H&E EQUIPMENT SERVICES®

Fourth Quarter 2020 Earnings Conference

Fourth Quarter 2020 Earnings Conference

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

February 17, 2021

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) risks related to the impact of the COVID-19 pandemic, such as the scope and duration of the outbreak, government actions and restrictive measures implemented in response, material delays and cancellations of construction infrastructure projects, supply chain disruptions and other impacts to the business; (2) general economic conditions and construction and industrial activity in the markets where we operate in North America; (3) our ability to forecast trends in our business accurately, and the impact of economic downturns and economic uncertainty on the markets we serve (including as a result of current uncertainty due to COVID-19); (4) trends in oil and natural gas could adversely affect the demand for our services and products; (5) the impact of conditions in the global credit and commodity markets (including as a result of current volatility and uncertainty in credit and commodity markets due to COVID-19) and their effect on construction spending and the economy in general; (6) relationships with equipment suppliers; (7) increased maintenance and repair costs as we age our fleet and decreases in our equipment’s residual value; (8) our indebtedness; (9) risks associated with the expansion of our business and any potential acquisitions we may make, including any related capital expenditures or our ability to consummate such acquisitions; (10) our possible inability to integrate any businesses we acquire; (11) competitive pressures; (12) security breaches and other disruptions in our information technology systems; (13) adverse weather events or natural disasters; (14) 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 (15) other factors discussed in our public filings, including the risk factors included in the Company's most recent Annual Report on Form 10-K and most recent Quarterly Report on Form 10-Q. 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 Income from Operations, 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, Market Conditions, Growth Strategy

- Q4 2020 Summary
- Current Operating Environment
- Pursuing Multiple Growth Opportunities
- Supplemental Company Data
    - Rental Performance
    - Regional Branch Map; Greenfield and Acquisitions Locations
    - End-User Markets and Fleet

Fourth Quarter Financial Overview

- Q4 2020 Results
- 2020 Fleet and Free Cash Flow Update
- Capital Structure Update
- 2020 Financial Results

Question and Answer Session

Brad Barber CHIEF EXECUTIVE OFFICER

Fourth Quarter 2020 Overview, Market Conditions and Growth Strategy

Total Revenue

$315.6M ↓ 9.3% YOY

Physical Utilization

65.4% ↑ 160 bps SEQ

Adjusted EBITDA[1]

$101.6M ↓ 19.8% YOY

Managing Fleet Size

$179.1M ↓ 9.2% 2020 YTD

Total Rental Revenue

$166.8M ↓ 13.9% YOY

Growth Strategy

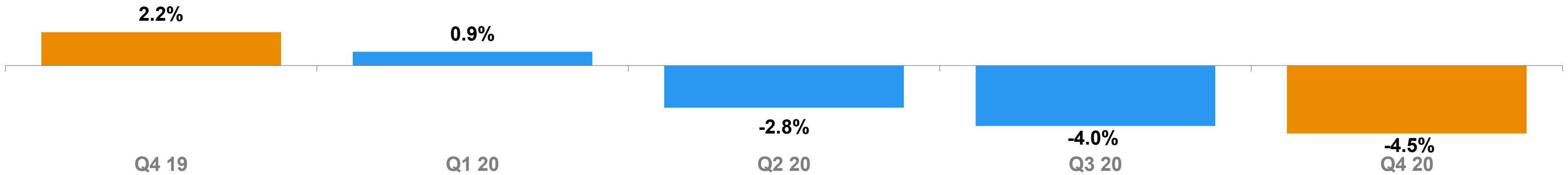
Accelerating ↑

[1]For a reconciliation to GAAP financial measures, see Appendix beginning on Slide 21.

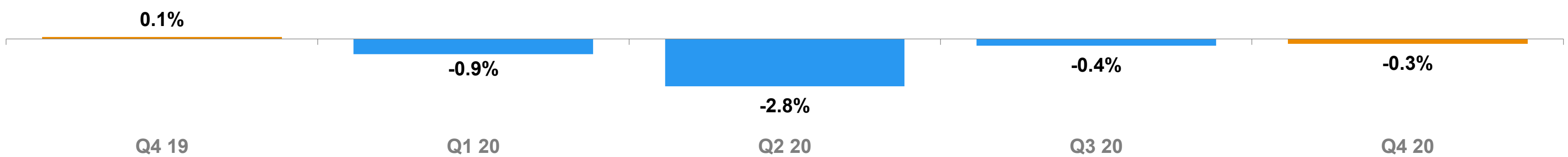
Rental Business Highlights

- Rental revenue decreased 15.1% to $149.6 million compared to $176.3 million in Q4 2019.
- Rental gross margins were 45.1% compared to 50.3% in Q4 2019.
- Rental rates decreased 4.5% over Q4 2019; rates decreased 0.3% sequentially.
- Time utilization (based on OEC) was 65.4% vs. 69.0% in Q4 2019.
- Dollar utilization was 33.5% vs. 36.0% in Q4 2019.

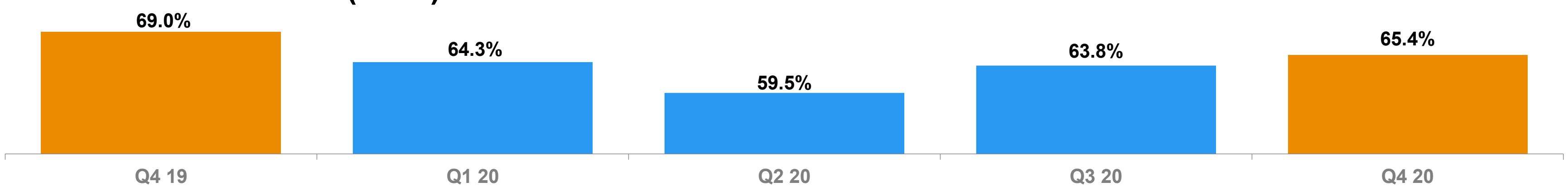
Year-Over-Year Average Rental Rate Trends



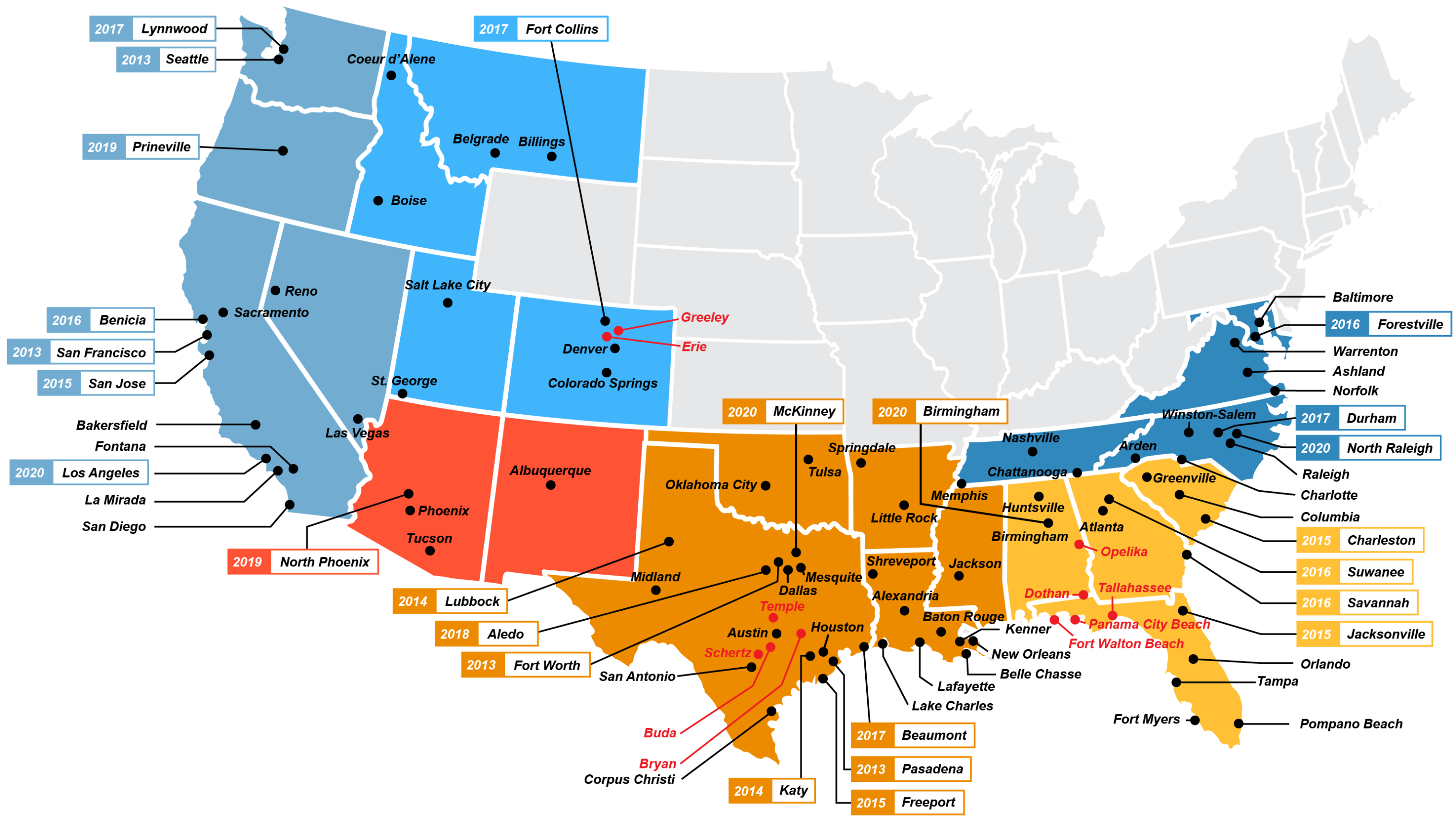
Sequential Average Rental Rate Trends



Time Utilization Trends (OEC)



Regional Branch Map



97

Locations in 23 States

Greenfield Opening Year and Count	
2020	4
2019	2
2018	1
2017	4
2016	4
2015	4
2014	2

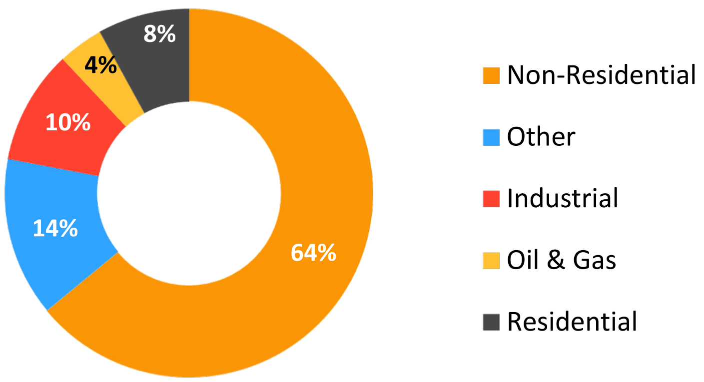
Acquisitions and Location Count	
2019	
We-Rent-It	4
2018	
Rental Inc	5
CEC	2

West Coast	Southwest	Intermountain	Gulf Coast	Southeast	Mid-Atlantic
12% Revenue	6% Revenue	16% Revenue	43% Revenue	11% Revenue	12% Revenue
14% Gross Profit	7% Gross Profit	18% Gross Profit	37% Gross Profit	12% Gross Profit	12% Gross Profit
14 Branches	4 Branches	11 Branches	36 Branches	19 Branches	13 Branches

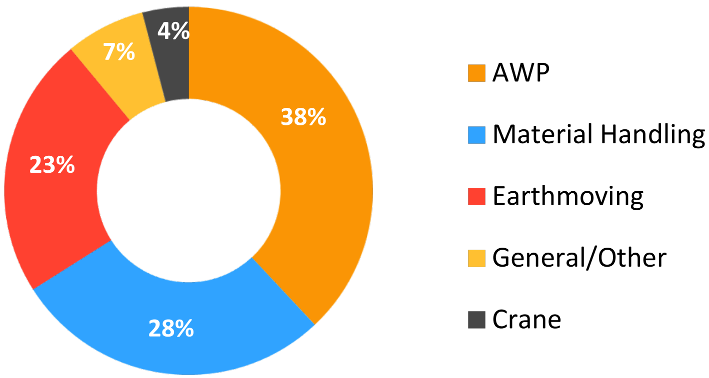
Revenue and gross profit data is as of LTM December 31, 2020.

- 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.
- Oil and gas exposure remains low at 4%.
- Young, well-maintained fleet; 40.9 months as of December 31, 2020 compared to industry average of 51.7 months.

Total Revenues by End Market[1]



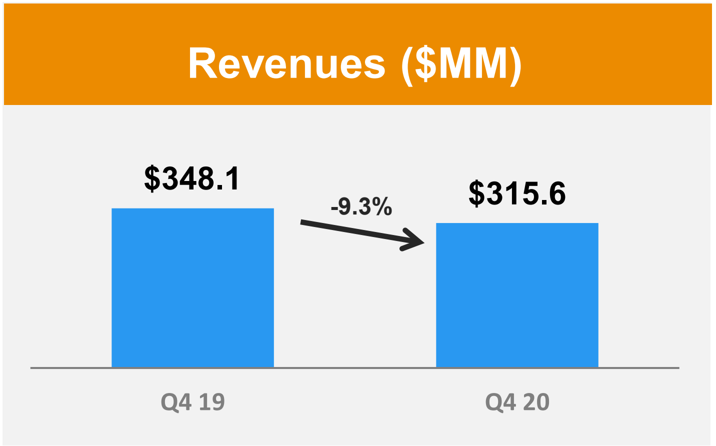
Fleet Mix[2]

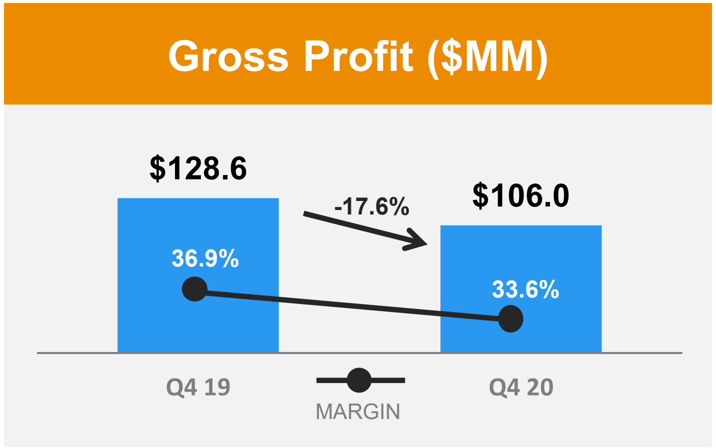


1 – Company data for LTM December 31, 2020.
2 – As of December 31, 2020.

Leslie Magee CHIEF FINANCIAL OFFICER

Fourth Quarter 2020/Fiscal Year 2020 Financial Overview

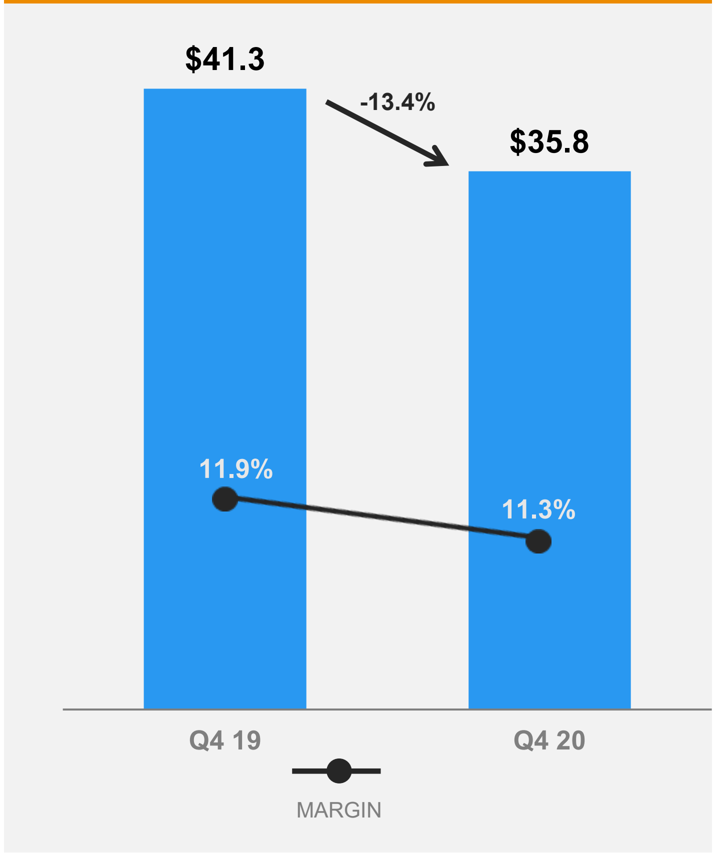




Key Takeaways

- **Revenues decreased 9.3%, or $32.5 million.**
  - Declines in all business segments except Used Equipment Sales.
- **Rental revenue decreased 15.1% to $149.6 million vs. $176.3 million a year ago.**
  - Average rates down 4.5% from a year ago; sequential rates down 0.3%.
  - Utilization at 65.4% (on an OEC basis).
  - Fleet 9.2% smaller than prior year end.
- **New equipment sales decreased 10.3%, or $6.3 million, to $55.1 million.**
  - Decrease is primarily due to significantly lower crane and material handling sales; partially offset by increases in earthmoving and other sales.
- **Used equipment sales increased 13.0%, or $5.5 million, to $47.9 million.**
  - Increase is primarily due to higher sales in all product lines except used crane sales.
- **Gross profit decreased 17.6%, or $22.6 million.**
  - Gross margin was 33.6% vs. 36.9%.
    - Margins by segments Q4 20 vs. Q4 19:
      - Total Equipment Rentals 40.3% vs. 45.6%
        - Rentals 45.1% vs. 50.3%
      - New 10.5% vs. 10.8%
      - Used 31.1% vs. 33.3%
        - Fleet only 32.6% vs. 36.0%
      - Parts 25.3% vs. 26.1%; Service 67.4% vs. 67.6%

Income from Operations ($MM)



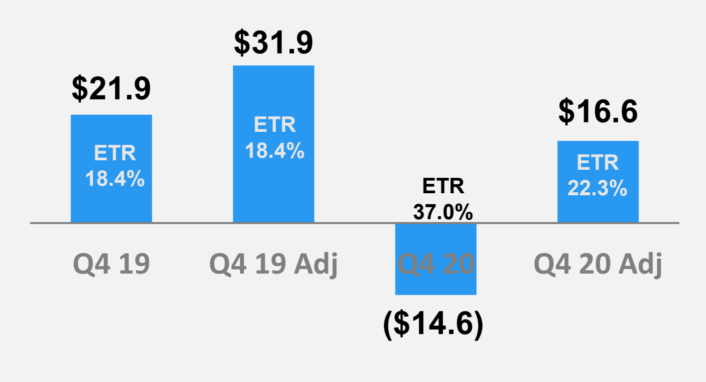
Key Takeaways

- **Income from operations was $35.8 million compared to $41.3 million a year ago.**
- **The Q4 19 period included a non-cash goodwill impairment charge of $12.2 million.**
- **Excluding this item, Q4 19 income from operations was $53.5 million.**
- **Margins decreased to 11.3% in Q4 20 vs. 11.9% in Q4 19; excluding the impairment charge in Q4 19, margins were 15.4%. The net decrease in margin is primarily due to the following:**
  - Lower gross margins in all major business segments.
    - Equipment rental margins decreased 520 basis points.
  - While SG&A costs were lower than the comparable period a year ago, SG&A increased as a percentage of revenues.

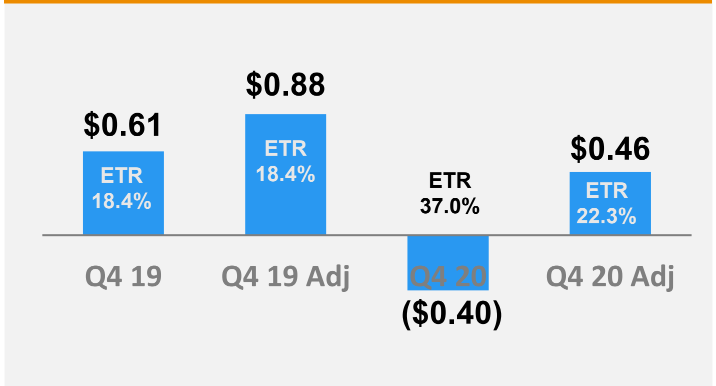
EQUIPMENT SERVICES

Q4 2020 Net Income and Adjusted Net Income

Net Income ($MM)



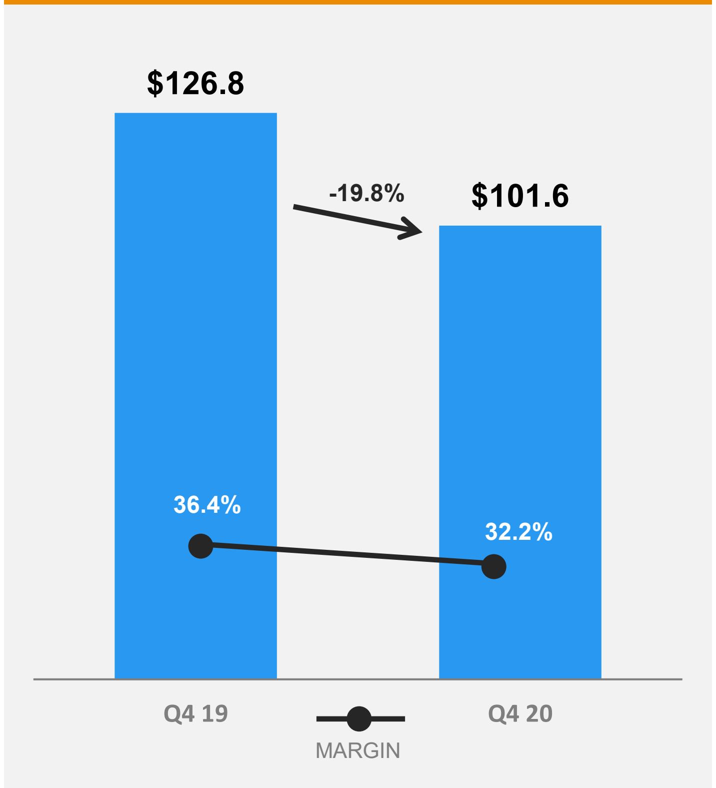
Net Income Per Share ($MM)



Key Takeaways

- **Net loss of $(14.6) million compared to net income of $21.9 million in Q4 19. Adjusted net income was $16.6 million compared to adjusted net income in Q4 19 of $31.9 million.**
- **Diluted net loss per share was $(0.40) vs. diluted net income per share of $0.61 a year ago. Adjusted diluted net income per share in Q4 20 was $0.46 compared to adjusted diluted net income per share of $0.88 in Q4 19.**
  - Effective tax rate ("ETR") was 37.0% vs. 18.4% a year ago. On an adjusted basis, ETR was 22.3% in Q4 20 and 18.4% in Q4 19.

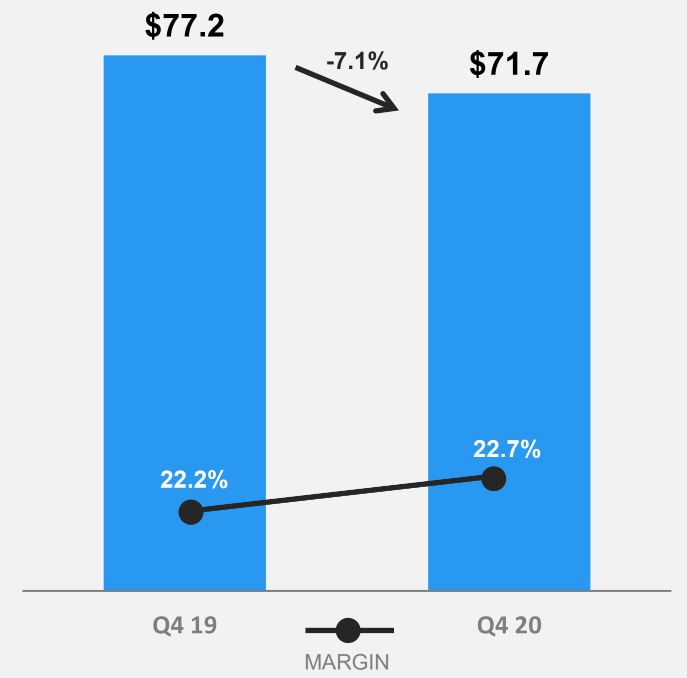
Adjusted EBITDA ($MM)



Key Takeaways

- **Results were Adjusted EBITDA of $101.6 million in Q4 20 compared to $126.8 million a year ago.**
  - Adjusted EBITDA decreased 19.8% on a 9.3% decrease in revenues.
- **Margin was 32.2% compared to 36.4% a year ago primarily due to the following:**
  - Lower margins in all business segments.
    - Equipment rental margins decreased by 520 basis points.
  - While SG&A costs were lower, SG&A increased as a percentage of revenues.

SG&A ($MM)



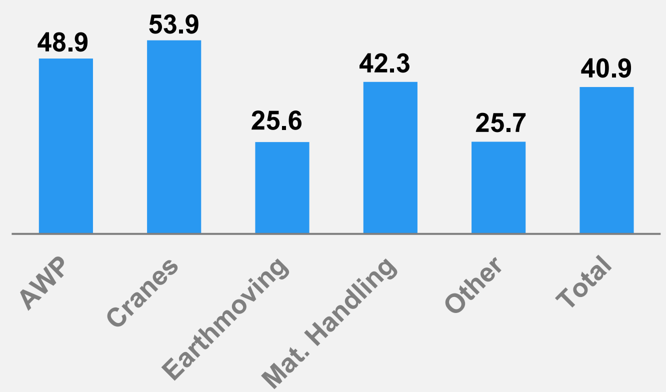
Key Takeaways

- **SG&A was $71.7 million compared to $77.2 million in Q4 19, a $5.5 million decrease.**
  - SG&A as a percentage of revenues was 22.7% compared to 22.2% a year ago.
  - Decrease of $5.0 million in employee salaries, wages, payroll taxes and related employee benefits and other employee related expenses, primarily as a result of lower commissions and incentive pay combined with headcount reductions.
  - Decrease of $1.2 million in bad debt expense and $0.9 million in promotional expenses.
  - These decreases were offset by $1.8 million increase in liability insurance expense.
  - Greenfield branch expansion costs increased $1.7 million compared to a year ago.

Rental Cap-Ex Summary ($MM)

	2014	2015	2016	2017	2018	2019	2020
Gross Rental CapEx[1]	$412.7	$230.2	$218.2	$244.7	$ 440.9	$349.1	$138.8
Sale of Rental Equipment	$(101.4)	$ (99.5)	$ (84.4)	$(96.1)	$(112.0)	$(127.6)	$(141.6)
Net Rental CapEx	$311.3	$130.7	$133.8	$148.6	$328.9	$221.5	$(2.8)

Fleet Age by Type (Months)

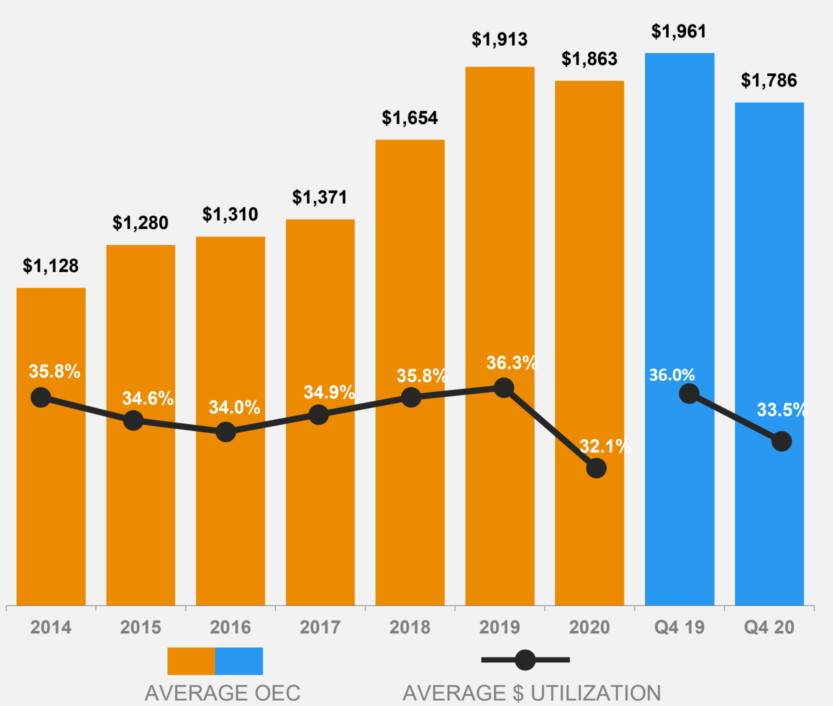


Free Cash Flow Summary ($MM)

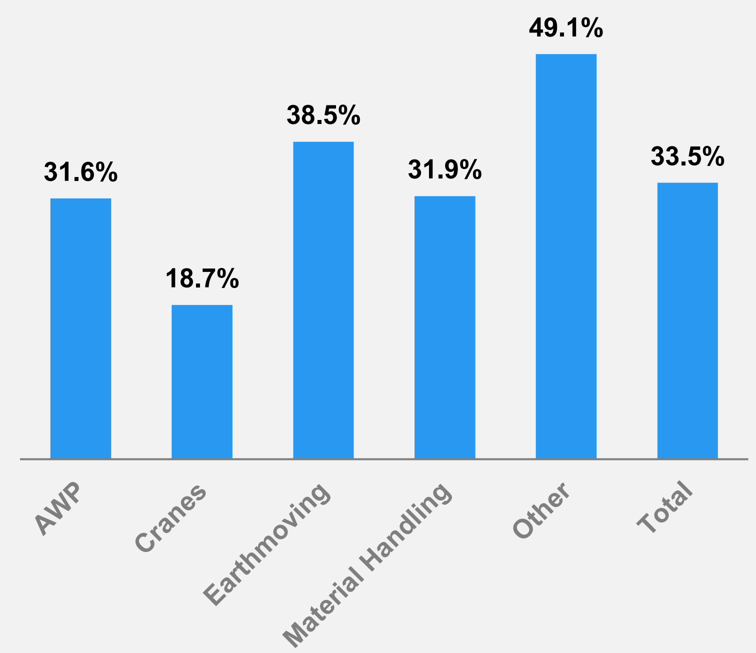
	2014	2015	2016	2017	2018	2019	2020
Free Cash Flow[2]	$(138.3)	$104.9	$62.6	$73.1	$(279.0)	$(6.7)	$307.1

NOTE: Fleet statistics as of December 31, 2020.
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, 2020.
1 – Represents rental revenues annualized divided by the average original equipment cost.

Capital Structure ($MM)

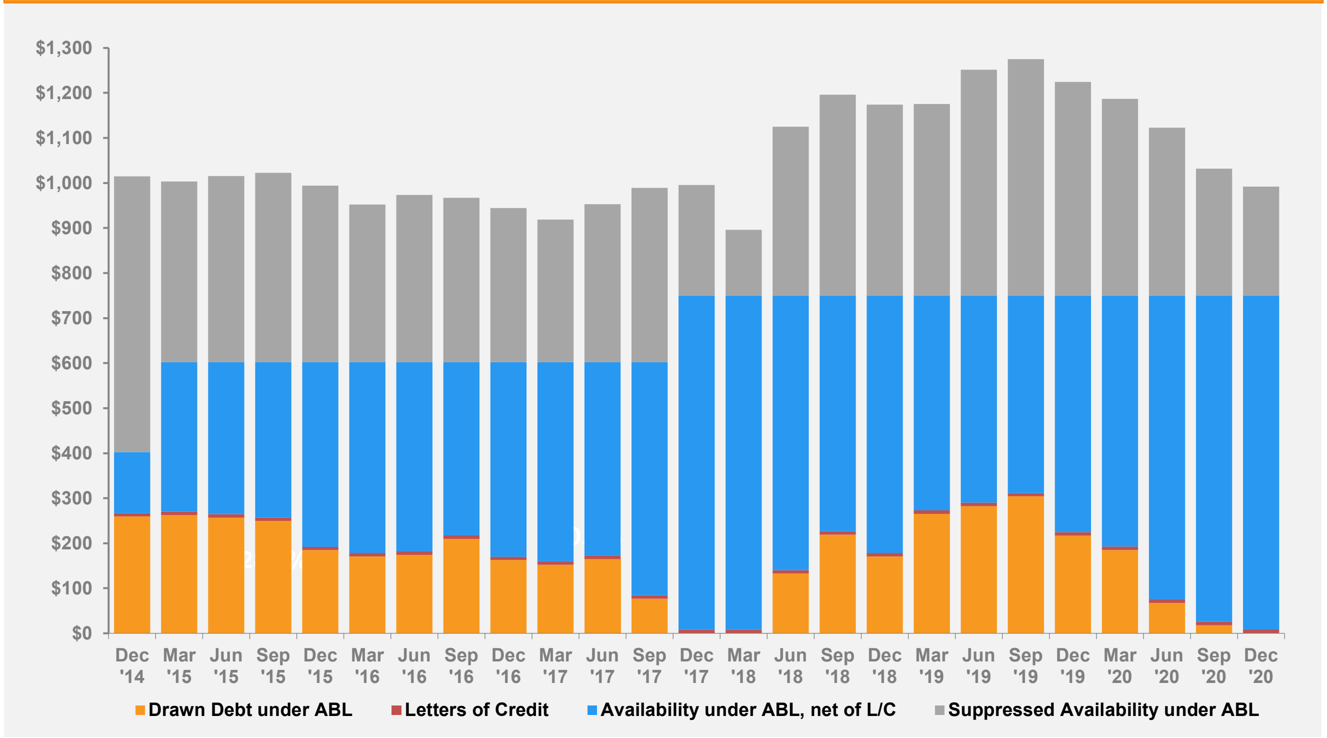
12/31/20	
Cash	**$310.9**
Debt:	
Sr. Sec'd Credit Facility (ABL)	**$0.0**
Senior Unsecured Notes[1]	**1,250.0**
Finance Lease Liabilities	**0.3**
Total Debt	**$1,250.3**
Shareholders' Equity	**238.2**
Total Book Capitalization	**$1,488.5**

Credit Statistics

	2014	2015	2016	2017	2018	2019	2020
Adj. EBITDA[2] /Total Interest Exp.	6.0x	5.9x	5.6x	6.0x	6.4x	6.9x	6.4x
Total Net Debt[3] /Adj. EBITDA[2]	2.8x	2.6x	2.6x	2.4x	2.7x	2.4x	2.4x
Total Debt /Total Capitalization	87.0%	85.1%	84.8%	81.4%	81.4%	79.2%	84.0%

1 – Senior Unsecured Notes exclude $9.3 million of unaccreted discount and $2.0 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; $0.4 million in merger costs and a $12.2 million impairment charge recorded in 2019; a $62.0 million impairment charge in the first quarter of 2020, the impact of the $44.6 million non-recurring item associated with the premiums paid to repurchase and redeem previously outstanding 5.625% senior unsecured notes, the write-off of unaccreted note discount, unamortized note premium, deferred costs associated therewith in the fourth quarter of 2020 and $0.5 million in merger costs recorded in 2020. See Appendix A for a reconciliation of Non-GAAP measures.
3 – Net debt is defined as total debt less cash on hand.

Components of Asset-Backed Loan (ABL) Credit Facility ($MM)



Credit Facility

- **Liquidity under facility.**
  - At December 31, 2020, no outstanding balance under $750 million amended ABL facility.
  - $741.3 million of borrowing availability, net of letters of credit, under the ABL at December 31, 2020.
  - Suppressed availability (supporting asset value in excess of $750 million facility size) under ABL borrowing base certificate was $242.2 million at December 31, 2020.
  - Excess availability under the ABL for purposes of the springing fixed charge covenant was $983.5 million at December 31, 2020.
  - No covenant concern.
    - Minimum excess availability requirement is $75 million, or 10% of the $750 million amended ABL facility.

Revenue/Gross Profit

- Total revenue decreased $179.2 million, or 13.3%, to $1.2 billion.
  - Rental revenue decreased $96.1 million, or 13.8%, to $598.4 million.
  - New equipment sales decreased $72.0 million, or 30.1%, to $167.1 million.
  - Used equipment sales increased $13.8 million, or 9.9%, to $153.2 million.
  - Combined parts and service revenue decreased to $174.8 million from $191.8 million.
- Gross profit decreased $96.6 million, or 19.3%, to $402.6 million; gross margin was 34.4% compared to 37.0% in 2019.

Adjusted EBITDA

- Adjusted EBITDA decreased 16.6% to $394.8 million (33.8% margin) vs. Adjusted EBITDA of $473.2 million (35.1% margin) in 2019.

Net Loss and Adjusted Net Income[1]

- Net loss was $(32.7) million vs. net income of $87.2 million in 2019; adjusted net income was $50.1 million compared to adjusted net income of $96.4 million in 2019.
- Net loss per diluted share was $(0.91) vs. $2.42 in 2019; adjusted net income per diluted share was $1.39 compared to adjusted net income of $2.67 per diluted share in 2019.
- Effective tax rate was 21.1% vs 24.7% in 2019. Excluding the charges, effective tax rate was 23.1% vs 24.7%.

Free Cash Flow

- Free cash flow was $307.1 million compared to a use of free cash flow of $(6.7) million in 2019.

[1]2020 results include a non-cash goodwill impairment charge of $62.0 million that was identified during the first quarter of 2020 in connection with an interim goodwill impairment test necessitated by our identification of certain impairment triggering events associated with the impact to our business from the COVID-19 pandemic. The Company's results also include a fourth quarter $44.6 million non-recurring item associated with the premiums paid to repurchase and redeem the old notes and the write-off of unamortized discount, premium and deferred transaction costs. Our 2019 results reflect a $12.2 million non-cash goodwill impairment charge in the fourth quarter of last year.

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 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 year ended December 31, 2018, as EBITDA adjusted for $0.7 million of acquisition costs. We define Adjusted EBITDA for the year ended December 31, 2019, as EBITDA adjusted for the $12.2 million goodwill impairment charges recorded in the fourth quarter of 2019 and the $0.4 million of transaction costs related to recent acquisitions. We define Adjusted EBITDA for the three month period ended December 31, 2019 and 2020, and for the last twelve months ended December 31, 2020 as EBITDA adjusted for $0.1 million, $0.2 million and $0.5 million, respectively, of transaction costs related to recent acquisitions. We define Adjusted EBITDA for the last twelve months ended December 31, 2020 as EBITDA adjusted for a non-recurring $44.6 million item associated with the premiums paid to repurchase and redeem previously outstanding 5.625% senior unsecured notes and the write-off of unaccreted note discount, unamortized note premium, deferred transaction costs associated therewith and $62.0 million of goodwill impairment charges.

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 Income from Operations, Adjusted Net Income and Adjusted Net Income per Share provide useful information concerning future profitability. However, Adjusted Income from Operations, 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 Income from Operations, 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 presented in a supplemental schedule the disaggregation of our equipment rental revenues to provide further detail in evaluating the period over period performance of our rental business relative to equipment rental gross profit and equipment rental gross margin, and believe these non-GAAP measures may be useful to investors for this reason. However, you should not consider this 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)

	2014	2015	2016	2017	2018	2019	Q4 2019	Q4 2020	2020
Net Income (Loss)	$55,139	$44,305	$37,172	$109,658	$76,623	$87,211	$21,923	$(14,617)	$(32,667)
Interest expense	52,353	54,030	53,604	54,958	63,707	68,277	16,824	15,301	61,790
Provision (Benefit) for income taxes	37,545	31,371	21,858	(50,314)	28,040	28,650	4,931	(8,595)	(8,719)
Depreciation	166,514	186,457	189,697	193,245	233,046	272,368	69,758	63,696	263,330
Amortization of intangibles	-	-	-	-	3,320	4,132	1,041	991	3,987
EBITDA	$311,551	$316,163	$302,331	$307,547	$404,736	$460,638	$114,477	$56,776	$287,721
Loss on early extinguishment of debt[1]	-	-	-	25,363	-	-	-	44,630	44,630
Merger costs, net of merger breakup fee proceeds[1]	-	-	-	(5,782)	708	416	102	195	503
Impairment of goodwill[1]	-	-	-	-	-	12,184	12,184	-	61,994
Adjusted EBITDA	$311,551	$316,163	$302,331	$327,128	$405,444	$473,238	$126,763	$101,601	$394,848

1 Adjustments relate to loss from early extinguishment of debt incurred in the third quarter ended September 30, 2017 and the fourth quarter ended December 31, 2020. 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 goodwill impairment charges in the fourth quarter ended December 31,2019 and in the first quarter ended March 31, 2020.

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

	Three Months Ended December 31,		
	2019 As Reported	Adjustment	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 provision 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 Months Ended December 31,		
	2019 As Reported	Adjustment	2019 As Adjusted
NET INCOME PER SHARE[(1)]			
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)]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 Months Ended December 31,		
	2019 As Reported	Adjustment	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 provision 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 Months Ended December 31,		
	2019 As Reported	Adjustment	2019 As Adjusted
NET INCOME PER SHARE[(1)]			
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)]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 (Loss) and Adjusted Net Income (Loss) per Share (in thousands, except share amounts)

	Three Months Ended December 31,		
	2020 As Reported	Adjustment	2020 As Adjusted
Gross profit	$ 105,999	–	$ 105,999
Selling, general and administrative expenses	71,739	–	71,739
Gain on sale of property and equipment, net	(1,706)	–	(1,706)
Merger costs	195	–	195
Income from operations	35,771	–	35,771
Loss on early extinguishment of debt	(44,630)	44,630	–
Interest expense	(15,301)	–	(15,301)
Other income, net	948	–	948
Income (loss) before provision (benefit) for income taxes	(23,212)	44,630	21,418
Provision (benefit) for income taxes	(8,595)	13,380	4,785
Net income (loss)	$ (14,617)	$ 31,250	$ 16,633

	Three Months Ended December 31,		
	2020 As Reported	Adjustment	2020 As Adjusted
NET INCOME (LOSS) PER SHARE [1]			
Basic – Net income (loss) per share	$ (0.40)	$ 0.86	$ 0.46
Basic – Weighted average number of common shares outstanding	36,161	36,161	36,161
Diluted – Net income (loss) per share	$ (0.40)	$ 0.86	$ 0.46
Diluted – Weighted average number of common shares outstanding	36,161	36,300	36,300

[1] 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 (Loss) and Adjusted Net Income (Loss) per Share (in thousands, except share amounts)

	Twelve Months Ended December 31,		
	2020 As Reported	Adjustments	2020 As Adjusted
Gross profit	$ 402,619	–	$ 402,619
Selling, general and administrative expenses	289,264	–	289,264
Impairment of goodwill	61,994	(61,994)	–
Gain on sale of property and equipment, net	(10,966)	–	(10,966)
Merger costs	503	–	503
Income from operations	61,824	61,994	123,818
Loss on early extinguishment of debt	(44,630)	44,630	–
Interest expense	(61,790)	–	(61,790)
Other income, net	3,210	–	3,210
Income (loss) before provision (benefit) for income taxes	(41,386)	106,624	65,238
Provision (benefit) for income taxes	(8,719)	23,809	15,090
Net income (loss)	$ (32,667)	$ 82,815	$ 50,148

	Twelve Months Ended December 31,		
	2020 As Reported	Adjustments	2020 As Adjusted
NET INCOME (LOSS) PER SHARE (1)			
Basic – Net income (loss) per share	$ (0.91)	$ 2.30	$ 1.39
Basic – Weighted average number of common shares outstanding	36,067	36,067	36,067
Diluted – Net income (loss) per share	$ (0.91)	$ 2.29	$ 1.39
Diluted – Weighted average number of common shares outstanding	36,067	36,185	36,185

(1) 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)

	2014	2015	2016	2017	2018	2019	2020
Net cash provided by operating activities	$158,318	$206,620	$176,979	$226,199	$247,211	$319,218	$286,015
Acquisition of business, net of cash acquired	-	-	-	-	(196,027)	(106,746)	-
Purchases of property and equipment	(33,235)	(26,797)	(22,895)	(22,515)	(34,960)	(43,111)	(18,664)
Purchases of rental equipment[1]	(368,491)	(178,772)	(179,709)	(234,209)	(416,600)	(309,654)	(116,363)
Proceeds from sale of property and equipment	3,657	4,289	3,805	7,506	9,261	6,050	14,524
Proceeds from sale of rental equipment	101,426	99,521	84,389	96,143	112,086	127,558	141,594
Free cash flow	$(138,325)	$104,861	$62,569	$73,124	$(279,029)	$(6,685)	$307,106

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 16.

Transfers from New and Used Inventory ($MM)

	2014	2015	2016	2017	2018	2019	2020
Transfers of new and used inventory	$44.2	$51.4	$38.5	$10.5	$24.3	$39.5	$22.4

Unaudited Reconciliation of Non-GAAP Financial Measures (Amounts in thousands)

	Three Months Ended		Twelve Months Ended	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
RENTAL REVENUES				
Equipment rentals [(1)]	$ 149,608	$ 176,253	$ 598,425	$ 694,547
Rentals other	17,223	17,538	64,568	71,807
Total equipment rentals	166,831	193,791	662,993	766,354
RENTAL COST OF SALES				
Rental depreciation	56,584	62,133	233,809	243,780
Rental expense	25,597	25,403	100,058	105,079
Rental other	17,347	17,871	65,194	70,613
Total rental cost of sales	99,528	105,407	399,061	419,472
RENTAL REVENUES GROSS PROFIT (LOSS)				
Equipment rentals	67,427	88,717	264,558	345,688
Rentals other	(124)	(333)	(626)	1,194
Total rental revenues gross profit	67,303	88,384	263,932	346,882
RENTAL REVENUES GROSS MARGIN				
Equipment rentals	45.1%	50.3%	44.2%	49.8%
Rentals other	-0.7%	-1.9%	-1.0%	1.7%
Total rental revenues gross margin	40.3%	45.6%	39.8%	45.3%

[1] Pursuant to SEC Regulation S-X, our equipment rental revenues are aggregated and presented in our unaudited consolidated statements of operations as a single line item, “Equipment Rentals”. The above table disaggregates our equipment rental revenues for discussion and analysis purposes only.

H&E Equipment Services®

RENTALS / SALES / PARTS / SERVICE