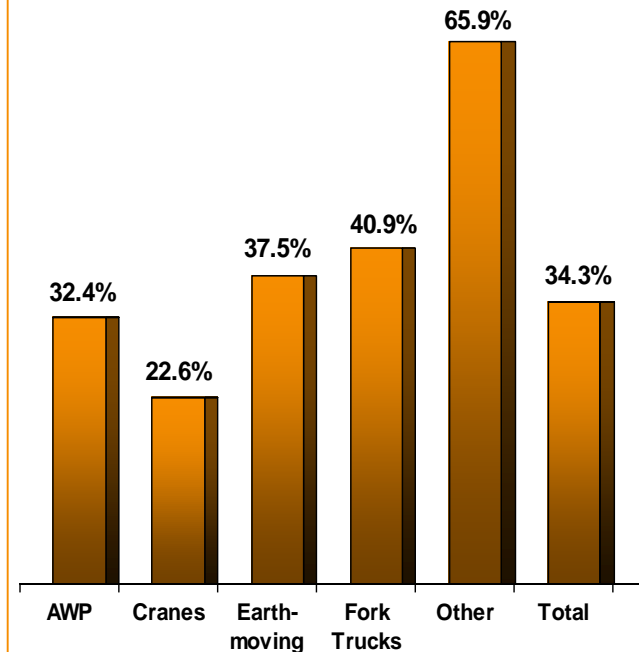
Note: Fleet statistics as of December 31, 2016.

- 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 Flow.
- We define Free Cash Flow as net cash provided by operating activities less (1) purchases of rental equipment and property and equipment 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 Statistics¹ (\$MM)



\$ Utilization by Equipment Type¹



Note: Fleet statistics as of December 31, 2016.

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

Capital Structure (\$MM)

12/31/16

Cash	\$	7.7
Debt:		
Sr. Sec'd Credit Facility (ABL)		162.6
Senior Unsecured Notes ¹		630.0
Capital Leases Payable		1.7
Total Debt	\$	794.3
Shareholders' Equity	\$	142.8
Total Book Capitalization	\$	937.1

Credit Statistics

	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Adj. EBITDA ² / Total Interest Exp.	2.8x	4.9x	5.8x	5.0x	6.0x	5.9x	5.6x
Total Net Debt ³ / Adj. EBITDA ²	2.8x	1.7x	3.3x	2.8x	2.8x	2.6x	2.6x
Total Debt/ Total Capitalization	50.0%	50.4%	93.4%	88.6%	87.0%	85.1%	84.8%

¹ Senior Unsecured Notes exclude \$7.3 million of unaccreted note discount and \$5.0 million of unamortized premium.

² Excludes the impact of the \$10.2 million loss from early extinguishment of debt incurred in the third quarter of 2012. See Appendix A for a reconciliation of Non-GAAP measures.

³ Net debt is defined as total debt less cash on hand.

- ▶ **Delivered solid results despite ongoing challenges in distribution business as a result of weak energy markets, historic flooding in Louisiana and other weather events during year.**
- ▶ **Revenue and gross profit:**
 - **Revenues decreased \$61.7 million, or 5.9%, to \$978.1 million with new and used equipment sales down \$62.9 million year-over-year.**
 - **Gross profit decreased \$10.1 million, or 2.9%, to \$335.6 million on lower revenues.**
 - **Gross margin was 34.3% compared to 33.2%.**
- ▶ **Rental business was solid, with revenues of \$445.2 million, a 0.5% increase, and on average rates decreasing only 0.6% compared to 2015.**
- ▶ **Income from operations was \$110.8 million, or an 11.3% operating margin, compared to \$128.2 million, or a 12.3% margin.**
- ▶ **Net income was \$37.2 million compared to net income of \$44.3 million.**
 - **Effective tax rate was 37.0% in 2016 compared to 41.5% in 2015.**
- ▶ **Net income per diluted share was \$1.05 compared to \$1.25.**
- ▶ **EBITDA was \$302.3 million, a 4.4% or \$13.8 million, decrease from \$316.2 million in 2015.**
 - **EBITDA margin was 30.9% compared with 30.4%.**
- ▶ **Free cash flow for the year was \$62.6 million.¹**
- ▶ **Paid dividends of \$1.10 per common share.**

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



John Engquist
Chief Executive Officer

- ▶ **Solid quarter and year as the non-residential construction markets remained healthy.**
- ▶ **Positive outlook for 2017 and beyond based on numerous factors:**
 - **Many industry indicators forecast continued growth in the non-residential construction markets.**
 - **Industrial project pipeline along the Gulf Coast expected to remain active for several years.**
 - **Rental trends remain solid.**
 - **Energy markets improving.**
 - **New, pro-business administration, potential for significant infrastructure spending.**
- ▶ **Plan conservative approach to 2017 fleet investment.**
- ▶ **Will continue Greenfield growth strategy.**
- ▶ **Paid tenth consecutive quarterly cash dividend on December 9, 2016.**



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. We define Adjusted EBITDA for the year ended December 31, 2012 as EBITDA adjusted for the \$10.2 million loss from early extinguishment of debt incurred in the third quarter ended September 30, 2012. We define Adjusted EBITDA for the year ended December 31, 2009 as EBITDA adjusted for the \$9.0 million goodwill impairment charge recorded in the fourth quarter ended December 31, 2009. We define Free Cash Flow as net cash provided by operating activities, less purchases of rental equipment and property and equipment plus proceeds from sales of rental equipment and property and equipment.

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 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 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.

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.

(\$ in thousands)	2009	2010	2011	2012	2013	2014	2015	2016	Q4 15	Q4 16
Net income (loss)	(\$11,943)	(\$25,460)	\$8,926	\$28,836	\$44,140	\$55,139	\$44,305	\$37,172	\$11,967	\$12,430
Interest expense	31,339	29,076	28,727	35,541	51,404	52,353	54,030	53,604	13,355	13,375
Provision (benefit) for income taxes	(6,178)	(14,920)	3,215	15,612	21,007	37,545	31,371	21,858	8,535	4,431
Depreciation	98,702	91,707	99,036	116,447	138,903	166,514	186,457	189,697	47,441	48,676
Amortization of intangibles	591	559	362	66	-	-	-	-	-	-
EBITDA	\$112,511	\$80,962	\$140,266	\$196,502	\$255,454	\$311,551	\$316,163	\$302,331	\$81,298	\$78,912
Impairment of goodwill, loss on early extinguishment of debt ¹	8,972	-	-	10,180	-	-	-	-	-	-
Adjusted EBITDA	\$121,483	\$80,962	\$140,266	\$206,682	\$255,454	\$311,551	\$316,163	\$302,331	\$81,298	\$78,912

¹ Adjustments relate to non-cash asset impairment charge in the fourth quarter ended December 31, 2009 and loss from early extinguishment of debt incurred in the third quarter ended September 30, 2012.

(\$ in thousands)

	2011	2012	2013	2014	2015	2016
Net cash provided by operating activities	\$ 60,385	\$ 41,023	\$ 138,652	\$ 158,318	\$ 206,620	\$ 176,979
Purchases of property and equipment	(18,433)	(37,361)	(29,479)	(33,235)	(26,797)	(22,895)
Purchases of rental equipment ¹	(127,235)	(268,229)	(267,465)	(368,491)	(178,772)	(179,709)
Proceeds from sale of property and equipment	1,382	2,058	2,759	3,657	4,289	3,805
Proceeds from sale of rental equipment	63,358	90,542	114,595	101,426	99,521	84,389
Free cash flow	\$ (20,543)	\$ (171,967)	\$ (40,938)	\$ (138,325)	\$ 104,861	\$ 62,569

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 15.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$28.4	\$28.2	\$35.9	\$44.2	\$51.4	\$38.5