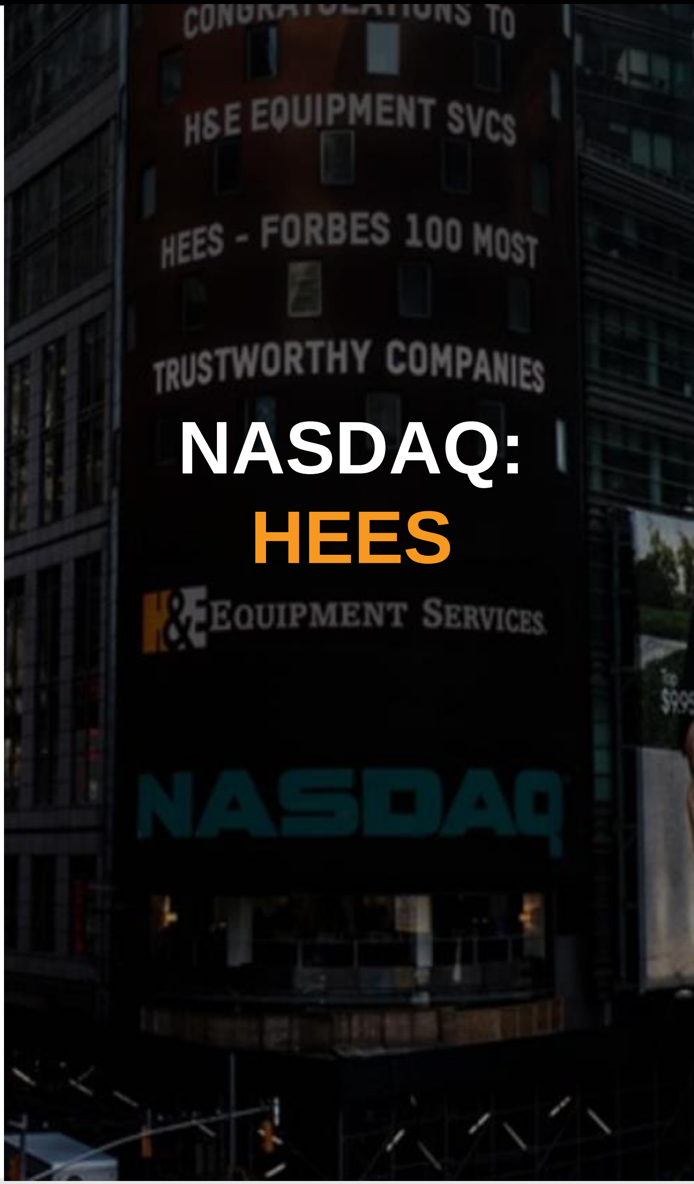
H&E Equipment Services®

First Quarter 2017 Earnings Conference

First Quarter 2017
Earnings Conference

John Engquist CHIEF EXECUTIVE OFFICER
Brad Barber PRESIDENT, CHIEF OPERATING OFFICER
Leslie Magee CHIEF FINANCIAL OFFICER
Kevin Inda VICE PRESIDENT OF INVESTOR RELATIONS

April 27, 2017



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; (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 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.

First Quarter Overview

- Q1 2017 Summary
- Regional Update
- Oil and Gas Update
- Current Market Conditions

First Quarter 2017 Financial Overview

- Q1 2017 Results
- 2017 Fleet and Free Cash Flow Update
- Capital Structure Update

Conclusion

Question and Answer Session

John Engquist
CHIEF EXECUTIVE OFFICER

First Quarter 2017 Overview

First Quarter Summary

- First quarter trends reinforced expectations for 2017.
- Rental demand remained strong, with solid year-over-year growth.
- Crane distribution business remains challenging.
- Energy activity in Permian Basin continues to increase.

Revenue/Gross Margin

- Total revenue decreased 8.2% or $20.2 million to $226.8 million vs. $247.0 million in Q1 2016.
- New equipment sales down 40.1%, or $22.9 million vs. Q1 2016 to $34.3 million.
- Gross margin increased to 34.2% vs. 32.9% in year ago quarter.

EBITDA

- EBITDA was $68.8 million (30.3% margin) vs. Q1 2016 EBITDA of $69.1 million (28.0% margin).

Net Income

- Net income was $5.4 million vs. net income of $5.6 million in Q1 2016.
- Net income per share was $0.15 vs. $0.16 a year ago.

Fleet Utilization

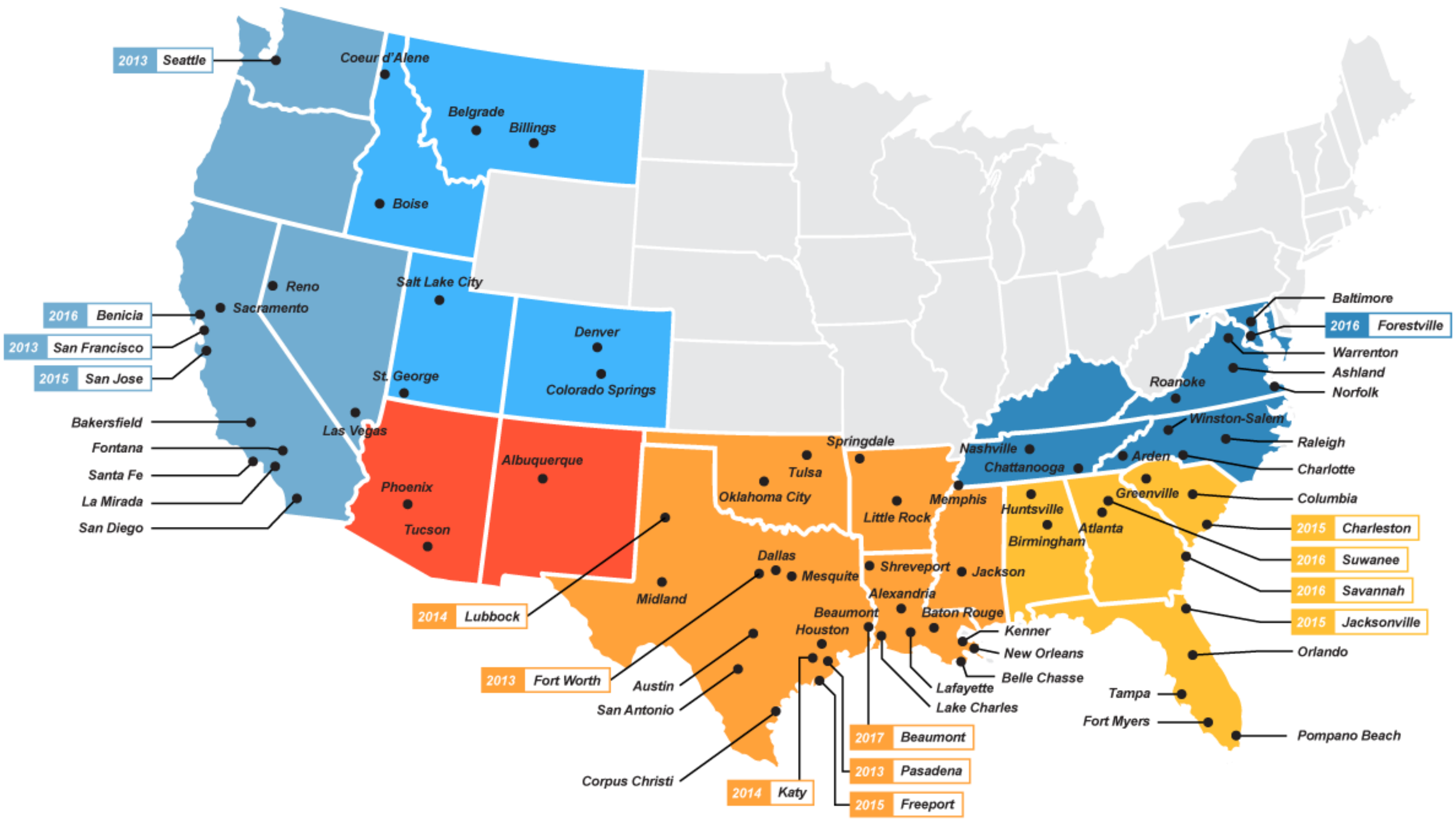
- Time utilization (based on OEC) was 68.5% vs. 66.3% in Q1 2016.
- Time utilization (based on units) was 66.0% vs. 64.6% in Q1 2016.

Rental Business Highlights

- Rental revenue increased 4.4% to $107.3 million compared to $102.8 million in Q1 2016.
- Rental gross margins were solid at 44.8% vs. 45.3% in Q1 2016.
- Rental rates decreased only 0.5% over Q1 2016; rates decreased 0.9% sequentially.
- Dollar utilization was 32.4% vs. 32.2% in Q1 2016.

H&E EQUIPMENT SERVICES

Regional Map / Greenfield Locations



78
Total Locations

Greenfield Opening Year and Count

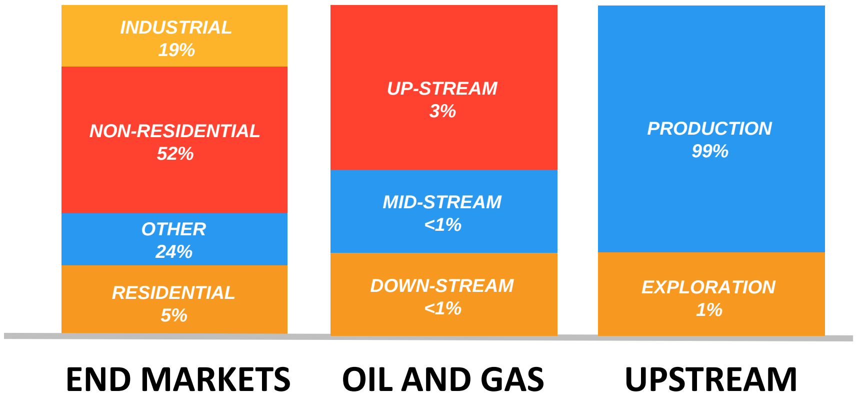
2017 – 1
2016 – 4
2015 – 4
2014 – 2
2013 – 4

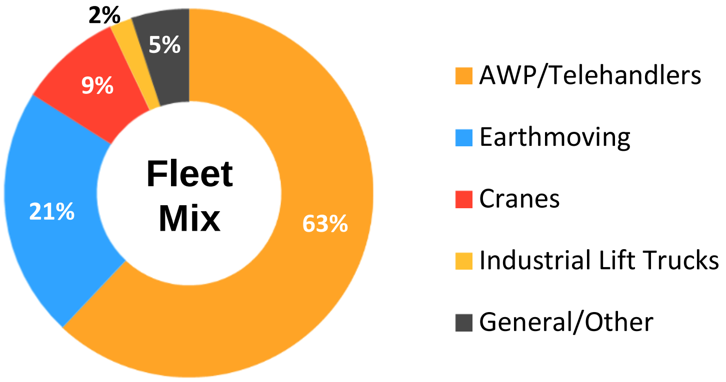
West Coast	Southwest	Intermountain	Gulf Coast	Southeast	Mid-Atlantic
12% Revenue	5% Revenue	12% Revenue	46% Revenue	9% Revenue	16% Revenue
14% Gross Profit	5% Gross Profit	13% Gross Profit	41% Gross Profit	11% Gross Profit	16% Gross Profit
13 Branches	3 Branches	7 Branches	30 Branches	13 Branches	12 Branches

End Markets / Oil and Gas Exposure

- **Shale drillers in Permian and Eagle Ford basins continuing to ramp exploration activity.**
- **Of the 824 total rigs operating in the U.S. on March 31st, 543 or 66% of these rigs were drilling in our operating regions.**
- **Majority of our O&G exposure is in Gulf Coast region at 81% of our total ~5% O&G exposure. Texas alone represents 66% of our Gulf Coast O&G exposure.**
- **Time utilization in four Texas stores with heavy oil and gas markets averaged 72.1% during 1Q on a combined basis, up from 71.7% in 4Q.**
- **Potential near-term benefit to rental, parts, and service businesses.**
- **Fleet is 100% transferrable; no specialized fleet.**

Oil and Gas accounts for ~5% of Total Revenue in Q1 2017





Non-residential construction activity remains healthy; current trends encouraging.

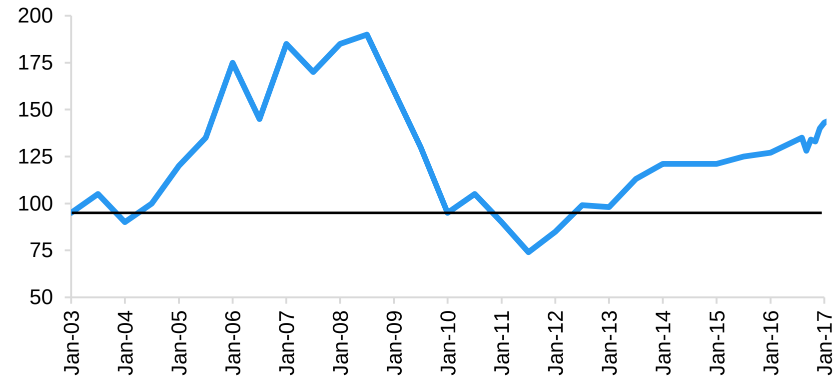
Key industry indicators remain positive:

- DMI running at eight-year highs; risen for six consecutive months.
- ABI hit 10-year high at 55.9 in December; continues to indicate expansion market.
- Non-residential construction starts and construction put in place continue to suggest an extended cycle.
- Construction employment reached eight-year high in March; continued growth forecast for 2017.

Uncertainty remains regarding pro-industry impacts from the new administration.

Dodge Momentum Index (DMI)

Source: Dodge Data & Analytics



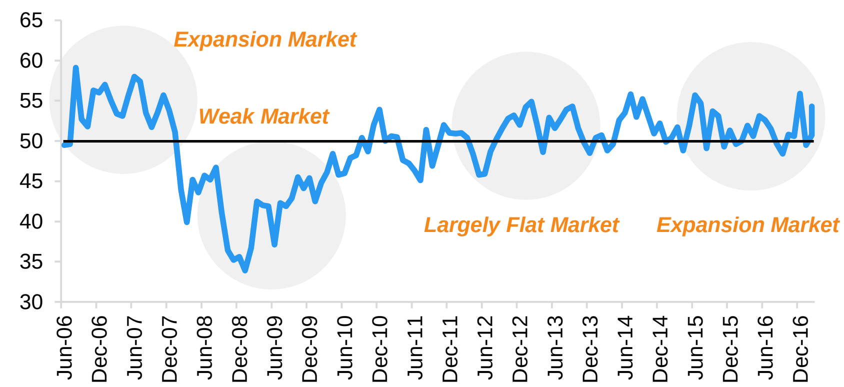
Projected Construction Growth

	2016	2017	2018
Dodge Data and Analytics	1%	5%	8%
IHS-Global Insight	4%	4%	4%

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

Architectural Billing Index

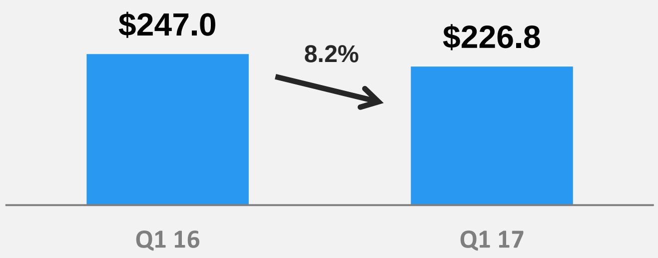
Source: American Institute of Architects



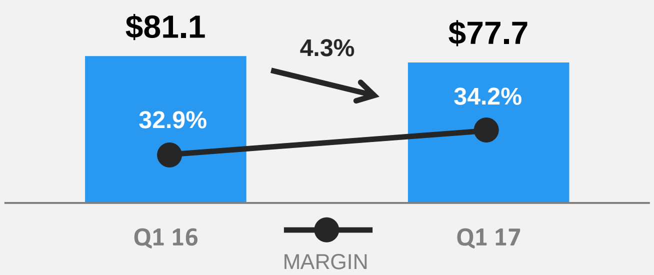
Leslie Magee CHIEF FINANCIAL OFFICER

First Quarter 2017 Financial Overview

Revenues ($MM)

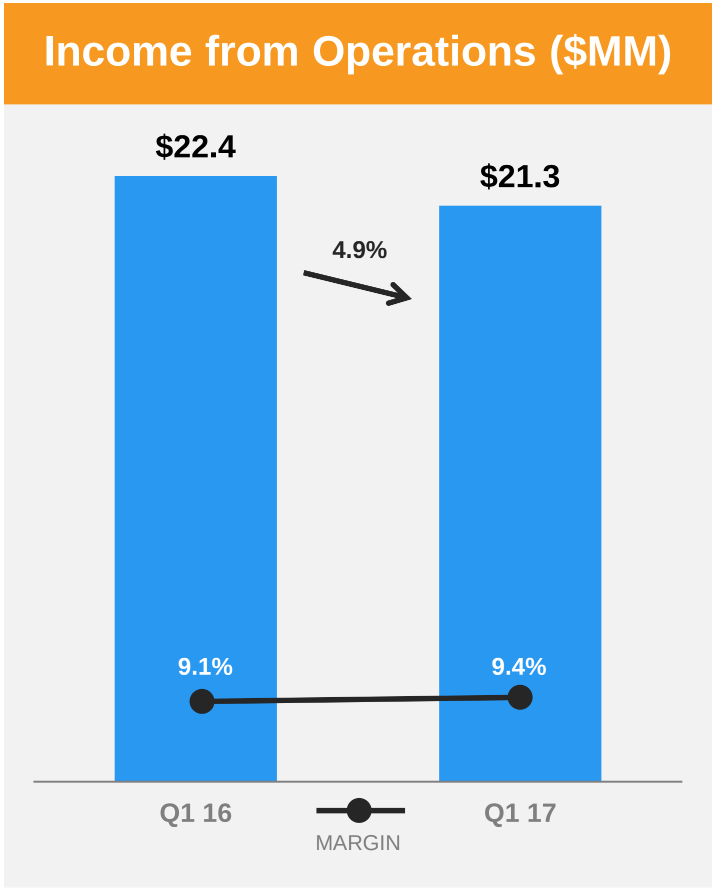


Gross Profit ($MM)



Key Takeaways

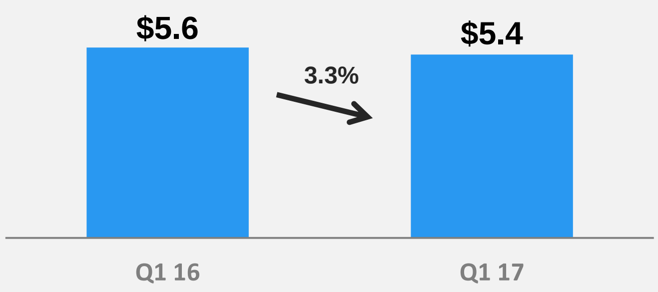
- **Revenues decreased 8.2%, or $20.2 million.**
- **Rental revenue increased 4.4% to $107.3 million vs. $102.8 million a year ago.**
  - Average rates down only 0.5% from a year ago.
  - Utilization increased 220 basis points to 68.5% vs. 66.3% a year ago (on an OEC basis).
  - Utilization increased in all product lines compared to a year ago.
- **New equipment sales decreased 40.1%, or $22.9 million.**
  - New crane sales decreased 73.5%, or $17.3 million
- **Gross profit decreased 4.3%, or $3.5 million.**
  - Gross margin was 34.2% vs. 32.9%
    - Margins by segments Q1 17 vs. Q1 16:
      - Rentals 44.8% vs. 45.3%
      - New 11.4% vs. 11.7%
      - Used 31.2% vs. 32.9%
        - Fleet only 34.7% vs 36.7%
      - Parts 28.1% vs. 27.6%
      - Service 66.9% vs. 67.5%



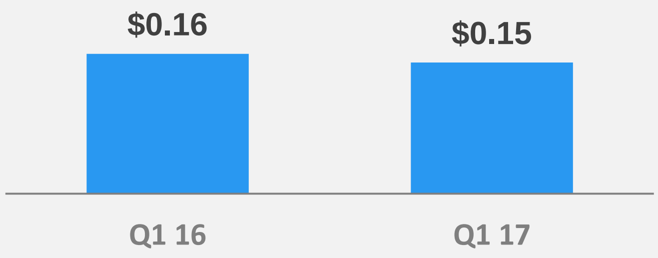
Key Takeaways

- **Income from operations decreased 4.9% to $21.3 million compared to $22.4 million a year ago on lower revenues.**
  - Margins increased to 9.4% in Q1 17 vs. 9.1% in Q1 16.
    - Revenues decreased 8.2%.
    - Gross profit decreased 4.3%.
    - SG&A decreased 3.5%.
      - See slide 16 – SG&A.

Net Income ($MM)



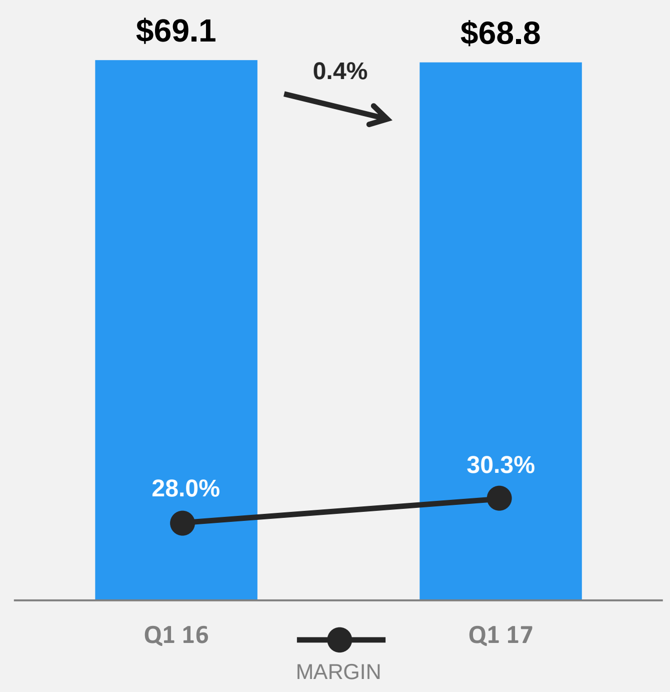
Net Income Per Share ($MM)



Key Takeaways

- **Net income of $5.4 million compared to net income of $5.6 million in Q1 16.**
  - Effective tax rate was 36.8% vs. 41.0% a year ago.
- **Diluted net income per share was $0.15 vs. diluted net income per share of $0.16 a year ago.**

EBITDA ($MM)

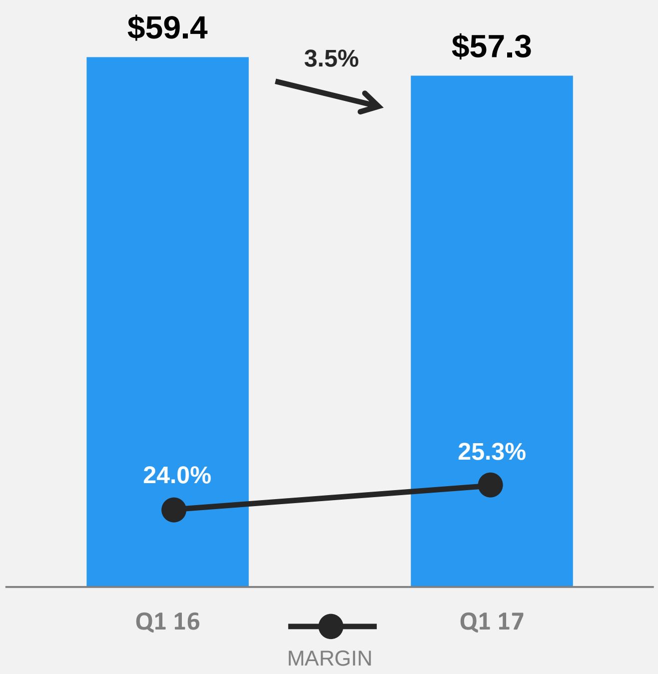


Key Takeaways

- **EBITDA decreased only 0.4% on an 8.2% decrease in revenue.**
  - Results were EBITDA of $68.8 million in Q1 2017 compared to $69.1 million a year ago.
- **Margin was 30.3% compared to 28.0% a year ago.**

Q1 2017 SG&A Expense

SG&A ($MM)



Key Takeaways

- **$2.1 million, or 3.5% decrease.**
    - SG&A as a percentage of revenue was 25.3% compared to 24.0% in Q1 16.
    - Expenses related to branch expansions increased $0.5 million compared to a year ago.

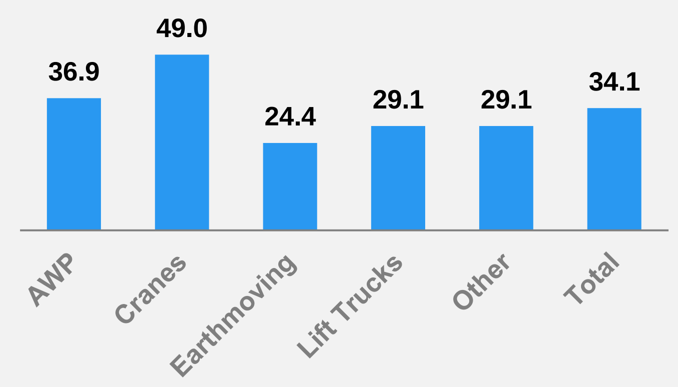
H&E Equipment Services

2017 Fleet and Free Cash Flow Update

Rental Cap-Ex Summary ($MM)

	2012	2013	2014	2015	2016	Q1 2016	Q1 2017
Gross Rental CapEx[1]	$296.4	$303.3	$412.7	$230.2	$218.2	$ 34.6	$ 40.8
Sale of Rental Equipment	$ (90.5)	$(114.6)	$(101.4)	$ (99.5)	$ (84.4)	$ (24.2)	$ (24.8)
Net Rental CapEx	$205.9	$188.7	$311.3	$130.7	$133.8	$ 10.4	$ 16.0

Fleet Age by Type (Months)

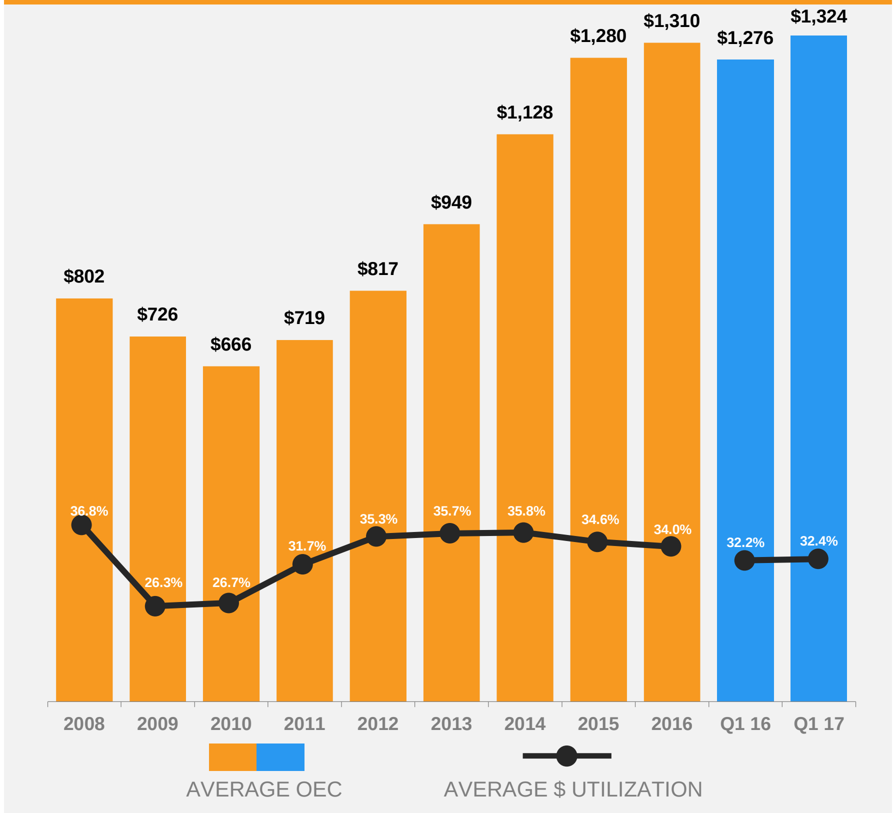


Free Cash Flow Summary ($MM)

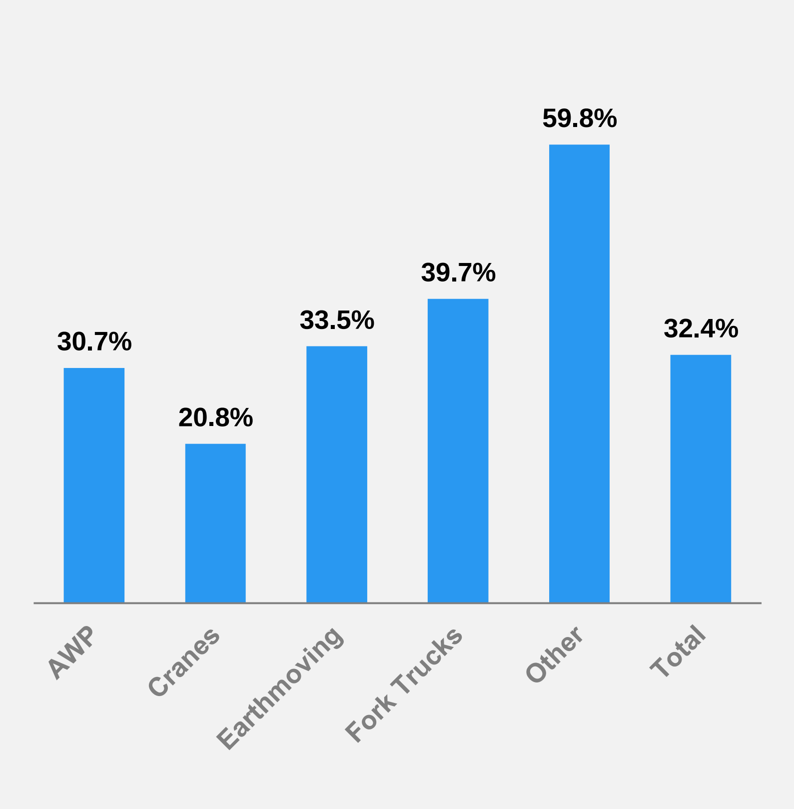
	2012	2013	2014	2015	2016	Q1 2016	Q1 2017
Free Cash Flow[2]	$(172.0)	$ (40.9)	$(138.3)	$104.9	$ 62.6	$ 21.2	$ 17.5

NOTE: Fleet statistics as of March 31, 2017.
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 Flow.
2 – 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 Statistics[1] ($MM)



$ Utilization by Equipment Type[1]



Note: Fleet statistics as of March 31, 2017.
1 – Represents rental revenues annualized divided by the average original equipment cost.

Capital Structure ($MM)

3/31/17	
Cash	**$5.0**
Debt:	
Sr. Sec'd Credit Facility (ABL)	**$152.4**
Senior Unsecured Notes[1]	**$630.0**
Capital Leases Payable	**$1.6**
Total Debt	**$784.0**
Shareholders' Equity	**$140.4**
Total Book Capitalization	**$924.4**

Credit Statistics

	2012	2013	2014	2015	2016	LTM Q1 2017
Adj. EBITDA[2] /Total Interest Exp.	5.8x	5.0x	6.0x	5.9x	5.6x	5.7x
Total Net Debt[3] /Adj. EBITDA[2]	3.3x	2.8x	2.8x	2.6x	2.6x	2.6x
Total Debt /Total Capitalization	93.4%	88.6%	87.0%	85.1%	84.8%	84.8%

1 – Senior Unsecured Notes exclude $7.0 million of unaccreted note discount and $4.8 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.

John Engquist CHIEF EXECUTIVE OFFICER

Conclusion

- **First quarter, current trends, market indicators reinforce positive outlook for year:**
  - Major 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 continue to improve.
  - Potential for incremental industry acceleration with new administration.
- **Conservative approach to 2017 fleet investment, divesting less rental fleet.**
- **Continuing Greenfield growth strategy.**
- **Paid eleventh consecutive quarterly cash dividend on March 10, 2017.**

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. 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 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 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.

EBITDA and Adjusted EBITDA GAAP Reconciliation ($ in thousands)

	2012	2013	2014	2015	2016	Q1 2016	Q1 2017
Net Income	$28,836	$44,140	$55,139	$44,305	$37,172	$5,574	$5,390
Interest expense	35,541	51,404	52,353	54,030	53,604	13,407	13,232
Provision for income taxes	15,612	21,007	37,545	31,371	21,858	3,881	3,140
Depreciation	116,447	138,903	166,514	186,457	189,697	46,199	46,998
Amortization of intangibles	66	-	-	-	-	-	-
EBITDA	$196,502	$255,454	$311,551	$316,163	$302,331	$69,061	$68,760
Loss on early extinguishment of debt[1]	10,180	-	-	-	-	-	-
Adjusted EBITDA	$206,682	$255,454	$311,551	$316,163	$302,331	$69,061	$68,760

1 – Adjustments relate to loss from early extinguishment of debt incurred in the third quarter ended September 30, 2012.

Free Cash Flow GAAP Reconciliation ($ in thousands)

	2012	2013	2014	2015	2016	Q1 2016	Q1 2017
Net cash provided by operating activities	$41,023	$138,652	$158,318	$206,620	$176,979	$13,738	$30,607
Purchases of property and equipment	(37,361)	(29,479)	(33,235)	(26,797)	(22,895)	(4,966)	(5,804)
Purchases of rental equipment[1]	(268,229)	(267,465)	(368,491)	(178,772)	(179,709)	(12,620)	(33,979)
Proceeds from sale of property and equipment	2,058	2,759	3,657	4,289	3,805	837	1,848
Proceeds from sale of rental equipment	90,542	114,595	101,426	99,521	84,389	24,195	24,803
Free cash flow	$(171,967)	$(40,938)	(138,325)	$104,861	$62,569	$21,184	$17,475

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 ($ in thousands)

	2012	2013	2014	2015	2016	Q1 2016	Q1 2017
Transfers of new and used inventory	$28.2	$35.9	$44.2	$51.4	$38.5	$21.9	$6.8

H&E Equipment Services®

RENTALS | SALES | PARTS | SERVICE